STEERING THROUGH HOW ORGANIZATIONS NEGOTIATE PERMANENT UNCERTAINTY AND UNRESOLVABLE CHOICES

It is easy to observe instances of contradictions and dilemmas that multinational companies, public bureaucracies, and individuals encounter as they seek resources and markets in a globally-linked world. The default condition for such entities is that they are being constantly stretched apart by global and local processes that are multiple, intertwined, contradictory and irreconcilable. Through qualitative studies of two such organizational environments, this thesis describes its unpredictable nature and highlights the deftness and dexterity required from actors to steer the organizations they manage through this complex thicket and promote the interests they espouse. The first case suggests that when faced with intractable dilemmas emanating from their global activity, multinational actors resort to arbitrary moral commitments. The second case suggests that powerless organizations relying on mutually contradictory political alliances may deliberately opt for hypocrisy; the strategy continues to be preferred in spite of having resulted in a near-death experience in its past. Jointly, these cases support concepts in business ethics and organization theory that incorporate conflict, contradictions, and contingent causality into their explanations as they provide a better reflection of contemporary multinational and organizational activity.
Steering Through:

How organizations negotiate permanent uncertainty and unresolvable choices
Steering Through:

How organizations negotiate permanent uncertainty and unresolvable choices.

De kunst van laveren: Hoe organisaties omgaan met voortdurende onzekerheid en onoplosbare keuzes.

Thesis
to obtain the degree of doctor from the Erasmus Universiteit Rotterdam by command of the rector magnificus Prof.dr. H.G. Schmidt

and in accordance with the decision of the Doctorate Board.

The public defence shall be held on Friday 30th September 2011 at 9:30 hours by

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Prof.dr. G.M. Whiteman
To my family and friends..

.. for reasons the lucky few know.
**Acknowledgements**

I have benefited from the affection and inspiration from from at least three groups, which for ease of categorization, I will call as Dutch, Indian, and if I may, cosmopolitan. Each can be divided into many more categories – family, friends, colleagues, and organizations. To avoid a lengthy acknowledgment section and to help me ensure that I do not miss anyone out, I developed a matrix below based on the categories just created.

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<tr>
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<th>Family</th>
<th>Friends</th>
<th>Colleagues</th>
<th>Organizations</th>
</tr>
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<tbody>
<tr>
<td><strong>Dutch</strong></td>
<td>Nimu, Jinesh,</td>
<td>Guido, Jos, Jan Kees, Ria</td>
<td>Slawek, Babs, Marisa, Tineke (ERIM), Steef, Jan, Frank, Louk.</td>
<td>ERIM, Westholland, Koorenhus, Alzheimer Nederlands, WFIA</td>
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<td>Wim &amp; Thea, Virendya, Kath, Pursey.</td>
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<td><strong>Indian</strong></td>
<td>Babyamma, Achan, Babuchettan (+4), Santoshettan (+4), Chetan (+2), Panchuchechi (+2)</td>
<td>Raghu (+3), Kuttan (+1), Rati, Hari, Ritesh, Vishakha, Vinay, Ajay.</td>
<td></td>
<td>Fibers and Fabrics, CIVIDEP, Dutch Embassy/Consulate in India.</td>
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<tr>
<td><strong>Cosmopolitan</strong></td>
<td>Remachechi, Thampichettan</td>
<td>Paula, Regina Kate, Sergey, Bettina, Natalia, Bernando, Johannes, Nafila (+1), Hassan, Lupe.</td>
<td>Des, Peter, Joop, Gail.</td>
<td>ISS, IDCL, ICN, Clean Clothes Campaign</td>
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</table>

Of course, this matrix proves the inadequacy of two dimensions if one intends to capture the complexity of a social environment - most individuals could easily fit into more than one box and often populated different boxes at different stages. However, I hope those mentioned will be now be aware of the important roles they have played and my deep gratitude for each of the unique ways in which they supported me in writing up this thesis. All errors, however, are my own.
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Chapter 1: Steering Through Unpredictability: How Organizations Negotiate Permanently Transforming Landscapes

1. INTRODUCTION TO THE CENTRAL THEME.

Consider the following tensions and negotiations:

1. Multinationals who run sweatshops in the Third World are perceived as providers in that country, while accused of being heartless, profit-seeking exploiters in the home country.

2. NGOs and other civil society and social movements that argue for better working conditions for labour in Third World countries are surprised by the lack of support for their position from the very workers they hope to liberate.

3. The same politicians and diplomats who argue for free trade and access to foreign markets resort to nationalist and protectionist arguments when they return home.

4. Politicians belonging to political parties with liberal ideologies publicly oppose global standards, and others that claim leftist ideologies prefer to close their eyes to conditions for workers elsewhere.

5. Organizations capable of improving prefer not to do so, even after their inefficiencies have caused them to fail.

The tensions described above are observations from the two cases in this study. These are a few of the many instances of contradictions and dilemmas that multinational companies, public bureaucracies, and individuals encounter as they seek resources and markets in globally-linked societies. The default condition for such entities is that they are being stretched apart by processes that are multiple and intertwined, often contradictory and irreconcilable.
At the structural level this thesis is about the shared nature of risks and the demise of the nation state (Beck, 2002; Archibugi, Held & Köhler M 1998), the opposing view that argues the relevance of the resurgence of nationalism (Hay, 2005; Hirst, 1997), and the compromise view that highlights “global–local” tension (Sassen, 2000; Dicken, 2003, Djelic & Quack, 2002). At the individual level, these structural features affect or are affected by moral dilemmas in transnational business activity and Kantian ethics (Nussbaum, 1992; Arnold and Bowie, 2003; Sollars and Engelander, 2003), the resolution or perpetuation of organizational contradictions (Benson, 1977), the dialectical nature of the resources it needs (Benson, 1977; Zeitz, 1980), and deliberate organizational hypocrisy after a crisis (Shrivastava, 1988; Starbuck, 2009; Brunsson, 1994). The cases discussed in the following chapters are examples and sites of these debates.

The central theme of this Introduction is to provide outlines of the main argument, introduce the ontological assumptions, and provide an overview of the methodological approaches employed in both cases.

Outline of the Thesis.

Drawing from Coleman’s (1986) theoretical explanation of social action (Fig 1), this thesis tries to focus on the causal connections between structure and agency, agency and agency, and agency and structure in the theoretical debates alluded to above. First, I give a very short summary of Coleman’s vision of social research based on the assumptions of human action and how these actions combine to create societal systems.

Fundamental to understanding Coleman’s view are individuals who are seen as “purposeful and goal directed, guided by interests…and by the rewards and constraints imposed by the social environment” (Coleman, 1986: 1310). In this view, the purpose is limited to the individual, and not applied at the level of societies and systems. Organizations can be accepted as capable of purposive action in special cases, though their coherence in purpose itself becomes the problematic (Coleman, 1986). Coleman therefore formulates the central theoretical problems in sociology in two parts: “how the purposive actions of the actors combine to bring about system-level
behaviour, and how those purposive actions are in turn shaped by constraints that result from the behaviour of the system” (ibid.: 1312). The graphic depiction below is an example of how Weber’s explanation of the Protestant ethic links individual action to societal systems (from Coleman, 1986).

Figure 1

Summaries of the three chapters now follow.

Chapter 2: Steering Through.

This chapter focuses on the common features of the two cases which are presented in chapters 3 and 4. These include the debates on cosmopolitanism and the relevance of the nation state, and relevant contextual aspects. A dialectical approach exposes the conflicting value systems of local and global institutions within which both cases are embedded, and highlights the resulting disjointed responses and their unintended consequences.

Figure 2
Chapter 3: Relevance of Differences.

In the third chapter the paper attempts to explore the indeterminacy of moral positions that multinationals have to assume. A case focusing on a controversy that engulfed a Dutch multinational company regarding its adherence to business ethics is analysed, specifically with respect to the treatment of workers in its supply chain which starts in a developing country. This case describes a set of organizations located at various points on the supply chain in the textile industry and attempts to assist in further reconciling business ethics literature with the changing environment in which multinational companies function. It filters the debates on sweatshops (Arnold and Bowie, 2003; Sollars and Engeler, 2003), on audits and codes (Kolk and Tulder, 2002a, 2002b), and on corporate citizenship (Matten and Crane, 2008; van Oosterhout, 2008) through the empirical study and exposes the practical significance of the debates. Links are made to literature in development studies that focus on similar issues. Within this stream of literature, poverty alleviation and advancing human condition is the central issue, not reputation and sustenance of business activity. In spite of the expected anomaly there were surprising agreements in both streams, indicating a paradigm shift both.

Figure 3

Moral Dilemmas

Macro

Multiple Morality

Micro

Universalist Values

Local Resistance

Chapter 4: Organizational Hypocrisy even after a “Near-death” Experience.

The fourth chapter discusses the literature on irrational actions of an organization after a crisis caused by engagement with an environment of inconsistent and mutually antagonistic power structures (Brunsson, 1994; Starbuck, 1982; Christianson et al., 2009). This second case study offers an example of entrepreneurship exhibited by political actors influenced by neoliberal ideologies (Brenner, 1999; Harvey, 1998;
Jessop, 2000). The focus on the fundamental contradictions and unintended consequences of human action exposes the dialectical conditions that shape the organization’s priorities. The divergent interests make adherence to a coherent set of organizational priorities impossible.

Figure 4

Inconsistent demands — Perpetual inefficiency — Macro
Uncertainty — Hypocrisy — Micro

2. ONTOLOGICAL ASSUMPTIONS

This section is devoted to the description of the ontological suppositions employed in the thesis as these have direct relevance to the methodology and the process through which inferences were drawn out in the two studies which follow.

This paper borrows its ontological and causal assumptions from the critical realist position in which the reality is composed of stratified ontology (Bhaskar, 1979) and retroduction. Critical realism is mainly differentiated from positivism and post-modernism by its domain assumptions. Within critical realism causal explanations are based on particular, historically mediated stimulation of underlying structures. The historically mediated, contingent nature of the empirical findings means the explanations drawn therefore are always provisional and based on conditional causality and always open to revision. (Reed, 2005) Three aspects of the critical realist position which are relevant to this paper are described below.

2.1. Multilayered Ontology

Critical realism differentiates among social sciences based on the depth of the ontology at which the research is focused on. As research delves deeper through these layers
called “real”, “actual”, and “empirical”, it becomes possible to identify the underlying structures and the regulatory mechanisms that govern social systems. The deepest level, called the “real”, is the domain of these different structures mentioned above. The “actual” is the domain which focuses on the interaction between processes and individuals resulting in activation of these structures in particular ways. The “empirical” domain is the focus on that part of the real and actual that is evident and experienced and externally visible. The following table depicts the stratification of domains of research.

<table>
<thead>
<tr>
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<th>Domain of real</th>
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<tr>
<td>Structures</td>
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Different generative structures have unique causal powers that, if triggered in particular manner, will result in unique empirical observations. Since it is not possible to observe these causal mechanisms; one has to make plausible assumptions on its existence subject to revisions. This means that the studies that draw conclusions from the realm of the actual and empirical need not always provide definitive conclusions on the real. This view of reality has implications for the causal connections drawn as this perspective assumes that the “same causal power can produce different outcomes…and the same outcomes can be caused by different causes” (Sayer, 2000: 15). Hence, the empirical observations are contingent on a range of causes that were triggered under particular conditions and by particular agents. A contingent set of factors may have caused the observed effect. There is therefore no guarantee that the same constellation of factors may align themselves in exactly the same manner.

### 2.2 Contingent Causality.

The account of causality adopted by empiricism thus misidentifies causal powers with their empirical observation (of constant conjunction of events) and thereby commits an “epistemic fallacy”. For human activity to be intelligible, causal powers should be
analysed as tendencies of things that may be possessed unexercised and exercised unrealized (Sayer, 2000:9). This is the intransitive object of scientific enquiry. The focus is to understand the stratification and the emergent nature of the context that resulted in the events described — “the crucial implication of this ontology is the recognition of the possibility that powers may exist unexercised, and hence that what has happened or been known to have happened does not exhaust what could happen or have happened” (ibid.: 12). So scientists have to make a distinction between ontology and the pattern of events that is experienced.

Archer has developed the morphogenetic approach as an empirical support to realism, matching the description of the crucial mediating role played by the agent, in this case the organizations, in drawing from existing structures and then creatively modifying them as they fit with their newly developing realities (Archer, 1995, 2010). Morphostatis is the term used for as a situation in which “habitus” prevails, and morphogenesis is used when creative action is dominant (Archer, 2010). The latter is presented as reflecting the reality of individuals in modern societies. Modification of society is a result of “emerging ongoing power struggles between multiple agents located in structured settings that alternate between opportunities for agential creativeness and structural constraints” (Reed, 1995: 1633). In this perspective structure and agency are not collapsed onto each other as “methodologically it is necessary to make the distinction between them in order to examine their interplay and this to be able explain why things are ‘so and not otherwise’ in society” (Archer, 1995: 64). Rather than assign a joint responsibility for change to structure and agents, Archer argues that a correct account of reality can be understood only by analysing “the processes by which structure and agency shape and re-shape one another over time that we can account for variable social outcome at different times” (ibid.: 64). The observable social reality that emerges from constituent parts is also irreducible to the nature of the component parts, just as water is different from hydrogen and oxygen (Sayer, 2000).

The method of retroduction is specific to critical realism; it is used to arrive at the explanations for the puzzles. In the business ethics case in Chapter 3, the hypotheses were arrived at and explained after posing the question: What must be the nature of a multinational environment for actors to have a non-committal moral stance? Similarly in Chapter 4, the ontological question posed was: What must be the nature of the political
environment for the organization to continue with its inefficient features? The ethnographic approach was selected for both studies to match the processual nature of the questions posed. The answers involved a historical explanation of various external and internal processes and conditional causalities that resulted in particular actions. Some examples of the observed processes in the two cases categorized into the three levels of ontology prescribed by critical realism are shown in Chapter 2.

Such an approach, that distinguishes structure from agency, avoids the “central conflation” of structure and agent and a flat ontology of empirical realism that is prominent in studies of organizations (Reed, 2005); it allows an ontological position that is neither positivist nor social constructivist (Fleetwood & Ackroyd, 2004). In spite of the contingency, the research explanations derived from idiographic explanations are generalizable because “generality is a property of necessary relations in real structures, and not a feature of the empirical domain” (Tsoukas, 1989: 551).

2.3. Relevance of values

The aim of this thesis is not only to describe and explain, but also to evaluate and prescribe. Critical realism has a view on the separation between value and fact, that is clarified by Sayer (2000) who points out the conflation of different meanings of objectivity and subjectivity. Sayer notes that connotations of objectivity which means value neutral (objectivity 1) and its opposite (subjectivity 1) are seldom separated from another meaning of objectivity that implies truth (objectivity 2) and its opposite (subjectivity 2, which by implication is not true, and is an opinion.) Sayer points out that the conflation between the two forms of objectivity leads to the conclusion that value-free analysis will help in the discovery of truth. Rather “value neutrality and objectivity in terms of commitment to finding true statements are different things, the former is not necessary for the latter” (Sayer, 2000: 59). For example, a value that condemns any form of bribery need not prevent the researcher from observing forms of bribery.

Further, human emancipation, as this quote by Bhaskar indicates, is central to critical realism:

My overall contention can be summarily stated. It is only if social phenomena are genuinely emergent that realist explanations in the human sciences are justified, and it is only if these conditions are satisfied that there is any possibility of human self
emancipation worthy of the name. But, conversely, emergent phenomena require realist explanations and realist explanations possess emancipatory implications. Emancipation depends upon explanation depends on emergence. (Bhaskar, 1986: 103-4)

Bhaskar (1986) justifies the move from “ought” to “is” when a particular condition is seen as a result of illusion or oppression (Sayer, 2000). While agreeing on the need to move from “ought” to “is”, Sayer (2000) argues that for social sciences to have any emancipatory potential, a normative position is needed in addition. The normative position, besides working for a change of a present condition, defines how and in what way a particular change is to take place — i.e. “what exactly needs to be done to improve matters” (Sayer, 2000: 160). Such a position is compatible with a reflexive mode of research that has received recent support in organizational research.

Alpaslan et al. (2006), in their “inquiry on inquiry”, focusing on authors’ intentions and motives in interaction with co-authors, uncover the “inherently social, interactive, and subjective” content of research outputs (ibid.: 14). Hardy & Clegg (1997) defines a reflexive position as one “best able to account for their own theorizing, as well as whatever it is they theorize about” (ibid.: 13). The relevance of reflexivity is made explicit when the reliance of the research on the subjects being studied is acknowledged. The researchers depend on the interviewees to represent their world, which results in the former being a conduit for “promotion of a particular story” preferred by them (Hardy, Philips and Clegg 2001:544). Simultaneously, the research community, addressing the specific requirements entailed in academic publications, creates additional processes that modify representations of the product. Hardy et al. conclude that reflexivity “reinforces the fact that there is an important distinction between social subjects produced in their social setting and research subjects produced by the researchers and their research community” (ibid.: 551).

In a similar vein, Rhodes (2009) discusses the role of reflexivity in organization theory, pointing out that if the inadequacy of judging research on its ability to represent reality is accepted, it is important to take into consideration the ethical responsibility of the researcher to the subjects s/he studies and portrays. The political stakes involved in the representation and characterization of people makes this imperative. “Mimesis” that represents the “artifice of the representation” should be transgressed by “poesis” is the “making and performance of a text” (ibid.: 656). Recognizing the existence of
poesis, therefore, makes the researcher alert to his/her responsibility in making choices of representation of a category of people. The “undecidability” of making choices in poesis, and the temporality of what is said, Rhodes insists, should be acknowledged in the writing. This thesis respects this view and has attempted retrospectively to adhere to these ideals. My personal values and important poesis involved in the two case studies are listed below with the justifications.1

(i) Business ethics case

Personal Values. I believe in free enterprise, globalization, and the necessity of economic liberalization to disentangle the restrictive national regulations on the private sector. The combination of such policy changes, I believe, has already provided channels for the poor (for eg. in India) to escape from grinding poverty. Sweatshops in this regard are an essential mid-way point not only for employing low-skilled persons who may not get employment elsewhere, but also as a low-threshold possibility for entrepreneurship. Organizations and business ethicists who argue for their eradication (1) risk reduction of employment possibilities for the poor, and (2) may have unintended consequence of dampening the entrepreneurship among individuals without the financial means to adhere to the required social standards.

However, I hope to strenuously ensure that the values stated above will not blind me to the existence of inhuman work conditions that resemble slavery, lack of adherence to labor rights in the name of free trade, or the nexus between business and corrupt politicians to restrict benefits of liberalization to elites, or the ability of NGOs and activists to draw attention to blatant violations of human rights.

Poesis. As opposed to the view prevalent in business ethics, the workers in the production chains that involve multinationals were purposely portrayed as enterprising and capable of helping themselves. This self-reliance was intended to

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1 Recent contributions to organizational ethnography is a form of self-analysis in which ethnographers make explicit their feelings like heartbreak (Whitman, 2009), and grievance (Van Maanen, 2010). Though perfectly justifiable given the crisis of representation, claiming to understand one's feelings and emotions with certainty requires an extent of self-realization. Unfortunately, I believe that it may take me many more years self reflection and meditation to be able to label my emotions with certainty; as they are hidden to me as well. But I have, as much as my awareness permit, made explicit my emotions and its impact on the empirical observations and the causal connections drawn.
paint an alternative picture in which NGOs and activists (in another form of poesis) are represented as individuals and organizations who sometimes make the mistake of selecting innocent targets for the sake of publicity. This does not mean that in this case the target was right or wrong; it is not possible to determine that, and we are limited to dealing with perceptions. However, the possibility exists that the target was wrong, which can be detrimental to industrial growth and employment in developing countries.

(ii) Organizational Hypocrisy.

Personal Value. Aagendas of individuals are central to the role they play in an organization. All publicly stated positions reflect deeply/explicitly held political and personal beliefs. However, these beliefs are not permanent and it is possible for individuals to break free and remake themselves and their philosophical positions. Ideologies, in this case of a neoliberal variant, are also a palatable front for individuals and political actors to advance their personal growth. Hidden beneath every public espousal of lofty ideas is a recognized or unrecognized correlation with personal ambitions and gains that accrue from the attachments.

Poesis. The individual actors in the IPA are represented as efficient, intelligent people, albeit unable to function with full efficiency. The purpose here is to highlight the possibility that under conditions of inconsistency, efficient individuals may be forced to run organizations in an inefficient manner. This is important in the context of modern societies that have witnessed seemingly capable individuals and organizations involved in the financial markets, failing spectacularly as a result of being forced to ignore long-term viability in favor of immediate gains.

I fully accept that alternative poesis of the same data could result in different insights. This does not, however, undermine the findings of this thesis. As indicated in the introduction, generalizability (in the positivist sense) which is based on empirical findings is not critical to the explanations provided in this thesis. Rather, as Tsoukas (1989) notes, the causal mechanisms observed are attributed to the level of the “real” in the multi-layered ontology of critical realism.
2.4 Applications in Management/Organization Studies

2.4.1 Business Ethics.

Wry (2009) exposes the continuing dominance of economic explanations and “blanket correctives” in business ethics that “are largely devoid of practical context and have limited potential to bring about social benefit” (Wry, 2009: 166). Among others he uses the examples of Dunfee (1998), Fung (2003) and Scherer and Palazzo (2007), all of whom give strategic or economic reasons for compliance to ethics. Thus “while there are many well-reasoned moral arguments for responsibility in B&S scholarship, the mechanisms they offer either fall back on economics or have very tenuous links to corporate practice” (Wry, 2009: 156). The multi-layered ontology of critical realism, Wry argues, can ground business ethics in its context and expose the roots of corporate behavior and “diverse causes” that result in recurring bad behavior and link strategic and moral arguments to corporate practice (ibid.: 162).

Weaver and Trevino (1994), in attempting to reconcile normative and empirical research into business ethics, gave examples of “parallelism” in which the normative thought and the empirical research do not combine. This results in normative research being too abstract without understanding the practical problems in its implementation. Simultaneously, empirical research risks irrelevance as it avoids normative philosophical positions. This separation is due to the perceived empiricist need to keep “fact/value” separate from the normative content of “should/ought” (Weaver & Trevino, 1994: 131). They suggest two alternative positions: (1) a “symbiotic” relationships in which the normative and empirical communicate at a superficial level while maintaining separate their theoretical core; and (2) hybridization in which a new form of theory develops characterized by conceptual importation, theoretical reciprocity, and theoretical unity. This hybridization is necessary because “(a) the organizational scientist who studies business ethics must acknowledge and deal with the normative character of moral concepts; and (b) the philosopher who takes on the study of business ethics must acknowledge the relevance of the practical business context within which this moral agency occurs” (ibid.: 137). The critical realist view, as evident from the earlier quote by Bhaskar, provides practical possibilities for this synthesis.
2.4.2 Organization Theory.

Tsoukas (1989) is one of the early proponents of critical realist explanations in organization theory. Drawing comparisons between the realist explanations and nomothetic approaches (which he also calls “detective work” that looks for patterns of events) he argues that in analysing cases, the latter have “dwelled on discovery of correlations”, (ibid.: 555), and are satisfied “having identified the constant conjunction of events” while not “going beyond the domain of experiences to the domain of structures and generative mechanisms that produced the cases” (ibid.: 556). He cites the benefits of a critical realist approach which has a tendency to focus on “what managers are capable of doing” rather than “what managers do” (ibid.: 556, italics in original). Though locating constant conjunctions of variables is necessary, “after that point is finished, more demanding questions arise that cannot be dealt with adequately unless the researcher has incorporated a stratified conception of scientific knowledge” (ibid.: 557).

The final section of the book Critical Realist Applications in Organization and Management Studies (Fleetwood and Ackroyd, 2004) collects a set of empirical papers that have studied management and organizational problems with an explicit critical realist approach. These papers expose the micro processes and informal organization of work that exists even in high performance environments, merger, graduate recruitment, etc. (Delbridge, 2004; Hesketh and Brown, 2004). Other concepts which have been revisited using critical realism include those on control (Reed, 2001), marketing (Easton, 2002), strategy (Mir & Watson, 2001; Kwam & Tsang, 2001) and institutional entrepreneurship (Leca and Nacache, 2006). Within geography, also an important part of this thesis, references to critical realism is found in Proctor (1998), Yeung (1997), and Roberts (2001).

The reservations of some scholars on the utility of critical realist applications notwithstanding (Wilmott, 2005), this approach was also chosen due to practical reasons. The approach and the subject of this thesis, which is globalization and modernity, give coherence to the methodology, research subject, and conclusions drawn. For example, the use of terms like “contextual disruption”, “reflexivity”, and “dialecticism”, all of which are central to the two cases discussed above, are also central to critical realism.
The fact/value distinction also pervades research on organization theory, which this thesis will try to transcend. Daft (1983: 543–4) paved the way for a critical realist view on objectivity and science when he noted that “Objective proof seldom will exist somewhere outside one’s self that will demonstrate correctiveness and validity. No statistical test will do this for us...We cannot obtain knowledge independent of our own judgment and social construction.... The research craft is enhanced by respect for error and surprise, storytelling, research poetry, emotion, common sense, firsthand learning, and research colleagues”.

3. Ethnography and Extended Case Method

The cases in this thesis aim to provide multi-layered answers to the multi-layered ontology. Ethnographic methods were chosen for their applicability to the epistemological and ontological requirements. Both cases have used aspects of the extended case method, which is compatible with both the CR perspective and the reflexive model of science described earlier. The first case evolved from my involvement in assisting a supplier setting up a marketing office for his factory in Western Europe and a supply chain for products made from recycled materials. The second case is an ethnography of an organization where, over a span of four years, I helped set up and run an “India Desk” to attract global Indian companies to start up in a region of Western Europe.

In addition to extended case methods, both cases are explored using two variants of ethnographic research. These include “multi-site” and/or “global ethnography” (Kearney, 1995; Marcus, 1995; Gille and O’Riain, 2002) and organizational ethnography as narratives and storytelling (Van Maanen, 1979a, 1988; Czarniawska-Jorges, 1995; Daft, 1983). Instructions for the organizational ethnography in the second case were drawn from the collection of papers in the Administrative Science Quarterly special issue edited by van Maanen (1979) especially the contributions on fact or fiction (Van Maanen, 1979), paradigms (Sanday, 1979), organizational cultures (Pettigrew, 1979), and direct research (Mintzberg, 1979).

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2 The Methodological Appendix at the end of this thesis provides additional information on the research decisions made and modified in the course of the studies.
A multi-site ethnography that takes into account the delinking of the global from the local due to the fragmentation of the latter – “it breaks the one-to-one mapping of local to the global” (Gille & O’Riain, 2002: 274). Marcus (1995: 60) describes multi-site ethnography as the description that:

- moves out from the single sites and local situations of conventional ethnographic research designs to examine the circulation of meanings, objects, and identities in diffuse time-space. This mode defines for itself an object of study that cannot be accounted for ethnographically by remaining focused on a single site of intensive investigation.

This involves following people, metaphors, plots, stories, allegories, lives, biographies, conflicts, etc. across different sites and making the connections between these sites and the objects of pursuit.

Gille and O’Riain (2002) build on this view and provide practical pointers to a multi-sited ethnography to take care of the “extensions” in space and time. Drawing on Brenner’s (1999) view of multi-scalar developments, the authors draw attention to the fact that every site is an “intermeshing network of multiple sites of social action, operating across multiple spatial scales and levels of social structure” (Gille & O’Riain, 2002: 286). To incorporate the local political processes in the “place-making projects” the authors note that “global ethnography requires the historicization of the locality and of local and extra-local social relations” (ibid.: 288).

Such a multi-sited approach entails a focus on how local actors respond to local processes and influence them, as in cases of transnational activism (Cunningham, 1999). The implementation issues of a multi-site ethnography that Friedberg (2001) encountered in her study based on the “green bean” at multiple sites in Zambia, London, Burkina Faso, and Paris were similar to those which were encountered in the first study. These include multiplication of logistical problems as compared to single-site ethnographies, the limited time-span available, access to different actors (many of whom are antagonistic to each other and wary of researchers), and credibility.3

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3 The methodological sections in the individual chapters and the methodological appendix provide more details of how I dealt with (or could not deal with) these issues.
3.1. Extended case method.

One of the main features of the extended case method is the focus on processes “as it traces events in which the same set of main actors in the case study are involved over a relatively long period of time.” (Mitchell, 2006: 24). This also requires that we imagine social life as an open system sustained and modified by a “dense thicket of partially independent and partially interacting processes” (Glaeser, 2005:18). These processes are initiated by human actions but have intended and unintended consequences over space and time (Burawoy, 1998; Glaeser, 2005). It is specifically during crises, a point of departure for both cases, that these processes and consequences become exposed and amenable to an ethnographic study (Kapferer, 2005).

As Burawoy (1998) notes, ethnographies conducted within a reflexive scientific framework should be gauged based how on the engagement with the context of research, which is the hallmark of reflexive science, affects the case-studies being generated. These include the issues of intervention, process, structuration of research locales, and reconstruction (Burawoy, 1998). Each of these yardsticks is briefly mentioned below.

1. An interview with a respondent constitutes an ‘intervention’. During an interview, the interviewee is extracted from their space and time and inserted into that of the interviewer. Rather than trying to reduce or negate the effect, within reflexive science, this intervention in a “virtue to be exploited” (Burawoy, 1998:14).

2. Every respondent reacts differently to the same stimulus, as they bring along unique ‘situational experiences’. By not trying to overcome this situatedness, the reflexive science lays no claim to positivist notion of reliability. Rather, an extended case tries to unpack and connect these unique responses onto the larger social processes which create them.

3. The research has to contend with the external forces that impinge upon the research setting constantly changing it (thus removing any options for replicability). These forces that are “effects of other social processes that for the most part lie outside the realm of investigation” (Burawoy, 1998:15) have their own independent dynamic that should be charted and taken account of.
4. Theory is essential to extended case method as it “guides intervention, constituted social knowledge into social processes and it located those social processes in their wider context of determination (Burawoy, 1998:21). An extended case method begins with a theory and searches the selected case for instances of empirical refutation as an opportunity for deepening and expanding the theory – “...a reflexive science intervenes in the world it seeks to grasp, destabilizing its own analysis.” (Burawoy, 1998: 22).

The extended case method generates theories that are both generalizable and falsifiable. However, contrary to statistical connotations, the generalizability of a theory developed through an extended case method does not draw its support from the representativeness of the case. Rather, they depend on the strength of the explanations offered to survive alternative interpretations of the same observation, i.e. its plausibility. Mitchell (2006) notes that “the extent to which generalizations may be made from case studies depends on the adequacy of the underlying theory and the whole corpus of the related knowledge of which the case is analyzed rather than the particular instance itself” (Mitchell, 2006:36).

My involvement in both cases was simultaneous, which gave me the opportunity to identify common factors that underlie seemingly remotely related observations. The two cases describe the responses of organizations located in the interstices of the global and local processes as they encounter divergent conflicting demands from an increasingly fracturing society. Weak organizations offering intangible services, which need support from conflicting groups and forces for resources to survive, are particularly affected. The demands are irreconcilable and constantly changing. These organizations have to constantly negotiate and position themselves in ideological spaces that offer only a partial temporary respite of sufficiently wide public approval, until new processes disturb and create new demands. Specifically, the unrealized potential of globalization to advance the human condition (case 1) and smoother intergration of nations (case 2) were additional triggers that forced me to observe these two cases from the same perspective.

Burawoy observes that “History is not a laboratory experiment that can be replicated again and again under the same conditions” (1998:11). The observations in both cases are unique as they are generated by the particular dialogues initiated by my
intervention into the life of the respondents and the research setting. The data is therefore locked into the particular space and time which is history and cannot be exactly replicated.

However, in line with the philosophical position that has influenced my approach, this thesis is an initiation of a dialogue which can never be complete without a critical response from the reader. After considering and rejecting a number of alternative explanations, I have presented what I think are plausible explanations that advance our understanding of organizations of the type described above. However, they are necessarily tentative and falsifiable and a result of an individual effort. Any claim to significance can only follow after withstanding the onslaught other equally competing explanations that wider range scholars from a scientific community can offer. I therefore look forward to defending the explanations I have offered from alternate interpretations of the processes that constitute both cases. The chapters that follow are designed to be read as separate stand-alone pieces.
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Chapter 2: Steering Through Transformations

Abstract.
This chapter is intended to provide an overview of cosmopolitanism, the dialectical view, and the global processes and international competition within which the two case studies in the following are located. These concepts and an understanding of the historical context is relevant to both the cases. However, they are handled separately here to avoid cluttering the essential messages presented in the later chapters. The two cases — the business ethics of transnational companies, and organizational learning — are also briefly sketched to highlight the continuing importance of the nation state along with its fundamental features of parochialism and entrenching of national borders, persisting into the 21st century.

1. INTRODUCTION.

Globalization has resulted in the creation of new spaces in which traditional and emerging structures compete for supremacy and legitimation. The fractured political economy, with its inherent contradictions and unintended consequences, means that resources which are essential for organizations have a dialectical characteristic — they are both necessary and constraining at the same time (Benson, 1977; Zeitz, 1980). A strategic approach to reconciling institutional demands (Oliver, 1990; Meyer and Rowan, 1977) becomes especially difficult for organizations functioning in the interstices of local and global spaces, (Dicken, 1994) with clients and supply chains that criss-cross multiple moral and legal jurisdictions (Amba-Rao, 1993; Gaarsten, 2009). As the external environment changes, myriad unpredictable combinations of values, institutions, and structures are rapidly formed and disbanded. Organizations for which resources are intimately related to constantly changing value systems, therefore, face a continuous challenge - reconciling contradictions and dialectical processes that emerge in dynamic and unpredictable ways, often under the glare of the public gaze. Chapters 3 and 4 highlight the difficulties that two organizations encountered in steering through the multiple currents which emanate from the local and the global spheres, with varying levels of intensity and direction.

This confusion of roles and responsibilities brought on by the processes introduced above falls neatly into a well-debated concept in political science, namely cosmopolitanism, which attempts to explain the relevance of nation states and the attachments of individuals to a particular nation in the context of rapid globalization.
The opinion of scholars on the impact of globalization is divided. According to one group of scholars the effect of globalization on society and politics has been a reduction in the relevance of the nation state as its sovereignty is threatened both by the global nature of risks and the increasing detachment of individual moral dispositions from the nation (Appadurai, 1990; Fine, 2003; Featherstone, 2007; Pogge, 1992; Sassen, 2000a, 2000b; Beck, 2002). An opposing group of scholars claims that nation states and parochial interests retain a considerable capacity to control the seemingly uncontrollable features of globalization such as multinational companies (MNEs) and other global actors like NGOs (Hirst, 1997; Hay, 2005; Dicken, 2003). The case studies in this thesis give partial support to both positions. On the one hand showing that actors located in this transnational space selectively access and discard the multiple institutions available to them the cases provide support to the former view. However, when survival itself was at stake, both organizations under study, though claim globality in peaceful times, sought out support and protection from local and rooted aspects of their proximate environments and temporarily suspended their connections with the global institutions. These observations support a third position which highlights the emergence of a multilayered reality derived from the fusion of historically derived specificities and external influences (Djelic and Quack, 2003, 2007) leading to constant global–local tensions (Dicken, 2003).

Section 2 below gives an overview of the literature on ‘cosmopolitanism’ in management and political science and sociology. The review presents the arguments of scholars who favor and those who oppose the demise of the nation state, as well as proponents of a compromise multi-level governance in which multiple nested structures coexist. The review ends with a short description of dialecticism and arguments in favor of this approach especially in analyzing political conflict and inconsistencies in the global economy. Section 3 presents short sketches of the two cases, highlighting the political economy aspects. These cases are analyzed in more detail in the following chapters, focusing on business ethics and organizational learning respectively). The analysis uses the critical realist view of the multi-layered ontology to argue that the empirical observations are the result of dialectical processes that political actors both create and encounter. This chapter ends with a discussion and conclusion section that summarizes the findings and prepares the readers for the more intense analysis of the cases in the subsequent chapters.
2. LITERATURE REVIEW.

2.1. Cosmopolitanism.

Within management sciences, organization theory has a history of engagement with the term “cosmopolitan”. Robert Merton in *Social Theory and Social Structure* (1957) introduced the terms “cosmopolitan” and “local” to describe behavioural traits of individuals. Gouldner (1958) further refined the concept to identify different types of locals and cosmopolitans. In these conceptualizations, a cosmopolitan is an individual who is engaged with the world outside his or her immediate environment, while locals limit their engagement to the proximate environment (Dye, 1963; Thielbar, 1970). Robertson and Wind (1983) note that this cosmopolitan attitude has been positively correlated with innovativeness at the individual level, and go on to show that “organizational cosmopolitanism” can also impact the innovativeness of the organization. An empirical study by Halsall (2009) shows how this disposition towards cosmopolitanism as a desirable character trait is entrenched in the “discourse of cosmopolitanism” that pervades management texts. In his analysis of global texts and the advice of management gurus, it is noted that the normative aspects of cosmopolitanism, in which “hybridity” of managers is used as a proxy for flexibility in international situations, is all pervasive and even enforced through “positive valorisation” (ibid.: 145).

Within political science, where arguably the term cosmopolitanism has a more central position, the preferred starting point is the etymological understanding of the term as an interaction or combination of *cosmos*, the functioning of the universe, and *polis*, the functioning of society (Delanty, 2006; Featherstone, 2007; Toulmin, 1990). As Fine (2003: 452) notes, cosmopolitanism is “at once a theoretical approach toward understanding the world, a diagnosis of the age we live in, and a normative stance in favour of universalistic standards of moral judgment, international law and political action”. Roudmetof (2005), noting the difficulty of describing a concept as greasy as cosmopolitanism, chose to differentiate cosmopolitanism from two closely related terms often confused with cosmopolitanism — globalization and transnationalism. Globalization, he implies, should refer to the technical and physical connections created between different nations. This higher intensity of interaction between different nations and cultures creates “transnational social spaces”. Cosmopolitanism
is a condition that emerges within this transnational space where institutions at the national level have limited or at least *confused* jurisdiction.

Skirbis et al. (2009) identifies a number of problems in conceptualizing cosmopolitanism: (1.) that of *indeterminacy* created by the lack of willingness of scholars to pin down or define the concept, leading it to mean everything to everybody; (2.) that of *identification* in which too much reliance is placed on the definition of cosmopolitans as mobile elites, while the “mundane cosmopolitanism” experienced by working classes, for example, is ignored; (3.) that of *attribution*, which arises from the convolution of idealistic Kantian notions of cosmopolitanism in order to achieve a consistent definition of cosmopolitanism that makes data comparable across studies. Often, as noted by the authors, simple consumption behaviour (i.e. the unreflexive) is not separated from the reflexive mode of cosmopolitanism. The following discussion separates the descriptions of cosmopolitanism into structural and agentic levels in an attempt to paint a clearer picture of what cosmopolitanism means.

2.1.1 Cosmopolitanism at the structural level.

Beck (2002) speaks of the creation of a “global risk society” in which risks are shared globally. A risk generated by a section of the population in one corner of the world is shared by those who have no traditional susceptibility to its adverse effects (Archibugi, 2004). The state on its own becomes unable to address such issues (environment, terrorism, etc.) due to “overlapping communities of fate” (Held, 1995: 136), and must subject itself to an international order. The cosmopolitan space that is emerging out of necessity develops its own systems and bureaucracies to sustain them. Cosmopolitanism is encapsulated by the concepts of “debounding” of national boundaries (Beck, 2002) and “denigration” of nationalism (Fine, 2002). The creation of transnational social spaces that have an existence independent of, or beyond, the nation state creates instances and locations in which cosmopolitanism comes into play. This results in a perceivable “vertical displacement of sovereignty” (Pogge, 1992) due to the weakening of spatial barriers, inter-place and inter-urban competition for resources and development (Harvey, 1989, 1990; see also Mayer, 1992 in Brenner, 1999). At the political level, the possibility of travel into and out of countries has “undermined the nation state from within”, while the increasing share of the
population who have access to transnational interactions and the influence of those linkages “have undermined it from without” (Fine 2003: 457).

Researchers in international studies have observed that transnational discourse are driven by transnational communities (Morgan, 2001) and epistemic communities that transcend national boundaries, which Haas (1995:3) defines as

“…professionals from a variety of disciplines and backgrounds, they have (1) a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; (2) shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes; (3) shared notions of validity — that is, intersubjective, internally defined criteria for weighing and validating knowledge in the domain of their expertise; and (4) a common policy enterprise — that is, a set of common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence.”

One such group bound by a shared understanding of morality, within which Martha Nussbaum is a central figure, adhere to a normative and universal vision of the world in which national boundaries and regional specificities and allegiances dissolve to create a world society where every human being is treated equally and fairly. This group encourages a broader applicability of one’s loyalty, i.e. to “humanity as a whole” (Harvey, 2000: 530). This general position is based on the declining relevance of the nation state as an entity.

The most ardent proponents of cosmopolitanism claim that sociology based on the assumption of the nation as a composite entity — “methodological nationalism” (Beck, 2002) — is not suited for analyzing modern society. Rather, an ontology of society in which society’s assumed subordination to the state is not central, is required to understand modernity. The assumed conceptual separation between national and international is also not relevant at all times, as certain issues can be both national and international at the same time. Deriving universal society from national societies is another assumption based on the idea that the universal society is a sum of the parts of the national societies. The “either international or national” perspective needs to be replaced by “both international and national”. These and other “blind spots” are what cosmopolitanism seeks to illuminate (Beck, 2002). This perspective on cosmopolitanism is reflected in the discussions within business ethics and
development studies that attempt to find universal codes for multinational conduct and the social audit industry that has developed around it (Kolk and van Tulder, 2002; Barrientos, Dolan, Tallontire, 2003; Rjsgaard, 2009). Further, discussion on the perceived weakness of the nation state due to the increasing mobility of companies and capital engages with theoretical conceptualizations of how companies should calibrate their relationships with host and home governments when it comes to ethical and other related investment decisions (Poynter, 1982). This mobile aspect of multinationals and the attempts of nation-states to compete and capture investments form the backdrop of the second case.

2.1.2 Cosmopolitanism at the level of agents.

The declining relevance of the nation state therefore creates conditions for a related concept — citizenship — to be delinked from its attachment to a nation. For Beck (2002) this “dissonance of borders” implies that the individual has the freedom to choose and interpret the borders in a continuous process of redrawing and legitimation. Saskia Sassen talks of the “partial unbundling” of “the implied correspondence of national territory to the national, and the associated implication that the national and the non-national are two mutually exclusive conditions” (2000a: 145).

This is the basis of “post-national citizenship” which is described as a “legal status that grants free access to economic, social, and political rights to all residents living in a state, beyond national constraints, enabling a denationalised democratisation of rights of public participation” (Carvalhais, 2007: 107). As a concept that attempts to theorize the rights and obligations of persons who are inhabitants of countries, but not citizens (c.f. Baubock, Heller and Zolberg, 1996; Jacobson, 1997; Soysal, 1994) makes the unrooted connotations of this term enticingly applicable to the condition in which multinational companies find themselves. (See the debates between Crane and Matten, 2008a, 2008b and van Oosterhout, 2008, analyzed in Chapter 3.)

However, Beck (2002) cautions against linking cosmopolitanism to some loose form of post-modernism where “everything is distinguishable from everything else”. Cosmopolitanism is more nuanced and is intended to appreciate recognition of the other and allow for reflexivity about one’s position vis-à-vis the other. One of the
crucial assumptions behind this *real* cosmopolitanism is a new model of society, or “second modernity”, in which the individual has the freedom to break free from institutional origins (such as nationality, culture, ethnicity, etc). This feature is markedly different from the early modernity where agents could “reflect” but not escape from societal norms and structures. As Lash (2003) notes, in the earlier modernity actors were reflective, but without escape from their embeddedness in given institutions, whereas in the second modernity, agents are *reflexive* rather than reflective (Beck, 2002, 2000a; Lash, 2003). Reflexivity refers to the freedom of the individual to engage with multiple or divergent institutional settings in which s/he is simultaneously embedded. More importantly (and in contrast to reflectivity) reflexivity also indicates the short time within which the agent has to respond and make decisions (Lash, 2003). Cosmopolitanism at the agentic level therefore becomes a “simultaneous existence of multilayered local, national and global identities” (Kurasawa, 2004: 240). Ethical dispositions, for instance, at any point of time become a stance that emerges from immediate concerns, which may not exist before or after that moment in time.

Waldron (2000) distinguishes cosmopolitanism from merely opportunist consumption of products and values from multiple sources to which the individual may have access. Rather, cosmopolitanism is an attitude wherein an individual adheres to his/her own norms based on a system of reasoning that is amenable to questioning and rethinking from interaction with those that do not belong to that system of reasoning, enabling a “dialectical relation” with the outsider’s position (Waldron, 2000). Waldron (ibid.) suggests that if one follows certain rules and norms based on reason (i.e. not merely as a “fancy dress” costume to display one’s identity) then one becomes amenable to questioning and rethinking the quality of the reasoning. Similarly, Turner (2002) identifies a strong correlation between “irony” with respect to ones attachment and a cosmopolitanism citizenship. Smith (2007) using Hanna Arendt’s idea of worldliness, extends this line of reasoning and argues that mere irony does not make an individual cosmopolitan. Rather, a “self reflexive disposition” and distance from one’s identity are crucial to cosmopolitan citizenship. The entire idea of a cosmopolitan stance is therefore one in which there is a loose connection between the individual and the value systems that reflect their culture. But the point to note is that there is a connection.
This possibility of delinking from one’s nationality and the ethical frameworks derived from it, is commonly understood as a prerogative of the elites who had the possibility of travelling and being exposed to different cultures. However, with the possibilities opened up by communications and technology, this chance to absorb global and new values and to shed familiar ones, which had been restricted to “privileged nomads” (Pels, 1999), is now available to a wider section of the population, who can access it while being physically rooted to a space. Cosmopolitans and cosmopolitanisms therefore also emerge “from below” (Kurasawa, 2004) and are not limited to the upper rungs of society; one thinks, for example, of discussions on cosmopolitanism among the subaltern (Nederveen Pieterse, 2006). Empirical studies that have explored and discovered such recombinations and translations among the non-elite include the reconfiguration by Scottish football supporters of their identities in North America (Giulianotti & Robertson, 2006), comparative strategies of working class and professional Croatians in Australia (Colic-Pieskar, 2002), street peddlers in Barcelona (Kothari, 2008), and entrepreneurship among German-Turkish businessmen in Berlin (Pecaud, 2003).

If these individuals can delink from national stereotypes, how can we explain attitude formation? It seems that by mixing together different values, new hybrid, multifaceted, and constantly transforming ethical standpoints could develop, so that society increasingly becomes a “project by which the global and local are combined in diverse ways” (Delanty, 2006: 35). The set of values and ethical frameworks from which an individual or a company can draw, and the ethical values and morals that can be combined, are no longer fixed, standardized, or predictable. Beck (2002) calls this “dialogical imagination” — the fundamental logic of cosmopolitanism in which the “primacy of location” as a predictor of identity loses synchrony with the new ontology. The individual who makes use of this ethics palette could be what Gergen (1991: 150) calls a “pastische personality”. The metaphor of an ethics palette could explain the process. Like a palette from which artists mix paints of different colours, individuals can combine ethical templates to provide new customized ethical standpoints on issues. The cosmopolitan assumption here is that the choice of colours is wide; the individual has the freedom to add new sets and discard those that are less desirable. Imbuing the ethics palette with historicity, that is, suggesting that over time, even the manner in which choices of colors are made might vary, provides the palette with a dynamic character.
2.2 Resilience of National Structures.

While agreeing that global issues have challenged the nation state, political economists have warned against overstating its demise. Hirst (1997) notes that the concerted actions by states required to thwart global risks will strengthen the state rather than weakening it. When their sovereignty is threatened by international actors, be they human rights activists, or auditing organizations that overrule national systems perceived to be inferior, national governments react by highlighting their jurisdiction. Hay (2005) argues that the state has not disappeared but is “differentially powerful”, and that the claim that the nation state is irrelevant “confuses a crisis of the form of nation state for a crisis of nation state per se” (ibid.: 447).

Influential contributions to international business have stressed the incorporation of public policy in a complete analysis of MNE activity (Tavis, 1988; Prahalad & Doz, 1987; Murtha and Lenway, 1994). Business ethics too have continued to acknowledge the central influence of government institutions on the implementation of ethical behavior by multinationals in host countries, especially in the dilemmas faced by managers who are forced to choose between economic development and ethical standards (Naor, 1982; Simpson, 1982; Albareda, Lozano, & Ysa, 2007; Detomasi, 2008).

The quote below by Stopford and Strange (1991: 233) on transnational companies involved in global production neatly portrays the structural and agentic limitations that the nation state can place on global processes:

“However great the global reach of their operations, the national firm does, psychologically and sociologically, ‘belong’ to its home base. In the last resort, its directors will always heed the wishes and commands of the government which has issued their passports and those of their families.”

In addition, the expansion of the transnational spaces and the cosmopolitan tendencies that this stimulates generate forces that seek to restrict or reverse this expansion. The institutional actors of nation states who feel threatened by the blurring of their jurisdictions resort to nationalism, racism and other vehicles that help bring boundaries back into focus and thereby aid exclusion and strengthen bonds to values familiar to them (Fine, 2003; Hollinger, 2001).

Political identity surveys indicate that while 15% of the world’s population claim a regional or global identity, the vast majority (85%) claim a national/local identity.
(Norris, 2000, quoted in Archibugi, 2004). Even if one questions the validity of such surveys, other everyday occurrences in society, such as the popularity of right-wing policies in times of recession even in societies which are known for their liberal attitudes (such as The Netherlands) should temper any eagerness to claim a utopia based on cosmopolitan systems. O’Neill (1996) encapsulates these parochial tendencies and concerns:

The upsurge of communitarian thinking (in the North) about virtue and (in small measure) about justice in the 1980s fits oddly with the reality that economic and political structures were and are becoming increasingly cosmopolitan. Might it reflect the fact that cosmopolitan claims are no longer advantageous to (Northern) elites, as they perhaps were or were thought to be in the recently past era of imperialism? In a post-imperial world, cosmopolitan arrangements threaten rich states with uncontrolled economic forces and immigration and demands of aid for the poor in the world, and autocratic states with demands that human rights be guaranteed across boundaries. (O’Neill, 1996: 28-29, quoted in Gasper, 2005)

So from the initial claims that “nation-state is just about through as an economic unit” (Kindleberger, 1969: 207 quoted in Hay, 2005), studies on the effects of globalization on such global organizations now seem to agree that, although the nation state and national loyalties as they were initially construed have changed irreversibly, they still exist in a different form, a definitely relevant but “reorganized state apparatus” (Peck, 2001: 447).

So how can we describe the environment within which multinational companies function?

2.3. Multi-level Governance.

Scholars in political geography studying the transforming role of urban spaces like cities in tandem with the global transformations resulting from globalization have observed a curious paradox that exemplifies the uneasy reconciliation of the two contrasting processes described above. On one hand the visible rescaling of urban spaces to attract the mobile global flow of investments has been “dominated overwhelmingly by entrepreneurial competition-oriented projects to enhance territorially specific competitive advantages” (Brenner, 2000). On the other hand, the fixity of territorial specificity creates paradoxical situations as “it brings to the fore the reality that many of the resources necessary for global economic activities are not
hypermobile and are, indeed, deeply embedded in place, notably places such as global cities and export processing zones” (Sassen, 2005: 31). These include relatively fixed infrastructure, such as harbours and airports, for facilitating the smooth global flow of products, resources and people — all features of globalization (Brenner, 1999).

This contradiction therefore means that, as Harvey (1989) notes “urbanisation should be regarded as a spatially grounded social process in which a wide range of different actors with quite different objectives and agendas interact through a particular configuration of interlocking spatial practices” (Harvey, 1989: 5). For example, institutions are created to make supply-side investments in order to present a welcoming picture to global capital and mobile multinational companies (Peck, 2004; Harvey, 1990). However, due to their rooted nature, the same actors are forced to be sensitive to local concerns that blame globalization for taking away local jobs, expertise, taxation rights, etc., and for the resulting reduction in the living standard of the community they represent (Swank, 1998; Korpi and Palme, 2003; Brady, Beckfield et al.. 2005) as well as attempts to reinforce the nation’s control over its boundaries (Berger, 2000: 58).

Similar to the contradictory and paradoxical demands for rooted structures for global movement of goods and people, transfer of universal ethical standards also encounter stable grounded structures, with deep roots in local contexts. These can result in the complex ethical and related regulatory pressures that MNEs encounter (Levy, 2008; Kostova and Zaheer; Amba-Rao, 1993) or in the ethical dilemmas that attract philosophical debates in business ethics (Garsten and Hernes, 2009; Arnold & Bowie, 2003; Maitland, 1999). This contradiction continues to creates and mutate into new situations when local and global ambitions cannot be reconciled. To be effective, global epistemic communities and global processes must, as Piccioto (2000: 162) notes “interact with intersecting epistemologies within a process that can also reflect wider public concerns, to produce socially acceptable value judgements”. These are situations that proponents of cosmopolitanism predict should stimulate the “reflexivity” and “irony”, but rather creates opposing parochial reactions. Although liberalization of the legal frameworks within which multinational corporations work has led to increasing convergence between rules of developed and developing countries (see Held et al., 1999: Chapter 5), the coexistence of multiple spheres with unique perspectives on accountability is a reality global actors should negotiate.
Djelic and Quack (2003: 12) note that.

“The creation of new institutions is likely to be influenced by the existing institutional environment. Interest, identities, of social actors that engage in institution building, coalitions and conflicts between groups with similar and competing interests as well as the cognitive templates that actors use are shaped by the preexisting sets of institutional arrangements in which those groups of actors inscribe themselves.”

In a later study, Djelic and Quack (2007: 180) shows the historically mediated institutional changes in a particular country resulting from external factors, leading to the “complex nestedness of the transnational and national institutional trajectories”. This resulting hybrid situation is also reflective of the moral and ideological positions that actors driving these changes confront.

Organizations that function permanently in this ideological cleft between global and local are rendered at the same instance appealing and unattractive to different portions of their audience. Shifts in stakeholder composition and influence over a period of time can affect organizational existence (Pajunen, 2009). The historically unraveling situations and unexpected combinations also mean that the ethical standards that companies are expected to adhere to may vary over time (Svensson and Wood, 2003). When organizations function in such a hybrid space, where the national and cosmopolitan realms and their adherents jostle for power, their legitimacy will be measured by different yardsticks. In many cases these yardsticks might have converging or complementary roles, but in other cases, they might be antagonistic. Due to this hybridity, “strategically, all TNCs have to resolve the basic tension between globalizing pressures on the one hand and localizing pressures on the other” (Dicken, 2003: 235).

So what can organizations that exist in this “nowhere zone” do to survive the inconsistency? Of course, the logical response could be for organizations to strategically adopt a global or local moral stance. Kothari (2008), in her study of street peddlers in Barcelona, noted “strategic cosmopolitanism” that is temporal and contingent on survival. However, in a world of high transparency and scrutiny, multinational companies cannot, like street peddlers, maintain contradictory positions without being accused of hypocrisy. The “institutional spectator” who co-creates institutions with actors (Lamertz & Heugens, 2009) is not a coherent entity. Rather organizations are facing a situation in which multiple spectators with widely ranging
tastes are watching, and their opinions have an impact of the organizations’ functioning.

One of the main strategies that organizations have tried in order to counter this uncertainty, at least superficially, is the use of audits. In a series of articles on the effect of audits in the accounting sector, Michael Power has charted the politics of and the explosion in the “audit society” (Power, 1991, 2000, 2003); he refers to it as a “growing industry of comfort production” (Power, 1997:147). Power’s main thesis is that, driven by the need for accountability and transparency, individuals, organizations and systems that were formerly outside the ambit of audits are now subjected to audits in various forms. Other researchers in the same line have noted that audits are a site for micro politics (Fischer, 1996) — forms of social construction from micro levels and rituals (Pentland, 2000), which are overtly structuralist and which restrict human vitality (Francis, 1994; Fogarty, 1996). Thus audits become a “ritual” delinked from organizational activity (Meyer and Rowan, 1977), and an exercise in institutional spectatorship involving “performance and reproduction of scripts” that emerge from “symbolic exchange between firms and spectators” (Lamertz and Heugens, 2009:1269). Although these findings do not directly relate to social audits, a similar impact can be expected as social audit are intended to transfer the desirable features of auditing from the accounting field into the social sector. Multinational corporations contribute to the creation of global institutions such as audits with respect to quality, safety, social accountability, etc., among the consumers and manufacturers of their products. Transnational NGOs, driven by universal attitudes, use the same global channels created by industry (for marketing across the world) to spread their own versions of morality. Diller (1999) and Kolk and van Tulder (2005) have found companies attempting to use either multiple or contradictory content, or vague universal formulations, in order to balance the divergent demands of multiple stakeholders as well as to incorporate local specificities. Empirical studies have exposed the gender insensitivity of codes in African horticulture (Barrientos, Dolan, and Tallontire, 2003), and the inability of codes to challenge fundamental factors that perpetuate unacceptable labor conditions (Barrientos and Smith, 2007).

The two case studies discussed in this thesis show that organizations encountering various contradictory dynamics in transnational space opt for codes to neutralize the inconsistency in the demands they face. Under the scrutiny of critical actors, actions
engaged in by the organizations resulted in a continuous entanglement in dialectical processes. These interactions demonstrate many indications or “meaning clusters” identified by Schneider (1977) of the term “dialectical” in sociology. These include action, unintended consequences, goal displacement, restrictions by structures that result from action, institutional development through conflict, contradiction, and conflict resolution by “coalescence of opposites”. The following section explores the dialectical view of organizations. This view is then used in the analysis of business ethics and organizational hypocrisy in Chapters 3 and 4 respectively.

2.4. Dialecticism.

A dialectical view of organizations involves observing: the construction of social worlds; the partially autonomous nature of organizational activity vis-à-vis the environment; contradictions, and especially the “latent possibilities” inherent in these contradictions; and the capability for individuals to liberate themselves from the social order (Benson, 1977). Zeitz (1980) notes that inter-organizational networks are characterized by variety, pervasive change, conflict, confounding variables, unintended consequences, social construction by agents, etc. One of the critical elements of the dialectical view is contradiction, as it is “a condition of social systems that an element is both a necessary condition for the development of another element, and a sufficient condition for its transformation” (Zeitz, 1980: 81). This aspect of dialecticism is most evident in the dependence on resources (Lourenco and Glidwell, 1975). The power imbalance involved in ownership and transfer of resources exposes this contradictory effect: resources can be enabling and constraining at the same time. Because of contradictions, it becomes impossible to reach goals in a rational manner; it becomes necessary to acknowledge the arbitrary and temporary nature of the organizational pattern, and the unexpected results and crises that are always possible (Benson, 1977; Zeitz, 1980). Thus it becomes interesting to discover the substructure that maintains and perpetuates a pattern or organizational form (Benson, 1977) within which the nature of agency exists in both active and passive forms (Zeitz, 1980). One of the reasons that the dialectical process is possible is the ability of human agents to engage in “free and creative reconstruction of social arrangements on the basis of a reasoned analysis of both the limits and the potentials of present social forms” (Benson, 1977: 5).

Dialectical conflict means that resolution of one conflict creates the possibility of a new conflict. To quote Blau (1957: 69):
.dialectical organizational developments are generated by different patterns of change superimposed upon one another...The process of adjustment in the organization changes the kind of difficulties...experience alters the orientation with which problems are approached. There are, however, several different spirals of adjustment of this sort [rather] than a single one, because conflicts of interests between various groupings in the organization produce diverse concepts of adjustment. When issues created by these conflicts are settled, the conflicting developments continue and new issues emerge. Thus, the existence of divergent dialectical processes of adjustment gives rise to yet another dialectical process of adjustment — a spiral linking the other spirals, as it were.”

However Blau notes that this confusion of spirals need not be a negative reality: “the process of solving some problems while frequently creating others is also a learning process in which experience in gained” (ibid.: 68).

In one of his earlier papers, Benson (1973), focusing on the “bureaucratic–professional” conflict, notes that in a dialectic analysis “research effort should be focused both upon the underlying tensions and strains in the organization and upon the contingencies which activate or deactivate these in specific time periods ... conflict should be studied as an outgrowth of fundamental contradictions in the organization” (Benson, 1973: 384). Benson further notes that “domain definition” is a process through which the “sphere of appropriate activity of an organization is established or changed” (ibid.: 389), and it is during domain crisis that conflicts within organizations come to fore. During domain crises, competing groups advance opposing domain proposals; “the form and intensity of bureaucratic–professional conflict, then, would vary with the stability of domains and with the alignments of groups in periods of domain crisis” (ibid.: 389). Such conflicts are “inextricably linked to political processes though which order is maintained or renegotiated” (ibid.: 391).

Responding to the need to consider environmental uncertainties, theoretical exploration and empirical research in business and organization research have also resorted to dialectical analyses to incorporate the inherent contradictions and tensions in the environment. Seo and Creed (2002), in an explicitly dialectical approach, introduced “praxis” resulting from contradiction in order to explain institutional change. As they note: “the dialectical perspective alerts us to the idea that social arrangements are produced and reproduced through political struggles among people with unequal power and that those who benefit from social arrangements are likely to be active in their reproduction and maintenance, especially in the face of change”
(ibid.: 241). These power struggles and contradictions are also evident at the group level where “the historical development of contradictions in a given institutional order sets the stage for the emergence of a transformational collective consciousness and provides frames and resources required for mobilizing collective action” (ibid.: 240). Views very similar to those of Benson (1973) have been expressed more recently by Pache and Santos (2010) who, building on Oliver’s (1991) description of strategic responses, present the antecedents of the strategic responses.

Lourenco and Glidewell (1975) show the micro processes involved in a social conflict that erupts when an organization resorts to force and fraud in order to enforce control and to avoid exploitation, respectively. Frajoun (2002) uses a dialectal approach to uncover the endogenous dialectical conflict involved in institution formation in a new industry. Das and Teng (2000) explain the instability of strategic alliances by using dialectical tensions that include cooperation versus competition, rigidity versus flexibility, and short term versus long term outlook. De Rond and Bouchiki (2004) extend this further by bringing dialecticism more in line with its classical facets of heterogeneity of interests, social construction, and unintended consequences.

A dialectical analysis by its very nature, it seems, is more compatible with qualitative methods. This is evident from the near universal adoption of case-studies and ethnographies in the studies mentioned earlier. A similar qualitative approach is used in the case studies presented in this thesis.

3. CASE STUDIES.


The spreading of global production networks beyond the boundaries of the nation state is a ubiquitous symbol of MNE activity. This global process generates different reactions in different regions of the world. In developed societies, for the political classes and important stakeholders like trade unions, such mobility creates an intractable problem when it becomes unable to balance global ambitions with aspirations and disillusionment among sections of its population because of increasing inequality within its national boundaries. Take, for example, the issue of labor rights. The concern among developed countries over the possibility of social dumping is not new. The early stage of creation of the European Economic Community in the 1950s
was marked by debates on harmonization of social policies, which included fears of social dumping from southern Europe (Sapir, 1995). The debate took place between two groups, one of which wanted harmonization as a corollary while the other wanted it as a requirement. Sapir notes: “After the third enlargement in 1986, the Community was divided into a North and a South. This suggested that liberalization would increase inter-industry trade, thereby causing more adjustment problems than past integration. In particular, union and political leaders demanded that the completion of the internal market be accompanied by Community action to harmonize policies” (Sapir, 1995: 799). This position of the unions has remained more or less unchanged in the EU, right through to the present stage of globalized production networks, the difference being that the concerns over Southern Europe have been replaced by concerns over low cost producers like India and China.

Multinationals are inextricably involved in the economic development of the poor nations to which their production units are outsourced and also need to balance concerns in their home countries regarding local jobs losses. This confusion is compounded by universalist demands for global standards that non-state actors like NGOs and unions claim are needed to deal with issues of a global nature and resistance from national actors that perceive universalism as a threat to their sovereignty. This results in debates and accusations that are irreconcilable.

One example is the debate over the inclusion of the “social clause” in the WTO that allows inclusion of labor standards as a quality criterion in global trade, a view supported by developed nations. The developing countries, where production occurs, generally object to this. They claim that labor standards are not trade issues and the International Labour Organization (ILO) is the appropriate authority for this discussion, not the WTO. This is because “the supranational character of the social clause and the consequent usurpation of national sovereignty over labor legislation is a very sensitive concern, especially among former colonized countries” (Chaulia, 2002: 615). Further, doubts and suspicions arise, “whether the north has hijacked the ILO principles and embedded liberalism into the trade discourses or if OECD countries are genuinely motivated by solidarity with foreign workers and are lending the ILO a helping hand” (Chaulia, 2002: 614). As a result, international discussions on labor standards have turned into passionate debates that center around maintenance of recently received sovereignty, race, national growth, poverty, etc. The case below
shows this linkage between local concerns and global processes and the actors that create and modify the unending possible combinations of values, ambitions, passions and insecurities. Depending on the intended and unintended consequences of these combinations, individuals, regions, and nations either benefit or suffer.

Case Description

A global Dutch textile company found itself mired in a public relations nightmare when NGOs accused its supplier (based in India) of violating labor rights. The textile and apparel sector is characterized by high competition, low margins for suppliers, and big investments in brand image. This makes them susceptible to the demands of powerful NGOs, both valid and unreasonable. The brands, their suppliers, and other industrial actors are therefore hypersensitive to issues of ethical compliance.

In this case, NGOs based in The Netherlands and India formed a coalition that went ahead with public campaigns that severely affected the brand image of both the buyer and the supplier.

The company and its supplier reacted with indignation and surprise as they believed their supply chain to be “clean”, brandishing certificates of social audits conducted by international audit organizations, as well as local factory inspectors. The Dutch company succumbed to pressure and officially declared that it would stop sourcing from the supplier in question.

The supplier, who by now had lost all its customers, filed criminal charges against the NGOs, including Dutch individuals, in the local court in India. The government of India got involved on behalf of the supplier. The Indian textile industry was getting ready to reap the rewards of a quota-free system after the Multi Fiber Agreement was phased out in 2005. Further, the government, which had decades of international experience in avoiding the inclusion of the “social clause” concerning labor standards in trade issues, immediately saw this as a larger design to create non-tariff trade barriers.

The filing of criminal charges against Dutch nationals created the problem of extradition to India. This was something unprecedented as NGOs were used to companies giving in to their demands rather than risking further damage to their reputation. The indignation against “Dutch nationals” potentially being extradited by
Indian courts based on an outsourcing related issue, led to a crystallization of support for the NGOs in The Netherlands from actors that held anti-globalization positions — political parties to the left of the spectrum, trade unions, and other international organizations.

The next phase involved negotiations at the highest level of diplomacy in both countries. On the Dutch side, the government attempted to balance the concerns of the multinational and the NGOs. On the Indian side the support of the government was squarely behind the supplier, which incidentally, had won the national award for the “best exporter” in the sector. The government accused the activists of “racism”, “xenophobia”, etc. and was able to legitimize its stance on nationalist grounds.

A solution was found when a senior diplomat from The Netherlands was called in to mediate. The conciliation included a structure that had both local and national characteristics. Two individuals in India and The Netherlands were selected as an authority to which the parties in either country could take their concerns. All public reports were deemed detrimental to the truce that was arrived at (with difficulty) and the activists were asked to take their claims to the two individuals instead of the media. The Dutch and Indian arbitrators would communicate with each other directly about concerns on either side.

**3.2. Case 2: Neoliberalism and the Fractured Polity**

Harvey (2005: 2) defines neoliberalism as a “theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade”. This includes being supportive of the free flow of capital, encouraging entrepreneurship, creating an environment where private enterprise can thrive, reducing layers of bureaucracy, etc. Studies in human geography and urban studies have analysed and identified how the ideological drivers of neoliberalism translate into institutions and organizations. Sub-national governance levels, it has been argued, might be better suited for a globalized economy or the entrepreneurship that urban bodies demonstrate (Deas and Ward, 2000; Jessop, 2000, 2002; Jessop and Sum, 2000). One of the manifestations of the entrenchment of this theory in the political landscape of Western Europe is thus the
increasing prominence of cities and regions emerging from the shadow of nation states within which they were originally encompassed.

Brenner (1999, 2009) has tracked the changing priorities of urban planning as industrial nations transformed from the Fordist mode of production in the late 19th century, through the welfare state models in the aftermath of the second world war, to the present condition where urban planning driven by neoliberalism is working for the smooth flow of global trade. In each of these eras “the capital’s restless transformative dynamic renders its own historically specific geographical preconditions obsolete, inducing a wave of restructuring to reterritorialise and thereby reactivate the circulation process” (Brenner, 1999: 434). Consequently, there was a shift in urban management from demand-driven policies to a “supply side” approach in which cities and regions were expected to create conducive venues for growth and to attract capital that had turned increasingly mobile due to advances in communication and transportation mechanisms — what Hay (2005: 236) calls the “logic of no alternative”. Due to dependency on the vagaries of global capital “small-scale and finely graded differences between quality of places (their labor supply, their infrastructures and political receptivity, their resource mixes, their market, niches, etc.) become even more important because multinational capital is in a better position to exploit them” (Harvey, 1990: 428).

Neoliberal ideologies in their different forms have also spread from North Atlantic countries to developing countries through epistemic communities (Peck, 2001). Scholars in geography have observed the spread and the prevalence and debates on neoliberalism in a wide variety of locations including the United Kingdom (Deas and Ward, 2000) and Hong Kong (Jessop and Sum, 2000). This, as Brenner (1999: 435) notes, is an effect of globalization — to “decenter the national scale of accumulation… in favour of sub and supranational territorial configuration”. Early observers equated the higher visibility and autonomy of regions and cities with threats to the sovereignty of the nation state (Ohmae, 1993). Sassen (2007: 102) points out that cities can no longer be seen as bounded by the provincial and then by the national. Rather, the city “is one of the spaces of the global, and it engages with the global directly, often bypassing the national”. Deas and Ward (2000), in their study of Regional Development Authorities (RDAs) in the United Kingdom, direct attention to the supra-national pressures emanating from the European Union, “to develop new regional institutional
structures, to develop stronger regional dimension, and to encourage institutional collaboration on a regional basis” (ibid: 278) and argue that “the formation of RDA reflected the appeal of the (contested) notion that the nation-state had become increasingly dysfunctional” (ibid.: 277). Thus Lagendijk (2002: 36) refers to the 1990s as the “decade of the regions” for scholars on urban planning, reflecting the proliferation of such organizations in Western Europe.

These processes have a necessarily dialectical quality as “when the physical and social landscape of urbanization is shaped according to distinctively capitalist criteria, constraints are put on the future paths of capitalist development” (Harvey, 1989: 3). However, underlying these transformations are a “wide range of scalar configurations, each produced through the intermeshing of urban networks and state territorial structures that together constitute a relatively fixed infrastructure for each historical round of capitalist expansion” (Brenner, 1999: 434). Further, dialectical conflict within nation states results from the need of local infrastructure to ensure unimpeded flows of a mobile capital, leading to contests over control by locally embedded actors whom globalization has failed to dislodge from the levers of power (Brenner, 1999; Sassen, 2000, 2002).

Lagendijk & Boekema (2009) provide a history of spatial planning in The Netherlands which, although with historically derived specificities, resulted in a hybrid condition in which the distribution of responsibilities and power shifted between federal and local authorities within the nation state, in response to global processes. These include The Dutch golden age of the 17th century, the decline in the country’s global position thereafter, with a weakening position in global trade, as well as French rule, and the German occupation. More recently, the welfare policies of the mid 20th century and the neoliberal policies of the latter half of the century have each had a fundamental impact on the relationship between local, regional, and national government. The second case study is related to this latest influence on urbanization in the Dutch context. The authors note the prevalence of neoliberalism in policy making in The Netherlands:

A discourse that was once limited largely to the domain of business development, featuring “competitiveness”, “benchmarking”, “innovation”, etc. now pervaded the realms of other policy domains including spatial and regional development. Moreover, not only the aim of policy-making but also its methods, have been infiltrated by neo-liberal thinking. Many policy ambitions are pursued, for instance, through competitive programmes, in which the “best” ideas and
projects get rewarded. Entrepreneurialism, accordingly, does not only define the target, but also the gist of policy-making. (Lagendijk & Boekema, 2009: 133).

This ideological disposition led to setting up of regional development organizations and other networks like “regional innovation centers”, and “regional innovative hotspots”, being proposed, debated, and legitimized, all with the intention of promoting private enterprise. These include attempts by politicians to “sell” the city or region they represent to outside actors to stimulate investments, to “solve socio-economic problems and spur economic growth” (Spierings, 2009: 143).

A practical manifestation of entrepreneurship among state-bureaucrats is the creation of a “thick undergrowth of development agencies” that compete with other cities within one country as well as between countries (Lagendijk and Cornford, 2000). The condition that the organization found itself mired in was due to the inconsistencies and disruption in its environment as the political allegiances and ideological attachments at the foundation of its resource base became fragmented and unclear.

Case Description: Investment Promotion.

An Investment Promotion Agency (IPA) was set up in 2000 by four local municipalities in Western Europe to assist foreign companies to start up in the region. The organization was created as a partnership between a number of municipalities that span different provincial and municipal boundaries, rendering it susceptible to the conflicting interests and demands of political and bureaucratic actors belonging to different regional groupings.

Five years into its life, the IPA ran into trouble with a local media report on its functioning. The main contention was that the agency had fudged its numbers when it came to the employment it created in the region — its central purpose. Being funded by public money, the debate surrounding the organization quickly turned political with rival political groups defending and attacking the organization.

The organization survived the crisis as the political ideologies underlined the crucial role that the IPA was playing in global trade which, by implication, was important for society and industry. However, new conditions were set for the organization’s future that aimed at improving its accounting procedures while at the same time the
organization was supposed to become less bureaucratic. An additional supervisory committee was imposed upon the organization along with new patterns of internal functioning that facilitated better accounting and, by implication, more transparency. A target was set for the IPA to bring in 30 percent of the total companies that started up in country; this averaged around 27–35.

The openness in global trade was, in the meantime, changing. The increasing complexities of international trade and specialization meant that the services required by the companies (in mergers and acquisition, for example) became highly technical. The IPA was composed of generalists who were unable to perform these services, and limited themselves to a facilitating role and organizing visas, which for global companies is an unimportant factor in their overall strategy. The communication and travel facilities meant that companies and their representatives could identify and communicate globally without the IPA or other national organizations like the Ministry of Economic Affairs, the Chamber of Commerce, etc., becoming aware of the companies’ plans until the information became public. Furthermore, it was representing a group of less prominent cities in a country with no specific global appeal, which made it difficult to achieve results.

However, while some features that were responsible for the crisis remain part of the organization’s routines, new unexpected hurdles to its efficiencies were created. Attracting international companies and acquiescing to political whims were tasks that the organization was already engaged in, explicitly and implicitly. The crisis brought additional constraints; the greater workload associated with the new accounting standards imposed upon it resulted in resources being diverted for this purpose. After the crisis, the organization constantly strained to find common ground on which both sets of demands could be reconciled. At a time when global production routines like outsourcing were becoming prominent, the increase in dominance of China and India has created uncomfortable situations. An organization which was set up with the primary ambition of creating jobs in the region was actually assisting companies in taking jobs away! Such political concerns came to the fore during elections when the organization resisted holding public events to promote investments.

Overall the IPA continues to meet its targets, thanks to the dedication and creativity of its employees, both bureaucrats and professionals. However, it remains trapped in an
uncomfortable irrelevance brought about by global processes and unpredictable local structures that either supported or questioned its existence depending on the particular ideological combination that controlled its resources.

4. ANALYSIS

Critical realism, described in the introduction, provides an ontology that allows for an investigation of deeper levels of society and the mechanisms that sustain it. Table 1 presents some examples of the processes observed in the two case studies, categorized into the different levels of ontology prescribed by critical realism. For sure these levels are not exhaustive; the table is intended to indicate the contingent nature of explanations drawn in each case. The analysis that follows is an extended explanation of the table below.

<table>
<thead>
<tr>
<th>Level</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Politicall ambition</th>
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<tbody>
<tr>
<td>Level 1</td>
<td>Income disparity, insecure state</td>
<td>Forms of funding, moral obligation from colonial guilt</td>
<td>Personal agendas, self-esteem, political alliances</td>
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<tr>
<td>Level 2</td>
<td>Nationalism, election propaganda, corruption, rent seeking</td>
<td>Urge to secure funding, personal agendas, anti-globalization sentiments</td>
<td>Unwillingness to learn. Dissonance between stated and displayed forms of control</td>
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<tr>
<td>Level 3</td>
<td>Vociferous defense of supplier by third world politicians</td>
<td>NGOs’ accusation of exploitation, public boycotts, reputation damages</td>
<td>Inability to learn from mistakes</td>
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4.1. Selective Adherence during Crises.

At first glance, both case studies support the view that cosmopolitanism is a reality at the agentic and structural levels. The first case showed multinationals active in global production, global standards of quality and certification leading to regulatory systems that negate national regulations, NGOs and activists attempting to influence working standards in faraway places based on cosmopolitan forms of morality, etc. The perceptions of stakeholders critical to the company’s reputation could not be easily predicted from their status as belonging to the companies “home” or “host” environments. The delinking of attitudes from citizenship means that in all countries,
there are epistemic communities that support globalization and those that oppose it in varying degrees. Some citizens from both nation states, drawing on similar ideologies, criticized the multinational with allegations of abuse of workers’ rights. Others, in a form of cross-national solidarity, understood the subtle view that the people in the countries where the goods are manufactured need the jobs that would be lost from thoughtless boycotts.

The IPA in the second case also markets itself as a global region where multinational companies and their employees can feel at home (citing examples like availability of international schools, cosmopolitan environment, etc.). The business trips headed by local politicians to global locations like Brazil, India, and China, and the large “expat” events held in the region seem to celebrate and promote the free flow of capital and people in and out of its boundaries. The IPA and its activities are a result of the transnational pressures of neoliberalism which have an impact “not through hierarchical enforcement, but through mutual influence, imitation, and learning, in particular between and across national and international standard setting areas” (Djelic and Quack, 2007: 181).

Both organizations seemed to want to move away from parochialism and embrace the global, lending support to the claims of supporters of cosmopolitanism (Beck, 2002; Fine, 2003). However, a closer examination, especially during a crisis, exposes the reality that for many actors, cosmopolitanism is a strategic tool to achieve their goals in the global arena (Kothari, 2008). The supplier in the first case, for example, used cosmopolitanism to portray itself to clients as an “island of excellence” detached from the reality of backwardness that is a significant part of India’s reality. However, during times of crisis, it was the proximate and in many ways parochial, structures that they relied on for survival. The supplier donned its “Indian” credentials and sought the support of the national government and highlighted its adherence to national standards of production and moral values. Likewise, the IPA which was predominantly set up as a global entity, quickly discovered that it exists at the whims of local politicians who have to listen to public opinion. So the organization geared itself to satisfying local political ambitions while developing the risk of an embarrassing and uncomfortable irrelevance to global companies. The case study in Chapter 4 discusses this aspect in detail.
The cases thus lend unequivocal support to the claim that although cosmopolitan or post-national ontologies have emerged as a result of globalization, the sovereignty of the state and its political significance cannot be ignored (Hay, 2005; Hirst, 1997; Detomasi, 2009). Both in facilitating global production by creating a favorable investment climate, and in implementation of moral values, the role of the state and grounded local institutions and allegiances continue unabated. At the same time, global cosmopolitan institutions created by the ambitions of a governance system that transcends national systems (Held, 1998; Archibugi, 1998) have created a hybrid or multilayered environment in which the national and global coexist and are available for creative use by capable actors (Djelic & Quack, 2007; Dicken, 2003).

4.2. Unintended Consequences.

Sassen and Brenner have both noted the contradiction in urbanization that the relatively fixed infrastructure essential for global flows creates dialectical situations for organizations that rely on them. The characteristics of this environment are not steady; the environment rapidly changes its structure reflecting the temporary victories of the interest groups involved in the underlying power struggles and conflicts over resources (Benson, 1977; Zeitz, 1980). The inherent contradictions on issues of moral standards in the environments within which organizations are institutionally embedded create measures of accountability that are divergent and irreconcilable.

Allure of being global. The emergence of a transnational space that was partly created by multinational companies to access resources, has in turn created a new set of complexities and unintended consequences. While gaining resources from the host environment, in return for generating employment to those who might otherwise starve, the multinational often faces conflict with its home country morality and concerns of outsourcing. Since the crucial environment for the organization is its home country (in this case, The Netherlands), the company decided after a struggle to sever its connections to the supplier. The supplier, on the other hand, was a large company in India with immense clout in the local institutions. In another example of dialecticism, the company’s wealth resulted from it being the preferred supplier for major brands. However, this coveted position placed them in the line of vision of NGOs and activists in Western Europe that placed demands on them which they found impossible to comply with.
The second case study shows how the entrenching of neoliberalism has created situations in which regional bodies and bureaucracies are forced to become entrepreneurial and attempt to attract mobile capital into the locality they represent (Brenner, 1999; Harvey, 1989). In this context, political sections and bureaucrats search for proof of their efficiency by climbing up the rankings of world cities, and being the preferred location for multinational companies to site their offices. This struggle for global recognition of capital placed the case study organization in a dialectical trap. The activities that the IPA is expected to undertake (attracting foreign companies), leaves it open to accusations of using taxpayers’ money to take jobs out of the country.

**Imminent conflicts.** The first case also shows the shifting nature of the composition of stakeholders; if ignored, this can create a situation in which the most irrelevant stakeholders can also become the most important, thereby changing the environment itself. The NGOs, in their passion, could not foresee the combination of alliances that emerged between the Indian supplier, its government, and members of the Dutch political establishment, forcing them onto the back foot.

For the IPA, local interests, and hence the local press and local politics, increase in relevance towards the end of funding cycles and in the run-up to local elections. At a time of increasing concerns in developed countries, where wage earners are losing their job security to the global mobility of individuals and knowledge workers, the interests of companies and the objectives of the organization are difficult to balance. Due to the unique construction of both organizations, they are unable to explicitly define a set of priorities that would satisfy all stakeholders at all times. An action that is justified in one realm can be criticized on the basis of criteria from another realm, leading to uncertainties regarding which moral position is most acceptable for any particular situation. So in a dialectical fashion, addressing one aspect of a crisis creates new unexpected spirals that require further attention (Blau, 1957) leading to the escalation of the crisis.

The ubiquity of audits, evident in both cases, is not an effective counterweight to this uncertainty. In the first case, audits were used to neutralize the uncertainty arising on account of the production being spread across multiple legal and moral geographies. The supplier resorted to global audit systems in order to prove themselves to the brands, while relying on national standards when appealing for protection to the local
government. In the second case, auditing was used as a method to arrive at an “objective” form of efficiency to satisfy stakeholders, under increasing pressure to pull back from what the organization is supposed to stand for — globalization. Its arbitrary use in codes of conduct as a tool for communication (Tulder&Kolk, 2001), recovering damaged legitimacy (Pentland, 2000; Fogarty, 1996), and covering up inefficiency, lends further support to the suggestion that the audit society (Power, 1997, 2000) is struggling to find suitable standards that are universally applicable.

4.3. Historically Mediated Processes.

Historically derived conditions also played a role in the outcomes of the case studies. In the first case the way that events developed was influenced by how global and local processes related to a particular historical moment in the industry. The case took place immediately after the lapse of the Multi-Fiber Agreement that had restricted imports into developing countries by a system of quotas. India was one of the quota-constrained countries that was expected to benefit (Nordas, 2004). Further, the government of India has been arguing for many years against the inclusion of the “social clause” in the WTO, which would have made labor standards an essential component of international trade, threatening the industry and thus the livelihoods of a large number of workers. So when the issue arose, it was immediately categorized as a “non-tariff trade barrier” by the Indian politicians and bureaucrats who were focused on defending Indian economic interests at all costs. The near total indoctrination of political parties of all shades and hues in India, to free trade and liberalization, and linkages between politicians and business groups, is well documented elsewhere (Hensman, 2000). Furthermore, the history of import substitution policy had ingrained in Indian politicians and local institutions the mind-set to develop and protect local companies from global competition or promote them as global players (Tewari, 2006). Although the supplier in question may seem distant for the Western European activists, it was a large company in itself which enjoyed considerable political clout and protection locally. The entrenched nature of the conflict therefore resulted from the contextual exigency of the moment and the institutional resources that responded in the supplier’s favor, which the activists were unprepared for. These issues are taken up more in detail in Chapter 3.

In the second case, the organization was set up as a result of the permeation of neoliberal ideologies in the local governments of Europe in the 1980s and 1990s.
(Harvey, 1989; Brenner, 2005; Peck, 2004). As long as this political ideology had public support the organization continued to receive political patronage in spite of the media report that criticized it. The IPA was considered essential for attracting global capital and hence promoting regional development. However, recent events such as the failures of banks and mobile capital, and increasing concern over job losses as a result of recession (O’Niell, 1999), have led to an upsurge in the popularity of right-wing political parties that are explicitly opposed to immigration and globalization — the two activities that the IPA represents. The organization was created to assist foreign companies to start up their operations in the region, with the implicit objective of creating local jobs. However, as global production patterns changed, outsourcing gained increasing prominence and the Chinese and Indian companies that started up with the assistance of the IPA essentially took jobs away from the local population. This placed the organization in another dialectical position from which it was unable to escape.

If a new crisis develops, the result might not be the same as before. However, its reliance on political patronage and goodwill placed the organization in a situation where, with limited resources, it was unable to perform many of its functions effectively. In this case, the organization did not have sufficient resources to alter the status quo and therefore found itself in a dialectical trap in which efficiency would make it unpopular with local politicians.

5. DISCUSSION.

This dialectical analysis of the case studies has hopefully highlighted how historical and interest group struggles result in the emergence of hybrid and fractured organizational environments that may be encountered by multinational companies and other organizations located between the local and the global. For multinationals and political organizations, this means constant attention to the new political formations that emerge and influence their funding and survival and may even mean adopting a wrong decision or resorting to inefficiency to reflect the inconsistencies in the environment. The following chapters will attempt to make these observations more explicit.

Both cases highlight the limits of globalization by making explicit the localized nature of global processes and the multilayered environment at the structural and agentic
levels (Dejlic and Quack, 2007; Sassen, 2000; Brenner, 1999). As the cycles of dialectic processes turn, the dominant pattern of the environment alternates between fixed structures and allegiances and transience of values and moorings. MNEs and organizations that straddle the international space not only have to take account of the fragmentation and dynamic hybridity of the societies but also be prepared for the unexpected ethical combinations and allegiances that may develop in future.

Rather than a cosy condition of institutional spectatorship among actors with similar histories, plans and ideologies (Lamertz & Heugens, 2009), what is evident in these case studies are organizations that are constantly playing to multiple spectators. To stretch the metaphor, real-life situation are more like street plays rather than a closed performance for an invited audience of aficionados. Organizations that survive in ambiguous spaces located between such institutions are those with power, guile, and malleability to reconcile the contrasting and conflicting realities that they confront. Some forms of survival involved falling back to familiar contexts and abstaining from creativity. A capacity for close observation of changes occurring within the environment, and the ability to steer through the random fixities and impermanence of value systems, decreases the chances of organizations falling into the gaps created by the shifting ethical and ideological assemblages.

In an early paper on organizational values, Clark (1956) conceptualized the “precarious” nature of values resulting from their undefined nature, the lack of legitimacy of their proponents, and/or their unacceptability to the host population. Clark concluded that in conditions where values are precarious, “organizational need for survival and security are likely to propel an adaptation to a diffuse social base, and purpose will be adjusted accordingly” (ibid.: 336). This precariousness, when linked to the strategic response to maintain their resources (Oliver, 1990; Pajunen, 2010), accurately describes the positions that organizations in transnational situations encounter.

Trying to link the global to the local involves awareness of the complex and emerging environments and the values they generate, which can change from one moment to the next. The findings from the cases reinforce the benefits of studying global processes as open systems with a stratified ontology. Acknowledging the discrepancy between what is observed empirically and the underlying causal mechanisms and power
struggles in society, of which the former is a partial reflection, helps us discover the multiple processes that structure the organizational environment in the present society. This attempt to discover common underlying connections between seemingly unrelated and separate processes helps us to understand the origins of and solutions to the local and global pressures that multinational companies and similar organizations face.

6. CONCLUSION.

The aim of this chapter has been to introduce the reader to the dialectical processes that contribute to precariousness of political and moral obligations transnational organizations by highlighting three tendencies inherent in its environment: (1.) the impact of the changing structure of the global political economy on the filtering of global moral arguments as it moves into implementation; (2.) the reliance on local/national structures in times of crisis, underlining the persistence of nation state as a significant entity in multinational environments, and (3.) the selective adherence of organizations in transnational space to the multiple institutions available. The cases that follow will hopefully unravel the impact of this underlying, enmeshed matrix of ideological and political beliefs in two areas — debates on the moral responsibilities of multinational companies, and the emergence and the tendency of organizations to learn from crisis when relying equally on both the global processes and the rooted political structures that facilitate them.
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Abstract

Moral environments within which multinational companies are located is turning increasingly contradictory and ambiguous due to the partial dilution of structures considered hitherto immutable, and the simultaneous but incomplete emergence of new structures. This chapter focuses on those streams of literature in business ethics that have tried to grapple with this ambiguity and develop moral positions for multinationals engaged in global production. These streams include the moral debates on sweatshops, related literature like international codes and standards, and corporate citizenship. By connecting the philosophical debates between the cosmopolitan and pragmatic visions of moral commitment to the world and the similar debates in the streams of business ethics, this chapter aims to highlight the implicit moral commitments of different positions suggested in the latter. Further, an ethnographic study of a conflict between a buyer based in Western Europe, a supplier based in South Asia, activists, politicians and legal institutions, is used to show how actors in a global production network, also faced with similar moral dilemmas emanating from the ambiguity, resort to arbitrary moral commitments in their attempts to satisfy a variety of critical constituencies holding diagonally opposite worldviews.

1. INTRODUCTION.

In early 2005, a laborer employed at a textile exporter’s plant in India tore off a label from one of the pieces he was working on. He did this under instruction from a local activist, to whom he had allegedly complained that he was being abused at the workplace. It was quickly discovered that the products were being manufactured for a European textile company. The conflict effortlessly shifted to Europe through a network of international activists. This precipitated a conflict that caused a disruption of the generally positive relations between The Netherlands and India. Senior diplomats, whose skills are normally reserved for humanitarian crises arising from wars, had to intervene in the effort to find a solution.
This case, which unfolded between 2005 and mid-2008, shows the impact on operationalization of business ethics on the ground, as multinational companies and NGOs move between national, global, and transnational spaces. A number of authors have noted the conflicting pressures that multinational companies and international supply chains face in international operations (Gaarsten & Hernes, 2009; Kostova & Zaheer, 1999; Levy, 2008; Levy & Kolk, 2002): this chapter describes in detail how such a conflict plays out. It describes an instance in which organizations that span these international spheres of existence were subject to yardsticks of evaluation that are not only incompatible but are also shifting and dynamic. Some of the actors were trapped in one or other sphere due to the inflexibility of their existing structures or attitudes, while others ensured their survival by drawing on the multiple structural features available in a selective and arbitrary manner. Levy (2008) points to the paucity of research on this in the international business literature; to date it has not addressed the question of “multiple actors in contested issue arenas” arising from different interconnections between a company and its external environment. The events described in this chapter can contribute to filling this gap and extending the business ethics literature by opening its conceptual underpinnings to the emergence of this new model of society.

Three streams within business ethics were selected for analysis: (1) the debate on the role of multinationals in improving the human condition in the third world, and the acceptance or rejection of sweatshops in this context (Arnold & Hartman, 2006; Arnold & Bowie, 2007; Sollars & Englander, 2007; Zwolinski, 2007); (2) the related effect of the spread of audits in supply chains and the use of codes to achieve universal standards (Kolk and van Tulder, 2002a, 2002b; Owen & Swift, 2001; Power, 1999); and (3) the arguments for and against corporate citizenship (Crane & Matten, 2005, 2008; Matten & Crane, 2005; Néron & Norman, 2008; van Oosterhout, 2005, 2008).

These three streams were chosen because they build on arguments based on the contested assumptions about society mentioned earlier. Business ethics should be rooted in philosophical underpinnings because “the focus is on the same philosophical questions, but with business activity as the medium of interaction; thus, the conceptual discussion of business ethics is linked to a micro level in society” (Svensson and Wood, 2003: 353). Before turning to the business ethics literature, I would like to introduce some philosophical positions that underlie these debates by drawing on the literature
on cosmopolitanism in political science and development studies. The latter literature includes contributions from scholars concerned with the creation of a development/human rights framework at the global level. Looking at their work, which deals with philosophical debates relating to global morality and the roles of transnational actors in facilitating its practice will, I hope, provide additional philosophical depth to the debates on the specific business ethics concepts analysed later on.

2. LITERATURE REVIEW

A model of society in which the nation state is reduced in relevance and global processes and regulations achieve prominence has long interested scholars in political science and sociology. This branch of literature received further impetus in the latter half of the 20th century under the broad rubric of cosmopolitan philosophy which is described in detail in the first chapter. This section will focus on a subset of this literature, which discusses the moral/ethical issues that open up as a result of changes to society. This “ethical cosmopolitanism” (Gasper, 2009) relates to a moral position in which “the whole world is taken as the ethical universe, the space in which we have to ethically locate and justify ourselves” (Gasper, 2009:2). This is, therefore, also the space within which the moral and ethical concerns of multinationals are generated, debated, distorted, and imposed.


2.1.1. Ethical Cosmopolitanism
What is ethical cosmopolitanism? The general introduction to cosmopolitanism was provided in the previous chapter: cosmopolitanism is a conceptual term which seeks to explain elements of social life that are at odds with the presupposed connections such as the link between place and culture, the mutual exclusivity of citizen and alien, the entrenched dichotomy of global and local, the clearly delineated jurisdictions of nation states, etc. (Appiah, 2006; Beck, 2002; Cheah & Robbins, 1998; Sassen, 2000). This new conceptualization was considered necessary due to the emerging ontology wherein these dichotomies and differences become less distinct, more simultaneous, dynamic and hybrid. As Fine (2003: 452) notes, cosmopolitanism is “at once a theoretical approach toward understanding the world, a diagnosis of the age we live in, and a normative stance in favour of universalistic standards of moral judgement, international law and political action”. Because this seems very similar to common
sense understandings of globalization, I use the conceptual clarity provided by Roudometof (2005) in separating the terms globalization, cosmopolitanism, and transnationalism. According to Roudometof, globalization is the process that allows goods and services (and people) to travel across national borders, leading to the creation of “transnational social spaces”. This transnational space provides the venue where cosmopolitanism or its “enemies” (Beck, 2002) can compete over control of the ideas and resources that these spaces contain.

At the conceptual and extreme end of the spectrum Nussbaum (1997: 8) champions the Stoic rendition of cosmopolitanism wherein “we should give our moral allegiance to no mere form of government, no temporary power. We should give it instead to the moral community made up of humanity of all beings”. Gasper (2009), in arguing for the use of “human security” as a term that can prepare the ground for global ethics, says:

Prior to entry into any detailed debates in global ethics come a series of related choices about how we see ourselves in the world. First, how far do we see shared interests between people, thanks to a perception of causal interdependence, so that appeals to self-interest are also appeals to mutual interests. Second, how far do we value other people’s interests, so that appeals to sympathy can be influential due to interconnections in emotion. Third, how far do we see ourselves and others as members of a common humanity or as members of a national or other limited social community or as pure individuals: is our prime self-identification as interconnected separate beings? (Gasper, 2009: 1).

The declining relevance of the nation state creates a condition suitable for post-national citizenship, defined as a regime that “confers upon every person the right and duty of participation in the authority structures and public life of a polity, regardless of their historical or cultural ties to that community” (Soysal, 1994: 3). This is markedly different from the older correlations between nation state and “what were previously defined as national rights [which] become entitlements legitimised on the basis of personhood” (ibid.).

Structurally such a development results in the extension and contestation of jurisdictional limits of authority of nations and societies (Fine, 2003), and the creation of institutions and value systems that do not correspond with traditionally accepted entities like nation states, but rather transcend them (Bartelson, 2000). For example, NGOs which work in support of human rights are visible dimensions of this logic that “undermine[s] the nation state from without”, while large-scale migration and access
to alternative forms of identity “undermine the nation-state from within” (Fine, 2003: 457). These actors, it appears, have achieved success in “debounding” (Beck, 2002) or “unbundling” (Sassen, 2000) the nation state as a concrete entity that encompasses within it particular forms of values and governing systems through which human rights could be implemented.

The actor level is characterized by the simultaneous existence of both local and global (Beck, 2002; Sassen, 2000a; Sassen, 2000b), a dynamic hybridity of values and attitudes, and entrenching of nationalism (Beck, 2002). These actors are engaged in a “project by which the global and local are combined in diverse ways” (Delanty, 2006: 35). Like a painter mixing and matching colors to create new ones, an individual, if given access to a diverse collection of ethical templates, might find it possible to select, mix and match ethical attitudes. This freedom to choose, once a prerogative of the elites, is now possible for a wider range of the population, leading to “strategic cosmopolitanism” (Kothari, 2008) among the disadvantaged sections of the society who often also form the end of many low-cost supply chains such as street peddlers.

Noting that the word “human” in human rights immediately gives it a universal character not restricted to a community within a nation, Beetham (1998) points to nation states and parochial attachments as “counterveiling logics” that prevent the implementation of the universal. It is to such barriers that we direct our attention in the next section.

2.1.2. Barriers to a universal conception of human rights.

Fine (2000) argues that there is a tendency for cosmopolitans to reject all sociological categories in the name of “methodological nationalism” and hence keep cosmopolitanism at a conceptual level, ignoring the persistence of nation states and national values. This observation is echoed by Dallmayer (2003) who claims that moral universalism misses “its relevance to praxis”. Pointing to the intricacies of implementing a moral view, even assuming universal acceptance of a particular view, the relevant questions become: who has rights of interpretation and, in cases of conflict, which interpretation survives? Simultaneous attention to politics and local context is essential to render moral universalism practically relevant (Dallmayer, 2003). This concern is not unfounded. Scholars of political economy tracking the relevance of the nation state in the context of globalization have often argued that the reduction in
power of the former has been overstated, and that the emergence of this global or
cosmopolitan sphere does not in any sense do away with the national sphere or the
power of nation states (Hay, 2000; Hirst, 1995; Scholte, 1997). Research on the textile
industry (which is the subject of the case study in this chapter) states unequivocally
that “any discussion on geography of production cannot neglect the importance of
national trade policy” (Christerson and Appelbaum, 1995: 1371).

Early scholarship in business ethics underlined the critical importance of state actors to
multinationals and the role the latter should assume in assisting governments from the
Third World in their stated objective of improving the economic conditions of their
populations (Naor, 1982; Pratt, 1991; Tavis, 1982, 2002). It also pointed out the negative
outcomes that could accrue to the multinationals if they ignore their social obligations:
“increased local government hostility may eventually lead in extreme cases to
expropriations or takeovers” (Naor, 1982: 223). Poynter (1982) found empirical
evidence that the chance of intervention by host governments is higher in industries of
strategic importance, where strategic importance is “defined as one which was critical
to political and economic development of host nation” (ibid.: 82). Particularly
interesting for the purposes of this chapter, researchers interested in public policy
stress that attention to the context is critical for multinationals functioning in societies
which are composed of diverse ethnicities, as it helps to reconcile internal cultural
disparities in host nations (Naor, 1982; Pratt, 1991). Further, multinationals should also
note that because the “urban-based elite is the bridgehead for corporate policies of the
MNC in the developing region, his or her development interests, while consistent with
those of the home country of the MNC, are usually at variance with those of the critical
mass of the rural-based population in the periphery country” (Pratt, 1991: 535). The
implementation of human rights is therefore “almost wholly dependent on the
governments of individual states, and their capacity and willingness to protect them in
the context of competing priorities and conflicting forces” (Beetham, 1998: 67).

At the individual level, Kymlicka (2001: 320) also stresses the dominance of the nation
state: in spite of similar economic forces acting on countries:

The sense of communal identity and solidarity remains profoundly different,
and has the actual policy responses to these forces. Despite being subject to
similar forces, citizens of Western democracies are able to respond to these forces
in their own distinct ways, reflective of their ‘domestic politics and cultures’.
And most citizens continue to cherish this ability to deliberate and act as a national collectivity, on the basis of their own national solidarities and priorities.

The obvious entrenchment of nationalism, manifest in the identity politics of most countries in Western Europe, is proof that the forces that promote detachment from the national sphere do not expand unimpeded (Vink, 2007). Nationalistic attitudes and values therefore find expression and political support concurrently with the creation of cosmopolitan space. Powerful parochial ideologies reflecting public concerns which correlate outsourcing with unemployment and blame multiculturalism brought about by globalization for loss of identity (Joppke, 2004) have achieved notable success in elections in Western Europe and the United States — the two main markets for consumer goods. Linklater (1998) notes a weakness in the idea of global citizenship: “citizenship is less about compassion than about ‘ensuring for everyone the entitlements necessary for the exercise of their international moral obligations’. Ideas about global citizenship do not extend this far because they are principally concerned with the moral duties of citizens to the world” (Linklater, 1998: 127).

As a method for dealing with a persistent nation state that has not diminished in importance in spite of globalization, Sassen (2002) advocates separating “denationalization” from “post nationalism”. Sassen suggests that, rather than assuming that citizenship is detached from the nation, it is necessary to consider the qualitative change in characteristics of the nation under the impact of modernity. She suggests that denationalization denotes the impact of the emerging global framework of modernity on the national structure. That is, the focus is on how modernity itself has transformed the nation. The issue then is to understand how rights and duties of individuals are channelled through this modified structure. In the same perspective, individuals and civil society groups, as well as fighting for cosmopolitan rights in a post-national world outside the nation state, should also devote attention to the emergence and transformation of structures within the nation states. The quote below encapsulates this position.

For me the question as to how citizens should handle these new concentrations of power and ‘legitimacy’ that attach to global firms and markets is a key to the future of democracy. My efforts to detect the extent to which the global is embedded and filtered through the national (e.g. the concept of the global city) is one way of understanding whether there lies a possibility therein for citizens, still largely confined to national institutions, to demand accountability of global economic actors through national institutional channels, rather than having to wait for a ‘global’ state. (Sassen, 2002: 287)
2.2.3. A Hybrid Morality

The inconclusive conceptual and practical difficulties involved in implementation of a universal concept of morality prompted pragmatic philosophers like Richard Rorty and Michael Walzer to suggest a different moral position, in which allowing for specificities and local attachments (like love for one’s nation or people) need not be at odds with promotion of human rights worldwide. What they suggest instead is a conversation founded on one’s own historically rooted cultural background. Although this raises suspicions of ethnocentric attitudes, such a form of communication is considered more practical without the requirement of metaphysical arguments for morality (Wicks, 1990). Rorty argues that ideological positions based on an assumption that human beings having a common moral core which is currently occluded by historical events and cultural factors (Rorty, 1998). Rather, he points to Walzer’s (1994) position in *Thick and Thin*, that the “minimalist” versions of morality are themselves historically derived from thick conceptions of morality that are rooted in particular cultures. Walzer, in his view of global justice, believes that the only things visible to the outsider are thin abstractions of the very thick concept of morality that is enmeshed with local realities. It is possible to empathize with values across boundaries only at this level of thin abstraction. The elaboration of morality at local levels cannot be understood or dictated by outside actors (Walzer, 1994).

Similarly, Conolly (2000) notes that, “some theories of morality ignore ambiguity and layered character of constitutive universals because they want morality to function smoothly without the agents of morality having to work critically on the shape of their own identities” (610). Evidence of these complexities leads Conolly to say that once we “relinquish demand that all reasonable people in all cultures must actually or implicitly recognize the logic of morality in the same way Kant did” then “it becomes possible to engage in a late-modern world of speed and dense interdependencies in which cosmopolitanism involves the difficult tasks of coming to terms receptively and reciprocally with multiple and contending universals” (ibid.). This view is also shared by political scientists like Brennan (2001) who notes of cosmopolitanism that “it is a discourse of the universal that is inherently local — a locality that’s always surreptitiously imperial” (81). The imposition of a unambiguous universalist concept of morality therefore could stifle the “strategic cosmopolitanism” and agency that weaker sections of the society aspire to; it may be subject to valid criticisms of
imperialism and of ignoring the context and aspirations of economically weaker people, whose suffering it is intended to ameliorate.

Global production networks, other dispersed forms of production, and the free movement of skilled workers across national boundaries, are fundamental to global trade as it stands now. Simultaneously these networks have become central to the existence of institutions, organizations and actors that champion human rights at the global level. Adherence to universalistic and unambiguous moral positions are characteristic of activists and NGOs. MNCs, when accused by NGOs of violation of labor rights in their supply chain protect their reputation usually resort to knee jerk displays of easily justifiable ethical stances. The inevitable response in these cases is cancellation of contracts with the existing erring supplier. The unintended consequence of such actions are the loss of livelihoods of some of the workers. (Maitland, 1997) that increases the animosity towards the activists for who initiated the sequence of events on the workers behalf. The increased awareness of the ambiguity has placed both NGOs, and multinationals in a dialectic of moral constraints that are difficult to reconcile unless either group gives ground to the other.

Benson (1975) conceptualized organizational “interactions and sentiments” as a superstructure dependent on the need for organizations to gain access to money and authority. As will be shown in this chapter, in a globalized economy the actors vacillate between a global and national identity as and when it suits them, rather like politicians addressing a local audience during elections or appearing at a trade event in a foreign country. This creates various spheres of morality and codes of legitimate behaviour among individuals and constituencies, without a fixed pattern of convergence or divergence. Multinationals with supply chains which spread across national boundaries have to adhere to multiple value systems that use different yardsticks to measure their actions. In many cases, multinationals have to simultaneously exist in multiple spheres of morality since different forms of morality are applied within the different sectors by different actors at different points of time. The dissonance between global and national ranges of choices and the selection of particular moral positions is therefore always subject to criticism from one quarter or another. It becomes impossible for actors and organizations located in such a fragmented system to satisfy all stakeholders involved (Levy, 2008; Pajunen, 2009). This constant engagement with incompatible moral systems and attempts to address
parochial concerns in a globalized world leads to “ethical dilemmas” (Garsten & Hernes, 2009).

Contemporary philosophers have developed moral positions which, although unpredictable and constantly generating new forms, could result in a hybrid moral system. The gray areas of philosophical or moral positions that individuals and organizations located in supply chains can adopt, provide additional nuances and shades of cosmopolitan and pragmatist positions. Building on Dower’s (1998) four-fold classification of world ethics, Gasper develops five additional moral/philosophical positions within which the various moral positions that multinationals and other international actors assume can be located (see Table, “A Fuller Classification of Viewpoints in Global Ethics”, Gasper, 2005:11).

Most of the positions are self-explanatory, but some require explanation.

The “solidarist-pluralist” position is one in which “global wide concerns and obligations are emphasised but with large spaces accepted for variations in values and behaviour between settings” (Gasper, 2005: 10). The “full cosmopolitans” and “Scandinavian” positions are similar in their respect for extensive and strong versions of cosmopolitanism. The difference between the two is that the former has no regard
for national boundaries, while the latter can be strongly nationalistic while simultaneously aligning itself with global standards for human rights.

“Inter-nationalists” (Position 2) and “international sceptics” have respect for national boundaries and respect human rights within the nation. However, inter-nationalists have additional regard for pan-human values derived from agreements that respect the sovereignty of nation states (such as those of the ILO, for example).

A “typical domestic corporation” is a company that does not engage with discussion on human rights and global standards. Although it is becoming increasingly untenable, this moral position is important when developing moral positions for companies. This is in contrast to position 9, which represents companies and individuals that have no regard for any human values or respect for a nation.

The more cosmopolitan positions, in that there is a real detachment from the nation state, are 4, 5, 7 and 8. The pragmatist position is implied in 1, 2, 3, 6 and 9. However, even among the latter set, some positions are more desirable (1, 2, 3) while others are more undesirable (6, 9). The debates within the business ethics literature reflect the wide range of moral positions listed above.

In summary, cosmopolitanism claims that nation states are losing prominence, that a permanent separation of global and local is antithetical to modernity, and that normative dimensions governing moral guidelines can work only if they are delinked from the nation state into a global universal sphere in which parochial attachments hold no sway. Alternative studies in international political economy, on the other hand, argue that the so-called demise of the nation state and other cosmopolitan claims of post-national citizenship have not actually occurred in practice. Pragmatist positions are concerned with finding a viable method to ensure an improvement of the human condition. They offer the possibility of moral positions in which the nation state and patriotism need not always be at odds with such efforts. Dower (1998) points out that actors might assume multiple stands simultaneously, often without being aware of it, expressing one position descriptively while holding normative judgements based on another position. Gasper builds on Dower to generate a typology of possible moral positions which might be assumed by transnational actors. The debates on sweatshops, corporate citizenship, NGOs and social audits that are investigated here
reflect the ideological divides between these cosmopolitan and pragmatic positions, as well as the more subtle divisions that Gasper identifies between the two positions. Positions 3, 6 and 9 in the Table above can be excluded from this discussion as, at least externally, all actors professed adherence to some form of global values.

2.3 Three debates in business ethics literature.

2.3.1 Sweatshops.

The issue of the use of sweatshops for production burst onto the scene in the early 1990s, when NGOs began to protest against them. Since then, debates on the moral obligation of multinationals with regard to the workers of their suppliers have received attention from business ethics scholars. However, it was the radical observation of the negative impact of eradicating sweatshops made by Ian Maitland (1997) — that unemployment would result in developing countries if companies moved to other locations where demands for costly minimum social standards do not exist — that set the debate alight. Maitland claimed that “higher wages and improved labour standards are not free... if made more expensive... then those countries will receive less foreign investment, and fewer jobs will be created there. Imposing higher wages may deprive these countries of the one comparative advantage that they enjoy, namely low-cost labor” (ibid.: 587). This triggered a debate between those who condemned the use of sweatshops for global production (e.g. Arnold and Bowie, 2003; Arnold and Hartman, 2006) and those who gave more philosophical weight to Maitland’s position (Sollars and Engelander, 2003; Zwolinski, 2003).

Kantian ethics are generally the starting point for claiming that MNEs have obligations to ensure the safety of workers in sweatshops, especially the categorical imperative which decrees that one should never treat another human being as a means (Arnold and Bowie, 2003; Meyers, 2004, 2007). By using sweatshops, this argument runs, multinationals are treating workers as means and not as ends. The imperative to treat workers with dignity and respect leads these scholars to argue for minimum moral standards that ensure that workers in a supply chain are provided with minimum standards of labor. Notwithstanding the contentious nature of fixing a moral minimum, these scholars offer a number of reasons for imposing the duty of ensuring this moral minimum on MNEs. Arnold and Bowie (2003) argue that the logic of respondeat superior (another Kantian notion which refers to the relationship between...
master and servant) approximates the relationship between buyer and supplier. This means the multinational is ultimately responsible for the supplier’s actions. They further point to Kant’s observation that the “the fact that people have capabilities means that they have dignity. It is as a consequence of dignity that a person exacts respect for himself from all other rational beings in the world” (ibid.: 223). Hence, companies also have the duty to improve capacities of workers and contribute to their dignity. Again drawing from Kantian ethics, Arnold and Bowie (2003) call for universal moral laws that are binding on all multinational companies working in developing countries.

While condemning morally despicable forms of abuse of workers, whether physical, verbal, or sexual, an alternative philosophical defense of low wages emerged (Sollars and Engelander, 2003; Zwolinski, 2007). First, Sollars and Engelander (2003) countered by noting that *respondeat superior* does not completely explain the relationship between buyer and supplier. The buyer does not have complete control over the supplier who is in most cases an independent agent who has to provide results. But it is their second point that has relevance to the debates on ethical cosmopolitanism.

Sollars and Engelander point out the incompatibility of the anti-sweatshop position with another Kantian principle, that one should “act only in accordance with that maxim through which you can at the same time will that it becomes a universal law” (Kant, 1997: 31). This maxim has to be implemented without contradictions which arise when “some actions have as its maxim that could not even be conceived as universal” or other conceivable actions that “could not be willed without that will contradicting itself” (ibid.: 121). One example of the latter is the situation touched upon above, when improving conditions in a sweatshop leads to a corresponding increase in costs which forces the MNE to either shut its operations or move to another supplier, where the lower cost can be maintained. This can result in unemployment of the workers, thus worsening their condition, which was not the intention of the action.

Further, Sollars and Engelander claim that by providing jobs, the NMEs are already developing and improving the rational capabilities of the workers, as required by Kantian ethics. There is overwhelming evidence that working conditions in sweatshops are still better than in many other workplaces (Maitland, 1997). They argue that MNEs that engage labor in third world countries have less reason to feel guilty.
than those that do not outsource, as the latter group is doing nothing to improve the conditions of workers. If scholars like Arnold and Bowie claim that MNEs should do more, “so can anyone else” (Sollars and Engelander, 2003). MNEs that are using sweatshops have already done something and cannot be expected to solve all the problems of poverty.

Following the same position, in which the contextual specifics are given prominence, and using Wertheimer’s concept of “mutually beneficial exploitation” and the principle of choice, Zwolinski (2007) argues that the moral rejection of sweatshops is simplistic and could have disastrous consequences on the lives of workers. First, the “non-worseness principle” suggested by Wertheimer means that boycotts and public castigations of companies that use sweatshops to manufacture products are morally suspect as they risk worsening the condition of workers. Although not defending abuse, Zwolinski challenges those who demand that sweatshops be closed down to prove that the workers are better off without them. Further, he claims that the mere fact that workers choose to work in sweatshops makes it “morally transformative” and demands respect and non-interference from outside actors. Working in a sweatshop is an “autonomy-exercising” and a “performance-evincing” choice made by a worker, in preference to other options, however constrained s/he may be. Efforts to raise wages in sweatshops, which are already higher than most other comparable form of labor, could risk the sweatshop being forced to shut down, restricting an already limited range of choices.

Meyers (2004) counterargues that consensus, under pressure from adverse conditions, need not give moral approval to transactions: “exploitation does not require that the exploited party be harmed” (ibid.; 324). Mayer (2007a, 2007b) although supporting this view of exploitation, disagrees as to which party should be assigned responsibility, as sweatshops belong to a category of “structural exploitation” and individual companies cannot be held responsible (Mayer, 2007a). On the one hand victims of exploitation may be worse off if the exploitative engagement does not exist. On the other, corporations are in a highly competitive sector; they are in a game in which the rule is “exploit or fail” (Mayer, 2007b: 617). What is clear is that in such situations, fixing a baseline of when a mutually advantageous relationship tips over from fair to unfair is no easy matter, as there are different views of what is fair and unfair.
In short, the philosophical debate within business ethics is yet to be settled on critical points such as: who is responsible for the condition of the workers; whether moral universalism is possible; and whether all forms of exploitation necessarily have negative connotations. In terms of the Table above, the moral positions of the scholars that are vehemently opposed to sweatshops (the Arnold and Bowie camp) are rooted in positions 1, 4 and 7, where human rights are fundamental. Others, like Sollars and Engelander, Zwolinski, Meyer, etc. seem to vacillate between positions 2, 5 and 8.

Empirical evidence in support of the two major positions is relatively rare, but two studies can be cited that indicate which of the two moral positions described above has practical traction. Khan, Munir and Wilmott (2007) show how vulnerable children and women lost their jobs when a multinational decided to protect its supply chain from any possible attempts by civil society organizations to malign it. French and Wokutch (2005) similarly show how civil society demands forced exporters to eliminate the use of school children from the manufacturing process, risked leaving the children worse than before.

Multinational companies do not have the luxury of engaging in public philosophical debate; rather, responding to public scrutiny with transparency and the use of codes of conduct and audits are two viable and mutually reinforcing options which are open to them (Emmerlhainz and Adams, 1999). Two categories of external agents that are critical for legitimizing the public perception of multinationals are non-governmental organizations (NGOs) and activists.

2.3.2 Non-Governmental Organizations (NGOs).

NGOs are, like multinational companies, “global citizens in transnational spaces” aiming to institutionalize a cosmopolitan legitimacy (Buchanan, 2003); they are also prominent actors in international business (Doh and Teegan, 2002). These activist groups draw from the same value systems, forming “transnational discourse communities” (Upadhyaya, 2004) that legitimate and propagate a particular perspective of truth. The convergence of values between activist groups across the world, as a result of them being part of a single epistemic community (Haas, 1992), makes activists and NGOs a formidable force that cannot be ignored (Spar and La Mure, 2003).
Companies are often targets for the activities of social movements because they are “vulnerable to persistent and imaginative pressure tactics” (Vogel, 1975, quoted in McCarthy and Zald, 1977: 41) The reaction of firms to this pressure depends on the transaction costs, brand image, and competitive positioning they hope to achieve by responding to demands: if the costs of switching suppliers are high, companies prefer to take on the battle with the NGOs (Spar and La Mure, 2003). In industries where brand images and competition are crucial, like consumer goods and apparel, the cost of conceding to NGO demands is less than an expensive and brand-damaging war of words. Proclaiming allegiance to human rights is also a mechanism by which companies can differentiate themselves in very competitive markets by “conceding first” (Spar and La Mure, 2003: 95). Levy and Egan (2003) show how even in the oil industry, companies are not all powerful, and NGOs are able to form game-changing alliances and legitimize their ideological positions.

Scholarship in development studies, which tends to be sympathetic to NGOs and activists, has called for the “enemy perception” of the private sector to be dropped (Knorringa and Helmsing, 2008). This they claim is necessary because the sector is not only comprised of large multinationals: small and medium sized enterprises (SMEs), which are also part of private sector, are critical for poverty alleviation, so NGOs should refrain from total disengagement with the private sector. The expectations of Third World governments that multinationals will improve the economic conditions and skills of their workers have been referred to before (Amba-Rao, 1993; Baer, 1988). In many cases, the urge for economic development at all costs may result in NGOs being seen as an obstacle, as in the debate over inclusion of the “social clause” in the World Trade Organization (Hensman, 2000; Chaulia, 2002).

Responding to the perceived loss of legitimacy of NGOs from the Western world among their Third World partners, recent studies have started to theorize the legitimacy of NGOs (Lister, 2003, Jepson, 2005). It has been noted that, depending on their ideologies (radical or reformative), the mode of engagement of social movements with companies can vary (den Hond and de Bakker, 2007). NGO activity could, for instance, be driven by resource mobilization with “no commitment to values that underlie specific movements” (McCarthy and Zald, 1977: 1216). Variation in institutional settings can also impact NGO strategies, as Doh and Guay (2006) show in their analysis of US and European NGOs in their approach to genetically modified
crops, the pricing of drugs, and climate change. McCarthy and Zald (1977: 1215) go so far as to argue that the grievances and discontent that are present in all societies may be “defined, created, and manipulated by issue entrepreneurs and organizations”.

In any case, rather than take on the struggle against such activists and NGOs, frontrunners in the field of corporate compliance have developed pre-emptive strategies that include highly demonstrative acts of self-regulation through codes of conduct. The following section will focus on the effects of the proliferation of social audits.

2.3.3. Social Standards and Codes.

The global production network and the demands of social responsibility have not escaped the effect of the “audit society”, which Power (2000) has called a global industry of “comfort provision”. Arguing for the morality of transnational codes, Frederick (1991) noted that the acceptance by public bodies of transnational codes “imposes” on companies the obligation to “voluntarily” adhere to them, lest their public image be damaged: “the source of this deontological imperative is the rights and freedoms that inhere in all human persons” (ibid.: 171). The fact that diverse bodies have agreed on an acceptable moral minimum seems to eliminate the argument for selective adherence by multinational companies in the name of diversity of cultural values and ethical practices in multiple jurisdictions (ibid.: 175).

Management scholars focusing on international codes initiated by different actors note both the proliferation of such codes and the lack of consistency in the purpose and contents of the different initiatives (Diller, 1999; Frederick, 1991; Kolk, van Tulder and Welters, 1999; Kolk and van Tulder, 2002a; 2002b; 2004; 2005). Kolk and van Tulder (2004) point out that codes are also used as a medium for communication with possible critics and stakeholders. When faced with intractable ethical dilemmas, multinationals resort to proclaiming universal standards in codes while their human resource practices follow a “multidomestic” approach that is responsive to structural differences (Kolk and van Tulder, 2004). Another approach is to keep the code vague so as to aid flexible decision making on a case-by-case basis (Kolk and van Tulder, 2002a). Diller (1999), in a survey of international codes, notes that such private initiatives are made “in response to market incentives than regulatory compulsion” (ibid.: 100), and points out that the composition of codes and labeling initiatives show
a high degree of selectivity, reflecting the “concerns of consumers, media and civil society campaigns from which they arise” (ibid.: 113). Others have questioned the process of audits themselves as a form of management capture that seeks to justify corporate actions and defend reputations (Owen, Swift, Humphrey, and Bowerman, 2000; Owen & Swift, 2001).

Scholars in development studies, for whom poverty alleviation rather than the reputation of businesses is the main concern, have noted subtleties of international codes and standards that business ethicists seem to overlook. Pegler and Knorringa (2006) point out that becoming part of a global value chain, with its higher working standards, does not necessarily improve the position of the most destitute of the workers. Rather, latching on to global production processes, while improving working conditions, exposes companies to the demands of flexible production and mechanization that increase the precarious labor situation of the workers. Barrientos and Smith (2007), in an extensive study of the implementation of codes, show that companies approach codes and standards as a technocratic quality control mechanism that does not consider workers as individuals or persons with rights. This results in a tendency to benefit skilled core workers to the disadvantage of casual migrant workers and to ignore gender dimensions (Barrinetos, Dolan, & Tallontire, 2003). In his study of the global flower industry Rijsgaard (2009) shows that external labor standards are resented by national trade unions and often put companies in conflict with labor NGOs. Both O’Rourke (2003) and Barrientos and Smith (2007) note that one of the unintended consequences of labor standards related to overtime is to seriously limit possibilities for extra work and income for workers who need it to survive. Knorringa and Pegler (2006) note that damage is also caused to small and medium sized companies, especially those employing low-skilled workers. Such companies function in highly competitive fields with low margins. Under pressure from NGOs and activists, multinationals either impose higher standards or choose suppliers who can provide production units which are geographically concentrated to facilitate easy monitoring of adherence to codes (ibid.).

Political scientists are interested in the impacts that the rise of regulatory structures have on the nation state. Like the political scientists who warned against writing off the nation state, Ruggie (2004: 519) notes that the impact of these new regulatory frameworks is “not to replace states, but to embed systems of governance in broader
global frameworks of social capacity and agency that did not previously exist”. Taking a more radical approach, Braithwhite (2006) provides a framework of a “regulatory society model” in which NGOs play an important role in ensuring human rights. This model totally bypasses the regulatory state in developing countries which are incompetent or corrupt or both. Similarly Falkner (2003: 79) notes that the emergence of private voluntary regulation by companies provides civil society with “political levers that exist outside the state system”. Vogel (2007), in a review of privatization of social accountability regulation, concludes that this new structure “addresses” but does not solve the challenge of democratic governance of multinationals. In a historical and broad study of global governance, Drahos and Braithwhite (2001) chart the growth of global labor regulations from the Roman era to the present day and conclude that globalization of governance is a complicated affair, with theories that focus on single actors unable to capture the complexity involved in rule setting. They note that “the globalisation of labour regulation that we see in the world today also illustrates that an understanding of the process of globalisation depends on understanding the operation of a whole web of influence. Different actors form different part of the web” (ibid.: 120). The implementation of codes is also a source of conflict between international law and cosmopolitan law as the former “denies the existence of any law other than that between nation states” while the actors that promote universal values “show allegiance to just such an external power system” (Fine, 2003: 452).

Thus the very idea of universal codes has reputational, moral, developmental and political connotations that oscillate between the multiple positions which claim moral universality in application but are pragmatist in practice.

2.3.4. Corporate citizenship.
Whether corporate citizenship can be used to explain the social responsibility of multinationals has been the subject of intense debate, as discussed earlier (Crane & Matten, 2005, 2008; Matten & Crane, 2005; Néron and Norman, 2008; van Oosterhout, 2005, 2008). The debate focuses on whether the “citizenship” literature from political science is applicable to multinationals that are not rooted in any nation state. Crane and Matten (2005a, 2005b) and Néron and Norman (2008) argue in favour of the idea that corporate actors might be considered as “citizens” in the liberal sense, while van Oosterhout (2005, 2008) rebuts both set of authors and argues that the term is not applicable to companies.
Van Oosterhout’s (2005) first point of opposition is to Crane and Matten’s (2005) contention that corporate citizenship can describe the “corporate administration of citizenship rights to individuals”. The role of the corporate in ensuring rights of individuals becomes relevant in situations where government does not administer citizenship rights due to its inability or unwillingness to do so. Van Oosterhout’s point is not only that such a reality is not evident, but also that there is a conceptual mismatch of the term when applied to multinationals. The concept of citizenship entails both rights and duties and Crane and Matten’s conceptualization only encompasses the duty of corporations. Van Oosterhout suggests that, in return for assuming additional responsibilities, companies will ask for “privileged status”. In response to these criticisms, Crane and Matten (2005) and Crane, Matten and Moon (2009) resort to cosmopolitanism that delinks citizenship from nation states. It is the shrinking of duties of the nation state which “shift some of the responsibility for protecting citizenship rights away from the government” that creates the role for attributing citizenship to corporations (Crane and Matten, 2005a). In a later publication they add, “to dismiss corporate citizenship just on the grounds of legal status becomes even more problematic in a world where citizenship based on legal status within the political community of the nation-state becomes more and more eroded, even for humans” (Crane, Matten and Moon, 2009: 27). The citizenship terminology also “exposes the desire in business to stress elements of membership, partnership and participation in global civil society” (ibid.: 197).

The second attempt to reinstate corporate citizenship came from Néron and Norman (2008) who, while acknowledging that not all aspects of citizenship are applicable to companies, argue that some aspects such as the legal and political connotations of citizenship, are applicable. These authors claim that it is possible for multinational corporations to “identify strongly with a political community, and thereby, to adopt a sort of nationality or citizenship identity” (ibid.: 8). The corporations’ contribution to political processes and developing better regulatory frameworks can be corollaries of the political rights of individual citizens. Van Oosterhout (2008) counters this, calling corporate citizenship a “misguided metaphor” as multinational companies lack any legal or moral attachment to any country which is a crucial aspect of citizenship. The compliance of corporate actors is therefore to be compared with “compliance of legal aliens and not that of citizens” (van Oosterhout, 2005: 36). According to van
Oosterhout (2008: 37) “it is precisely large corporations, that presumably have most to contribute, that are most likely to extend their operations over many different communities, as a result are at home in none”. This argument against applying citizenship rights to companies falls into the category of (parochial) arguments that seek to separate citizens from aliens by virtue of their citizenship or attachment to a particular nation. This position also reflects the assumption that those individuals without citizenship in a state are unlikely to contribute to the state. Similar accusations have been levelled against cosmopolitans and migrants from the Greek era, and the conditions of present day migrants are no different — their rootlessness is assumed to imply a lack of any obligations to any entity. It is this perspective that underlies van Oosterhout’s argument. When processed through a cosmopolitan perspective, this argument demonstrates a constricted view of “community” which excludes all those who might not belong to the legal jurisdiction within which the corporation is located.

In sum, Crane, Matten and Moon (2008) hold an explicitly cosmopolitan position in affirming the applicability of a citizenship metaphor to multinationals, while van Oosterhout’s contributions (2005, 2008) seek to undermine this position by adhering to conceptions of society in which rights, responsibilities, and the resulting sense of belonging are limited by the boundaries of the nation state, with its clearly circumscribed legal jurisdiction.

The debate is based on two aspects of the multinational context: the perception of multinationals as a corporate “citizen” by the stakeholders in the home and the host nations; and the way that multinationals respond to the demands of their confused status. Let us take each of these in turn.

The recent financial crisis has shown the close association multinationals have with home countries. The protection offered by nationalistic politicians to multinational companies against takeovers and acquisitions (for instance in France and The Netherlands) is another indication of the very “national’ character of multinationals (Hirst, 1995). It is true that, as Crane and Matten note, development of special economic zones (SEZs) in developing countries like India and China is a manifestation of a special status accorded to multinational corporate actors for assuming some of the responsibilities of the state (in building infrastructure, generating employment, etc.). This privilege is seen as a bridge to ensuring global/cosmopolitan rights (Crane, et.al.
2008). However, rather than multinationals being seen as an opportunity to ratchet up human rights, they often face vehement opposition from activists and NGOs who claim to represent those affected by their arrival (villagers losing land to infrastructure projects, for example). So van Oosterhout’s criticism that multinational companies are “home in none” does not hold. The very national characteristics of multinationals and their allegiance to the national governments and the moral sensibilities of their home countries (Dicken, 1994; Stopford and Strange, 1991) suggest that they are very much at home in their country of origin.

The second point in the debate on the “alien” status of corporate actors relates to the rights and obligations of refugees, immigrant workers, and knowledge migrants, whose existence straddles national and global spheres. Cosmopolitan citizenship is both a normative response intended to liberate migrants and minorities in liberal societies from this restrictive situation, and a descriptive concept that can subsume the responses of migrants to the possibilities available for liberation. Ong’s (1998) description of how Chinese migrant businessmen “selectively participate” in discourses and structures they encounter about themselves as “complex manoeuvres that subvert reigning notions of national self and the Other in transnational relations” could equally approximate what multinational organizations are engaging in. Similar examples were noted earlier of cosmopolitanism among the subaltern (Nederveen-Pieterse, 2008), and strategic cosmopolitanism among street pedlars (Kothari, 2008), etc.

Such alternative models of citizenship which theorize the relationship of an individual to a nation state — acknowledging the persistent structures of the nation state while simultaneously dealing with the emergence and coexistence of new structures antithetical to it — could provide a framework for understanding and conceptualizing the possibility of balancing the rights and responsibilities of corporate actors, even if they remain the “legal aliens” that van Oosterhout labels them.

Morgan (1980), in his defense of the use of metaphors, suggests that a complete match between a metaphor and the phenomenon is not always necessary. It is actually the partial or incomplete match with a phenomenon that sheds light on the processes being presented through the trope. Van Oosterhout’s claim that corporate citizenship is a “misguided” metaphor that cannot completely capture the accuracy of moral
obligations of multinationals is quite evident. However, rather than dispense with it completely as he suggests, I would argue that the partial overlap and the areas that do not tally with the metaphor expose important facets of multinational social responsibility. The following case study shows the incomplete match between the metaphor and multinationals’ struggle to manoeuvre though choppy waters of conflicting moral demands from different actors at different levels of the supply chain it depends on.

3. METHODOLOGY AND CASE DESCRIPTION

Case Selection. The case study itself is a prime example of the context within which international businesses operate. It was selected to test some of the fundamental assumptions of the streams of business ethics mentioned above, which are directly related to the emergence of cosmopolitanism. The actors exist simultaneously in national and global spheres. They are involved in the implementation of business ethics in global supply chains. The main actors in the case are a textile company based in Europe (henceforth the “buyer”), its supplier in India (the “supplier”), activist NGOs based in Europe, including the Clean Clothes Campaign and India Committee of Europe (“European activists”), and two NGOs based in India, CIVIDEP and GATWU (“Indian activists”). These four groups entered into a conflict in which the local court in India, the National Contact Point of the Organization of Economic Development (OECD), the Ministry of Foreign Affairs in The Netherlands, and the Ministry of Commerce in India all became involved at various stages, searching for reconciliation and a final resolution. The site of the case can therefore be described as “multilocal” (Hannerz, 2003). This empirical study is intended to provide a “luminous description” (Katz, 2001) of the international supply chain infrastructure that props up the global textile industry.

In the belief that a better story, along with better constructs, generates better theories (Dyer & Wilkins, 1991, Eisenhardt, 1991), the focus of this case study is an in-depth description of a particular event. The selection of the case was based on two criteria. First, it is unique when compared to other instances in which social activists and companies have locked horns (see Spar & La Mure, 2003) over allegations of non-compliance to ethical standards. In a radical departure from the general acquiescence of companies to NGO demands, the supplier decided to fight the NGOs in a legal case claiming reputation damage. It is therefore an “information-oriented selection”
(Flyvbjerg, 2006). Second, as the purpose of the study is to extend existing theory (Eisenhardt, 1989), the fact that all actors involved in the case were operating simultaneously in a national and a cosmopolitan world is important. It is hoped that the delinking of culture from the nation, the reactionary entrenching of economic and attitudinal nationalism (Beck, 2002) which are the features of an emergent cosmopolitan order — and difficult to observe — will become evident due to the characteristics of the event.

To create a “better story”, this study uses some features of the extended case method (Burawoy, 1998; Glaeser, 2005; Gluckman, 1978; Watson, 1978). This anthropological approach assumes that social life is studied as processes created by a fixed set of people who are involved in a sequence of events for a substantial period of time (Mitchell, 1983). As Glaeser (2005) notes, Max Gluckman, one of the pioneers of the extended case method, was interested in genesis, slow change, and disintegration in historically contingent circumstances. Gluckman did not believe in total systems, and indeed believed that such complete information was impossible. This approach for studying the unsystematic and historically contingent “incredibly dense thicket of partially independent and partially interacting social processes” (Glaeser, 2005) is followed in this study.

Such an ontology, which focuses on processes in an open system, rather than positions of actors in closed systems, is also compatible with the critical realist approach. (explained below). However, the central message of the extended case method is the recognition that the society is an open system with multiple processes which cannot all be mapped and reasoned out. This provides the analysis with the dynamism denied to social science by structural-functional analysis in its classic form.

A critical realist paradigm (Bhaskar, 1979; Sayer, 2000) informs the application of these techniques especially with respect to ontology and causation. The critical realist paradigm assumes a stratified ontology and a causation based on emergence and not succession (Sayer, 2000). In stratified ontology, it is assumed that objects have the potential for a certain action (called “real”) and that they could actualize those powers and carry out the action (called the “actual”). In this view “certain powers may remain unexercised” (Sayer, 2000: 12). This means that what is intended to be unearthed is the “necessity”, not regularity, of certain causal factors resulting in a particular event.
Crucial to this assumption is an awareness that it is possible that many processes empirically observable are merely contingent, i.e. “neither necessary nor impossible” to coexist with the phenomena being observed. Causal explanations are derived through a view of retroduction in which the question is, what must the nature of reality be, to result in a particular empirical observation, with propositions developed accordingly. By constant repeated testing of these propositions, layers of reality are peeled away to arrive at a plausible causal explanation.

**Propositions**. Based on the above logic and its impact on the three streams of business ethics, the following propositions are developed.

The first proposition is that actors located in the interstices where global and national systems intersect will be forced to draw from multiple ethical standpoints and combine them. They will move from a standpoint that is fixed to a fluid value system created by reverting back and forth between the global and the local.

The second proposition is related to the position of the actor in the supply chains and the sharing of values. I propose that the extent to which actors connected to global supply chains tend to find common ground with other actors depends on their position in the supply chain, rather than their common nationalities. Here “position” refers to the institutional sphere that the agent is embedded in, as in professional networks, production chain, social movement, etc.

The third proposition focuses on the situations where the global and local spheres collide and conflict. In such a scenario, actors on both sides of the conflict will attempt to entrench and blur boundaries of the nation state depending on what ethical stance they assume.

Data Collection. One problem that I faced at the start of the data collection is the political nature of the conflict and the difficult resolution had left all sections tired, bruised, and unwilling to open up to researchers. Further, the resolution ended with an explicit agreement that none of the parties would speak to outsiders.

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4 These propositions are historically and contextually limited generalizations. The applicability is limited to contexts wherein two set of actors – one set located in advanced capitalist societies and the other in emerging democratic societies – interact.
However, I was provided with a detailed sequential description of the events from the buyer, supplier and the activists; the description that follows is an expansion of these documents. It was the legal nature of the case that prompted the actors to make meticulous timelines of the key events. Additional information was collected from newspaper reports, websites of those involved, documents provided by the actors, and other information collected by the author from the local court and institutions in India.

A key actor published a meticulous account of the same case (Lambhooy, 2009) a couple of months after I had finalized the case study and presented it in a couple of forums. This account, more so because it came from someone closely involved with the case, further supports the flow of events in the case. This case was fascinating in its unmasked bias (not deliberate) and it provided insight into the ideological leaning of those actors that engaged itself in the conflict resolution.

The participant observation of the researcher though limited, forms part of the data collection and analysis. During the time of the research, I was part of an organization set up to assist international companies starting up their operations in Europe and was a member of three business delegations from Europe to India. Being thus located, together with the actors being studied, at the interstices where global and national spheres collide, provided the author with an unusual position and view of the events that constitute this case study.

I spoke to 25 respondents directly connected to the case. Of these 11 respondents allowed the interview to be recorded. These meetings were informal and only served to confirm the publicly stated positions and to iron out the discrepancies in the sequence of events if any. The rooted nature of the conflict meant that most actors remained steadfast to the publicly stated/expected position. However, some emotionally charged quotes escaped from the interviewees. I have used in these to render the case description as a better story. More important, in keeping with the critical realist view, these quotes are indicative of the tendencies of the actors.
Case Description

This section outlines key events in each year. The events are selected on the basis of their cascading effect in the following years. After comparing the different versions of events from opposing camps, this account mainly reports those events that can be verified as factual. If any of the events, or the context surrounding them, are contested, then both contesting versions are provided.

The Context

It is important to note the context within which the cases are located. India, together with China, has been heralded as a rapidly emerging country by observers, politicians and industry leaders of all shades and persuasions. Although a poor country by any measurement, the rate at which Indian growth has been moving its people out of poverty has been applauded in many quarters. The combination of industrial growth, particularly in the high tech sectors like information technology (IT), and an increasingly liberal political scene, made the “emergence” of India as a superpower seem inevitable. Within India, one critical aspect of this image of the country has been the opportunity to escape from being at the mercy of international donor agencies for delivering essential needs to its people.5

Its position as an “emergent superpower” meant that most Western European countries were soon scrambling to gain attention within the various sections of Indian society — politics, industry, the arts, etc. The Netherlands was no different in this respect: India was one of the target countries for trade expansion under the Dutch Trade Board, set up by the Ministry of Economic Affairs in 2006. The number of business delegations to India increased markedly. The attention given to India at the business-to-business level was a result of many factors. First, the financial service sector represents a major share of the European economy, and the IT infrastructure that forms the basis of that sector is largely provided by Indian IT giants like TATA, Wipro, etc., through their outsourcing operations. This IT support is also increasingly important in new fields such as biotechnology, aerospace, etc., with partnerships

5 In 2004, the then administration set a minimum level: the government would not accept any aid below $25 million. International development agencies, like the United Nations, international NGOs, etc., were deemed unnecessary except in time of emergencies such as natural disasters.
created on the basis of the perceived availability of technical know-how and human resources in India. This is very different from mass manufacturing, which China is in a better position to offer. Second, the importance attached by Europe to issues of freedom and democracy resulted in India being perceived in a much more favourable light than China. As one of the businessmen in a delegation that I took part in said, “It is nice to be in India. I can get to read the European newspapers on internet, see CNN. Last month I was in China for two weeks. I had no idea what was happening back home. The newsreader’s lips in China do not sync because they purposely delay the voice to censor unfavourable recording”. Third, as the need to engage with both India and China has been recognized by Western European countries, an element of competition has crept in. Even regional bodies, such as those representing big cities and lesser-known regions, have made presentations to the Indian public and private sectors on the desirability of their city or region as compared to others. Trade and business relationships between European and Indian companies, manifested in outsourcing and supply chain relationships, thus became the primary form of engagement between India and Europe. This represents a pronounced transformation in the nature of the relationship between the two regions: in the early 1960s, for example, the shortfall in India’s milk production was filled by the European dairy industry, and the European development sector remained active in India until the announcement of the $25 million threshold by the Indian government in 2004.

On the Indian side, this fragmented attention is welcomed and received with a sense of pride — but also some bemusement. A representative of the industry lobby group, the Confederation of Indian Industry (CII), expressed amazement that a country as small as The Netherlands (in his words “you cannot travel for two hours in any direction without either ending in the sea or in Germany”) could have multiple regions competing against each other. This attention also means that there is money to be made from arranging meetings, seminars, etc., in India. The trade networks of European governments regularly use the services of these industry organizations to facilitate their trade delegations to India. The general attitude on the Indian side shows a firm belief in the country’s future, as is evident from the presentations of those presiding over such meetings. These regularly include phrases like “emerging superpower”, “the 21st century belongs to India”, “highly skilled and trained manpower”, as well as thinly veiled jibes at China in comments about “vibrant democracy”.

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In 2000, the Indian textile industry was earning $11 billion, which is 14% of the country’s total export earnings; in keeping with the generally upbeat trend, the government of India issued a paper outlining its intention to increase export earnings to $50 billion in 2010. This estimate was not completely off the mark: a McKinsey report (*Freeing India’s Textile Industry*, July 2004) suggested that, given conditions like deregulation and the removal of restrictive labor and tax laws, the Indian economy could earn between $25 billion and $30 billion by 2008. It was against this apparently rosy background, in which both India and Europe had only to gain from increasing trade partnerships, that a conflict erupted in 2005, involving labor activists and a supply chain relationship featuring a European buyer and an Indian supplier of textiles.

**Stage 1: Hell Breaks Loose**

In mid 2005, some local activists claimed that workers of the supplier in India had approached them with complaints that they were being abused by the factory supervisor, with implicit support from the management. The complaints included beatings, verbal abuse, etc. which were repeated throughout the time period covered by the case. The Indian activists realized the importance of identifying the brand for which the products were being manufactured as this is the standard practice of activists organizations that systematically target international production networks in order to improve the conditions of people adversely affected by its operations. They therefore asked the workers to tear off a label from the clothes in their unit. It was then quickly discovered that the brand being supplied by the manufacturer was a Dutch company. Since the local activists were part of a network which also included European activists, they had direct communication with Europe. Over the next few months the local activists conducted interviews with the workers.

In late 2005 the conflict shifted to Europe, where the European activists requested a meeting with the buyer. The buyer was initially reluctant to agree to the meeting.

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6 The report also notes that, due to the restrictive labor and tax laws, Indian textile manufacturers tend to be organized in the form of a number of small operations. This is because larger plants employing more than 100 workers fall into a different category, in which a reduction in labor size, for any reason, would require government approval. (The McKinsey Quarterly, July 2004)
because it had confidence in its supply chain in general and this particular supplier in particular. However, an article in a Dutch newspaper (*Trouw*, November 7, 2005) that referred to the buyer by name caused them to change their stance⁷. In early December, the buyer requested a meeting with the European activists. During the meeting, under the impression that “these were people who could help us”, the buyer described the company’s corporate social responsibility (CSR) policies to the visiting activists. (At this point the buyer did not have a dedicated CSR department; CSR matters were handled by the legal department.) The activists, however, felt that the management did not have an open attitude; their response was “who are you to teach us about corporate social responsibility?”. The European activists asked the buyer to join the Fairwear Foundation, a “multi-stakeholder initiative” (MSI). This was also an association with which the activists were closely associated. The buyer was not interested (“we told them not to push us”), believing that the accusations were false in the first place. During the meeting the article that had appeared in the press was also discussed: the activists were adamant that the allegations were true, and the buyer equally adamant that they were not.

Although the buying company doubted the veracity of the allegations, it informed its supplier in India about the allegations and requested that they be looked into. The information that this step had been taken was conveyed to the activists. At the same time, and possibly as a reaction to the allegations, the supplier began certification of its processes according to Social Accountability 8000 (SA 8000), one of the most widely used social auditing mechanisms.

Meanwhile, the Indian activists had been sending letters to the management of the supplier asking for a meeting to address the issue, but they received no response. Since the local activists were not a registered trade union, the company was under no legal obligation to meet them. However, the reports in the European press and websites of the European organizations referred to the activists as “local unions”, although they were not actually registered. Realizing their lack of institutional standing, the activists quickly moved to change this, and registered as a trade union. By this time, however, the relationship was becoming more confrontational and a change of status of the activists made little difference. The person in charge of the newly formed union was an

⁷ The buyer insists that the appearance of its company name in the press was merely coincidental; they were already in preparation for the meeting requested.
assistant to the activist leader, which meant that the union was seen as an extension of the same activist organization that had made the initial allegations. In addition, none of the names mentioned in the union’s membership list were associated with this particular factory, with the result that the newly formed trade union gained no greater access or legitimacy than the activists had. Furthermore, according to the company, the workers responsible for the original complaints were complicit in stealing products meant for export from the plant and had been dismissed many months ago. The complaints, the supplier suggested, were made by the workers to get back at the company for sacking them.

In April 2006, the Indian activists engaged NGOs in the city to conduct further interviews with workers of the supplier, to collect more information on their working environment. They called this an “independent fact-finding report”. During my interviews, however, the buyer refuted the independence of the study, since the NGOs that conducted the interviews were paid by the activists at the center of the allegation. For their part, the activists claimed that the study exposed “serious physical abuse and psychological intimidation”. The report was published on the websites of the activists at the end of May 2006, but the claim of the company that the report could not be called “independent”, given that the funding for the study came from people connected to the activists, did not reach the audience in Europe. 

It was at this point that the confrontation escalated, as the activists called for the public to boycott the buyer’s products in Europe. The success of the activists in generating attention was evident from a meeting that took place in Amsterdam in June 2006, between the buyer, a representative of the supplier, and the activists. The main outcome of the meeting was that the supplier agreed to meet with the newly formed union to discuss working together in future. The parties also agreed that an independent person connected to the justice system would be asked to interview the workers in the presence of the local activists, at a meeting which would take place outside the factory premises; the names of the people involved were to remain anonymous. This meeting took place in Bangalore in India. However, it is difficult to find out what transpired, since the minutes drafted by the two parties are not

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8 The lack of independence of the study need not mean that the allegations are false. However, the activists consistently made references to the independence of the study as a sign of the veracity of their claims. This objection from the company has to be noted
consistent with each other. The supplier claims that during the meeting, new allegations were made and new demands were placed on them.

Afterwards, top management from the buyer met with activists in Amsterdam. The buyer tried to convince the activists that they were taking all the necessary measures, and requested them to remove the allegations from their websites and to call off the boycott. The activists, however, were in no mood for such a conciliatory gesture and went ahead with the publicity campaign.

The supplier was still hoping to find a solution to the issue because of the damage it was causing to its business. This company is one of the largest in India, supplying to major retailers like Tommy Hilfiger, Ann Taylor, GAP and MEXX. Most of these brands have their own internal social audits of suppliers, to ensure that there are no violations of internationally accepted standards. Considering the history of activist campaigns against large clothing/sports goods manufacturers over the past few decades, it might be assumed that the Indian company had been selected only after meeting all the expected standards. However, this became a moot point, as the activists had already sent open letters to the other international brands, and posted information about the allegations on their websites.

The supplier’s quest for approval of the working conditions in its factories occurred at both local and international levels. In India, the local labor department in Bangalore, which has the statutory responsibility for ensuring workers’ rights, inspected the company premises and issued a report that found the allegations of the activists to be baseless. The international brands also conducted their own audits, which came to the conclusion that the buyer complied with international standards. Some of them even placed further orders with the company. Furthermore, immediately after the conflict had started, the supplier had started the process of certification through Social Accountability International (SAI), a global certification body that issues accredited certification reports for manufacturers of goods and services. The process began in

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9 It was the opinion of both parties that the minutes generated by the other party was false. I was not given access to either of them. But the buyer also agreed that the minutes were inconsistent.

10 Given the incidence of corruption and cronyism noted in India, the veracity of the report could be open to question. It might be, as the activists claim, that the company had paid the factory inspectors. But just as there is no evidence to support the allegations other than the claims of the activists, this claim too cannot be proven.
November 2005 and was completed by the end of 2006, when the company was granted SA 8000 certification.

While the certification process was still going on, the suppliers had been trying to find solutions, sending their top management to the office of local activists in Bangalore. At the same time, the representative of their Dutch office went to meet the Dutch activists in The Netherlands, with reports of their human resource practices. These interactions were far from amicable. According to the supplier, during one such visit, one of the activists in Bangalore “slammed the door in our faces”. Similarly when the supplier’s manager in The Netherlands went to meet the European activist, he “threw the report out of the window” — although the activist told me that he does not remember a meeting of this sort. However, it became clear to the supplier that the activists in The Netherlands and India were working together, and were not interested in finding a solution. Feeling that they had been “pushed to the wall”, the supplier decided to take the legal route.

Stage 2: Legal Turn

In July 2006 the supplier filed a case against the local activists at a court in Bangalore. The court was sufficiently convinced to place a restraining order and an injunction against local activists providing baseless information. As is the case in all defamation suits, this meant the activists could no longer provide information on the working conditions in the factories to foreign organizations.

This action gave ammunition and impetus to the campaign led by the NGOs in Europe. The decision of the supplier to file a legal complaint, and the subsequent court order, fit the image of the supplier that the activists were painting in Europe — that of a sweatshop where workers were abused and coerced by neo-feudal industrialists. The restraining order was cleverly dubbed a “gagging” order and catchy slogans caught the attention of the target audience.

According to the buyer, the decision to file a legal complaint was the independent decision of the supplier. The buyer was trying to defuse the situation and this development was unwelcome from their perspective. They had asked the supplier to sign a declaration in which they agreed to abide by all laws and look into the
allegations of the activists. However, in the buyer’s words “they have their independence to take any step that they think is good for their company” and they also have “the right to take any legal steps”.

But the activists in Europe did not miss the opportunity, and went on the offensive against the buyer as well. In October 2006, the activists filed a complaint with the National Contact Point (NCP), the office entrusted with implementing and promoting ethical behavior of companies based in the OECD countries (more information is available at www.oecd.org). The Netherlands, part of the OECD, has a well organized NCP functioning out of the Ministry of Economic Affairs. The letter sent by the activists claimed that the buyer had “violated the OECD Guidelines for Multinational Enterprises in its business relations with its suppliers”. It further reiterated the activists’ support for “Indian organizations involved in the struggle for workers’ rights”. From its beginning as a local event between two companies and activists, the matter was gradually involving institutional actors that transcend national boundaries.

NCP accepted the complaint. In accordance with the stipulations of the NCP regarding cases under consideration, the activists halted their publicity campaign and suspended the publication of confidential material. In December 2006, the supplier won an award from the Commerce Ministry in India for the best exporter in the year. At the time of receiving the award, the director of the company spoke to the minister and informed him of the problem he was facing (“in five minutes”).

The Dutch activists also spoke out strongly against the approval provided by the international brands and the SA 8000 certification. After a sustained publicity campaign against the brands and against SAI for its role in certifying the units, the certification was withdrawn by SAI. SAI created a new clause that if a company takes legal action against NGOs, their certification is withdrawn. This came as a shock to both the certifiers, who had spent a lot of time on certifying the company, and to the supplier itself. For the latter, it was equivalent to the basic right of a citizen to approach the court being denied. In spite of the supplier’s claims that most of their buyers conducted their own audits and were satisfied, the campaign of the activists was so damaging that all brands except the main Dutch buyer severed their ties with the supplier. This decision was based on the successful campaign of the activists, not because the buyers found any violations on the part of the supplier. The fact that SAI
provided them with certification which was then withdrawn as a result of public pressure, added to the supplier’s sense of injustice. Even the local certifier Bureau Veritas said that “we were also confused that the conditions for certification would change so abruptly. We have asked the company to return the certificate we issued”.

Stage 3: Complete Breakdown

The supplier now took an action that was unprecedented in previously documented disputes involving companies and activists. Realizing that their reputation was being irreparably damaged, they decided to pursue legal actions against the Dutch activists. The earlier injunction order was only applicable to the local activists, and thus had no impact on the media in Europe — home of the buyers and consumers of their products — which continued to publish the allegations. The supplier’s lawyers argued that since the websites of the European activists were accessible to a person sitting in India, the defamation could be considered to be a crime committed on Indian soil. Furthermore, this continued publication was seen as a violation of the earlier injunction that prevented the local activists from passing on baseless information. The judge in India accepted this argument and the activists in Europe were asked to defend themselves in court.

On 11 January 2007, the Dutch activists received legal notice from lawyers representing the supplier, accusing them of disrespect of local institutions including courts and statutory bodies. The supplier also targeted the internet providers in The Netherlands that hosted the sites. Never before had a company filed a law suit against a foreign NGO/activist, and this move had serious repercussions for the international work of activists. The allegations against them included “cyber crime”, “acts of racist/xenophobic nature”, and “criminal defamation”.

This time the Bangalore court imposed another restraining order on local organizations in view of the case being in the court. The Dutch activists chose not to reject the authenticity of the court, but to employ lawyers. They did not appear in person as they claimed they were facing difficulties in obtaining the necessary visas. In fact, they had no interest in being stuck in legal proceedings in India. As one of the activist said “we also did not know how long this would take and if we might be prevented from returning to The Netherlands”. However, the court insisted on their
presence. After providing multiple extensions, the Bangalore court issued an arrest warrant to ensure the appearance of the activists at a hearing slated for September 2007. This action, which involved the Home Ministry in India, inadvertently but perhaps inevitably brought actors into the case that had not previously been directly involved — the political establishments of The Netherlands and India.

If the national governments of the two countries had not previously been involved, this changed during the state visit of the Queen of The Netherlands to India in October 2007. The activists in The Netherlands had sent an open letter to the Queen on the topic; what they did not expect was that the Indian commerce ministry was waiting to discuss the issue. In preparation for the royal visit, senior bureaucrats in the ministry had spoken to the suppliers and collected all details. The supplier told me “nowadays bureaucrats in India are accessible and communicative. I even got sms responses from senior bureaucrats in the trade ministry on my mobile. E-mail response time is less than a day — even after office hours!”.

As result of this lobbying, in a widely reported visit of the Dutch Queen to India, the entire Dutch press was present to cover the one sore point in the generally friendly diplomatic relationship between the countries. The strong statement by the Minister of Commerce of India that the activities of the Dutch activists were adversely affecting relations between the two countries, was widely reported and discussed in the Dutch press. It was a welcome break for the supplier when they realized that sections within Dutch society were not willing to accept anything that activists said or did. According to the supplier, when their representative in The Netherlands told them about the reporting in the Dutch press, it “was the first time we smiled during the whole episode”.

Around the same time a new ambassador of The Netherlands was taking charge of the Embassy in New Delhi. That the activists in Europe have a position in society that those in India can only dream of was demonstrated by the fact that the new ambassador to India visited the activists at their office prior to taking up his post in New Delhi. Though this might in part be an indication of the personality of the new ambassador, it is also indicative of the differing institutional positions of such activists in Europe and India.
In November 2007, when a larger delegation led by The Netherlands Ministry of Economic Affairs visited India, the issue was once again raised by the Indian Commerce Ministry. The activities of the European NGOs in focusing on workers’ rights in Indian factories, the Indian politicians argued, constituted a “spreading of lies” and a non-tariff trade barrier — in other words, it was intended to reduce productivity of the Indian industry. In an interview with the Indian press, a senior Dutch minister and a head of business associations expressed a negative opinion of the actions of the Dutch activists.

The confrontational stance of the Indian politicians led to the involvement of the Dutch Consulate in Mumbai. The Dutch minister, in a statement to the Dutch parliament, reserved a substantial amount of time to discuss the behavior of the activists and requested a more judicious approach to the imposition of business ethics. The Dutch Embassy then decided to send a representative to attend the court proceedings in Bangalore. When it became increasingly clear to the representative that the case was proceeding in favor of the supplier, the Consulate informed the Ministry of Economic Affairs in The Netherlands of the impending court ruling, which would mean that the activists would be pronounced criminals. In December 2007, an international arrest warrant was issued by the Bangalore court. The court ruled that the relevant ministry in Delhi was to be contacted and ordered to make a case for extradition of the accused to India.

The role of the Dutch newspaper Trouw, though intended to support the cause of the activists, backfired badly on them. A reporter from Trouw visited the activists in The Netherlands, who wanted to offer an alternative picture of Bangalore to the dominant description of the “blooming, booming, garden city” (in the activists’ somewhat cynical words). The city epitomizes the IT boom in India and is seen as an example of the new emerging India of IT companies, upwardly mobile IT professionals, improving living standards and so on. But when the newspaper article was published, it took everyone by surprise (Trouw, 22 August 2006). A photograph of women huddled together outside a building was printed with a subtitle that suggested that these women were protesting outside the supplier’s factory. In fact, the photograph was of a meeting of women on reproductive health issues, and was nowhere near the supplier’s premises. Furthermore, the article suggested that the supplier uses child labor. The activists say that this too was a misrepresentation of their position, as they
never claimed that child labor was a problem in the supplier’s factory. They had given the journalist a report on child labor in the Indian mining industry, and apparently the reporter had confused the two issues. The activists were angry about the article and asked the newspaper to print a correction, which was not done. This article was cited to me by three respondents, two in the Indian Commerce Ministry, and one from the supplier, as an example of the lack of credibility of the Dutch activists. It was also part of the evidence supplied to the court in India.

The Dutch activists, meanwhile, kept up their campaign. The issuing of the warrant for their arrest made them apprehensive, however, and for the first time, they began contacting the larger NGOs in the country like Oxfam Novib, Amnesty International and FNV Mondial. During my interviews the representative of Oxfam Novib and FNV Mondial made it clear that their involvement was only at the level of the legal web in which the activists found themselves entangled. They trusted the activists with regard to the existence of the actual violations which had triggered the entire episode. But the fact that a company could initiate legal proceedings against activists and thus restrict their work was setting a precedent that they felt had to be tackled head on. The buyer’s CEO and legal representative met with the larger group of NGOs which ended without any result. In October 2007, the activists in The Netherlands also received support from a socialist party member of the Dutch parliament who asked the government to explain its position on the issue. In the following months, it was also discussed at the EU parliament to ensure that the accused would not be extradited.

This legal action prompted a number of changes in the supplier’s client list. Although most of the other brands were quite keen to continue using the supplier, due to the quality of their production lines, the legal action brought too much unwanted attention. One particular buyer threatened the supplier with cancellation of orders if they did not withdraw the cases against the activists. The supplier was not in a mood to agree, and other brands also cancelled orders. Throughout this period, however, the buyer we are discussing had stood steadfastly behind its supplier; unlike other brands, it had chosen not to sever the relationship (“cut and run” in industry-speak) and was continuing to work with the supplier. The buyer felt that workers’ rights were best served by maintaining ties with the supplier while seeking to improve working conditions. However, this was unacceptable to the Dutch activists; in December 2007,
in the face of mounting pressure, the buyer succumbed and publicly declared that it would withdraw its contracts with the supplier.

Stage 4: Mediation and Truce

It was clear that all parties needed a solution. The supplier’s one remaining contract was in a precarious position; it was desperate to ensure that its business survived. The activists were rightly worried by the arrest warrant. If the matter was taken up by the Home Ministry in India, it could mean that all those involved would face severe travel restrictions: for example, if they traveled to a county with whom India has an extradition treaty, they could be arrested and brought to India. The buyer too was in a difficult position, as a major share of its product range came from this particular supplier.

The Ministry of Economic Affairs of The Netherlands, now fully engaged with the problem, appointed a former Dutch Prime Minister to broker a deal with the opposing groups. He in turn selected a set of people in India who were known to him from his long career as an international diplomat, and who were acceptable to all parties, to form a Committee of Custodians. This committee concluded that the Indian laws and systems were sufficient to ensure the establishment of workers’ rights. A complaint-redress mechanism was put in place, and an ombudsperson (a retired judge who had presided for many years over the National Human Rights Commission) was appointed to receive complaints from the activists, should any arise.

As a condition, the supplier had to drop all court cases against the activists, both local and international. The activists had to reciprocate by terminating the cases filed with the OECD, removing all slanderous material from their websites, and refraining from publicizing the matter any further. The buyer was urged to re-establish commercial ties with the supplier, since the livelihoods of more than 5500 workers were at stake. The buyer now has an official CSR department, headed by the person who was initially delegated from the legal department to handle CSR matters. She is openly grateful to the activists for having pushed the company into “making official” the practices that they claimed to have been following all along.
As things now stand, there are no legal cases pending. In July 2008 the last remaining cases against the local activists were withdrawn. Statements from all sides give the overwhelming impression that nobody is entirely happy with the solution.

The European activists also feel that their work has been severely restricted: the terms of the arrangement mean that they cannot use publicity, which is their most potent weapon to pressurize companies. A year after the episode, one of the negotiators published a paper describing the conflict in an academic journal (Lambhooy, 2009). This reopened some wounds with the activists questioning whether this was a breach of confidence. The tone of the article, they felt, was clearly biased against the NGOs: did this not constitute a violation of the agreement? The author defended her article in a later issue of the same journal, and received the support of the main actors (including the former Dutch Prime Minister). In the context of the present study, the debate around the article is itself empirical evidence of the entrenched disagreements and the uneasy peace that passes for a resolution.

The Indian activists are more satisfied than the other actors: they scored an important victory in being taken seriously not only by the buyer, but by all the other suppliers in the area. In the activists’ words, “we brought them to their knees”. They believe that they have made a massive impact in a social structure that disregarded them. This view corresponds with that of the supplier, in whose words “we built this company from scratch, now type my company’s name in Google and all you read about is labor violations. We have been beaten black and blue”. During the visit to the supplier’s plush office in Bangalore, I noticed a security guard who was continuously peeping out of the gate onto the main road, looking for signs of NGOs in the vicinity. The mood of the buyer is also gloomy; he wonders openly how long this arrangement can go on.

4. ANALYSIS.

4.1 Sweatshops and Exploitation.

The case is a practical reflection of the debates on the ethics of sweatshops that pit Kantians like Arnold & Bowie (2003) against pragmatists like Sollars and Engelander (2003) and Zwolinski (2007). Unlike Sollars and Engelander, I would argue that the relationship between the multinational and its supplier can, as Arnold and Bowie
(2003) claim, be categorized as a master–servant relationship. The large number of small manufacturers with similar skills in a highly competitive export market puts the buyer in a dominant position in the transaction. One supplier likened a deal with a major brand to “riding a tiger”, as payments were delayed by as much as 90 days. So, in support of Arnold and Bowie’s (2003) Kantian analysis of the relationship, it is entirely possible for buyers to demand and enforce conditions of social compliance from suppliers.

In the case study, there was a real possibility of the company being forced to shut down, and many workers being made unemployed, because all but one of the brands broke off their relationships with the supplier. However, the buyer, seller, and both the governments involved were sensitive to the need for employment in a poor country, where the other choice is unemployment and starvation, and hence took a more pragmatic position. The version of morality that these powerful local actors see in sweatshops is markedly different from the international NGOs and business ethicists who demand their eradication. While the latter label sweatshops as exploitation, the former see it as much needed work and an escape route from abject poverty. Even assuming high pressure work and overtime, many local institutional actors find it difficult to blame the companies because they provide employment to a large number of people. Take, for example, the issue of overtime: migrant workers who come in search of work for short periods (in the non-agricultural seasons, or during droughts), prefer to work continuously during the months they are away from their families. They are not interested in leisure and time off when their priority is to make as much money as possible and return to the villages when the cultivation season starts. So if codes of ethics of multinationals ban overtime in their supply chains, one possibility of legal work is closed off for these migrants (Barrientos, Dolan, Tallontire, 2003). Another consideration is that raising wages within the supply chain would make the jobs on offer more attractive to other sections of the society; the implication of this would be that jobs in improved production facilities could be snatched away from the very poor, for whom sweatshops provide an escape from poverty. This supports the argument of those like Maitland (1997), who claim that such interference by outside actors without understanding realities on the ground can adversely affect workers in developing countries.
4.2 Audits and Codes.

The extent to which social audits are embedded into the supply chains lends support to the studies that have questioned the ability of these practices to achieve the ideals of a better human condition (Bartley, 2003; Power, 1997, 2000; Gilbert & Rasche, 2007). The NGOs, EU labor unions, and politicians to the left of the political spectrum in the EU, were all supportive of universal standards for workers everywhere in the world. The simultaneous and sometimes selective use by the buyer of the SA 8000, the buyer’s internal audits, and the reports of the local labor department, as claims of legitimacy, indicates that reliance on a particular audit depends on the audience. Furthermore, SAI retracted its certification to the company after the issue became public, for fear of losing its reputation among the civil society activists. This is an example of both the fickle and unstable nature of agreements among the various actors involved as to what an ethical standard entails, and the absolute control and legitimizing effect that activists and NGOs have on the discourse and structures in the field of corporate social responsibility.

In line with Kolk and van Tulder’s (2002 a, 2002b) observations, the buyer tried to maintain a balancing act between a public stance in support of universal standards, and sensitivity to local contingencies. In terms of the Table above, codes function from position 4, solidarist-pluralist, which allows for this split allegiance to the global and the local. However, in this case, such a non-committal stance could not be maintained for long, given the intense scrutiny and pressure from the one-sided and partial media which condemns outsourcing and sweatshops as the ugly face of globalization (located in position 7, full cosmopolitans, or position 1).

The imposition of codes of conduct can be called voluntary only at the abstract macro level of the industry. However, at the individual firm level, public scrutiny and competition has made it impossible for companies to avoid certification by one or all of the available certification mechanisms. The variation in content of different codes means that there is no common baseline for measuring compliance or progress, and having to cater to buyers that adhere to different standards increases the financial pressure on suppliers. The high degree of mechanization and concentration of production by the supplier was a response to higher standards of labor and better monitoring of those standards. This unintended consequence also shows that transparency may not be a good thing as visibility also hides the large number of small
enterprises and workers who have been shut out of increasing demands both at the firm and individual level. Global standards therefore have two unintended consequences. First, they entrench the economic class divide between workers by favoring the more highly educated and better trained workforce. Second, they also create divisions between companies, with one group of large exporters displaying high levels of compliance, while another category of smaller companies struggles to afford the exorbitant compliance certificates without which their access to lucrative deals is restricted. Both multinational companies and their suppliers engaged in global production networks exist under a “tyranny of transparency” which begs the question “what does visibility conceal” (Strathern, 2000: 310).

To an extent, the case shows examples of actors transcending boundaries of cultures and nationalities. The seller, for example, constantly used terms like “world class” and “global Indian company” to describe their production facilities. They resorted to global audit systems like SA 8000 to convey the message to an international public. This is part of the agenda of the supplier to prove that its specific location is insulated from all the negative images that cloud the perception of a Third World country. Indeed, there is a tendency among global suppliers from Third World countries to push only those aspects of their identity that benefit them financially, in this case the combination of cheap, hard-working labor and global standards of quality.

Both buyer and supplier garnered not only global recognition but also legitimacy and protection from their national governments. For the supplier, especially, this was crucial for its survival and for upholding an identity that gave it access to resources from both global and Indian institutions. When the global argument was undermined by NGOs, the supplier shifted easily from claiming global quality standards to local ones. One of the mistakes that the NGOs made was to disregard the use of Indian national structures, as well as cosmopolitan structures, to deliver the rights they claimed to provide to the workers in India.

Even state actors showed a tendency to choose moral standards based on convenience, though they moved only between positions 1, 2, and 3 (see Table) in which national boundaries are very important. The Indian government, which globally promotes the high quality standards available in India, was quick to provide public support to the local companies via the Indian media, accusing the NGOs of “xenophobia”, “racism”
Dutch politicians and heads of institutions were forced to admit, when cornered by the Indian media, that the Dutch NGOs had been overzealous and insensitive (position 2). When this admission was reported in the Dutch press, the public reaction forced the same individuals to quickly retract and qualify the statements. (position 1). The retraction was in Dutch, however, so was not transferred back to India.

The case study indicates that both adherence to and detachment from divisive or global moral standards depends on the company’s position in the supply chain and also on the contingent concerns and benefits that accrue from a particular position. The attitudes of the actors were a result of the nature of the institutional field in which they were embedded. The actions of various actors involved therefore show that cultural values and local–global dichotomies are not stable categories. Rather, actors with sufficient power move from one stance to another, combining values as they go, in a “simultaneous existence of multi-layered local, national and global identities” (Kurasawa, 2004: 240).

4.3. Role of NGOs.

One group that did not indulge in this blurring of boundaries was the activists; they maintained considerable consistency in their world views on ethical compliance in supply chains. That is, in Gasper’s terms, they were steadfast in position 7, of “full cosmopolitans”. This inability to contextualize their moral world views places them at loggerheads with other actors. The allegation of a “symbiotic relationship” between the activists in India and The Netherlands, lurking beneath the surface issue of morality, was often heard in the industry. The argument goes as follows: activists in India rely on the support (financial and moral) of the activists based in the developed world. The activists in Europe, dependent on public funds, have to constantly legitimize their existence to the European taxpayer and politicians who are concerned about outsourcing and loss of their First World benefits. This sense of urgency is transferred to the local activists, who in turn have to prove their usefulness to their benefactors. In this context, it is entirely possible that issues get blown out of proportion, precisely because the publicity provides the proof of the activists’ effectiveness and usefulness to the world society.
One should be careful not to trivialize the contributions that activists have made to improved working conditions among suppliers in the Third World. The sustained campaigns of NGOs over the past decade have definitely resulted in massive improvements in production units. This is particularly true of suppliers chasing contracts from large brands; improvements in their working conditions have effectively created different tiers of industries. The supplier in the case study fell into this category, with all production in-house and high levels of mechanization. Though it is impossible to prove or disprove the particular allegations in this case, in general, suppliers that I have spoken to believe that the talent crunch has shifted power away from manufacturers to skilled workers. As one supplier said, “If I abuse a worker, he would run to a competitor”. That a supplier who was considered exemplary by all actors other than the NGOs should be targeted on the basis of labor rights, with allegations which were impossible to prove, further eroded the legitimacy of the NGOs. In this case, the general perception among a wide range of actors in both India and The Netherlands was that the supplier was a “wrong target” chosen merely because it was vulnerable due to its links to a major brand in Europe.

Studies on labour activism in the same region by other researchers have noted the general apprehension of workers when NGOs attempt to organize them (Choudhury, 2005), as previous activism has led to closures and job losses. This perception was confirmed by labor union leaders in the city. However, the NGOs were successful in orchestrating a reputation-damaging media blitz in Europe that precipitated a crisis. The “hegemonic power” in global production networks noted by Levy (2008), it seems, is not always wielded by multinationals, as one might expect. Rather, in certain cases social activists and wider social movements in general can hold such power which they use in different ways depending on the type of target (den Hond & de Bakker, 2008; Walker, Martin, & McCarthy, 2008).

4.4. Corporate Citizenship- Misused or Misguided Metaphor?

The findings in this case seem to support the suggestion of Crane and Matten (2008) and Crane et.al. (2008) that companies have rights as well as obligations to conduct their business in accordance with global laws. The special benefits given to multinational companies in developing countries are to an extent equivalent to the special privileges, or rights, that van Oosterhout (2008) claims cannot accrue to entities that are not human beings. Companies that outsource work to developing countries
can be said to be contributing to the citizenship of people in the Third World by providing higher than average salaries to their workers, which can be used for the education and health of their families.

However, closer observation suggests that the position of multinationals *vis-à-vis* other actors is quite different. The support they receive from national governments in developing countries is a purely reciprocal gesture between nation states, for creating jobs and bringing foreign exchange into the country though partnerships with suppliers. That is, it is a simple calculation based on political economy and development needs of less developed countries. It is the possibility of technology transfer to domestic companies and increasing employment for its citizens that gives multinationals their special status. Multinationals are therefore far from being considered “citizens” in the liberal sense in host countries, or in the global sense. In this respect, the status of multinationals in host nations is similar to legal aliens, both in terms of the rights and responsibilities that van Oosterhout argues multinationals can assume. The literature on migrants in Western Europe and the contradictory environments that they might encounter gives a better approximation of the situations Western European firms encounter in developing countries (Ong, 1998; Kothari, 2008).

When it comes to home country environments, the metaphor of corporate citizenship seems to have a better fit. In cases of crisis, local governments support local companies as a symbol of national pride, thereby contributing to nationalism and the entrenching of boundaries. However, in the home nations, the multinationals are not only expected to adhere to local norms but are also subjected to yardsticks based on cosmopolitan norms. So perhaps multinationals could be considered citizens in the home country, as Néron and Norman (2008) claim.

The case study provides clear evidence of the enduring importance of the nation state as a powerful entity and the passions that citizenship and connections to this space generate. The issue at the heart of the case study was brought up at the level of ministerial delegations between nation states. Global companies, far from contributing to the erosion of the nation state, are vehicles and victims of nationalism, and can benefit from both roles. When it comes to a crisis, most actors choose to rely on structures and identities that offer them maximum support.
During this crisis, the buyer and seller both moved in between moral stances. The buyer, realizing that the European consumer psychology is tuned into simplistic objections to abuse of labor rights and sweatshops, succumbed under pressure and aligned itself with the demands of the NGOs and the values represented by the Western liberal societies (Gasper’s position 1, Scandinavian, position 4, Cosmopolitan 1, or position 7, Cosmopolitan 2). The supplier, on the other hand, discarded its global stance (position 7) to accept the support of national institutions like the Commerce Ministry, which extended its repertoire of protecting national trade interests in multilateral venues to this specific case. This escalated the issue to such an extent that other national actors with a neutral view of the topic entered the fray. Even entities that draw their ideology from universal values unrestricted by nation states (position 7), like the NGOs in Europe, when threatened with international arrest warrants, relied on national unions and political parties on the left of the political spectrum for protection against extradition (position 1, Scandinavian). A solution to the crisis was eventually found with the active involvement of the Ministry of Economic Affairs, the Indian Embassy, retired chief justices, and bureaucrats and politicians representing the nation state. The Ministry of Economic and Foreign Affairs (represented by the Dutch consulate in India) had to intervene. All of these actions show the limitations of the thesis of the erosion of the nation state. Rather than being eroded, the state can be seen as differentially powerful (Hay, 2005).

5. DISCUSSION.

The case study can be described as an open system with a number of interlinked and independent processes that were driven by philosophical and ideological positions, which different agents held and tried to propagate at micro and macro levels. The processes that were observed included the spread of values and value systems through social movements, the institutionalization of values by auditing agencies and CSR departments of companies, and the restructuring of an international political system as an emerging nation sought to copy the economic nationalism that industrialized nations have long engaged in (Fry, 1983). The ethical stances of companies and other actors were linked to their individual positions in the wider society, and those of the institutions that they are part of. Each sphere drew from the other in latching on to trends and addressing concerns based on the ideological moorings that defined their identity and secured their relevance for the rapidly changing present and uncertain future.
In presenting this study, I aim to make three contributions. The first is to initiate an expansion of the philosophical repertoire that was largely restricted to Kantian ethics, to include pragmatism and perspectives from development studies. Linking the debates on theories and concepts in business ethics to the more nuanced positions developed in the latter two moral positions can, it is hoped, improve the advice available to international companies grappling with compliance to ethical standards in a world divided by more than just national boundaries. The second aim is to highlight the selective adherence of actors to different values at different times in the context of different, co-existing institutions and moral standards. To accurately develop analytical frameworks to analyse multinational activity, this dynamism in the moral positions assumed needs to be taken account of. The third contribution is to provide additional evidence of the adverse impacts of unflinching adherence to philosophical standpoints (by any actor, including researchers), which risks damaging the cause of workers in developing countries.

Several adverse and unintended outcomes intertwined with related theoretical conceptualizations can also be noted.

The first is that the risk that Maitland (1997) identified more than a decade ago — the closure of companies and sweatshops resulting in large-scale unemployment — still exists if philosophical positions like Kantian ethics are not tempered with a good dose of pragmatism. The chances of closure increase in times of financial crisis. Public opinion and industry experts in India have always foreseen that higher wages there could reduce the profitability of textile exports; lower wages in Bangladesh and Sri Lanka make them serious competitors. This fear further increases the nationalistic support and protection that suppliers in developing countries demand from government institutions and reduces the possibilities of creating the cosmopolitan structures required for implementing universal moral values.

An interesting counterpoint to note is that globalization may by now have reached its geographical limits to the extent that there are no more outsourcing locations which companies can turn to if laws become more stringent in the existing locations. The leverage that companies used to have — the threat to move to a different, cheaper location — is being reduced as international regulatory systems become synchronized.
It might be argued that the reach of civil society watchdogs is already global and the official systems are fast catching up. Further mechanization and specialization of work, even in the textile sector, could increase switching costs and make it more difficult for companies to “cut and run” from a maligned supplier. From this point of view, multinational companies have no other option but to bow to public opinion, even if that opinion is misconstrued and based on metaphysical values with limited practical application.

The image of sweatshops as an example of harmful exploitation by forces of globalization is entrenched in the minds and media in Western Europe. But sweatshops are an important option for survival to a social class that does not have many, and improving conditions might put that survival at risk. This study has hopefully demonstrated that universalist sounding terms like “sweatshop eradication”, “global codes of conduct”, “global corporate citizenship”, etc. have a tendency to be (and to be perceived as) another imperial project in developing countries. Purging their supply chain of all symbols of poverty, in the name of such comforting metaphors, caters to the sensibilities and passions of only the privileged sections of society in developed and developing countries.

Second, there is an overarching tendency in the Western media and among international NGOs to portray workers in developing countries as a helpless and voiceless group that is abused by multinationals. This ignores the vibrant labor movements in developing nations which show that workers are not a passive tool for multinationals or local producers to abuse (Helleiner, 1975; Mead, 1984; Cawthorne, 1995). Cawthorne (1995) shows how, as far back as the 1980s, labor in the export-focused cotton industry bargained and secured better conditions for itself. So instead of assuming that multinationals take over the role of governments, as in arguments in favor of corporate citizenship, business ethics will be better served if firms remain firms and governments remain governments, each with specific roles to play in improving the human condition.

As well as engaging with NGOs in developed countries, multinationals should also forge relationships with representatives of labor in host countries. The head of the major trade union in India told me that international NGOs and their partners in India “represent the conscience of the Western European consumer”. On the other hand,
“we have a stake in the growth of Indian industry and also represent the interests of
the worker”. It may be that the conscience of the developed country consumer and
interests of industry in developing countries can coincide in quite practical ways. This
case study, and other examples of objections to outsourcing, show that these views
may also diverge at the political level. Multinationals with good linkages with both
NGOs from developed countries and local labor activists will have a more complete
idea of what is required than if either one is ignored.

Third, the loss of legitimacy in India and other developing countries that international
NGOs suffer as a result of such actions severely restricts their well-meaning ambitions
to improve conditions of workers. Local institutions (including government and trade
unions), industry, and workers accuse NGOs of being staffed with individuals who
have better standards of living (salaries, offices, and vehicles) in comparison to
themselves. The local government officers and unions see themselves as occupying a
less glamorous position with higher accountability and limited resources compared to
NGOs, who create problems for local industries in which they have no stake. The more
intellectual among them see NGOs as a part of the entire set of organizations,
including the unions in Western Europe, that are intent on raising the local cost of
production, and making India less profitable and hence attractive as location to
outsource local jobs too. A number of similar incidents in which NGOs misrepresented
situations have helped fuel this negative viewpoint. Critique of the cosmopolitan view
based on Stoicism (espoused by Nussbaum and others) point out that the Stoics, who
are seen as the original cosmopolitans, were essentially an outgrowth of Roman
imperialism and unable to stave off the violence committed by the Roman Empire on
its enemies and were also closely linked to the ruling classes (Padgen, 2000). Business
ethics researchers should keep in mind this negative image that NGOs have in Third
World countries before including them as part of the solution in the formulation and
compliance of ethical standards.

Fourth, audits and codes are creating undesirable changes for suppliers and workers at
the industry level. The textile industry in India is based on clusters in which a large
number of SMEs add to the value chain in small quantities at different levels.
Entrepreneurship was promoted and exhalted as skilled labourers turned into
exporters, since thresholds were relatively low. The relapse of the Multi-Fibre
Agreement and the quota system is already creating the possibility for international
brands to source from a single large supplier. The need for supervision and compliance of codes has given additional impetus to this trend as major exporters who can afford it are drawing their production in-house. This results in small enterprises being squeezed out, and the concentration of production in the hands of few large suppliers that can afford to maintain the more costly working conditions.

Further, as jobs become more attractive, with better conditions, they draw attention from the better educated and economically endowed sections of society. At the same time, as sweatshops become less desirable for multinationals, the suppliers will respond by further mechanization of production processes; this makes workers with some technical education more desirable than migrant workers in search of jobs. As a result the most vulnerable are driven into the unregulated sectors where conditions are worse. These sectors do not attract the attention of the international NGOs so easily, as no emotional connection can be forged between Third World production and the First World citizen, as either consumer or taxpayer — both critical for the NGOs’ survival.

Universal codes and standards may therefore not be the permanent solution to the manifestation of poverty that afflicts the poorer regions of the world where the supply chains of most large multinationals begin. They provide temporary satisfaction to the conscience of the western European consumer and comfort to buyers. However, it not only stifles innovation and the vibrancy that characterized clusters, but also entrenches existing class differences by clamping down on some of the available paths traditionally used by workers to escape from poverty.

Thus, an approach which is sensitive to contextual factors that consider the risks of intervention (as suggested by Sollars and Engelander, 2003 and Zwolinski, 2007) is cynical of universally binding standards, preferring instead incremental long term improvement in working conditions is desirable for both workers and industrial growth in developing countries. The eradication of sweatshops and improvements in working conditions in production units are only part of the story. The larger goal of improving the lives of the poorest sections of society without detaching them from the supply chains should be central to any discussion in business ethics and should be an integral part of company policies. That improving working conditions need not imply improving the living conditions of the most vulnerable worker is a confusing and
uncomfortable reality that, although noted by scholars in development studies, has yet to figure in discussions in mainstream business ethics.

What does this empirical case study offer to those who foresaw the emergence of a cosmopolitan world in the last decades of the 20th century? It has attempted to show that the logic of cosmopolitanism, stripped of its utopian ideals and tempered with a realistic appraisal of the extent of its impact (Cheah, 1998; Hollinger, 2001; Robbins, 1998), is not a hollow claim. The case clearly forced all the main actors involved to rethink the limits of this new world. Attitudes based on ethnicity and nationalities are losing relevance as individuals and societies try to improve and emulate those which are more successful.

Historically derived linkages of nationality and citizenship are, however, a resource that remains available to be brought into play when necessary. In this case very local values and power structures triumphed in the end; this result will dampen the enthusiasm of those who hoped to create a world in which such differences become less important. The anecdotal evidence of blatant support for national companies to prevent their collapse in the face of economic recession demonstrates the very real boundaries of such a hope. The stories in the popular media that highlight this tussle over the identities of multinational companies are examples of the macro level reflection of micro politics of localized struggles over identity and moral standards. The choice of moral stance seems to be based in and interlinked with geopolitics and political economy: when the economy grows and unemployment levels are low there is support for a more global view, but during crises when survival is threatened, such as in the case study, the narrow local view gains dominance. The relevance of the nation state as a main actor seem to increase or decrease in these different situations, but — importantly — it never disappears.

Business ethicists therefore have a critical role to play in helping multinational companies not only to analyse the intricacies of their philosophical position but also to understand the ideologies that impassion other stakeholders. Rather than assuming that nationality and citizenship can always predict the ideological preferences and attitudes of actors, additional longitudinal studies that observe the switching back and forth between multiple systems can help develop dynamic conceptual frameworks that better explain multinational activity.
What this study has shown is that, in times of crisis, most actors choose the most reliable and proximate support structure, which in this case continues to be the nation state. This begs the normative question whether multinationals should be advised to take an ethical stance firmly rooted in the unique historical development of their societies, rather than one based on vague global/moral universalism that is difficult to implement. A cosmopolitan argument that denies parochialism does not always work in practice. This is not because such a universal framework does not exist, but because there are also alternative, contradictory frameworks and structure that actors may switch to when confronted with the difficult cosmopolitan challenge of trying to raise the moral standards of their actions. The well-meaning moral ambitions of universal human rights run the risk not only of being hijacked by nationalist politicians and parochial trade unions in developed countries, but also of being perceived as another imperial project.

In such a situation, the pragmatist vision of human rights that is compatible with patriotism may provide acceptable arguments for improving conditions of workers. Wicks (1990) points out that the negative connotations implied by ethnocentrism and the guilt of colonialism prevent actors representing advanced liberal societies to openly champion values that contribute to the better rights enjoyed by their citizens. In spite of the valuable improvements that moral universalism can provide to humanity, the values of liberal Western societies have to be cloaked in global terms for universal acceptance.

It may now be time to develop arguments, even at the risk of being ethnocentric, that reflect confidence in the hard-won advances that Western societies have provided for their citizens. The embarrassment that colonialism generated in Western scholars can now be set aside as developing countries have begun asserting their own form of ethnocentric behavior without any negative connotations. Pragmatism rooted in historical contingency could be a better bridge for communication than the more desirable, but ultimately unworkable, cosmopolitan fantasy. Such a mechanism has the added benefit of not threatening the link between nation and state or individual and the nation state. As Sassen (2003) points out, individuals and multinationals should start searching for channels and possibilities for expanding their ethical needs through the processes and new structures that are transforming the nation state from within.
Following this line, the arguments for improving conditions for workers in the Third World can be made more acceptable and effective by explicitly pointing out the benefits of workers in Western societies. Audits and codes need not be cloaked in the language of universal rights; rather, they could be explicitly relabeled as liberal rights and an argument made for their pre-eminence in ensuring human dignity. If an acknowledgement that exploitation can be beneficial in some cases is included in designing codes of conduct, it can be transformed from being a mechanism for “comfort production” to a way of protecting the most vulnerable. Companies can set a good example of social responsibility by adhering to standards expected from citizens in their home countries, without attempting to be global citizens. The challenge here is the propagation of these values through the new channels which are developing within nations as a result of globalization (Sassen, 2003) and identifying ideological matches with local history, literature, and mythologies (Rorty, 1986) that can influence and animate actors and influence public opinion in different societies.

6. CONCLUSION.

The environment that the multinationals are engaged in is composed of multiple ethical structures, some that are ancient, others that are more recent. This condition of engagement with myriad ethical positions is a reality that will stay for some time to come and ambiguities of the kind discussed above are bound to occur more frequently. The ethics frameworks adopted by businesses need to be redesigned to enable continuous analysis of existing philosophical positions and their relevance to the new formations, enabling actors to make timely decisions on whether a particular moral position is to be used, preserved, or discarded.

To pre-empt the risk of being misconstrued by powerful actors as profit-maximizing agents insensitive to the needs of the powerless workers that they employ, multinationals are prone to taking organizational decisions that insulate and protect their supply chains from allegations of immorality. However, a more honest approach would be to publicly accept, and educate their customers and stakeholders about, the grey areas of morality where visually repugnant images associated with exploitation may be necessary livelihood opportunities for some of the poorest people on the planet. It is the task of business ethics scholars to assist multinationals in developing, improving, and communicating uncomfortable realities to an unsophisticated
audience. At the same time, researchers in development studies could communicate the detrimental impact of moral absolutism to their constituency — NGOs and other members of civil society. The possible incommensurability of paradigms of these vastly different fields of research and interest are further explored in Chapter 5.
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Chapter 4: (Not)Learning from a Near-Death Experience: Ethnographic Study of Investment Promotion

It is normal to expect that a professional organization that caused or was affected by a crisis would learn from the experience and avoid such a situation in the future. However, research on learning from crises suggests that this expectation can lead to disappointment; due to various environmental and internal characteristics many organizations fail to learn from crises. An alternative stream of research on organizational learning in public organizations suggests that this hypocrisy and inconsistency are deliberate strategies to reconcile inconsistencies in their everyday lives. In this chapter, an empirical study of a highly politicized but professional organization is used to determine whether these latter tendencies also apply to post-crisis situations. The present business environment is characterized by private sector organizations surviving near-death situations by virtue of tenuous support from the public interests. The study aims to give a speculative but plausible reflection of how such professional managements with political owners might function after the crisis has passed.

1. INTRODUCTION.

What makes an organization persist with self-damaging actions and routines even after the same actions have threatened the organization in its history? The literature on organizational learning from crises has focused on the internal and external environments and culture of organizations that aids or impedes learning from crises and failures. The political nature of organizational environments and conflicts becomes relevant when the crisis is public in nature, such as: oil spills (Bonnieux and Rainelli, 1993); industrial crises related to mining or chemical disasters (Madsen, 2009; Shrivastava, 1988; Pauchant and Mitroff, 1988, 1992); football stadia disasters (Elliot and Smith, 1993, 2006); the failure of public structures (Christianson et al., 2009); and issues of national importance and therefore politically sensitive (Starbuck & Milliken, 1988). The majority view in studies on organizational learning from crises or rare events suggests that organizations do benefit by learning from crises, although there may be an element of powerlessness caused by different circumstances and
characteristics (Christianson et al., 2009; Starbuck, 2009; Baumard and Starbuck, 2005; Elliot and Smith, 2006; Heugens & Zyglidopoulos, 2007).

At the same time, other studies have observed public bureaucracies finding unique ways to resist or avoid learning and continue with inefficient processes in spite of pressures emanating from public scrutiny of their functioning (Brunsson, 1986; Baron, Mittman and Newman, 1991; Brunsson, 1989, 1993; Wamsley and Zald, 1973). Focusing mainly on non-profit organizations like public bureaucracies and not-for-profit organizations in the social sector (Seibel, 1996) these studies reach the conclusion that learning is not always necessary for survival. Deliberately not learning is a strategy to survive inconsistent environments (N. Brunsson, 1986; 1993) and instances of “successful failures” (Seibel, 1996) are common in the not-for-profit sector; K. Brunsson (1998) calls these organizations liberated entities as they do not have to learn or improve themselves even under the glare of public scrutiny. As a fully developed framework for deliberately not learning after a crisis is limited, this study uses insights from these contributions and applies them to the post-crisis situation.

Christianson et al. (2009) conceptualize rare events as “significant interruptions” that organizations do not encounter frequently. They also note that rare events trigger learning and identify a process of “learning through” rare events, wherein “multiple learnings occur throughout an unfolding rare event” (ibid.: 857). The “near-death situation” is defined here as an example of such a crisis/rare event that threatens the existence of an organization. In an early paper, Hermann (1963: 62) noted that crisis “can lead to behaviour which is destructive to the organisation and limits its viability". The parallel implication for an organization that survives a threatening situation is that awareness of its vulnerability impacts every aspect of its subsequent functioning, including its choice of retaining or rejecting the very features that caused the crisis.

The descriptive terms like ‘resisting change’, ‘maintaining amibuity’ will be used to denote instances of ‘deliberate hypocrisy’ in this chapter. Fiol and Lyles (1985) argued that change need not imply learning, and Friedlander (1983) claimed that learning may not result in visible change. However, I argue that in cases where the political nature of the organization requires a visible display of learning, lack of change or modification in the procedures that caused a crisis can be intuitively associated with hypocrisy. The organization studied here scraped through and survived a near-death
situation; it seemed to have learned from the experience, changing some parts of its structure and strenuously displaying this as evidence of learning. The interesting anomaly that triggered this research is how the same organization actually continued without changing some of those parts of its basic structure or fundamental processes that caused the near-death situation in the first place. The research question that drives this study therefore is: **What does it say about the character of an organization and its environment if features that caused a near-death situation persist after the crisis?**

Answering this question will hopefully reconcile the two views of learning from crises and provide a better understanding of an issue that confounds managers and policy makers: the inability or unwillingness of seemingly efficient managements to learn lessons from past crises. The discussion section explores the generalizability of this tendency to maintain self-destructive characteristics to other commercial organizations that are supposedly immune to inefficiency (such as companies in the financial industry).

Rare events are interesting for social scientists because of their “great concern to [the] public” (Harding, Fox, & Mehta, 2002). However, as noted by Kapferer (2005: 89), studying a crisis “demands an understanding that micro dynamics are always integral with macro forces, and that these larger processes must be attended to if anthropological explanation and understanding are to achieve any kind of adequacy”. One of the important characteristics of the dialectical view described earlier is that it is “committed to process” (Benson, 1973, 1977). This view is consistent with the critical realist view (Reed, 2005; Fleetwood, 2005) that is used in this study.

2. **LITERATURE REVIEW.**

The following sections give a brief overview of neoliberalism, the stratified view of uncertainty and the dialectical view of organizations. This is followed by the literature concerning organizational research on learning and deliberately not learning after crises (especially that on inefficiency in not-for-profit organizations mentioned above) that seems to fit the empirical observations. Of course the same data could be useful for looking at organizational memory, organizational rules, sense-making, organizational ecology, etc. However, in order to maintain brevity and focus, these lenses were not pursued. Nor does the study take on board all literature on
organizational learning (such as Bapuji and Crossan, 2004; Huber, 1991; Levitt and March, 1988) but rather concentrates on those contributions which refer to different aspects of or antecedents to intentional hypocrisy contributing to and at the same time allowing the organization to survive after a crisis.

2.1. Neoliberalism and Investment Promotion Agencies.

Starbuck (1982) noted that societal ideologies assert a paramount influence on organizations. Since societal norms are not consistent, organizations “put up structural and technological facades” to gain legitimacy and the freedom to function (ibid.: 10). Studies on the creation of organizations have noted that “resource space” is an antecedent for new organizational forms (Rao, 1998; Romanelli, 1991). New organizational forms arise when actors with sufficient resources see in them an opportunity to realize interests that they value highly. The new forms do not arise automatically in resource spaces but have to be constructed from prevalent cultural materials which justify the new organization (Rao, 1998: 914–917). The organization studied in this chapter was created as a result of a dominant ideology at the time, namely neoliberalism.

However, resource requirements for one process are “inherently antithetical to the requirements of another process, this antithesis is an inescapable feature of the system” (Zeitz, 1980: 81). The interdependency of resources causes a dialectical conflict with other members of the organization who espouse political ideologies that are antithetical to neoliberalism. Some level of cooperation with antagonistic and competitive forces becomes necessary. The uncertainty in the organization’s environment that initially created and fed it, becomes a liability when political ideologies change. Its vulnerability is enhanced by its location in a venue where “global–local tension” is manifest (Dicken, 1994) and where pro- and anti-globalization forces continue to create and discard new formations.

Both at the macro and micro level, the environmental uncertainty caused by the debates for and against the advent of neoliberalism within public administration impacted the organization. On the other the reversal of political commitment to globalization caused by the recession, broadly encompass the main macro process. Set up solely for the purposes of attracting and assisting foreign companies to begin
operations in this region of The Country, this organization is an example of “entrepreneurship” exhibited by urban bodies smitten by neoliberalism. The organization is focused on “acquisitions”, a term used for attracting international companies to start up in the region. Although only part of the overall efforts of the urban bodies in improving their cities for businesses, acquisition of foreign companies plays a small but important role for the economic departments in the local municipalities as it proves that their efforts have been effective.

The generic name for such an organization is an Investment Promotion Agency (IPA), and they generally exist at the fringes of public and consequently political focus. The fickle nature of global capital and the near uniformity of the different parts of the developed world in terms of yardsticks of efficiency (quick bureaucracy, efficient infrastructure, proximity to markets, etc.) make it important for the provincial agencies to differentiate their regions from the host of similar neighboring regions and institutions. However, a cursory glance at the websites of several different IPAs shows that the strategies and taglines used for selling these regions are often similar, if not virtually copycat versions of one another.

Just a few examples will suffice

The Netherlands provides a strategic location to serve markets within Europe, the Middle East and Africa. The central geographical position of the Netherlands, combined with accessibility and an excellent infrastructure are only some of the reasons why numerous European, American and Asian companies have established their facilities in the Netherlands.

Poland is a perfect place for investment and business expansion. The 2008 Ernst & Young European Attractiveness Survey shows that Poland is very popular among foreign investors who consider the country as one of the most attractive investment destinations in Europe. Tourists, in turn, are enchanted by Polish hospitality and friendliness, Poland’s cultural heritage and the country’s natural wealth.

Ireland as a location for FDI is ‘Open for Business’ helping companies from across the globe to excel in their sector and reach their target markets efficiently and effectively. Almost 1,000 companies – including some of the world’s best known brands – have chosen Ireland as the hub of their European networks because of the winning combination Ireland offers them.

A similar tendency is also seen at the regional level

Amsterdam Metropolitan Area is a thriving hub for business and industry. There are a range of private and public sector agencies, at a local, regional, national and
international level that co-operate closely and uniquely to facilitate the relocation of foreign companies to Amsterdam Metropolitan Area.

There are several factors which make companies choose one location or another for their business ventures. The essentials are: access to markets and clients; the availability of qualified human resources and transport and telecommunications. The climate which governments create for businesses (taxes, finance and incentives) is another key factor for companies. Catalonia stands out due to a "cumulative effect": the coinciding of all these favourable factors for investment.

From location to infrastructure, from business costs to lifestyle... Take a look at some facts that make Flanders a great place to site your business and a great place to do business from.

The organization in this case study is a regional IPA set up in the year 2000/2001 to promote a region of Western Europe. The organization’s promotional material claims that it is:

A dynamic region in a country with a long history in international trade and with the modern facilities to support commerce. The IPA serves as the ‘one-stop shopping’ desk for the region to assist and advise international companies on locating and staffing their operations in the region.

In most cities acquisition of international companies is the responsibility of bureaucrats who work for the city. However, this IPA has special features as it was created by a group of neighboring municipalities in an effort to coordinate their acquisition activity without replication. The result of this action, as we will see in the case description, was partly counterproductive as much energy was spent in maintaining the coordination. The topic of interest for this discussion is why the organization continued to function without changing its actions, even after it was harshly criticized in public for not adhering to the intended larger purpose of its creation — attracting global capital to invest in the region it represents.

2.2. Uncertainty.

Milliken (1987) observes that in organizational research, perceived environmental uncertainty is conceptualized in multiple ways that can mean both uncertainty of environment and the perception of uncertainty by the individual. To better define and understand this concept, Milliken divides perceived environmental uncertainty into three types: state uncertainty, effect uncertainty, and response uncertainty. State
uncertainty refers to the perceived unpredictability of one or more components of the environment; effect uncertainty refers to the impact of certain processes on the organization; response uncertainty refers to the inability of managers to know what options are available to respond to a particular situation (ibid.).

These stratified views of uncertainty are compatible with the perspective of organizations and their environment that is emerging and that incorporates dialecticism into its ontology (Fombrun, 1986). Such a perspective can explain more comprehensively the selectivity in response with regard to learning from near-death situations. Arguing from a dialectical perspective, Benson (1973: 383) noted that every organization contains “fundamental contradictions” and is characterized by a “tendency towards dissolution”. The approach therefore underlines the temporary and arbitrary nature of features internal and external to the organization and is interested in the underlying processes that constantly maintain a particular set of features (Blau, 1957; Benson, 1973, 1977; Fombrun, 1986; Zeitz, 1980).

Pache & Santos (2010) focus on the antecedents of organizational response to uncertainty and argue that much depends on the extent to which the conflicting demands are embedded within the organization. The authors develop different propositions predicting organizational actions under the effect of different combinations of “nature of demands” and “internal representation” (ibid.: 459). Stokes and Clegg (2002: 232) note that organizations are “deeply sedimented historic entities” and radical reform of bureaucracy is more likely to create a “contradiction between what is embeddedly valuable and what is now valued but not yet embedded”. These relatively recent contributions echoes Benson’s (1973) observation that organizations that are composed of bureaucrats and professionals display conflicts that are “inextricably linked to the political processes through which order is maintained or renegotiated”. Such contradictions are inherent in the organization and the intensity of any conflict that arises is based on way in which the contingencies are activated (ibid.: 391). Starbuck (1982: 5) also observes that “environments instigate crisis by changing unpredictably while also promulgating ideologies that impede adaptation to unpredicted changes”.
2.3. Learning and Not Learning after Crises.

The following subsections separate research on non-learning after near-death experience into two. The first section focuses on studies that view the perpetuation of inefficiencies and debilitating features that causes crisis as evidence of an organization’s inability to learn. The second section conceptualizes hypocrisy and not learning as a deliberate strategy, i.e. a lack of willingness to learn, as the organization is better off remaining inefficient.

2.3.1. Organizations Incapable of Learning.

Drawing on existing research on organizational learning Starbuck (2009: 925) infers that “organisations learn very little from failures” and even if some learning does occur it is “erratic”. The reasons for this include the cognitive maps that observe the “idiosyncrasies and exogenous factors”, and the “uncertainty” created in rare events (Baumard and Starbuck, 2005; Starbuck, 2009, 1982). These observations follow from his earlier insights that ideologies, which are “logically integrated clusters of beliefs, values, rituals, and symbols”, create “perceptual filters” that prevent learning from crises (Starbuck, 1982: 1, 6).

Others have similarly observed organizational characteristics that obstruct learning, including “technical, structural, and psychological” features (Baum and Dahlin, 2007: 380), or organizational culture and structural features that determine how a crisis is made sense of (Weick, 1988; Elliot and Smith, 1993, 2006). Wicks (2001: 686) identifies “micro-institutional processes” among miners that caused mindsets to be institutionalized among individuals and claimed and “cause harmful effects [which] continue to be incorporated into daily actions”.

Outside the literature on learning from crisis/rare events, many organizational theorists have been interested in the perpetuation of inefficiency. Stinchcombe attributed organizational characteristics to the imprinting onto organizations of values and cultural characteristics of the founding institutions and individuals (see Johnson, 2007). March (1981: 874) suggests that altruism, symbolic displays of choice, lack of defined objectives, and loose coupling have the result that “some level of foolishness will occur within an organisation, no matter how dedicated to rational coordination and control it may be”. Weick (1988) shows how sense-making is relevant to studies of
industrial crises because it has an “enacted quality” that results from a human action. Commitment to and justification for an action can produce “blind spots” as “Once a person becomes committed to an action, and then builds an explanation that justifies that action, the explanation tends to persist and become transformed into an assumption that is taken for granted” (ibid.: 310). There are indications of such actions in the case study of the IPA, specifically when actions that had implications for political protection were justified. Within organizational ecology, the concept of “structural inertia”, also directs attention to situations where organizations change more slowly than the rest of the environment (Aldrich, 1979; Hannan and Freeman, 1977). Baron et al. (1991) also see this inertia when it comes to state bureaucracies which are dependent on politicized environments where demands for efficiency have limited impact. Pfeffer (1996) found that smart organizations do stupid things because of financial, social, political and hierarchical barriers. Further, as Haveman (1993: 46) notes, the size of the organization has an implication for its ability to change, and “knowledge of context is crucial for understanding the impact of size on organizations”. This is supported by Heugens& Zyglidopoulos (2007) who observe that “long-view” organizations are unfit to learn due to the larger value of investment made in a particular pattern of action. Studies on organizational path dependence also tackle the issue by noting how changes from inefficient paths may not be under the organization’s control (Sydow et al., 2009) but rather be defined by the characteristics of its environment.

2.3.2 Not-learning by Choice.
The views on the ability or inability to learn from crises, or to learn in general, expressed in the theories above tend to suggest that organizations that do not learn or change after a crisis are incapable entities. The external or internal limitations to their structure render them unable to absorb lessons and become more efficient. But what about organizations for which inefficient functioning is a necessary criterion for survival? Shrivastava (1988: 297), studying industrial crises, observed that “crises have fundamental trans-organizational causes, involving social, political, and cultural variables” and that “organizational activities may be constrained equally by the physical environment in which they are situated and by the social and economic environment”. Lampel, et al. (2009) show how “politics of learning” affect an organization and how power both external and internal to the organization may force it to stay on a particular, undesirable path. In certain conditions, persisting with self-
debilitating characteristics does not represent a perilous situation; not learning after a crisis, and clinging on to forms of inefficiency, need not be a liability. Rather, this can be a preferred choice in order to exist in an imperfect and contradictory environment.

This praxis-oriented and less deterministic line of reasoning is offered by Brunsson (1986, 1989, 1990, 1993), who notes that organizational inconsistency and hypocrisy become necessary to reconcile the inconsistent norms in the environment — in other words, organizations decide to not learn on purpose. He notes that “these inconsistencies are solutions rather than problems; solutions to the problem of maintaining and gaining external legitimacy and support when external norms are inconsistent. Such decisions deal with uncertainty related to organisational legitimacy rather than uncertainty related to alternatives, actions or decision-makers” (Brunsson, 1990: 56).

Particularly relevant to this study is Brunsson’s observation of the dissonance between ideas and action (1993). In bureaucracies, what is talked about cannot necessarily be implemented, what can be done cannot always be talked about. Depending on the context, ideas and action may have varying importance and these ideas may change more rapidly than actions as “ideas are cheaper than actions”, and a limited supply of knowledge, resources and opportunities makes it “difficult to move from ideas to action” (ibid.: 491). Problems associated with hypocrisy and conflicting demands create a situation for reforms to be suggested. The availability of a variety of solutions also instigate reforms (Brunsson, 1989).

Seibel (1996) advocates the idea of “successful failure” in not-for-profit organizations. An environment in which “success may mean failure — and vice versa” is created because “homogeneity and means-and-end-efficiency in modern organisational culture bear the risk of problem overload and that niches of reliable organisational inefficiency may function as a buffer mitigating that risk” (ibid.: 1011). Seibel argues that finding explanations for the persistence of low efficiency organizations in principal–agent relationships (where principals are unaware of how the resources they provide are being used) does not allow for “reliable failure” (ibid.: 1013). Rather, inefficient functioning is wrongly conceived as an accidental or unwanted phenomenon.
Seibel suggests that inefficiency can also be perpetuated by “interest in failure and interest in ignorance about inefficiency” (ibid.: 1015). He considers two kinds of principals (board of directors and public) and comes up with an eight-fold matrix, each cell containing information on why inefficiency is desirable to each group. Inefficiency and ignorance of inefficiency may be desirable for a board because efficiency may not be compatible with popular ideologies and accountability. In such cases, these principals may offer defensive justifications that common standards of efficiency are not applicable to this organization. Power and prestige that accrue from control of organizations may also force principals to keep the organization inefficient as an efficient management would disturb the status quo (Seibel, 1996).

Such a view of organizations as essentially continuing in a state of constant inconsistency and hypocrisy is supported by scholars who reject a structural functional view of organizations. Benson (1973) suggests that a dialectic view of organizations allows for the conceptualization of inherent organizational contradictions like the “bureaucratic–professional conflict”11 which increases and decreases in intensity based on contingency and context. Such organizational contradictions, Heydebrand (1973: 89) notes, “express themselves in crisis where established control structures (e.g. professional authority structures) fail to respond adequately to the requirements of increased productivity, or where the autonomy of the whole organization is threatened by the crisis-triggered responses and adaptations of the larger system”. In their empirical study of reforms in bureaucracy, Stokes and Clegg (2002: 243) “reveal a disjunction that exists between claims made for bureaucratic reform and the actual experience of work under the conditions it proposes”, and note that the “rhetoric of reform is often unachievable in practice”. Huzzard and Ostergren (2002) suggest that learning need not occur in organizations where power is dispersed within the organization among stakeholders professing different ideologies.

Though not directly related to crises, the theoretical views of organizations depicted above provide a lens for understanding the processes through which crisis-generating tendencies are retained, even after a crisis. There are a number of features of the

11 Benson (1973) conceives bureaucracy as a hierarchical system operating according to rules and regulations. In a bureaucracy authority is assigned to positions and individuals are motivated by a stable career within the organization. A professional structure, in contrast, authority derived from expertise and the organizational structure is flexible and open. The individuals in the professional mode are driven by professional ethics and standards that is not circumscribe by rules set within the organization. (Benson, 1973)
organization in this case study that make it suitable for attempting a reconciliation of
the contrasting views above — of an organization that is capable both of learning and
of conscious non-learning. These include the multiplicity of stakeholders, a fractured
organization composed of bureaucrats and professionals, expected divergence
between the purpose behind the creation of the organization and its actual work, and
perceived competition and real overlap between existing, and more legitimate,
organizations in the environment.

3. Methodology and Case Description.

The longitudinal, ethnographic approach adopted in this study was made possible
through direct involvement with the organization during a near-death experience in
2006 and thereafter over a period of four years until 2010. However, the idea of
attempting an academic contribution was planned midway into the association with
the organization (2008/2009), when I observed instances of deliberate hypocrisy
resulting from the inconsistent demands from the environment. Since there was no
research question in mind when entering the field, the study by chance conforms
partly to Katz’s (2001: 446) observation that “ethnography eschews thoroughly pre-
fixed designs for data gathering, such as are used for conducting experiments or
surveys”. However, it was not possible to maintain a non-theoretical approach for
long. Within a month of beginning to make notes and rummaging through e-mails and
annual reports, the initial findings pointed to many fields of literature that were
applicable to the macro and micro levels of the analysis.

The primary source of data is my personal experience in working for the organization.
Over the research period I was employed as a consultant for setting up an India desk
to promote the region represented by the organization in the India. Though the level of
engagement varied in intensity, I was continuously connected to the organization
during this period. As a result, I was located in a central position to observe and also
influence the organizational decisions of the India desk in a significant manner.

Participant observation, which is the major source of data collection, as noted by
Clifford (2001: 127), involves “on the one hand grasping the sense of specific
occurrences and gestures empathetically, on the other stepping back to situate these
meanings in wider contexts… a dialectic of experience and interpretation”. Some of the
features of participant observation which are picked up and quoted by Platt (1983) include attempting “to see human life as an actual dramatic activity, and to participate in those mental processes” (Cooley, 1927, quoted in Platt, 1983: 381), “to view the different aspects of the problem as an organic, interrelated whole” (Palmer, 1928, quoted in Platt, 1983: 381) and to “be revealing, that it penetrate beneath the conventional mask each human being wears” (Burgess, 1927, quoted in Platt, 1983: 381).

In addition to my personal experiences, the case description is also based on interviews of key personnel connected to the organization. The description of the origin of the organization and the stage prior to my involvement is based on these interviews. Hammersely and Atkinson (1983) remark that in an ethnography, representativeness of the sample is not the primary criterion. Rather, the selection of the respondents has to be based on the possibility to identify knowledgeable individuals willing to provide information. Different organizations were contacted which provided alternative insights as “secrets of one group are revealed more readily by members of another group” (van Maanen, 1979: 545). I have spoken to all 13 employees of the organization, in addition to individuals who are associated with the organization, either as stakeholders or competitors. In total I have spoken to more than 30 people, of which 21 are directly connected to the organization. Most these interactions were informal conversations, discussions during seminars, coffee breaks, travel to trade fairs, etc. that provided invaluable insights into the perception of the organization held by both insiders and outsiders. I was not allowed to record any interviews due to the nature of the topic and the pre-existing fear of the media among bureaucrats. The observations made are supported by other data sources including press reports, informal conversations, minutes of weekly meetings and annual retreats, e-mails, annual reports and informal interviews with a large range of people both within and connected to the organization. The ethnography is composed of both “‘solicited’ and ‘unsolicited accounts’” (Hammersely and Atkinson, 1983) and their nature is made explicit by using terms like “when I asked”, “without prompting”, etc.

The major limitation was of course the language barrier that severely restricted my access to information flow. The organizational environment was immersed in local politics and bureaucracy that conducted its everyday work entirely in Local. However, most actors associated with the organization were predisposed to speak in English, as
the services of the organization are directed to global companies. In spite of this limitation, the four-year association with the organization and life in The Country gradually helped me understand the language and the people better. Over the period I became comfortable in meetings in Local where I would speak in English and the discussion would proceed seamlessly.

In presenting the case, I have resorted to a combination of ethnographic styles a “semiotic style” (Sanday, 1979: 532) and self-reflexive/narrative style. The semiotic component helps understand the “conceptual world in which our subjects live so that we can, in some extended sense of the term, converse with them” (Geertz, 1973: 24). I have tried to separate “the question of the truth or falsity of people’s beliefs from the analysis of those beliefs as social phenomena” as this “allows us to treat participant’s knowledge as both resource and topic” (Hammersely and Atkinson, 1983: 126). Further, a method to avoid reductionist explanations in an ethnography is to “closely describing how members enact their beliefs… the explanatory question becomes what do these practices create” (Katz, 2002a: 67).

Holland(1999) says reflexive methodology is one which makes explicit “the effect of the personality or presence of the researcher on the investigation” (Holland, 199:464). Closely related to reflexivity is narratology in ethnography that assists in making explicit the relationship between the researcher, the text, and the reader, and is characteristic of the confessional components of the ethnography presented. It is now accepted norm in ethnography for the the narrator to speak of the “violence and desire, confusions, struggles…” involved when collecting data(Clifford and Marcus, 1986:14). Different mechanisms through which a narrator is represented within a text imply the epistemology one adopts while conducting ethnographies (Hatch, 1996; Johnson and Duberley, 2003). Johnson and Duberley (2003) notes, differing epistemological and ontological positions generates different understanding of reflexivity; each with its own implication for management research. A methodological reflexivity continues in the positivist tradition and its use is in ensuring the objectivity of the researcher. The deconstructive version draws from post-modern assumptions that eschew the need to separate the researcher’s individuality from the story.

The third and middle way, is (unhelpfully) called epistemic version, is close to the version of reflexivity that I have resorted to in the description of event that follow.
Within this middle ground, reflexivity merely “reframes the management researcher’s self knowledge but does not claim to a ‘better’ and more ‘accurate’ account’. By making explicit the “constitutive assumptions”, epistemic reflexivity can “reclaim alternative accounts of the ‘same’ phenomena” (Johnson and Duberley, 2003: 1291). This stance echoes the view that “culture is contested, temporal, and emergent. Representations and explanation by both insiders and outsiders – is implicated in this emergence” (Clifford and Marcus, 1986:19).

Consistent with these accepted norms in reflexive ethnography, there is no claim made that what follows is a definitive/final description of the reality of the organizations actions. The combination of semiotic and self-reflexive components in the case description is intended to create a life-world that is partial and fictional, allowing for polyphony of views and interpretations of events described below. (Clifford and Marcus, 1986). After building up the initial case, I sent the case-description and propositions to 5 key individuals for verification and refutation. The case was rewritten after listening to their views and objections to the initial version.

Case Description

As alluded to in the introduction, one of the impacts of globalization on the nation state is the dilution of the control which a national government has on the regions and institutions within its national boundary. One of the manifestations of this loosening of central control is the proliferation of and competition between institutions of the individual regions and provinces in promoting the geographical unit they represent (however large or small) to the wider world of businesses, entrepreneurs and capital. The recent annual report of the World Association of Investment Promotion Agencies (WAIPA) reports a membership of 243 IPAs from 157 countries (WAIPA,2009). However, it is only in the richer countries of Western Europe and North America and emerging nations that these regional IPAs are globally active.

One of the main actors assisting foreign companies to set up in the Country is the National Investment Agency (NIA), a national organization, which is part of the Ministry of Economic Affairs. Their website cites the following reasons for foreign companies to set up in The Country: 1. headquarter functions; 2. manufacturing; 3. marketing and sales; 4. logistics; 5. research and development; 6. customer care; 7.
shared services. Similar to the promotional materials of other countries, the NIA website claims that The Country offers a “multi-lingual, flexible and well-educated workforce” and a “favourable tax structure, which includes advantageous features like the advance tax rulings, participation exemption and lower corporate tax”.

The regional organizations also use the same sales propositions to attract companies into their regions. However, the crucial difference is that while for the NIA a company set up in any part of country would count as a result, for the local organizations the company has to be located within their regional boundary to be counted as a result. Further, as an example of the limits to the freedom that regions have, it is only the national organization that has a physical presence internationally. Although there is no law preventing them from doing so, the regions are discouraged from setting up their own offices abroad to avoid confusion for potential investors. The ideal flow of a project, according to the NIA, is that a company approaches the representative of the NIA in their respective country, who decides which local organization(s) should be involved, based on regional specificities such as the availability of a bioscience park, technical university, etc.

However, the regions do not always wait for projects to come from the NIA. They also make separate trips in cooperation with the Ministry and proactively identify projects. It is not uncommon for many regional organizations from the same country to be present at international events, competing to attract the attention of the companies which have been invited to attend. The NIA tries to ensure fairness by enforcing a tacit agreement that the region that identifies the project is the only one associated with the project, unless the company is not satisfied with what is offered. There is therefore a symbiotic relationship between the NIA and the regional organizations, though the national organization is clearly the superior entity to which all regional organizations defer. Another major actor in the IPA’s daily activities is the board which represents the cities that fund the organization. To understand the complications in its relations to the four cities it represents, it is important to delve a bit into the history of the creation of the case-study IPA.
Initial Stages: From “Fingers to Fist”

Prior to the creation of the IPA in 2000, each of the four cities which would eventually take part managed its own marketing and acquisitions. The largest of the four cities, however, had a unique entrepreneurial venture to manage its acquisitions. Let’s call it the Development Foundation (DF). Set up by entrepreneurs, the DF was partly commercial and partly membership-based in nature. Service providers, housing agents, notaries, recruitment firms etc. contributed funds to the organization (like members to a club) and the municipality of the city contributed an equal amount. The important point to note is that the DF was active without support from the national organization, the NIA. Indeed, the NIA considered the DF to be beyond its control, as it had a commercial focus, and was always critical of the DF’s existence. An unsavory incident, however, forced a radical change in the way that policy makers felt future promotional work should be carried out, and in the future of the DF.

An American company decided to set up a branch in the country. It was common for different cities and regions to promote themselves to possible investors from overseas. The level of communication between the account managers in the different cities was minimal and the competition was fierce. In this case, two neighboring cities tried to pull the company in question into their cities. As a result of a lack of communication, the company was landed with two binding contracts from two real estate agents, one in each city. This resulted in a lot of bad publicity, with the American company officials becoming so disgusted that they shelved their plans for an office anywhere in the Country. In the words of one of the respondents of this research, “it was incredible to outsiders as to how two cities barely 15 minutes from each other could have such low levels of cooperation”.

The politicians and bureaucrats in the largest of the cities decided to act and tackle this problem of miscommunication and self-defeating competition. They decided to form a separate organization that would coordinate the investment opportunities for four cities in the region. Their idea was: “we are stronger as a fist, rather than individual fingers”. It was not possible to include two of the country’s largest cities because they were considered too big; to continue with the metaphor, “there can be only one thumb in the fist”. It would have been logical to incorporate the existing DF into the new organization, to implement this vision of a common front. However, the personal
relations between the DF and the city soured, preventing a merging of the two organizations. It is alleged that funding to the DF was closed off to make way for the new organization — the IPA — with the blessing of the political establishment at that time. The original focus of the DF was entirely on North America, and it had been active in attracting American companies to start up in the city. However, geopolitical changes, and particularly the rise of China as a new economic power (Brazil, India, Korea, and others were not yet figuring in the global power game), caused the city to turn its gaze eastwards, and the new IPA was set up from the outset to focus on the east.

The IPA received support from the NIA, which (as already noted) was critical of the DF. An ex-employee of the NIA was the chief architect of the new IPA and modeled it largely on the national organization, including its computer system and its. The IPA started operations in 2000 with an annual budget of around 1.4 million euros, around two-thirds of which is contributed by the main city, with the smaller cities covering the rest. The idea was that this nodal agency would coordinate investment activity in the whole region and would ensure equal opportunity and exposure for each of the partner cities. A document drawn up by Ernst and Young in 1999 describing the structure of the new organization clearly states that its main purpose is to promote the region as an ideal investment destination and to bring it out of the shadow of other European cities like Amsterdam, London, Brussels, etc. Though the initial paragraphs of this document mention reducing unemployment as a major objective, the stress on competing with other cities/regions is evident. The document also specifies the coordination mechanism needed between the organization and the local municipalities and Chambers of Commerce.

The IPA reports its results in line with the national organization. The main kinds of projects that count as results are:
1. Starting up a company in the Country
2. A foreign company awarding logistic operations to a local company
3. The takeover of a local company
4. Relocation of an existing company in the country to another location
5. An existing company expanding its operations in the country
7. Convincing a company to stay in the country.
However, the seeds of conflict were evident from the beginning, with the creation of the new name. The cooperating cities were not willing to allow the name of the original city — albeit arguably the best known internationally — to be used. The main competition for the IPA and the region comes from both the larger and more globally recognized cities in the country with respect to financial and business markets. It is interesting to note here that the IPA of those cities also represents other municipalities; these other municipalities, however, were quite willing to take advantage of the glamour and global recall that a city provides. In addition to the various municipalities, the IPA counted other organizations such as the Chamber of Commerce and statutory bodies created for urban development amongst its partners - increasing the list of interests to be balanced. In spite of the differences between the political establishments and parties of the different cities, they were successful in creating this new entity. However, these differences came to affect how the IPA functioned and five years into its life it had to face a near-death experience.

The Near-death Experience.

In early 2006, the organization decided that India was too important a country to ignore and decided to set up an India desk. Through chance, I was directed to the opportunity. Though the remuneration was measly, at a stage when I was reeling from student loans, this was an offer I could not refuse! I had simultaneously made an application for a Phd position and was expecting a favorable response.

During the first visit to the office, I discovered that a strict division of labour existed among departments focusing on different countries, primarily based on the nationalities. The face the organization portrayed to the incoming company depended on the country of origin of the company. A couple of Americans received and attracted the American companies, a German-speaker was involved in generating interest from Germany, a Chinese person for Chinese company, and so on. Underlying this superficial structure of globality were the local persons who assisted the company in the bureaucratic and administrative procedures (which it was assumed involved knowledge of the local language and systems.). I was consequently assigned to the India desk. In order to fit into the role, I put aside my personal convictions that national boundaries and culture does not matter. The work expected from me was
brief was simple – build a network for the organization in India and get as many companies as possible to set up in the region.

The setting up progressed smoothly with most Indian trade organizations welcoming an association with a European organization. The Local network in India (embassies, consulates, etc) also welcomed the proactive stance of the IPA, as they felt that this service to Indian companies in expanding to the Country was needed; they felt that the neighboring countries have had a head start among the Indian industry. This favorable stance to the IPA would change after the NIA, national organization, set up its own office after a year, as we shall see later.

Arriving late for work one day in March 2006, I made some urgent telephone calls assuming it was business as usual. The first call was to an associate, whose first question to me was “So how is everybody at the IPA today?”. I answered innocently that all was well which resulted in sniggers at the other end of the line. I then became aware of the intense activity and palpable tension in the office. Having recently joined the organization, I had limited understanding of Local and was not aware of the news report of that morning. Within a few moments, however, I saw the tense expressions on people’s faces and the animated gestures of the director in her office. On the office table were newspapers which the IPA did not subscribe to.

The commotion, I realized, was caused by an article in a local newspaper which claimed that the IPA had fudged the numbers in its annual report. Critically, the main focus was on the number of jobs created through the companies attracted by the IPA, which was the index that largely legitimated the creation and existence of the organization. The reporter had caught on to the sloppy manner in which IPA reported its results for 2005. When reporting on the number of jobs a particular company would create, the IPA was reporting the employment that was expected to be created. That is, the expectation or the estimate was reported, without explaining clearly that this is not the actual or current state of employment. There were other discrepancies unearthed by the journalist that were more hard-hitting. For example, a local citizen individual who returned from China started a company in the country. This was counted as a Chinese company. When contacted by the journalist, the individual’s surprised response was “What me, Chinese?”, which made front page news. Another company, which the IPA claimed had 15 employees, was contacted. The company representative
was working from home. When asked about his other employees, he replied, “yeah, my wife”. The newspaper contacted 30 of the 40 companies that IPA had reported in its annual report; not one of these cases exactly matched what the annual report said. This anomaly was exposed and the press accused the organization of fudging its results.

Of course, the media report was made more dramatic with eye-catching graphics. The central piece of the report consisted of three columns placed next to each of the companies. The first two columns showed what the IPA had reported and the actual number of employees. The third column was entitled “ghost workers” (complete with images of ghosts), and showed the gap between the first two numbers — the employees that did not actually exist. On this issue of the number of employees, it was common practice at the IPA to simply ask how many people a potential company would employ. If the company answered 10, this would have been recorded by IPA without checking whether this was real or an estimate. In most cases, it was an estimate. As one person reflected: “Many times companies bloat their numbers thinking that this would have a bearing on whether they can get their company registered, get visas for their people, etc. They think that because we are a government organization, the information is important”. However, it also seemed to suit the IPA very well, as the number of jobs created in the final reports would also soar. This was what the journalists seized on.

Another allegation made was that the organization was merely a tool for politicians to make trips to foreign countries. The IPA was also closely involved with arranging travel plans and visit schedules for the mayors and vice mayors of the participating cities to China, Japan, and India.

The newspaper article took the organization and its partners completely by surprise. Although it was a case of careless reporting of its results, rather than an intentional fudging of the numbers as alleged in the media, the accusation found its mark. The article caused a major outcry in the local municipality, and the issue even came up for discussion in the local council. The following weeks and months in the IPA were thus a period of intense activity to limit the damage.
The IPA swung into action to limit the damage and salvage its image. Each person within the organization was responsible for getting letters from companies that the IPA had helped start up (especially those listed in the newspaper report) stating that the organization’s services were useful. For days, it seemed that everyone was on the telephone continuously, pleading with their allotted companies. Some companies refused while others agreed to provide such a letter. Over the weeks that followed, I saw the large table in the meeting room gradually filling up with meticulously arranged files for each company mentioned in the report, along with printouts of e-mail strings and testimonials attempting to prove the value of the IPA. The director of the IPA scurried between the office and the chairman, who belonged to the ruling political party, preparing the latter to defend the organization to the municipality.

When the matter came up in the local municipality all activity within the IPA came to a standstill. The debate was being broadcast by a local TV station, and the entire IPA team was huddled together in front of the screen. This surprised me since the television was normally tuned into CNN or BBC, as if to demonstrate the international character of the office. However, on this day, there seemed to be never any doubt which channel the TV would be showing. During the debate, political rivalries came to the fore and the IPA became the proverbial whipping boy for these rivalries in the city. Some municipal representatives called for the organization to be shut down. As the director of the IPA reflected during an official lunch: “Party X was very supportive of us in private. The representative even came to our offices, saw our work and realized how good we were at our work. But she was willing to kill us off to get at the chairman of the IPA who belonged to the opposing party. We were expendable. This is politics”.

Somehow, the IPA managed a narrow escape: political and ideological support in the municipality was strong enough to avoid the immediate shutting down of the organization. Rather, it was agreed that a commission should be set up to look into the IPA’s activities. The organization’s survival would depend on the report of this commission. The commission was led by a former member of parliament who had worked for the Ministry of Economic Affairs and who had an international orientation. After two months of discussions and investigation, the commission concluded that the IPA should continue its work, although with some reservations regarding its internal functioning. The commission advised that the IPA should redesign its reporting
procedures, and should focus more on acquisition and slim down its bureaucracy. The commission also recommended creating a supervisory committee in addition to the existing board. Funding for the organization would be allocated on a yearly basis, with decisions being made annually as to whether funding should continue. Furthermore, a formal target was set, with the IPA expected to account for 20 per cent of the total results in The Country attributed to IPAs. Before the crisis the IPA reported only to a board of directors composed of the representatives of participating organizations. The new supervisory committee which was imposed by the commission consisted of individuals who were independent of the IPA’s partners or stakeholders. It also had an accountant to oversee the new performance indicators that the organization had to achieve.

By the time the crisis passed, I was accepted into the PhD position. At the same time, based on two successful business events organized by me in the meantime, the management of the IPA also offered me (informally) a position in the organization. However, as the fragility of the organization was clear to me, I opted for an arrangement that involved the best of both worlds (or so I thought). I decided to take the full-time PhD position, which gave me a stable income for four years, and convinced the IPA that I could work three days a week for the IPA as an external consultant. They agreed that I need to spend only one day on a workday in office and make up the remaining two days in non-office hours and weekends. I was given a key and access code, business cards, and complete ownership for all lead generation activity in India and any other India-related event in the region or the Country. The other half of the India desk was Jan, a middle-aged local bureaucrat with whom I communicated on all plans for India. Over time, I developed a strong friendship with Jan that helped me negotiate the two roles that I was juggling.

Changes to the Organization.

In the months and years following the crisis, I noticed the organization quickly change many of its features and processes. Some of the changes were more tangible than others. However, each of the changes brought to the organization some unintended consequences, exposing the conflict and contradictions inherent in the environment.
Change 1. Existing electronic systems were amended to meet the new needs of reporting and managing the internal processes of acquisition. The most important positive change was to reduce the discrepancy between the number of jobs the annual report claimed the IPA had created and the real situation on the ground. Now there are two columns in the system that show “current no. of jobs” and number of jobs “estimated after 3 years”. Previously, the annual report was based on simple spreadsheets maintained by the secretary and discussed during the weekly meetings; this was replaced by an integrated electronic project system that gave the responsibility of maintaining records of projects to the individual project manager. The language of internal communication transformed to the local language from English; it was easier to generate reports for local stakeholders if the data itself was entered in the local language.

Change 2. Procedures were introduced to create evidence of the IPA’s assistance to the companies. It was now deemed necessary that I get an “intake letter” when initiating discussions with a potential client company. The purpose of this letter is to prove that the company has asked me/the IPA for help in starting up their business. Once a project is established, and after it has registered at the Chamber of Commerce another letter called the “confirmation letter” is requested from the company. Without these two letters, it was agreed that no project would be reported in the annual report.

Change 3. By mid-2008, the management had created two new positions to handle investor relations and communications. That an investor relations position was necessary was clear from the limited support which those companies that had already settled in the region had provided to the IPA during its time of need. (During the crisis, some companies had refused to provide a written testimonial confirming that the IPA has been helpful and useful in beginning their operations in The Country.) This position was jointly funded by two external regional organizations. The job of the communications manager was to convince the local media of the organization’s value and to promote the IPA internationally. It was also clear during the crisis management that the organization’s profile with individual cities and knowledge centers in the region was low: most seem ignorant or unaware of the organization and the purpose it was set up to achieve. The purpose of these two positions is to ensure that the IPA does not suffer from a lack of legitimacy vis-à-vis its most crucial partners — the local politicians and bureaucrats representing the cities that fund the organization.
**Change 4.** Another outcome of the crisis was that the IPA decided to extend its mandate to include other activities and also to include more cities within the organization – both intending to spread its area of significance. In particular, it has taken up a number of activities which are favored by the politicians and other interest groups to. “We should become more of a link for the city to its international ambitions.” I was told in one of the meetings. This meant playing a more central role in the ambitions of political actors.

**Change 5.** There was an effort to avoid profligate displays of expenditure. Prior to the legitimacy crisis, the IPA had organized large events which involved sizeable budgets. These included an annual celebration with lavish parties. Such networking parties had been common during the time of the DF, to which service providers paid a membership fee. In that case it was justifiable to have such parties for the members. However, this habit had carried over to the new IPA, and it needed a crisis to put an end to such parties. As one of the employees remarked ruefully: “you know, before the problem, we used to have great parties. Actually the year everything blew up, we were even looking for a gondola to recreate Venice in the hotel swimming pool. We decided not to do such parties anymore”. This was a policy decision intended to protect the IPA against allegations of wasting tax-payers’ money.

Events are now low-key affairs where a clear connection is made between the activity and the benefits to the client companies, either promoting the region’s image or acquiring more companies. Even if the IPA changed its attitude, however, the public image was harder to change, as the communication manager found: “I am trying hard to get rid of being referred to as a club. We are not a club; that gives an image of some exclusive group that is partying with public money”.

**Change 6.** Another strategy of the organization has been to ensure that all cities that fund it are equally satisfied. Employees who have contact with companies now make sure that they visit cities that had felt ignored. The IPA has been actively trying to encourage two smaller municipalities in the region to become part of the IPA. An increase in the number of cities, however, brings with it the additional complication of satisfying the ambitions of more stakeholders.
A quick examination of the office files clearly reveals what the IPA requires for its survival nowadays. The files are composed solely of intake letters, confirmation letters, fact-finding tours, and invoices — all the necessary ammunition to fight off any attack on its credibility.

**Instances of Deliberate Hypocrisy.**

Along with the changes, sometimes even because of it, the organization retained some features which reflected the obvious conflicts and inefficiencies of the environment it was embedded in – 1. It turned more bureaucratic that before, 2. Ignores irrelevance of its services and continues to overstate its results, and 3. Continues to pander to politicians. The following section lists some of these actions that helps the organization survive in a political system with conflicting values. Prior to that it is important to know more of how my relationship with the organization led me to observe and categorise these observations as deliberate hypocrisies and knowing reliance on inconsistencies.

Though my position in the organization was secure in early 2007 and 2008, the impression in the organization vis-à-vis my contribution took a turn in the negative direction by the end of 2009. There were few real leads generated in 2008, and frustration was building up on either side. A year after I started work, the NIA started an office of their own in 2008. The head of the office ensured that all leads go only through his office in Delhi. This severely limited the access to the ‘low-hanging fruits’ precisely when I had severe time constraints as my responsibilities to the PhD thesis increased. Further the additional focus areas were taking more of my time leaving less time for lead-generation. Over time, I noticed myself becoming an active perpetrator of deliberate hypocrisy for the India desk - in most of the examples noted below I was part of the very process of perpetuating hypocrisy. My initial enthusiasm had also waned, and it was only the financial incentive to repay the afore-mentioned loans that made me continue working for the organization. The frustration due to the lack of results and was building up and I was searching for reasons for the non-performance of the India Desk. I zeroed in on the way the organization was structured when I realized that one of the severe dichotomies in my work was created by the contradictory needs to balance Jan’s straightforward interest in focusing only on acquisitions, and that of the director of the organization who wanted to both result and
events to please politicians by any means. My justification behind labeling some actions as deliberate hypocrisy become clear when viewed through this lens of frustration, contradiction, and bewilderment that during the latter years structured my relationship with the organization.

**Deliberate Hypocrisy 1. More bureaucratic than before.**

One of the contradictory pieces of advice of the public review committee was that the IPA should become less bureaucratic, while at the same time loading the organization with auditing procedures and another review committee in the name of supervision. As a result, the final months of every year are a time of tension for the organization as the director and the communications team tries to complete the annual report and prove their relevance to the cities. The pressure is transferred to project managers like me who try to get as many companies as possible to sign confirmation letters, the last stage of the process. Some remarks from colleagues at the end of 2009 express this well:

"Are you under pressure? You know I feel harassed by this requirement for a confirmation letter. They want me to get this letter even before the company has started hiring! I wanted to do it at my own pace, but they want it immediately because the year is ending. What if we get into trouble like last time after we have the confirmation letter saying they are hiring 3-4 people at the start? Then who gets into trouble? Now the address that we registered them does not exist anymore because the lease … ran out".

“I think that this requirement of 20 per cent of NIA’s results is ridiculous. I mean, no other region has this kind of requirement. And we do not get appreciated for the effort, only for the confirmation letters and the results”.

Although one of the senior persons connected to the participating cities thought the tough evaluation of the organization was important because “it is good to keep them nervous”, for the employees, the procedures take time away from the work of attracting and servicing companies. When I asked one of the new employees in 2009 to name two things that had changed in the organization as a result of the crisis, her immediate response was “almost everything”. On further probing she replied: “Procedures, and procedures. There are so many of them”. And the second?, I asked.
“Stress, on the faces of the people”, came the reply. She went on: “I see that everybody is so worried”.

One day in early 2008, the director was visibly agitated with me because of the annual report of the previous year (i.e., 2007 immediately after the crisis). It is very common for companies to register themselves in a business centre without a fixed office space, a phenomenon known as a virtual office. The companies may pay a service provider for flexible office space; alternatively, the employees of the company may be working at clients’ offices at different sites, and not in a single location; this is often the case in the IT industry.

However, this has been a major cause of concern for IPA’s director: she worries that the press might track down companies who apparently have no employees on their premises, and the IPA would find itself in trouble again. I had to write to the company indicating what information to give in the event that they were approached by reporters: “As I mentioned over the telephone, we are going through our annual review process… From our point of view, we only request you to confirm that you have an office in The City, and you employ 5–6 people, and the IPA was useful in helping you set up”.

From then on, with every company that I assisted, the insistence on these letters as a precursor to and proof of the assistance was central. From the reactions of the company representatives, however, I felt that the bureaucratic changes, intended to protect the IPA from further accusation, had the undesirable consequence of denting the image of hassle-free assistance that the organization wished to portray. In addition, I noticed that persistent begging reduces the importance of the IPA in the eyes of the client companies: it is perceived as a temporary organization with little power. With each round of discussions and pleading, the respect that the incoming company had initially displayed for the IPA (on account of being located in Europe) diminishes rapidly. Though I tried to change this, since I was not a full-time employee and only an external lead generator, I had limited voice in internal matters such as these. Most of the others in the organization was aware of how it was being belittled by its actions; however approached this differently as ‘a necessary bureaucracy’. Over time, I too realized that the priority of the organization at any point in time was a respectable annual report and without this confirmation letter all the effort the IPA had put in
would not be counted. In case of a conflict of interests between the incoming companies and the need for the organization to survive, the latter prevails.

In internal matters as well, things are not different. One of the members of the supervisory board told me: “You know I am on the board of a major Japanese company with more than 1000 employees in the region? I get more documentation in one meeting with the IPA than I get from the Japanese company in a year”. I tried a couple of times to question this process and sent emails to the management with no avail.

**Deliberate Hypocrisy 2: Lets overstate results.**

The central and most damaging accusation leveled against the organization was that it was fabricating its results. The bureaucratic change that brought the unintended consequences described above was intended to tackle this very aspect of the organization’s reporting techniques. However, the reasons that forces the organization to create results is generate much beyond its sphere of its influence. Although the organization’s immediate concerns are local in nature, it is continuously caught up in global upheavals such as the downturn in the economy and the changing trends in global trade. The intermediary role that it hopes to play for companies that enter The Country or the region is undercut by the increase in information and the accessibility of Local institutions to foreign companies. As one consultant told me: “I have stopped giving presentations, the information is available for anyone to download from the internet. What companies need is someone on the ground to sell their products and services”. The head of the national organization, NIA in India, who interacts with the top management of Indian companies on a daily basis, feels that:

“It is important for us to rethink our role. The government’s role is very narrow, and nowadays companies do not need much assistance. They will find their own way in the European market and use us only if and when they need to. Sometimes I wonder how important our assistance is to these large companies. The company has to be stupid to start up something in Western Europe when things are much cheaper in other parts of the world”.

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One of the reasons for setting up a company in the past was the stipulation by the Home Office that only a Local entity could apply for a skilled-migrant visa. Companies took this route in order to communicate frequently with their clients and avoid the hassle of a visa application every time someone had to travel to The Country. However, the increasingly relaxed visa regimes (giving businessmen two-year, multiple-entry visas) makes it unnecessary for companies to start up a company in The Country; this is especially true of IT vendors which were the main targets of the IPAs. In the context of these external changes, the IPA seemed to me to continue to work in a mode that is anachronistic and fails to take account of global trends; it is a way of working that is rapidly becoming irrelevant. The entire institution of IPAs seems to be immune to this changing trend. One of the employees of the IPA focusing on China questioned his own role: “Most times I wonder what am I doing here assisting companies… It is not that they are not respectful or anything, Chinese companies think we are government and are always polite to us… but it seems like we are not adding enough value”.

Closer to home, some important sections of the political classes believe that the IPA does not serve a necessary function in society. This echoes the overall diminishing of the stature of similar institutions in international trade. This is also a symptom of the wider irrelevance of older state institutions to Local entrepreneurs, as reflected by one of the respondents from the Chamber of Commerce:

“Until a couple of decades back the Chamber was a respected institution. In villages, the representative of the Chamber of Commerce was almost equal to the local vicar in terms of respect, we had knowledge that the ordinary trader did not have. Nowadays we are just an unavoidable bureaucracy that cannot provide more assistance or knowledge than what these companies can gather from the internet”.

In an already unimportant sphere of activity, the IPA is further removed from the central structures like the Chamber of commerce and economic department in the municipalities. A recent conversation with the head of the economic department of the municipality went like this:
“The IPA is very important for our department. It is very important for our aldermen. But recently another senior politician asked “why don't we do this work ourselves?”... he is not aware of the work the IPA does. But the municipality has 8000 workers and I don't think anybody outside the department knows the IPA. Also many aldermen do not care as it is not important for the voters. You know in a recent development on the beach, it was decided that one alderman would take care of the economic needs of the fishermen and the other was given the portfolio of the pavilions, in these cases there is something to discuss. The IPA’s work does not figure in many discussions. I myself spend around 10 percent of my time on the IPA”.

A weak position in an institutional framework that is itself fighting for legitimacy places the organization in an losing battle for importance. A member of the Indian embassy said to me, “Businessmen in India will take you seriously just because you are located in a European Country. But Local companies will not because they know you are only a part of a provincial government... you actually stand at a disadvantage”.

Another related critical problem the IPA faces is its recall value among the local population. The organization is a construction based on a partnership between cities but it does not have statutory support. This was also clear from accounts of business trips when IPA employees have to explain the structure of the organization — even to Local people — every time a business card is exchanged. This contrasts with the much simpler “I am working for Amsterdam”, or “you should start your company in the City of London”. The recall value of the name was almost non-existent and this continues to create a barrier whenever I tried to introduce myself. In addition, although it has “investment” in its name, the purpose of the organization is actually limited to assisting foreign companies with start-up operations in the name of generating employment for the local region. This creates added ambiguity among people expecting me to be an expert on financial investment, currency trade, mergers and acquisitions, etc.

Along with the government institutions making it easier for foreign companies to start a business in the country, some organizational changes like setting up of the NIA had a direct impact on my ability to generate results for the IPA. Most companies planning
an expansion will have some level of engagement with the local market and/or service providers in the Netherlands prior to starting up. This means that the first organization that they have contact when considering an expansion plan is the Local Embassy or Consulate in the home countries. Prior to the national organization, NIA setting up its office in India, the good relations I had built with the Embassy and Consulate in India meant that I generated good leads through them. However, after the NIA set up its office in early 2007, the newly appointed director made it clear to the network in India that all leads had to reach them and insisted that they do not link the companies directly to the IPAs like us.

The initial stages when the NIA was set up were not smooth as there were often serious discussions between me and the NIA head in India on “who had the first contact” with a particular company. (This ‘first contact’ decides a kind of exclusive right to the company. The contents of e-mail communications and most certainly by intake letters were bandied as proof). The crucial introduction letter for visas and other procedures for incoming companies could now only be offered by the NIA. In two years, the NIA increased its grip in the networks in India and the IPA turned into an appendage of the NIA in The Country. Though we called it a “win-win” arrangement, it was becoming increasingly difficult to generate leads outside the NIA’s network, i.e. those with no prior contact with the NIA in Delhi. With limited budgets and resources we faced a herculean task in trying to put ourselves in a position to be asked for assistance before the company contacts the NIA.

In response, I decided to create an alternate network of consultants in India who would bring us leads for a fixed fee. I have made 4 business trips to India organized through this network where in each trip around 10-15 companies were approached beforehand and appointments fixed prior to the trip. The first set of experiments did not work out as expected because the consultants, to increase their fees, introduced us to companies that had no plans to setting up an office in the country. Over time we decided that, if we have to pay, these consultants had to prove that the company was interested in The Country. This too was an ambiguous condition as the company might say that they are, but not be sincere about it. Meeting after meeting, it was clear that the companies were interested in us as a potential source of business from Europe, not for administrative assistance in setting up an office in The Country. In every meeting, my colleague and I kept on stressing that their “business expansion was not
our work”. The perplexed expression on the company representatives and the insincere “we will get back to you later on...” was vigorously reported back by us as proof that our trip was successful. Of course, barely a fraction of the companies ever did get back to us. The others simply chose to ignore our mails after we got back from India. No one seemed to care that the success rate from these business trips was dismal. This was on the one hand convenient for me at that point of time as it allowed me to continue with the consultancy. On the other it was clear that the lack of results was weakening my position within the organization.

The sense of the increasing irrelevance of its existence to the outside world is evident inside the organization. In spite of the efforts that the IPA puts into its work, there is a sense of frustration among the employees. For example, in mid 2009, while going through the website of one of the municipalities which funds the IPA, I found that it does not even mention the organization in the section which provides information on starting up a business. I brought this up with the IPA management board and the answer I received was one of exasperation and helplessness:

“I don’t know. They just seem to forget us all the time. Recently there was an article on Chinese expats; we were not even approached by the newspaper. Five people were mentioned as experts on China, I don’t know why. The five people interviewed were not experts on China, and we know more. Still we are missed out. They keep forgetting us, and forgetting us and forgetting us. This is why the Communications Manager has to make sure that we are mentioned. I will take it up in the communication meetings. Even in glossy magazines discussing Chinese expats, for example in interviews given by the vice mayor, who is our chairman, the IPA is not mentioned as a relevant agency. If the vice mayor himself does not mention us, how can we expect bureaucrats who manage contents of websites to think about us?”

A colleague was recently preparing for a business trip to a bio-tech fair to promote a bioscience park in the region. The city in which the bioscience park is located is one of the IPA partners, yet, like the example above of the city website, the flyers printed to promote the bioscience park did not mention the IPA as an organization that represents it abroad. As the colleague remarked: “I wish we were mentioned on the flyer. This is ridiculous. Even the number of employees don’t match. We say 3100
while they say 3500. Of course, the number has grown since these results were published”. (This with a wink of justification or self consolation.) “I don’t think any of the partners take us seriously”.

The view of irrelevance of the IPA’s services however is not shared in its entirety by the employees at the IPA. When I asked Jan if our services have become irrelevant, he stressed the need for the IPA in administrative procedures. “there is red tape in The Country like everywhere else in the world; and our scissors are sharper than the incoming companies..”. He believed that in spite of the advances in telecommunication, there was no substitute for face-to-face interaction; the IPA therefore could smoothen the process of registration of the company and crucially, save time.

In my experience, having assisted 9 companies to start up the process in India, the companies do value the service in setting up the company. However, I always had this nagging feeling that this acknowledgement by companies is hollow or at best, limited to a very short stage of the entire expansion process. Most companies are looking for business opportunities and partners. The promotional word like (“airport is only 35 kms away..”) usually falls on deaf ears. This disinterest often unnerved me and in a couple of meetings I felt my self-worth diminished by statements of Indian businessmen in public meetings like “we like to have Vishnu-kind of people who can get the clerical work done”. I had in parallel started a business making products from recycled materials and the work for the IPA was for me decidedly entrepreneurial. I felt the need to be appreciated as an entrepreneur and such comments stung the image I had built for myself. The lack of incentive at the IPA to highlight this aspect of my personality, by delivering what according to me was a more valuable work of generating business, became frustrating over time. I needed the money on the other hand and felt that this was the only organization that would allow me to work with the freedom of choosing when I spent my time with them. Most of the views of hypocrisy was generated by this general resentment I felt with regards to my inability to be perceived as making a meaningful contribution to the companies I came across.

The following sections give some instances where results were creatively generated to circumvent the new auditing system.
Coaxing imprecise completion of forms. The main index of efficiency at the local level has always been the jobs created through the companies that we help start up. One of the directives of the commission was that a project can be counted only if the number of jobs created in 3 years must be higher than 5 employees. The (only) way to prove it was the confirmation letter in which the company filled in its estimate after 3 years. In all nine cases where I assisted companies, I made sure that it is always at least 5. In many cases companies do not have a clue why the form is being filled and does not care. However, in cases where companies estimate 3 or 4 employees in three years, I cajoled them to fill in 5, being open with the fact that “we cannot count this as a project if you do not fill 5 in this document”. I could not help feel sorry for myself, and am sure the company was amused too, but both parties played along in most cases. As Jan advised me early on, “successfully obtaining a confirmation letter is all about timing, we have to ask them when the need us the most, for example while getting the registration process done.”

Initially, I thought it was as ridiculous that so much care is given to confirmation letters, and I felt certain that I would never have to work too hard to get the letter; my view was that if we have helped them, there is no reason for them to not give this letter. But over time, I encountered the unwillingness of companies to fill up the forms and include numbers we would like. As I became part of the system, I was willing to coax the company to fill up at least 5 in the estimated jobs section. There was no risk at all. This was the company’s estimate, not our own.

Another category of overstating results is to somehow create projects and take credit for processes that would have taken place in any case. The following examples give an insight into such efforts to we engaged in to prove our effectiveness.

Redefinition of success. An event that supports both the categories 1 and 2 above is the partial assistance provided to an Indian chemical company. In the end of 2009, the India desk at the IPA was struggling for a result. During a business trip to India, I got a call from the Indian embassy that a company was interested in expansion to Europe and was eager to meet us. It was a major public holiday in India and the fact that two of the company representatives made time to meet us showed how interested they were. The situation was as follows. The Indian company normally supplies directly to their European clients from a special economic zone (SEZ) in India. However, to satisfy the increasing requirements from the European customers and also to reduce
the lead time, they had decided to move the final part of the manufacturing process to The Country. They had already identified a partner in The Country: a local branch of a German company. Because the Local/German company was located in the region, they got involved.

The original idea was that raw chemicals would be brought to this unit and delivered to local clients. The initial plan was to set up a Local entity which would sell the raw material to the Local/German company and buy back the finished products to sell to its customers. In a second meeting in The Country we met up again with the representatives at the German company. However, after analysing their options, the Indian company concluded that it was not necessary to register a company after all. All that was necessary was an outsourcing agreement with the Local/German company. This meant the IPA would not get a much needed project after all.

The next steps taken by me was symptomatic of the failure to learn from its previous mistake - of attempting to prove its relevance by claiming credit for assisting a business when it was not needed or useful. First, we agreed on a new category of project was created to accommodate the new situation in which there is no permanent establishment but jobs could be created — the so-called “Outsourced Value Added Logistics Project”. However, to make this legitimate, we still needed a confirmation letter and I had to embark on an exercise to get one. The Indian company, though very grateful for the IPA’s assistance, refused because it did not want to promise a specific number of jobs that might (or might not) be created by another company. The director pointed out that they had an outsourcing agreement with the company, and how the latter managed its workforce was not their business. After a number of telephone discussions and pleading, the company agreed to provide a confirmation letter. In a conversation with the director, he sounded amused and said something to the effect that “I don’t know why this paper is so important, but we will give something just the same.” However, they still did not fill in the slots with the number of jobs created, which was the main purpose of the confirmation letter. After a further exchange of e-mails, the company agreed to fill in the immediate job creation but not the one anticipated after three years. A further set of e-mails and telephone calls did nothing to convince the company.
Riding the wave. Another example is a non-profit organization in the region that was planning an expansion in 2009. The director of the organization is a relative of one of the employees of the IPA. Through her the IPA makes contact with the organization and procures an intake and confirmation letter and records the project. This is the quote from the employee who brought in the project:

“It is an expansion project and they would have gone ahead with it in any case. But I know the secretary of the organization and he offered to allow us to make a project of it in any case... So now Jan wants to come with me to the office, spend an hour unnecessarily, simply to make sure that IPA is mentioned in the press release. And all this insistence on intake letters, confirmation letters, blah blah blah”. I ask, “so do you think they would have gone ahead with the expansion without the IPA?”. She replies, “of course, they would”.

Jan shares the irritation with the bureaucratic procedure and agrees that the expansion would have happened in any case. But he disagrees that the assistance was unnecessary. The registration procedure at the Chamber of Commerce, he claims, was made easy due to his personal contacts with the individual who handles the registration. Jan is considered most organized person in the office, and he is proud of this aspect of his character. The general joke/consensus in office is “if its an important document, lets give it to Jan, then we know for sure that we can find it easily”. Though his level of organization can be sometimes irritating and arduous, it helps in procuring the right set of documents, and the registration process, if handled by Jan, normally proceeds without a hitch. In this second example, therefore, I am unsure still whether to continue with categorizing the organization’s claims as ‘overstating claims” or “overemphasizing contribution” to the results.

Deliberate Hypocrisy 3. Pandering to Politicians.

The management also stressed the ambition to expand the IPA’s role vis-à-vis the political actors that represented the municipalities conflicted with the publicly stated function of the employees: identifying companies wishing to start up in The Country. The ambiguous position in which the IPA had placed itself is illustrated by the following episodes.
Episode 1. In the initial stages one aspect of the work I thoroughly enjoyed was organizing schedules for political/business delegations from The Local to India and from India to The Local. In total I have organized four such trips – two outbound and two inbound – all in the initial two years of my involvement. The main rationale behind these trips, which I genuinely believed in at that time, was that the Western European cities and local politicians had something to contribute to the newly developing cities in areas of urban planning. This was the prevailing notion in the office and widely shared in the local municipality. This enthusiasm, I believed, would be welcomed by the city administrations in India who obviously had problems in their hands with regards to overpopulation, traffic congestion, unplanned growth etc. Some key experiences in organizing business trips of politicians from The Country to India made me realize in stages that this belief was mistake.

For example, as a part of a business trip, I arranged a meeting between two vice-mayors from The Country, and the vice-chancellor of a large university in India and the senior administrator in the same city. Both meetings were cancelled without any warning when we were about to leave the hotel. In a second instance, a large IT company sent middle managers to receive the delegation, which is indicative of the seriousness with which they considered the meeting. In another trip managed by Jan, when the vice-mayor started thanking the host company, the C.E.O’s mobile went off and he started talking to the other end for 10-15 minutes. A local politician from a city as small as The Country could not generate enough attention from public or private actors in India.

Jan and I, though laughed in private at the false sense of importance that these local politicians had, never publicly demanded that such events be stopped in future and let us focus on the real work of getting results. That would be too risky since they controlled the purse strings. My contribution to the IPA was clearly to convince the local politicians that we have good contacts in India and is capable of organizing good events for them. However, after the initial attempts, it was quite clear to me that the Indian establishment will not take the IPA and local politicians seriously.

The futility of these international trips does not go unnoticed in the local polity. During the televised political debates during elections, local politicians at the
protectionist end of the spectrum accused the incumbent mayors of “flying to China” when there were more important issues to be managed closer to home. So the IPA which can never predict the future combination that will get into political power, survives on the constant dread of the future that is being undermined by the persistent need of the present.

**Episode 2.** In late 2007, I was part of a business delegation led by the Minister of Trade to India. The vice-mayors of one of the two cities that fund the IPA wanted to join the delegation and it was left to the IPA (that means me) to ensure that the vice-mayor’s interest was maintained within the larger delegation. The IPA organized a pre-meeting in which the politicians mentioned above requested the businessmen to approach them him for any assistance as they were “top leaders” of the regions. This was met with sniggers from the participants who felt that the politicians were punching above their weight. That triggered my initial interest as I wondered why they do not appreciate the supportive gesture of a politician, as would be the case in India.

An explanation of the snigger came during the delegation when I came across a Local IT entrepreneur from the city represented by the politician mentioned. I was surprised because although the IT entrepreneur was part of the delegation, he had not attended the pre-meeting. He had made his own plans and was visiting companies he had shortlisted. After visiting a couple of companies, the entrepreneur selected a particular Indian company to develop software for his business. This was achieved with assistance from the Local Consulate in Mumbai, but without any interaction with the mini delegation organized by the IPA.

However, as it is always important for the organizers of such trade delegations — in this case the Local embassy in India and a major Local bank — to record successes from such delegations, the new partnership between the Local entrepreneur and the Indian company was publicly heralded as one of the successes of the trade delegation. Needless to say, the vice-mayor, who came from the same city as the entrepreneur, was not invited onto the stage when this happened. The worried faces of the bureaucrats of that city, and the politician, at the lost opportunity swung the IPA into action. We quickly approached the Indian and Local company in the backstage and a joint press release was sent to The Country for immediate publication in the following day’s newspapers.
There was genuine relief and smiles all around that something had been achieved from the business trip.

**Episode 2.** A well-connected local businessman came to the organization for assistance and involvement in organizing an event that did not fit the core work of the organization. During my time at the India desk, I was approached on a number of occasions to organize food-tasting events, fashion shows, and the like. The official position was that organizing events that are not part of the core activity of attracting companies takes valuable time and energy, and forces the IPA to compromise on the quality of its service to companies. Such requests were never entertained as they did not directly generate leads, and the organization had limited funds. In line with that position, we refused this particular request.

However, the businessman decided to put pressure on the IPA through political circles. After some time, he began talking to the municipality and senior politicians in a particular city about the non-cooperation of the IPA, which he misrepresented as an inefficiency of the organization for failing to “grab the unique opportunity” to market itself. The politician called up the director of the IPA and pressured him to organize an event with the businessman. The underlying context here was the upcoming elections in the city. This businessman belonged to a community that would be important in terms of votes, and the politician wanted to keep them happy. The IPA enthusiastically complied and we spent the next three months preparing for the event. As a result of this regular arm twisting, we decided that we had to “organize a circus” once in a while to keep the India desk going.

Similar examples abound in the organization when it chooses to spend time on creating and organizing public events that I felt take time away from the essential core work of attracting companies. However, care is taken to ensure that some explicit “lead-generation” or “investor relations” component is made explicit in the invitations to the events.

**Episode 3.** In another example of the politicization of the organization, the communications team was asked to create a press release that showed the benefits of the region for IT companies from India, to be presented by the chairman of the IPA, a
local politician. The initial press release was rejected by the director and the municipality as it had no press value. This gave me an opportunity to ask the person responsible why it was rejected. The response indicates the IPA’s over-reliance on the whims and wishes of the political parties:

“This is not enough. This is only a bunch of facts. We need to make a news item out of it. Maybe you did not realize, but the purpose of this press release is only because Mr. X needs publicity for the upcoming elections. Of course, the director will not say this. In any case, it is good for us if a flamboyant politician talks about us”. Then she added cynically, “something like that”.

The cynicism in the last phrase implies that the IPA management believes that publicity given to the politician through the press release will also help the IPA, when this may not be the case. Another example of the contradictory but superficial relationship with the political actors was seen after the municipal elections in 2010. The communications team planned a seminar to welcome the newly elected representatives from the municipalities. The person organizing the event within the IPA was irritated that the purpose and intention of the seminar were not clearly spelt out and that everything was being done in a hurry so as to make as early an impact as possible with this new set of important stakeholders.

“Now the seminar has speakers who will speak on how IPA works and expansion of foreign companies into the region. These things are quickly pushed through with no thought behind how relevant it is for the people. It’s like IPA had a bad experience and now we are doing publicity to show that we are useful. These guys are not fools, they will see through our intentions. Rather we should be highlighting why foreign companies contribute to the local economy”.

One of the younger employees who noticed the increasing dissonance between what is offered and what companies are looking for said this:

“The older employees are still selling the region. I mean, what is the difference between Germany, Belgium and Country, when it comes to roads and infrastructure? It’s all the same. We are still selling the region. Instead we
should be selling our assistance, help them get funding for R & D. Instead we allow these politicians to use us for their advancement. We should turn it around and use them... like getting them to promise that they will mention us at least once a month”.

The period just before the 2010 municipal elections was especially stressful. The organization was in a state of high tension. Office discussions revolved around what would happen if this party or that party won the election. Would they support the IPA? Over lunch one day, the director said that the council members of one of the political parties would hold their weekly meetings in our office. When we asked how this came about, she explained: “I told X of the political party that we have moved into a new office with a large meeting room. They asked if they could use the meeting room for their meetings. I agreed. They have a vote! It is good to keep all of them happy”.

The municipal elections of 2010 were held at a time of recession and job losses. There is a real fear that the political coalitions created during those elections will show protectionist tendencies and favor stricter controls on immigration. Global trade practices that are seen as contributing to job losses — such as outsourcing to countries with low cost manufacturing — will not receive as much support as they did previously. This was evident when I teamed up with a local IT entrepreneur with outsourcing units in India to organize a seminar to demystify outsourcing to the national SMEs. During a meeting one of the IPA staff remarked: “We have to be careful with the wording of the title; we should not be seen as taking jobs from the region to India or elsewhere”. The entrepreneurs lost his interest and told me later on, “well if we cannot use the word outsourcing, then why the f*%k do you claim that you want to attract Indian IT companies”. I had no answer

A brief overview of the environmental constraints.

The construction of the IPA is unique in The Country. The fact that some competitive cities decided to come together to form a common entity is ground-breaking in itself. In many other countries such actions are top-down, managed at the federal level by national economic departments. However, this achievement of the IPA has its downsides. In addition to keeping political forces happy, we also had to be adept at
satisfying all participating cities in terms of return for their investment. Sometimes a particular city complains that it is being ignored by the organization and that the IPA is not bringing enough companies to the region. One of the smaller cities, and some of the bureaucrats within all four cities, regularly comes up with alternative ideas for promoting their cities, bypassing the efforts of the IPA. Every time the IPA’s director has a meeting with the economic department of the city that feels deprived, the office gets an e-mail that makes it clear the country managers have to show some demonstrable results. This means that every time a company shows an interest in the region, it is persuaded to make trips to all the different cities, most of which are of no real interest to the company. In its eagerness to satisfy the discontented city, IPA employees are pushed into taking companies on “fact-finding trips” to places that it is not interested in. This perplexes the incoming company, and leads to the IPA being perceived as unprofessional and ineffective, because it seems unable to match the location with the company’s profile.

For many of the companies that the IPA comes into contact with, the differentiation between cities and regions that the IPA seeks to maintain is meaningless and even counterproductive. For example, an IT company recently contacted the IPA with plans to set up a company. This was a time when one of the small cities, with no Indian population, was pressurizing the organization for results “or else...”. When the director of the company came to the Country, my partner at the India desk, got the company to register in this city. The logical fit might have been in another partner city which was better known. An Indian consultant asked later asked him “are you crazy to be in this city, what is there? How the hell did you miss the major cities and land up in this godforsaken place where there are no Indians or companies?”. The director took this advice and moved into a different city outside the IPAs’ ambit. He thought that this was where his family could be more at ease and his business could grow. This was a real disappointment as in spite of the options available within the IPA’s cities, we chose a wrong city for the company because of internal pressure from the donors.

On the other hand, companies might locate themselves in the region without any assistance from the IPA. As the director of one such company put it: “I don’t know why you are trying so hard. The location decisions should be logical; I will go to where my client is. Unless you offer me some strong financial incentive to be away from the
client, why should I listen to you? We decided to start up to service this client and want to be located close to them”.

This competition between cities and regions which are so close to each other, in a country as small as this one (in comparison to the USA, China, and India, for example) frequently amuses outside observers and businessmen. As one person from New York remarked, “This country is like one big Central Park with two airports”. Or “you can’t travel more than two hours in any direction without entering Germany or falling into the North Sea”. In spite of this, arguments over which city should “count” a company that locates in a city bordering two provinces is still an uncertainty. Although the businessmen are perplexed by the triviality of the competition between provinces and bureaucrats representing them, the rivalry is real and ongoing.

This effort to create an unnatural boundary around the region is not unique to the IPA, however. As shown in the introductory section, this is a trend all over the world. In a recent business trip to India, the representative of an automobile consultancy said something similar to me:

“Recently we were in a seminar on auto industry clusters in Europe. We had some 10–15 clusters represented. All of them had the same content in their presentations which claimed that they were “in the center of Europe” with circles emanating from their cluster. There is nothing different, many of the clusters has the same capacities and infrastructure”.

In addition to external inconsistencies, the IPA also had to deal with internal inconsistencies. A defining internal contradiction that I observed in the structure of the organization is its employee composition. Half of the staff are employed by the IPA, while the other half, crucially, is seconded from the municipality. The former group, which is predominantly young, are driven by their enthusiasm to get results. Not concerned with the IPA’s longevity as they always pointed out to me that they were young and can always find a job. The latter half, though their employment is guaranteed with or without the IPA’s existence, have more at stake as the IPA is what defines them. As one sincere member of this group commented, “I really don’t care if the organization shuts down in the future, but I will work hard for the organization in
Thus, in spite of the differences in how individuals are employed at the IPA, there is no observable difference between the two groups in the amount of work done or the level of commitment. The conflicts and the inefficiencies are generated by the bureaucratic and professional modes of working imposed by fundamental contradictions in the way the organization is structured. The employment status of the individuals had limited influence over the shifting priorities of the organization.

The situations described above show an organization forced to deal with internal and external contradictions. The internal contradictions emanate from the contrast in bureaucratic and professional attitudes forced on the employees by the structure. The external contradictions result from the highly politicized environment that in itself is not internally consistent in its values and priorities. As a result, a team of hard working professionals and bureaucrats are forced to respond to myriad and irrational expectations of powerful actors in order to survive. Their creativity and energy are spent in ventures that do not always relate to the stated purpose of the organization's creation. Moreover, political actors and their whims seemed to affect the organization even more after the near-death situation than prior to it. Like a group of rowers on a white-water rafting ride, the best that the organization can do is to ride the waves intelligently, making sure that the boat does not capsize.

4. INTERPRETATIONS.

Golden-Biddle and Locke (1993) suggests three dimensions for making convincing inferences from an ethnography. These include – 1. Authenticity of the events which can only be assumed from the first-hand experience; 2. Plausibility, that allows the case description to make sense to the reader, and 3. Criticality that questions the taken-for-granted assumptions of the readers (Golden-Biddle and Locke, 1993). My practical engagement with the IPA and my role as the main actors in perpetuating the hypocrisy addresses the authenticity aspect. What is presented above is drawn mainly from my experience in working for the IPA, and as noted earlier is intended to show the reader a particular view of how the organization was run. The view is partial and can, rather should, be considered an “ethnographic fiction” which does not lie but does not provide the entire truth either (Clifford and Marcus, 1986).
In order to ensure that my views though unique to me, were at least in part, shared by others in the organization, I did a second set of interviews with the members of the organization. These are some of the main supports and refutations I heard from my former colleagues. These are

1. All of those in the secondary interviews agree with my assertion that that the organization had become more bureaucratic. They also agree that the expendability and tenuous political support forces the individuals to organize needless events to please the political establishment of that time.

2. One point at which there was a serious disagreement was my claim that the services offered was irrelevant. As mentioned in the case, I was frustrated with how the organization was perceived and how the perception reflected on my personality. This state of mind influenced my inference that the services were irrelevant. This view, though partly shared by a couple of employees, the overwhelming arguments were against using the word “irrelevance”. If the registration procedure had to move smoothly, most of them felt, an organization like the IPA was absolutely necessary.

3. There was considerably more uneasiness among the employees whether the promotional service was really necessary. One of them offered the analogy of a housing agent that offered different houses for a buyer. By implication, if the promotion did not take place the company would set up in another location. Another said that “it all depends on the time at which we get in contact with the companies, if we are at the decision making stage then promotion and personal contacts matter…”.

4. The difference in commitment to the organizations survival that I had earlier assumed among the older employees seconded from the municipalities and the younger employees employed by the organization were also strenuously denied. The older employees on the other hand felt that they would not be taken back to the municipalities in the event that the IPA is shut down. In this case the younger employees felt that they always had a future career, and contrary to what I believe, did not have a higher stake in the organizations survival that the others group.
Katz (2001) notes that one of the processes through which one can move from “how to why” in ethnography is by noting an enigma, a paradox, or an absurdity. He notes that in such cases ‘descriptions of social life themselves compel explanatory attentions” (449). The enigma noted here is the manner in which hypocrisy is perpetuated in the organization even after the same actions caused the organization encounter a near-death experience. The next section identifies the three tendencies for non learning in the organization and propositions are put forward. This is followed by three interpretations for non-learning (fundamental contradictions) that function at the macro and micro levels, and in combination to create conditions for non-learning. The interpretations below is intended to provide support for claiming plausibility and criticality (Golden Biddle and Locke, 1993) of the ethnography and contribute to understanding this perpetuation of inconsistency in bureaucratic-professional organizations.

4.1. Interpretations for Deliberate Hypocriseis.

The organization clearly did learn from its near-death experience, providing additional empirical support to the findings of Christianson et al. (2009) that organizations learn not only from, but also through, rare events. Some of the processes and actions that the organization used to engage in prior to and during the event become “strengthened, revised, extinguished” (ibid.: 850). One example is its response to the media. Not considered an important stakeholder by the IPA in its initial stages, the relationship with the local media changed dramatically after the near-death experience. Until then, the IPA was only interested in the international media in target countries where it was trying to promote the region it represents. The new post of communications manager was created solely to focus on the relationship with the local media. Similarly, the lack of support it got from the established companies forced it to create an investor relations position that made sure that the IPA was better known to the established companies and that they could be relied upon for testimonials and attendance at network events. It also decided to cut unnecessary expenditure on glitzy parties and to engage instead in events with content that is beneficial to the IPA’s functioning. These changes show that learning is a result of multi-level processes that occur at individual, organizational and institutional levels (Madsen, 2009).
Awareness of its vulnerability led the organization to choose these protection mechanisms, although fully aware of the new problems that these entailed. The changes that were made over time became a burden both to client companies and employees. However, none of us questioned whether we should review these undesirable unintended consequences. It is precisely because the organization was capable of changing, and I believed that the IPA was composed of competent people, that the persistence of features that caused the crisis is puzzling. Rather than categorizing this as dysfunctional learning or as an example of the wrong lessons being learned after a failure (Baumard and Starbuck, 2005), I suggest that this hypocrisy and inefficiency was deliberate, and was not based on an inability to learn. The organization consciously chose to be inefficient, i.e. this is a case of successful failure (Seibel, 1996); due to this non-learning, the IPA can be called an “emancipated organization” (Brunsson, 1998).

This section will now select three tendencies of the organization that fall into a category of deliberate hypocrisy, and draw linkages to the literature described earlier. Propositions are also advanced for each of these findings. As in the previous chapter, these propositions claim generalizability only within the historically and contextually defined environments. These organizations are located in advanced liberal democracies where political actors and public bureaucracies have to maintain a semblance of transparency, adhere to law, be sensitive to voter sentiments and negotiate the plurality of vested interests.

4.1.1 Inconsistency between talk and action.
One example of hypocrisy within organization is the perpetuation of an “officially institutionalized truth” which involves a condition where “what can be done cannot be said” (Brunsson, 1993: 493).

One example is the constant need to prepare business trips for local politicians when there is limited evidence of benefits from such business trips. The organization justifies these actions externally as providing a “welcoming image” of the city, while internally such trips are justified as a pragmatic necessity to ensure future funding. As a person closely related to the IPA observed “there will always be an idiot who likes to travel”. The organization employs a set of highly efficient and capable individuals, who use all their skills and energies in satisfying various stakeholders with multiple and
sometimes diametrically opposed ambitions. This is because the organization’s over-reliance for resources on the personal discretion of stakeholders was not reconciled after the crisis.

Repeated activities like this result in the institutionalization of actions for pleasing politicians, which are seen as just as important for the survival of the organization as the stated aim of assisting companies, even though the two aims are sometimes in conflict. Superficially, this supports the views that organizations do not learn from crises due to perceptual barriers, (Starbuck, 1982) or the political nature of crises (Shrivastava, 1988), and the observation that organizations will discard crisis-prone tendencies only if “core beliefs and assumptions are challenged” (Elliot and Smith, 2006). However, deeper levels of analysis give more support to Brunsson’s view that such inconsistencies are solutions rather than problems, and as noted by Seibel (1996), there are cases in which success and failure are indistinguishable.

Proposition 1: Bureaucratic-Professional organizations can retain features that caused a near-death experience if discarding those features threatens their critical resources.

4.1.2. Masking irrelevance.

The IPA exists on the fringes of both government and private sector. In a situation where global businesspeople have access to information and travel, the services that the IPA provides are close to becoming redundant. On the other hand, its unique construction exposes it to both inter-city competition and public ignorance when it comes to the municipalities and local population in its own region. The situation is therefore one of uncomfortable irrelevance which prompts it to constantly strive to uncover and highlight examples of usefulness. This peripheral position therefore increases the “probability of reliable failure” (Seibel, 1996: 1019).

Using documentation like intake letters and confirmation letters, the IPA continues, in some cases, to claim that it has been useful to companies even when its assistance has been negligible or simply unnecessary. These rare cases further damage the legitimate claims regarding the good work the organization is doing in assisting companies. One of the demands of the committee that reviewed the IPA after the crisis was that the organization should become less bureaucratic. At the same time the reporting requirements were doubled, thereby compromising the first directive. Inconsistency in
the environment therefore caused state, effect, and response uncertainty (Milliken, 1987) as the unintended consequences multiply.

Furthermore, the demands placed on the organization were refracted differently through the bureaucratic and professional parts of the organization, with the former stressing clear documentation while the latter saw the accounting requirements as restrictive. These are examples of observations that explain organizational action in conflicting environments based on the extent to which ideologies are reflected or find sympathy within the organization (Benson, 1973; Starbuck, 1982; Pache and Santos, 2010).

**Proposition 2: Bureaucratic-Professional organizations facing irrelevance maintain allegiance to outdated ideological underpinnings, even if that ideology caused the near-death experience.**

4.1.3. Maintaining ambiguity.

The organization learned quickly that the number of jobs being created as a result of its activities needed to be clearly specified. By renaming this value “an estimate” of the company and by creating a new field called “expected jobs after 3 years”, the organization found a way to present the same inexact value in a more defendable form. The result (and by implication its usefulness) would still seem respectable: the difference is that the IPA no longer has responsibility for its realization. In addition, the type of job created — i.e. whether for local citizens or citizens from the home country of the incoming company — is deliberately not specified in any of the reports, either at regional or national level. Studies indicate that the availability of Local IT professionals, for instance, is insufficient to support the IT infrastructure in the country; knowledge migrants from outside are critical for Local industry. The advent of outsourcing and favorable visa systems means that the bulk of the employees in foreign firm are “knowledge migrants” with highly favorable employment conditions. But this cannot be made explicit as this information can raise the concerns of local politicians concerned with the increasing voter disapproval with globalization and the related immigration.

**Proposition 3: Bureaucratic-Professional Organizations that survive a near-death experience will actively seek to maintain ambiguity to reflect inconsistency in the environment, even if the same action caused the near-death experience.**
The question that triggered this case study is why an organization continues with processes that caused a near-death experience in its history. A related puzzle is why an organization that has displayed a capacity to learn, nevertheless chooses to ignore other lessons critical to its survival. Having summarized the hypocritical features of the case study above, the following sections of the analysis point to the fundamental contradictions at different levels in the organization’s existence which, I would argue, inspires the organization to resort to creative forms of hypocrisy and ingenuity in perpetuating inconsistencies.

4.2. Fundamental Contradictions

4.2.1. Global versus Local Reality.
The urgency and seriousness with which individual city authorities pursue the development of their city as an ideal destination for foreign companies proves the extent to which neoliberal ideas are entrenched into policymaking in Western Europe (Harvey, 1989; Arts, Lagendijk, & Houtum, 2009). Superficially, it also seems to demonstrate the dynamics of regions promoting themselves directly on the global stage, bypassing the national (Ohmae, 1993). However, the reliance of the IPA on state actors such as the economic departments of the national, provincial, and municipal governments shows that the nation-state continues to be powerful, exerting this power through different techniques — it is “differentially powerful” as noted by Hay (2005). This highlights the paradox that structures that favor globalization are inherently rooted in local intricacies (Brenner, 1999; Sassen, 2000). Claims of the irrelevance of the nation-state also seem overstated as, in spite of regionalization and the promotion of regional organizations, these organizations display considerable discipline in collecting under a Country banner.

The IPA studied here came into existence in a highly institutionalized environment (Meyer & Rowan, 1977). Regional institutions that flow from the same neoliberal ideology are located in a highly isomorphic field (Lagendijk & Cornford, 2000). This was evident in the creation of the IPA, as the templates used were those of existing organizations doing similar functions for other cities like Amsterdam, London, etc. In trying to outdo one another in their adherence to neoliberal principles, the cities of Western Europe end up becoming clones of each other. There is little differentiation
that one city can offer in relation to any other, except for those derived from historical and geographical assets like a port (Rotterdam) or an airport (Amsterdam). One could argue that this makes city marketing activities redundant as all cities offer the same services. As one respondent said, the choice of location is logical, i.e. a company will go wherever there are opportunities for making money. Further, technological advances and access to information reduces the need for such intermediary organizations as the IPA. The neoliberal ideology that pervaded the political space resulted in the creation of the organization. The resources required for the organization are contingent on the support of politicians with neoliberal dispositions.

When the context is political, it is inevitable that there will be multiple political actors with clashing and overlapping ideological positions and followers. This study is being written at a time of financial crisis, when the political actors in Western Europe are trying to polish their nationalist credentials for the public and underplay the inevitability of globalization. Conflicting political ambitions and the use of the IPA as a tool for achieving political ends also support claims by Harvey (1989) and Cerny (2009) that regions are political spaces where political ambitions and interests are in conflict. The “institutionally determined official truth” is that the organization was set up to assist international companies to start operations in The Country. In practice, however, other interests and political ambitions have taken priority. The struggle for resources has made it an ideal target for other political parties, and bureaucrats within municipalities that fund the IPA, who think the IPA is encroaching on or usurping the glamorous international work which could be done internally, by them.

At a time of recession and job losses, the activity of assisting foreign companies to start up in The Country, where they compete with local companies, and bring in foreign workers, who take jobs away to India or China, seems like an irreconcilable contradiction. That rival political parties belonging to the different sections of the political spectrum target the IPA is, therefore, no surprise. Brunsson (1989: 497) notes that “ideas may arise and also disappear more quickly than corresponding actions”, leading to hypocrisy. The gap between values that are publicly voiced and those that are not places organizations that depend on political patronage in a position where reflecting the hypocrisy among its stakeholders is the only option for survival. In trying to keep in tune with changes, it resorts to hypocrisy as it strives for relevance in an ever-changing world. The non-learning associated with attempting to make projects
out of nothing, is an example of its effort to reflect the inconsistency in its environment (Brunsson, 1993).

This contradictory aspect of the political economy within which an organization functions (Benson, 1975; Walmsley & Zald, 1973) is made more visible when viewed in conjunction with the observation of the rooted nature of the organization’s ideologies, in spite of its function and position in a global realm (Brenner, 1999; Sassen, 2002). Given the combination of these factors, the IPA seems destined to survive on the fringes of legitimacy. Stinchcombe’s concept of legitimacy is a test of whether powerful actors come to the protection of an institution (1997). We are not talking here of essential services, like a hospital ward or a police station: this organization has no direct role to play in the life of the tax-payer and local audience. The unfamiliarity of the IPA in the minds of many means that powerful groups within the city are unaware of the organization and that it is irrelevant to their political agenda.

4.2.2. Short-term Survival versus Long-term Goals.

The organization is unique in that it was formed by four cities; in normal circumstances they are very competitive. The fact that they agreed to cooperate and continue to do so is proof of the IPA’s capability to continue to keep the cities satisfied. However the rivalry between provinces and regions means that a balancing act is maintained to keep the four cities on board; this can be a demanding task for a small organization. Clarke and Newman (1997: 147) note that it is inevitable that in reforming bureaucracies short-term goals will be of more importance “since these are the ones against which outputs and performance can be measured” (quoted in Stokes and Clegg, 2002).

After the near-death experience of the IPA, conditions became stricter: the internal reporting system became more robust in terms of the requirements of the accountants and the overseeing committee; the number of intake letters, confirmation letters, and fact-finding trips, along with the number of jobs created, form the tangible evidence of the efforts made. Every year the organization has to submit reports that justify the funding it receives from the local municipality. At the same time, the requirements for accounting for its work to the local authorities has added new bureaucratic layers, further entrenching those characteristics that had been criticized by the review committee.
Espeland and Sauder (2007) note the pervasiveness and inevitability of the use of quantitative measures to ensure accountability and transparency and the behavioral changes that these effect on the individuals and organizations being evaluated. This reactivity to change helps to explain the actions of the IPA. Reactivity of respondents has a negative impact as it reduces the accuracy of the data collection. Rather what the evaluators could do is to “harness the effect of reactivity” to ensure the organization’s actions are controlled (Espeland and Sauder, 2007). In the case study, one of the respondents justified the use of numbers for keeping the IPA staff “nervous”, to ensure their performance.

In the case of the IPA, the reactivity resulting from this quantification merely resulted in the adoption of hypocrisy as a deliberate strategy for reconciling the unachievable demands the organization was facing such as the demand for efficiency in an environment in which its services were becoming irrelevant and in which chance and luck play a very important role. The perceived environment uncertainty, at state, action, and response levels, included processes over which the organization had no control.

As noted by Child & Smith (1987), the higher the legitimacy of an organization, the greater the freedom of the organization to choose its own structure. Emergent institutions face unique challenges to maintain legitimacy and survive (Heinsz and Zelner, 2005; Suchman, 1995; Wilkin, 2000). Once the legitimacy of an organization is lost or weakened it has little leverage in changing its habits and, even if it is aware of the damage being caused, it has to continuously struggle to maintain its self-defeating structures. Strategic thinking necessitates the maintenance of inefficient processes that protect it from another crisis. The organization lives under an annual threat of closure.

4.2.3. Internal Contradiction.
The perpetuation of some actions which are evidently detrimental to the life of the organization seems to be the result of certain founding features of the organization itself and its inability or powerlessness to change the frames or the resource space it inhabits. The IPA was created from the remnants of the DF which was a professional organization destroyed to make way for a bureaucratic entity. The DF’s main source of income was the membership fees of the partner service providers; the municipality
doubled whatever it raised from membership. In the creation of the IPA some of the building blocks were reused — one example is the parties and receptions for service providers that continued intact in the new organization until the crisis.

The resulting internal construction of the IPA means that it is a site of permanent contradiction. As mentioned above, it is composed of two kinds of working modes. One mode is suited for accommodating the bureaucratic demands from participating municipalities. The other, professional mode creates the leads and offer dynamic and well planned support to incoming companies. While the bureaucratic mode emphasizes the registration process and is focused mainly on maintaining relationships with the local municipalities. This frustrates efforts at professionalism. This organization is therefore an example of a bureaucratic–professional conflict (Benson, 1973) that becomes acute at one point, and dies down at other, and at another time become mutually constitutive.

Though the organization changed, the image associated with the older organization survived; even recent reports in the press refer to the IPA as a “club”. Christianson et al. (2009) show how the identity of an organization is redefined after a crisis as a result of feedback from the environment. The IPA is fully aware that being referred to as a club was not beneficial to its image, but it continues to struggle to shake itself free. This disconnect in how its stakeholders perceive it, and also the differences in internal evaluation of itself, lead to the perpetuation of contradictory features like annual “networking events” into which (to justify the events) presentations for foreign companies are incorporated.

In conclusion, the historically derived contradictions inherent in a hybrid internal structure composed of bureaucrats and professionals modes of functioning created additional conflicts in the internal processes of the organization and by implication in its responses. The dissonance between global and local processes, and reliance on short-term goals when results need longer lead times, provide an inconsistent environment that the organization constantly has to deal with. Hypocritical or contradictory behavior helps to maintain an illusion of control among the public over an organization funded by public money (Brunsson, 1986).
5. DISCUSSION.

This section will focus on the contributions that have emerged from the explanation above.

First, the study found that theories of perpetuation of inefficiencies such as “hypocrisy”, “non-learning”, “successful failure”, etc. (as provided by Brunsson (1990), Siebel (1996), Wamsley & Zald (1973) and others) which focus on why inefficiencies continue unabated even under public scrutiny, can also explain why organizations refuse to learn after a crisis as severe as a near-death experience. Drawing from these (cynical) views of organizational hypocrisy can enrich the literature on learning after a crisis by providing an added dimension for researchers to incorporate into their research design.

Second, the study also shows that evidence of hypocrisy: (1) need not always be categorized as a sign of “perceptual barriers”, “institutionalized mindsets”, or being “unfit”; (2) is not a characteristic that necessarily extends to all aspect of the organization’s activities; the individuals may simultaneously learn some things while failing to learn on other important dimensions; (3) the choice or interest in learning or not learning may change over time; the pattern depends on a particular combination of environmental features and the specific combination of interests that are prominent at the time.

Third, this study introduces a new form of organizational crisis — “near-death experience”. Although this can be categorized under a rare event or crisis in general, it has special characteristics that can generate different organizational action from other forms of crisis. A near-death experience makes the organization aware of its vulnerability. Coupled with an uncertain environment, every action the organization takes is based on its calculation of the consequences in terms of its survival. In addition, depending on how important the organization is to critical members, organizational action will either result in a studied nonchalance to learning or rapid transformation in its habits. This study has shown, of course, that both features can be simultaneously exhibited by the same actors when working at individual, personal, group, or societal level.
Fourth, this study suggests that a dialectical view of organizations is better suited to understanding the effectiveness with which organizations will learn after a crisis to not repeat the mistakes that caused it. A dialectical approach relies on a tendency towards failure (Benson, 1973) and has analytical benefits as it views organizations as sites of fundamental contradiction and temporary reconciliation of these conflicts. This means that permanent contradictions exist within the structure of the organization and the environment that result in unintended consequences and actions (Schneider, 1971). Mapping such an uncertain environment requires a dialectical perspective of organizations’ interaction with the environment (such as resource flow, public legitimacy, etc.). The analysis takes into account the contradictions both within an organization and in its relationship to the environment, acknowledging the open nature of the context defined by unique unpredictable combinations resulting from multiple intertwined processes.

Important features of modern societies and the environment of modern organizations are the contradictions in the external environment and inconsistent demands that vary in value and desirability across time and space. Depending on the context, and on the alliances and rivalries of these conflicting interest groups in the environment, the organization achieves congruence and coherence in its action or strives to stave off the embarrassment of irrelevance. In the process, learning or not learning may occur depending on how the effect of learning impacts the dominant coalition. This supports the observations by Huzzard and Ostergren (2002) that a unitary view of organizations as entities with congruent goals is misplaced. Programs created for organizations to learn after a crisis may therefore be more effective if the organization is better conceptualized as a historically contingent coalition of contradictory interests.

Understanding such varied responses in the organization during the same point in history therefore requires analysing (in addition to the empirically observable instances of learning): (1) the tendencies of organizations to refuse to learn after a near-death experience; (2) how these tendencies work across the different levels in which the organization functions; and (3) how the different causalities function over time. This is the basis of the critical realist conception of reality in which the tendencies inherent in the system can be activated by different factors. The manifestation of particular empirical observations is a result of different conditional causalities which have different causal powers at different levels of the organization. A research project
that assumes that the causal elements can be activated differently over time can also pre-empt the possibility of generating explanations without awareness of their short-term relevance.

Fifth, the question arises as to whether the observations presented here can be transferred to for-profit settings. Seibel (1996: 1012) observes that “neither the private for-profit nor the public sector are likely to provide a stable environment for interest in failure and appropriate ideological coping mechanism”. March (1981: 573) also assumes that “since managers and other leaders are selected by a process that is generally conservative... it is probably unreasonable to see them as sources of foolishness”. Although the organization studied here is a not-for-profit organization, causal elements that explain the instances of non-learning seem to have a wider explanatory value. The organization runs on limited funds, has created consistent good results, and is under constant scrutiny from stakeholders and the media. It is in spite of these factors that the inefficiencies continued unabated. The antecedents of inefficiency and non-learning observed can, in such cases, also be transferred to post near-death situations in commercial or for-profit organizations. Further, recent events like the financial crisis and the BP oil spill have proven that conscious hypocrisy and deliberate foolishness can be observed in commercial settings as well.

It can be argued that a private company would go out of business if it continued to be inefficient. However, the present political support to financial firms has legitimized the arguments for a category of firms that are “too big to fail” or organizations that represent national prestige. The conditions pertaining in such firms might be similar to those in the IPA discussed here with respect to its escape from near-death experience and learning from failure. It is the agendas of powerful individuals and alliances of interest groups within and surrounding the organization — i.e. the political aspect of bureaucracies (Olson, 2006) — that result in learning on some aspects and non-learning on others. Making explicit the ideological principles and personal objectives of the organization and the channels through which these define the approach the organization takes, is thus key to understanding post-crisis learning in those institutions that have political ownership and relevance.

Finally, this study shows that the societal and political ideology that Starbuck (1982) noted as impacting organizations, also influences the path individuals choose to
recover from crisis. Further, it has hopefully exposed the irony that ideologies like neoliberalism, touted as an antidote to bureaucratic inefficiency and laziness, may not actually free bureaucracies from the inherited inefficiencies (like rent seeking) as is intended. Rather, innovative politicians can continue to rely on the submissive nature of these structures by subtly enforcing their dependence on patronage.

6. CONCLUSION.

The research question that stimulated this study was: what are the characteristics of an organization that lead to the persistence of features that have caused a near-death experience? The empirical study and analysis above have tried to show that the organization itself chooses to continue and not to learn in order to ensure consistency with powerful external interests. In this case study, the impact of the crisis on the organization was uneven, resulting in responses that were not consistent with each other. On one hand the organization succumbed to institutional pressure and forced itself to comply with new standards, supervision, and audits. On the other hand, there were lessons that it chose not to learn.

There are individuals who live with the constant possibility of death, like dare-devils and military personnel. Using the same analogy, organizations that exist on the fringes of legitimacy have to deal with near-death experiences, not frequently, but regularly enough to interrupt and influence their activities in a significant way. In spite of the overall atmosphere of imminent closure surrounding the case study organization, one statement of an ex-mayor may be worth repeating: “Temporary organizations have a tendency to survive forever”.
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Chapter 5: Conclusion

1. CONTRIBUTIONS

The puzzling situations with which this thesis began are emblematic of the interconnected societies of the 21st century. Decisions taken by policy makers, multinational companies, civil societies, and individuals have immediate implications for a wider range of target groups than intended or assumed. As a result what is legitimate and accepted in one sphere is unacceptable and immediately contested in different spheres or at different times. Organizations that are morally bound to a particular ideology find it difficult to remain relevant or acceptable to different stakeholders or the changing compositions of stakeholders over time. Steering through this randomness and unpredictability will require temporary attachments and detachments to moral positions and even simultaneous links to mutually opposed value systems. For powerless organizations dependent on external resources and transient political alliances, this may mean perpetuating inefficient actions, even at the risk of these actions causing a near-death experience, or even in spite of such a crisis having occurred.

The two cases presented in the previous chapters are reflections of the external and internal environments of organizations that are located in hybrid moral and legal jurisdictions. The cases showed how a variety of actors with varying ideological commitments and allegiance to moral positions can influence a multinational company that sources its products globally. The key finding of both cases is the ease with which most actors can fix onto or detach themselves from moral positions. Organizations located in similar institutional positions between the local and the global can be expected to be similarly struggling to reconcile the opposing currents of interest groups that espouse and champion different world views. Multinational actors (companies, activists, and policy makers) can be better served by constant awareness and adjustments that cater to the combination of values and aspirations that currently hold sway, even if this means resorting to inefficiency. Jointly the two cases have, I hope, provided an understanding of the random nature of the organizational environment and the deftness and dexterity required from actors to steer the
organizations they manage and promote the interests they espouse in this complex environment.

As a theoretical contribution this thesis gives support to concepts in business ethics and organization theory that resonate with and can capture organizational actions in a dynamic, multi-level environment. Dialecticism and other philosophical positions that incorporate conflict, contradictions, and process into their explanation seem to suit the condition of contemporary multinational and organizational activity. Different fields of research have traditionally focused on different actors and institutions, or conceptualized the same actors differently. This thesis, in order to account for the concerns and visions of these scholars, has attempted to be multi-disciplinary in nature. Therefore the theoretical framework has involved drawing from and making connections between business ethics and (political) philosophy (Chapter 3), business ethics and development ethics (Chapter 3), organization theory and historical institutionalism (Chapter 4), political economy and business ethics/organization theory (Chapters 3 and 4).

However, in some cases, the connections made were not complete. The rest of this concluding chapter will tackle certain issues with respect to the research that could not be resolved. Some of these were caused by inefficient planning stemming from ignorance of the type of endeavor entailed and the complications and doubling of efforts required when mixing different academic disciplines. Others are part of the research in which the connections and possibilities became evident only when writing the conclusion. This final section is thus a short paper that tries to combine the views on business ethics and organizational hypocrisy.

2. UNRESOLVED ISSUES.

This section deals with some unresolved issues in the thesis. This is not meant to be an excuse for not being thorough with the research plan and execution. Rather, these are issues that arose from reflections which were possible only after the chapters were read as a single manuscript. To an extent this research suffered from not heeding Becker’s (1986) warning about the consequences of quoting classical works without complete awareness of their implications. Weaving together different research streams involved selecting quotes and phrases from scholars with different ideologies and
ontological commitments. These were difficult to combine while ensuring that the authors’ standpoints were not distorted.

The following section discusses the result of these choices and the exclusion of other modes of conceptualization. This may also result in an incomplete engagement with theoretical streams, leaving the reader dissatisfied with the depth or richness of conceptualizations. It lists some of the unresolved issues that were noticed in finalizing the thesis. This is meant both as an apology to those scholars whose work may have been inadvertently misused, and also as a way of indicating the possible avenues that this research did not pursue, in spite of the promise that they hold. It focuses on the paradigmatic issues that arose while professing a dialectical approach and using scholarships from authors with alternative approaches to society. The last subsection touches on the clarity of representation of the subjects in the thesis. Considering the political connotations of this research, I feel it necessary to make explicit the depiction of the subjects that was consciously made to convey a story.

2.1. Selective Use of Classics.

In setting the political context for the two case studies, the thesis has quoted liberally from Marxist authors (pun intended) like Brenner and Harvey. Further, a Marxist concept of dialecticism, and critical realism, which is also drawn from ideologies to the left of the spectrum, are fundamental to this thesis. However, this does not mean total commitment to the Marxist prescription of society, either normative or descriptive. Descriptions of the flows of capitalism from Marxist authors (Harvey, Brenner etc.) do, I believe, give an accurate reflection of the effects of globalization on individuals, cities, and countries. However, in contrast to the Marxist conception of capitalism as a unitary fixed system, alternative approaches that observe capitalist societies as a variegated patchwork (Peck and Theodore, 2007) or in terms of business systems (Whitley, 1998; Hall and Soskice, 2001; Djelic and Quack, 2003) can better describe the political economy that surrounds multinational activity today.

Although these scholars are referred to in the second chapter when the macro processes are described, the subsequent chapters do not do justice to the potential that these visions of society have for understanding the empirical cases in Chapters 3 and 4. A complete engagement with such an approach might have entailed a historical
analysis of the institutional structures related to ethical compliance of multinational companies and international trade both in The Netherlands and India. A more detailed description of the pluralism inherent in the system and the forces that are transforming the composition of the hybrid systems in these countries might have provided a better explanation of the moral and operational struggles that were described in the case studies. For example, the internal conflicts in Dutch society on liberalism, colonial history, and engagement with issues of immigration and outsourcing are related to the struggles that the multinational company and the IPA were forced to negotiate. Better links between the empirical findings and the political/ideological combinations that underpin the business system in The Netherlands would make a valuable contribution to future versions of those studies. Parallel changes in India in the context of the rise of the middle classes, direct engagement with Western societies through call centers and outsourcing, the uncomfortable persistence of poverty and caste systems alongside modernity, and corruption, could provide this research with a better setting of the context in which national government and suppliers assume particular moral stances and positions of defiance. Better understanding and depiction of these societal and political processes, I now recognize, would fundamentally strengthen the arguments in the thesis.

The universal vision of morality in this thesis is drawn solely from scholars that debate Kantian ethics. Alternative conceptions of universality exist; for example, Mignolo (2000) points out the civilizing mission of Christian missionaries and that of the colonial empires. The focus on ethical compliance in post-colonial societies, the emancipation of which is central to business ethics, might have been better served by engagement with literature on post-colonialism. (Frenkel and Shenav, 2006). The paper by Kamla (2007), which explicitly focuses on the role of Islamic Sharia law on social accountability in Arab societies, is an example that could further our understanding of the struggles over social audits between multinationals, buyers, suppliers, and activists.

The chapter on organizational hypocrisy resisted the vast literature on organizational change (Van de Ven and Poole, 1995), resource dependence, (Oliver, 1991), and social movements, all of which have direct relevance for the empirical observations. However, the label of “deliberate hypocrisy” was chosen because this gives more agency to the actors than the lens of change/persistence. Both the case studies could
quite easily be connected to theories of resource dependence. The driving force behind the actions of individual actors is the need for resources, both financial and other resources, like status and relevance. The reason that this stream was not pursued was because of its assumptions that actors are rational and calculative. My view of individuals as irrational actors that muddle through (Lindblom, 1959) was incompatible with this assumption of rationality.

The reliance on the social movement literature was limited to the study of NGOs and their priorities. However, it is quite possible that the literature can also be used to explain the spread of legitimacy regarding auditing of cities and regions and also the spread of a Gramscian version of “common sense” among political classes on the necessity of city marketing. Both the cases could also be conceptualized as the working of multiple, partially interrelated social movements — one focusing on socialist versions of ethics and sustainability and another created by the rise of nationalism and fear and defense of outsourcing — both located in the same national and international environments. A closer look at the flows of ideas and concerns across and through these social movements might have provided an added perspective to the study.

2.2 Use of Multiple Ideologies, Paradigms and Metaphors.

First, the literatures drawn on in this thesis represent different institutional traditions with radically different views on the role of institutions in shaping human behavior (Koelbe, 1995; Hall and Taylor, 1996). The political context portrayed in Chapter 2 drew from historical institutionalism (Dejlic and Quack, 2003), while the opportunism displayed by actors in the case studies, whether in assuming moral positions or in the perpetuation of inefficiencies by the IPA, was explained using traces of rational choice (struggle for resources, strategic cosmopolitanism) and sociological (auditing as rituals, similarities between IPAs, etc.) versions of institutionalism. This (immature?) decision to include rely on different research streams also involved combining views of scholars with incompatible philosophies, for eg. a structural-functional view of society with those who see organizations and individuals as an open system with multiple contradictions and conflicts.

Second, ideological boundaries were breached between business ethics and development studies. Dilemmas that multinational companies encounter in their
engagement in Third World countries is analysed in the light of philosophical and theoretical debates in development studies which have tackled the same issues. However, the two groups have inherently different views on ethics and on the probability that multinational activity can ever be a major actor in the alleviation of poverty in Third world countries. Here, Gasper's (2005) moral positions were assigned to multinationals in a way that Gasper had never intended.

Third, the thesis has professed an explicit engagement with dialecticism (Benson, 1973, 1977); however, traces of functionalism have also crept into the argumentation due to the choice of literatures drawn upon and the metaphors chosen. For example, the argument made in Chapter 3 that moral positions are selectively chosen by the buyer, seller, NGOs, and the nation state, fits into the functional paradigm in which actions of organizations are primarily aimed at the maintenance of the system in the light of imperatives such as the security of the organization, stable lines of authority, continuity of policy, homogeneity of outlook. Further, in the tone of that chapter, actors assume multiple moral positions that reflect the different positions they occupy at a particular historical moment; this also implies the tendencies towards system maintenance (a functional perspective) as opposed to a tendency for contradiction (the radical structuralist perspective). Another example is the use of the metaphor “near death”, which implies a view of the organization as a complete organization (Morgan, 1980) which should logically be related to a functionalist paradigm in which the “concept of an organization is a living entity in constant flux and change, interacting with its environment in an attempt to satisfy its needs” (Morgan, 1980: 614).

Thus the arguments seem to rely on conflicting paradigms. The reliance on multiple theoretical frameworks is analogous to the “ontological oscillation” (Weick, 1995) which suggests that researchers in management and organization could assume to better fit the process by which actors in both cases randomly selected world-views and moral positions. So the confusion in paradigms used in the argumentation is a true reflection of the tendency of actors to assume or argue based on the most convenient paradigm available. However, as Fleetwood (2005) notes, if this ontological oscillation is extended to the analysis and research, then it fails the purpose of scientific research which is to understand why subjects oscillate between ontologies. Hence, as far as possible, the paradigms on which the thesis draws were used to capture the experiences of the subjects.
The arguments deriving from critical realism are most compatible with the radical structuralist paradigm as the latter is characterized by “hard, concrete, ontologically real structures... existing on its own account independently of the way it is perceived and reaffirmed by people in everyday activities” (Morgan, 1980: 609). This research paradigm involves studying “intrinsic tensions and those with power in society seek to hold them in check through various modes of domination” (ibid.). The point of departure of critical realism is its claim that, though these real structures exist, they cannot be observed. What Morgan calls “ontologically real” is limited to the empirical level of ontology. The critical realism perspective when attached to the radical structuralist paradigm gives it the depth to make a multi-level explanation. In this case majority of the explanations would fall into the radical-structuralist paradigm. If the “transition zones” between paradigms identified with Gioa and Pitre (1990) are plausible, this thesis should be (unwillingly) located within the transition zone between functionalism and radical structuralist paradigms.

3. CLOSING REMARKS: LOST IN FUSION - BUSINESS AND DEVELOPMENTAL PARADIGMS.

3.1. The Hegemony

Transformations in Business and Society. From its inception, scholarship in business and society have struggled to transcend a fault-line that ran through the field – i.e. the separation thesis (Wicks, 1996; Boatright, 1999; Duska, 2000). The dexterity needed to maintain a balancing act that characterized the field becomes evident when scholars try to prescribe value positions for managers to deliver longer term benefits to society “without losing sight of the importance of generating profits” (Emiliani, 2004:490) and for example when Heugens, Kaptein, and Oosterhout (2007) reject Kantian versions of morality because of its “overtly forbidding stance towards many of the widely accepted means of goal-attainment in business.” (pp.119).

Markedly different from these early discussions, the recent shifts in the relationship between business and society suggest a near-complete agreement that societal well being is the primary purpose of business. Prescriptions for multinational companies in fulfilling their non-negotiable duty of poverty alleviation have emerged (Kolk & Tulder, 2006; Werhane, Kelley, Hartman, Moberg, 2009). Others suggest delinking
from the economic/strategic perspective that underpinned the CSR literature (Wry, 2009), and total rejection of the existing paradigms that are committed to incremental changes, technocentricism and suggests that business should be “nature centered and low-growth focused” (Hahn, Kolk, and Winn, 2010:393). These present demands being made leaps over the earlier dilemmas and paradoxes by changing the identity of business from a profit-seeking enterprise to one that is created primarily for improving the human condition. Partnerships with civil society are central to implementing codes of conduct at production units, multi-stakeholder initiatives and other visions of poverty alleviation proposed, such as bottom of pyramid (BoP) initiatives (Werhane, et.al. 2009). Acquiescence to this normative/ theoretical vision is reflected in the moral positions that multinationals assume or enact as their commitment to society.

To summarize, the central concern of business and society relations used to be – given that business need to maximize profits, how can they do so with no adverse impact on society. This has changed to - given that businesses need to actively engage in societal wellbeing, what are the avenues available where profit making is also feasible. Engaging in poverty alleviation, especially in countries where its suppliers to global production network are located, has consequently become central to living up to this transformation demanded from critical stakeholders.

Reciprocity of Development Studies. In contrast, development scholars, rooted in humanism, have never been shackled by paradoxes the bedevil business ethicists. Drawing from ideological narratives wherein globalization and multinational companies are a cause, rather than a panacea, of global poverty and environmental degradation, development scholars have been mostly critical of CSR. Painful experiences of the past, such as the privatization in delivery of essential public goods to the poor, have led to a sense of wariness of corporate encroachment. Development scholars have therefore not hesitated in labeling CSR as a mechanism for “manufacturing amnesia” (Fig, 2005), making “false promises of development” (Frynas, 2005), and a distraction from deeper interventions necessary for poverty alleviation (Newell, 2008).

However, the unity is beginning to fray. Though not as eagerly as the business ethicists, there is grudging acceptance in some quarters of development studies for facilitating multinational involvement in tackling intractable social problems in
developing countries. O’Rourke (2002) argues for an active role of NGOs in the multi-
stakeholder initiatives – “outsourced regulation” – to fill up a deficit in regulation of
supply chains. Barrientos and Smith (2007) provide qualified support for multi-
stakeholder initiatives. The most open call among development theorists to embrace
multinational involvement in poverty alleviation is to think “beyond the enemy
perception” that characterized civil society’s approach to multinationals (Knorringa &
Helmsing, 2008).

Consequently, multiple partnerships are being forged between multinationals,
network of certification agencies, governments in developed societies, and
transnational NGOs that jointly create normative vision that impinge on most aspects
of economic activity. This cooperation at the conceptual and practical level is turning
while “making commensurable what is in fact incommensurable” as it results in
“suppressing difference, impoverishes knowledge rather than enhances it” (Jackson
and Carter, 1993:722). It is plausible that in this hegemonic combination of vastly
different business and developmental paradigms, valuable alternative visions and
fundamental flaws are being obscured and distorted.

The following section lists some of the unintended consequences of two sanctified
structures now available for multinational companies to get involved in poverty
alleviation - universal codes and standards and BoP models - and identifies moral
hazards hidden in the recent calls for lower growth rates. If not addressed, the
paradigms risks losing themselves in the fusion and irrelevance in emerging markets.

3.2. Lost in the faulty combination

Industries that receive most attention on social responsibility and universal codes and
standards (textiles, mining, etc.) employ some the poorest people in the world
(Nordas, 2004). Few unintended and undesirable consequences of are highlighted
core workers, and are insensitive to the disadvantaged like the migrant or casual
laborers. The survival- threatening squeeze already imposed by the exorbitant costs of
compliance is exacerbated especially during times of recession (Ruwanpura &
Wrigley, 2010) risking the crucial employment they provide. Anecdotal evidence
suggests worse - 1. Costs of certification are creating to barriers to entrepreneurship among workers as the start-up costs have increased exorbitantly. The entrepreneurship that characterized such industries, where many ordinary workers start their own units and many growing into large exporters, is becoming increasingly rare. Social divides are thus entrenched as individuals and firms with more finances benefit. 2. As conditions in the production units improve, work that was exclusively limited to the poorest and migrant laborers, become attractive for the upper sections in the society who inevitably compete the former out of work. Thus codes restrict upward social mobility and render the poor more destitute than they were prior to its implementation.

Karnani (2009) has critiqued the immorality of BoP programs as it limits engagements with the poverty only if the poor assumes the role of a consumer. Development actors like NGOs that engage with multinationals in creating and administering such programs, inadvertently contributes to perpetuating a system in which an individual’s worth is measured only by his/her buying capacity. This is a violation of the humanistic fundamentals that defines civil society.

The arguments for “low-growth” ignore the accelerated poverty alleviation occurring in developing countries as a result of high-growth strategies. The liberation of economic sector in developing countries, both democratic and autocratic, have brought massive improvements in living conditions and more rapid alleviation of poverty than earlier. The images of abject poverty in developing countries are made starker only in contrast to the improving living standards that accrued to large sections of the society in the recent decades. If private business moves to a mode of low growth, would that not mean a lower rate of poverty alleviation?

Unplanned low-growth, i.e. the recession, has legitimized nationalism and parochial attitudes even in liberal and advanced societies in Western Europe. In lesser developed societies, the delicate social fabric composed of a more complex mix ethnicity, race, and caste, is barely kept intact by the high growth and expanding resources. Any scarcity can result in its permanent rupture with dire consequences.

Within developing and emerging countries, memories of large-scale poverty and irrelevance in global politics remain fresh. The transformations that have taken place
within the country and its increasing global stature gives justifications for policy makers and other relevant sections of the society to continue this strategy for faster growth. Western liberal value that underpin the popular multi-stakeholder mechanisms and visions, though desirable, face two steep challenges when attempting to integrate into the institutional frameworks in emerging markets – (1) They can be genuinely construed as a hurdle placed in the path of growth and insensitive to developmental concerns of developing nations. (2) Their universalizing claims can be easily maligned as a neo-colonialist strategy by rent-seeking politicians and unscrupulous businesses. The indeterminacy that results creates ideal conditions for moral hypocrisy to fester; allowing unscrupulous actors to arbitrarily pick, choose, and reject moral positions to suit the moment.

3.3 Alternate Avenue

An alternate combination of the paradigms of business and development are suggested, informed by humanism, can avoid the unintended consequences.

Humanism is “an outlook emphasizing common human needs and is concerned with human characteristics. It leads to structuring social life in a way that is appropriate for the human condition” (Mele, 2003). Early on, Zald (1996) argued that the management and organization studies, if it is to be relevant to any society, should reconnect to humanities and attempt to understand their subjects’ behaviors as being “shaped by their own interpretations of the past and imaginations of the future” (258). Humanism clearly provoke an awareness of the interlinked morass of social, economic and political worlds within which human rights and values are debated, challenged, and distorted.

One of the clear benefits that could accrue to B&S scholarship and multinational policies, mostly conceptualized in developed societies, is rethinking its acceptability by policy makers, businesses, and think-tanks in emerging markets. For example, Hahn et,al (2010) notes the need for “public policy and market regulation...to ensure that business conduct is in line with societal needs”(394). A humanistic approach will force further specification by posing critical questions such as “which section of society”, “whose needs”, and “when”.

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This is an advantage that development studies already enjoy. For example, Sassen (2002) notes, improving conditions of citizens in emerging societies involves devoting attention to the emergence and transformation of structures within the nation state and tracking how they can be channelled through this modified structure (Sassen, 2002). Gasper (2005) develops a distribution of global values that emerge in when engagement with pan-human values interact with parochial attachments, and identifies minute difference that terms like “well-being” and “quality of life” assume when viewed from different standpoints and used for different purposes (Gasper, 2009).

Incorporating these historical and specificity of humanism into the debates and practice of CSR can provide scholars a better common language for communication to development studies and generate questions and concepts that are contextually relevant.

Further, private enterprise is not immune to humanism. Though there is a long list of arguments from the colonial exploitation to the present financial crises that have shaken this belief, it is imperative to not obscure the benefits that private enterprise has delivered to present society. Two of these are 1. the technological and scientific advances that for example, alleviated human suffering from diseases, and improved protection from nature, and 2. the economic development which, as a byproduct of private enterprise, is a necessary precondition for a functioning liberal democracy (Lipset, 1959). The much reviled economic basis of business, as is believed in public sentiment, has not however been immune to moral demands of society (Evensky, 2005); every revolution in economic thought is instigated by the need to solve social problems (Dillard, 1978). Marshall (1907) note that “chivalry in business includes public spirit...it includes also a delight in doing noble and difficult things because they are noble and difficult...It includes scorn for cheap victories and a delight in succoring those who need a helping hand” (Marshall, 1907:14). Weber in Protestant Ethic also notes

“The impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has itself nothing to with capitalism. This impulse exists and has existed among waiters, physicians, coachmen, artists, prostitutes, dishonest officials, soldiers, nobles, crusaders, gamblers, and beggars. One may say that it has been common to all sorts of conditions of men at all times and in all countries of the earth, wherever the objective possibilities of it is or has been given. It should be taught in the kindergarten of cultural history that this naive idea of capitalism must be given up once and for all.
Unlimited greed for gain is not in the least identical with capitalism, as still less its spirit. Capitalism may even be identical with the restraint, or at least a rational tempering of this irrational impulse.”

More recently, even one of India’s celebrated development economists K.N. Raj noted that – “capitalism has within it much to offer that we would all welcome, particularly if tempered by some notions associated now with political liberalism and socialism”. (Raj, 1998, quoted in Kannan, 2010:384)

In unequal societies with recent affluence, where reassurance provided by of welfare programs is nonexistent, and the threat of poverty and destitution is proximate, it may be easy to understand why ethics is not the first thing that matters. So workers driven by poverty, and employers and policymakers eager to avoid societal disillusion may jointly create enterprises to flourish that, though not visually/morally appealing, at least generates livelihoods and avoids societal collapse. That institutional frameworks facilitate and justify such units, therefore, need not perplex and frustrate ethics scholars and activists in advanced societies. Rather they should recognize the emancipatory purpose that these units serve in developing countries and that high-growth is genuinely perceived as a necessary ingredient for quicker poverty alleviation and a humanistic enterprise. Theories on corporate responsibility in poverty alleviation and the mechanisms created to achieve their aims, have better chances of success in emerging markets if informed by humanism.

4. CONCLUSION

The mechanisms available for business involvement in poverty alleviation in developing countries have conceptual fault lines as it ignores the growth imperative in emerging markets. The enterprise faces the risks of being suspected/accused of representing the moral conscience of the Western European consumer and/or their general concern that the benefits of globalization are being reversed to their disadvantage. Rediscovering the humanistic foundations of B&S and development studies is fundamental to avoiding this risk of banality. In practice this means developing moral positions that are compatible with greed that underpins the transformations of institutions in emerging societies.
REFERENCES


Methodological Appendix\textsuperscript{12}

In this appendix, I will demonstrate how the arguments in the two empirical cases were developed from the observations made. To begin with, the empirical work in this thesis did not follow the conventional path of designing a research project, data collection, analysis, testing hypothesis, and reporting of findings. Rather, from the outset, my intention was to tell a good story or narrative on two events I found interesting, paradoxical, and important for improving the human condition (case 1) and organizational life (case 2).

The use of the term ‘narrative’ is found primarily in two contexts of research in management and organizational theory. First, as the story that represents the vision and beliefs held by actors under study; in this case the narratives are stories told by subjects of the investigation. They are data to be analysed to understand social and organizational life (Boje, 1991; Rhodes and Brown, 2005; Brown, Gabriel, Gherardi, 2008). The second understanding is of a narrative as a mechanism to conduct research and convey its findings (Daft, 1983; Dyer and Wilkins, 1991; Czarniawska-Jorges, 1995; Pentland, 1999). Langley (1999) notes that “narrative can be the main product of the research” (pp.695). It is in this latter usage - i.e. research written in a way that resembles a story - that narrative is employed in the two empirical studies.

Daft (1983) observed that research is storytelling. It involves guess work and continuous revision of stories - “emphasis on method and calculation misses what the data represent. Human behavior and processes in organizations are what we care about. The data alone are not enough, no matter how sophisticated the techniques for data an analysis” (Daft, 1983: 541). Dyer and Wilkins (1991) advocated that better stories make better research and are ideal in communicating the findings. Astley (1985) also argues that theory development is nothing but a socially constructed truth, where “theorists often self-consciously move beyond data as they generate fictional

\textsuperscript{12} This document is a result of pedagogical insistence a committee member, Prof. Gail Whiteman, to provide more information on how the analysis was conducted. I am grateful for her insatiable curiosity that forced me to overcome my reluctant-dismissive disposition and articulate the analytical stance assumed in the research. It has not only helped me become more comfortable with my thesis. The process of rejections and revisions has helped me appreciate the challenges involved in maintaining a philosophical position that is peripheral to management/organization theory.
constructs, products of imagination for which no empirical counterpart exists” (Astley, 1985:502). These positions echo Van Maanen (1988) characterization of ethnographic tales as impressionistic representations where literary standards are of more interest than scientific ones. Others like Clegg (1993) and Czarniawska-Joerges (1995) have identified such narratives underlying research findings in a wide range of fields.

Czarniawska-Joerges (1995) notes that introducing narratives into science is however a thorny issue as “the idea of science as storytelling is a bit harder to swallow” (14). However, she notes, the gap between what is commonly assumed as “science” and narrative, and consequently explanation and interpretation, is not as wide as presumed. Rather, narratives are a way to combine explanation which corresponds to the former, and interpretation that is related to the latter. Explanation by its nature implies distance from the subject matter and is used to affect an action. Interpretation is used to understand or make sense of an action. It’s the narrator who decides the end use of the narrative (explanation or interpretation), and should also expect that different readers interpret the narrative at levels that suit them. The other defining features of a narrative in organizational research (as opposed to any journalistic story, for example) are the awareness that these are created expecting revisions under scrutiny from a research community and suffused with the intention to “transform ourselves from automatic writers inscribing the truth about reality into authors aware of the possibilities and limitations of the genre” (Czarniawska-Joerges, 1995:23).

Approaches to narratives informed by humanism (explained further in the concluding section) have noted that depending on the purpose of the narrative, cases can be thick or thin, with each form relevant for different kinds of ethical objectives (Gasper, 2000). The versions of the two stories that I have presented is the subaltern/subversive version, with limited exposure and acceptance in the research community and public in general. For example, harassment suffered by developing country suppliers at the hands attention-seeking activists is the central theme of the first case study. Similarly, the second case shows that under pressure of inconsistent demands, key organizational members can choose to not learn (even) from a debilitating ‘near-death experience’ and continue with practices that undermine the organization. In both empirical studies, the story that was built up is in itself one of the main outputs of the analysis. Each case, however, is just ‘a’ story/version of the events, but not the story’. (Clifford, 1986); alternate versions of the story from other political positions are
possible. Prior to entering into how I constructed the story, it is important to briefly describe the paradigms within which the research was conducted as logic used for making the assertions vary in between paradigms (Morgan, 1980; Gioia & Pitre, 1990).

CRITICAL REALIST (CR) POSITION AND ITS IMPACT ON THE ANALYSIS

I have followed a critical realist philosophy that “celebrates the existence of reality independent of human consciousness (realist ontology), ascribes causal powers to human reasons and social structures (realist ontology), rejects relativism in social and scientific discourses (realist epistemology) and reorientates the social sciences towards its emancipatory goals (realist epistemology)” (Yeung, 1997: 52).

One of the central features of the realist philosophy is the difference between the transitive and intransitive dimension of the world; the former that represent the knowledge generated and the latter referring to the features of the world that exists irrespective of our knowledge of it. This separation warned me of the risks of conflating the real world with my experience of it. The entire project of research from this perspective is to identify the underlying structures and the conditions under which the empirical observations are generated. I was conscious to not limit the research to what Tsoukas (1989) calls “detective work” which “never goes beyond the realm of experience” (pp:556). Within CR, causal explanations are derived through a view of retroduction in which the question is, what must the nature of reality be, to result in a particular empirical observation, with propositions developed accordingly. By constant repeated testing of these propositions, layers of reality are peeled away to arrive at a plausible causal explanation.

This position has an impact on how I drew the arguments from the empirical findings because of the possibility of speculation and offering plausible explanations. “Truth” gives way to ‘practical adequacy”, and interprets the world “in such a way that the expectations and the practices it informs are intelligible and reliable” (Sayer, 2007:42). This does not mean however, that any casual explanation is acceptable, some explanation are better than others as it helps in highlighting an anomaly or hegemony – in this case the unintended negative consequences of social audits, and unbridled
activism of NGOs on the condition of workers and entrepreneurship and industrial expansion in India.

**Insufficiency of Coding.** Though critical realism is defined by its ontological position and is permissive with respect to various social scientific methodologies (Sayer, 2007), such an ontological position also precluded the adoption of one of the popular techniques used for analysing qualitative data – coding. Coding in general and the methodologies that rely on them (like content analysis and grounded theory) are based on a number of implicit assumptions that are incompatible with CR and is positivist in orientation (Burawoy, 1998).

First, coding is based on a correspondence theory of truth where (only) what is observed and recorded is assumed to represent reality. The mismatch between content analysis and CR is obvious as conclusions are drawn from the collected patterns of data. Though at first glance the grounded theory method seems compatible with CR, Yeung (1997) warns of the risk of such methods that could be just “another form of empiricism hidden behind a qualitative mask” (Yeung, 1997:63). This concern is evident when central figures of the genre exhort qualitative researchers to “consider the range, number, and depth of observations contained in the data. The best studies typically draw on a solid foundation of data. Skimpy data do not inspire confidence” (Charmaz, 2004). The existence of the intransitive dimension of reality and ‘practical adequacy’ cannot figure in explanations drawn from such methodologies as they are based on what is observed; the plausible explanations of unobserved generative mechanisms that caused the event to occur have no legitimacy in such an epistemology.\(^\text{13}\)

Second, coding also implies that constant conjunctions and patterns, i.e. repeated occurrence of events, as an evidence of meaning (as in content analysis), and as central

\(^{13}\) It was pointed out by a committee member that since researchers adopting qualitative methodologies have acknowledged the subjectivity involved in collection and analysis of data, it is not necessary that coding espouse an ontology that supposes a one-to-one connection between data and truth. But whether a view is acknowledged as subjective or not is irrelevant to the decision made to consciously avoid coding. The incompatibility of critical realism to coding is due to the constraint that coding places that one can make truth claims only from observations. The acknowledgement of subjectivity merely agrees that the claims made are personal to the researcher; it does not allow for the depth of ontology and emergence.
to discovering core categories (in grounded theory) both of which are the bases on which causal explanations are drawn. In marked contrast, within realist analyses, “what causes something to happen has nothing to do with the number of times we have observed it happening” (Sayer, 2007:14). The possibility exists that an observed action (however insignificant) could fundamentally change the system (through feedback loops) after it has been observed. Or such event may never happen again the observed manner even under the similar condition.

Third, both methods in its original form require that the researcher maintain objective distance from the data, and suspend values and theoretical knowledge prior to entering the field. The attempts to introduce social constructivist forms of coding (Charmaz, 1990) and promote diversity in interpretations of grounded theory (Annells, 1997), however, have been critiqued as a remodeling of grounded theory away from its roots – “Constructionism is used to legitimate forcing (of data)” (Glaser, 2002:5). Such strictures are incompatible with value-laden positions in data collection and analysis, because theory is supposed to emerge, as in grounded theory, through coding, developing categories, and so on.

As noted earlier, a narrative approach was adopted to tell a story highlighting the plot that I would like the readers to notice. This would have been impossible if I followed a coding technique as it would have stifled the story to depict what was told in interviews and empirically recordable facts. The implicitly understood institutional positions that imply the power distribution in either of the case studies could not be entirely brought into the analysis that used coding, as these generative mechanisms cannot be observed easily. Prior to entering into the individual narrative analysis in the two cases, I will provide an overarching description of how the narrative was built up.

NARRATIVE ANALYSIS

To begin with, I was conscious of Weick’s warning to researchers oriented towards reflexive theorizing that ‘we are not the point’ and that “in the name of reflexivity, many of us tend to be more interested in our own practices that in those of anybody else’ (Weick 2002: 898). The reflexive revision of the narrative was consequently focused more on the ethical implications of the version of the story that I have presented. Van Maanen (1988:1) points out the “serious intellectual and moral
responsibilities” involved in ethnographic work as “images of others inscribed in writing are most assuredly not neutral” (Van Maanen, 1988:1). Differentiating responsibility from unbounded freedom to represent or relativism of accounts, Rhodes (2009) explains that the issue of responsibility “is about deciding on the course of action without being able to predict the effects of that decision (658). As Trifonas (2003:123) observes “the ability to choose freely among manifold options of undecidable and non-indicative possibilities does not demarcate a responsibility abdicated or an obligation ignored; it reveals a responsibility multiplied, an obligation intensified by the power to choose” (quoted in Rhodes, 2009:658). During the course of creating these narratives, I weighed the impact this version may have on the subjects being studied. Some of the ethical implications were more troubling than others. The analyses specific to the cases are described in detail when the individual sections are discussed below.

The purpose of the analysis was not to challenge the story or narrative that was being built; the challenging alternative narratives were already there for reference. For sure, the story was rather built to challenge the building blocks of the entrenched/popular narratives that could also have been drawn from the same case. Rather analysis was driven by the humanistic motive to calibrate the narrative sufficiently to make the desired impact on the reader and the actors involved. The stories that I was presenting through the both cases depict a lesser-known view of global supply chains and organizational life. Contrary to the popular narratives available in research and public memory, (social accountability certification as proof of social responsibility, organizations do not change because of cognitive limitations, etc), the context and personal characteristics of the main actors were reworked to present an alternative but plausible version of events and their antecedents. The created stories were presented to the central characters each of the stories (buyer, supplier, activists, etc). Their responses and their level of (dis)comfort gave me the confidence that the story was hitting near the spot I was aiming for.

**Narratives and Critical Realism.** There are seeming tensions between the use of narratives which supports the view that the knowledge is socially constructed versus the CR view that claims that the world exists independently of our knowledge of it. First, if I am claiming that the description is a constructed narrative (created responsibly or not), then it cannot possibly represent reality. Rather it collapses into a
complete fiction negating some crucial assumptions of my philosophical position. The earlier commitment for a practically adequate plausible version of reality may seem superfluous when the research is presented in a narrative form. Second, is the apparent mismatch between the communication used in conveying the narratives and the ontological positions. This is especially true in the first case where the story is presented predominantly in a third-person mode, which may seems at odds with the stated eschewing of correspondence to truth, i.e. having access to “the story”. The propositions, though drawn from the constructed narratives, are presented in the stripped-down and abstracted form devoid of the contextual specificities and reflexivity central to narrative modes of research.

This tension stated above is however central to critical realism itself. As Contu and Wilmott (2005) pointed out – “The claim that knowledge cannot capture the truth of reality is a statement that, contradictorily, asserts a truth” (pp 1656). The resolution is impossible from entrenched position but some helpful suggestions by pragmatic scholars are relied upon to overcome this standoff.

Easton (2010) identifies one resolution by noting that the “world is socially constructed but not entirely so” (pp.120). CR supports such a pragmatic version of truth which is “what is useful to people researching the field, what helps the research project, what can be accepted and defended, what is open to criticism and renewal. It is a linguistic convention, a sort of shorthand that helps us to achieve our various objectives when researching and theorizing” (Easton, 2010:119). Tsoukas (2000) too resorts to pragmatism to resolve this tension. He calls for avoiding the ‘false dilemmas’ as to whether reality is independent of human belief (the realist position) and the impossibility of being certain of the accuracy of the description (the constructivist position). Rather, Tsoukas points out that though the world exists outside where it has always been, individuals play an active role in creation of the structures that they encounter. These structures in turn cause beliefs and meanings which are based on a language. The subject of research is the process of this social construction, and the issue is in pragmatic manner “whether our beliefs cohere, and if not, we should try to reweave them so that they do” (Tsoukas, 2000:533).

Theses argument can be transferred into the generation of the narratives and the propositions. They are truth statements about an unchanging reality. However, they
do not claim to represent or give the final descriptions of the world. The quote by Astley (1985) noted in the introduction which characterizes theory as a socially constructed truth created partly from fictional constructs with limited empirical basis is the epistemological position from which the propositions were drawn. They are temporal and a result of creative construction. It is a pragmatic version of truth - a coherent, useful, and plausible depiction of causal linkages in the context of the two studies. Some parts of the narrative is constructed while others were what Searle (1995) calls 'brute facts' (abject poverty in developing countries, nationalism, public opinion, etc). For example, the need for activists to create publicity at all costs cannot be demonstrated empirically, but it is a plausible causal connection. So is the preference by children to work under all conditions over unemployment/hunger or less work (deemed safe by social standards). (Khan, Munir, Wilmott, 2007). That a neardeath experience to the organization will not prevent weak actors to repeating the actions that caused the crisis (preferring short-term goals over long-term viability) is a causal connection that I present, in the given context, as a truth.

The concern of using the third person in the first case study can be further allayed if we realize that, even from an aesthetic point of view, stories generated through personal experiences of the author with the context and events need not be confined from a third-person form. Examples abound in popular fiction. Here, again it is important to note that the purpose is to show that a non-conventional version of a story is possible based partly on the same observable empirical facts and partly on a responsibly constructed fiction. This additional motive also favored the choice of third person narrative because it creates an impression of being the “real” story.

In summary the narrative and propositions by definition are tentative statements that describe causal connections between events, contingent factors, and generative mechanisms. They are images of the real which, due to a particular confluence of events and actors, might plausibly have created the externally observable facts. They are a contribution to the dialogue, with complete expectation of a revision from new observations or a more plausible explanation from the same set of events.
Case 1

The approach here is *processual* in nature. Glaeser (2005) building on the extended case method, develops a view of social life is an open system with an “incredibly dense thicket of partially independent and partially interacting social processes” (18). Each of these processes is a sequence of ‘action-reaction-effect’ which may have impact over time and space. Some examples of such interacting sequences that influenced the events are listed below.

1. The competition and urgent need amongst the fashion labels to find production sites which can manufacture their products cheaply without compromising quality. (Gereffi,1999)

2. Low-tech nature of the goods resulting in easy entry into the industry that intensifies competition among suppliers in producing countries. (Tewari,2006)

3. Lack of a common universal code for social responsibility (Kolk and Tulder, 2002) and the (mistaken) belief that rhetoric of social commitments and social audits serve to improve the condition of workers. (Khan, Munir and Wilmott, 2007)

4. International trade-agreements that make exports from certain countries competitive. Increasing wage and inflation making production less competitive. (Piccioto,2000 ; Sapir,1995)

5. Increasing power-shift to newly rich countries and politicians and belligerence/assertiveness of emerging country politicians. (Dicken, 2004)

6. Wide-spread poverty in these emerging countries and the need for exporting units to employ them. (Nordas,2004 )

7. Increasing fatigue with globalization and increasing nationalism in Western Europe, the main markets for the products. (Joppke, 2004)
Many of these processes are general knowledge and were not specific findings from the observations. Rather they were implicit or acted in the background as assumption or stylized facts. The interesting bit was to observe the practical impact of these processes in the individuals, organizations, and institutions that were key actors in the case.

Pentland (1999) observes that narrative approaches, as it implies a sequence of events, is particularly useful to analyzing process data. Drawing on Abbot (1990), Pentland notes that analyzing processes involves observing the antecedents and consequences of the processes, making a sequential that describes patterns underlying the event. (Following Sewell (1996:843), an event was identified as one only “when it touches off a chain of occurrences that durably transforms previous structures and practices”). The sequence of events was available to me from the key respondents (representing the buyer, supplier, and the activist) whose individual views of the temporal sequences in itself was interesting in terms of understanding their world view. By its very nature, the key events and instances were pre-selected (like initial allegations, court cases, involvement of governments, etc) with general agreement among the three versions. I adopted a time line after cross-checking these three timelines with each other, and completed the description of the process. However, in order to explain, it is necessary to identify the “generative mechanisms that enable and constrain it”(Pentland, 1999:722). The narrative approach came my rescue by offering possibilities to theorize about unobservable entities as long as the explanations are plausible.

The narrative that resulted is composed of four sub-plots – sweatshops and social accountability, NGO activism, social codes of conduct, corporate citizenship – incorporated within the larger narrative of cosmopolitanism. These smaller components are essentially used to support the propositions explaining the larger questions related to cosmopolitanism. The analysis is approached from the holistic perspective that involves “looking at discrete parts...and documenting something about those parts specifically” (Mason, 2006:165).

The analysis of the specific instance of the case (the corporate - NGO conflict) began long before actual writing up of this case - I was already exposed to similar situations in the past and had felt the need to understand what stimulates such conditions. However, the central focus was on cosmopolitanism, and I decided that the analysis
should be limited to those aspects of the conflict that would support or indeed refute the propositions. Some examples of the support and refutation of the propositions are given in the table below.

<table>
<thead>
<tr>
<th>Propositions</th>
<th>Supporting Evidence</th>
<th>Refutation</th>
<th>Arguments/Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1</td>
<td>Use of more than one certification process by suppliers and buyers.</td>
<td>Disinterest in Indian government's regulation by activists.</td>
<td>Actors in weaker positions are forced to move from one position to another.</td>
</tr>
<tr>
<td></td>
<td>Buyer and Supplier defending conditions on contextual grounds while claiming global quality standards.</td>
<td></td>
<td>Social audits are forms of comfort production and counter-productive.</td>
</tr>
<tr>
<td></td>
<td>Proposition 1 that actors located in the interstices where global and national systems intersect will be forced to draw from multiple ethical standpoints and combine them. They will move from a standpoint that is fixed to a fluid value system created by reverting back and forth between the global and the local.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use of more than one certification process by suppliers and buyers.</td>
<td>Disinterest in Indian government's regulation by activists.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buyer and Supplier defending conditions on contextual grounds while claiming global quality standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposition 2</td>
<td>Common irritation with activism. Global agreement among Dutch and Indian activists.</td>
<td>Agreement among buyers and activists in western Europe.</td>
<td>Alliances are drawn based on convenience.</td>
</tr>
<tr>
<td></td>
<td>Agreement between governments on both sides on historical development trajectories</td>
<td>Disagreement among suppliers in India.</td>
<td>Normative pressures to conform are global.</td>
</tr>
<tr>
<td>Proposition 3</td>
<td>Indian supplier uses nationalism for support.</td>
<td>Constant connection between companies and home governments.</td>
<td>Nation-state is ever present, and dominant. Globalisation strengthens, not weakens the nation-state.</td>
</tr>
<tr>
<td></td>
<td>Dutch activists ask Dutch government for protection.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buyer gives way to local standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indian courts and government played central roles.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Involvement of Dutch government.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Almost every actor involved in the case showed tendencies that supported the propositions. Even the refuting evidence like nationalism, when observed from a historical perspective, supports the propositions as these positions were not consistently held by any actors over time. For example, it is true that the supplier opted for nationalism to escape from its problem. But it had shown an earlier tendency to project itself as a global supplier detached from India and its perceived inefficiencies. Similarly the collaboration between the activists and the buyer in the Netherlands has a tentative nature that implies a fluid position adopted by global actors to ensure compliance to the multiple and contradictory value systems they are forced to adhere to. In any case, the number of times the propositions was supported or refuted should not be a central concern from a CR perspective. Rather, the search is to identify the generative mechanisms that result in such actions by those involved.

**Ethical Analysis.** The first case favors the supplier and their workers’ livelihoods and justifies the use of sweatshops if no (practical) alternative exists. The activists, who I know are well-meaning in their actions, are placed in a negative light as attention-seeking individuals mainly concerned with proving their relevance to the donor community and civil society in general. Over long period of contemplation and indecision, I decided to use this storyline to highlight the unintended consequences of moral argumentation that rejects the use of sweatshops and provides legitimacy to activists. The evidence from supplying nations shows that demands for social accountability favors those suppliers with financial resources and contributes to the concentration of production as it makes supervision easy. This excludes small suppliers from the global supply chain. As a result, the dynamism of the industry is adversely affected, as it raises the threshold to entrepreneurship that many workers dream of. These small informal units are necessary to absorb migrant/seasonal workers who driven by poverty demand overtime but cannot due to the demands for social accountability. That in the name of social responsibility and comfort of customers in developed nations, small suppliers and poor in developing countries were being adversely impacted was an ethical reason enough for me to present this version of the story.

The resulting explanations drawn from this analysis, I reiterate, is a temporary explanation subject to refutation. Personal values and intentions have influenced the data collection, analysis, and presentation. This is particularly relevant for the first case
where prior experience in working for a developing country NGOs exposed me to the extent to which activists can go to prove their usefulness to their developed country funders. This unreasonable attitudes and hypocrisy inherent in activism implanted a suspicion of lofty claims in me which triggered my interest in the story. Recent contributions to qualitative methodology have pointed out emotional prerequisites for research - Van Maanen’s (2010) choice is ‘grievance’, while Whiteman(2010) prefers heartbreaks. The emotion that underlies my approach to the world and this research is a pathological dislike of hypocrisy. However, if we agree that ‘value-free’ research need not result in absolute truth, value- driven analyses need not necessarily imply generation of false descriptions or ignoring refutations. (a research driven by an intense hatred of corruption need not lead to accusing honest persons of taking bribes.)

Case 2

Katz (2001) notes that one of the processes through which one can move from “how to why” (the purpose of analysis) in ethnography is by noting an enigma, a paradox, or an absurdity. He notes that in such cases ‘..descriptions of social life themselves compel explanatory attentions” (449). The enigma that triggered this case is the manner in which hypocrisy is perpetuated in the organization even after the same actions caused the organization to encounter a near-death experience.

The empirical section is an organizational ethnography was written first in a realist mode (Van Maanen, 1988) that “swallow up the fieldworker, and by convention the text focuses solely on sayings, doings, and supposed thinkings of people studied” (Van Maanen, 1988:47). This later transformed into a confessional and reflexive mode where “it becomes apparent that the point of view being represented is that of the fieldworker” (Van Maanen, 1988:77). Analysis occurred simultaneously with the process of writing and re-writing in both stages. The data in both situations was my observations of hypocrisy. As described below, the kind of analysis in involved when each of these versions were developed, however, was different.

**Analysis in the Realist Narrative.** While the case was being written up in the realist mode, analysis was limited to making decisions on whether a particular observation constituted intentional hypocrisy or not. Once again relying on the holistic approach referred to earlier (Mason, 2006), the effort was to identify instances of hypocrisy in
specific instances and relate them to the unobservable structures that are triggering such actions. One of the knotty problems was that the research question implied that the organization was consciously undermining itself in the long term as it had no other way to survive the immediate demands. Examples of the conscious action was not easy to present from a realist perspective as almost none of the actors said anything to the extent that “we are making the same mistakes that brought us into the crisis” or that “we cannot help but continue with the processes that got us into trouble”, etc. This ceased to be a hurdle once my personal position in the organization was subject to reflexive analysis, and the impact of my character on the observations became irrelevant.

**Analysis in the Reflexive Narrative.** Once the decision was made to convert the case into an explicitly reflexive ethnography, the analysis took on a distinctly different tenor. It meant that I began to question my representation of the reality in the office, and my authority in making the truth claims underlying the explanations. The crisis of representation (Clifford, 1986), meant that every finding that I claimed in the realist version, was reconsidered and revised making explicit my role as a participant and researcher in generating those facts. The sense of responsibility for our “own theorizing, as well as whatever it is that (I) theorize about” (Hardy and Clegg, 1997), made me reconsider many of my earlier positions. The reflexive rendering of the case made me aware that the possibility of multiple readings of the described organization’s actions is possible as is dependent on the paradigms used to identify them (Rhodes & Brown, 2005). That all ethnographic descriptions generate allegorical thinking with different readers identifying themselves with one among the many ‘registers’ inherent in the description (Clifford, 1986), also made me alert to the possibility of misuse of the case study.

In sum, the language of the case description itself was modified to highlight the tentative nature of the explanations. Some of the changes brought to the case as a result of a reflexive analysis are given in the table below.
<table>
<thead>
<tr>
<th>Observation</th>
<th>Realist Version</th>
<th>Reflexive version</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on getting intake and confirmation letters</td>
<td>Organization does not learn and companies are irritated by the bureaucracy</td>
<td>My ego made it difficult to beg for these letters, clouding my view.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Individuals are aware of the increasing bureaucracy but think it is a necessary bureaucracy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Companies do not mind signing letters if the service is good.</td>
</tr>
<tr>
<td>Overemphasizing value of service</td>
<td>Organization does not learn as this same action caused the near-death experience.</td>
<td>My personal experiences generated the feeling that companies attach insignificant value to the service.</td>
</tr>
<tr>
<td></td>
<td>The services of the organization is useless</td>
<td>Some companies value the service.</td>
</tr>
<tr>
<td>Pleasing politicians</td>
<td>Organization does not have an option but succumb to political whims.</td>
<td>I had a personal belief that local politicians cannot influence company decisions.</td>
</tr>
</tbody>
</table>

**Ethical Analysis.** The ethical reflection in the second case was even more difficult because the hypocrisy observed in the organization was partly of my own making. Moreover, the people in the organization were friends. The question that I asked myself was could I have done things differently? Are my colleagues hypocrites? Is it fair on the organization that gave me much needed income and other supports? These are nice hardworking guys, is it good to criticize them? How will this reflect on me as a team player? Can I ever be friends with them again? Would anyone ever employ me again if they came to know that I am capable of writing unflattering stories about the organization that I worked for?

These thoughts were balanced by troubling events in the present society - the increasing failure of large commercial organizations leading to the revival of state control and dominance in contemporary advanced societies. As public control of organizations that face near-death experiences become the norm, organizations within which bureaucratic and professional characteristics co-exist are proliferating. What are the chances that the new management, which has higher influence of politicians and public opinion, repeat the mistakes of the past? The case was built in order to show
that (1) intentional hypocrisy within such organizations is possible even after a crisis, and (2) that the dialectical view of such politicized, hybrid organizations has specific advantages in analyzing the tendencies of such organizations to learn from its recent crisis.

CONCLUSION

This thesis was written with a humanistic intent which is characterized as a discipline with an “interpretive and normative core….with little commitment to systematic observation, to replicable knowledge and to the empirical testing of alternative explanations” (Zald, 1993:185). Such epistemological position is compatible to the proponents of research communication as story-telling like Daft’s (1983) who observe that research decisions are not linear and “…research process is not a logical step, is not the outcome of a strategic plan, is not calculable” (542).

In a series of papers, Zald (1991, 1993, 1995, 1998) called for sociology and organization studies to embrace the “tradition of reflection on the moral and normative dimensions…..;the objectivist-value free stance of positivism leads them to lack a nuanced base for discussion of value choice” (Zald, 1993:524). In this vein, the historical context on organizations becomes relevant as “the pathways of particular organizations are shaped by that larger context” (Zald, 1996:257).

The focus on context in both cases brought the challenge of understanding the combined and separate impact of interactions between two local contexts (developed western democracy and emerging economy) and a global context (supply chains, international trade policy, universal standards) on the organizations being studied. Gasper (2000) points out that both thick (detailed with all intricacies observed) version of an event or a thin abstraction (wherein an essential process of moral relevance is highlighted) have their uses depending on the arguments being made – “thickness is not necessarily more meaningful” (Gasper, 2000:1074).

The first case is a predominantly thin case version, with thick bits of events in between. The majority of the story is built from abstract plots like – world apparel industry, supply chains, poverty of worker, exploitation, international trade, politics of outsourcing, etc. These thin aspects are used to highlight more abstract concepts like cosmopolitanism and the tendencies of actors to pick and choose ethical positions. The
thicker aspects are employed to highlight the comparative financial strengths of the buyer and supplier (the Mercedes outside the supplier’s office, the plush offices of the buyer), vis-à-vis the Spartan dwellings of activists, and the overall poverty of the country. The anxious security guard at the supplier’s gate who constantly peeped out of the window to check for activists is a thick aspect of the case, the intention of which is to show that financial muscle can be a disadvantage in climbing up the moral high ground.

The second case, by contrast, is predominantly thick as the purpose was to show the organizational routines that could be categorized as deliberate hypocrisy. The serious attempts to procure legitimizing documents, the constant concern for political support, the disinterest in change, etc are described in detail highlighting the resource dependency and power struggles of individuals. A confluence of global processes, in contrast, constitutes the thin register of the case and is associated with the abstract concept of neoliberalism. The competition among cities with the Netherlands, Europe, and the world, the Dutch government’s policy of urban development, the acceptance of globalization, the implications of (subsidies from) the EU, etc. all of which would have contributed to fleshing out neo-liberalism is instead given a thin treatment as it was not the central concern.

To conclude, ad-hoc decisions and selective focus on data pervade both cases as constant choices had to be made on rendering the case (on instances that constitute the cases) with thick or thin detail. The intention is to inform practice, and in the humanistic fashion, firmly located within the civilizational context of globalized systems of production.
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Summary

It is easy to observe instances of contradictions and dilemmas that multinational companies, public bureaucracies, and individuals encounter as they seek resources and markets in a globally-linked world. The default condition for such entities is that they are being constantly stretched apart by processes that are multiple and intertwined, often contradictory and irreconcilable. The resulting confusion of roles and responsibilities is analysed against the theoretical back drop of cosmopolitanism, which attempts to explain the relevance of nation states and the attachments of individuals to a particular nation in the context of rapid globalization. Through qualitative studies of two organizational environments located in the interstices of the global and local processes, this thesis describes the process through which they negotiate and steer through divergent conflicting demands from an increasingly fracturing society. The resulting confusion of roles and responsibilities is analysed against the theoretical back drop of cosmopolitanism, which attempts to explain the relevance of nation states and the attachments of individuals to a particular nation in the context of rapid globalization.

The first case describes the moral environments within which multinational companies are located which are turning increasingly contradictory and ambiguous due to the partial dilution of structures considered hitherto immutable, and the simultaneous but incomplete emergence of new structures. This paper focuses on those streams of literature in business ethics that have tried to grapple with this ambiguity and develop moral positions for multinationals engaged in global production. These include the moral debates on sweatshops, related literature like international codes and standards, and corporate citizenship. By connecting the philosophical debates between the cosmopolitan and pragmatic visions of moral commitment to the world and the similar debates in the streams of business ethics, this chapter aims to highlight the implicit moral commitments of different positions suggested in the scholarly contributions to business ethics. Further, an ethnographic study of a conflict between a buyer based in Western Europe, a supplier based in South Asia, activists, politicians and legal institutions, is used to show how actors in a global production network, also faced with similar moral dilemmas emanating from the ambiguity, resort to arbitrary moral commitments in their attempts to satisfy a variety of critical constituencies holding diagonally opposite worldviews.
It is normal to expect that a professional organization that caused or was affected by a crisis would learn from the experience and avoid such a situation in the future. However, research on learning from crises suggests that this expectation can lead to disappointment; due to various environmental and internal characteristics many organizations fail to learn from crises. An alternative stream of research on organizational learning in public organizations suggests that hypocrisy and inconsistency are deliberate strategies to reconcile inconsistencies in their everyday lives. In the second case-study, an empirical study of a highly politicized but professional organization is used to determine whether these tendencies for hypocrisy and inconsistency also apply to post-crisis situations. The present business environment is characterized by private sector organizations surviving near-death situations by virtue of tenuous support from the public interests. The study aims to give a speculative but plausible reflection of how such professional managements with political owners might function after the crisis has passed.

Decisions taken by policy makers, multinational companies, civil societies, and individuals have immediate implications for a wider range of target groups than intended or assumed. As a result what is legitimate and accepted in one sphere is unacceptable and immediately contested in different spheres or at different times. Organizations that are morally bound to a particular ideology find it difficult to remain relevant or acceptable to different stakeholders or the changing compositions of stakeholders over time. Steering through this randomness and unpredictability will require temporary attachments and detachments to moral positions and even simultaneous links to mutually opposed value systems. For powerless organizations dependent on external resources, this may mean perpetuating inefficient actions, even at the risk of these actions causing serious threat to their existence or functions — or even after experiencing such a near-death experience.

Theoretically this thesis gives support to concepts in business ethics and organization theory that resonate with and can capture organizational actions in a dynamic, multi-level environment. Philosophical positions that incorporate conflict, contradictions, and process into their explanations seem to suit the condition of contemporary multinational and organizational activity.
Samenvatting proefschrift

De kunst van laveren: Hoe organisaties omgaan met voortdurende onzekerheid en onoplosbare keuzes.

Het is niet moeilijk voorbeelden te vinden van de tegenstrijdigheden en dilemma’s die multinationale ondernemingen, bureaucratische overheden en individuen ondervinden als ze op zoek gaan naar middelen en markten in een wereld die onderling zo sterk verbonden is. Ze dreigen voortdurend uit elkaar te worden getrokken door een veelvoud van vervlochten, vaak tegenstrijdige en onverenigbare processen. De daaruit resulterende verwarring van rollen en verantwoordelijkheden wordt geanalyseerd tegen de theoretische achtergrond van het kosmopolitisme dat probeert een verklaring te geven voor de relevantie van nationale staten en de verbondenheid van individuen met een bepaalde nationale staat in de context van voortschrijdende globalisering. Op basis van kwalitatief onderzoek naar twee organisatievormen op het snijvlak tussen wereldwijde en lokale processen beschrijft dit proefschrift het proces waarmee ze onderhandelen met en laveren door de uiteenlopende en conflictierende eisen van een in toenemende mate versplinterende samenleving.

De eerste casus beschrijft de morele omstandigheden waarin multinationale ondernemingen zich bevinden en die in toenemende mate tegenstrijdig en dubbelzinnig worden omdat structuren die tot dan toe onveranderbaar leken, deels verwateren en er gelijktijdig nieuwe onvolledige structuren ontstaan. Dit proefschrift richt zich op de literatuur over de ethiek van het ondernemen die zich bezighoudt met deze dubbelzinnigheid en probeert morele standpunten te ontwikkelen voor multinationals die wereldwijd produceren. Tot deze stroming in de literatuur behoren ook de morele discussies over uitbuiting van werkers (sweatshops), en verwante literatuur over internationale gedragscodes en standaarden en maatschappelijk betrokken ondernemerschap. Dit proefschrift beoogt, door het leggen van verbanden tussen de filosofische debatten binnen de kosmopolitische en de pragmatische visies op moreel engagement richting samenleving met dezelfde soort debatten in de

14 I thank Mrs. Thea Meinema (tmeinema@xs4all.nl; t.meinema@movisei.nl) for this translation which was delivered at short notice. I also thank my dear friends Guido, Kath and Virendya for their courageous attempts at translating this (quasi)scientific text.
stromingen van de ethiek van het ondernemen, het impliciete morele appèl van verschillende standpunten te benadrukken dat in de literatuur over de ethiek van het ondernemen wordt gesuggereerd. Daarnaast wordt gebruik gemaakt van een etnografisch onderzoek naar een conflict tussen een koper uit West-Europa, een leverancier uit Zuid-Azië, activisten, politici en juridische instanties, om aan te tonen hoe actoren in een wereldwijd productienetwerk die worden geconfronteerd met gelijksoortige morele dilemma’s die voortkomen uit deze dubbelzinnigheid, hun toevlucht zoeken tot arbitrair moreel engagement in hun pogingen om een verscheidenheid van kritische achterbannen met volstrekt tegenstrijdige wereldvisies tevreden te stellen.

Men zou mogen verwachten dat een professionele organisatie die een crisis heeft veroorzaakt of er door is getroffen leert van deze ervaring en een dergelijke situatie in de toekomst zal vermijden. Uit Onderzoek naar het leren van crises wijst echter uit dat deze verwachting tot teleurstelling leidt; dankzij diverse omgevingsfactoren en interne kenmerken slagen veel organisaties er niet in te leren van crises. Alternatief onderzoek naar het leervermogen van overheidsorganisaties suggereert dat deze dubbelzinnigheid en inconsistentie een opzetelijke strategie vormen om strijdigheden in het dagelijks functioneren van deze organisaties met elkaar te verenigen. De tweede casus, een empirisch onderzoek naar een sterk gepolitiseerde maar professionele organisatie, wordt gebruikt om te bepalen of deze dubbelzinnige en inconsistente tendensen ook van toepassing zijn op post-crisis situaties. Het huidige ondernemersklimaat wordt gekenmerkt door private ondernemingen die een bijna-doodervaring (een organisatorische crisis die het voortbestaan van de organisatie bedreigde) overleven dankzij aanhoudende steun van de overheid. Het onderzoek poogt een speculatieve maar plausibele afweging te geven van de manier waarop professionele managers met politieke bestuurders zouden kunnen functioneren na een crisis.

Beslissingen die worden genomen door beleidsmakers, multinationale ondernemingen, het maatschappelijk middenveld en individuen hebben directe consequenties voor een grotere verscheidenheid aan doelgroepen dan oorspronkelijk bedoeld of verondersteld. Daaruit volgt dat wat in een bepaalde omgeving wordt gezien als legitiem en acceptabel, in een andere omgeving of op een ander moment onacceptabel wordt gevonden en meteen wordt aangevochten. Organisaties die zich
moreel gebonden achten aan een specifieke ideologie hebben er moeite mee om relevant en geloofwaardig te blijven voor andere belangengroepen of in de loop van de tijd wisselende groeperingen van belangen. Tijdelijke verbintenissen en loskoppeling van morele standpunten zijn nodig om door deze willekeur en onvoorspelbaarheid te laveren, en soms zelfs gelijktijdige verbintenissen met wederzijds tegenstrijdige waardesystemen. Voor organisaties zonder politieke macht die afhankelijk zijn van externe middelen, kan dit betekenen dat ze inefficiënt moeten blijven handelen, zelfs als deze handelingen een ernstige bedreiging vormen voor hun bestaan of functioneren – of zelfs na een bijna-doodervaring.

Theoretisch ondersteunt dit proefschrift de denkbeelden in ondernemersethiek en organisatietheorie die organisatorische verandering beschrijven binnen een dynamische, gelaagde context. Filosofische standpunten die conflicten, tegenstellingen en processen in hun uitleg verwerken lijken het best aan te sluiten bij de realiteit van het hedendaagse multinationale en organisatorische functioneren.
Prabhir Vishnu Poruthiyil was born in Kerala, India. Vishnu competed his master’s in Development Studies from the Institute of Social Studies (ISS), The Hague, The Netherlands. Vishnu’s specific areas of interest are the social impact of globalization and the intertwined futures of multinational businesses and poverty alleviation in developing countries. To complement his academic exposure, Vishnu has set up a consultancy (www.catchraw.com) to assist globally inclined small and medium enterprises from developed countries to partner with socially responsible small suppliers in developing countries; a key to ensure that global growth patterns are inclusive. This combination of academic and practical experience has made Vishnu aware that good research with potential for emancipatory impact remain hidden in journals; with inadequate impact on policy and real-life situations. Vishnu hopes to play an active role in rectifying this anomaly and bridging research and practice.


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STEERING THROUGH
HOW ORGANIZATIONS NEGOTIATE PERMANENT UNCERTAINTY AND
UNRESOLVABLE CHOICES

It is easy to observe instances of contradictions and dilemmas that multinational companies, public bureaucracies, and individuals encounter as they seek resources and markets in a globally-linked world. The default condition for such entities is that they are being constantly stretched apart by global and local processes that are multiple, intertwined, contradictory and irreconcilable. Through qualitative studies of two such organizational environments, this thesis describes its unpredictable nature and highlights the deftness and dexterity required from actors to steer the organizations they manage through this complex thicket and promote the interests they espouse. The first case suggests that when faced with intractable dilemmas emanating from their global activity, multinational actors resort to arbitrary moral commitments. The second case suggests that powerless organizations relying on mutually contradictory political alliances may deliberately opt for hypocrisy; the strategy continues to be preferred in spite of having resulted in a near-death experience in its past. Jointly, these cases support concepts in business ethics and organization theory that incorporate conflict, contradictions, and contingent causality into their explanations as they provide a better reflection of contemporary multinational and organizational activity.

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