Call for Papers

Special Issue of the *Journal of Business Ethics*

Business Groups and Corporate Responsibility for the Public Good

Guest Editors:

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Submission Deadline: 15 December 2016

Background of the Special Issue

Business Groups have garnered growing attention of management scholars over the last decade (Colpan et al., 2010). However, the mainstream management literature appears to treat the phenomenon of Business Groups still more rather as an epiphenomenon. Core reasons for this appear to be that Business Groups, as Williamson (1975) has argued, conceptually straddle the sphere between markets and hierarchies. The phenomenon of Business Groups– despite having been more extensively explored by the literature in recent years, remains multifaceted and the literature offers a variety of different definitions (Colpan and Hikino, 2010). Business Groups are a set of at least two legally - independent firms whose economic activity is often coordinated through some form of hierarchical control via equity stakes and interlocking directorates or managerial ties. Business Groups operate in multiple and often unrelated markets, with a *common management and control*, a characteristic that makes them different from multidivisional forms of organization (Khanna and Yafeh 2007) and similar governance arrangements (Ararat, Black, Yurtoglu, 2015).

A particular area of interest in Business Groups appears to be their sometimes considerable engagement in corporate (social) responsibility, corporate sustainability, corporate citizenship etc. – labels which we here use synonymously under the umbrella term ‘corporate social responsibility’ (CSR; see Matten and Moon (2008)). Business Groups, particularly in emerging economies, in various incidents offer remarkable levels of financial, organisational and technological investments into the wider public good of the communities, countries and regions in which they operate. Examples are numerous: be it family governed business groups in India or Turkey, be it some of the Korean Chaebols or Japanese vertical Keiretsu, be it large business groups in Latin America or Europe – it appears that Business Groups are particularly situated in addressing social needs, poverty, governance deficits and institutional voids in welfare state provision and public governance.

As such, the social responsibilities assumed by Business Groups transcend the understanding of CSR in the traditional theory of the firm perspective. The latter sees corporate responsibility for the public good as voluntary activities which ultimately contribute to the bottom line (McWilliams and Siegel, 2001). Looking at the engagement of Business Groups for the public good though provides a much broader and richer picture. It includes those standard CSR practices but often goes significantly beyond this scope: in particular in developing/emerging contexts Business Groups, through their foundations or through their actual core business, address institutional voids, providing employment, products and services which essentially substitute and emulate what would be considered welfare state provision in liberal developed democracies. Beyond that, in many instances in some countries

Business Groups are pivotal to the functioning of markets, the setup of the economy, and the basic building blocks of the political system, so that the question at the heart of this call for papers - the responsibility of Business Group for the *public good* - is as much an open research question as it has the potential to refine existing debates on CSR.

This societal role, however, is far from being uncontroversial. Business Groups – given their size and relatively high economic influence in their respective social contexts – are often seen as being heavily involved in political rent-seeking (Kruger 1974), investing primarily in political connections, as opposed to productive assets. Baumol (1990) argues that large, invasive, and corrupt governments can make political rent-seeking the highest return on investment available to most firms, and that this can stall economic development. This can be a stable situation in which particular rent-seeking Business Groups do well – their investments in government connections yield high returns in subsidies, trade protection, tax breaks, and protective barriers to entry; as do the politicians who favor them; but the economy suffers from a lack of genuine investment in productivity-improving assets and thus stagnates (Morck, Wolfenzon and Yeung 2005). This is often referred to as an "economic entrenchment trap" since this phenomenon describes predominantly the strategic positioning of many Business Groups in emerging economies.

Other concerns regarding the social responsibilities of Business Groups circle around their relationships with their shareholders: corporate governance processes in Business Groups have often been discussed rather controversially. The finance literature emphasizes pyramidal structures built by controlling shareholders through a chain of equity ties, and the possible conflicts of interests arising with minority shareholders (La Porta et al., 1999; Almeida and Wolfenzon, 2006). The main concern is that these organisations - often controlled by powerful families who through various tools control the entire business – thus disempower other minority shareholders in the firm. The knock on effects can have disastrous effects on the efficiency (often the mere existence) of capital markets in those countries and their ability to attract foreign direct investment. It furthermore encourages various forms of corruption, as evidenced by the scandal around the Italian Business Groups Parmalat (Melis, 2005) in the early 2000s.

Purpose and Prospective Themes of the Special Issue

Despite the growing attention Business Groups have received in recent years in scholarly debates, their impact, roles and assumption of social responsibilities for the wider public good has only received scant and, at best, anecdotal attention in the literature. For instance, the Oxford Handbook of Business Groups (Colpan et al, 2010) – a comprehensive overview of the debate around research in Business Groups – does not feature a single chapter or index item referring to corporate (social) responsibility of Business Groups. It is here where this Special Issue attempts at filling a significant gap in the literature.

Research questions and themes explored by potential contributions to this Special issue include, but are not limited to the following aspects:

- If Business Groups take voluntary action to address the public good, in how far is that part of their explicit policies and corporate strategy, and how far is it just a response to institutionalized expectations in their respective contexts?
- Empirically, what do Business Groups actually do when they practice CSR? Which areas do they address? What are the drivers of those activities?
- Comparatively, are there differences between CSR notions or initiatives of Business Groups in different countries? We observe different roles in different countries: In lower income

countries one could argue that there is a focus on economic development, institution building and provision of basic social needs, while in high income countries Business Groups contribute through productivity growth, innovation and by addressing externalities. What accounts for those differences? Are there commonalities?

- Do Business Groups as organizations have a common approach to CSR? How far is their approach to CSR different from other forms of large businesses?
- What is the degree, form and organizational pattern of the relations Business Groups establish to civil society? Are they pressured by civil society and NGOs - or do they engage, collaborate and partner with those actors? What are agendas of Business Groups in this context?
- Are there differences in the approach to CSR according to industries between different Business Groups?
- Is family control a driver of CSR? Or is it actually an impediment? In the CSR literature the consensus is that most of contemporary CSR is in some way related to the business case as this reflects the core interest of shareholders. Since Business Groups are in many instances controlled by families does this make a difference? Do the values of the controlling family impact and reflect the CSR approach of Business Groups?
- How do relations of Business Groups to governments and the political sphere impact the public good? Do they co-opt the political sphere? Do they use their considerable leverage to alter and change political processes and actors? Do they just pursue firm specific agendas or do they use their influence for wider societal objectives?
- How do the reputational benefits of group wide CSR, frequently implemented through a foundation financed by affiliated firms or founding families, accrue on individual firms? Would failure to respond to institutional pressures and reputational risks by the business group management or one of the affiliated firms effect other firms in the business group?
- What is the role of Business Groups with regard to institutional voids? Often their monopolistic market power, their relationships to governments and their control of key sectors can contribute to those voids. On the other hand, we also observe considerable efforts by business groups to address those voids at various levels.
- What is the relationship between a Business Group's CSR activities and its group-wide financial performance?
- How are the CSR activities coordinated at the headquarters and operating companies of a Business Group? Do business groups engage in an orchestrated CSR at the group headquarters level, or do they have independent CSR activities at several levels of their operating companies?

Types of Submissions

This special issue seeks to expand our knowledge of the intersections between Business Groups, corporate responsibility and governance for the public good. As such it invites contributions from a broad range of sub-disciplines of management, including (but not limited to) CSR, business ethics, sustainability, organizational behavior/theory, international business, or corporate governance. We also encourage theoretical approaches from a range of social and political science disciplines, including business, law, politics, international relations, and sociology.

The Special Issue will feature papers that pave new empirical and conceptual ground in this field of research in intersecting phenomena. We seek both papers that deliver in-depth empirical explorations of the topic and papers providing theoretical conceptualization, analytical vocabularies and innovative methods for the understanding of the intersection between Business Groups and CSR. We particularly encourage submissions that develop our theoretical understanding of the phenomena by showcasing relevant conceptual and analytical approaches.

Submission process and schedule
Potential authors are welcome to discuss further details about submissions with any of the three guest editors.

Authors are strongly encouraged to refer to the *Journal of Business Ethics* website and the instructions on submitting a paper (please format the paper in the JBE style). For more details about the types of manuscripts that will be considered for publication see http://www.springer.com/social+sciences/applied+ethics/journal/10551

Submission to the special issue – by *15 December 2016* – is required through Editorial Manager at http://www.editorialmanager.com/busi/
Upon submission, please indicate that your submission is to this Special Issue of JBE.

The Guest Editors

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Dirk Matten (dmatten@schulich.yorku.ca) holds the Hewlett-Packard Chair in Corporate Social Responsibility at the Schulich School of Business, York University, Toronto. He has published 15 books on CSR and business ethics as well as numerous articles in journals including *Academy of Management Review*, *Journal of Management Studies*, and *Organization Studies*. He is interested in CSR, business ethics and comparative international management.

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