



**Ethical change, legal normativity and social legitimacy:
Organizational transformation as a socio-legal process**

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Abstract:

This article examines organizational change in enterprises as a socio-legal process rather than a purely technical or managerial transformation. Drawing on the sociology of law and business ethics, it explores how legal norms, ethical expectations and institutional pressures shape the legitimacy of organizational change. The analysis adopts an interdisciplinary theoretical approach, engaging with the work of Luhmann, Bourdieu, Cotterrell, Habermas and institutional theory. Enterprises are conceptualized as social actors embedded in broader legal, cultural and normative environments, where ethical discourse functions both as a mechanism of control and a source of legitimacy. The article argues that organizational change involves processes of moral and legal legitimation through which enterprises negotiate social acceptance and institutional continuity. By framing organizational transformation as a socio-legal phenomenon, it contributes to law and society scholarship by demonstrating how legal structures and ethical norms jointly shape the conditions under which organizational change becomes legitimate, socially intelligible and sustainable.

Keywords:

Organizational change, socio-legal theory, business ethics, sociology of law.

Resumen:

Este artículo examina el cambio organizativo en las empresas como un proceso sociojurídico, más que como una transformación puramente técnica o de gestión. Basándose en la sociología del derecho y la ética empresarial, explora cómo las normas jurídicas, las expectativas éticas y las presiones institucionales determinan la legitimidad del cambio organizativo. El análisis adopta un enfoque teórico interdisciplinar, que se nutre de

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los trabajos de Luhmann, Bourdieu, Cotterrell, Habermas y la teoría institucional. Las empresas se conceptualizan como actores sociales integrados en entornos jurídicos, culturales y normativos más amplios, en los que el discurso ético funciona tanto como mecanismo de control como fuente de legitimidad. El artículo sostiene que el cambio organizativo implica procesos de legitimación moral y jurídica a través de los cuales las empresas negocian la aceptación social y la continuidad institucional. Al enmarcar la transformación organizativa como un fenómeno sociojurídico, contribuye a los estudios sobre derecho y sociedad al demostrar cómo las estructuras jurídicas y las normas éticas configuran conjuntamente las condiciones en las que el cambio organizativo se vuelve legítimo, socialmente inteligible y sostenible.

Palabras clave:

Cambio organizativo, teoría sociojurídica, ética empresarial, sociología jurídica.

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1. INTRODUCTION

1.1 THE CHALLENGES OF ENTERPRISE: A SOCIO-LEGAL PERSPECTIVE ON ORGANIZATIONAL CHANGE

Organizational change has become a defining feature of contemporary enterprise.¹ Despite its centrality, dominant accounts of change continue to be framed largely in technocratic and instrumental terms, treating organizational transition as a neutral process of adaptation to economic, technological, or competitive pressures. Such approaches tend to marginalize the ethical, social, and legal dimensions through which change is rendered meaningful, legitimate, and governable.²

From a socio-legal perspective, organizational change cannot be understood merely as a technical or strategic choice. Rather, it constitutes a normatively charged process in which legal rules, ethical expectations, and institutional arrangements interact to shape organizational practices and social legitimacy. Enterprises do not operate in a normative vacuum; they are embedded within dense networks of legal norms, moral discourses, and social expectations that both constrain and enable processes of transformation.

Against this background, this article examines the ethical and socio-legal challenges that arise during periods of organizational transition—that is, during moments of substantive transformation affecting the character, structure, or value orientations of enterprises (Timmons and Spinelli 2007, 1–35). It focuses, further, on the ways in which institutions, legal norms, and ethical expectations function simultaneously as mechanisms of control, stabilization, and discipline, as well as sites of reflexivity, contestation, and social transformation. The central analytical question concerns how organizational change is socially constructed within enterprises—not merely as an instrumental or strategic decision, but as an ethical and institutional event that profoundly reshapes the relationship between enterprise, law, and society.³

Accordingly, the study adopts an interdisciplinary and critical approach, drawing primarily on socio-legal theory and business ethics, with particular emphasis on institutional theory

¹ As it has been emphasized, “change is the process of transforming the way in which an individual or an organization act, from one set of patterns of behaviour to another. Change may be systematic or planned, or it may occur in a random manner.” Change management theory focuses on the approaches and methods employed to ensure that change initiatives are successful, that resistance is minimized, and that employees and other stakeholders adapt in a positive way. At the same time, it concentrates on understanding and applying strategies and processes that enable organizations to adapt successfully to new conditions and achieve their objectives (Montana and Charnov 1993, 377, Burnes 2004, 45–47).

² For a general approach, see Weber (1978, 4–26), Rawls (1999, 3–22), Boltanski and Thévenot (2006, 1–30).

³ On the framing of organizational change as an ethical and institutional event reshaping the relations between enterprise, law and society, see Cotterrell (1995, 296–310) and Scott (2014, 56–89); and, on the systemic embedding of law in organizational settings, Luhmann (2004, 357–380).

and the sociology of norms (including the work of Luhmann, Bourdieu, and Cotterrell).⁴ Organizational change is approached not as a linear process of rational planning, but as a social practice in which legal and ethical reasoning becomes embedded in everyday organizational life, often in ambivalent, contradictory, or conflictual ways.

1.2. THEORETICAL POINTS OF DEPARTURE: ETHICS, SOCIETY AND LAW IN MOTION

Organizational change within enterprises—particularly in periods of crisis or restructuring—cannot be reduced to processes of adaptation to new markets or technologies. Rather, it constitutes a broader process of rearticulating organizational meaning and identity within dense networks of legal rules, moral values, and social expectations (Kolovou 2018, 1–120). From this perspective, three analytical premises guide the present inquiry: first, that—as a working hypothesis advanced for further empirical scrutiny—law operates not merely as an external, *ex post* regulatory mechanism, but may, under specific organizational and cultural conditions, also become a normative reference integrated into the routine reasoning of enterprises,⁵ second, that ethics cannot be confined to formal codes of conduct, but emerges as a socially embedded demand for responsibility and the legitimation of organizational decisions,⁶ and third, that society should not be understood as a passive recipient of organizational change, but as an active arena of scrutiny, influence, and normative dialogue (Thanopoulos 2003, 85 ff).

Within this framework, Niklas Luhmann’s systems theory offers a productive lens for understanding the role of law under conditions of uncertainty.⁷ Law functions as a mechanism for reducing social complexity, a function that becomes particularly salient in contexts of organizational instability. Enterprises rely on relatively stable normative structures in order to manage contingency and unpredictability (Luhmann 1984/1995, 137). These structures operate as subsystems within a broader social system, whose coherence is produced through the interrelations among its functional components. Luhmann’s approach thus calls for an interpretation of social reality grounded in a systemic and holistic theory of modern society—one that combines abstract theoretical premises with an analysis of social practices (Mandali 2021). Law, in this account, constitutes a functionally autonomous and self-referential social system, comparable to autopoietic systems in the natural sciences. Through processes of self-production, law maintains its identity by reproducing its own norms, distinctions, and communicative codes (Tsiros 2014).

⁴ On the methodological commitments of an interdisciplinary socio-legal approach drawing on systems theory, field theory and interpretive sociology of law, see Banakar and Travers (2013, 1–26), Cotterrell (2018, 1–25), and Nelken (1998, 407–426).

⁵ According to Intzesiloglou, law goes beyond mere “external coercion” and becomes embedded in the actions and decisions of enterprises, thereby influencing both their “formal” and “substantive” legitimacy (Intzesiloglou 2012, 45–60).

⁶ The premise that ethics in the corporate context functions as a socially embedded demand for responsibility and legitimation, rather than as a free-standing personal morality, draws on socio-legal scholarship that situates ethical norms within their cultural and institutional contexts: see Cotterrell (2006, 45–68), Suchman (1995), Rendtorff (2020). The distinct—though related—question of corporate moral agency, on which see Werhane and Moriarty (2009, p. 3 ff.) and French (1979), which is addressed separately in section 3 below.

⁷ Luhmann conceptualizes law as a functionally differentiated, self-referential social system that reduces complexity and manages uncertainty in society. Within organizations, legal norms operate not merely as external rules but as part of the systemic logic that stabilizes expectations and guides behavior. See Luhmann (1984, 110–135; 1984/2004, 51–75). This systems-theoretical perspective highlights the internalized role of law in structuring organizational decision-making under conditions of uncertainty.

At the same time, ethical discourse—particularly as articulated in Jürgen Habermas’s theory—operates as a space of justification and deliberation that extends beyond the boundaries of formal legality. Habermas conceptualizes law and morality as complementary normative spheres. In his earlier work, the legitimacy of law is grounded in moral-practical reasoning and in an ethically conceived notion of the general interest. In his later writings, however, Habermas emphasizes that subjective rights, which constitute the foundation of modern legal orders, serve precisely to release individuals from direct moral obligations (Ntola 2008, Kalligeri 2017, 29 ff.). By institutionalizing subjective rights, modern law establishes the principle that all actions are permitted unless explicitly prohibited. Habermas thus clarifies that law differs from morality not only in its form, but also in its thematic scope: law is more encompassing, as it addresses questions of justice that intersect with moral concerns while simultaneously regulating collective goals and social coordination (Habermas 1996, 104–118).

In sum, law and ethics should not be understood as opposing normative logics, but as interrelated and complementary modes of social regulation and meaning-making. Within this framework, enterprises in transition are called not only to adapt to changing conditions, but to justify and legitimate the transformations they enact. Organizational change thus emerges not merely as a legal problem, but as a socio-cultural and normative phenomenon, situated at the intersection of law, ethics, and social practice.

Against this background, the contribution of the present article to the existing literature can be specified along three axes of thought. First, rather than offering yet another descriptive synthesis of socio-legal theories of organizational change, the article advances a heuristic framework in which the divergent theoretical lenses of Luhmann (systems theory), Bourdieu (field theory), Habermas (discourse ethics) and Cotterrell (interpretive socio-legal analysis) are juxtaposed as complementary analytical lenses generating distinct hypotheses about the role of law and ethics in organizational transformation. The internal tensions among these theories—most notably between the Luhmannian thesis of legal self-referentiality and the Habermasian thesis of communicative rationality, oriented toward normative consensus—are acknowledged and exploited as productive sources of hypothesis-generation: each theory illuminates a different dimension of the same phenomenon and supports different empirical research questions. Second, the article reframes organizational change as a hypothesis-generating site for socio-legal inquiry rather than a settled empirical domain, distinguishing, thus, claims about law’s reactive and corrective function within the organizational reasoning. Third, the article connects this framework to current debates on AI-driven transformation, ESG governance, and corporate sustainability due diligence under emerging EU regulation, thereby positioning classical socio-legal theory in dialogue with contemporary normative shifts. Methodologically, this article is a conceptual study based on a critical and comparative reading of canonical and contemporary socio-legal and business-ethics scholarship; it does not present original empirical evidence, but its analytical contribution lies in identifying entry-points through which subsequent empirical research can test the hypotheses generated here.

2. THEORETICAL FRAMEWORK

Beyond technocratic approaches, change management does not constitute a neutral process, as it often involves decisions that significantly affect the lives of thousands of

employees, the environment, and the broader social structure. Such decisions raise fundamental ethical dilemmas, including the tension between profit maximization and social benefit, responsibility toward workers, and the reproduction or mitigation of social inequalities (Dunphy and Stace 1993, 16–19).

2.1. CHANGE MANAGEMENT AND THE SOCIOLOGY OF LAW

The sociology of law examines the legal order governing social formations not as an abstract, autonomous system of rules, but as a socially embedded phenomenon. From this perspective, it offers analytical tools for examining the hypothesis that law co-shapes organizational change not only as an external regulatory constraint operating *ex post*, but, under certain conditions, also as a normative reference internalized into organizational culture—a proposition this article seeks to qualify and submit to empirical testing rather than to presuppose (Flytzanis 2021). Law, thus, appears both as a product of social relations and as an active force shaping them. Theoretical approaches developed within this field highlight the complex and multi-layered nature of this relationship, as articulated in the seminal works of thinkers such as Niklas Luhmann, Pierre Bourdieu, and Roger Cotterrell.⁸

More specifically, Luhmann conceptualizes law as an autopoietic social subsystem operating through the binary code of “legal/illegal.” Within this framework, organizational change is not assessed primarily in moral terms, but in terms of functional adequacy: law provides stability and predictability, thereby reducing social complexity. Consequently, the ethics of change are displaced to a secondary level; they do not disappear, but are instead incorporated into the communicative logic of the legal system itself. In this model, firms do not engage in moral reasoning *per se*, but rather adapt to the dominant codes of communication that stabilize expectations. Ethical considerations become relevant insofar as they are translated into legally recognizable forms (Luhmann 1984/2004, 154–157).

To illustrate the analytical purchase of this framework, consider a stylised scenario: a multinational firm announces the automation of a substantial part of its operations, with consequent collective redundancies. Within Luhmannian terms, the legal subsystem registers this organizational change exclusively through its binary code legal/illegal: collective dismissal procedures, statutory consultation duties, severance entitlements, and information-and-consultation rights are processed as legally tractable communications, irrespective of the moral weight that workers, communities, or the public attach to them. Ethical contestation registers within the legal system only insofar as it is recoded—through litigation, regulatory review, or non-financial disclosure obligations—into a legally recognisable form. The framework thereby clarifies why morally salient grievances often remain socially visible, yet legally inaudible until they are translated into the system’s own communicative codes. It, further, addresses why managerial discourses of “efficiency” or “competitiveness” can coexist with intense moral controversy without producing legal effects until a discrete threshold of recoding is reached. From this analytical vantage point, hypotheses can be formulated regarding the conditions under which moral pressure is most

⁸ Law can be understood not only as a set of formal rules but also as a socially embedded phenomenon that both reflects and shapes relations of power, authority, and norms within society. Luhmann emphasizes law as an autopoietic system reducing complexity, Bourdieu highlights law as a codified instrument of power that reproduces social hierarchies, and Cotterrell stresses the interdependence of law, morality, and culture in shaping social acceptance and legitimacy. See Luhmann (1984/2004, 51–75), Bourdieu (1987, 805–853).

likely to undergo such recoding (e.g. the role of mandatory non-financial disclosure regimes, judicial review, or strategic litigation).

By contrast, Pierre Bourdieu approaches law as a “codified form of power” that consolidates and legitimizes social inequalities through legal discourse. Applied to the business context, this perspective reveals how legal forms render relations of domination within organizations seemingly “natural” or self-evident. In this way, power relations are reproduced through the conversion and accumulation of different forms of capital—particularly symbolic capital—which tend to benefit dominant social groups (Bourdieu 1987). Organizational change, from this standpoint, cannot be disentangled from struggles over legitimacy and authority embedded in legal language and institutional practices (Tsirakis 2021, 35 ff., Cotterrell 2024, 236).

Operationalised for the analysis of organizational change, Bourdieu’s conceptual apparatus suggests three concrete analytical moves. First, mapping the juridical field of an enterprise: identifying who possesses authoritative voice (general counsel, compliance officers, HR), whose juridical capital is institutionally recognised, and whose claims (workers’ representatives, affected communities, external civil-society actors) are excluded from or marginalised within the field’s symbolic economy (Bourdieu 1987, 814–817). Second, tracing the conversion of economic and political capital into the symbolic capital of legality—the way managerial decisions are reframed as compliance with technical standards, due-diligence procedures, or fiduciary duties, thereby acquiring the legitimacy of legal form while obscuring underlying distributive choices. Third, identifying moments of disruption, where the taken-for-grantedness of legal-organizational arrangements is contested by actors mobilising heterodox normative resources (whistleblowing, strategic litigation, public campaigns, regulatory innovation), opening space for renegotiation. These three moves move Bourdieu’s vocabulary from rhetorical reference to analytical instrument capable of generating concrete research questions about how legal forms reproduce or challenge domination during episodes of corporate transformation (Bourdieu 1987, 838–839 and 844–846).

Roger Cotterrell, for his part, argues that law cannot be adequately understood outside its social context, as it incorporates moral and cultural expectations that shape the social acceptance of legal reforms. Law, in this sense, functions as a medium through which collective values and normative assumptions are articulated, negotiated, and contested. The success or failure of organizational and regulatory change therefore depends not only on formal legality, but also on its resonance with broader social norms and moral understandings.⁹

A comparative reading of Luhmann’s, Bourdieu’s, and Cotterrell’s theories regarding the ethics of change and the role of business organizations reveals distinct analytical levels, theoretical starting points, and conceptions of the relationship between law and morality. Luhmann conceives society as composed of autonomous subsystems—such as the

⁹ Cotterrell, adopting a more interpretive approach, foregrounds the embodied and cultural dimensions of law. He argues that law and business organizations cannot be meaningfully conceived outside their social and moral contexts. Organizational transformations—such as those associated with the ethics of change—must therefore be grounded in broader cultural values and in relationships of trust with relevant stakeholders. Unlike Luhmann, for whom morality does not constitute a criterion of legal validity, and unlike Bourdieu, who conceptualizes ethics as a field of conflict, Cotterrell views ethics as an integral component of the social legitimacy and acceptance of law, including within the corporate sphere.

economy, law, politics, and morality—each governed by its own communicative code. Within this framework, morality is not structurally integrated into the economic system; rather, it operates as an external environmental pressure. Businesses may thus adopt ethical practices not out of intrinsic moral commitment, but as a strategy of legitimation and adaptation to societal expectations, including consumer demands and concerns for public image.

2.2. ETHICS IN ORGANIZATIONAL CHANGE: FROM WEBER TO HABERMAS

The concept of ethics in business practice is closely linked to the deeper normative structures that shape organizational decision-making (Michalos 1995, 87–89). Ethics thus functions as a critical mechanism of reflexive evaluation, particularly in periods of transition, where questions of legality, justice, accountability, and trust become especially salient.

Within this framework, Max Weber's classical distinction between an ethic of conviction (*Gesinnungsethik*) and an ethic of responsibility (*Verantwortungsethik*) remains analytically central. The former is grounded in adherence to principles irrespective of outcomes, whereas the latter requires actors to take responsibility for the foreseeable consequences of their actions (Gephart 2010, 1–135). Processes of organizational transformation frequently confront enterprises with this tension, as strategic decisions may be legally permissible yet socially contentious, or ethically motivated yet economically risky (Weber 1992, 427–474, Wellmer 1993, 15–53).

Weber's broader analysis of rational-legal authority and bureaucratic organization further illuminates the ethical dimensions of business governance. In his model, organizational action is embedded in a framework characterized by formal rules, hierarchical authority, clearly delineated competences, and accountability structured from lower to higher levels. Positions of authority exercise control over subordinate roles, while recruitment and advancement within bureaucratic systems are based on formally certified expertise and technical competence. This rationalization of organizational life enhances predictability and legal certainty, but also risks displacing substantive ethical judgment in favor of procedural compliance (Crozier 1964, 310–320).

In *The protestant ethic and the spirit of capitalism*, Weber famously argued that capitalism flourished in the West due to specific moral dispositions associated with Protestant ethics, including disciplined labor, ascetic self-restraint, economic rationality, and individual responsibility. These values, he contended, profoundly shaped Western business ethics and contributed to the institutionalization of capitalist economic relations. From a socio-legal perspective, this analysis underscores how moral worldviews become embedded in legal and organizational forms, thereby stabilizing particular models of economic conduct and authority (Weber 1930/2006).

In contemporary contexts, business practices continue to be influenced by these inherited ethical frameworks, yet they are increasingly challenged by technological developments and regulatory transformations. The rise of artificial intelligence and automation, for example, raises acute ethical and legal dilemmas regarding workforce displacement, social protection, and corporate responsibility. While automation may enhance efficiency and competitiveness, it also generates socio-legal questions concerning labor rights, distributive

justice, and the obligations of firms toward affected communities. These developments highlight the growing importance of ethical reasoning not merely as a matter of corporate culture, but as a normative dimension intertwined with legal regulation, governance mechanisms, and social legitimacy.

2.3. ETHICS AND THE EVOLUTION OF SOCIETY: BUSINESS ENTERPRISES AS SOCIAL INSTITUTIONS

Contemporary technological developments increasingly reshape business ethics by reinforcing orientations toward efficiency, procedural formalization, and performance measurement. Yet business enterprises cannot be understood solely as economic actors; they also function as institutions of social significance. When left unchecked, an exclusively instrumental rationality risks reducing individuals to quantifiable units rather than recognizing them as social actors endowed with dignity and rights. Contemporary business ethics must therefore balance rationalized organizational practices with the preservation of humanistic values and respect for fundamental rights. From a socio-legal perspective, this balance is central to the legitimacy of corporate action within democratic societies (D'Cruz *et al.* 2022).

Habermas's theory of communicative action offers a normative framework for addressing this tension. According to Habermas, ethical norms can claim validity only insofar as they are capable of securing the rational assent of all participants in a discourse conducted under conditions of free and non-coercive communication. Within this framework of discourse ethics, the legitimacy of action is achieved through dialogue and consensus rather than unilateral imposition. Applied to organizational change, this approach implies that firms undergoing transformation should engage in open ethical deliberation with those affected by change, thereby avoiding the top-down enforcement of strategic decisions that lack social justification (Habermas 1991, 43–66).

This perspective has direct implications for contemporary business ethics, particularly in contexts of organizational restructuring or strategic realignment. In line with Habermasian theory, enterprises should not merely impose decisions through managerial authority, but should seek discursive legitimacy through ethical dialogue with relevant stakeholders, including employees, customers, suppliers, and local communities. Such participatory processes strengthen the legal and moral legitimacy of corporate action, enhance social acceptance, and contribute to the long-term sustainability of organizational decisions (Habermas 1984, 1–465).

To avoid remaining at the level of normative aspiration, the institutional translation of Habermasian discourse ethics in the corporate context can be specified through concrete mechanisms. These include a plethora of works and information-and-consultation procedures as established under EU Directive 2002/14/EC,¹⁰ Directive (EU) 2024/1760 on

¹⁰ Directive 2002/14/EC creates a general framework requiring employers to inform and consult employees on recent and probable business developments, employment prospects, and decisions likely to lead to substantial changes in work organisation or contractual relations. In this way, the Directive gives procedural expression to deliberative participation within the enterprise by institutionalising structured dialogue between management and workers. See Directive 2002/14/EC, arts 1(1), 4(1)–(2).

Corporate Sustainability Due Diligence (CSDDD)¹¹ and Directive (EU) 2022/2464 on Corporate Sustainability Reporting (CSRD).¹² In addition, they comprise structured public-comment and stakeholder-engagement procedures in regulatory rule-making, including those introduced by Regulation (EU) 2024/1689 (the Artificial Intelligence Act) for high-risk AI systems, as well as grievance mechanisms required under the UN Guiding Principles on Business and Human Rights.¹³ These institutionally embedded fora represent imperfect but non-trivial approximations of the discursive conditions Habermas identifies. Acknowledging their imperfection—asymmetries of resources and information, the risk of strategic capture, the limited representativeness of constituted interlocutors—allows the abstract normative ideal of communicative rationality to be translated into a research category amenable to empirical assessment, rather than treated as a free-floating prescription.

Institutional theory further illuminates how organizations shape their practices and strategies in response to pressures emanating from their social, political, and cultural environments. Its central premise is that firms do not operate exclusively on the basis of economic rationality, but adopt structures and behaviors that are perceived as appropriate, legitimate, or expected within a given institutional context, in order to secure stability, legitimacy, and survival. From a socio-legal standpoint, this insight underscores the role of law not merely as a coercive regulatory mechanism, but as a constitutive element of organizational norms and expectations (DiMaggio and Powell 1983, 147–160).

Within this framework, enterprises respond to three primary forms of institutional pressure: *regulative* pressures associated with formal laws and regulatory regimes; *normative* pressures linked to professional standards and societal expectations; and *mimetic* pressures arising from the tendency of organizations to emulate perceived successful models in conditions of uncertainty. Consequently, each enterprise is shaped by an institutional environment that defines the norms, practices, and legitimate expectations of both markets and society at large. Institutional theory thus posits that organizations—business enterprises included—are structured and governed not only by technical or economic criteria, but primarily by socially constructed norms, values, rules, and expectations (DiMaggio and Powell 1983, 147–160).

¹¹ The CSDDD directive requires in-scope companies to identify, prevent, mitigate, and remedy adverse human rights and environmental impacts throughout their operations and value chains, while engaging with affected stakeholders in the due-diligence process. In doing so, it extends corporate decision-making beyond purely shareholder or managerial interests and embeds deliberative accountability toward workers, communities, and other impacted groups. See Directive (EU) 2024/1760, arts 5, 8, 13, 16.

¹² The directive requires large companies and other in-scope undertakings to disclose standardized information on environmental, social, human-rights, and governance matters, including impacts, risks, and strategy. By mandating public justification of corporate conduct and exposure to stakeholder scrutiny, it institutionalizes communicative accountability within corporate governance. See Directive (EU) 2022/2464, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, arts 1(4), 1(8).

¹³ AI Act sets for certain deployers of high-risk AI systems to conduct a fundamental rights impact assessment identifying affected groups, foreseeable risks, human oversight measures, and internal governance and complaint mechanisms, thereby embedding participatory review and accountability into AI governance. Likewise, the UN Guiding Principles require enterprises to establish or participate in effective operational-level grievance mechanisms through which adversely affected stakeholders may raise concerns and seek remediation. See Regulation (EU) 2024/1689, arts 27(1)(c)–(f), & 72–73. Also United Nations Human Rights Council (2011), Principles 29–31, pp. 31–34.

From this perspective, the ethics of organizational change cannot be reduced to regulatory compliance alone. Rather, it performs a broader function of social control, dialogue, and legitimation, particularly in periods of strategic transition such as those associated with ESG governance, sustainability agendas, and technological innovation. Organizational change that falls outside socially legitimized boundaries—or that provokes ethical contestation—may fail regardless of its economic rationale (Meyer and Rowan 1977, 340–363).

Accordingly, organizational change should be understood not as a purely technical managerial decision, but as a process of institutional transformation through which enterprises negotiate their position within the social order. As Richard Scott has emphasized, organizations operate within regulative, normative, and cultural-cognitive frameworks that both enable and constrain the scope and direction of change. In this sense, business enterprises emerge as hybrid socio-legal actors, whose capacity to transform is intrinsically linked to the broader structures of law, morality, and social legitimacy (Scott 2001, 48–52).

To this end, from a socio-legal perspective, business transformation is not simply an internal restructuring; it also involves reshaping how organizations are perceived and accepted by society and the legal system. This process increasingly requires the renegotiation of legitimacy and responsibility. In contemporary business reality, change extends beyond technical, organizational, or economic parameters—it is also a socio-ethical phenomenon. Ethics functions as a mechanism of oversight, dialogue, and legitimation, structuring the environment in which corporate reform is comprehensible, acceptable, and sustainable (Rendtorff 2020).

In this context, the theoretical contributions of Meyer and Rowan, DiMaggio and Powell, Suchman, and Scott offer a comprehensive framework for understanding how business change is legitimized, monitored, and shaped by socio-legal and ethical forces.¹⁴ Meyer and Rowan argued that organizational structures and practices are frequently adopted not for their technical efficiency but to align with institutionally recognized norms of appropriateness and legitimacy.¹⁵ DiMaggio and Powell, further, elaborated this perspective, highlighting the processes of coercive, mimetic, and normative isomorphism, through which organizations conform to prevailing societal and institutional expectations.¹⁶

¹⁴ Suchman provides a framework for understanding organizational legitimacy as a socially constructed perception that organizations actively manage through strategic, normative, and cultural practices, emphasizing the interplay between ethical, social, and institutional expectations (Suchman 1995). Scott complements this view by conceptualizing organizations as embedded in regulative, normative, and cultural-cognitive pillars, showing how institutional pressures shape organizational behavior and legitimation processes (Scott 2014, 56–89). Together, their frameworks highlight that legitimacy is neither static nor purely formal, but an ongoing socio-legal and ethical negotiation between organizations and their environments.

¹⁵ Meyer and Rowan (1977) show that organizational structures often serve symbolic and legitimizing purposes rather than purely technical or efficiency-driven ones, reflecting the expectations of the institutional environment in which organizations operate. Their analysis highlights how conformity to socially endorsed norms enhances legitimacy, even when it may not improve operational performance.

¹⁶ DiMaggio and Powell identify three mechanisms of institutional isomorphism—coercive, mimetic, and normative—through which organizations adopt similar structures and practices in response to regulatory pressures, uncertainty, and professional norms. These processes explain how conformity to societal and institutional expectations contributes to organizational legitimacy while reducing variability across organizations. See DiMaggio and Powell (1983).

Scott (2014) expanded institutional theory by proposing a tripartite model—regulative, normative, and cognitive—emphasizing that organizations are shaped not only by formal regulations but also by deeply ingrained cultural and cognitive norms. Institutions encompass not just legal rules and formal mechanisms but also belief systems and mental frameworks that define what is considered “right” and socially acceptable (Scott 2014, 48–52). Organizations that fail to integrate these socio-ethical and cultural norms into their change processes risk marginalization from broader social and institutional fields, diminishing their ability to navigate transitions successfully.

Suchman connected institutional theory to legitimacy, emphasizing that ethical considerations are central to perceived organizational legitimacy. Businesses strategically leverage ethical acceptance to secure stability and long-term sustainability. Corporate change, therefore, is not merely a strategic choice; it is a socially and legally mediated process, in which ethics serves as a critical filter for societal acceptance or rejection. Ethics thus becomes a strategic instrument that reinforces an organization’s legitimacy within both social and legal frameworks (Suchman 1995).

In conclusion, within the multifaceted trajectory of business transformation, ethics should not be reduced to a compliance issue. Rather, it constitutes a fundamental dimension of strategy, public image, and social integration, anchoring organizational action within societal expectations and the rule of law.

3. CONCLUSIONS – BUSINESS ENTERPRISES AS MORAL AGENTS

The notion that business enterprises possess moral standing has gained increasing prominence over recent decades. As Patricia Werhane has argued, corporations make decisions and exert profound effects on human lives, and may therefore be regarded as bearers of moral responsibility. Similarly, Peter French emphasizes that corporations exhibit “collective intentionality,” meaning that they can be held morally accountable independently of the individual responsibility of their members. In this sense, the enterprise emerges not merely as a user or recipient of legal and ethical frameworks, but as a source of normativity in its own right (Werhane 2008).

Accordingly, organizational change cannot be reduced to a purely technological or managerial process. Rather, it constitutes a multifaceted social and ethical challenge that illuminates the dynamic relationship between entrepreneurship, law, and society (French 1979). This relationship is shaped through the ongoing interaction between moral responsibility and legal regulation. While law provides an indispensable institutional framework, it is not, in itself, sufficient to secure the legitimacy or sustainability of organizational change. Legal compliance may establish formal validity, yet legitimacy remains contingent, contested, and subject to continual renegotiation within the social sphere.

From this perspective, the enterprise must be recognized as a living social institution in which diverse interests, values, and moral perspectives coexist. Within such organizations, relations of trust and conflict are continuously produced and reproduced. The complex process of change therefore presupposes dialogue, transparency, and the meaningful

participation of all relevant actors. Ethical deliberation thus becomes a central condition for both the social acceptance and the long-term viability of organizational transformation.

The transition toward a more just, sustainable, and ethically coherent business model is, for the most part, an ongoing process that requires reflexivity, participation, and responsibility. Ethics and the sociology of law offer critical analytical tools for understanding and guiding this process. As moral agents, business enterprises are therefore called upon to operate not only within the boundaries of positive law, but also in close alignment with socially shared values, promoting forms of change that respect human dignity, community interests, and environmental integrity.

Within this framework, organizational change should be understood not merely as a technical or economic phenomenon, but as a contested socio-legal field in which ethical and legal claims intersect. Ethics provides evaluative criteria for assessing strategic choices, while law functions both as a mechanism of constraint and as an instrument of institutionalization. Together, they contribute to the formation of a renewed business ethos oriented toward sustainability, social justice, and democratic accountability.

From this analytical position, the framework developed above generates a set of testable propositions that future empirical work may pursue: (i) that the likelihood of moral pressure being recoded into legally binding outcomes increases with the density of mandatory non-financial disclosure regimes (e.g. CSRD/CSDDD) and with the availability of strategic-litigation routes; (ii) that the operationalization of stakeholder dialogue under works-council and ESG due-diligence procedures produces measurable variation in the legitimacy outcomes of restructuring episodes; and (iii) that the symbolic capital of legality functions as a reliable predictor of which managerial choices acquire institutional acceptance during crises. Treating these as hypotheses rather than as conclusions clarifies the boundary between what this conceptual framework establishes and what subsequent empirical inquiry must verify, and avoids the slippage from analysis to prescription (French 1979).

Yet contemporary capitalism is marked by pronounced power asymmetries and legitimacy crises. Corporations wield significant structural power over labor, markets, and civil society, yet remain subject to fragmented regulatory regimes and public scrutiny. Within this environment, CSR and ESG frameworks operate as both instruments of accountability and performative devices, mediating corporate legitimacy without necessarily restructuring underlying inequalities (Suchman 1995). Corporate constitutionalism further emphasizes that enterprises can be conceptualized as quasi-legal entities embedded in normative, cultural, and ethical orders, whose authority is both socially conferred and continuously negotiated (Choudhury and King 2019, 15–48).

Consequently, the socio-legal perspective highlights that organizational change is not neutral: it is a political process where law, ethics, and social norms converge, but also where interests, influence, and institutional power shape outcomes. Change initiatives may fail to achieve social acceptance if they neglect structural inequities or impose unilateral decisions under the guise of efficiency. By framing transformation as a negotiated, morally and legally accountable process, this approach underscores that sustainable reform requires integrating ethical oversight, legal compliance, and critical reflection on power relations, thereby rendering corporate action socially intelligible, accountable, and just.

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