6. The Global Reporting Initiative: collaboration and conflict in the development of non-financial reporting

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INTRODUCTION

The founders of the Global Reporting Initiative (GRI), Bob Massie and Allen White, faced a daunting task: how would two individuals, located in two small Boston-area NGOs and without access to formal authority or substantial resources, create a framework for social and environmental reporting that would come to be embraced by more than half of the S&P 100 companies, and be recognized as the leading global framework for non-financial reporting? We argue that the entrepreneurs Massie and White served as a contemporary Modern Prince, a political agent who transforms systems through effective leadership, skillful analysis and strategy, and developing organizational capacity (Levy and Scully, 2007). The Modern Prince exercises a form of strategic power to navigate the contested terrain, to project moral and intellectual leadership, and ultimately to reconfigure the field.

The GRI is widely seen as the leading standard for voluntary corporate reporting of environmental and social performance worldwide. It has been very successful since its modest inception in 1999, adopted by large numbers of companies in multiple countries, and garnering widespread legitimacy (Brown, de Jong, and Lessidrenska, 2009; Brown, de Jong, and Levy, 2009; Etzion and Ferraro, 2006). It has attained official recognition by governmental agencies and multilateral organizations such as the UN in its Global Compact (Bair, 2007; Dingwerth, 2007).

The founders of GRI, acting as 'institutional entrepreneurs', promoted a vision of a multi-stakeholder process with broad and shared benefits. The founders expected that GRI would shift the balance of power in corporate governance toward NGOs as representatives of civil society. GRI's

M2488 - JAIN.indd 129 04/11/2010 11:18

premise was that standardized information could be used for benchmarking and ranking companies, providing a valuable supplement to financial reporting for investors and empowering civil society organizations to demand greater corporate accountability (Fiorino, 2006; Florini, 2003). GRI has, however, proven to be much more successful in securing corporate acceptance than in gaining traction with NGOs or investors. GRI has clearly contributed to the legitimacy and routinization of corporate social reporting as a practice, and has conferred a common language and set of procedures on the field. However, GRI is still one of several competing standards and has not resulted in the generation of comparable data sets that enable analysis across companies and sectors. Neither has it stimulated the emergence of a community of financial or NGO consumers of these reports. On these counts, GRI has fallen short of the intent of establishing social reporting standards with the same status as that held by financial reporting standards. Indeed, in the US and UK, there are signs that the diffusion of GRI is stagnating. More fundamentally, GRI has disappointed the founders' expectations that the balance of power in corporate governance could be shifted toward civil society.

We analyze the success and limitations of GRI by considering it as an emerging institutional field, a dynamic system structured in the discursive, economic, and organizational domains. Institutional fields can achieve a degree of contingent stability when the three elements are aligned, but they are also somewhat unstable and unpredictable in the face of exogenous shocks, actors' strategies, and endogenous forces. The GRI institutional entrepreneurs are political actors who seek to transform the field of corporate governance through skillful analysis and combining discursive, organizational, and economic strategies. Their agency constitutes a form of strategic power that provides a counterweight to the structural inertia of fields in an attempt to overcome the resistance of 'field dominants' with superior access to resources (Levy and Scully, 2007; McAdam and Scott, 2005: 17).

The GRI's founders saw a core tension in the social reporting field between two competing institutional logics, discursive frames for understanding the field. The logic of civil regulation views social reporting as a mechanism to empower civil society groups to play a more active and assertive role in corporate governance. The logic of corporate social performance, by contrast, emphasizes the instrumental value of social reporting to corporate management, the investor community, as well as auditing and consulting firms. The founders sought to create an alliance of NGOs and business by advocating a win-win frame in which these logics are portrayed as complementary rather than incompatible (Levy, 1997). The win-win proposition, which is closely related to the concept of triple

bottom-line, asserts that companies can address environmental and social concerns in ways that improve profitability (Elkington, 1994; Russo and Fouts, 1997), thus reducing conflicts of interest among stakeholders.

At the core of GRI's strategy is the institutionalization of non-financial reporting (NFR) as a routine practice, and as legitimate and taken-for-granted as financial reporting. The win-win discourse of CSR has certainly helped move GRI toward this goal. A key contribution of this chapter, however, is the argument that a new institution requires a supportive economic framework to flourish in the longer term. The evidence in the paper suggests that GRI is losing momentum, at least in the US, primarily because of a failure to deliver value to various stakeholders. Investors remain unconvinced that NFR is valuable in pricing financial assets, companies are expressing doubts about the payoffs from reporting social performance, and NGOs are not finding GRI data to be particularly useful in their campaigns.

A second contribution of this paper is the insight that institutional emergence is a dynamic process, whose trajectory reflects the outcome of strategic interactions between NGOs and firms, in a particular economic, social, and political context; it does not always reflect the intentions of its founders (Selznick, 1980). The GRI entrepreneurs correctly understood the centrality of support from the corporate sector to the success of the initiative, and they recognized the constraints imposed by capital markets and corporate resistance to radical shifts in structures of governance. Considerable attention was thus paid to the business case for social reporting and ensuring collaboration from major MNEs, while the support of activists and labor was, to some degree, taken for granted. As a result, the corporate sector plays an increasingly prominent role, while activists find themselves somewhat marginalized, eclipsing the 'civil regulation' vision of transforming corporate governance.

GRI's trajectory was shaped not just by the intentions of its founders, but by the strategic interplay among the various actors, the power relations among them, and their strategic skills and capabilities. The potential for a more fundamental shift in governance was also constrained by the broader institutions of financial and capital markets in which the CSR field is nested. The evolution and limitations of GRI can thus be understood in terms of the possibilities and limitations of strategic power. Indeed, we suggest more generally that the strategic compromises and fragile coalitions necessary to undertake institutional entrepreneurship and initiate field-level change inherently generate tensions that inhibit and circumscribe more systematic field transformation.

The chapter proceeds by describing the research methodology, developing the theoretical framework in more detail, then providing an in-depth

examination of the GRI case. Data for this project were collected from an extensive documentary analysis of the GRI archives and secondary sources, observations at annual GRI conferences, and semi-structured interviews with approximately 50 individuals who participated in the development, operation, and use of the GRI. These included: two GRI co-founders; three former members of GRI's first steering committee; two former members of Ceres' board of directors; and representatives of 14 companies, 14 civil society organizations and international NGOs, one US organized labor organization, eight investment organizations and investment research organizations, three international consultancies, and one from the US Environmental Protection Agency. These individuals were located in the US, UK and the Netherlands. We coded these materials in order to map the structure of the GRI organizational field, the strategies of the actors, a timeline of events and major developments. As the key themes of this paper emerged, we returned to the data to code and filter them, in order to examine them in further detail. We also sought feedback from interviewees in order to probe and sharpen our analysis.

THEORETICAL FRAMEWORK

Within the framework of institutional theory, institutional entrepreneurs (Clemens and Cook, 1999; Greenwood and Suddaby, 2006) are 'actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Maguire, Hardy, and Lawrence, 2004: 657). Where neo-institutional theory has traditionally emphasized isomorphic forces that tend to lead to static, harmonious conformity, institutional entrepreneurship is viewed as a more 'political process that reflects the power and interests of organized actors' (Maguire, Hardy, and Lawrence, 2004: 658). The focus has shifted from the structural power of an institution to constrain agents and stabilize a field, toward an appreciation of the power of agents to generate institutional conflict and change (McAdam and Scott, 2005). These efforts to transform fields can resemble social movements, whereby 'entrenched, field-wide authority is collectively challenged and restructured' (Rao, Morrill, and Zald, 2000: 276). In this process, 'field constituents are often armed with opposing perspectives rather than with common rhetorics. The process may more resemble institutional war than isomorphic dialogue' (Hoffman, 1999: 352).

Institutional theory has traditionally pointed to the social embeddedness of market practices and structures. Institutional theorists have been intrigued, for example, by the conformity of professional legal and

accounting firms to sets of practices that do not hold obvious economic advantages (Greenwood and Suddaby, 2006; Lawrence, 1999). Resisting predominant economic accounts, institutionalists have examined how 'the persistence of institutionalized practices and structures cannot be fully explained by their technical virtuosity or unparalleled efficiency' (Colomy, 1998: 266). Instead, institutions are viewed as 'socially constructed, routine-reproduced programs or rule systems' (Jepperson, 1991: 149), which become stabilized around a particular institutional logic, defined as the 'belief systems and associated practices that predominate in an organizational field' (Scott, Ruef, Mendel, and Caronna, 2000: 170). The social forces shaping institutions are increasingly understood as discursive formations, where discourse refers to the structures of meaning that attach to texts and practices (Phillips, Lawrence, and Hardy, 2004). As Munir and Philips (2005: 1669) express it, 'institutions are social constructions produced by discourses'.

Levy and Scully have argued that the emphasis on the discursive structure of fields has come at the expense of attention to their economic and political dimensions, resulting in an inadequate theorization of power, strategy and dynamics in processes of institutional change. Levy and Scully (2007) draw from the Gramscian concept of hegemony to depict fields as complex systems that achieved a degree of stability when their discursive, economic, and political dimensions are aligned and mutually reinforcing. Fields need to reproduce themselves not just as social, symbolic structures but also on a material level; they require a viable business model that generates sufficient resources to enable the reproduction of the field and gain the cooperation of the relevant network of actors. The concept of hegemony points to a dialectical process in which economic processes are embedded within social structures, but the economic context in turn shapes practices and norms; the political economy of institutional logics thus demands greater attention. The notion of hegemony also enriches our understanding of the political and organizational structure of a field. It suggests a process of bargaining and compromise that results in a negotiated arrangement, or 'institutional settlement' (Zysman, 1994), which primarily serves the interests of a dominant coalition, or historical bloc, but is portrayed as representing the general interest. It achieves this hegemonic status with a degree of material accommodation for other actors, a supportive discursive framework, and an appropriate structure of field governance and authority.

In parallel to its focus on discursive structures, existing literature emphasizes discursive strategies, involving activities such as reframing the cultural meaning of practices (Munir and Phillips, 2005), theorizing and legitimizing new practices (Maguire, Hardy, and Lawrence, 2004; Rao,

Morrill, and Zald, 2000), importing and adapting discourses from other arenas (Boxenbaum and Battilana, 2005; Lawrence and Phillips, 2004; Phillips, Lawrence, and Hardy, 2004), and articulating, or linking, discursive elements (Etzion and Ferraro, 2006; Laclau and Mouffe, 1985). Our multi-dimensional conception of fields, one that includes economic and organizational elements, yields a much richer palette of strategies. The tensions between the elements of field structure not only help account for the dynamics of field evolution but also can provide leverage for actors seeking change.

Fundamentally, it is the complex dynamic character of fields that gives meaning to the concept of strategy as a form of power and enables the Modern Prince to analyze, organize, and intervene. Actors can gain only a partial understanding of the structures and processes within a field, but some are better analysts and strategists than others. Complexity leads to errors and unintended outcomes, potentially frustrating the efforts of field dominants to resist change, and enabling weaker actors, with less access to material resources or formal authority, to outmaneuver field dominants. Yet strategic power is also constrained by the same forces of indeterminacy and complexity, as well as by the resistance of 'institutional defenders' who benefit from the structural inertia of fields (Levy and Scully, 2007).

THE GLOBAL REPORTING INITIATIVE

The GRI was conceived as a deliberate intervention in the field of social and environmental reporting. The explicit goal of GRI was to clarify and harmonize the practice of NFR, and thereby to empower various societal actors. The 1997 draft paper stated that '. . .[the GRI] vision is to improve corporate accountability by ensuring that all stakeholders – communities, environmentalists, labour, religious groups, shareholders, investment managers – have access to standardized, comparable, and consistent environmental information akin to corporate financial reporting. Only in this fashion will we be able to (1) use the capital markets to promote and ensure sustainable business practices; (2) measure companies' adherence to standards set from Ceres principles; and (3) empower NGOs around the globe with the information they need to hold corporations accountable' (Ceres, 1997).

CSR is a contested arena, with tendencies toward more democratic and accountable forms of governance, as well as toward privatized corporate power and a diminished regulatory state (Shamir, 2004a). NGOs and businesses deploy the language and practices of CSR as strategic tools in political struggles over corporate governance (Levy and Kaplan, 2008;

Ougaard, 2006). NGOs, as the 'organizational manifestations of civil society interests', (Teegen, Doh, and Vachani, 2004: 466), have deployed the discourse of CSR to try to shift the locus of corporate governance toward civil society stakeholders, creating a mode of 'civil regulation' (Murphy and Bendell, 1997) promising expanded democracy, accountability, and problem-solving capacity. Companies, on the other hand, frequently employ CSR strategically as a form of self-regulation that serves to construct the corporation as a moral agent (DeWinter, 2001; Marchand, 1998), deflect the threat of regulation, and marginalize more radical activists (Shamir, 2004b).

GRI's proponents assumed that information serves as an instrument of civil–private regulation by mobilizing its recipients to demand certain performance levels and providing a channel for transparency and accountability. In particular, standardized information could be used for benchmarking, ranking and cross-comparisons, enabling activists and NGOs to reward practices considered socially responsible and exert pressure on poor performers (Fiorino, 2006; Florini, 2003). The early success of the 1987 Toxic Release Inventory in reducing toxic emissions from industrial plants in the US (Graham, 2002) provided some support for this strategy. There was also growing interest in the late 1990s among academics, policymakers and environmental activists in private, voluntary, and market-oriented modes of governance that would reside in new forms of engagement among governments, civil society and business (Cashore, Auld, and Newsom, 2004; Prakash and Hart, 1999; Utting, 2002).

The process of creating and evolving the guidelines was intended to institutionalize a dialogue among a wide range of actors, generate new norms and practices, and facilitate the emergence of new understandings of corporate and collective responsibility and accountability. It was conceived as a nuanced, non-confrontational strategy that could draw NGOs and corporations into a collaborative partnership to serve mutual interests, while gently cajoling companies to change their attitudes and practices. In Massie's words:[1] '. . .[we wanted] to ensure that future leaders within the society will pick up the role of stewards of the future. . . .the process of giving a name to something and turning it into a base for a dialogue. . .'.

Four permanent bodies comprise the GRI organization: The board of directors, the secretariat, the stakeholder council, and the technical advisor council. The board of directors sets broad strategic direction and exerts ultimate authority over organizational policies. It has been chaired by heads of major business organizations or NGOs, such as Judy Henderson, Commissioner of the World Commission on Dams. The stakeholder council is designed to provide a multi-stakeholder process through broad consultation and representation of a wide range of perspectives in the

development and revision of GRI guidelines. It meets annually to monitor progress, discuss key strategic issues, and to advise and elect the board of directors. Its 60 members are selected in a way intended to provide balance between geographical regions and stakeholder groups, with 22 seats for business, 16 seats for NGOs and six for labor. The secretariat, located in Amsterdam employs about 25 professionals from various backgrounds and national origins. The secretariat is the operational staff but also develops new ideas and initiatives. Finally, the technical advisor council is charged with technically overseeing the development of the GRI family of documents.

The GRI's members form the organizational stakeholders group, numbering over 380 organizations and individuals in 2007 who pay a modest annual membership fee. This group has the formal duty of electing 60 percent of the members of the stakeholder council, but also serves an important informal function influencing the broader mission of the GRI through service on various working groups and participation in numerous meetings. The organizational stakeholders group is dominated by large companies, banks, other financial institutions, international accountancies and business consultancies, with relatively few NGOs or organized labor organizations

The United Nations Environment Programme (UNEP) formally joined the GRI in 1998 as a partnering institution, which enhanced the GRI's legitimacy, access to funding and administrative and intellectual support. Between 1999 and 2002 the GRI's founders succeeded in obtaining over US$7 million from several foundations and from the World Bank as well as additional support from various participating organizations. During a six year period since its formal inauguration in 2000, the GRI produced three generations of guidelines, several sector supplements and a host of technical papers and user guides. Several thousands individuals and organizations worldwide contributed to the development of the GRI, through the stakeholder council and various working groups. Elements of the GRI guidelines have been adopted by the GRI's competitors, which reflects its pervasive influence, but also hinders the GRI's mission to standardize reporting.

The GRI emerged by the early 2000s as the best developed international framework for sustainability reporting. The GRI's annual meeting in 2008 in Amsterdam was an impressive demonstration of success. Attended by over a thousand representatives of global business, investment capital, civil society organizations, and professionals, the conference's plenary sessions featured royalty, well-known politicians, corporate CEOs and high-level members of multilateral institutions. A 2002 survey of 107 MNCs showed that the GRI took second position after the well-established ISO 14 001 standard in having the greatest influence on their social responsibility

practices (Berman et al., 2003). Outside the US, the uptake of the GRI has been particularly extensive in Spain, the Netherlands, Brazil, and South Africa, though patterns of institutionalization differ according to local circumstances. At present, the OECD Committee on International Investment and Multinational Enterprises promotes the use of the GRI. The ISO 26 000 Sustainability Management Standard under development also draws on the GRI.

The operational reality of the GRI on the behaviour of corporate reporters and other stakeholders has been more modest, however. Most of the GRI's participants focus on the development of the guidelines, particularly the revision and development of sectoral supplements (Brown, de Jong and Levy, 2009). The uptake of the GRI guidelines by companies who issue sustainability reports reached approximately 1000 in 2007.[2] While growth continues in developing countries, reporting has begun to stagnate in the US and some European countries. While the diffusion of reporting has been substantial, particularly among large brand-name companies, the GRI's founders were somewhat disappointed in relation to their initial aspirations. A large service industry comprised mainly of sustainability consultancies and auditing firms has emerged around the revision of the guidelines, preparation of reports, their verification, stakeholder outreach, and various efforts to standardise and institutionalize the above activities. But the readership and usage of the reports by NGOs, organized labor and financial analysts are very modest.

To examine these trends, we analyze the GRI as an institution comprising discursive, economic, and organizational dimensions. The case illustrates how institutions grow around these intertwined and mutually constitutive elements, but also how field development is constrained when elements are misaligned. We consider each dimension in turn, probing the structure of the field, the underlying tensions, and the strategies adopted by actors as they attempt to restructure the field in particular ways. The framework suggests that the evolving GRI institution represents a classic Gramscian accommodation between business and social pressures for change, in which a new institution is assimilated and transformed to conform with broader power structures. The case thus illustrates well the potential and limitations of strategic power.

DISCURSIVE TENSIONS AND STRATEGIES

A key task facing the GRI's founders was to address a core tension in the field over the meaning and purpose of NFR, if they were to build a diverse coalition of NGOs and businesses to support it. NGOs are primarily

motivated by the logic of 'civil regulation' (Murphy and Bendell, 1999), in which NFR increases the transparency and accountability of corporations to external stakeholders, leading not just to changes in corporate practice, but ultimately to a shift in the locus of governance toward civil society. The logic of corporate social performance, by contrast, signifies the instrumental value of NFR to the corporate community through building brand value and rationalizing the reporting process. NFR could also constitute an instrumental source of economic value to consultants, auditors, and financial analysts concerned with the financial implications of social performance.

The GRI entrepreneurs used several strategies to negotiate the tensions between these twin logics. First, they drew from the win-win logic of corporate environmentalism and CSR to frame the GRI as mutually beneficial to NGOs and the corporate community. If social performance enhances financial performance, then interests are congruent rather than conflictual, and the GRI becomes a vehicle for partnerships and collaboration. Second, the GRI entrepreneurs influenced the agenda at various meetings to deliberately avoid conflictual discussions of fundamental goals and values, and focus instead on the common ground of changing corporate practice. As Massie noted, 'You do not need to agree on first principles. In fact, it is better to avoid having an explicit discussion of core values and the fundamental views on the social order. Instead, you focus on more instrumental ideas'. Third, while avoiding this source of conflict in public meetings, in private the GRI's founders tailored their message framing in ways that stressed its potential advantages for particular constituencies. These strategies succeeded in temporarily managing, though not eliminating, the tensions between the twin logics of NFR.

Framing the GRI as analogous to the well-known system of Financial Accounting Standards Board Interpretations (FASBI) in the US was an important legitimation strategy pursued by the GRI. It has been widely observed that even as institutional entrepreneurs attempt to create change, they need to secure legitimacy and 'emphasize how those innovations comply with the established institutional frames' in the wider society (Déjean, Gond, and Leca, 2004: 745). The GRI consistently stressed the similarity between social and financial reporting. Four GRI principles (relevance, timeliness, neutrality, and comparability) are identical to four FASBI principles, while several other principles are closely related (Etzion and Ferraro, 2006). The GRI could thus gain acceptance from its discursive lineage from an authoritative and well established system of reporting (Levy and Kaplan, 2008), and present itself as merely an effort to expand the scope of this reporting to social and environmental indicators. Accounting principles, however, are intended to generate reliable financial data reducible to

performance statistics that can be compared across sectors and firms. The GRI's emphasis, like other managerial standards for quality or environmental management, remains at the managerial process level, and does not attempt to set or measure social performance in an absolute sense.

Rather than pursue a direct confrontation with well-entrenched institutions of corporate governance, encompassing powerful actors and firmly held belief systems, the GRI's strategy can be understood as a 'war of position', in Gramsci's terms, a dynamic long-term strategy to gain legitimacy, secure resources, develop organizational capacity, and win new allies. Etzion and Ferraro (2006) suggest that the GRI attempted to use a two-stage strategy, initially gaining legitimacy through analogies with existing practices, then later emphasizing differences to develop the social and environmental mission. Massie expressed the hope that the GRI process would achieve a 'ratchet effect', as the best performers would drive norms, disseminate best practices, and lead to tightening of standards in the guidelines. This hope has been borne out, at least in part; a large survey of companies undertaken by UNEP found that pressure to follow competitors was the second most important reason for adopting NFR (Palenberg, Reinicke, and Witte, 2006: 20). Yet the momentum of the GRI ratchet appears to be stalling.

Economic and organizational dimensions of actors' strategies and field governance are often overlooked; attending to these dimensions provides a fuller account of the rise of the GRI as well as the constraints it now faces. The competing logics of civil regulation and social performance management, for example, represent sets of beliefs and values concerning NFR. Yet it is important to note that these are also competing ideas about the organizational structures of corporate governance and their economic consequences. As such, they are not arbitrary, free-floating discourses unmoored from economic and political processes. Indeed, there is a central tension between the discursive promise of the GRI and the emerging economic and political experience of the GRI.

ECONOMIC STRUCTURES AND STRATEGIES

For managers who have traditionally considered environmental and social concerns to be costly burdens and unwelcome constraints on their strategic autonomy, the notion that improving social performance can lead to better financial results represents a substantial shift in managerial logic. Promoting the business case for the GRI is thus, in one sense, a discursive strategy. The successful diffusion of win-win discourse, however, does not rely solely on the skillful rhetoric or legitimacy of its advocates. The

institutionalization of CSR and social reporting requires the alignment of discursive, economic, and organizational elements within an organic, self-sustaining and mutually reinforcing totality. For win-win discourse to gain initial traction, it needed to make credible claims regarding specific mechanisms by which financial and social performance could be linked. These claims are reinforced if subsequent economic results substantiate the claims, but will be weakened if these results fail to materialize.

The GRI has been presented as a managerial tool useful for driving material benefits such as product differentiation, reputational value, lower legal risks, and employee motivation. Justifying win-win discourse by theorizing these causal mechanisms is, in itself, a discursive strategy, but the strategy would gain little traction unless the claims were sufficiently credible and eventually borne out. Framing the GRI as analogous to FASBI, for example, is more than a legitimation strategy (Etzion and Ferraro, 2006); it relies on GRI data having a material impact on financial performance to enroll investors and corporate managers in the GRI alliance.

The prospect of material benefits seems to be the primary motivation for business adoption of the GRI. The GRI secretariat has claimed that the reporting system 'provides tools for: management, increased comparability and reduced costs of sustainability, brand and reputation enhancement, differentiation in the marketplace, protection from brand erosion resulting from the actions of suppliers or competitors, networking and communications . . . provides the private sector with a vehicle to better inform capital-market decision makers and analysts to ensure stakeholder value (GRI 2007a)'. The UNEP survey found that the strategic management of brand reputation was by far the most significant driver behind NFR, with 94 percent rating it as very important or important (Palenberg, Reinicke, and Witte, 2006: 20). Our own interviews suggested that the GRI is most important as a tool for managing corporate sustainability efforts, assessing and protecting corporate reputation, and enhancing brand values. One manager in a large office products retailer commented: 'Reporting is expensive . . . we do it to get recognition as a sustainability conscious business and to be listed on the DJ Sustainability Index.'

The business case for CSR is not well supported by empirical research. The relationship between social and financial performance has received intense academic scrutiny in recent years, but no firm conclusions emerge from this body of work. At best, a weak positive correlation can be discerned, though it is always a challenge to infer the direction of causation; well-managed, financially successful companies are likely to devote more resources to social performance (Guerard, 1997; Margolis, Elfenbein, and Walsh, 2007; Simpson and Kohers, 2002; Waddock and Graves, 2000). Vogel (2005) has argued that CSR only holds potential for premium

product pricing within narrow niche segments comprising affluent, socially aware consumers. Modest but well-publicized investments in CSR might play a broader role in a defensive marketing strategy that protects brand reputation. Part of the methodological and analytical problem is that CSR is a complex and multifaceted phenomenon, taking different forms in different companies, countries and industries. We therefore need finer-grained research to understand which forms of social performance under which conditions might indeed affect financial outcomes.

The indeterminacy and ambiguity regarding the financial-social performance relationship has important implications. On the one hand, it opens more discretionary space for managers and for discursive strategies by CSR advocates. Oliver (1991) has argued that the institutional forces of normative influence and imitation are stronger under conditions of uncertainty because the economic consequences of actions are unclear. On the other hand, in the absence of demonstrable financial benefits, there is not a strong positive feedback loop between discursive advocacy for CSR, the adoption of practices, and financial performance.

The initial enthusiasm surrounding NFR, and the GRI in particular, appears to be eroding as economic benefits fail to materialize. According to the UNEP survey, annual growth in NFR reporting fluctuated between 20 percent and 40 percent in the period 1996 to 2003. Since 2004, however, annual growth has fallen to near zero, and in some countries, including the US and Scandinavia, reporting rates have actually declined (KPMG, 2005). Some managers explicitly connected this decline to the absence of benefits from NFR, and one interviewee in the UNEP study stated: 'the benefits [of NFR] that so many people have been talking about simply have not been realized. There is a supposed business case but many companies have not yet found it' (Palenberg, Reinicke, and Witte, 2006: 14). Companies also expressed concern at the growing costs of increasingly sophisticated and complex NFR, particularly the expense of external auditing and assurance services. In our interviews, a sustainability manager at a large beverage company noted: 'considering the cost of preparing the report – 1 million Euros [US$ 1.25 million] – I cannot show that I earned money from it'. A manager at a European bank remarked that cost concerns were driving a decision to reduce the corporate social report from 100 to seven pages and incorporate it into the annual financial report.

To develop a successful institution, the GRI entrepreneurs understood that they needed to secure the collaboration not only of reporting companies but also of other stakeholder organizations including labor, NGOs, consultants, auditors and financial analysts. Yet the material value of NFR has not lived up to its promise for most of these groups either, weakening the coalition underpinning the emerging institution. A key reason

is the difficulty in realizing value from 'supplying CSR' to stakeholders other than consumers (Vogel, 2005). Participating in the GRI development process is a significant resource burden for smaller labor organizations and NGOs, and these groups have expressed disappointment with the value of the reports. There is widespread agreement that NFR reports are rarely studied in any detail. The director of sustainability of a large chemicals company noted that: 'Reporting is important because we need to show that we are transparent . . . but there are not too many readers of the reports actually'. One interviewee stated that: 'recently a journalist told us to keep on writing, but do not expect us to read it'.

NGOs are generally looking for detailed, critical, and issue-specific data that help them pursue their campaigns. The GRI lacks this level of detail and critical orientation, due to its focus on management processes. As a consequence, participation by labor and NGOs in the GRI process has declined markedly. An interviewee at a major US environmental NGO commented that: 'We don't really use GRI reports. The information is not detailed enough; a single number is not enough; we are interested in strategies and plans behind the numbers'. On the other hand, much of the information is qualitative and thus hard to quantify and standardize across companies and industries, making it difficult to use to rank and compare performance. NGOs appear to be losing faith that investing in the development of NFR represents a good use of their resources, and tend not to trust the external assurance provided by commercial auditors.

Financial analysts have also been reluctant partners in the GRI. The GRI entrepreneurs had anticipated that their reports would have instrumental value to financial analysts, whose primary task is to assess corporate market value and the risks facing various companies. The goal was not just to build legitimacy for social reporting in parallel to financial reporting, by way of analogy as argued by Etzion and Ferraro (2006), but rather to locate social reporting as integral to financial reporting. The GRI, it was claimed, would highlight sources of potential value as well as risks that would not be captured in conventional financial data. The UNEP report, however, (Palenberg, Einicke, and Witte, 2006: 24) concluded that although one or two large players were beginning to engage with NFR to some degree, overall 'interest in non-financial issues is currently negligible, if it exists at all. Non-financial risks have little if any visibility among mainstream investment analysts'. Moreover, the instrumental value of the GRI for financial analysts depends on the existence of a correlation between social and financial performance; financial analysts remain unconvinced on this point.

Initiatives such as the Investor Network on Climate Risk and the Carbon Disclosure Project (CDP) have recently tried to use a similar strategy to

the GRI. The CDP, representing investors with more than US$31 trillion in assets, has begun collecting annual data from large MNEs about their carbon emissions and climate-related risks (Lash and Wellington, 2007; The Climate Group, 2007). The GRI, however is a much more generic reporting tool than the CDP and, according to our interviewees, does not provide financial analysts with the detailed company and sector-specific information they need. An executive with a social investment firm with a website that compares and ranks companies' sustainability performance stated: 'The value of information derives from it coming from a very large number of companies, preferably quantitative. The GRI does not provide us with such information because too few companies report'. Another interviewee remarked that: 'The GRI information is not specific enough on non-environmental topics . . . it is not sufficiently specific for shareholders' engagement'.

GRI advocates had anticipated the expansion of Socially Responsible Investment (SRI) funds and the application of the GRI as an assessment tool within the SRI segment. The SRI segment of the financial industry has, of course, been engaged in NFR and the development of the GRI in particular. Joan Bavaria, president of Trillium investments, was a founder of Ceres and an early participant in the GRI's development. SRI funds, however, are looking for rationalized, quantifiable social performance measures that can be entered on a spreadsheet and used to guide portfolio allocations. Dejean et al. (2004) have demonstrated how the French SRI industry evolved using simple indices from a specialized company, ARESE, providing the legitimacy of reliable and objective measures derived from a complex process and professional expertise. In the US, moreover, intense market pressures have pushed SRI funds to develop their own proprietary data collection mechanisms rather than rely on a standard reporting system such as the GRI. A long-time observer of the reporting field and a former investment analyst remarked:

> These days, private research in-house by SRI funds has replaced the work done in the past by non-profits. This raises the overhead costs of these funds. Since information is free (on the web) the market value comes from processing the information using proprietary algorithms and ranking schemes and from the experience, good judgment and client relationships of the people who process the information, who raise proprietary claims on the methods and the results. GRI did not reduce these costs by consolidating and harmonizing the information. To the contrary, GRI set its main goal as outcompeting other reporting systems.

In other words, the GRI faces not just a problem of legitimacy, but also of practical and market value in the context of the economic dynamics of market competition within the SRI segment. SRI funds, under conditions

of intense competition, are striving to charge higher fees for differentiated, proprietary services. The GRI, however, as a generic, standardized and publicly-available system, offers a commodity product. Moreover, SRI funds remain a very small component of total financial investments, estimated between 1 percent and 2 percent globally (Vogel, 2005: 60). This stagnation of SRI funds is unsurprising given the lack of any perceptible financial performance advantage (Vogel, 2005: 37). One interviewee in the UNEP study said: 'We expected this market to grow fast and not to linger around 1 percent of all investments as is the case today. Our prognosis of higher returns has not materialized' (Palenberg, Reinicke, and Witte, 2006: 24). The win-win claims for SRI, like those for NFR, are not reinforced by material experience.

The auditors, consultants and certifiers of corporate social performance reports have derived the most tangible economic benefits from NFR, and remain among its strongest supporters. Traditional accountancy firms, who lost substantial chunks of their consulting business in the wake of the Enron and WorldCom scandals and ensuing financial regulation, have been eager to develop the sustainability reporting market. PwC and KPMG have been the main competitors in this market segment, which emphasizes the verification of reports but does not generally attempt to assess sustainability performance. Non-profit consultancies, such as AccountAbility and Forum for the Future, provide a broader range of services to companies related to improving, measuring, and assessing their social and environmental performance. The president of a global standard-setting organization commented that: 'The accounting firms got a big piece of GRI from the very beginning – the focus on other users and their needs was not very well developed'.

ORGANIZATIONAL

The constituent organizations of a field are a key element in field-level governance. They participate in more formal activities such as negotiating the structure and rules of the institution, and they exercise governance more informally by promoting certain practices and norms. They form alliances with some organizations and engage in struggles against others. In their everyday activities, organizations actively contribute to the structuring of a field: the NFR field is shaped and constituted by the social and environmental activities of companies, their reporting practices, the strategies pursued by NGOs, and the nature of work done by consultants and auditors associated with the field. The organizational structure of a field represents, in a profound sense, its political structure.

The GRI entrepreneurs clearly appreciated that the establishment of a new institution required the mobilization of a broad coalition of diverse actors. This mobilization rested, in part, on the discursive and economic strategies discussed earlier. But it also required more overtly organizational strategies that were developed out of a sophisticated appreciation of organizational processes and structures. For example, the GRI was not launched as a finished product; rather, the entrepreneurs established a multi-stakeholder process for developing a set of rules and practices and building a sense of shared ownership. They created an organization, the GRI secretariat, to serve as steward and guide it through an evolutionary process of growth and adaptation. They also understood the importance of establishing the GRI as a new organizational form independent of its roots in Ceres. These organizational sensitivities are reflected in Bob Massie's message to potential GRI partners:

> We want you to be part of the Steering Committee so that you can have some control over it. But if you choose not to, we shall keep you fully informed anyway. If at one point you decide to join, you will be welcomed. And, most importantly, if it proves to be successful, we will spin it off as an independent organization, so you can be sure that GRI is not a plot to grow the power of Ceres, which, of course, is an advocacy organization with an agenda.

The GRI's founders had strong personal and organizational networks with influential people and better resourced organizations, which helped overcome their own location in Ceres and Tellus, small organizations without substantial resources or any formal authority. It was these networks that provided them with the access and legitimacy to construct the necessary coalition, securing the early participation of some large corporations and financial institutions. The GRI entrepreneurs understood the dynamics by which the participation of some organizations would provide leverage to bring others in. They deliberately avoided association with government agencies such as the Securities and Exchange Commission (SEC) that might deter corporate participation by signaling a mandatory regulatory approach. Instead, they secured the support of the Association of Public Accountants in the US, the Federation of European Accountants, and UNEP – signaling the seriousness and legitimacy of the initiative.

The dynamic evolution of the GRI is not just a function of the entrepreneurial efforts of its founders, but also of the interactions, negotiations and struggles among its constituent organizations. A key reason for companies to engage in social reporting is in response to pressure from activist NGOs and other stakeholders; the UNEP survey ranked this as the third most important driver (Palenberg, Reinicke, and Witte, 2006: 20). NGO

M2488 - JAIN.indd 145 04/11/2010 11:18

pressure appears to be waning, as they shift their strategies away from demands for more reporting. This decline in NGO interest has shifted the center of gravity of field level governance toward MNEs, consultants and auditors. At the 2008 GRI annual meeting only 60 participants represented NGOs and four represented labor out of a total of more than 1000 attendees.

A number of states and the EU considered making social reporting mandatory, and pressure from state authorities could potentially have sustained growth in NFR. In the US, most GRI participants, corporate and NGO alike, have opposed mandatory reporting, however, as contrary to the spirit of the initiative and likely to lead to a legalistic compliance approach rather than a multi-stakeholder collaboration. A few companies, including the Dutch banking group ABN Amro, have supported mandatory reporting in order to level the playing field with competitors. In 2001, France became the first country to mandate social and environmental reporting, though not in a form derived from the GRI, while other governments appear to be losing interest. The EU has enacted a Transparency Directive, which was implemented beginning 2007, but efforts to include social and environmental reporting requirements have stalled. According to the UNEP report, the EU's CSR agenda has been effectively 'torpedoed by business associations' that lobbied against the program (Palenberg, Reinicke, and Witte, 2006: 26-7).

DISCUSSION

By many measures, the GRI entrepreneurs were phenomenally successful in launching the initiative and achieved a high rate of uptake among large companies across many countries. The success of the GRI presents an example of strategic power; the founders of the GRI came from small organizations lacking substantial resources or formal authority, yet were able to propagate an institution that has shifted the practices of large MNEs and gained recognition, if not formal backing, from states and international organizations. The GRI founders used skillful strategy in analyzing the existing field and implementing a combination of interventions in an attempt to realize their vision. Acting as the Modern Prince, they simultaneously tended to internal strategy, the development of the GRI itself as an organization, and external strategy. They built a network of allies, promoting a business model that would provide resources not just for the GRI but also rewards for network participants, and adopting a discursive strategy centered on the win-win claims of CSR and similarities to FASBI.

The GRI now appears to be losing momentum, however. The complex dynamic nature of fields suggests that strategy is fallible, however skillful institutional entrepreneurs might be. It is impossible to develop a perfect strategy with predictable outcomes; incomplete and inaccurate understandings of field structures and processes result in unforeseen consequences, and other actors possess the agency to react in unexpected ways. Indeed, it is this very fallibility and complexity that both enables and constrains strategic power. In a fully predictable world, there would be no room for indeterminacy and contestation; outcomes would be structurally determined and those with superior access to resources, usually with a vested interest in the status quo, would always triumph.

One limitation on the strategic power of institutional entrepreneurs is that institutions cannot be created out of thin air. The institutional elements need to form a functioning, self-sustaining system, one which operates as a subsystem within a broader social and economic formation. New institutions are built by weaving together existing economic, discursive, and organizational threads; they represent transformations and reconfigurations rather than creation *ex nihilo*. The process of change is therefore one of steering the system trajectory, of 'transition management' (Meadowcroft, 2005) and 'mindful deviation' from the original path (Garud and Karnoe, 2001). The point of departure is, of necessity, the current situation. Any change effort needs to account for the current reality in its material, organizational and ideational dimensions, and to exploit the existing dynamic forces at play.

The very strategies that enabled the successful launch of the GRI contained tensions that later emerged as significant constraints. The GRI entrepreneurs framed the initiative in somewhat different terms for different audiences. NGOs were promised a greater role in corporate governance, firms were promised higher profits, while consultants and auditors expected a new source of business. The win-win discourse of CSR provided did not eliminate the tensions when the promised benefits failed to materialize. The compromises involved in shaping the GRI also limited its value; it lacked the detailed information needed by some stakeholders and the quantifiable measures sought by others.

Did the GRI's founders make strategic errors? Perhaps a different strategy, based on NGO mobilization, might have met more initial resistance, but laid the groundwork for a more fundamental shift in corporate governance. The nature of institutional entrepreneurship in complex fields, however, suggests that it is impossible to identify an optimum strategy guaranteed to achieve a particular result. The need to align the new institutional form with the 'master rules of society' (Haveman and Rao, 1997) inevitably creates tensions and inhibits change. Strategy is thus inherently

satisficing rather than optimizing, with a more pragmatic goal to keep the process moving, navigate around obstacles, and manage the ongoing tensions.

Indeed, the GRI has displayed a degree of resilience and adaptability. Since 2006, the GRI has made a significant effort to engage small and medium sized enterprises (SMEs), which constitute the vast majority of all companies worldwide. In a partnership with the World Resources Institute, the GRI is reaching out to SMEs in Brazil, China, India, Indonesia, and Mexico. The GRI has also partnered with several Europe-based MNEs to engage small companies in their global supply chains to become GRI reporters. In early 2008, the GRI launched an initiative to develop guidelines for sustainability reporting by the non-profit sector, organizations which had previously been conceived as consumers rather than producers of reports.

The GRI case highlights the importance of economic structures, processes and strategies in shaping emerging institutions. Etzion and Ferraro's (2006) account of the GRI, by focusing narrowly on discursive structures and strategies, risks overplaying the agency of institutional entrepreneurs and underestimating the structural inertia of hegemonic fields. As benefits of the GRI have failed to materialize, support for NFR from NGOs, investors, and companies has waned. It was not sufficient to create a discursive linkage between NFR and FASBI; NFR needed to prove its economic value for financial analysts. This contradiction between the economic and discursive dimensions of win-win has prevented the GRI from constructing and stabilizing a new hegemonic bloc in which NGOs would play a stronger governance role. Even SRI funds have embraced a more overtly capitalist logic, looking to differentiate their ratings mechanisms and increasingly prioritizing economic over social performance (Palenberg, Reinicke, and Witte, 2006: 24). Over time, the institutional logic of NFR has shifted toward corporate marketing and enhancing corporate reputation rather than a more profound shift of governance toward a more diverse array of stakeholders. Indeed, the center of gravity of NFR governance has shifted from NGOs toward corporate consultants and auditors.

NFR is nested within the broader institutions of capitalism, particularly financial markets and legal structures of corporate governance, which are resilient and well entrenched. The case illustrates how NGO initiatives are constrained by these larger structures of power, particularly the economic and political power of corporate elites and consumerist popular culture. The GRI would never have made any progress had it directly challenged the primacy of profit maximization, the legal rights of shareholders, the autonomy of corporate management, or the conventional US corporate

board structure that excludes representatives of the community, the environment, or labor. It is easier to create change within nested subsystems than the more stable and hegemonic wider system.

These considerations led the GRI entrepreneurs to shape the reporting guidelines as complementary to corporate and financial market needs. The strategic risk, of course, is that the GRI would be co-opted and assimilated within these structures rather than transforming them. This does appear to be the emerging outcome. Companies are frequently willing to embrace NFR as a demonstration of their social concern, but have proven unwilling to tolerate a system that provides clear measures and rankings of their social and environmental performance. Moreover, NFR does not appear to be affecting core product or market strategies. The corporate sector has expressed its opposition to a mandatory reporting system or the extension of formal governance mechanisms. Successfully navigating these tensions in the social reporting field, however, might simply be impossible without a broader mobilization of civil society groups that would engage across a range of issues and institutions.

NOTE

1. This and other quotations from Robert Massie are from personal interviews, 2005 and 2006.
2. This includes a small number of 'in accordance' reports that are modelled closely on the GRI guidelines, but not reports based on competing reporting guidelines, though these often contain GRI components.

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