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IBW Department of Business Administration

Branchenstandards & CSR-Initiativen

Vorlesung „Globalisierung und Multinationale Unternehmen“

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Universität Zürich, 21. Mai 2012



**Global
Reporting
Initiative™**



ISO26000



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HOT AIR?



Overview

1. Defining and classifying standards (Waddock, 2008)
2. CR standards as a means to protect an industry commons (Barnett & King, 2008)
3. Institutional theories of CR standardization (Haack, Schoeneborn, & Wickert, 2012)
4. Standardization-as-Narration (Haack et al., 2012)
5. Discussion



Learning Targets

Defining and classifying corporate responsibility (CR) standards.

Explaining the “industry commons”, discussing measures how to prevent harm from spillover.

Going beyond a “binary” view of CR standards (adoption: yes/no; implementation: yes/no).

Rethinking the stability and sameness of standards; grasping standardization as a dynamic and socially constructed phenomenon.

Appreciating CR standardization as a form of organization in global governance.

Discussing institutional theories of standardization: diffusion, entrenchment, and narration.



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Defining and classifying standards

(Waddock, 2008)



Standards: Definition

There is no standard definition of standards.

Standard: A standard can be defined as a rule for common and voluntary use, decided by one or several people or organizations (Brunsson, Rasche, & Seidl, 2012).

CR Standard: Various principle-based initiatives, certification, reporting and accountability frameworks, and other formalized modes of industry self- or co-regulation in the realm of human rights, social rights, and environmental protection, as well as other policy issues (Haack et al., 2012).



Standardization: Definition

(in institutional theory, see further down)

CR Standardization: The institutionalization process of a standard, i.e. the increasing normative justification and cognitive validation of a CR-related practice (Haack et al., 2012).

Institutionalization: Occurs when an emerging entity gains a for taken-for-granted quality that leads it to be perceived as an objective and natural entity (Scott, 2008).



Waddock 2008

Building a New Institutional Infrastructure for Corporate Responsibility

by Sandra Waddock

Executive Overview

This paper describes an emerging institutional infrastructure around corporate responsibility that has resulted in the evolution of initiatives such as the Global Reporting Initiative, the social investment movement, and related efforts that place more emphasis on corporate responsibility, accountability, transparency, and sustainability. Using a framework that roughly classifies initiatives into state/government, market/economic, and civil society categories, the paper illustrates the rapid evolution of new infrastructure that is pressuring companies to be more responsible.



Classification of CR standards

Waddock (2008) suggests classifying CR standards into:

- market/business institutions (Equator Principles)
- civil society/societal institutions (Clean Clothes Campaign)
- state/government institutions (Kyoto Protocol)

Gilbert, Rasche, & Waddock (2011) suggest an alternative classification:

- principle-based standards (UN Global Compact)
- certification standards (SA 8000)
- reporting standards (GRI)
- process standards (AA1000)

See also Vogel, 2008



Problem: “Black Box” thinking

Waddock (2008) argues that the emerging and mostly voluntary infrastructure “pressures” companies for greater CR.

But the underlying mechanism of “pressure” remains unexplored.

Waddock (2008) offers a valuable description of the emerging body of CR standards. However, we lack an explanation of observed developments.

Furthermore, the issue of “greenwash” is neglected.



→ Proliferation of
CR standards

→ Pressure for
business firms to
be responsible





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CR standards as a means to protect the industry commons

(Barnett & King, 2008)



Barnett & King (2008): Managing the industry Commons

© *Academy of Management Journal*
2008, Vol. 51, No. 6, 1150–1170.

GOOD FENCES MAKE GOOD NEIGHBORS: A LONGITUDINAL ANALYSIS OF AN INDUSTRY SELF-REGULATORY INSTITUTION

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Dartmouth College

We extend theories of self-regulation of physical commons to analyze self-regulation of intangible commons in modern industry. We posit that when the action of one firm can cause “spillover” harm to others, firms share a type of commons. We theorize that the need to protect this commons can motivate the formation of a self-regulatory institution. Using data from the U.S. chemical industry, we find that spillover harm from industrial accidents increased after a major industry crisis and decreased following the formation of a new institution. Additionally, our findings suggest that the institution lessened spillovers from participants to the broader industry.





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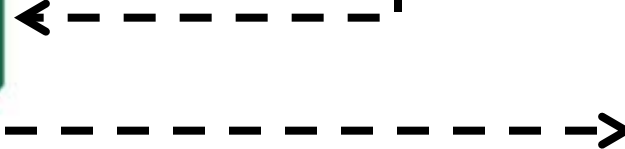
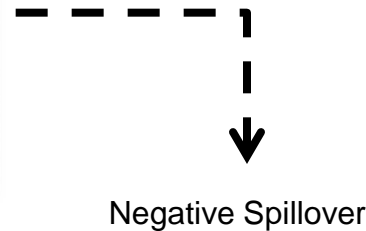
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The Tragedy of the Commons





Industry reputation as a Commons: The Bhopal accident



Isolation of
Negative Spillover

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY



Conclusion

The formation of a CR standard is motivated by the protection of an industry commons.

CR standards help “walling in” negative effects on neighbors.

Future research: the “how” questions (Barnett & King 2008 ask “why”; Waddock, 2008 ask “what”)



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Institutional theories of CR standardization

(Haack et al., 2012)



An illustration of institutional theory: Talking the talk, moral entrapment, creeping commitment?



The “Equator-Team”

Talking the Talk, Moral Entrapment, Creeping Commitment? Exploring Narrative Dynamics in Corporate Responsibility Standardization

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Abstract

This paper examines the type and temporal development of language in the process of corporate responsibility (CR) standardization. Previous research on CR standardization has addressed the proliferation and organizational embedding of material practices but neglected the analysis of underlying ideational dynamics. Departing from this practice, we introduce a narrative perspective that illuminates the trajectory a CR standard follows, from being formally adopted to becoming collectively accepted as a valid solution to a problem of societal concern. We compare CR standardization to a process through which a practice dialectically evolves from a set of pre-institutionalized narratives into an institutionalized, i.e. reciprocally justified and taken-for-granted, narrative plot. We argue that this approach helps scholars explore the dynamic interplay between symbolic and material aspects of standardization and understand better the discursive antecedents of coupling processes in organizations. Drawing on the case of the Equator Principles standard in international project finance, we empirically study how narratives create meaning shared by both business firms and their societal observers, thereby exemplifying the analytical merit of a narrative approach to CR standardization.

Keywords

corporate responsibility, Equator Principles, institutionalization, narratives, standardization



The Equator Principles

Principle 1: Review and Categorization

Principle 2: Social and Environmental Assessment

Principle 3: Applicable Social & Environmental Standards

Principle 4: Action Plan and Management System

Principle 5: Consultation and Disclosure

Principle 6: Grievance Mechanism

Principle 7: Independent Review

Principle 8: Covenants

Principle 9: Independent Monitoring and Reporting

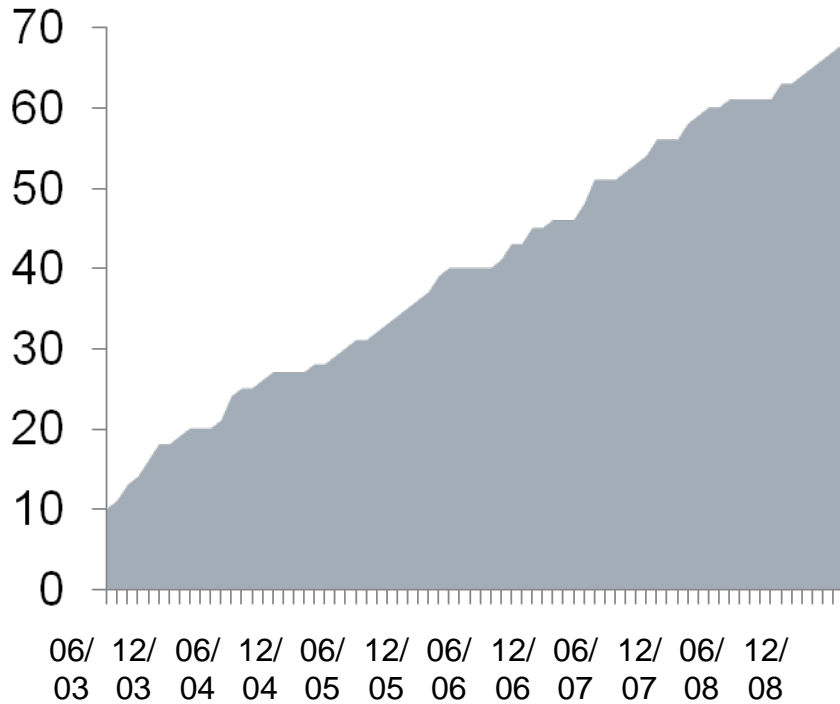
Principle 10: EPFI Reporting

“No major project is likely to be financed today without the application of the Equator Principles” (UNCTAD, 2008)





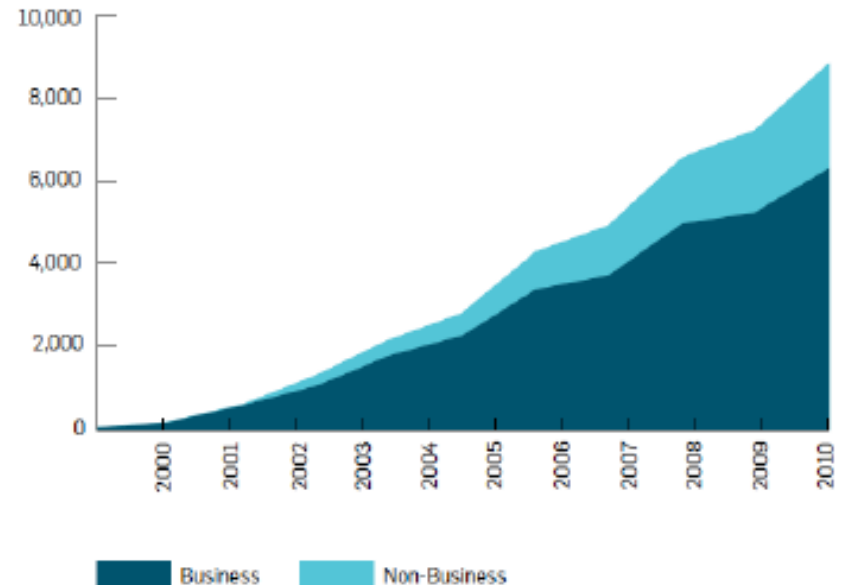
EP diffusion by number of banks



* Figures by Infrastructure Journal (2010)

Compare to diffusion of UNGC (lecture of Andreas Rasche)

Total Global Compact signatories





Civil society criticism: BankTrack

Global network of 36 NGOs that monitors the project finance operations of banks.

Led by Johan Frijns; head office in Nijmegen, Netherlands

BankTrack views current efforts of banks to implement the Equator Principles as deficient. Central demands:

- Transparency at bank and project level
- Be accountable
- Extend the scope
- Stop financing climate change
(see e.g. <http://vimeo.com/40210058>)



Johan Frijns

According to Frijns, “Whether the Principles really make a positive difference at the project level is near impossible to verify, as how and where banks apply them is as secret as anything else they do. It certainly has not stopped them from financing projects that by their very nature dramatically impact the environment, as shown by various Indian coal power plants, Canadian tar sand operations, large dams in China and the east European nuclear power plants that are still in their project pipelines.”



Greenwash as solution to contradictory demands

Institutionalized Organizations: Formal Structure as Myth and Ceremony¹

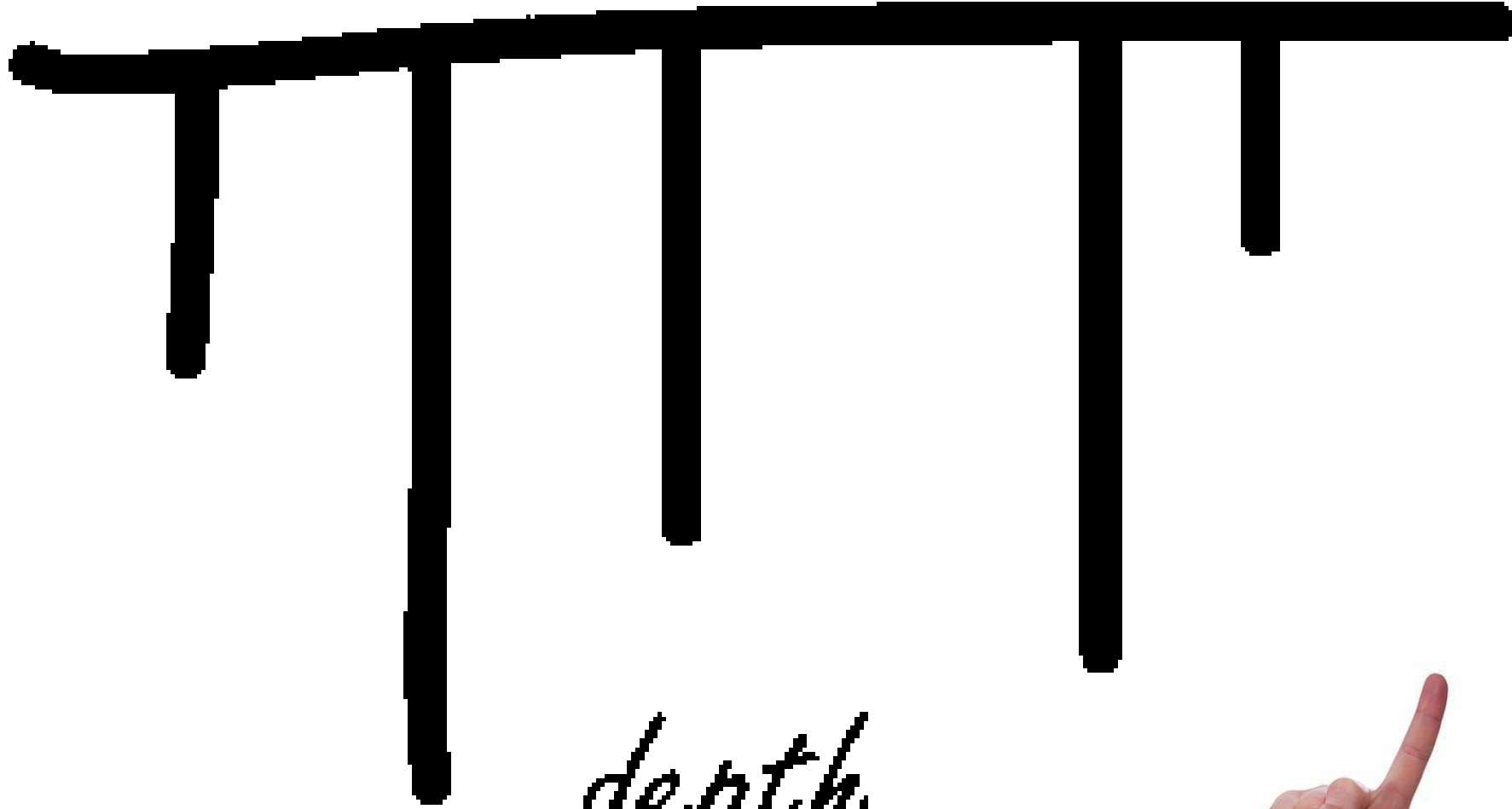
John W. Meyer and Brian Rowan 1977: *American Journal of Sociology* 83, 340-363
Stanford University

Many formal organizational structures arise as reflections of rationalized institutional rules. The elaboration of such rules in modern states and societies accounts in part for the expansion and increased complexity of formal organizational structures. Institutional rules function as myths which organizations incorporate, gaining legitimacy, resources, stability, and enhanced survival prospects. Organizations whose structures become isomorphic with the myths of the institutional environment—in contrast with those primarily structured by the demands of technical production and exchange—decrease internal coordination and control in order to maintain legitimacy. Structures are decoupled from each other and from ongoing activities. In place of coordination, inspection, and evaluation, a logic of confidence and good faith is employed.

breadth



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depth

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Institutional theories of CR standardization

	Diffusion	Entrenchment	
Understanding of Institutionalization	ubiquity of a practice	implementation and persistence of a practice	
Main Focus	breadth	depth	
Research Interest	to explain contingencies of adoption and adoption motivations	to explain contingencies of implementation	
Assumptions About Actors	mostly passive, lacking leeway in the degree and modality of practice realization	mostly active, possessing some leeway in the degree and modality of practice realization	
Epistemological Stance	objectivist	objectivist	



Problems with the diffusion and entrenchment perspectives

The analysis of *post-adoption* dynamics in standardization is neglected.

The dynamic interplay between material aspects of standardization, expressed in organizational activities, and the symbolic dimension of utterances that render both the diffusion and entrenchment of a practice meaningful and legitimate, are not adequately addressed.

The possibility that decoupling may merely constitute a *transitory* phenomenon is not addressed. Decoupling can be destabilized due to:

- demographic changes in the organizational populace
- “internal activists”
- avoidance of cognitive dissonance
- redefining of meanings and incentives of appropriate behavior because of symbolic creation of job functions, offices and policies



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Standardization-as-narration

(Haack et al., 2012)



Institutional theories of CR standardization

	Diffusion	Entrenchment	Narration
Understanding of Institutionalization	ubiquity of a practice	implementation and persistence of a practice	stabilization of narratives about diffusion and entrenchment
Main Focus	breadth	depth	interplay of breadth and depth
Research Interest	to explain contingencies of adoption and adoption motivations	to explain contingencies of implementation	to understand how diffusion and entrenchment are infused with meaning and legitimacy
Assumptions About Actors	mostly passive, lacking leeway in the degree and modality of practice realization	mostly active, possessing some leeway in the degree and modality of practice realization	discursively constructing a practice as useful and meaningful
Epistemological Stance	objectivist	objectivist	social-constructionist, subjectivist



Standardization-as-narration as a theoretical lens to analyze the evolution of CR standards

Underlying assumption: Language is constitutive of thought and action

Narratives not only reflect but also **influence attitudinal and behavioral dispositions** in such a way that certain choices, such as the adoption or implementation of a CR standard, become meaningful, and are enacted.

Whereas the diffusion perspective examines which standards ‘flow’ and why, and entrenchment studies are interested in which standards ‘stick’ and why, the narration perspective explores how standards become established through discursive processes, i.e. are ultimately ‘talked into existence’.



Research questions in Haack et al. (2012)

- 1) Which type of narratives coexists with the diffusion and entrenchment of the Equator Principles standard?
- 2) How do these narratives develop over time?

Narratives: Recurrent practices of storytelling that typically include a causal interpretation of a time sequence involving focal actors, events, and motivations, and embody a sense of moral appropriateness (Pentland, 1999)



Data collection and analysis

1. Interviews, creation of coding scheme
2. Coding of relevant over 750 documents (720,000 words)
3. Aggregation of codes into surface stories and narratives (research question 1)
4. Correspondence analysis (research question 2)



Success narrative (told by banks)

The EP standard proliferated quickly and widely within the field of international project finance (**adoption story**; taken for grantedness). This success has been driven by the increased reputational leverage of advocacy campaigns which turned measures of environmental protection into a pillar of the bank's risk management strategy (**business case story**; instrumental value). Having adopted the EP, banks are committed to extending best practices to other institutions and to helping create a truly global standard (**outreach story**; banks in search of a quest).





Failure narrative (told by BankTrack)

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The EP proliferated because of low requirements for adoption (**easy-to-sign story**). Sadly, they have not effected significant changes in banking practice (**greenwash story**). Given weak implementation and lacking disclosure and enforcement mechanisms, we regard the status quo in project finance as unsatisfactory and highly worrisome. We call on banks to put into action their commitment to the EP so that these truly make a difference (**walk-the-talk story**).



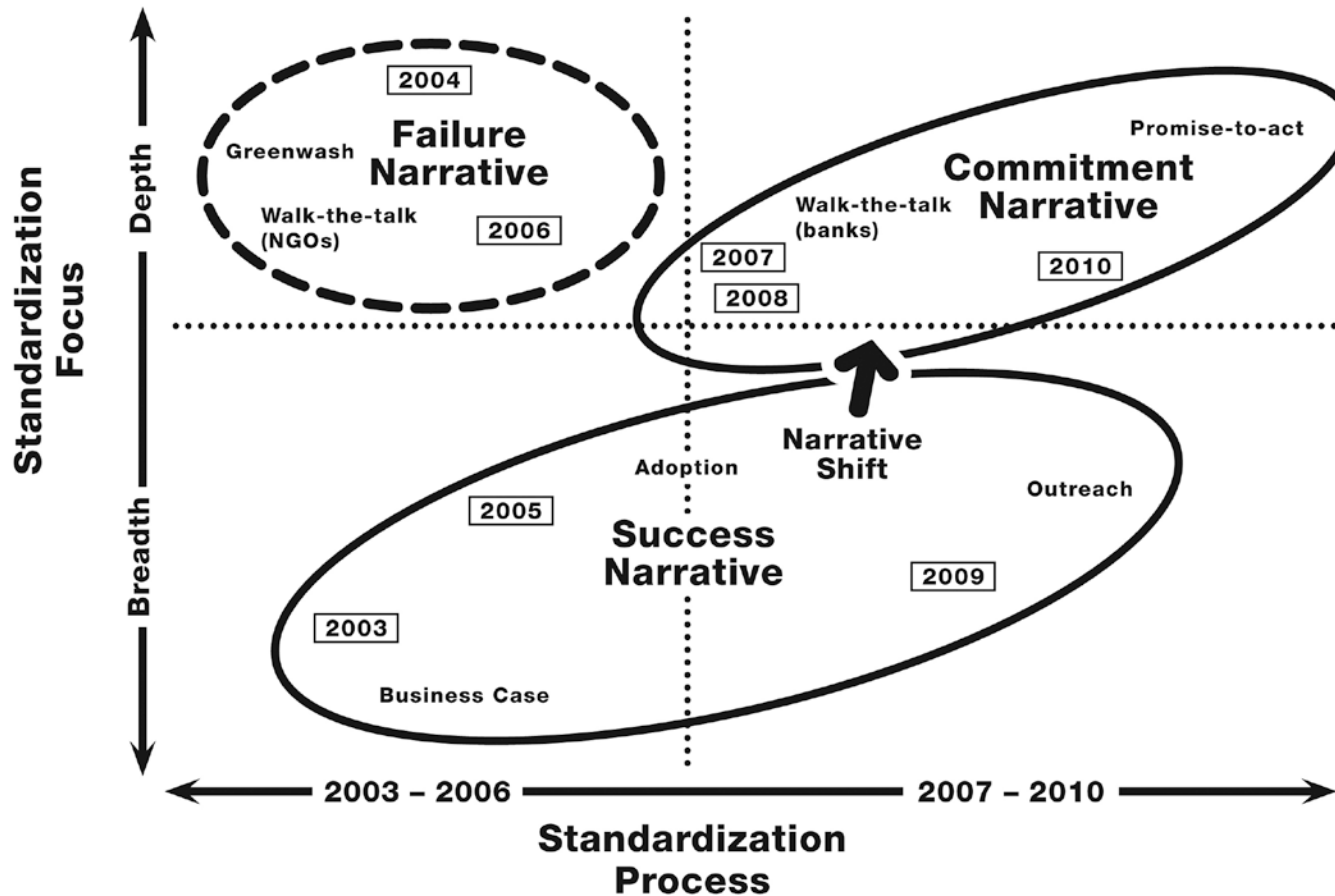
Commitment narrative (told by banks)



We have introduced EP policies and report publicly on our progress (**walk-the-talk story**; told by banks). We intend to deploy significant resources to ensure that the EP become fully integrated into business processes and structures, promoting their application beyond international project finance (**promise-to-act**). Importantly, sustainability receives increasing attention in-house because of the dedication of employees who ultimately make the EP work (**Trojan horse story**).



Correspondence plot for “narrative dynamics”



--- primarily told by NGOs
 — primarily told by banks



Conclusion

1. **Business-society relationship:** NGOs succeed to influence sensemaking processes of business. Talking the talk, moral entrapment, creeping commitment?
2. **Practical implications** (e.g., for NGOs): Do not unconditionally sanction organizations for decoupling, but leave time for a gradual transformation. In a sense, it is “good” to start with greenwash as it allows a standard to reach “critical mass”.
3. **Instability of decoupling:** We find indirect evidence for coupling processes, implying that decoupling merely amounts to a *transitory* phenomenon (Scott, 2008). Over time, CR standards may well be implemented.
4. **From breadth to depth:** Similar development at the UN Global Compact:
<http://globalcompactcritics.blogspot.com/2012/04/remarkable-change-of-discourse-in.html>



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Discussion



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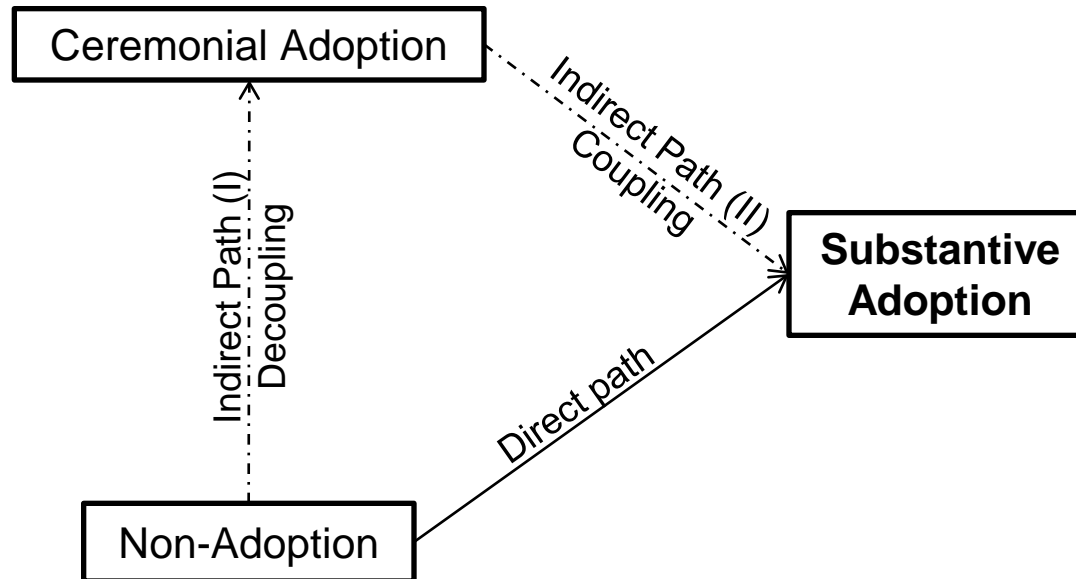
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Backup

(Ab hier nicht klausur-relevant)



There are two paths to substantive adoption





We study the role of (in)transparency in facilitating substantive adoptions within a given field/industry

High degree of evaluation: transparency

Low degree of evaluation: intransparency

Two process conditions

- TT: External constituents ask for transparency already at an early stage of practice proliferation.
- IT: External constituents ask for transparency only at a later stage of practice proliferation.

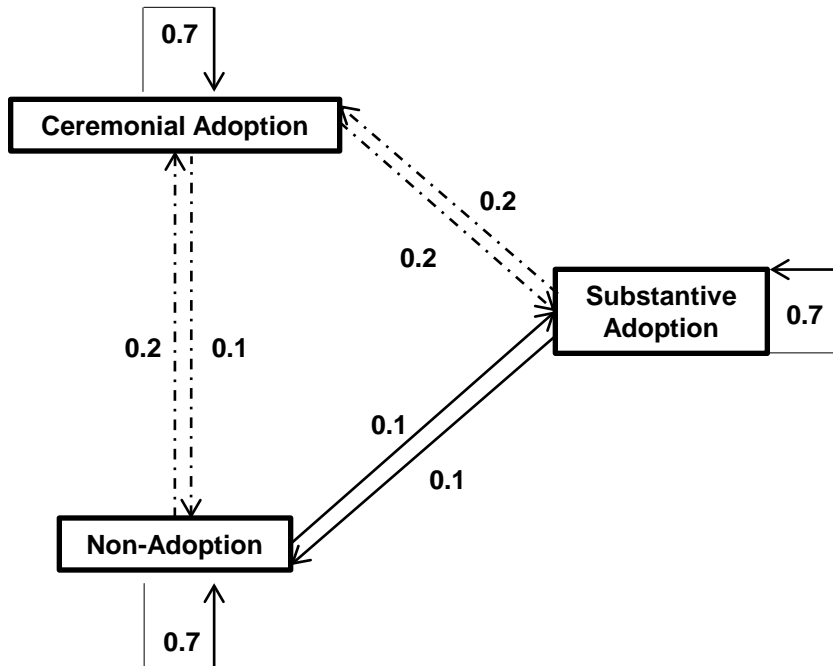
Hypothesis 1: The TT condition is more effective in facilitating substantive adoptions (than the IT condition).

Hypothesis 2: The IT condition is more effective in facilitating substantive adoptions (than the TT condition).

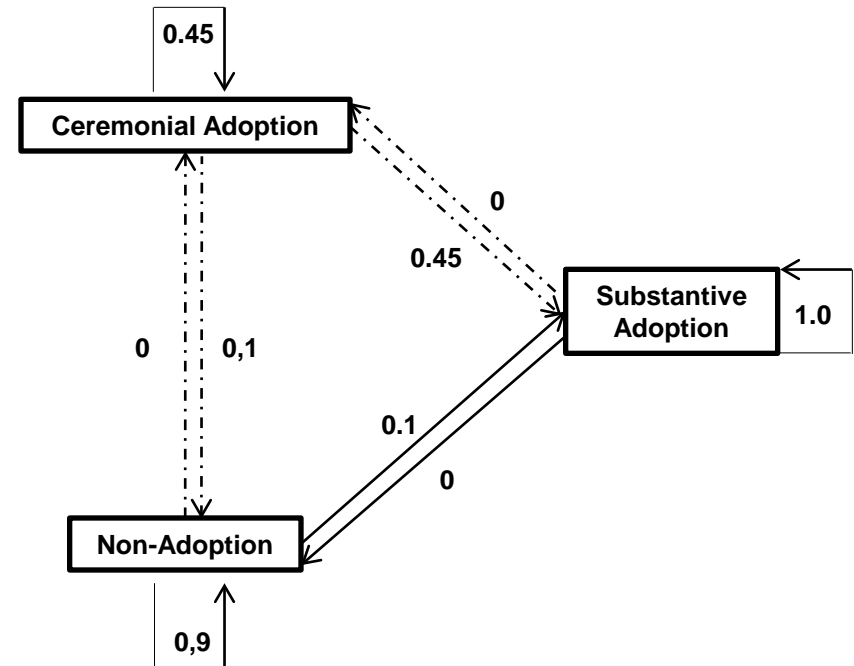


Simple Markov model allows studying dynamics by specifying different transition probabilities

Condition of intransparency



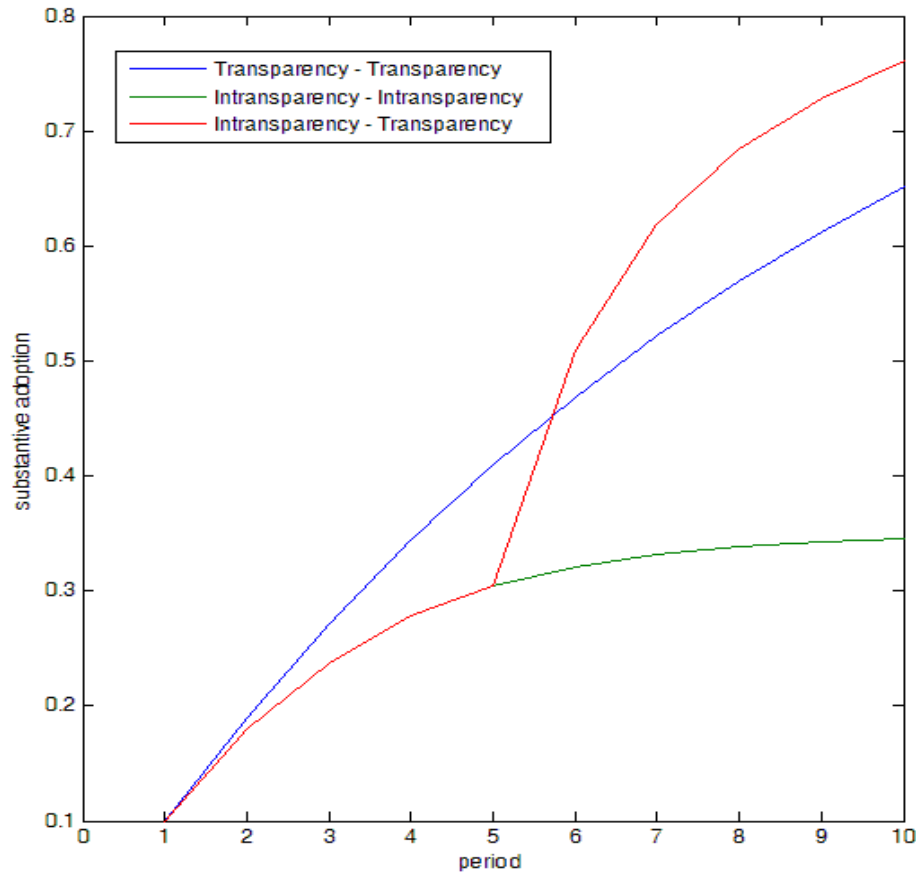
Condition of transparency



These are sample values – but findings proved to be robust for a wide range of transition values (see final discussion)



The process pattern of initial intratransparency (IT) outperforms continuous transparency (TT)





Model generates counter-intuitive finding: Intransparency and decoupling to be embraced

Process pattern of initial intransparency and switch to transparency yields comparably **largest number** of substantive adoptions in the field.

Additional insights through **robustness checks** – basic mechanism proved robust for all transition values where two conditions are fulfilled:

- Probability to adopt substantively is **higher** under transparency than under intransparency
- Probability to move from non-adoption to *any* kind of adoption (ceremonial or substantive) is higher under intransparency than transparency

But: If switch to transparency happens **too late**, effect is marginalized