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The Contested Politics of Corporate Governance: The Case of the Global Reporting Initiative

David Levy
University of Massachusetts Boston, david.levy@umb.edu

Halina Szejnwald Brown
Clark University

Martin de Jong
Technical University of Delft

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David L. Levy, University of Massachusetts, Boston
Halina Szejnwald Brown, Clark University
Martin de Jong, Technical University of Delft

The Global Reporting Initiative (GRI) has successfully become institutionalized as the preeminent global framework for voluntary corporate environmental and social reporting. Its success can be attributed to the "institutional entrepreneurs" who analyzed the reporting field and deployed discursive, material, and organizational strategies to change it. GRI has, however, fallen short of the aspirations of its founders to use disclosure to empower NGOs. We argue that its trajectory reflects the power relations among members of the field, their strategic choices and compromises, their ability to mobilize alliances and resources, and constraints imposed by the broader institutions of financial and capital markets. We draw three notable implications from this study. First, institutional theory needs to pay more attention to economic structures, strategies, and resources. Second, institutional entrepreneurship by relatively weak societal groups such as NGOs is inherently constrained by the structural power of wider institutions and by the compromises required to initiate change. Third, the strategies of NGOs represent a form of power capable of shifting, if not transforming, the field of corporate governance.

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Introduction

The Global Reporting Initiative (GRI) is the preeminent framework for voluntary corporate reporting of environmental and social performance worldwide, and is generally considered to have been very successful since its modest inception in 1999 (Brown, deJong, & Lessidrenska, 2009; Brown, deJong, & Levy, 2009; Etzion & Ferraro, 2006). GRI has become embedded in the operational routines and practices of hundreds of large companies in multiple countries. It has garnered widespread legitimacy, as demonstrated not just by corporate compliance, but also by the attainment of official recognition by governmental agencies and multilateral organizations such as the UN Global Compact (Bair, 2007; Dingwerth, 2007). Its ongoing development is a process that engages a broad range of organizations in a loose alliance supporting the initiative.

The success of GRI has been attributed to its founders' success as "institutional entrepreneurs" in shifting the field of governance (Brown, deJong, & Lessidrenska, 2009; Etzion & Ferraro, 2006). The founders promoted a vision of a multi-stakeholder process with broad and shared benefits. A core assumption of GRI's founders 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). Somewhat surprisingly, however, GRI has proven to be much more successful in gaining corporate acceptance than in finding utility with NGOs or investors.

GRI has clearly contributed to the legitimacy and routinization of corporate social reporting as a practice, and has conferred on the field a common language and assumptions. However, GRI still competes with other standards and has not resulted in the generation of data that are easily comparable across companies. Neither has it stimulated the emergence of a community of financial or NGO consumers of these reports. In this regard, GRI has fallen far short of the intent of attaining status equivalent to financial reporting standards. Indeed, in the United States and the United Kingdom, the uptake and diffusion of GRI to new organizations is stagnating. More profoundly, GRI has had little impact in shifting the balance of power in corporate governance toward civil society.

The founders of GRI, Bob Massie and Allen White, faced a daunting and improbable task: How would two individuals, located in two small Boston-area NGOs and without access to massive resources or formal authority, create a reporting framework that would come to be embraced by more than half of the S&P 100 companies, and come to be recognized as the predominant 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 skillful analysis, building organizational capacity, the development of smart strategy, and effective leadership (Levy & Scully, 2007). The Modern Prince thus exercises a form of strategic power to navigate the organizational terrain, to project moral and intellectual leadership, and ultimately to reconfigure and realign the field.

In order to analyze the success and problems of GRI, we develop a conceptual framework that views institutional fields as dynamic systems that are structured in the

discursive, economic, and organizational domains. These 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 actors' strategies, endogenous forces, and exogenous shocks. Institutional entrepreneurs, acting as the Modern Prince, are political actors who can analyze the current field of corporate governance and who seek to transform it by skillfully combining discursive, organizational, and economic strategies. Their agency constitutes a form of strategic power that provides a counterweight to the structural inertia of fields and can sometimes overcome the resistance of "field dominants" with superior access to resources (Levy & Scully, 2007; McAdam & Scott, 2005: 17).

The GRI's founders identified a core tension in the social reporting field between two competing discursive frames, or 'institutional logics'. 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 non-governmental organizations (NGOs) and business by advocating a 'win-win' frame in which these logics are seen as complementary rather than incompatible (Levy, 1997). The win-win proposition, which originated in the environmental management literature and generated considerable debate in the 1990s, asserts that companies can address environmental and social concerns in ways that improve profitability (Elkington, 1994; Russo & Fouts, 1997). It is closely related to the concept of "triple bottom-line", economic, social and environmental. More

broadly, it refers to mechanisms that generate confluence rather than conflicts of interest among stakeholders.

At the core of GRI's strategy was the effort to institutionalize non-financial reporting (NFR) as a routine practice, as legitimate and as 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 paper, however, is the argument that a new institution requires a supportive economic context to stabilize and flourish in the longer term. The evidence in the paper suggests that GRI is losing momentum, at least in the United States, primarily because of a failure to deliver value to various stakeholders. Investors remain unconvinced that NFR is valuable in the pricing of financial assets, companies are expressing doubts about the payoffs from 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 an emergent institution does not always reflect the intentions of its founders (Selznick, 1980). Rather, institutional development of GRI is a dynamic process, whose trajectory reflects the outcome of strategic interactions between NGOs and firms, in a particular economic, social, and political context. 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 ensuring collaboration from major multinational corporations (MNCs) and propounding the business case for social reporting, while activists and labor received less attention. These strategic choices and compromises shaped the path of the emerging institution, so that the corporate sector

plays an increasingly prominent role, while activists find themselves somewhat marginalized. The ‘civil regulation’ logic has gradually been eclipsed, and the longer-term vision of transforming corporate governance has faded.

The institutional trajectory deviated from the intentions of the entrepreneurs as a result of strategic interplay among the actors, the evolution of their interests, and tensions between competing institutional logics. This trajectory reflects the power relations among members of the field, their strategic skills and capabilities, and their ability to mobilize alliances and resources. The aspirations of GRI for a more fundamental shift in governance were 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.

In the following sections, we describe the research methodology, develop the theoretical framework in more detail, before 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 fifty individuals who participated in the development, operation, and use of the Global Reporting Initiative. 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 fourteen companies, fourteen civil society organizations and international NGOs, one US organized labor

organization, eight investment organizations and investment research organizations, three international consultancies, and one from US EPA. 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

In order to understand the trajectory of GRI's development, its impact on the field of social reporting and on the broader terrain of corporate governance, and to assess its successes and limitations, it is necessary to examine the structure of contested fields and the potential for strategic agents to change them. Within the framework of institutional theory, these agents are *institutional entrepreneurs* (Clemens & Cook, 1999; Greenwood & Suddaby, 2006), "actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones" (Maguire, Hardy, & Lawrence, 2004: 657).

Where research based on 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, & Lawrence, 2004: 658). These efforts to change or transform fields can resemble social movements, whereby "entrenched, field-wide authority is collectively challenged and restructured" (Rao, Morrill, & 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). The focus has thus 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 & Scott, 2005).

Institutional theory has traditionally reached for an understanding of 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 & 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, & 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, & 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 interests and 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.

It is the complex dynamic nature of contested fields that provides insights into the potential and limitations of strategic intervention in fields. In parallel to its focus on discursive structures, existing literature emphasizes discursive strategies, involving activities such as reframing the cultural meaning of practices (Munir & Phillips, 2005), theorizing and legitimizing new practices (Maguire, Hardy, & Lawrence, 2004; Rao, Morrill, & Zald, 2000), importing and adapting discourses from other arenas

(Boxenbaum & Battilana, 2005; Lawrence & Phillips, 2004; Phillips, Lawrence, & Hardy, 2004), and articulating, or linking, discursive elements (Etzion & Ferraro, 2006; Laclau & Mouffe, 1985). A 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 & Scully, 2007).

The Global Reporting Initiative

Corporate social responsibility (CSR) represents 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). Non-governmental organizations (NGOs) and businesses deploy the language and practices of CSR as strategic tools in political struggles over corporate governance (Levy & Kaplan,

2008; Ougaard, 2006). NGOs, as the “organizational manifestations of civil society interests,” (Teegen, Doh, & 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 & 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 accommodate external pressures, construct the corporation as a moral agent (DeWinter, 2001; Marchand, 1998), deflect the threat of regulation, and marginalize more radical activists (Shamir, 2004b).

The Global Reporting Initiative was conceived as a deliberate intervention in the CSR field. The explicit goal of GRI was to clarify and harmonize the practice of non-financial reporting (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).

One assumption was 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). Support for this strategy came partly from the early success of the 1987 Toxic Release Inventory (TRI) in reducing toxic emissions from industrial plants in the US (Graham, 2002). This "soft" approach to regulation was also consistent with the 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, & Newsom, 2004; Prakash & Hart, 1999; Utting, 2002).

In the founders' vision, the process of creating and evolving the guidelines would mobilize a wide range of actors and would institutionalize a dialogue among them, 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…".

The GRI organization comprises four permanent bodies: The board of directors (BOD), the Secretariat, the Stakeholder Council, and the Technical Advisor Council (TAC). The BOD sets broad strategic direction and exerts ultimate authority over organizational policies. It has been chaired by heads of major business organizations or

[1] This and other quotations from Robert Massie are from personal interviews, 2005 and 2006.

NGOs, such as Judy Henderson, Commissioner of 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 BOD. Its 60 members are selected in a way intended to provide balance between geographical regions and stakeholder groups, with twenty-two seats for business, sixteen 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 TAC is charged with technically overseeing the development of 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% of the members of the Stakeholder Council, but also serves an important informal function influencing the Guidelines broader mission of 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.

In 1998 the UN Environment Program (UNEP) formally joined GRI as a partnering institution, which enhanced its legitimacy, access to funding and administrative and intellectual support. Between 1999 and 2002 the GRI's founders succeeded in obtaining over $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, GRI produced three generations of Guidelines (G1, G2 and G3), several Sector Supplements and a host of technical papers and user guides. Several thousands individuals and organizations worldwide contributed to development of GRI, through the Stakeholder Council and various working groups. Elements of the GRI Guidelines have been adopted by GRI's competitors, which reflects its pervasive influence, but also hinders GRI's mission to standardize reporting.

By the early 2000s, GRI was widely regarded as the best developed international framework for sustainability reporting. A 2002 survey of 107 MNCs showed that GRI took second position after the well-established ISO 14,001 Standard in having the greatest influence on their practices with regard to social responsibility (Berman et al., 2003). Outside the US, the uptake of 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 GRI. The ISO 26,000 Sustainability Management Standard, currently under development, also draws on GRI. 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.

This impressive growth in prestige and recognition contrasts, however, with the operational reality of the modest impacts of GRI on the behaviour of corporate reporters

and their audiences. Most of the GRI participants focus on the development of the guidelines, particularly the revision and development of sectoral supplements (Brown, deJong and Levy, 2009). The uptake of GRI guidelines by companies who issue sustainability reports reached approximately one thousand in 2007.[2] While growth continues in developing countries, reporting has begun to stagnate in the United States and some European countries. While the diffusion of reporting has been substantial, particularly among large brand-name companies, GRI's founders were somewhat disappointed in relation to their initial aspirations. A large service industry comprised largely of sustainability consultancies and auditing firms has emerged around the revisions of the Guidelines, preparations 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 and other civil society organizations, organized labor and financial analysts are very modest.

To understand the initial success and subsequent direction of GRI, we analyze it 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

[2] This includes a small number of "in accordance" reports that are modelled closely on GRI Guidelines, but not reports based on competing reporting guidelines, though these often contain GRI components.

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

In order to build legitimacy for the initiative and develop a diverse coalition of NGOs and businesses to support it, an essential task facing GRI's founders was to address a core tension in the field over the meaning and purpose of NFR . As Brown et al. (2009) note, NGOs are primarily motivated by the logic of 'civil regulation' (Murphy & 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 relied on the ascendant 'win-win' logic of corporate environmentalism and CSR to frame GRI as overcoming any potential conflicts between NGOs and the corporate community. If social performance enhances financial performance, then interests are congruent rather than conflictual, and GRI becomes a vehicle for partnerships and collaboration. In Gramscian terms, GRI is making a hegemonic move by seeking to represent the common interest. Second, 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.” This is a strategic application of the “veil of uncertainty” to achieve consensus (Brennan & Buchanan, 1985). 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 perhaps succeeded in temporarily managing the tensions between the twin logics of NFR, but the tensions did not disappear.

An important legitimation strategy was to frame GRI as analogous to the well-known system of Financial Accounting Standards Board Interpretations (FASBI) in the United States, and consonant with the trend toward global harmonization of financial reporting under the International Financial Reporting Standards. 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, & Leca, 2004: 745). 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 & Ferraro, 2006). GRI could thus gain acceptance from its discursive lineage from an authoritative and well established system of reporting (Levy & 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. 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. This partly reflects the practical difficulties of doing so, and partly the fragility of the corporate-NGO coalition behind GRI.

The GRI entrepreneurs appear to have understood the dangers of a direct confrontation with well-entrenched institutions of corporate governance, encompassing powerful actors and firmly held belief systems. Instead, GRI pursued what Gramsci termed a "war of position", a dynamic long-term strategy, to gain legitimacy, secure resources, develop organizational capacity, and win new allies. Etzion and Ferraro (2006) suggest that 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 standards would stimulate improved social performance, and the best performers would drive upward revision of the guidelines. GRI enthusiasts hoped that institutional processes would spread the adoption of the guidelines and the norms of social performance to broader populations of companies. This hope has been borne out, at least in part; a large survey of companies undertaken by the United Nations Environmental Program (UNEP) found that pressure to follow competitors was the second most important reason for adopting NFR (Palenberg, Reinicke, & Witte, 2006:

20). Yet the momentum of the GRI "ratchet" appears to be stalling, suggesting the tensions inherent in this dual strategy.

While this discursive analysis is a significant part of the story, it is also necessary to examine economic and organizational dimensions of actors' strategies and of field structure governance; indeed, these elements are intertwined and mutually constitutive. Attending to these dimensions provides a fuller account of the rise of 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 GRI and the emerging economic and political experience of GRI.

Economic Structures and Strategies

Promoting the "business case" for GRI is, in one sense, a discursive strategy. 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. 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.

CSR advocates, for example, have made the case that superior social performance can increase product differentiation, enhance reputational value, reduce legal risks and compliance costs, improve employee motivation, and augment strategic capabilities (Hart, 1995). GRI has been presented as a managerial tool useful for deriving these benefits. 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 made sense within the framework of other corporate experiences. Even if the case for win-win was initially accepted with a measure of uncertainty and optimism, the idea would not take root in corporate conventional wisdom if it were contradicted by subsequent business experience. Framing GRI as analogous to FASBI, for example, is more than a legitimation strategy (Etzion & Ferraro, 2006); it relies on GRI data having a material impact on financial performance to enroll investors and corporate managers in the GRI alliance.

There is strong evidence that the prospect of material benefits constitutes the primary motivation for business adoption of 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).” Our interviews suggested that of these, 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 sustainability conscious business and to be listed on the DJ Sustainability Index.” This conclusion is buttressed by the UNEP survey, which found that the strategic management of brand reputation was by far the most significant driver behind NFR, with 94% rating it as very important or important (Palenberg, Reinicke, & Witte, 2006: 20).

Despite widespread enthusiasm for CSR and NFR, 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, & Walsh, 2007; Simpson & Kohers, 2002; Waddock & 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. GRI's emphasis on reporting procedures rather than social performance outcomes does not provide the comparable, transparent data needed by investors.

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. CSR is not costless, and if offsetting benefits are not evident, then managerial discretion will be undercut and the discursive attractiveness of CSR will weaken.

Substantial evidence exists that the initial enthusiasm surrounding NFR, and GRI in particular, is eroding as economic benefits fail to materialize. According to the UNEP survey, annual growth in NFR reporting fluctuated between 20% and 40% in the period 1996 to 2003. Since 2004, however, annual growth has fallen to near zero, and in some countries, including the United States 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, & 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 – 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 7 pages and incorporate it into the annual financial report. Multinational companies, particularly large ones with consumer brand images to protect, will likely continue their social reporting, but overall NFR appears to be losing momentum.

The GRI entrepreneurs understood that in order to develop a successful institution, 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. One interviewee stated that: “recently a journalist told us to keep on writing, but do not expect us to read it.” 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.”

Participation by labor and NGOs in the GRI process has declined markedly. NGOs are generally looking for more detailed, critical, and issue-specific data that would enable them to pursue their campaigns. GRI lacks this level of detail and critical orientation, due to its focus on management processes. 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 tend not to trust the external assurance provided by commercial auditors, and appear to be losing faith that investing in the development of NFR represents a good use of their resources.

The attempt to enroll financial analysts in the GRI ‘historical bloc’ has been even less successful. The UNEP report (Palenberg, Reinicke, & Witte, 2006: 24) concluded that although one or two large players, including the investment bank Goldman Sachs, 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.” The GRI entrepreneurs had anticipated that the reports would have instrumental value to financial analysts, whose primary task is to assess corporate market value and the risks facing various companies and sectors. 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. GRI, it was claimed, would

highlight sources of potential value as well as risks that would not be captured in conventional financial data released by companies.

This argument has found some traction in the climate change issue, where groups such as the Investor Network on Climate Risk have highlighted the risks and opportunities facing various sectors, and the Carbon Disclosure Project, representing investors with more than $31 trillion in assets, has begun collecting annual data from large multinational corporations about their carbon emissions and climate-related risks (Lash & Wellington, 2007; The Climate Group, 2007). GRI, however is a much more generic reporting tool 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. GRI does not provide us with such information because too few companies report." Another interviewee remarked that: "GRI information is not specific enough on non-environmental topics… it is not sufficiently specific for shareholders' engagement." Moreover, the instrumental value of GRI to financial analysts rests on the veracity of the win-win hypothesis; if social and financial performance has little correlation, then measures of social performance will hold little value for financial analysts.

The Socially Responsible Investment segment of the financial industry has, of course, been engaged in NFR and the development of GRI in particular. Joan Bavaria, President of Trillium investments, was a founder of Ceres and an early participant in GRI development. GRI advocates had anticipated the expansion of SRI funds and the

diffusion of assessment tools used within the SRI segment to the broader financial services industry. 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. GRI data, however, lack the necessary degree of “calculativeness” (Callon, 1998).

In the United States, 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 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, 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. GRI, as a generic, standardized and publicly-available system, offers a commodity product. SRI funds, however, under conditions of intense competition, are striving to charge higher fees for differentiated, proprietary services.

Moreover, SRI funds remain a very small component of total financial investments, estimated between 1% and 2% globally (Vogel, 2005: 60). This stagnation of SRI funds is unsurprising given the lack of any perceptible financial performance advantage (Vogel, 2005: 37). The discursive win-win claims for SRI, like those for NFR, are not aligned with or reinforced by the material dimension of the field. The UNEP report cites one interviewee as saying "We expected this market to grow fast and not to linger around 1 percent of all investments as is the case today. The reason is that our prognosis of higher returns has not materialized" (Palenberg, Reinicke, & Witte, 2006: 24).

The stakeholders who have derived the most tangible economic benefits from NFR are the auditors, consultants and certifiers of corporate social performance reports. 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 market for auditing these reports. 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 GRI founders understood from the beginning the

strategic potential for enrolling auditors and consultants in GRI network, and they have remained among its most active participants and supporters. 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

Institutional fields comprise a network of organizations, but discursive and economic forces promote the identification of various actors with the field and their continued participation within it. These forces provide a field with a degree of coherence and enable its reproduction, even if some organizations participate in a more conflictual role. The constituent organizations of a field, however, are themselves 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, 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 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.

Though the GRI's founders themselves were located in Ceres and Tellus, small peripheral organizations without substantial resources or any formal authority, they had strong personal and organizational networks with influential people and better resourced organizations, not just in the United States but worldwide. 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. For example, securing the support of the Association of Public Accountants in the United States, the Federation of European Accountants, and the United Nations Environmental Program signaled the seriousness and legitimacy of the initiative. They deliberately avoided association with government agencies such as the SEC that might deter corporate participation by signaling a mandatory regulatory approach.

The dynamic evolution of 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 response to pressure from activist NGOs and other stakeholders; the UNEP survey ranked this as the third most important driver (Palenberg, Reinicke, & Witte, 2006: 20). NGO 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 the multinationals, 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.

Pressure from state authorities could potentially have sustained growth in NFR, as a number of states and the European Union considered making social reporting mandatory. In the United States, 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 GRI, while other governments appear to be losing interest. The EU has enacted a Transparency Directive, to be 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, & Witte, 2006: 26-7).

Discussion

The GRI case illustrates the multi-dimensional structure of fields and the complex strategies that institutional entrepreneurs need to pursue in order to construct or transform institutions. By many measures, the GRI entrepreneurs were phenomenally successful in launching the initiative and achieved both a high degree of acceptance across a range of actors and a high rate of uptake among large companies across many countries. The success of GRI presents an example of strategic power; the founders of 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 multinationals 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 GRI itself as an organization, and external strategy, building a network of allies, promoting a business

model that would provide resources not just for GRI but also rewards for network participants, and adopting a discursive strategy centered on the win-win claims of CSR and similarities to FASBI to legitimize GRI and mold the interests of participants.

Following its initial success, GRI appears to be losing momentum. 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.

A key limitation on the strategic power of institutional entrepreneurs is that institutions cannot be created out of thin air or take any arbitrary form. New institutions are built by weaving together existing economic, discursive, and organizational threads; they represent transformations and reconfigurations rather than creation *ex nihilo*. The institutional elements need to form a functioning, mutually reinforcing and self-sustaining system, one which operates as a subsystem within a broader social and economic formation. 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 & Karnoe, 2001). As Gramsci (1971: 172) put it “The active politician is a creator, an initiator; but he neither creates from nothing nor does he

move in the turbid void of his own desires and dreams." The point of departure is, of necessity, the current situation, and 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: "If one applies one's will to the creation of a new equilibrium among the forces which really exist and are operative … one still moves on the terrain of effective reality, but does so in order to dominate and transcend it" (Ibid).

The very strategies that enabled the successful launch of GRI contained tensions and contradictions 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 some coherence to these competing logics, but did not eliminate the tensions. The strategy of promoting the practical utility and economic benefits of GRI to various actors also set up tensions between the discursive and economic dimensions of the field, which were exacerbated as the economic benefits failed to materialize. Moreover, the compromises involved in shaping GRI's particular form also limited its value; it lacked the detailed information needed by some stakeholders and the quantifiable measures sought by others.

In hindsight, it seems easy to argue that GRI's founders made strategic errors or were even duplicitous. 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, overcome the structural inertia of existing institutions, and avoid obstacles along the way. The need to align the new institutional form with the "master rules of society" (Haveman & 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, GRI has displayed a degree of resilience and adaptability in its strategic response to the impediments it faces. Since 2006, GRI has made a significant effort to engage small and medium size enterprises (SMEs), which constitute the vast majority of all companies worldwide. In a partnership with the World Resources Institute, GRI is reaching out to SMEs in Brazil, China, India, Indonesia, and Mexico. GRI has also partnered with several Europe-based multinationals to engage small companies in their global supply chains to become GRI reporters. In early 2008, 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. As benefits 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 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, & 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. Etzion and Ferraro’s (2006) account of GRI, by focusing narrowly on discursive structures and strategies, risks overplaying the agency of institutional entrepreneurs and underestimating the structural inertia of hegemonic fields.

The case also illustrates how NGO initiatives are constrained by larger structures of power, particularly the economic and political power of corporate elites and consumerist popular culture. NFR is nested within the broader institutions of capitalism, particularly financial markets and legal structures of corporate governance, which are resilient and well entrenched. 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. The implication is that institutional entrepreneurs remain structurally constrained, to some degree, by these wider systems.

The GRI entrepreneurs understood this, as reflected in their efforts to shape GRI as complementary to corporate and financial market needs. The strategic risk, of course, is that 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. As a result, the actual form taken by GRI, as with CSR more generally, represents a classic Gramscian accommodation between NGOs pushing for change and the counterstrategies of institutional defenders within wider resilient structures.

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