

# **Can Global Reporting Initiative Become a Global Institution?**

## **(Part I: The Rise of the GRI as a Case of Institutional Entrepreneurship)**

*Halina Szejnwald Brown, Clark University*

*Martin de Jong Technical University of Delft*

*Teodorina Lessidrenska, Clark University*

### **Abstract**

Since its conception in 1999, the Global Reporting Initiative (GRI) has rapidly become the leader among voluntary worldwide sustainability reporting systems. It emerged on the crest of the corporate social responsibility movement, and is a descendant of the social movements in the 1970s. GRI introduced three institutional innovations: a multistakeholder process for developing reporting guidelines; institutionalizing the process for producing successive generations of the guidelines; creating an organization to serve as the steward of the guidelines and of the process. The GRI champions have been remarkably successful, working under the conditions of limited resources, visibility and political power. We explain this success using the concept of ‘institutional entrepreneurs’ and by showcasing three types of tactics: discursive, material and charismatic. The framing of the GRI initiative—as a win-win solution for the shared problem of information management, and as an efficiency gain for all actors—was crucial to its success because it allowed balancing several sets of competing objectives: between the individual and collective interests; between broad consultation and efficient pursuit of technical objectives; between holding a vision of social change and setting attainable instrumental goals; and between building a new institution and not challenging the existing institutions and power relations. This balancing act imposed several crucial tradeoffs, and left a legacy of unresolved tensions within the nascent institution. The GRI story highlights the fundamental dilemma faced by institutional entrepreneurs who use inclusiveness and multistakeholder participation as fuel for affecting social change. The paper concludes with initial observations about the functioning of GRI as an institution.

## **1. Introduction**

During the past decade the ideas of transparency and accountability in environmental and sustainability performance have taken root in the discourse on corporate social responsibility (World Bank, 2000; Forstater, 2001; Zadek, 2001; Accountability, 2004; Waddock, 2004; Levy and Kaplan, 2006). Voluntary sustainability reporting has emerged as part of this trend and has rapidly diffused among large global corporations (White, 1999; *The Economist*, 2004; Kolk, 2004 and 2004a; 2005, 2006a; 2006b; Waddock, 2006). By 2002 the Global Reporting Initiative has rapidly become the leader among voluntary worldwide performance reporting programs on corporate responsibility.

The bold idea to develop reporting guidelines which would apply globally and across industrial sectors originated with two innovative people in 1997 in Boston, USA. Three striking innovations underlying GRI were: (1) to create the guidelines through collaborative efforts of a wide range of actors who had not previously thought of themselves as members of the same political or policy networks, and to do so in a maximally transparent internet-based manner; (2) to put in place a self-replicating, inclusive, multistakeholder international network for producing successive generations of the guidelines, which would assure their adaptability and long-term survival; (3) to create an organization serving as the steward of the guidelines, which they viewed as broadly shared public good, and the process by which they would continue evolving. By 2002 that independent GRI organization was officially set up in Amsterdam.

If measured by productivity, creativity, visibility, engagement of leading organizations and internationally influential individuals, and ability to attract funding, Global Reporting Initiative has been amazingly successful. The GRI's annual meeting in 2006 in Amsterdam was an impressive crowning demonstration of brand recognition, prestige and influence. Attended by over a thousand representatives of global business, investment capital, civil society organizations, professionals, and idea entrepreneurs, the conference's plenary sessions featured royalty, well-known politicians, corporate CEOs and high-level members of

multilateral institutions. Their collective message was that sustainability reporting has become an established norm of behaviour of socially responsible businesses, and that GRI has defined a global benchmark on how such reporting should be done and judged.

The Amsterdam event also demonstrated that in less than ten years a small group of relatively unknown institutional entrepreneurs with very limited resources and political power had achieved something remarkable. How could such a rapid uptake of an idea and a set of norms have come about? What strategies and framings of ideas did they apply? What can we learn from this story about creating new global institutions that depend on broad multistakeholder consultation? Despite the intense attention recently directed in the academic and professional literature toward sustainability reporting in general, and GRI specifically, relatively little attention has been paid to the above questions (Etzion and Ferraro's (2006) analysis of the language used by GRI leaders is among the exceptions). To address them, we turn to the concept of 'institutional entrepreneurs' (Clemens and Cook, 1999; Fligstein, 1997; Maguire, Hardy and Lawrence, 2004; Etzion and Ferraro, 2006; Levy and Scully, 2007).

This article proceeds as follows. Section 2 summarizes the rapid rise of GRI since 1997; Section 3 shows GRI's historical roots; in particular the consumer, investor and shareholder activism in the US, dating to the 1970s; and the corporate social responsibility movement of the 1990s. Section 4 describes the emergence of GRI, its underlying vision and how its initiators went about to further its conceptual development and worldwide diffusion. The particular way in which they set up the collaboration process with other organizations played a vital role in its evolution. Section 5 elucidates the strategies used by the GRI's champions in their roles of institutional entrepreneurs in order to achieve success. It does so by drawing on the work of Levy and Scully (2007) on institutional entrepreneurship as a strategic power play. The final section 6 considers the tradeoffs made by the entrepreneurs working within the existing institutional structure, and their implications for the future prospects of the emerging institution of GRI.

The data for this analysis have been collected by way of extensive documentary analysis, observations at meetings and conferences on GRI and sustainability reporting, and semi-structured interviews with key individuals who participated in the development of Global Reporting Initiative, including its founders, the representatives of business, civil society organizations, financial sector organizations, several organizations which formed the

foundation for GRI, some members of its first Steering Committee, members of the GRI Board of Directors, and some users. Appendix 2 lists the individuals interviewed for this project.

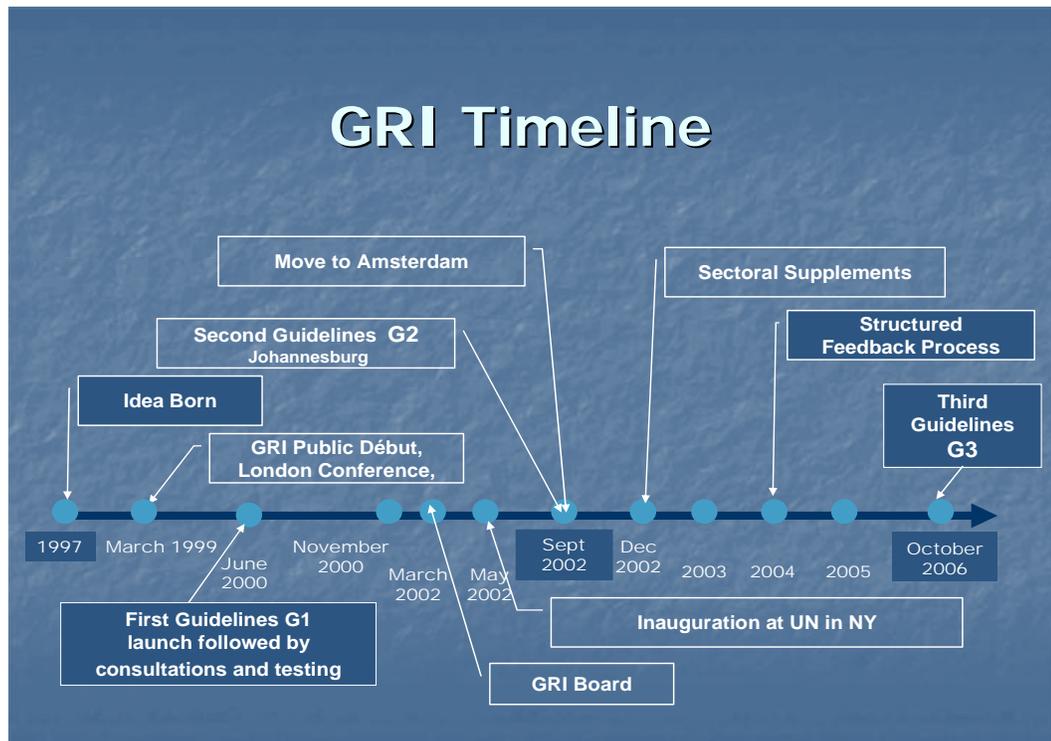
We find that one of the key pillars of the GRI entrepreneurs' success was maintaining a balance between the individual and collective interests of their diverse constituencies, between inclusivity and efficient pursuit of technical objectives, and between building a new institution and not challenging the existing institutions and power relations. To achieve this precarious balance the founders made several tradeoffs, including: framing the GRI initiative in a way that emphasized its instrumental value as an efficiency gain for a very wide range of diverse actors—companies, civil society organizations, organized labor, the financial sector and others; avoiding open discussions of the values, interest and frames of reference which motivated the individual actors to participate. While this framing was an important factor in GRI's successful rise on the international stage, it laid the ground for future problems and obstacles, such as unrealistic and mutually competing expectations, unresolved value conflicts, and the absence of a shared vision of the GRI among three types of stakeholders: developers of Guidelines, their users, and the users of GRI reports. This case exposes the fundamental dilemma of affecting institutional change by mobilizing a coalition of diverse and powerful stakeholders.

## **2. The Rise of GRI**

Figure 1 shows the timeline of the major events since 1997. The process started with producing several conceptual papers<sup>1</sup> by five working groups of the Steering Committee, and by devising the future GRI institutional model. The first draft of the GRI Guidelines (Exposure Draft) was presented at an international symposium at Imperial College in London in March 1999. A pilot test program was launched immediately thereafter, entailing a dozen or so meetings at different locations worldwide between July and December 1999. In early 2000, a GRI Interim Secretariat was established to manage the GRI day-to-day operations.

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<sup>1</sup> Green Metrics (White and Zinkl, 1998); Background paper on Frameworks, Concepts and Credibility (Format Working Group, August 1998); Background Paper on Measurement (Measurement Working Group, August 1998); User Needs Metrics (User Needs Working Group, September 1998); Building a Sustainability Report (Sustainability Working Group, September 1998)

**Figure 1. Chronology of the emergence of GRI**

The first official edition of the GRI Guidelines was released in June 2000, and the work on the next edition commenced immediately thereafter. A group of 31 companies<sup>2</sup> invested considerable resources toward pilot testing the Guidelines. The second GRI international symposium<sup>3</sup> successfully drew in the stakeholder groups (labor, international NGOs, investors) and the geographic regions (Africa, Asia, Southern and Central America) that until then were underrepresented within the GRI network. It also gave birth to the global multistakeholder network, the signature of GRI<sup>4</sup>. In April of 2002, at a ceremony hosted at the UN headquarters in New York, GRI was inaugurated as an independent organization, whose mission was to provide “stewardship of the Guidelines through their continuous

<sup>2</sup> Agilent, USA; BASF, Germany; Baxter International, USA; Bayer AG, Germany; British American Tobacco, UK; CWS Powder Coatings, Germany; ESAB, Sweden; Ford Motor Company, USA; Gaz de France, France; General Motors, USA; Halliburton, USA; Ito Yokado, Japan; Jebsen and Jessen, Singapore; Kirin Brewery Co., Japan; Natura, Brazil; Nike, USA; Panasonic, Japan; P&G, USA; Renault, France; Rio Tinto, UK; Royal Dutch/Shell, UK; Siam Kraft, Thailand; SKF Group, Sweden; Suncor Energy, Canada; Sydkraft Group, Sweden; Texaco, USA; TotalFinaElf, France; TransAlta, Canada; TXU Europe, UK; Vivendy Environmental, France; WSP Group, UK.

<sup>3</sup> Washington, DC, November 2000.

<sup>4</sup> The GRI’s global multistakeholder network grew from about 200 in early 2000 to more than 2000 organizations and individuals by the beginning of 2002. It became a platform for analysis and feedback on the 2000 Guidelines, raising questions and concerns on behalf of different stakeholders, and provided space for discussions.

enhancement and dissemination (GRI 2000 Guidelines).” It subsequently incorporated in Amsterdam as a non-profit organization and a Collaborating Centre of the United Nations Environment Programme. By August of 2002, the second edition of the Guidelines, so-called G2, was released in Johannesburg during the World Summit on Sustainable Development, which was followed in quick succession by a series of supplements tailored for individual industrial sectors and by scores of technical protocols and resource materials. By the end of 2005 the governance structure of GRI was completed (shown in Figure 2). The third generation of the Guidelines, G3, was released in October 2006.

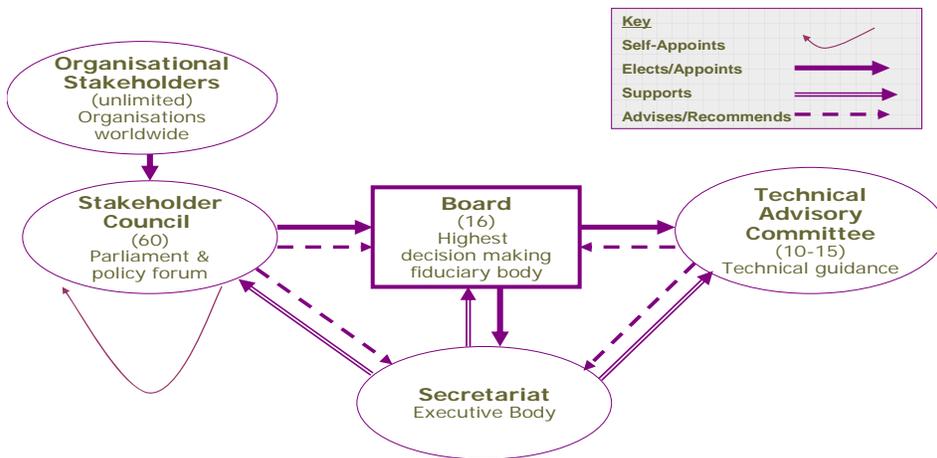
The GRI champions were able to attract generous funding during the early years (1999-2002), including grants from John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Spencer T. and Ann W. Olin Foundation, the Ford Foundation, the V. Kann Rasmussen Foundation, the United Nations Foundation<sup>5</sup>, and the World Bank<sup>6</sup>, as well as considerable in-kind and real support from the GRI Steering Committee and from various companies and other participating organizations. Over the years, thousands of individuals and organizations volunteered their and their organizations’ time and knowledge for the development of the guidelines (over three thousand for G3 alone), including religious socially responsible investors, NGOs, and labor unions. Some participated as members of Working Groups and Stakeholder Council, others as interested individuals, and all were coordinated, initially by the Steering Committee and, later by the Secretariat. A few illustrative examples also speak to the meteoric rise of GRI’s visibility on the cluttered agenda of the sustainability and corporate responsibility discourse: the UN Secretary General Kofi Annan publicly supported GRI as having a “...unique contribution to make in fostering transparency and accountability of corporate activities beyond financial matters”; only two years after its inception GRI was the only non-governmental initiative mentioned in the Final Plan of Implementation of the World Summit in Johannesburg (Article 17<sup>th</sup>), signed by all participating governments; in the same year, a survey of 107 multinational corporations

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<sup>5</sup> Over \$5 million total. The \$ 3.75 million grant from the UN Foundation was the largest such grant in the modern history of NGOs.

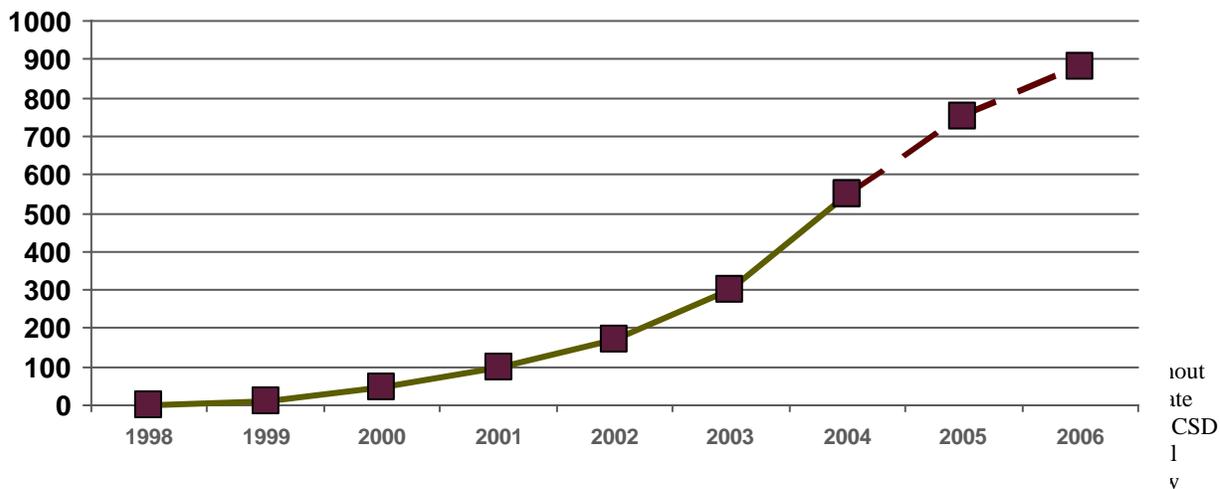
<sup>6</sup> \$ 2 million for institutional development.

**Figure 2. Organizational chart of GRI**



showed that GRI took the second position after ISO 14,000 Standard as having the greatest influence on their practices with regard to social responsibility<sup>7</sup>.

**Figure 3. Uptake of GRI Guidelines by companies worldwide**



many years have the following CSR standards/forums been influencing your company?" the same individuals responded: 8 yrs ILO Conventions, 4.5 yrs WBCSD, 4.2 yrs ISO 14000, 4 yrs AA 1000, 3.2 yrs OECD Guidelines for MNC's, and Ethical Trading Initiative, 2.5 yrs GRI, 1.7 Global Compact, 1.5 SA8000 (Berman, Webb, Fraser, Harvey, Barsky, Haider, Dunn, Forde, Graham, Mundy, Tayara, Williams, 2003).

### 3. Intellectual and Institutional Breeding Ground for GRI

The core philosophy of GRI founders drew heavily on the ideology of its parent organization Ceres. Formed in 1989, Ceres is a coalition of investors, public pension trustees, non-governmental environmental organizations, foundations, public interest organizations, and labor unions, with a mission to improve environmental performance and accountability among US firms by promoting socially-responsible investing and shareholder activism; and by seeking voluntary commitments from industry to ten specific codes of conduct—the Ceres Principles—with adherence verifiable by way of public reporting on environmental performance. Ceres' ideological lineage can be traced to the confluence of two streams of powerful ideas: the consumer, investor and shareholder activism in the US, dating to the 1970s; and in the corporate social responsibility (CSR) movement during the 1990s. Its founding mission additionally reflects the rising interest at the time of its formation, both among policy makers and some centrist social activists, in more collaborative relationships with industry, and in increasing the reliance on market forces as regulatory instruments (see, for example, Freeman, 1997; Kraft and Vig, 1997; Andrews, 1999; Mazmanian and Kraft, 1999; Press and Mazmanian, 1999; Fiorino, 2006).

Below, we briefly recount the histories of the two streams in order to highlight the evolution of ideas that would later profoundly influence the mission and structure of GRI as well as highlight the role of the small group of individuals who nurtured and disseminated them.

*Social activism through the force of markets.* The notion of linking one's money with one's moral principles goes back in the US to the 19<sup>th</sup> century anti-slavery, temperance, anti-gambling and other social campaigns. The social movements of the 1960s took it up in the campaigns for civil rights and gender equality, and against the Vietnam War, the South African apartheid, nuclear power, and other social ills.<sup>8</sup> In 1969, the United Church of Christ, a coalition of Congregational churches with over two million members, under the leadership of Reverend Leon Sullivan formally resolved to use moral principles to guide its investment decisions. By the mid 1970s several so-called socially responsible funds emerged, such as the

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<sup>8</sup> Yale University and Ford Foundation were leaders among universities and foundations, while Saul D. Alinsky's 1969 "Proxies for People", and Simon, Powers, and Gunnemen's 1972 "The Ethical Investor" were among influential books which framed the debate.

Dreyfus Third Century Fund, the Pax World Fund, the First Spectrum Fund, the Social Choice Fund at TIAA-CREF, the Calvert Group, the Domini Social Investments, the Citizens Funds, the Trillium Asset Management Corp, and others. The Interfaith Center for Corporate Social responsibility (ICCR), a coalition of protestant denominations and catholic social orders, emerged in 1972 under the leadership of Timothy Smith, to promote pressure on companies through shareholder activism (resolutions and membership on executive boards) and targeted divestments<sup>9</sup> (Massie, 1997).

These developments created a demand for reliable information about corporate activities. Several organizations emerged in response, including the Council on Investment Priorities (established in 1969 by securities analyst Alice Tepper Marlin, and shortly thereafter renamed Council on Economic Priorities, CEP)<sup>10</sup>, Investor Responsibility Research Center (IRRC, founded in 1972<sup>11</sup>), Franklin Research and Development, founded in 1979 by Joan Bavaria, who would in 1989 found Ceres), and, somewhat later, Coop America (founded in 1982 by Alicia Gravitz and others<sup>12</sup>). Some of these research organizations also sought to nourish the fledging consumer movements. In the hugely successful book “Shopping for the Better World”, the Council for Economic Priorities used a 3-point scale to score companies’ performance in about a dozen categories, such as; transparency, environment, community relations, minority and women employment, family benefits, South Africa, and others (CEP, 1973).

In 1982 the social reformists within the financial sector incorporated in Boston as Social Investment Forum (SIF), with Paul Freundlich as President. SIF’s mission was to incrementally reform the existing economic system toward greater social responsibility through a broadly based alliance of investors, public pension trustees, non-governmental

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<sup>9</sup> The 1969 so-called campaign GM was the first successful campaign to make a powerful company to feel accountable to its shareholders for its policies regarding minority employees and doing business in South Africa. Leon Sullivan became a GM board member in its aftermath.

<sup>10</sup> During the 1970s the Council produced a series of deeply researched and meticulously documented books on employment practices (Alexander and Sapery, 1972), environmental impacts of industrial sectors (Cannon and Halloram, 1974; Kerlin and Rabovsky, 1975). During the next twenty five years it published more than a thousand publications on companies’ practices in areas as diverse as fair employment, child labor, environment, foreign investments, political influence, military protection, and others.

<sup>11</sup> IRRC’s early work focused identifying pending shareholder resolutions with social policy implications, producing background reports on the issues, publishing company-specific supplements on the resolutions before annual meetings, and tracking of the proposals as they move through the process. One of the earliest special reports was a 1974 study of the role of corporate boards of directors and of proposals to change the way they are selected.

<sup>12</sup> The “fair trade’ movement was one of the key accomplishments of the Coop America.

environmental organizations, foundations, public interest organizations, and labor unions. Its members included leaders of Council on Economic Priorities, the Franklin Research and Development, CoopAmerica, ICCR, and IRRC and various individuals from the mainstream East Coast financial institutions, such as City Bank, Shearson Brothers, South Shore Bank in Boston, Pax World Fund, and others. Gravitz, the co-founder of Coop America remarked in an interview: “there was a feeling that something new was going on....that the financial institutions could partner with, or at least work in parallel with, the social movements to solve social problems....the question was how to turn this new emerging economy into the dominant economy....”, while Joan Bavaria, the future founder of Ceres said: “We wanted to establish a new language, and to change the corporate and the existing investment cultures and expectations regarding social and environmental accountability.” Gravitz added: “But people stumbled over the language of this new initiative. Terms such as ‘value added economy’ or ‘economic democracy’ were variously applied, with the latter meaning that social justice, environment and human rights go hand in hand.” It would take Bruntland Report in 1987 and the concept of sustainable development to give voice and a language to these ideas.

Several SIF activists (Bavaria, Tepper-Marlin, Gravitz, Freundlich, and others) would later on also become board members of SIF offspring Ceres, and subsequently became involved in the creation of GRI. One of the signature projects of Social Investment Forum was to develop, in partnership with environmental activist organizations, explicit codes of environmental conduct for industry, with the idea of asking companies for formal endorsements and for regular reports on performance as the means of verification (they eventually became Ceres Principles). Notably, the Forum borrowed the idea of verifiable codes of conduct from another branch of market-based social activism during the 1970s: the anti-apartheid movement. At the height of that movement, one of its leaders Leon Sullivan announced in 1977 a “Statement of Principles of US Firms with Affiliates in the Republic of South Africa” which specified several norms of behavior of US-based companies doing business in South Africa, such as desegregation of facilities, equal pay for equal work, equal employment practices for all employees, and others<sup>6</sup>. Sullivan Principles’ institutional

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<sup>6</sup> Sullivan expanded and amplified the original Principles four times before he left the program in 1987, with the last one, in 1984, requiring companies to support the ending of all apartheid laws.

innovation was that they were produced by an alliance of business, capital, religious organizations, educational institutions, social activists, (also some politicians), the model which SIF, Ceres and GRI would later adopt. It also gave rise to a new breed of non-profit organizations that specialized in gathering, systematizing, and disseminating information about companies' social performance, and in using it to garner public pressure (see Massie, 1997 for the history of antiapartheid movement in the US).

The key legacy of the Principles was not the ending of apartheid, on which it had minimal influence. Rather, it was the notion that companies can and should be guided by explicit norms of behavior, and that they are accountable for commitments they make as socially responsible entities. Moreover, by being the product of a broad-based alliance, the Principles demonstrated that there is such a thing as generally agreed upon norms of conduct, which are acceptable to all segments of society, and that this conduct can be in fact measured, verified and judged. A decade later, in the aftermath of the 1989 disastrous petroleum spill in Alaska by Exxon Valdez, the newly created Ceres organization would use the Sullivan Principles as a template for formulating Valdez Principles of environmental conduct, shortly thereafter renamed Ceres Principles.

All along, information on non-financial performance of firms, carefully researched and organized, was the central instrument for pursuing the market-based social activism of the 1970s and 80s. In the words of Bavaria “[the goal was]...to bring the information on social and environmental issues to the same level of integrity and predictability as the financial information.”

*Corporate social responsibility and the rise of voluntary reporting.* Ceres was never able to enlist more than a handful of companies to endorse the Principles. But its two central ideas—shared responsibility and multistakeholder alliances for the social and environmental good; and explicit and verifiable commitments to norms of conduct—were readily taken up by those environmental advocates who stressed the necessity of business participation in solving global environmental problems (Slaughter, 2004; Levy and Kaplan, 2006; Ougaard, 2006). These ideas also resonated with the president-elect Clinton's political agenda (including the 'reinventing government' initiative led by Vice President Gore), and fed the ongoing trends in the US since the 1980s toward more flexible environmental policies (Fiorino, 2006). Transnational corporations readily adopted these ideas, eager to pre-empt the

calls by many NGOs for the creation of international norms of behavior in order to reign in their growing economic and political power (see, for example, Chatterjee and Finger, 1994; Lee and Humphreys, 1997; Newell and Paterson, 1998; Bendell, 2000).

The 1992 UN Conference on Environment and Development in Rio was a turning point in the balance of power between global corporations, governments, and the society. Acting from the platforms of the International Chamber of Commerce and the newly created Business Council for Sustainable Development (since 1995 World Business Council for Sustainable Development, WBCSD), the corporate sector presented itself as not only part of the environmental problem, but also an essential part of the solution, and as an equal partner to governments and NGOs. The notions of corporate social responsibility, CSR, in environmental, social and economic domains ('triple bottom line') would thereafter frame the discourse about governance of global sustainability agenda and the corporate role in it. Along with the rise of the CSR concept grew the popularity of voluntary codes of conduct. The 1991 Business Charter for Sustainable Development, issued by International Chamber of Commerce, was one of the first such codes, and became one of the most popular, with thousands of endorsers; the Global Compact, a UN-led initiative, followed in 1999; and there were many more<sup>14</sup>.

The international NGOs adapted their strategies to this new balance of powers. In the 1990s the international NGOs would go beyond the traditional tactics of awareness raising and setting the policy agenda through public educational campaigns, lobbying, and adversarial political actions. Partnerships with firms for the purpose of solving specific problems, such as Marine Fisheries Council, the Rainforest Alliance, and many others became a new mode of mutual engagement (see Bendell, 2000; Greer, 2000; Keck, 1998; Hollender and Fenichell 2004; O'Rourke 2005 for some examples). Since partnerships between natural adversaries can be risky for the participants, verifiable corporate

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<sup>14</sup> According to *Green Metrics*, the list of industry organizations with initiatives focused on voluntary codes of conduct at that time included: The Association for Environmental management in Banks in Germany; Chemical Industry Association, Germany; Confederation of British Industry, UK; European Chemical Industry Council (CEFIC); International Chamber of Commerce (ICC); International Network of Environmental Management; Japan Federation of Economic Organizations; Minerals Council of Australia; Prince of Wales Business Leaders Forum; Public Environmental Initiative Forum (PERI); and the WBCSD (with the World Environment Council and the Canadian Roundtable on the Environment and the Economy, NRTEE) (White and Zinkl, 1998).

commitments to norms of conduct and regular reporting on performance became important instruments to show transparency and accountability to placate both sides.

From the business perspective, demonstrating adherence to codes of conduct also required measurements and disclosure of progress. In that context, the European Chemical Industry Council issued in 1993 a set of guidelines for reporting pollution discharges to air and water, and hazardous waste, including specific quantitative metrics. The Eco-efficiency Metrics Working Group of the World Business Council for Sustainable Development issued in 1997 eco-efficiency metrics to “help companies track their progress in reducing the impact of environmental aspects of production and services on their financial balance sheet” (WBCSD, 1997). The establishment of Toxic Release Inventory in the US (1997), and the uptake of this model by several European countries served to amplify the pressure on companies to collect and publicly release environmental and other non-financial performance information. As reviewed by Kolk (2006a) voluntary sustainability reporting among the largest 100 hundred companies in a number of OECD countries has gone from 12% to 17%, to 24%, to 28% in 1992, 1993, 1996, and 1999, respectively.

In summary, the social activism through markets and the CSR movement reinforced each other with regard to the growing demand for information about companies’ environmental and social performance, and their willingness to release it. Reporting promised to advance multiple interests and promised to create a language and a shared currency for conducting various societal transactions.

#### **4. GRI’s Emergence, Growth and Institutionalization**

By the mid 1990s an enormous volume of information was voluntarily flowing out from companies in the OECD countries. The companies were also inundated with requests for data—ranging extremely widely in scope and format—from various organizations proclaiming to produce standardized reports on companies’ performance. The Internet amplified these developments exponentially as well as exposed their deficiencies: the *ad hoc* nature and inconsistent scope (environment, social issues defined in a wide range of ways), made the information difficult to interpret and practically impossible to cross-compare; the global nature of many large reporters, with operations in many countries and several

continents, added further complexity to the task; the proliferation of many different systems of reporting allowed reporters to choose those that put them in the best light, thus using them to obfuscate as much as to disclose. In effect, the promise of a shared currency turned into many different currencies in the absence of a conversion chart.

In this climate, the idea of standardization, simplification and globalization of this river of data was gaining ground. In 1997, the Ceres organization undertook to create such a system, naming it Global Reporting Initiative. The idea was a brainchild of two individuals: Bob Massie, Ceres President, and Allen White of the Tellus Institute in Boston, which provided consulting services to Ceres. The goal was to “create a global common framework for the voluntary reporting of the economic, environmental and social impacts of corporate and, gradually, other organizations” (White, 1999). Ceres was well positioned for the task: it had been for two decades the champion of performance metrics, accountability through disclosure, emulating the financial accounting practices in the environmental domain. It was a strong advocate of voluntary commitments by industry and building multistakeholder coalitions. Its highly diverse network, comprising the corporate, financial, environmental, labor, and other sectors, represented considerable intellectual and political capital.

*The vision:* At its most explicit, the goal of the GRI system was two-fold: to harmonize, standardize, clarify and unify the practice of non-financial reporting; and to empower various societal actors, by way of access to relevant information, to use market and political mechanisms to demand from companies a certain level of accountability. The 1997 draft paper stated that “...[the GRI] vision is to improve corporate accountability by ensuring that all stakeholders—communities, environmentalists, labor, 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).

But the founders’ vision went beyond creating just a *product*, as embodied by a reporting framework. They also wanted to set in motion a *process* which would assure the creation of the product. They understood that creating a reporting system on a scale of the standard

financial reporting guidelines (Financial Accounting Standards Board Interpretations, FASBI), which took several decades to evolve to its current format, and which comprise volumes of detailed procedures and commentaries, would necessitate obtaining input from all the relevant societal actors. It would also require iterative efforts over time, based on empirical experience and trial-and-error, extensive consultation and collective learning. For that reason, a formal organization was also envisioned to be the convener of the process and the steward of its product.

It was a daunting task. But it was also an opportunity to create a self-replicating broadly based dialogue among a network of participants of great variety, international reach, and a range of competences and interests. In the founders' vision, the reporting guidelines would be a living document, produced *by the users and for the users* through iterative revisions and adaptations well into the future. In that vision, the process of creating and evolving the guidelines would mobilize a wide range of actors who had not previously thought of themselves as members of the same political and policy network, would institutionalize a discourse among them, lead to new norms, practices, and language, and would facilitate the emergence of new understandings of corporate and collective responsibility and accountability. These were, in effect, the conditions for emergence of a new institution based on broadly based multistakeholder consultation. In Massie's words: "...[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...". And Joan Bavaria, Ceres' founder stated: "... the goal ..was to mobilize all the stakeholders, changing the expectations of the society around commerce, and making companies more accountable to the society."

An additional aspiration for the Guidelines was that each revision would hopefully raise the bar of reporting requirements (and, indirectly, performance standards). This "ratchet effect" (Massie's term) would be driven by those with the greatest investment in the system and the highest performance record. Some of the early supporters hoped that the reporters with the greatest stakes in the system would in the future seek to legitimate and strengthen it through mandatory reporting policies. The founders of GRI also envisioned the guidelines becoming an agent of change within the reporting organizations. Since it would be impossible to devise specific quantitative reporting metrics that would be applicable to all

types of reporters across the world while also being capable of describing a conduct with respect to a wide range of social and labor issues, it was clear that the guidelines would have to undergo a translation process within the reporting organizations. This challenge actually presented an opportunity to create a self-assessment and reflection processes that could become an engine of deep conceptual learning within organizations.

GRI did not aspire to define, certify or audit performance<sup>15</sup>. Rather, its mission was to create a universal reporting framework and a language in which a discourse about sustainability performance could be carried out, and which would be used by others to form judgments about the level of performance, based on socially formulated standards. In time, a societal consensus might emerge about what constitutes acceptable norms of behavior with regard to the sustainability imperative, initially by companies, and later by other organizations and self-governing societal units (for example, municipalities). They might even turn it into legally sanctioned standards of conduct. GRI was an unmistakably an offspring of Social Investment Forum and the ideologies that led to its creation: it sought to work within the existing institutional structures and was poised to achieve its goals incrementally.

The founding vision was ambitious. One of the key initial challenges was to develop an intense and prolonged multistakeholder process among a wide range of actors, based on trust and commitment. Some of them were traditional adversaries, while others simply had no shared history. The second challenge came from the resource constraints. Although the leaders of the GRI project would prove to be brilliant and successful fundraisers, the level of resources required to produce widely acceptable and applicable reporting guidelines would necessitate donations of time, expertise and organizational resources by the participating individuals and organizations. That would in turn require an arresting vision and a sense of participation in a historic mission.

The competition from other reporting systems, those already in place and those that the opposition within the business community created by pre-empting GRI, such as the Public Environmental Reporting Initiative (PERI) and the Global Environmental Management

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<sup>15</sup> In that, GRI's goal, if not methods, was sharply different from that of Council on Economic Priorities (and its 1997 successor Social Accountability International), which since its early days judged companies against each other and the organization's norms and scored them accordingly.

Initiative (GEMI)<sup>16</sup> in the USA, formed another challenge for the fledging Global Reporting Initiative. Participation and support by powerful companies from across sectors and geographic regions, and especially by the skeptical US companies, was an absolute condition for the success of the project, and one of its great initial challenges. Finally, to create a momentum and a sense of historic turning point, which the founders correctly judged to be an essential ingredient to overcoming the above challenges, the progress had to be fast, measurable, and highly visible.

*Structure and strategy of GRI.* Five strategic principles guided the process of GRI development: (1) Inclusiveness; (2) International multistakeholder process, based on wide consultation and iterative testing and self-correction; (3) Maximum use of internet; (4) Transparency; and (5) Fast pace and efficiency. Inclusiveness, multistakeholder participation, and recurrent empirical testing were necessary to create a broad-based support and the atmosphere of neutrality, to elicit the best ideas and assure that the product serves both the reporters and the users, to overcome systemic barriers, mistrust, opposition and skepticism, to create legitimacy, and to set in motion the evolution of a self-replicating societal network. Bob Massie's paraphrased their message to the participants as follows: "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." It was one of the triumphs of GRI to bring this diverse constituency to work together, whose members were in some cases natural political adversaries and who spoke very different languages. And work they did, as volunteers, under time pressure and resource constraints, on difficult concepts which required as much hard data analysis as reflection on the matters of economics, power relations, ethics, social justice, cultural norms, and others, and while relying largely on electronic communications.

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<sup>16</sup>PERI offered guidelines for voluntary reporting on environmental performance. Several large firms, courted by Ceres to adopt its Principles, in fact joined PERI instead (including Amoco, DuPont, Northern Telecom, British Petroleum, and others). GEMI encouraged companies to adopt the Business Charter of the International Chamber of Commerce, and offered an environmental self-assessment program.

The initial organizational structure of the GRI was very efficient. It consisted of a small secretariat, a seventeen-member Steering Committee, and numerous decentralized working groups coordinated by the Steering Committee and communicating mostly electronically. When it first convened in early 1998, the Steering Committee consisted of non-governmental organizations—think tanks and environmental organizations, investors, accounting organizations, the corporate sector, and representatives from United Nations Environmental Programme, to serve both as an adviser to the Ceres team, the project’s governing body, and its main resource base. It worked jointly with Ceres and the Tellus Institute on every aspect of the GRI development, from research and setting priorities to initiating working groups and development of concepts for different GRI products.

The composition of the Steering Committee aimed to garner support, create competitive peer pressure to participate in GRI, and to deflect early challenges. For example, the participation of the Association of Public Accountants in the US and the Federation of European Accountants sought to show to the US business that other countries and other business sectors were ready to adopt a standardized system of reporting. Apart from UNEP, government was strategically not included to avoid the perception that GRI was a regulatory program. The committee members were encouraged to promote GRI within their own networks and to recruit additional participants. This created an effective marketing platform and ever expanding source for innovative ideas and concepts and laid the foundation for the multistakeholder process: the GRI trademark. To increase the visibility, the GRI organization offered the use of its evolving Guidelines to the growing number of signatories of the recently created Global Compact.

Initially, members of the Steering Committee came mostly from Europe and US<sup>17</sup>, with representatives from Japan, India, and Columbia, but the goal was to rapidly expand the international base. Since 1999, the GRI organized regional events in various countries in Europe, Asia, America, Australia, and Africa, and set up multistakeholder working groups in

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<sup>17</sup> Steering Committee Members included: Roger Adams, Association of Chartered Certified Accountants, UK&Global; Anil Agaval, Centre for Science and the Environment, India; Jacqueline Aloisi de Larderel, UNEP; Mark Bateman, Investor Responsibility Research Center, USA; Maria Emilia Correa, Columbian Business Council for Sustainable Development, Columbia; John Elkington, SustainAbility, UK; Magnus Enell, ITT Flygt AB, Sweden; Toshihiko Goto, Environmental Auditing Research Group, Japan; Adrian Henriques, New Economics Foundation, UK; Erin Kreis, General Motors Co, USA; Markus Lehni, WBCSD; Judith Mullins, General Motors Co, USA; Amy Muska O’Brien, Council on Economic Priorities, USA; Janet Ranganathan, World Resources Institute, USA; Kimie Tusinoda, Green Reporting Forum, Japan; Alan Willis, Canadian Institute of Chartered Accountants, Canada; Simon Zadek, AccountAbility, UK.

South Africa, Brazil, Argentina, Canada, Australia, Hong Kong, Japan, UK and Europe. But it was the Internet that allowed GRI to become a global enterprise with astonishing speed. Among the vital early decisions was to make a maximum use of the Internet, which was just about to radically transform all forms of communication worldwide. It allowed the widely dispersed participants to form virtual committees and consultation forums and provided efficiency gains. Not only were all the meetings public, but all the documents and discussions were made widely available through the GRI website, electronic discussion boards and e-mail distribution lists. Over time, the writing and re-writing of successive drafts by various GRI Working Groups became a sophisticated virtual system.

Initially, GRI focused on environmental reporting alone, mirroring its parent organization Ceres, but within a year, in response to the proposal from one of its Working Groups<sup>18</sup>, the scope expanded to three categories of sustainability indicators. *Social performance* indicators, which center on how an organization contributes to the well being of its employees, customers, other stakeholders and the society through its labor, human rights, governance and product responsibility and safety practices. *Economic performance* indicators address the organization's and its host community's financial performance, by focusing on its economic impacts on customers, suppliers, employees, providers of capital, and the public sector. Topics include sales, profits, capital expenditures; debt and interest; wages; community donations; taxes; local purchasing; and brand strength. *Environmental indicators* concern environmental performance and impacts, both now and for the future generations. They cover such topics as: resource conservation, waste prevention and management, environmental risk control and restoration, supply chain impacts, waste disposal, recycling, energy conservation, greenhouse gases, biodiversity, water and materials use; renewable energy; and wildlife conservation.

The decision to cover all aspects of sustainability performance was a turning point in the GRI trajectory. First, it undertook to translate such ill-defined slogans as “triple bottom line”, “profit, people, planet”, and “corporate social responsibility” into concrete tasks of clarifying definitions and meaning and developing instruments. Second, considering the challenge of

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<sup>18</sup> The Sustainability Working Group, chaired by Simon Zadek of New Economics Foundation, and currently President of AccountAbility, argued that “[sustainability reporting] is complimentary to the existing financial reporting, i.e. by addressing the non-financial aspects of business and the intangible business assets and values, sustainability reporting fills the gaps left by the traditional financial reporting and brings to completion the picture of company's performance and balance sheet” (GRI, 1998).

developing indicators that would be universally applicable across economic sectors, cultures, and countries (especially the social impact indicators), this decision assured that the multistakeholder process and a gradual evolution of the Guidelines envisioned by the founders, would indeed materialize; this task was impossible to accomplish without experimentation, testing, lengthy consultations and numerous revisions. Third, it solidified the GRI's commitment to, and dependence on, an inclusive multistakeholder participation on a global scale; it would be impossible to develop reporting guidelines on such issues as human rights, community development, labor relations, and others, without the participation of a broad range of interests. Finally, it made irrevocable the original plan to separate GRI from its parent Ceres, which maintained its focus on environmental impacts alone.

## **5. Strategy and Tactics Deployed by GRI's Institutional Entrepreneurs**

Figure 3 shows the rapid uptake of GRI between its late 1990s (its beginnings) and 2004. During that time GRI became branded as the premier most advanced and complete reporting system. To elicit the elements of success of the GRI founders we draw on the concept of institutional entrepreneurship as elaborated by Greenwood, Royston and Hinings (1996), Fligstein (1997, 2001a, 2001b), Clemens and Cook (1999), Lawrence (1999), Greenwood (2002), Lawrence and Phillips (2004), Phillips et al. (2004), Maguire et. al. (2004), Maguire and Hardy (2006), Greenwood and Suddaby (2006), and Etzion and Ferraro (2006). Maguire *et al* defined institutional entrepreneurship as representing 'the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (2004: 657).

In a recent insightful article, Levy and Scully (2007) provide an overview of the main qualities of institutional entrepreneurs from the angle of strategic power-play. In their eyes, strategy is a mode of interaction by which institutional entrepreneurs engage with field structures, the latter being conceptualized (Scott, 1994: 56) as communities of organizations partaking of a common meaning system and whose participants interact more frequently with one another than with actors outside the field. Institutional entrepreneurs are in the paradoxical situation that they have few resources to transform an existing institutional field or build up a new one, but are highly motivated to do so. In order to achieve their objectives

they must be skillful in getting other more resourceful actors engaged in this wished-for process of transformation and make resources available for that purpose. This poses high demands on their general strategic abilities as well as on their tactical capacities in terms of framing, bargaining, alliance building and motivating. They must be able to spot the inconsistencies and instabilities in the existing institutional field (cf. Seo and Creed, 2002) and capitalize on them by convincing others of the urgency to change. Subsequently, the key to their success is the way in which they connect their change projects to the activities and interests of other actors in the field by crafting their project to fit the conditions of the field itself.

Put differently, institutional entrepreneurs are out to effect change in the rules, standards and patterns of interaction in an intermediate level between organization and society and do this by creating and using a discourse of win-win solutions to suggest congruence between societal and business interests. They 'read' the path-dependent context in which actors in this field operate and are keen to flexibly grasp windows of opportunity as they arise. Such opportunities obviously appear when tensions in a given institutional system have become difficult to ignore, as was the case when the transparency and corporate social responsibility movements had become an undeniable challenge to most companies in the 1990s. Indeed, actions and opinions of those involved in the development and global spread of the Global Reporting Initiative described in Sections 3 and 4 suggest a strong awareness of their strategic position amidst the organizational field and potentially generative consequences of their process in terms of institution-building. Since they represented only a tiny player with little political clout and few resources, they had to devise a strategy in which they could bring important other players together to become part of a multi-stakeholder process in which a concept would be worked out that was attractive and represented a gain to various societal and corporate interests.

Levy and Scully (2007) indicate that a dialectical relationship exists between the material and discursive dimensions of institutions. The material dimension reflects the 'objective' resource-based aspect of an institutional field, while the discursive one reflects the subjective, textual side. Below, we make use of the distinction between these two aspects for our account of the specific tactics used by the GRI-founders to effect the institutional change. Although they do not acknowledge charisma as a third aspect, they do write: 'Strikingly, the

Modern Prince is an emotive leader as much as a calculating strategizer, a mythological figure reminiscent of some contemporary heroes. (...) the emotive, mythical character of the entrepreneur might well be critical to a project of institutional transformation.’ (page 11). We believe that charisma is crucial to understanding the success of the institutional entrepreneurs here: the power to convey to other actors a sense of mission in a great mythical enterprise to preserve capitalism yet make it more socially responsive.

Consequently, we identify *three* main aspects in the tactics which the GRI-founders utilized to implement their strategy:

- (1) A discursive face, here meaning the conceptualization and framing of issues in texts and conversations with the wishes of market players in mind;
- (2) A material face, here meaning the tapping into the instrumental resources of other players; and
- (3) A charismatic face, here caught through the created mystique of a vital mission which gave the outsiders the feeling they could be part of a historical event.

*The discursive face of power.* The institutional entrepreneurs promoting GRI developed their institutional idea by presenting GRI as a win-win idea. They managed to get important NGOs and charitable institutions on board, as participants in the multi-stakeholder development process, sometimes even as financiers, by making the promise that their social and environmental issues would find a place in regular business reporting activities. At least equally importantly, they succeeded in getting many leading corporations on board by addressing several of their concerns. They proposed GRI as a voluntary, friendly and more adequate alternative to governmental regulation which, furthermore, would allow businesses to efficiently deal with requests for information from various societal stakeholders and private individuals. In other words, the GRI founders were able to speak to the needs and interests of a very wide range of stakeholders by showing that theirs was not a unique problem but rather a manifestation of a more generic problem. In the face of the chaotic growth of the supply and the demand of information about sustainability performance a harmonized conceptual system with generically applicable reporting standards was a logical solution for all concerned. It promised to *deliver efficiency gains and serve the missions of all the players.*

The founders cloaked this message in a language which was new and yet familiar: the guidelines were modeled after those for financial reporting and were framed in terms of business logic, market requirements, increased competitiveness and efficiency gains. Tolbert and Zucker (1996), focusing mainly on discursive aspects of institutional entrepreneurship, have identified three key tactics for success, namely: framing the problem, justifying the solution and proposing a concrete recipe for action. Likewise, Etzion and Ferraro (forthcoming) use a discourse analysis of GRI documents and show how language was a powerful means to propel the institutionalization process of GRI. They distinguish: Ambiguity reduction (minimizing uncertainty among adopters by clarifying certain concepts, such as stakeholders, triple bottom line and accountability); Discourse bridging (linking and merging the two disparate discourses of sustainability and business/finance); Robust design, which implied using the analogy of financial reporting to make the GRI reporting model more solid. This market-sensitive orientation went a long way to build unity into the process. Meticulous attention to diversity in all working groups and advisory committees solidified these initial achievements. For example, by design, each of the many GRI working groups was a mix of potential reporters and users: companies, business associations, accountancies, mainstream investors, socially responsible investors, shareholder activist organizations, civil society organizations, labor, academic institutions, think tanks, and others. The global scope of the initiative enforced a regional representation.

The above way of problem framing and justifying it as a win-win solution for a widely shared structural problem provided a large umbrella of agreement for building a multi-stakeholder coalition without challenging individual agendas and *without having to engage in an open discussion of individual values*. The latter could easily have endangered the young and fragile alliance, rather than directing the (positive) energy towards the common interest which corporate sustainability reporting could represent. Massie noted in an interview: “You do not need to agree on the 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 way people can agree on the actions at that level, they may even be willing to try to understand each other on the core level.”

But outside the formal forums, the dialogues with individual stakeholders tailored the GRI vision to the latter’s worldviews and perspectives. Thus the argument for the companies

was that GRI reporting will lead to better informed decisions on all aspects of sustainability, help in communicating with external parties and gain social legitimacy, and if adopted as widely as the ISO 14,000 standard, will preempt government regulations. Furthermore, GRI entailed the promise for self-improvement on a year-by-year basis: the newcomers were free to initially leave out the indicators found irrelevant, inconvenient or on which they had no information. And although the standardization of reporting implied an increase in cross-company comparison and benchmarking, even there, the most negative effects for underperformers could be diluted by demonstrating improvements over time.

Arguments for the others were similarly appealing: Customers and consumers will be empowered to influence markets through their purchasing decisions and to make better informed personal choices of goods and services; Activists will have better access to information they need to act on a wide range of environmental, social, political, ethical and economic issues; The financial sector will have the needed information for performing benchmarking and best practice analyses, and to calculate future financial risks related to non-financial performance of companies; Labor will be able to keep the issues of labor condition on the global agenda, especially in distant overseas affiliates in developing countries, and to hold companies accountable; and Governments will use sustainability information to negotiate agreements and monitor against targets. GRI accompanied these conceptual justifications to its partners with a robust and uncertainty-reducing recipe of how to reach the goal by breaking up the daunting task of creating all encompassing sustainability indicators into manageable sub-tasks, to be addressed by Working Groups.

*The material face of power.* But framing and skillful conceptualization were only one side of the matter. A second was utilizing those necessary instrumental resources from other players in the field or networks, which GRI itself was badly lacking. In the second edition of their classical 'The Tools of Government', Hood and Margretts (2007) identify four main instruments to influence other actors: Nodality (connection with influential players); Authority (legal competence to make decisions); Treasure (financial resources); and Organization (staffing and the human power and knowledge this represents). All of these were in short supply for the GRI-initiators, but they managed to directly or indirectly get access to all of them, either in the form of direct funding from charitable institutions, or in-kind contribution of the intellectual capital of the participants in the multistakeholder

process, or by the use of technology (the internet). The GRI-founders were both well-connected to the world of the influential by a network of alliances and contacts and had the strategic capacity to deploy the instruments made available to them. Notably, to win the support of the socially progressive charitable foundations the GRI presented a much bolder vision than those tailored to the individual participants; it implied, if not stated so explicitly, that GRI would lead to social change, possibly a movement. Last but not least, the approval from prestigious international institutions such as UNEP, major corporations and financial institutions who had long-standing ties with Ceres, and the main representatives of the accounting profession, both in the US and abroad, greatly enhanced the legitimacy and credibility for this project.

Adopting a porous, inclusive participatory process, into which all those with an interest and ideas were welcome, was essential for tapping the intellectual resources, experience and technical expertise. It also served to deflect external criticism and competition (“if you do not agree with us, please join and tell us about it” was Massie’s message). Thus, accountants and market analysts, who want well functioning markets and accurate assessment of financial risks, were interested in reliable information about companies, brought to the table discipline, strong support for standardized quantitative performance indicators and indicators that would or could link sustainability performance with financial risks. On the other hand, companies participated in the process to secure social legitimacy and to influence the design of a system of civil regulation which they judged to be inevitable and which they believed they would eventually apply in their own organizations. They brought strong management and communication skills, a result-oriented approach, strive for efficiency, practicality and simplicity, knowledge of the operational systems within companies, and the ability to perceive the links between the sustainability performance and financial performance. They preferred quantitative over qualitative indicators, sought to minimize the number of indicators, and continued questioning the costs and benefits of sustainability reporting.

Shareholder activists and socially responsible investors brought to the table the belief that it is possible to create a capitalist society where environmental, business and social interests can be simultaneously served, along with the knowledge – grounded in the successful experience of anti-apartheid movement—that it requires scrutiny, pressure, effective strategies and appropriate market-based incentives. They advocated for the inclusion of

quantitative and qualitative social performance indicators, and stressed the need for verification mechanisms of sustainability reports. “It is possible to mobilize the market system to solve social problems”, remarked Alica Gravitz, President of Coop America. Civil society and labor organizations shared the above attitudes toward scrutiny, pressure, effective strategies, appropriate incentives, and the need for qualitative social indicators and verification mechanisms, with, however, greater skepticism about the successful balancing all the competing interests, although the latter were concerned that popularization of social reporting on the working conditions might weaken the case for direct regulations or direct union representation. All taken together, however, it is astonishing to see how many partners had put in so much modality, authority, treasure and especially organization in the first few years of GRI’s young life.

*The charismatic face of power.* Finally, there was also something magical about these entrepreneurs themselves and their drive to implicate others in their *historic mission*. The entrepreneurs appeared to have something which is reminiscent of how Max Weber saw ‘charisma’, this being a certain quality of individual personalities setting them apart from ordinary men and leading others to attribute to them superhuman, or at least exceptional powers. These are such that they are almost naturally treated as exemplary persons and leaders (Collins, 1986). They succeeded in convincing people that GRI and its vision were an asset having value in itself, that it was a ‘total solution’ in dealing with business—society relations. While the participants represented a very wide range of core values and individual agendas, they all came to believe that creating a set of uniform guidelines for sustainability reporting was an important step whose time has come, and that the GRI Guidelines would over time become the gold standard of global sustainability reporting. The timing of GRI, coming as it was on a crest of the social discourse on corporate social responsibility and of multiplicity of many reporting initiatives worldwide, was either propitious, well-chosen or both. Some, though by no means all, among the participants also shared the founders’ vision that the GRI Guidelines, and the process by which they were being developed, were the manifestation of a new relationship emerging among the key societal actors around the issue of sustainability; the key instrument for eliciting mutual accountability among the key stakeholders, and perhaps even for a new social contract among the players who have not been part of the same single societal network. During the interviews, several former members

of the GRI Steering Committee talked about participating in a ‘movement’ when describing their personal experiences.

The GRI founders built on these beliefs by emphasizing the historical significance of the project. The sense of excitement they managed to nurture provided the glue and the fuel for propelling this precarious, largely self-maintaining, participative process along a specific trajectory. Massie noted: “...we were like a parade. If a parade is lively and exciting enough, the spectators standing on the sidelines will be moved to join it. This is how we were making people feel”, and: ”Success comes from people thinking that this was the right way to do things, that it was obvious from the beginning”. Each stakeholder group was usually approached with a specific vision of how GRI could help in resolving their specific problems regarding information and reporting. In sum, by offering a seat for engagement in the GRI process, GRI was giving each specific organization and group the opportunity to become an influential player in a process for a large social change.

## **6. Current Institutional Foundations of GRI and Their Future Prospects**

The preceding discussion shows how the relatively unknown, resource starved GRI and politically weak champions, working within the existing institutional structure, played out the three strategic dimensions of power to achieve their success. The foundation of this success consisted essentially of two elements. The first one was the timing of GRI, which came on the crest of an intense discourse on accountability, corporate social responsibility and the appropriate roles for the business, government, civil society and professional sectors in the sustainability transition. The second one was keeping a precarious balance in several domains: between the individual and collective interests; between inclusivity and broad consultation, and efficient pursuit of technical objectives; between holding a vision of social change and setting attainable instrumental goals; and between building a new institution and not challenging the existing institutions and power relations. But this balancing act forced several crucial tradeoffs.

One such tradeoff was to frame the need for GRI in two competing ways: (1) as an agent of change, possibly a movement, in the mutual relationships among powerful societal actors, with regard to accountability and making progress toward sustainability goals; (2) as a

project in better information management with win-win outcomes and efficiency gains for every kind of actor. This duality created unrealistic and often mutually inconsistent expectations among both the developers and future users of the Guidelines alike. Smaller enterprises find the Guidelines excessively demanding on the organizational resources while the potential users of GRI reports, such as shareholder activists, socially responsible institutional investors and consumer activist organizations (whose tactics consist of single issue campaigns) find them insufficiently specific. The result is that investment research enterprises for socially responsible investing, such as KLD, Calvert, and others, continue to do their own research about “what goes on” within companies, while GRI reporting companies continue to be inundated with requests for information. The accountants find the Guidelines too descriptive and non-specific. And for those seeking to compare and benchmark performances across reporters (see, for example, [www.ideaswork.com](http://www.ideaswork.com)), the Guidelines do not lead to sufficiently standardized reports. One commenter representing the financial sector pointed out that adding another system of indicators to the already crowded field has created another loophole for selective reporting according to the set of indicators that would put the reporter in the most favorable light. He noted: “For reluctant companies, the best possible situation is no reporting at all. Absent that, the next best situation is to have the greatest possible number of reporting systems.”

In short, the promised gains in efficiency have been slow to accrue. At the other end of the spectrum, those early participants who were inspired by the larger social mission of the nascent GRI have also voiced disappointments. Some complain that GRI reports do not give an adequate picture of the progress toward sustainability. Kolk (2004a) notes a similar complaint directed at non-GRI sustainability reports. Others question the excessive influence of the business sector on the Guidelines (“The accounting companies got a big piece of GRI from the beginning”, commented one of the early supporters of GRI). One former member of the GRI Steering Committee put it that way: “We felt that GRI was a movement but then it evolved into a service organization.”

In a related framing tradeoff, the discourse among the members of the many GRI Working Groups was kept on the technical work while avoiding explicit discussions on sustainability, accountability and corporate responsibility. As a result, an unusual opportunity for deep learning was not fully realized. The so-called higher order learning – which entails

re-thinking assumptions and approaches to interpreting observations and framing problems and situations (interpretive frames) as well as re-examining the relationships with other societal actors—takes place when actors representing a range of perspectives, problem definitions and core competences engage in intense interactions around an issue, a problem or an idea. This view of learning is consistent across a range of disciplinary writings, from cognitive sciences to organizational sciences to policy sciences (see, for example, Argyris and Schön, 1978; Senge, 1990; Wildawski, 1990; Schön and Rein, 1994; Fischer, 1995; Glasbergen, 1996; Grin and van de Graaf, 1996; Sabatier, 1999; Brown and Vergragt, 2006). The process by which GRI guidelines evolved during the formative years was potentially highly conducive for such higher order learning among the participants. But this potential was not fully realized because the leaders kept the collective discourse at the problem-solving level and thus avoided the crucial interface among individual problem definitions and interpretive frames.

Our preliminary evidence for the absence of deeper learning derives from the types of criticisms of GRI we heard during the interviews (and which echo the criticisms reported in the literature regarding non-GRI sustainability reporting). While the specifics vary, their common feature is the focus on the instrumental functions of GRI, namely the quality and reliability of information and its applicability for the immediate needs of the users. What seems to be missing among these critics is the recognition of the larger vision of the founders, in which GRI would institutionalize a discourse, practices, norms, and a new language. The fact that the two key elements of GRI—an unfinished product in a perpetual state of evolution, and a self-replicating multistakeholder social process to drive the evolution—would serve that goal seems to have been lost on many participants and was definitely not carried on to the next generation of GRI participants: users of the Guidelines and users of the GRI reports. Their interpretive frames formed in the era of direct regulations, compliance and enforcement, and appear to have remained that way, leading to an understandable frustration with an imperfect GRI product and process.

This is not to say that GRI might not play that role in the future, even without the full understanding or sharing this vision by the key participants. Neither do we say that no social learning took place as a result of GRI. As discussed below, GRI led to the emergence of a new language and new concepts. But with higher order learning among the key GRI

participants, a clearer shared vision for GRI might have emerged, which would in turn lead to a stronger sense of shared enterprise, strengthen the emerging institution, enable it to absorb the inevitable future criticisms, and add to the richness of the wider social discourse it engendered.

Another unresolved issue is that of financing of GRI. Those among the GRI's supporters who see the Guidelines as a public good that is voluntarily developed and used by all societal actors, want to see them freely available to any organization that wishes to measure and report its contribution to sustainable development. But coordinating the multistakeholder processes of consecutive generations of the general and sector-specific Guidelines is a big and costly job. The Secretariat's reaction to the funding shortfall has been to intensify its fundraising activities, to rely on the support from large companies and banks, and to market the GRI brand and its products. But fundraising puts GRI in competition with civil society organizations, whose support is crucial; the reliance on the financial and corporate sector opens the question of objectivity and power relations; and brand marketing works against inclusiveness, diversity, and egalitarianism. Partly for that reason, the idea of making GRI mandatory via legislation has gained much support as a way of providing GRI with financial stability through greater participation (which, as Figure 3 shows, has slowed down since 2004) and through access to public funds (see KPMG and UNEP, 2006 for a succinct summary of that heated debate).

In another tradeoff, the effort to facilitate rapid development and uptake of the Guidelines by companies left little room for applying quality control to the reports or the process used to produce them. These shortcomings are not unique to GRI, as numerous recent studies of non-GRI sustainability reports attest (Laufer, 2003; Patten and Crampton, 2003; Daub, 2007; Kolk, 2004a; Kolk, 2006b; O'Dwyer and Owen, 2005; Bubna Litic, 2006; Mathis and de Bruijn, 2006; Mullally and Mullally, 2006; Vormedal and Ruud, 2006). Kolk notes, for example, that the reports skilfully capture the language of the current debate, including such 'fashionable' terms as stakeholder engagement, multistakeholder dialogues, accountability and governance, but that it is not clear to what extent, if at all, these words represent actual commitments or performance (Kolk, 2004; 2004a; and 2006a).

Some of the above problems and criticisms of GRI can be attributed to the growing pains of an ambitious program. A strong sense of shared ownership among its stakeholders could

easily turn the criticisms into learning opportunities. But other problems are systemic. Thus, a sustainability report cannot be both comprehensive and simple; it cannot simultaneously meet all the individual needs and expectations and be continuously evolving; the goal of efficiency and streamlining fundamentally competes with the goal of inclusiveness, egalitarianism and multistakeholder participation; and the goal of flexibility, evolution and participatory ownership of the Guidelines is inconsistent with the idea of mandatory participation. And more fundamentally, the framing of GRI as an efficiency gain and win-win solution to the shared problem of information management, while effective in mobilizing large participation in the formative stages, does not have the gravitas to create or sustain a social movement, as some had hoped. The declining rate of uptake of GRI Guidelines since 2004 (Figure 3) adds gravity to any concerns about the systemic problems within GRI.

GRI is thus facing a plethora of challenges, many of which are grounded in the strategies adopted by its founders. These strategies were perhaps the most appropriate under the circumstances, and generated an unquestionable success, but also left a legacy of unresolved tensions. The resolution of these challenges will determine GRI's future shape and social function. Regardless of that outcome, GRI has already made a significant contribution to the ongoing discourse on accountability, corporate social responsibility and the appropriate roles of the business, government, civil society and professional sectors in sustainability transition. For one, it has demonstrated that communicating sustainability performance (especially in the difficult area of social impacts) systematically and across diverse contexts is in fact possible. It has also shown that it is possible to reach a broadly-based consensus on how to do it by way of an inclusive multistakeholder process among actors who have never before thought of themselves as members of the same network of interests or competences.

Another idea that has taken root as a result of GRI is that a generally agreed upon system of sustainability reporting is a fundamental good deserving broad support. We heard repeatedly from representatives of all sectors that "GRI [or some future version of it] is here to stay", and "the question is not whether to report but how." An executive of DuPont company remarked: "if GRI disappeared, it would leave a big void, which would have to be filled by another organization", while the program director of AccountAbility noted: "The really interesting question is [not whether or not GRI will continue, but] what G10 or G15 will look like."

One of the manifestations of the GRI's influence is its ability to trigger innovations within the existing institutions. Thus, when the International Standards Organization (ISO) undertook in 2005 to develop sustainability reporting guidelines (so-called ISO 26,000, which is planned for 2008), it adopted, for the first time in its own history, the GRI signature multistakeholder and working group process. Similarly, the language of sustainability reporting has penetrated the standard financial accounting guidelines. These developments may signify that the essential ideas of GRI, if not GRI itself, are becoming institutionalized. It is too early to tell.

In short, GRI is very much an evolving enterprise, whose shape will become known only with time. But the history of its meteoric rise, and the tradeoffs it exacted, highlight the fundamental dilemma faced by institutional entrepreneurs who use inclusiveness and multistakeholder participation as fuel for affecting social change.

## **7. Sketchy initial observations about GRI as a global institution (work in progress)**

The following indicators support the view that GRI is emerging as a global institution:

- Emergence of shared language and certain concepts (such as multistakeholder process, social impact indicators, others);
- Emergence of certain behavioral expectations (i.e. reporting);
- Emergence of new professions, enterprises and professional practices which identify themselves with GRI organizational field;
- Growing interaction among actors;
- Formation of certain routine behaviors (such are reporting)
- Emergence of the sense of shared ownership (only some of the actors);
- Emergence of powerful supporters and critics.

Other characteristics that would be necessary to make GRI a strong institution are missing:

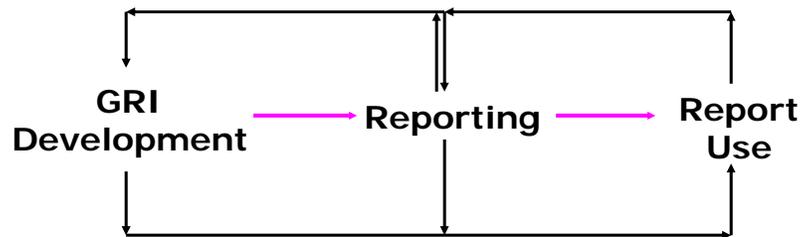
- Participation of all the key actors and the resultant sense of shared enterprise;
- The use of information provided by GRI reports;

- Emergence of rewards and sanctions for desirable and undesirable behaviors, respectively, with regard to development of the guidelines, reporting, and use of the information;
- Absence of a stable financial base;

To interpret the significance of these findings it is helpful to revisit the general societal understanding about the mechanisms by which GRI would generate discourse and lead to emergence of social norms about sustainability performance and about the roles of multiple

**Figure 4**

### GRI Life Cycle



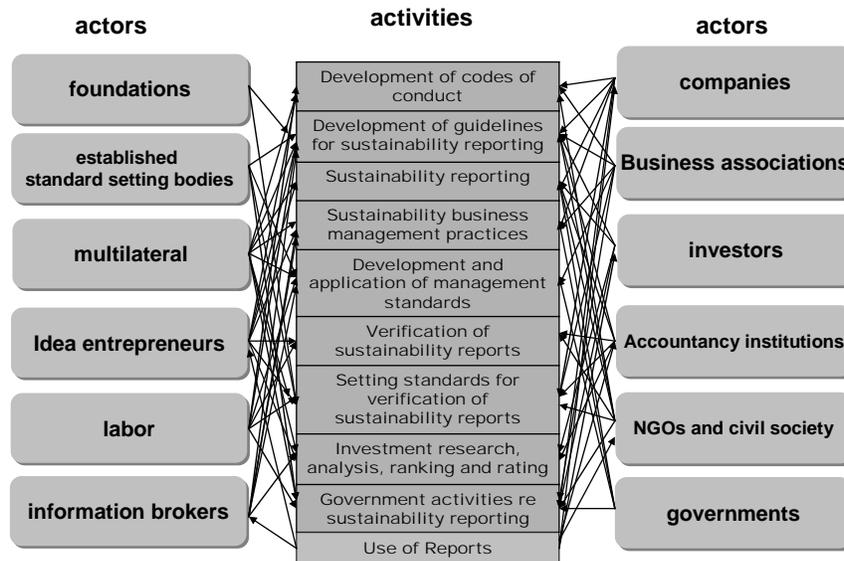
*T. Lessidrenska & H. Brown*

**Figure 4**

actors (i.e. grow into an effective societal institution). This understanding has from the outset been built on two key assumptions. One assumption has been the existence of feedback loops between the three key stages: evolution of the guidelines, production of reports, and use of reports by different types of stakeholders. The second assumption has been that of active participation across a wide range of actors in maintaining these feedback loops, who would collectively represent the GRI organizational field. Figure 5 depicts the

Figure 5

## GRI Organizational Field

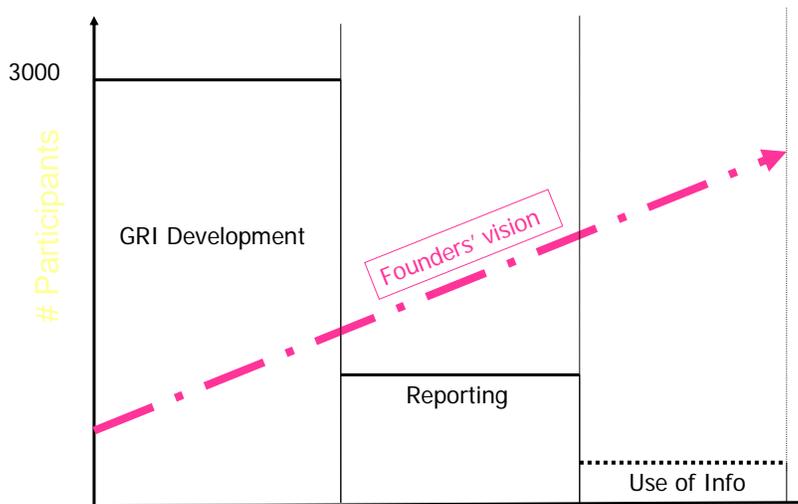


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GRI organizational field. This field is closely related to the activities that can be subsumed under the broad umbrella of corporate social responsibility, SCR. Figure 5 shows extensive overlaps in the links between actors and activities in relation to GRI: actors engage in multiple activities, and the latter draw in multiple actors. In principle, such organizational field is conducive for building strong institutional foundations. Our research shows, however, that the intensity of some of the various activities – and the feedback loops depicted in Figure 4, are strongly asymmetrical. Figure 6 reflects this finding, showing that the process of evolving the Guidelines draws the largest number of actors and the use of reports the least. This is not what the founders of GRI had originally envisioned. The pink line in Figure 6 depicts that founding vision: over time, the number of reporters would rapidly grow, and that would, in turn mobilize increasingly greater number of users. In this way, the feedback loops would effectively produce widely shared set of societal expectations about sustainability performance (manifested in the consecutive generations of the Guidelines) and impact sustainability performance. Furthermore, our research indicates (not shown here) that some actors are more involved and thus more influential in shaping the nascent institution

Figure 6

## Intensity of Participation in the GRI Process



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than others. Thus, idea entrepreneurs, information brokers, large accountancy organizations, companies and certain consulting firms are far more engaged in all three stages of the functioning of GRI than are NGOs, the civil society, and organized labor. The result is that the emerging GRI institution is unstable and that it is dominated by the frames of thinking and interests of only some stakeholders.

The findings from this research lead us to reopen the widely accepted premise about the value of information disclosure, namely that societal actors indeed want standardized commodified information about companies' sustainability performance. Under this premise, civil society, NGOs and organized labor would use the information for political actions, the financial sector would use it in investment decisions and activist shareholders would use it to influence company actions. Our initial findings suggest that the discourse precipitated by development of consecutive generations of reporting guidelines may arguably be the most important function of GRI. If so, this would lead a radical redefinition of the concept of information-based civil regulations. It would also lead to reexamination of the role of sustainability reporting in the models of governance where the business sector, civil society, governments and other stakeholders share power.

This research is underway and its final conclusions are still to come.

### **Appendix 1. Members of GRI Board of Directors (January 2007)**

**Roger Adams** (United Kingdom)—Executive Director-Technical Association of Chartered Certified Accountants (ACCA)

**Jacqueline Aloisi de Lardere** (France)—Former Assistant Executive Director, United Nations Environment Programme, Division of Technology, Industry, and Economics (DTIE)

**Kishor A. Chaukar** (India)—Managing Director, Tata Industries Limited

**Ignasi Carreras** (Spain)—Director Centre for Social Entrepreneurship and Responsibility Escuela Superior de Administracion de Empresas (ESCADE)

**John Evans** (International)—General Secretary, Trade Advisory Comité to the OECD

**Sean Harrigan** (USA)—Past Executive Director, States Council, Region 8, United Food and Commercial, Workers Union

**Judy Henderson** (Australia)—Chair, Northern River Catchment Management Authority, NSW Government

**Mervyn King** S.C.—Chairman Brait South Africa Ltd. (Chair)

**Ernst Ligteringen** (International)—Chief Executive, Global reporting Initiative (GRI)

**Mark Moody-Stuart** (United Kingdom)—Chairman, Anglo American plc

**Kumi Naidoo** (Africa)—Secretary General, CIVIC (World Alliance for Citizen's Participation)

**Bjorn Stigson** (International)—President, World Business Council for Sustainable Development

**Ricardo Young Silva** (Brazil)—President of the Board, Instituto Ethos de Empresas e Responsabilidade Social

## Appendix 2. Individuals interviewed for this research

- Alan Knight**, Head of Standards and Related Services, AccountAbility, London, UK
- Alice Tepper Marlyn**, President, Social Accountability International, New York, NY, *GRI Stakeholder Council member.*
- Alisa Gravitz**, Executive Director, Co-op America, Washington, D.C. *CERES Board Member*
- Julie Fox Gorte**, Vice President, Chief Social Investment Strategist, Calvert Group, Bethesda, MD, *GRI Stakeholder Council Member.*
- Paul Hilton**, Director, Socially Responsible Investing Marketing, Calvert Group, Bethesda, MD
- Daniel Fiorino**, Director of Office of Planning, U.S. Environmental Protection Agency, Washington, D.C.
- David Schilling**, Dir. Global Corporate Accountability, Interfaith Center on Corporate Responsibility, New York, NY
- Iain Watt**, Forum for the Future, London, UK
- David Bent**, Principal Sustainability Advisor, Forum for the Future, London, UK
- Adrian Henriques**, Consultant, CSR Network, London, UK. *Former Member of the GRI Steering Committee*
- Meg Voorhes**, Director, Social Issues Service, ISS/IRRC, Washington D.C.
- Alex Gallimore**, Project Manager, ISS/IRRC, Washington D.C.
- Joan Bavaria**, President, Trillium Asset Management, San Francisco, CA. *CERES Founder.*
- John Tepper Marlin**, Principal, CityEconomist, New York, NY
- Andrew Brengle**, Environmental Research, KLD, Boston, MA
- Nelle Coady**, Environmental Research, KLD, Boston, MA
- Claire Moroni**, Environmental Research, KLD, Boston, MA
- Patricia Daniels**, Former Executive Director, Ceres, Boston, MA
- Debra Hall**, Former Chief Operating Officer, Ceres, Boston, MA
- Paul Freundlich**, President, Fair Trade Foundation, Hartford, CT, *GRI Stakeholder Council Member, CERES Board Member.*

**Steve Waddell**, Founder and President, Global Action network (GAN-net), Boston, MA

**Matt Loose**, SustainAbility, London, UK

**Vidette Mixon**, Director Corporate Relations, General Board of Pension and Health Benefits of the United Methodist Church, *CERES Board Member*

**Allen White**, Vice President, Tellus Institute, Boston, MA, *Former GRI Secretariat Director.*

**Robert Massie**, Arlington, MA, *Former Executive Director CERES, Former Member of the GRI Board.*

**Charlotte Kahn**, Boston Foundation, Boston, MA

**David Monsma**, Aspen Institute,

**Janet Ranganathan**, WRI World Resources Institute, Washington, D.C. *Former Member of the GRI Steering Committee*

**Ruth Rosenbaum**, Centre for Reflection, Education, and Action (CREA). *GRI Stakeholder Council Member*

**Joe Uhlein**, Formerly Director of Strategic Campaigns, Assistant Director of Field Mobilization, Department of Field Mobilization, AFL-CIO. *CERES Board Member*

**Michael Dupee**, VIP Corporate Social Responsibility, Green Mountain Coffee Roasters, Vermont.

**Miguel Schloss**, Dalberg Group, formerly Executive Director, Transparency International

**Dawn Ruttenhouse**, Director of Sustainability, DuPont Co., Wilmington, DE

**Jeffrey Hollender**, CEO, Seventh Generation, Burlington, VA

**Dan Porter**, Founder and Vice President for Marketing, IW Financial, Portland, ME

**Mark Bateman**, Director of Research, IW Financial, Portland, ME, *Former Member of the GRI Steering Committee*

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