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Institutional Change in the Making - The Case of Socially Responsible Investment

Diane-Laure Arjaliès

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**INSTITUTIONAL CHANGE IN THE MAKING
THE CASE OF SOCIALLY RESPONSIBLE INVESTMENT**

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**INSTITUTIONAL CHANGE IN THE MAKING
THE CASE OF SOCIALLY RESPONSIBLE INVESTMENT**

Diane-Laure Arjaliès-de la Lande de Vallière

ABSTRACT**INSTITUTIONAL CHANGE IN THE MAKING
THE CASE OF SOCIALLY RESPONSIBLE INVESTMENT**

This dissertation explores the mechanisms of institutional change in practice. The institutional change under study relates to the progressive penetration of Socially Responsible Investment (SRI) criteria into conventional investment funds, a phenomenon which appeared during the 2000s, known as SRI Mainstreaming. The dissertation aims to explain why SRI Mainstreaming has expanded into France and to identify its impacts on the practices of the French asset management sector. It mobilizes a three-year (2006-2009) longitudinal case study of a French asset management company, conducted as an SRI analyst. Research methods rely on the pragmatist concept of inquiry and combine participative observation, semi-structured interviews and documentary evidence.

The dissertation comprises three articles that should be considered together. The first article offers a sociological chronology of the French SRI movement by tracing the different phases of its development. In demonstrating that the French SRI Movement presents great similarities with a social movement, the article argues that SRI actors collectively and deliberately got organized for SRI Mainstreaming institutional change to occur. The second article studies how an asset management company transformed its equity investment practices in response to SRI Mainstreaming. It argues that the practices, institutional logics and technical objects of company members were co-transformed, through a collective inquiry. In particular, the article demonstrates that SRI Mainstreaming triggered change in practices through the transformation of a technical object (i.e. an object which embodies the knowledge available at a given moment in time) – the representation of an investment process – into an epistemic object (i.e. an object under research). The third article explains why the transformation of practices in response to SRI Mainstreaming differed between equity and fixed-income investment. For this purpose, it compares two working groups inside the same asset management company that attempted to (re)design equity and fixed-income investment processes, respectively. The article argues that variation in practices faced with institutional change is explained as much by institutional logics, as by technical objects and contingent elements. Namely, the lack of relevant SRI criteria and the contradictions between SRI and

fixed-income logics explain why fixed-income investment faced more difficulties than equity investment in transforming its practices.

The contributions of the dissertation are threefold: theoretical, methodological and practical. Firstly, the dissertation has built a bridge between institutional theories, on the one hand, and practice theories, on the other, by connecting institutional change to the transformation of daily work practices. In addition, it has expanded previous research on institutional change and management accounting by exploring the role of objects in the transformation of practices. Secondly, the dissertation has enriched representational methodologies traditionally employed in organizational studies by mobilizing a non-representational epistemology, based on the pragmatist concept of inquiry. In doing so, it has demonstrated that when a researcher investigates a situation, instead of observing it, he/she is more likely to understand the everyday practices of actors. Lastly, the dissertation has offered practitioners a better understanding of the impacts of SRI Mainstreaming on the practices of asset management. In particular, it has provided them with theoretical keys to better understand the interest of ‘SRI labels’ and why SRI faced more difficulties in fixed-income investment, compared to equity investment.

Key-words

Asset Management – Epistemic Object – Equity Investment – Fixed-Income Investment – France – Institutional Change – Mainstreaming – Practices – Social Movement – Socially Responsible Investment (SRI)

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RÉSUMÉ

LES MÉCANISMES DU CHANGEMENT INSTITUTIONNEL LE CAS DE L'INVESTISSEMENT SOCIALEMENT RESPONSABLE

Cette thèse cherche à mieux comprendre quels sont – au niveau des pratiques des acteurs – les mécanismes sous-jacents à un changement institutionnel en cours dans le secteur français de la gestion d'actifs, connu sous le nom d' « ISR Mainstreaming ». Ce phénomène, apparu dans les années 2000, fait référence à la pénétration progressive et massive de critères d'Investissement Socialement Responsable (ISR) dans les fonds d'investissement conventionnels (également appelés fonds « mainstream » ou « courant principal »). En particulier, la thèse cherche à identifier les raisons qui peuvent expliquer l'émergence d'un tel changement au niveau du secteur et à analyser l'impact de ce dernier sur les pratiques des gestionnaires d'actifs. Pour ce faire, la thèse s'appuie sur une étude de cas longitudinale de trois ans (2006-2009) d'une société de gestion d'actifs française, conduite par l'auteur en tant qu'analyste ISR. D'inspiration pragmatiste, la thèse mobilise une méthode d'enquête coopérative combinant observation participante, entretiens semi-dirigés et analyse de sources documentaires.

Ecrite sous forme d'articles, la thèse s'intéresse 1) aux origines du mouvement de l'ISR, 2) à la transformation des pratiques des sociétés de gestion d'actifs en réponse au phénomène d'ISR Mainstreaming et 3) aux différences constatées entre gestion actions et gestion taux lors de la transformation de ces pratiques. Offrant une chronologie sociologique du mouvement français de l'ISR, le premier article démontre notamment que le phénomène d'ISR Mainstreaming résulte d'une action collective et réfléchie – présentant de grandes similarités avec un mouvement social – menée par les promoteurs de l'ISR au niveau du secteur. Le deuxième article étudie de façon détaillée les mécanismes de transformation des pratiques de gestion actions d'une société de gestion d'actifs en proie au phénomène d'ISR Mainstreaming. En particulier, l'article établit que les pratiques, les logiques institutionnelles et les objets techniques (i.e. les objets stables incarnant le savoir existant à un moment donné) des différents acteurs de la société se sont transformés mutuellement, au cours d'une enquête collective. Cette enquête a notamment consisté à transformer un objet épistémique (i.e. un objet de recherche) – la représentation des processus d'investissement – en un objet technique. Poursuivant cette analyse, le troisième et dernier article compare, au sein de la

même société de gestion d'actifs, les processus de transformation des pratiques de la gestion actions avec ceux de la gestion taux. L'article prouve que les divergences constatées entre ces processus de transformation, pourtant en proie au même changement institutionnel, s'expliquent par les différences entre les deux types de gestion en termes d'objets techniques, de logiques institutionnelles et de dimensions contingentes. Plus précisément, les difficultés rencontrées par la gestion taux résultent, d'une part, des contradictions existantes entre les logiques institutionnelles ISR et les logiques institutionnelles de la gestion taux et, d'autre part, de la non pertinence pratique des critères ISR actuellement utilisés dans ce type de gestion.

Les contributions de la thèse sont de trois ordres : théorique, méthodologique et pratique. Théoriquement, cette thèse est l'une des premières à intégrer dans un même cadre conceptuel à la fois des théories institutionnelles et des théories centrées sur les pratiques. En explorant le rôle des objets dans la transformation des pratiques, elle compte également parmi le peu d'études en contrôle de gestion qui se soient intéressées à la fonction des systèmes de gestion dans le changement institutionnel. Méthodologiquement, la thèse enrichit les épistémologies représentationnelles traditionnellement utilisées dans les études des organisations en mobilisant une épistémologie non-représentationnelle, basée sur le concept pragmatiste d'enquête. Ce faisant, la thèse démontre qu'un chercheur utilisant une méthode coopérative d'enquête visant à collaborer avec les acteurs de terrain dans une perspective de transformation des pratiques – et non d'une simple observation de ces dernières – est plus à même de comprendre les pratiques quotidiennes des acteurs, qu'un chercheur mobilisant une méthodologie représentationnelle. Enfin, la thèse offre aux praticiens des clefs théoriques leur permettant de mieux comprendre les impacts du phénomène d'ISR Mainstreaming sur les pratiques de la gestion d'actifs, au premier rang desquels le rôle des « labels ISR » et les difficultés rencontrées par la gestion taux pour transformer ses pratiques.

Mots-clefs

Changement Institutionnel – France – Gestion Actions – Gestion d'Actifs – Gestion Taux – Investissement Socialement Responsable (ISR) – Mainstreaming – Mouvement Social – Objet Epistémique – Pratiques

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ACRONYMS

- AFG – Association Française de Gestion financière (*French Association of Asset Management*)
- AGIRC-ARCCO – Association Générale des Institutions de Retraite Complémentaire des Cadres-Association pour le Régime de Retraite Complémentaire des Salariés (*General Association of Institutions Specializing in Private Pension Schemes for Executives and Employees*)
- AMF – Autorité des Marchés Financiers (*French Securities Regulator*)
- CIFRE – Convention Industrielle de Formation par la Recherche en Entreprise (*Industrial Contracts for Training Through Research*)
- CSR – Corporate Social Responsibility
- CIES – Comité Intersyndical de l'Épargne Salariale (*TradeUnions Committee for Employee Savings Funds*)
- ERAFP – Établissement de la Retraite Additionnelle de la Fonction Publique (*French Public Service Additional Pension Scheme*)
- FIR – Forum pour l'Investissement Responsable (*French Social Investment Forum*)
- FRR – Fonds de Réserve des Retraites (*Pension Reserve Fund*)
- IFA – Institut Français des Administrateurs (*Representing the views of the French company boards*)
- NGO – Non-Governmental Organization
- OPCVM – Organismes de Placement Collectifs en Valeurs Mobilières (*Organizations for Collective Investment in Transferable Securities*)
- ORSE – Observatoire sur la Responsabilité Sociétale des Entreprises (*Study Center for Corporate Social Responsibility*)
- PRI – Principles for Responsible Investment
- SFAF – Société Française des Analystes Financiers (*French Society of Financial Analysts*)
- SRI – Socially Responsible Investment
- UNEP-FI – United Nations Environment Program Finance Initiative
- UQAM – Université du Québec à Montréal (*University of Quebec at Montreal*)

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**INTRODUCTION – EXPLAINING INSTITUTIONAL CHANGE IN THE
FRENCH ASSET MANAGEMENT SECTOR: THE PHENOMENON OF
‘SRI MAINSTREAMING’**

In the 1920s, Socially Responsible Investment (SRI) appeared further to the ethical desire of the American Quaker and Methodist movements to exclude from their portfolios companies belonging to the 'sin stocks'. This referred to sectors such as alcohol, gambling, pornography, tobacco and weapons. During the 1970s, SRI was developed in Europe as a means to boycott companies that participated in apartheid in South Africa. In the 2000s, SRI appeared in France; it involved integrating non-financial criteria into investment processes to achieve better financial performance. In 2005, the former United Nations Secretary-General, Kofi Annan, launched the Principles for Responsible Investment (PRI), an investor partnership with the United Nations Environment Program Finance Initiative and the United Nations Global Compact. One of the main purposes of the PRI was to better align investors' purposes with broader objectives of society: 'By acting collectively on the basis of these principles for responsible investment, we can help protect all the world's precious assets.'¹ (Kofi Annan, 2005) Today, the global SRI market can be estimated at approximately €5 trillion (Eurosif, 2008).

At a time when the world is facing a financial, economic and social crisis of great amplitude, the development of SRI questions our common understanding of finance. At first sight, combining social responsibility and financial performance appeared contradictory. Certain actors thought that SRI necessarily underperformed and integrating SRI in practice was usually an uphill struggle. Evidently, financial and SRI actors were not made to understand each other. A few years later, however, no longer taking into account SRI criteria appears impossible. Today, SRI criteria seem to have always been used by asset managers. What took place in between the apparent contradiction between SRI and finance, the impossible implementation of SRI in practice and the accepted adoption of SRI criteria by asset managers?

Clearly, explaining this change requires further investigation. This is the objective of this dissertation. Following a pragmatist epistemology (Peirce, 1931; Dewey, 1938), the dissertation aims at explaining how and why SRI has been institutionalized in the French asset management sector, a phenomenon known as SRI Mainstreaming. For this purpose, it investigates the causes and the mechanisms through which SRI change has been enacted in practice. In doing so, this research contributes to the understanding of a process of institutional change *in the making*. The dissertation comprises three articles that should be

¹ Source : Principles for Responsible Investment www.unpri.org

considered together. This introductory chapter gives an overview of the dissertation. Section 1 introduces the phenomenon of SRI Mainstreaming. Section 2 details the research questions under study in the dissertation. Sections 3 and 4 develop the theoretical background and the research methods in-use. Lastly, section 5 gives an overview of the three articles of the dissertation. After this introductory chapter, the articles follow. Drawing on these findings, the conclusive chapter elaborates on the future of SRI Mainstreaming in the French asset management sector. In addition, two further articles, one covering the strategic management of CO₂ emissions and another the integration of Corporate Social Responsibility (CSR) concerns in the management systems of multinational companies, are provided in the appendices. Whilst they do not concern the key topic of the thesis, they build on certain field work also related to SRI issues and illustrate a number of potential impacts of this doctoral work on practices.²

1. From SRI to Mainstream: The SRI Mainstreaming Phenomenon

1.1. SRI at a Glance: The French Particularities

Contrary to other countries, such as the United States, the United Kingdom or Sweden, SRI in France has never followed an ethical approach, but a financial one. Various reasons can be given to explain such a difference. Firstly, French religious organizations and individuals have shown little interest in ethical funds. Indeed, it frequently emerges that the French mistrust stock market investments and doubt the possibility of combining ethics with finance. Part of this reluctance finds its origins in the catholic tradition of the country, which associates money with immorality. In contrast, the Protestant churches of the Nordic and Anglo-Saxon countries have catalyzed the development of finance (De Blic and Lazarus, 2007). Therefore, whereas SRI has developed in the rest of Europe since the 1970s, it has expanded into France only over the past decade. Secondly and consequently, SRI in France has not been framed by ‘ethical actors’, such as religious organizations, but by financial actors. Thus, the first SRI funds resulted from a joint action between asset managers and

² These articles are still projects under research, which explains why they do not have the same status as the three articles of the dissertation.

former financial analysts who had transformed themselves into ‘SRI analysts’.³ They aimed at broadening investment horizons by restoring a long-term view in asset management and claimed that SRI would achieve better financial performance by anticipating those costs linked to a below-average performance in social, environmental and governmental domains. Lastly, in France, SRI has benefited over the past few years from major economic and social change: the move from a retirement system almost entirely based on pay-as-you-go pension plans to a system increasingly based on funded pension plans. Aiming to shield itself from scandals such as corruption and pollution, the French government has favored the creation of a sustainable demand for SRI from public pension funds including the *FRR (Fonds de Réserve des Retraites)*⁴ and the *ERAFP (Établissement de la Retraite Additionnelle de la Fonction Publique)*⁵ and from employee savings funds. For instance, FRR is expected to manage €152.4 billion in 2020 (Rémond, 2009), which equals 6.3% of the 2008 French total assets under management. In addition, SRI has revealed itself to be a good argument for convincing trade unions to adopt funded pension plans: SRI both guarantees the soundness of investments and maintains the role of trade unions in the management of the retirement system.

History dictates that the first objective of SRI in France has been financial. SRI has been a means to achieve better financial performance by selecting the companies that anticipate the future and by protecting investors against non-financial risks. However, until now, there has been no evidence of a systematic positive (or negative) correlation between SRI and financial performance (Margolis and Walsh, 2003; Orlitsky et al., 2003; Cavaco and Crifo, 2009; Forget, 2010). In fact, SRI does not only follow financial concerns, it also participates in social change, known as ‘Sustainable Development’. This term was coined in 1987 by the World Commission on Environment and Development and refers to ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (Bruntland, 1987). Hence, SRI is also a means to restore social legitimacy in a

³ Before the 1990s, France counted a few ethical funds, although these were very marginal, both in terms of assets and numbers. Moreover, they differed to a large extent from SRI funds, which were developed later. Further details are given in the rest of the chapter.

⁴ The FRR (Pension Reserve Fund) is a publicly-owned, state-funded administrative agency operating under the dual auspices of the French Minister in charge of Social Security and the French Minister in charge of the Economy and Budget. In a pay-as-you-go system that faces demographic aging challenges, it is the ‘fourth temporary tool’, designed to ensure that the system’s viability alongside such measures as extending the pay-in period, raising the rate of contribution, and decreasing the replacement rate. In fact, the FRR will be able to take on a portion of the expenses of basic private sector plans as of 2020, when the full impact of the demographic shock will begin to be felt.

⁵ French Public Service Additional Pension Scheme

sector, notably discredited by the recent financial crisis. Therefore, the purpose of SRI is twofold: to select the most socially responsible companies and to achieve better financial performance. Further details about the history and the motivations of SRI in France are given in the first article of the dissertation: ‘A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered’.

Rejecting the exclusion of sin stocks, France has favored an SRI approach known as ‘best-in-class’. This method of investment involves selecting the most socially responsible companies in each activity sector, whatever the sector. Since the most socially responsible companies are deemed to be the most profitable in the long term by the tenants of SRI (UNEP-FI, 2007; FRR, 2008; Altedia IC, 2009; Mercer, 2009), this method of selection should generate better financial performance in due time. However, the absence of a systematic relationship between SRI and financial performance in practice often forces asset management companies to find a compromise between both performances. Indeed, while a growing number of pension funds and benefit institutions request SRI, almost none of these investors would accept jeopardizing financial performance for SRI concerns. Moreover, clients are not clear about what an SRI fund should include. Their demands remain vague: asset management companies themselves must give evidence of the financial and SRI performances of their SRI funds. Lastly, SRI funds are not controlled by any public organization, such as the *AMF (Autorité des Marchés Financiers)*⁶; which means that any asset management company may claim that its funds are SRI. Thus, despite the existence of two voluntary SRI labels – one launched in 2002, by a committee of trade unions known as the *CIES (Comité Intersyndical de l’Épargne Salariale)*⁷ and another created in 2009, by a semi-private organization Novethic⁸ – the French SRI market is still unregulated. This absence of definition and the ambiguous link between finance and SRI explain why SRI in France may be difficult to understand for foreign observers, who usually associate SRI with the exclusion of sin stocks. To offer a better understanding of what SRI involves, the following section attempts to explain the workings of an SRI fund in practice.

⁶ French Securities Regulator

⁷ Trade Unions Committee for Employee Saving Funds

⁸ Novethic is the subsidiary of the Caisse des Dépôts group which is a ‘public group serving general interest and economic development’. Created in 1816 to restore confidence following the financial crisis after the Napoleonic wars, its first task is to ‘receive, conserve and return the values entrusted to it’. From there on, its role has grown to meet the pressing issues of the country.

1.2. SRI: How Does It Work?

The goal of asset management is to yield a profit by investing money in securities. For this purpose, the asset owner – an institutional or individual investor – can choose either to manage the assets or to entrust the money to a professional asset manager. A management of assets which is outsourced to an asset management company is known as third-party management. Asset management companies earn income by charging service fees to their clients. There are two types of third-party management:

- Investment funds which are categorized as *OPCVM (Organismes de Placement Collectifs en Valeurs Mobilières)*⁹. They are savings vehicles which give investors part-ownership of a portfolio of securities (shares, bonds, et cetera) held jointly with other investors. All OPCVM are subject to supervision by the AMF and follow specific rules, such as the spreading of risk and transparency.
- Individual management mandates which enable investors with sufficient funds to obtain customized management of their assets. Under this arrangement, investors grant the manager power of attorney to manage their investment portfolio.

Throughout the remainder of this dissertation, SRI will only concern third-party management conducted by asset management companies in equity and fixed-income investment. Equity investment refers to the buying of shares in anticipation of the increase in their market value. Fixed-income investment consists of lending money to a borrower, who has to regularly pay interest and reimburse the loan after a fixed time. The term ‘fund’ will be used indifferently for investment funds and individual management mandates. A fund is defined as ‘an entity which collects the money of one or several investors (institutional or individual) in order to invest it in transferable securities (shares or bonds)’. A portfolio relates to the composition of the fund in terms of companies.

To achieve the two objectives of SRI funds (i.e. to select the most socially responsible companies and to achieve better financial performance), the French asset management sector organized itself as illustrated in figure 0.1.

⁹ Organizations for Collective Investment in Transferable Securities

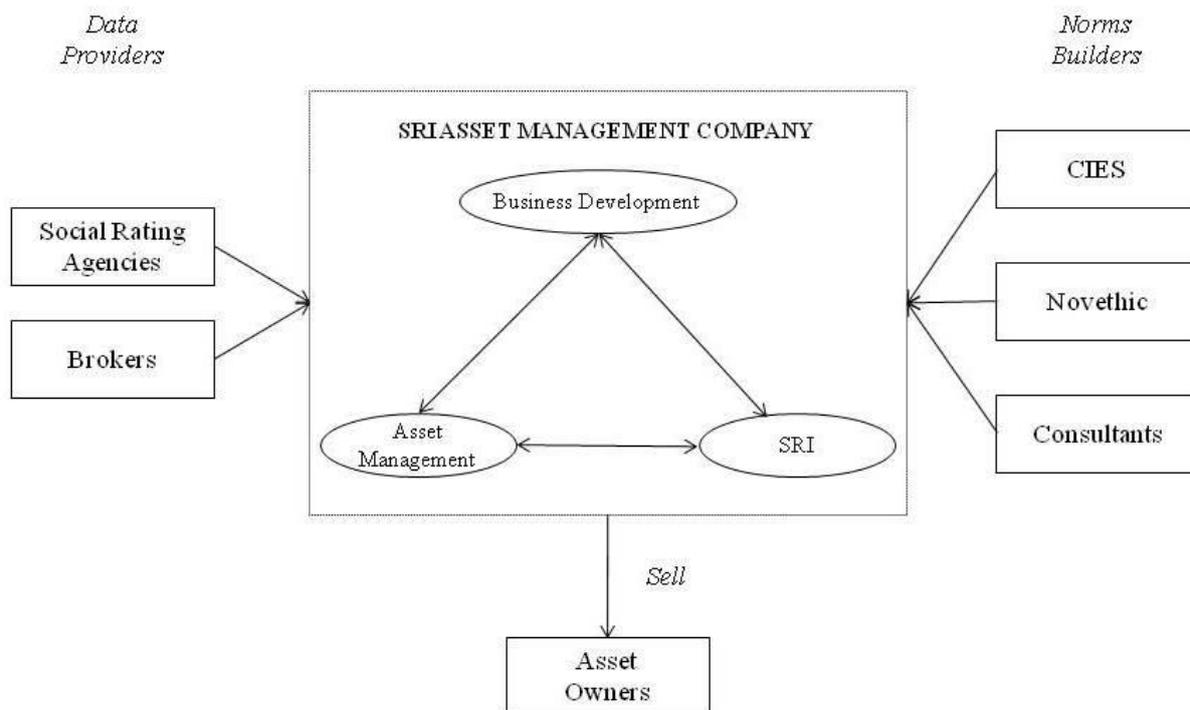


Figure 0.1: Organization of the French Asset Management Sector Regarding SRI

An SRI fund differs from a conventional fund by the fact that it is usually held accountable both on its financial and SRI performances.¹⁰ Financial performance is typically assessed in terms of financial returns on investments. Namely, the tracking error is used to measure how much the return on a portfolio deviates from the return on its benchmark index. At present, SRI performance has not yet been defined. Assessment of SRI performance mainly depends on the motivation of asset management companies to account for the non-financial dimensions of their investment processes. However, two main types of criteria are usually employed by the sector: SRI grade and SRI selectivity. SRI grade refers to the SRI grade of a portfolio obtained by adding up the SRI grades of each company present in the portfolio. SRI selectivity relates to the proportion of companies excluded from the portfolio only for SRI reasons. SRI grades are provided by buy-side (i.e. inside asset management companies) SRI analysts. An SRI analyst is a financial analyst's equal regarding SRI criteria. SRI criteria relate to non-financial analysis, such as environmental, social and governmental criteria. An SRI grade reflects the rank of a company in its activity sector, regarding SRI concerns. For instance, in a sector, a company whose SRI grade is 80/100 is considered to be

¹⁰ At the very least, an SRI fund usually describes the non-financial criteria used in its investment process.

more socially responsible than a company whose SRI grade is 70/100. To build these grades, buy-side SRI analysts rely on information provided by social rating agencies and brokers. Social rating agencies are companies specialized in non-financial analysis (sell-side), which sell SRI analysis to asset management companies. Brokers execute instructions from buyers and sellers of investments. They charge a commission on trades but offer complimentary financial analysis (sell-side) to their clients. Part of this financial analysis concerns SRI analysis.

Inside asset management companies, SRI analysts supply their SRI rankings to asset managers, who decide where and when to invest according to the fund's 'investment policy'. To make their decisions, asset managers rely on the SRI rankings provided by SRI analysts and on financial analysis provided by brokers. In major asset management companies, they may also work with buy-side financial analysts. Support Functions, such as Middle and Back Office, execute orders. Lastly, the Development Department sells funds to investors. The second article of the dissertation, 'Transforming Practices in Response to Institutional Change – Exploring the Role of Objects', and the third article, 'Explaining Practice Variation When Faced With Institutional Change: The Example of Socially Responsible Investment', give further explanations about the workings of an asset management company in practice.

Three other actors play an important role in the development of SRI in France: consultants, Novethic and the *CIES*. Consultants help institutional investors to select SRI funds. In doing so, they directly participate in the framing of client demands. One of the objectives of Novethic is to favor the development of SRI in France. It is the only organization which provides a public assessment of SRI funds. Lastly, the *CIES* is a committee, gathering four of the five representative French trade unions, which provides an SRI label to a range of employee saving funds. Due to the lack of regulation of SRI, asset management companies are urged to meet the demands of these three actors to be able to sell SRI funds.

The market has become increasingly competitive over the past ten years. At the end of 2009, there were 268 SRI investment funds proposed by 65 asset management companies,¹¹ working with more than 20 social rating agencies. Whereas SRI funds originated from equities, in 2008, SRI equity funds represented only 33% (against 43% in 2007) of the total assets of SRI funds; 67% concerned fixed-income SRI funds. This proportion is slightly

¹¹ This proportion refers to the assets managed by the French *OPCVM*. Source : Novethic www.novethic.fr

different from the usual breakdown of assets adopted by institutional investors. Indeed, benefit institutions and insurance companies usually invest between 80 to 90% of securities in bonds and 10 to 20% in equities (Pras and de la Lande, 2009). Today, SRI funds are said by Novethic to represent between 2 to 3% of the French assets under management. However, this small proportion hides a much larger trend: the progressive and massive integration of SRI criteria into the mainstream. At the end of 2009, this new phenomenon, known as SRI Mainstreaming, concerned 90% of conventional funds in terms of assets (Novethic, 2010).

1.3. SRI Mainstreaming: The Appearance of a New Institution?

SRI Mainstreaming can be defined as the progressive penetration of SRI criteria into conventional funds. The term ‘mainstream’ refers to conventional funds focused on financial performance, only. In contrast, SRI funds usually aim to achieve good performances in both financial and SRI terms (even if the latter is not compulsory). To do this, SRI funds combine traditional financial analysis with non-financial analysis, known as SRI criteria. These SRI criteria relate to hundreds of environmental, social and governmental criteria such as carbon emissions, child labor or independency of boards. Until recently, the use of such criteria has enabled the differentiation between both types of funds. SRI funds have been referred to as a ‘niche’, while conventional funds have been related to the mainstream. However, over the past few years, conventional funds have also begun integrating SRI criteria. Rather than following an SRI approach, this integration has followed a financial approach: certain SRI criteria have been deemed relevant for generating financial performance. Carbon emissions criterion is a good example. This phenomenon of integration is known as SRI Mainstreaming and appeared for the first time in 2006 in the annual study of the market by Novethic (2006):

We have taken into account a new demand which seems to sustainably settle among investors: the transversal integration – case by case – of the criteria of non-financial analysis among classical financial analysis.

At the end of 2009, 90% of conventional funds were estimated to integrate at least one SRI criterion, compared to 61% at the end of 2008 and 3% at the end of 2007 (Novethic, 2010). Over the past three years, the acceleration of the SRI Mainstreaming phenomenon has been considerable; which has blurred the differences between SRI and the mainstream. On the one hand, SRI funds have attempted to restore a long-term view in asset management by

claiming that selecting the most socially responsible companies will generate better financial performance in the long-term. On the other hand, conventional funds have integrated SRI criteria to achieve better financial performance. At first sight, the difference between both may appear insignificant; which explains why a growing number of investors complain about the apparent similarities between SRI and conventional portfolios. Today, the tenants of SRI face a new challenge: to demonstrate the differences between SRI and conventional funds, while maintaining good financial performance. This task is all the more difficult since SRI performance has not yet been defined. However, SRI Mainstreaming is also a challenge for conventional actors: as SRI Mainstreaming develops, institutional investors are asking for a greater integration of SRI criteria into conventional funds. Conventional funds are also increasingly required to account for their SRI performance, and asset management urged to become more socially responsible.

Evidently, the recent financial crisis has participated in accelerating this change. For instance, in 2008, the *FRR* decided to gradually extend its responsible investment approach from several mandates dedicated to SRI funds to all asset classes. Along the same lines, in November 2009, *Paris Europlace* – the organization which promotes Paris as a financial market place – and the *FIR (Forum de l'Investissement Responsable)*¹² – a think-tank responsible for the promotion of SRI in France – have formed a partnership to transform Paris into a pole of excellence in terms of responsible finance and sustainable development. This change can be partly explained by commercial purposes. Notably, the Paris market place would like to compete with the London market place – well-known for Islamic finance – by becoming globally renowned for SRI. The motivations of these new investors are clear: to be responsible *and* to achieve better financial performance. These two goals are well illustrated by two of the five official commitments of the *FRR*:¹³

1. Set the **performance**¹⁴ bar high: thanks to its investment strategy and with the support of the Caisse des Dépôts, which is responsible for the Fund's administrative management, the *FRR* is able to take full advantage of market trends at lower cost.

¹² French Social Investment Forum

¹³ Source : *FRR* www.fondsdereserve.fr

¹⁴ Emphasized in the original text.

2. Assume the **responsibility** incumbent on a long-term public investor: fiduciary responsibility towards beneficiary plans means practicing a balanced investment policy; civic responsibility towards all French citizens means conducting an investment strategy that is consistent with certain collective values in terms of social, economic and environmental development.

Regarding the potential assets of such pension funds, asset management companies have understood their interest in integrating SRI Mainstreaming into their funds.

However, this integration is a difficult task, as developing SRI Mainstreaming disrupts the practices of asset management companies. It questions the previous collective rules and beliefs of the sector: its institutions (Berger and Luckmann, 1966). Financial performance is no longer the only important factor, SRI criteria also matter. This sudden and profound change disturbs the institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009) of the asset management sector: the practices, assumptions, beliefs and rules mobilized by sector members to make sense of their reality are questioned. Facing this institutional change, asset management companies need to (re)design their collective activity: the way they used to manage their funds is no longer compatible with client demands. This transformation of practices reveals itself to be a thorny challenge both for SRI and conventional funds. Indeed, despite claiming that the most socially responsible companies will be the more profitable in the long term, even the tenants of SRI find it difficult to achieve both types of performances. Notably, this is explained by the difference of time perspective between the two performances. SRI is deemed to be more profitable in the long-term while asset management is still being assessed in the short-term. This challenge is particularly complex in fixed-income investment, which is technically more intricate than equity investment (Garnaud, 2009). This raises a number of problems, for this type of investment is henceforth a major business interest, especially since the financial crisis. For instance, in 2009, 72 % of invitations to tender in the French asset management sector concerned fixed-income investment, compared to only 11% in 2008 (NewsManagers, 2010). The third article, ‘Explaining Practice Variation when Faced with Institutional Change: The Example of Socially Responsible Investment’, elaborates more on the differences between both types of investment.

Regarding the complexity of such an institutional change, the dissertation aspires to understand how and why the practices of the French asset management sector have been

transformed in response to SRI Mainstreaming. Further details about the research questions under study in the dissertation are given in the following section.

2. Research Questions under Study in the Dissertation

To gain a better understanding of the phenomenon of SRI Mainstreaming in the French asset management sector, the dissertation aims at answering the following research questions:

- How and why has SRI Mainstreaming expanded into France?
- How have asset management companies transformed their practices in response to SRI Mainstreaming?
- Why has this transformation differed between equity and fixed-income investment?

These three research questions are developed in the three articles of the dissertation, to wit:

- ‘A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered’
- ‘Transforming Practices in Response to Institutional Change – Exploring the Role of Objects’
- ‘Explaining Practice Variation when Faced with Institutional Change: The Example of Socially Responsible Investment’

Lastly, the conclusion of the dissertation draws on the findings to elaborate on the future of SRI Mainstreaming in the French asset management sector. In addition, three theoretical questions (cf. section 3.2) relate to these three research questions.

3. Explaining Institutional Change in Practice

3.1. Institutional Theories and their Limits

When evoking institutional change, almost every academic reflects on institutional theories. Institutional theories cover a range of theories which aspire to explain how institutions are settled. They originate from the work of Berger and Luckmann (1966), who define institutions as the collective rules and beliefs which permit human beings to act and live together. Institutional theories have declared that organizational behaviors are the product of ideas, values and beliefs which find their origins in their institutional context (Meyer and Rowan, 1977; Meyer and Scott, 1983; Zucker, 1988). According to institutional theories, organizational survival would depend as much on conformity to social norms as on technical

efficiency (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Scott, 2001). As a result, organizations would be encouraged to decouple their symbolic displays from their technical operations to meet their institutional requirements in order to maintain legitimacy and consequently to survive (DiMaggio and Powell, 1991; Boxenbaum and Jonsson, 2008). In demonstrating this, institutional theories have well advanced the understanding of systemic resilience to change and homogeneity across organizational fields (Greenwood and Hinings, 1996); organizational field which has been defined by DiMaggio and Powell (1983) as:

Those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products.

However, they have not properly addressed the nature of environmental pressures. Indeed, by treating institutional (or legitimacy) and technical (or efficiency) pressures as mutually exclusive, institutional theories have failed to recognize that these pressures cannot be separated and confront organizations simultaneously (Scott, 2001; Hopper and Major, 2007). Institutional theories have also frequently been criticized for neglecting dynamics and change in their emphasis on stability and resilience of organizational fields (Djelic and Quack, 2003). Yet, previous studies on SRI have demonstrated that institutional change is possible and may lead to practical change (Sparkes, 2002; Bengtsson, 2008). It has also been argued that institutional change has played a major role in the professionalization of the French asset management sector in the 1990s (Kleiner, 2003). To my mind, these shortcomings result from four main theoretical limitations: the separation between institutional and technical requirements, the theorization of collective action, the study of practices and the role of objects.

Firstly, while drawing on institutional theories to a large extent, I clearly reject the opposition between institutional and technical pressures conveyed by the literature. By rejection, I do not mean that organizations necessarily do what they say (and vice versa) but that institutional and technical requirements are theoretically identical: technical requirements are institutions. For instance, SRI performance is neither more, nor less technical or institutional than financial performance; both are social constructions which have practical effects. However, this does not mean that SRI and financial performance are practically and institutionally the same. On the one hand, financial performance is already institutionalized in the asset management sector whereas SRI performance is still in a process of

institutionalization. On the other hand, these two types of performance are of a different practical nature. Financial performance is clearly defined by performance criteria, such as shareholder value, whereas SRI performance is still in the making and relates to various dimensions, such as environmental, social and governmental concerns.

Secondly, institutional theorists have progressively cast aside the role of agency for a more deterministic view of institutions: a majority of institutional studies have described organizations and actors as undergoing institutions. This disappearance is all the more astonishing as Berger and Luckmann (1966) insisted on the essential role of actors in the creation and maintenance of institutions. To fill this theoretical gap, institutional theorists have later introduced the notion of ‘institutional work’, which refers to the ‘purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions’ (Lawrence and Suddaby, 2006). In particular, this role of agency has been examined under the rubric of institutional entrepreneurship (DiMaggio, 1988). Institutional entrepreneurs are interested actors – particularly those with some key strategic resources or other forms of power – who aim at transforming and adapting institutions in order to realize interests that they value highly (DiMaggio, 1988; Oliver, 1991; Greenwood et al., 2002; Boxenbaum and Gond, 2006; Lawrence and Suddaby, 2006). To achieve their goals, institutional entrepreneurs adopt strategies, such as technical and market leadership, lobbying for regulatory change and discursive action (Suchman, 1995; Fligstein, 1996; Maguire et al., 2004). However, although restoring the role of agency in institutional theories, the concept of institutional entrepreneurship still suffers from several limitations. Firstly, by deriving the concept of collective institutional entrepreneurship (Maguire et al., 2004; Boxenbaum and Gond, 2006) from the notion of individual institutional entrepreneurship, it describes a collective movement as a sum of independent individual movements. Yet, collective action theories – such as sensemaking (Weick, 1995) or social movement theory (McAdam et al., 1996; McAdam and Scott, 2005) – have clearly demonstrated that collective action cannot be theorized as a sum of individual actions. Instead, analyzing the dynamics of collective action requires understanding how people try to ‘make sense of how other people make sense of things, a complex determination that is routine in organizational life’ (Weick et al., 2005); a process described by Taylor and Van Every (2000) as:

A situation talked into being through the interactive exchanges of organizational members to produce a view of circumstances including the people, their objects, their institutions and history, and their siting [i.e., location as a site] in a finite time and place.

Hence, perceiving and conceptualizing ‘collectivity’ in terms of institutional entrepreneurship has limited the understanding of an essential dimension of institutional change: the *collective* transformation of institutions. Consequently, it has also neglected the role of collective purposes in conducting institutional change. Indeed, by focusing on personal interests, institutional entrepreneurship has disregarded the importance of higher motivations, such as society choices.

Thirdly, although institutional theorists have used the term ‘practice’ widely, there have been limited efforts to draw upon practice and institutional theories to address how institutional change leads to new practices and vice versa. According to Lounsbury and Crumsley (2007), the redirection of institutional theories to institutional entrepreneurship has exaggerated the individual ability of actors to transform institutions and to ignore the broader institutional forces, beliefs and structural configurations that constitute and shape individual activities. In line with the collective perspective previously developed, the authors argue that ‘future research should emphasize how interactions among a broader array of actors can produce institutional change’ (Lounsbury and Crumsley, 2007). Notably, difficulties remain to explain why there is practice variation when faced with the same institutional change. According to Modell and Wiesel (2008), ‘a deeper understanding of why practice variations embedded in competing institutional logics emerge within an institutional field’ is required. To remedy these problems, several authors suggest expanding the research on practices at the intra-organizational level (Lounsbury, 2001; Bogt and Scapens, 2009) and to bridge practice approaches with institutional approaches (Hopper and Major, 2007; Lounsbury, 2008; Bogt and Scapens, 2009). In the same vein, Weick et al. (2005) explain that if we want to explain change and variation at the macro-level of analysis, we need to pay ‘as much attention to structuring and conversing as we do to structures and texts’. Yet, despite stressing the need to make the micro-foundations of institutional change more explicit, there has been modest progress in this direction. To date, greater attention must still be paid to how practices emerge and change and how they are connected to a larger social order (Battilina et al., 2010).

Lastly, institutional theories have not yet paid proper attention to the role of objects in the process of institutional change (Miller, 2008; Friedland, 2009; Spee and Jarzbnkowski, 2009),

with the exception of management accounting studies. Yet, it has been demonstrated that management systems play an important role in transforming practices in response to institutional change (Burns and Scapens, 2000; Dambrin et al., 2007; Modell and Wiesel, 2008; Bogt and Scapens, 2009). Notably, management systems mediate the reciprocal transformation of institutional and practical change. For example, Bogt and Scapens (2009) explored how institutional pressures for performance measurement in the university sector shaped the practices within individual universities. They demonstrated that such processes can lead to variations in practices across organizations, rather than organizational isomorphism. This recent body of work is further evidence of the need for institutional theories to complement existing research on institutional change with attention to the roles played by objects: ‘it alerts us to the ways in which certain instruments or models can “mediate” between actors and arenas such as science and the economy’ (Miller and O’Leary, 2007). These arguments have been extended with respect to financial markets and financial knowledge. For instance, the term ‘market devices’ has been used as a theoretical device to refer to the range of instruments, models and tools used by financial markets (Callon et al., 2007). In line with this trend, in recent years, a few institutional accounting studies (Gendron et al., 2007; Hopper and Major, 2007) have drawn on Actor Network Theory (ANT) (Callon, 1986; Latour, 1987) to explore the role of objects in institutional change. This bridging between institutional theories and ANT has brought greater attention to intra-organizational practices. However, such research has not enabled the full understanding of the role of objects in the process of the transformation of practices. Indeed, ANT allows the description of the actions and interactions of actors in a network but not the explanation of why actors behave in a specific way. Latour (2004) explains: ‘ANT is a method, and mostly a negative one at that; it says nothing about the shape of what is being described with it.’ Hence, the role of objects in the transformation of practices in response to institutional change still needs to be explored.

Following the recent call for combining institutional with practice theories, this dissertation aims to fill the previous gaps identified in the literature. In particular, it aspires to glean a better understanding of:

- the role of collective action in the process of institutional change;
- the relationship between institutional and practical change;
- the explanation of practice variation in the face of institutional change;
- the role of objects in the transformation of practices in response to institutional change.

The following section gives an overview of the theories mobilized in the articles to achieve these four goals.

3.2. Theoretical Background of the Dissertation

The dissertation attempts to understand the causes and mechanisms of a process of institutional change *in the making*. The choice has been made not to provide a holistic theoretical framework – indeed, the dissertation does not aspire to theorize the whole process of institutional change – instead, it focuses on the following theoretical questions:

- To what extent and under what conditions can new social movements change economic institutions? (article 1)
- How do actors transform their practices in response to institutional change? (article 2)
- What explains practice variation when faced with institutional change? (article 3)

These three theoretical questions relate to the first three research questions developed in section 2. For this purpose, the dissertation draws to a large extent on institutional theories. Notably, it mainly relies on the concept of institutional logics, which are defined as a ‘set of material practices and symbolic constructions – which constitutes its organizing principles and which is available to organizations and individuals to elaborate’ (Friedland and Alford, 1991). According to Bogt and Scapens (2009), the institutional logics provide ‘the mechanisms by which the *more abstract*¹⁵ institutions (i.e., taken-for-granted assumptions) influence agents’ deliberations and provide the basis for intentional behaviour’. In other words, they provide the *scheme of meanings* through which actors make sense in practice of their reference institutions. In addition, the dissertation mobilizes several practice theories:

- Social Movement Theory (article 1)
- Pragmatism (articles 2 and 3)
- Epistemic Object (articles 2 and 3)

Social movement theory (McAdam et al., 1996; Meyer and Tarrow, 1998; Benford and Snow, 2000; McAdam and Scott, 2005) is a collective action theory which studies how and why social movements aim at changing existing institutions. It is used as a theoretical device at the organizational field level to explain the origins of SRI Mainstreaming in the French asset management sector. Unlike collective institutional entrepreneurship, social movement

¹⁵ Emphasized in the original text.

theory enables the theorization of collective agency at stake in a process of institutional change. It also allows the introduction of higher motivations than personal interests in conducting institutional change, such as society choices conveyed by the Sustainable Development society project.

Pragmatism (Peirce, 1931; Dewey, 1938) is used to theorize how actors collectively transform their practices in response to institutional change. This is obtained thanks to the concept of collective inquiry, which is defined as the investigation processes – mobilized by a group of actors committed to the same collective activity – to make sense of an uncertain and disrupted situation. This concept facilitates the study of the intra-organizational dynamics of institutional change by providing a collective action theory focused on practices.

Lastly, to be able to restore the role of objects in the process of transformation of practices, the dissertation relies on the concept of epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). Literally, an object is what is ‘put before’ (i.e. the subject); it comes from ‘*ob*’ – ‘against’ – and ‘*jacere*’ – ‘to throw’. An object is what ‘resists’ the subject in reality. The preference in the dissertation for the notion of object over the concept of instrument (Lorino, 2006; Miller and O’Leary, 2007) follows my intention to emphasize that instruments are ‘simultaneously things-to-be-used and things-in-a-process-of-transformation’ (Knorr-Cetina, 1997). To highlight the twofold dimension of instruments, I distinguish two types of objects throughout the rest of the dissertation: epistemic and technical objects. Rheinberger defines an epistemic object as any object under research: an ‘object which embodies what one does not yet know’ (Rheinberger, 1992). He distinguishes epistemic from technical objects, which are fixed and provide stable knowledge. According to Knorr-Cetina (1997):

Rheinberger here draws upon the classic distinction between the ready-to-hand, *unproblematic*¹⁶, and often industrially produced technical instrument and the *question-generating* research object on the way to becoming a technical object.

While agreeing that epistemic objects can transform themselves into technical objects – and vice versa – Rheinberger and Knorr-Cetina remain unclear about the nature of this change. It

¹⁶ Emphasized by the author.

would appear that an object would be ‘technical’ or ‘epistemic’ according to its intrinsic nature. This would imply that some objects would be *by essence* technical while others would be epistemic. I completely disagree with this intrinsic distinction. To my mind, an object is epistemic or technical according to its status in the situation. For instance, a management system which is used as a daily, steady and *unproblematic* resource by actors is a technical object. As soon as the management system ‘breaks down’, it *generates questions* and becomes an epistemic object. At that instant, actors are likely to investigate the situation to repair the management system and transform it back into a technical object. In other words, management systems are objects, which can either be technical or epistemic, depending on their role in actors’ practices. In particular, the second and third articles demonstrate that actors transform their practices in response to institutional change through transforming an epistemic object. Unlike ANT (Callon, 1986; Latour, 1987), the use of the concept of collective inquiry combined with the concept of epistemic object allows the exploration of *why* actors transform their practices in response to institutional change, in a specific way. Notably, this offers a better understanding of the role of objects in explaining practice variation when faced with institutional change.

In accordance with the aim of the dissertation to explore institutional change in practice, continual effort has been made throughout the articles to focus on practices when theorizing. For this purpose, the dissertation uses a research methodology which draws on the same theoretical background: pragmatism. This allows the epistemological approach of the dissertation to be consistent with its theoretical objectives and contents. Further details about the research methods are given in the following section.

4. Research Methods

4.1. Epistemological Position

Accessing practices is a difficult task when conducting research. Most studies have access to the ‘traces’ of former practices, few really study practices. On the one hand, practices are usually mediated through a statement, such as an interview or a document (Lorino, 2008). On the other hand, many studies suffer from the motivation of researchers to *observe* practices. Indeed, following traditional representational epistemologies, which assume a correspondence between theory and reality (Lorino et al., 2010), most researchers aspire to discover a reality which would exist ‘out there’. Then, theorization would consist of avoiding any form of

subjectivity for the research to be ‘unbiased’ (Lorino et al., 2010); which should enable the identification of causal mechanisms and general laws validated by empirical tests. Consequently, the researcher would treat subjects of investigation as if they were objects available ‘from the outside’, as if he/she was a rational information processor (Lorino et al., 2010).

However, by studying reality as if it were an identifiable and observable ‘thing’, this representational framework tends to disregard the dialogical and dynamic relations of practical actions (Schotter, 2009). The ‘reflexive’ practices by which actors make familiar commonplace activities of everyday life – the ‘accounting practices’ of actors (Garfinkel, 1967) – remain unknown. Yet, these practices can be ‘known only in the doing’ (Coulter, 1976), notably because they comprise not only what actors actually do but also what they imagine doing or not doing and the schemes of meanings associated with these practices:

Settings do not stand there ready-made and pre-defined but are made-up *in situ*¹⁷ by the same practices which make them *accountable* to the members.
(Fox, 2006)

Hence, understanding such processes requires studying situations ‘from within’ and not ‘from the outside’ (Schotter, 2006). Unlike ‘aboutness-thinking’, this ‘witness-thinking’ (Schotter, 2006) implies accessing the ‘accounting practices’ of the social group under research. For this purpose, the researcher needs to participate in the practical transformation of the studied situation: he/she no longer *observes* practices, he/she *investigates* them.

When investigating, the researcher shifts from an epistemology of the observation to an epistemology of the inquiry (Lorino, 2008). The objective of research is no longer to provide a scientific truth as correspondence between reality and theory but to offer an understanding for a purposeful action (Peirce, 1931). The concept of inquiry was developed by pragmatist authors (Peirce, 1931; Dewey, 1938), who ‘considered the development of knowledge as an adaptative human/social response to environmental conditions and an active restructuring of the environment’ (Lorino et al., 2010). Pragmatism aims to overcome dualisms, such as thought versus action – where thinking is a prerequisite for acting – or logical reasoning versus narrative thinking. Namely, it aims at co-producing accounts of situations which can

¹⁷ Emphasized in the original text.

be practically experimented (Guia et al., 2009). For this purpose, the inquiry intertwines narrative thinking, reasoning and experimentation; a process of investigation characterized by the following features:

- Experimental nature of knowledge: the inquiry is triggered by an ‘existential unease’; usual practices no longer allow actors to overcome the obstacles of everyday life. The purpose of the inquiry is to create a plausible narrative account of the *disruptive-^{ted}* situation to generate two different outcomes: new practices and new concepts (Lorino et al., 2010). These practical and theoretical dimensions are constantly combined throughout the inquiry: on the one hand, theorizing involves living experience and physical engagement; on the other, the theoretical account of the situation is deemed true when the latter is judged to work in practice by the inquiry participants. Nevertheless, both practices and theories are temporary and fallible: truth is always partial and can always be changed according to experience.
- Abduction: pragmatist research aims at ‘developing (“inventing”) theoretically informed explanations for new and often surprising observations’ (Lukka and Modell, 2009). For this purpose, it mobilizes an abductive mode of reasoning – comprising intuition, reasoning and experimentation (Lorino et al., 2010) – which consists of generating new hypotheses and stories that account for the situation in a plausible way. For this purpose, the inquiry does not exclusively mobilize inductive or deductive logical reasoning; it also uses narrative thinking and analogical reasoning. Hence, the inquiry combines abductive (building of hypotheses), deductive (the progress of causal logical relationships) and inductive stages (experiment protocols). According to Czarniawska (1999), the researcher can be compared to a detective:

He collects observations of which he produces a conjecture, a hypothesis, and then experiments, which sometimes lead to the refutation of certain elements or of the whole hypothesis, and finally presents the solution to the stupefied criminal [...] or other witnesses.

- Mediation: the inquiry differs from an automatic adaptation of practices based on conditioned reflex; it is verbalized, socialized and implies a distance between the inquiry participants and the object of the inquiry (i.e. its purpose). To investigate, actors carry, use and transform mediations, which can be speech, discourses, texts or figures. Thus, the inquiry is both *mediated* and *mediating* (Lorino et al., 2010); it

embodies a problem in speech and instruments and transforms the speech and instruments as it transforms the embodied knowledge.

- Community of actors: the inquiry concerns a group of actors who need the inquiry to come up with an agreement to be able to maintain their collective activity. However, the community of actors is neither holistic nor monolithic. The inquiry is a collective process made up of permanent exchanges between actors, whose differences inject some dynamism into the inquiry. Actors must interact continuously to make sense of the inquiry; dialogic interactions which comprise speech and acts. For this purpose, the inquiry participants need to share and negotiate their understandings of the situations along time (Schotter, 2009).

Pragmatism is more than a research method; it is a philosophy. However, action research is, in many instances, fully consistent with pragmatism (Bradbury, 2007). Indeed, although action research expresses itself in a myriad of practices, the fundamentals of action research and the fundamentals of non-representational pragmatist epistemologies are the same. Reason and Bradbury (2001) define action research as:

A participatory process concerned with developing practical knowing in the pursuit of worthwhile human purposes... It seeks to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to issues of pressing concern to people.

Along the same lines as action research, this dissertation employs a cooperative inquiry method (Heron and Reason, 1995; Heron, 1996; Raelin, 1999; Reason and Bradbury, 2001), which is based on the concept of inquiry developed by pragmatists (Peirce, 1931; Dewey, 1938). The cooperative inquiry method consists of conducting research with people rather than on people. A cooperative inquiry ‘involves two or more people researching a topic through their own experience of it, using a series of cycles in which they move between this experience and reflecting together on it’ (Heron, 1996). This method implies cooperative relationships between the researcher and the subjects: they work together as co-researchers and co-subjects. Methodological implications are described below.

4.2. Research Process

4.2.1. A Practice Perspective

In accordance with the pragmatist perspective described previously, I participated in the research process both as a researcher and a practitioner. This enabled me to fully access practices by sharing the ‘accounting practices’ (Garfinkel, 1967) of the members of the French asset management sector over a long period of time. This in-depth integration within the practices of asset management was obtained through an agreement – known as a *CIFRE* (*Convention Industrielle de Formation par la Recherche en Entreprise*)¹⁸ – between a French asset management company, my laboratory and myself, under the control of the French Ministry of Research. According to this contract, over three years (May 2006-May 2009), I worked for SRI Invest¹⁹ as an SRI Analyst and was permitted to use the data I collected for academic purposes. Before working as an SRI analyst for SRI Invest, I also worked during two years for the CSR Department of the parent company, which means that I spent more than five years in the field.

SRI Invest is a small asset management company, specialized in SRI since 1997, which employs almost 20 people. During the summer of 2007, the CEO of SRI Invest decided to transform the investment processes of both SRI equity and fixed-income funds. The purpose of such (re)design was to meet the new demands for SRI Mainstreaming (cf. section 1.3.). This process of (re)design lasted one year and provided empirical support for the second and third articles of the dissertation. SRI Invest is the subsidiary of one of the largest French mutual insurance companies. A mutual insurance company differs from a proprietary insurance company by the fact that there is no shareholder. Instead, it is owned entirely by its policyholders. In a mutual insurance company, any distributed surplus funds are paid entirely to policyholders, whereas in a proprietary company (one with shareholders) a proportion of the surplus (typically 10%) is paid to shareholders, in exchange for the capital that they provide to support the business. However, this mutual dimension has not been considered as a key element of the process of (re)design studied in the second and third articles. Indeed, when regarding professional logics of asset management, the mutual origin of the asset management company has little influence on SRI practices. People working for the asset management

¹⁸ Industrial Contracts for Training Through Research

¹⁹ SRI Invest is a pseudonym.

company felt that they belonged to the asset management sector, not to the mutual one. For example, when I first arrived at SRI Invest, I noticed that over 50% of my colleagues were not aware that the parent company was a mutual insurance company. As a result, the reference logics of SRI Invest actors were *almost* the same as those of any asset management company which offered SRI funds, including a subsidiary of a proprietary insurance company. However, this does not mean that the mutual dimension of SRI Invest did not impact its practices. For instance, employees considered themselves to be under less pressure (and paid less) than in a proprietary company. This mutual dimension was also said to impact to a certain extent the relationships between the board and the company top managers by slowing down the decision-making processes.

Throughout, my job permitted me to participate in the inner workings of an asset management company facing SRI Mainstreaming. It also enabled me to access the practices of the French asset management sector; a participative observation which was also used as a data collection method in the first article (cf. section 4.2.2.). In particular, I experienced institutional change through three main aspects of my job:

- SRI analysis: I was responsible for the SRI analysis of two sectors – financial services and utilities. This included the careful study and the constant assessment of environmental, social, governmental and societal dimensions of two dozen companies.²⁰ For this purpose, I relied on information provided by social rating agencies, brokers and companies. Over the three years, I noticed the impact of SRI Mainstreaming on SRI analysis itself. As SRI Mainstreaming developed, SRI analysis shifted towards financial analysis. Increasingly, SRI criteria used to assess companies were selected according to their impact on business. For instance, I gradually put aside a certain number of SRI criteria I deemed to be too ethics-driven. In 2009, this led me to rank companies in a different way from 2007.
- Investment processes: from July 2007 to July 2008, I was committed practically full-time to the (re)design of the investment processes of equity and fixed-income funds. I was responsible for the SRI aspects of the (re)design, which covered a wide range of tasks, such as developing new SRI data bases, selecting and creating SRI criteria and proposing new types of funds. This (re)design was an exceptional opportunity to access how the practices of an asset management company were transformed in

²⁰ It also implied shareholder activism. However, I was not directly responsible for this activity and I merely participated in annual meetings.

response to institutional change. I could personally experience the questions, difficulties and problems raised by such change.

- Strategic surveillance: an essential aspect of my job was to permanently study what the competitors were doing, both in France and abroad. This also covered the work of social rating agencies, brokers, think-tanks, NGOs and so forth. To do so, I participated in many events organized by the sector, including road shows and conferences. An overview of these events is provided in the appendix A of this chapter.²¹ The purpose of strategic surveillance was to anticipate 1) non-financial risks, such as pollution and child labor²² and 2) the evolution of the SRI market. In particular, SRI funds needed to be permanently updated according to future market trends. For instance, in 2008, we decided to exclude companies belonging to certain sectors, such as cluster bombs, in response to the exclusion followed by sovereign funds, such as the Government Pension Fund of Norway. In 2009, we gave up the idea of green funds by anticipating speculation, as it occurred in Germany. In contrast, we tried to develop funds based on the concept of Bottom of the Pyramid, which related to multinational companies targeting populations under the poverty line. Each strategic choice implied a modification of investment processes and SRI analysis. This strategic surveillance, which occurred from May 2006 to May 2009, was paramount in identifying the constant institutional change during this period: SRI Mainstreaming.

4.2.2. Data Collection

To support the research process, I used three types of data collection:

- Participative observation²³: during three years, as a practitioner, I participated in the ‘accounting practices’ (Garfinkel, 1967) of the actors of a French asset management company. According to the typology of memberships made by Adler and Adler (1987), I held the position of a complete member, which meant that I was ‘fully

²¹ In March 2009, I resigned. At this point, my strategic surveillance was finished.

²² Such risks are known as ‘controversies’. For instance, in 2008, Greenpeace campaigned against Unilever about its sourcing of palm oil and its impacts on deforestation. The same year, Carrefour was reported by the media to use child labor in cotton plants in Uzbekistan. As SRI analysts, we had to investigate such denunciations and make a decision regarding the SRI grade of companies.

²³ The term ‘participative observation’ must be understood here in a wider sense than the one usually conveyed in representational epistemologies. It relates to a cooperative inquiry between the practitioners and the researcher.

immersed in the research setting⁷. I could understand the beliefs, values and goals of SRI Invest members. To favor the process of reflexivity required by the inquiry, I wrote a daily diary where I described the main events of each day I spent at SRI Invest and commented on them.²⁴ I also wrote narratives, which described different events occurring at SRI Invest, such as the (re)design of investment processes or the different stages of an invitation to tender. Lastly, I submitted working papers both to my supervisors and to SRI Invest members to obtain their critical feedback in order to achieve a collective agreement on my theoretical account of findings.

- Interviews: from July 2007 to November 2009, I interviewed actors in the French asset management field and listed companies to understand how their practices had been impacted by the development of SRI Mainstreaming. Nine months after the (re)design of the investment processes of SRI Invest funds, I also interviewed all my SRI Invest colleagues who participated in the (re)design of the funds. In total, this represented 47 semi-structured interviews; 39 of which were tape-recorded and transcribed verbatim. For the eight other interviews, interviewees' comments were recorded in handwritten notes, which were reviewed, edited and transcribed immediately. Further details are provided in appendix B.
- Documents and secondary data: extensive data were collected from documentary sources, including trade association surveys, professional reports (consultants, asset managers, brokers and social rating agencies), NGO studies, newspapers, newsletters, websites, theses, academic papers and books. Documentary evidence at SRI Invest, such as minutes of the meetings and process presentations to clients, were also analyzed.

As in any inquiry, knowledge was generated as the research process unfolded. In short, the research process followed seven different periods, during which I combined reasoning and narrative accounts with action:

- May 2006-November 2006: this period was committed to my Master's thesis and to discovering SRI. My previous job in the CSR Department of the parent mutual insurance company of SRI Invest meant that I was knowledgeable about the group but not about asset management. Hence, over seven months, I learnt the job of an SRI

²⁴ This represented several hundred pages of notes.

analyst and conducted a broad literature review on SRI. At the same time, SRI Invest plummeted since the company was apparently not resisting the competition.

- December 2006-June 2007: the new CEO of SRI Invest arrived in December 2006. During six months, the future of SRI Invest was uncertain. A French asset management benchmark study was conducted to determine whether SRI Invest had to be transformed or closed down. Thanks to this benchmark and to discussions with SRI Invest members, I realized that SRI Invest's difficulty was the SRI Mainstreaming phenomenon.
- July 2007-July 2008: I participated in the process of (re)designing the investment processes of the SRI funds over the course of one year. The (re)design process confirmed my initial impression about SRI Mainstreaming: namely, SRI was shifting towards conventional funds. While (re)designing the funds, I conducted semi-structured interviews with actors in the French asset management field. Combined with my participative observation, these exchanges enriched my understanding of the SRI Mainstreaming phenomenon and its impacts on SRI and the mainstream. From May 2008 onwards, I began theorizing this phenomenon by drawing on institutional theories.
- August 2008-January 2009: in August 2008, I left SRI Invest to commit myself almost full-time to research.²⁵ I spent six months at the Department of Business Studies of Uppsala University as a visiting researcher. During this period, I furthered my knowledge about institutional theories and practice theories. I also compared my French experience of SRI to the Swedish one by exchanging with researchers and practitioners specialized in SRI in Sweden. Notably, this overseas stay allowed me to identify the phenomenon of SRI Mainstreaming as being influenced to a large extent by the French context. At the end of this period, I had a first draft of the first and second articles.
- February 2009-May 2009: I spent four further months at SRI Invest – as an SRI analyst. I took advantage of this period to exchange with my SRI Invest colleagues about what had occurred during the (re)design. I also aimed at getting a better understanding of the differences between equity and fixed-income investment, regarding SRI Mainstreaming. SRI Invest was again competitive, although, the

²⁵ I continued working for SRI Invest and staying in touch with the sector.

company was suffering from the effects of financial crisis and was being threatened by takeover.

- June 2009-August 2009: after three years of participative observation, my data collection was finished. I definitively left SRI Invest to spend three months as a Marie Curie Fellow²⁶ in the Accounting and Finance Group of the Manchester Business School in the United Kingdom. I primarily studied accounting research which combined institutional theories with a practice perspective and wrote a first draft of the third article.
- September 2009-April 2010: I spent the last year of my Ph.D. working as a research doctoral fellow in the Department of Economics of Ecole Polytechnique in France. Notably, I was sponsored by the Sustainable and Responsible Finance Chair, which gathered French asset management companies and pension funds interested in SRI. This enabled me to maintain close contacts with the French asset management sector while (re)writing my dissertation. In the mean time, I spent two weeks in the Social Responsibility and Sustainable Development Chair of the *UQAM (Université du Québec à Montréal)* in Montreal, Canada where I began to compare European SRI to North American SRI.

From September 2006 to the Ph.D. defense, I was enrolled in the Ph.D. Program of ESSEC Business School, in the management control specialization. From September 2006 to June 2008, I took part in numerous courses provided by the program.²⁷

4.3. Research Outcomes

A pragmatist research has two outcomes: new concepts and new practices. This means that my practitioner perspective has enriched my academic perspective and vice versa. On the one hand, the practitioners committed to the inquiry have contributed to my theoretical accounts of practices through our different dialogues. On the other hand, I have contributed to transforming practices, which is an essential dimension of a pragmatist epistemology. In accordance with this pragmatist perspective, the dissertation has contributed to both dimensions:

²⁶ A Marie Curie fellowship is a mobility research training grant awarded by the European Community.

²⁷ This represented almost 390 hours and also included preliminary exams.

➤ On concepts:

- Theory: five articles were generated throughout the dissertation. The dissertation comprises three articles. As described previously, they aimed at explaining how and why SRI Mainstreaming expanded into France and at filling existing gaps in institutional theories. Two other articles are provided in the appendices. Since they did not directly concern the phenomenon of institutional change in the French asset management sector, they have not been included in the dissertation itself. The fourth article, ‘A Managerial Perspective on the Porter Hypothesis – The Case of CO₂ Emissions’, was co-written with Jean-Pierre Ponsard (Ecole Polytechnique). It explores the impacts of CO₂ emissions on the management systems and the strategy of three companies: Lafarge, DuPont and Unilever. The fifth article, ‘CSR: A New Business Model for Multinational Companies?’, was co-written with Jean-Marie Péan (MACIF Gestion). It analyzes how the management systems of multinational companies have been transformed by the demands for CSR.
- Methodology: by using a non-representational epistemology, the dissertation has contributed original insights to the study of organizations.

➤ On practices:

- Re-design of the investment processes: I contributed to the (re)design of the equity and fixed-income investment funds of SRI Invest in two main ways. Firstly, I was responsible for the SRI aspects of the (re)design. Secondly, my academic perspective provided SRI Invest with useful insights on the phenomenon of SRI Mainstreaming it faced. Further details about this (re)design are provided in the second and third articles of the dissertation.
- Building of new SRI data bases: when (re)designing these processes, I transformed the SRI analysis of SRI Invest. In particular, I created several new SRI data bases which compiled the SRI grades of three social rating agencies and the personal advice of the SRI analysts according to the sectors featured and to the investment policy of each fund.
- Contributions to the French asset management sector: while conducting my research, I aimed to maintain close contacts with SRI actors of the French asset management sector (e.g. brokers, social rating agencies, norms builders and asset management companies, et cetera). For this purpose, I regularly presented both formally and

informally my research findings to different practitioners. This enabled me to receive their feedback and to contribute to the collective reflection of the sector on SRI.

The conclusive chapter of the dissertation details these three types of contributions.

5. Overview of the Articles

Drawing on previous sections, a synopsis of the dissertation follows (cf. figure 0.2). For pedagogical purpose, the choice has been made to begin with the study of SRI Mainstreaming at the organizational field level. This should facilitate the understanding of the origins and forms of this phenomenon (cf. article 1). The second article offers a study of *how* an asset management company has transformed its practices of equity investment – in response to SRI Mainstreaming. Lastly, the third article explores *why* the transformation inside this company has differed between equity and fixed-income investment. The conclusive chapter summarizes the contributions and limitations of the dissertation and elaborates on the future of SRI Mainstreaming.

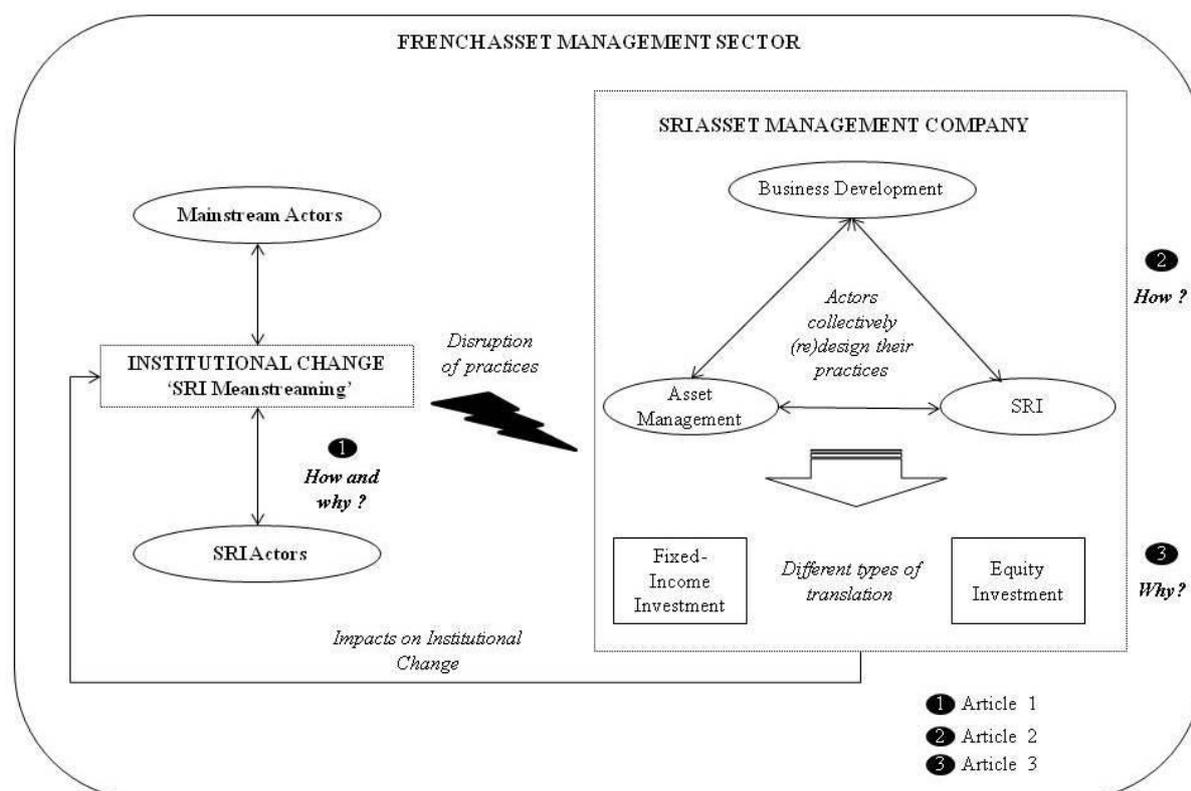


Figure 0.2: Synopsis of the Dissertation

The dissertation aspires to answer both research questions on the phenomenon of SRI Mainstreaming (cf. section 2) and theoretical questions (cf. section 3.2.). These questions, together with theories in-use and research methods, are summarized in table 0.1. The articles follow this introductory chapter.

Article	Research Question	Theoretical Question	Theories in-use	Research methods
1 A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered	How and why has SRI Mainstreaming expanded into France?	To what extent and under what conditions can new social movements change economic institutions?	<ul style="list-style-type: none"> – Institutional theories – Social movement theory 	<ul style="list-style-type: none"> – Participative observation – Semi-structured interviews (33) – Secondary data and documentary evidence
2 Transforming Practices in Response to Institutional Change – Exploring the Role of Objects	How did asset management companies transform their practices in response to SRI Mainstreaming?	How do actors transform their practices in response to institutional change?	<ul style="list-style-type: none"> – Institutional theories – Pragmatism – Epistemic object 	<ul style="list-style-type: none"> – Participative observation – Semi-structured interviews (7) – Documentary evidence
3 Explaining Practice Variation When Faced With Institutional Change: The Example of Socially Responsible Investment.	Why did the transformation of practices of asset management companies differ between equity and fixed-income investment?	What explains practice variation when faced with the same institutional change?	<ul style="list-style-type: none"> – Institutional theories – Pragmatism – Epistemic object 	<ul style="list-style-type: none"> – Participative observation – Semi-structured interviews (8) – Documentary evidence

Table 0.1: Overview of the Articles

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APPENDIX A – STRATEGIC SURVEILLANCE

	Organization	Event	Date
1	Broker C	SRI Road Show	18/01/07
2	Think-Tank A	Working Group on CSR Corporate Governance Code*	23/01/07
3	Think-Tank A	Working Group on CSR Corporate Governance Code*	20/01/07
4	Social Rating Agency	2006 Annual Meetings / Conference	22/02/07
5	Employers Lobby A	Meeting for CSR Corporate Governance Code*	28/02/07
6	Employers Lobby B	Meeting for CSR Corporate Governance Code*	05/03/07
7	Think-Tank A	Governance and financial communication (Conference)	14/03/07
8	Think-Tank A	Working Group on CSR Corporate Governance Code*	20/03/07
9	Think-Tank B	Working Group on SRI	28/03/07
10	Think-Tank C	Working Group on Shareholder activism	13/04/07
11	Think-Tank A	Working Group on CSR Corporate Governance Code*	24/04/07
12	European Commission	Meeting for CSR Corporate Governance Code*	07/05/07
13	Think-Tank B	Working Group on SRI	04/05/07
14	Bank A (SG)	Annual Meeting	14/05/07
15	Think-Tank A	Working Group on CSR Corporate Governance Code*	22/05/07
16	Consulting Firm C	Implementing CSR in the companies (Conference)	12/06/07
17	French SRI Lobby	Annual Conference	12/06/07
18	Think-Tank A	Governance in listed companies (Conference)	25/06/07
19	Think-Tank B	SRI and Retail (Conference)	27/06/07
20	Think-Tank C	Working group on CSR	05/07/07
21	Think-Tank C	Working group on CSR	10/07/07
22	Think-Tank C	Working group on CSR	12/07/07
23	Think-Tank D	Working group on CSR	20/07/07
24	Think-Tank D	Working group on CSR	06/09/07
25	Think-Tank C	Working group on CSR	20/09/07
26	Think-Tank A	CSR in the CAC 40 Boards(Conference)	03/10/07
27	Broker B	SRI Road Show	30/10/07
28	Social Rating Agency E	Meeting	05/11/07
29	Invitation to tender A	Meeting	13/11/07
30	Social Rating Agency F	Meeting	16/11/07
31	Social Rating Agency G	Meeting	22/11/07
32	Think-Tank C	Working group on CSR	04/12/07
33	Think-Tank B	Working Group on SRI	06/12/07
34	Think-Tank C	Working Group on SRI	06/12/07
35	Think-Tank C	SRI in Fixed-Income Management (Conference)	20/12/07
36	Invitation to tender B	Meeting	11/01/08
37	Social Rating Agency A	Meeting	15/01/08
38	Think-Tank B	SRI (Conference)	30/01/08
39	Think-Tank B	Working Group on SRI	21/02/08
40	Think-Tank C	CSR (Conference)	02/04/08
41	Broker B	SRI Road Show	08/04/08
42	Consulting Firm D	CSR Road Show	10/04/08
43	NGO B	Meeting	15/04/08
44	European SRI Lobby	Working group on SRI	17/04/08
45	Invitation to tender C	Meeting	06/05/08
46	European SRI Lobby	Working group on SRI	13/05/08
47	European Mutual Insurance Lobby	Working group on SRI	16/05/08
48	Invitation to tender D	Meeting	19/05/08
49	Bank E	Annual Meeting	22/05/08
50	Bank A	Annual Meeting	27/05/08
51	Consulting Firm E	SRI Conference	03/06/08
52	Think-Tank B	Working group on SRI	16/06/08
53	Asset Management Company C	SRI Funds of funds (Conference)	17/06/08
54	Broker A	SRI Road Show	18/06/08
55	Consulting Firm F	SRI Analysis Products Presentation	19/06/08
56	Social Rating Agency B	Meeting	26/06/08
57	Asset Management Company E	Meeting	02/07/08
58	Social Rating Agency B	Meeting	03/07/08
59	Social Rating Agency A	Meeting	08/07/08
60	Invitation to tender E	Meeting	11/07/08
61	Think-Tank E	Working group on SRI	22/07/08

	Organization	Event	Date
62	Proxy (Manifest)	Business Meeting	05/02/09
63	Conference	CSR	06/02/09
64	Conference	SRI & Institutional Investors	12/02/09
65	Meeting/Business Development	Asset management company A	05/03/09
66	Conference	Greenwashing	10/03/09
67	Meeting/Business	Asset management company B	24/03/09

* This concerned a working group of the *IFA (Institut Français des Administrateurs)* – an organization representing the views of the French company boards – about the Corporate Social Responsibility of the boards of listed companies. The report « *RSE et Administrateurs des sociétés cotées* » (‘CSR and the Boards of Listed Companies’) is available on <http://ifa-asso.com>.

APPENDIX B – INTERVIEWS

	Organization	Function	Date	Time	Recorded
Asset Management Companies					
1	Asset Management Company A	Head of SRI	13/10/06	1h00	No
2	Asset Management Company B	Head of SRI	13/11/07	1h13	Yes
3	Asset Management Company C	Head of SRI	01/08/07	1h15	Yes
4	Asset Management Company D	CEO	06/09/08	1h10	Yes
5	Asset Management Company D	SRI Analyst	06/09/08	1h10	Yes
6	Asset Management Company E	Head of European Fund Distribution & CEO France	05/02/09	1h00	Yes
7	Asset Management Company D	Equities Manager	09/03/09	1h28	Yes
8	Asset Management Company D	Fixed-Income Manager	09/03/09	0h44	Yes
9	Asset Management Company D	Head of SRI & Development	13/03/09	1h45	Yes
10	Asset Management Company D	CEO	13/03/09	1h55	Yes
11	Asset Management Company D	SRI Analyst	16/03/09	1h31	Yes
12	Asset Management Company D	SRI Development Management	19/03/09	0h59	Yes
13	Asset Management Company D	Executive	19/03/09	0h30	Yes
14	Asset Management Company D	SRI Analyst	19/03/09	1h05	Yes
Bank & Insurance & Utilities CSR Departments					
15	Bank A	Head of Corporate CSR	09/08/07	1h02	Yes
16	Bank B	Project Manager	28/02/08	1h27	Yes
17	Insurance Company C	CSR Group / Project Manager (2)	19/02/08	1h22	Yes
18	Insurance Company C	CSR France / Project Manager	09/06/08	1h05	Yes
19	Insurance Company D	Head of Corporate CSR	26/10/07	2h00	Yes
20	Insurance Company D	Project Manager	11/03/08	1h52	Yes
21	Utility A	Project Manager / CSR Group	26/11/07	0h58	Yes
22	Utility B	Project Manager / CSR Group	27/10/09	1h15	No
Business Units					
23	Insurance Company C / Purchase Dpt.	Project Manager (2)	13/08/07	2h30	Yes
24	Insurance Company C / Purchase Dpt.	Project Manager	20/02/08	2h15	Yes
25	Utility B / Purchase Dpt.	Project Manager	28/02/08	1h02	Yes
Brokers with SRI Departments					
26	Broker A	Head of SRI Research	21/11/07	1h13	Yes
27	Broker B	Head of SRI Research	23/02/09	1h05	No
28	Broker B	Head of SRI Research & SRI Analyst	30/11/09	2h00	No
CIES Certification Committee (SRI Trade Unions' label)					
29	CIES Trade Union A	Member	08/08/07	0h55	Yes
30	CIES Trade Union B	Member	16/07/07	2h06	Yes
31	CIES Trade Union A, B & C	Members (3)	11/01/10	2h00	No
Consultants specialized in CSR/SRI					
32	Consulting Firm A	Senior Consultant	09/07/07	1h30	No
33	Consulting Firm B	Partner	05/03/08	1h00	Yes
34	Consulting Firm C	Senior Consultant	07/11/07	1h30	No
35	Consulting Firm D	Consultant	25/02/08	1h00	No
French Asset Management Professional Association					
36	French Association of Management	Head of Research	22/10/07	2h15	No
37	French Association of Management	Chief Executive Officer	23/07/07	1h35	Yes
NGO					
38	NGO A specialized in SRI	Head of SRI Research	30/10/08	0h50	Yes

	Organization	Function	Date	Time	Recorded
39	NGO B specialized in Finance	Project Manager	06/03/08	2h03	Yes
Pension Funds					
40	Pension Fund A	Head of Equity and SRI	29/10/08	1h07	Yes
Social Rating Agencies					
41	Social Rating Agency A	Head of Research	12/12/07	1h22	Yes
42	Social Rating Agency B	Head of Research	19/09/08	1h00	Yes
43	Social Rating Agency C	Head of Research	02/08/07	0h45	Yes
44	Social Rating Agency D	Head of Research	09/08/07	1h05	Yes
45	Social Rating Agency E	Senior Client Relationship Manager	26/09/08	1h52	Yes
Others					
46	Think Tank B specialized in SRI	Project Manager	17/07/07	1h29	Yes
47	Agence Française de Développement	Consultant for the Headquarters	25/02/09	1h05	Yes

**ARTICLE 1 – A SOCIAL MOVEMENT PERSPECTIVE ON FINANCE:
HOW SOCIALLY RESPONSIBLE INVESTMENT MATTERED**

RÉSUMÉ

DE L'ÉMERGENCE D'UN MOUVEMENT SOCIAL EN FINANCE: L'EXEMPLE DE L'INVESTISSEMENT SOCIALEMENT RESPONSABLE

Mots-clefs : Changement Institutionnel – Champ Organisationnel – Framing – France – Investissement Socialement Responsable (ISR) – Mouvement Social

Objectif : cet article cherche à mieux comprendre les mécanismes qui ont permis aux promoteurs de l'ISR de générer, grâce à leur action collective, un changement institutionnel au niveau du secteur français de la gestion d'actifs. Il vise notamment à montrer que – malgré l'appartenance de la plupart des acteurs de l'ISR au secteur de la gestion d'actifs – le mouvement français de l'ISR présente de grandes similitudes avec un mouvement social, dont le but explicite est de favoriser le développement du phénomène d'ISR Mainstreaming.

Conception : par le biais d'une chronologie sociologique du mouvement français de l'ISR, l'article analyse les différentes phases de développement du phénomène d'ISR Mainstreaming de la fin des années 1990 à aujourd'hui. Pour ce faire, l'article mobilise une méthodologie de recherche analytique – basée sur le concept de champ organisationnel – qui combine entretiens semi-dirigés, observation participante et analyse de sources documentaires.

Cadre théorique : l'article s'appuie sur le concept de « field framing » (Lounsbury, 1998, 2005) qui combine les concepts de « champ organisationnel » (DiMaggio and Powell, 1983) et de « frame » qui désigne la construction de sens par un mouvement social (Benford and Snow, 2000).

Résultats : l'article démontre que le phénomène d'ISR Mainstreaming résulte d'une action collective et délibérée menée par les promoteurs de l'ISR. Notamment, l'article affirme que le succès du mouvement ne résulte ni du nombre, ni du pouvoir intrinsèque de ses promoteurs mais de leurs capacités à avoir initié un changement institutionnel en 1) pénétrant les organisations clefs des acteurs conventionnels, 2) maintenant toujours la cohésion du mouvement, 3) tirant avantage des opportunités politiques et 4) privilégiant une méthode de

négociation basée sur le compromis. Aujourd’hui, pourtant, la forme historique du mouvement semble disparaître : le succès de l’ISR menacerait sa survie.

Valeur: cet article enrichit les études existantes sur les relations entre mouvements sociaux et corporations (Rao et al., 2003; Campbell, 2005; McAdam and Scott, 2005) en démontrant qu’un mouvement social initié par les acteurs d’un secteur peut être à l’origine d’un changement institutionnel. En particulier, l’article s’interroge sur les dimensions conflictuelles et non tactiques généralement associées à ce type de mouvement. Enfin, l’article contribue à la littérature sur le changement institutionnel en explorant les relations entre changement institutionnel (i.e. ISR Mainstreaming au niveau du secteur) et changement social (i.e. Développement Durable au niveau de la société).

SUMMARY

A SOCIAL MOVEMENT PERSPECTIVE ON FINANCE: HOW SOCIALLY RESPONSIBLE INVESTMENT MATTERED

Key-words: Framing – France – Institutional Change – Organizational Field – Social Movement – Socially Responsible Investment (SRI)

Aim: this article analyzes how the collective action of SRI actors, combined with political opportunities, has generated institutional change inside the French asset management sector. Despite the fact that most SRI actors originally belong to the asset management sector, this article argues that the French SRI movement shares a number of similarities with a social movement, whose goal has explicitly been to favor the development of the SRI Mainstreaming phenomenon.

Design: the article offers a sociological chronology of the French SRI movement by tracing the different phases of the development of SRI Mainstreaming from the end of 1990s to now. For this purpose, it draws on semi-structured interviews, participative observation and documentary evidence, which are analyzed using a field analytical approach.

Theoretical background: the concept of ‘field framing’ (Lounsbury, 1998, 2005) is used as a theoretical device. This combines the concept of organizational field (DiMaggio and Powell, 1983) and the concept of frame which refers to the construction of meaning by a social movement (Benford and Snow, 2000).

Findings: the article demonstrates that SRI challengers collectively and deliberately got organized for institutional change to occur. Their success did not rely on their number or their intrinsic power but on their capacity to trigger change by 1) penetrating key mainstream organizations; 2) always maintaining the cohesiveness of the movement; 3) exploiting political opportunities and 4) using a compromise approach. However, as institutional change expands into the sector, the historical form of the collective movement seems to slowly extinguish. In other words, the success of the movement would threaten its survival.

Value: the article argues that a collective movement can act as a trigger for institutional change, confirming previous studies on the interplay between social movements and corporations (Rao et al., 2003; Campbell, 2005; McAdam and Scott, 2005). In doing so, the article contributes to existing research on social movements by questioning the conflicting and the non-tactical dimensions of these movements. It also contributes to the literature on institutional change by exploring the relationships between institutional change (i.e. SRI Mainstreaming at the sector level) and social change (i.e. Sustainable Development at society level).

A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered

Conditionally accepted in the Journal of Business Ethics.

Abstract

This article discusses how social movements can influence economic systems. Employing a political-cultural approach to markets, it purports that ‘compromise-movements’ can help change existing institutions by proposing new ones. This article argues in favor of the role of social movements in reforming economic institutions. More precisely, Socially Responsible Investment (SRI) movements can help bring SRI concerns into financial institutions. A study of how the French Socially Responsible Investment (SRI) movement has been able to change entrenched institutional logics of the French asset management sector provides wide-ranging support for these arguments. Empirical findings are drawn from a longitudinal case study (1997-2009), based on participative observation, semi-structured interviews and documentary evidence. Implications for research on Social Movements, Institutional Change and Socially Responsible Investment are outlined. Lastly, the article provides practitioners with some theoretical keys to understand the pros and cons of ‘SRI labels’.

Key-words: Framing – France – Institutional Change – Organizational Field – Social Movements – Socially Responsible Investment (SRI)

1. Introduction

Socially Responsible Investment has been so successful that it has died.

Social Rating Agency, Manager, 2007

Over the past decades, modern capitalist societies have been said to have undergone a legitimacy crisis whereby support for both government and economy has been systematically eroded (Habermas, 1976; Barker, 1990; Habermas, 2008). Facing this legitimacy crisis, collective mobilizations – from environmental to human rights militants and shareholder activism – have endeavored to change economic and political institutions. The recent 2008 economic crisis and the collapse of some of the most powerful global financial institutions have escalated this demand for social change from protest movements to states. Thus, the Economic Nobel Prize winner, Paul Krugman, declared: ‘The people who assured us that markets work; that the private pursuit of profit always leads to a good result have been rather massively wrong.’ (Reuter News, 14/10/2008). These recent developments have contributed to transforming the ‘movement society’ (Meyer and Tarrow, 1998) from an abstract concept to a concrete and real trigger for change. As social movements describe how groups of actors form coalitions to create or resist institutional arrangements (Zald and McCarthy, 1977), their project according to Habermas must not be understood as a utopian and revolutionary alternative to liberal market societies (Habermas, 1996, 1998). The new social movements which have developed over the past decades are collective and rational responses to the legitimacy crisis of post-industrial societies (Canel, 1997). Far from rejecting economic rationality, these new social movements are expected to play a prominent role in reforming the current economic and political institutions, which critically need change to maintain democracy (Habermas, 2008). With this in mind, the central question addressed in this article is the following: *to what extent and under what conditions can these new social movements change economic institutions?* Drawing on a political-cultural approach to the markets – ‘Markets as Politics’ (Fligstein, 1996) – this article posits that economic institutions are social constructions whose form and maintenance follow a political project. In this sense, changing economic institutions cannot be separated from changing political institutions (Habermas, 1996, 1998, 2008).

The new social movement theory initially developed in Europe to explain the emergence of new social movements in the 1960s which did not seem to fit a model of Marxian class conflict (Touraine, 1969; Habermas, 1976). These referred to various social movements such

as regional movements (e.g. the Basque country), Gay Movements and the Women's Liberation Movement. Over the past years, a new generation of social movements has appeared. This includes movements such as recycling militants (Lounsbury et al., 2003), shareholder activism (Davis and Thompson, 1994) and civil society organizations (Sjostrom, 2007). Notably, these movements differ from previous social movements by their focus on economic institutions, from which they originate (e.g. shareholder activism). These new social movements strive to restore social responsibility within economic institutions: they are known as Corporate Social Responsibility (CSR) movements (Gendron and Turcotte, 2007; Scherer and Palazzo, 2007). CSR movements group the four characteristics of the new social movements, namely: a collective identity, the sharing of individual resources for a common purpose, a will to change existing institutions and the search for a new general orientation for society (Touraine, 1969; Zald and Berger, 1978). The Socially Responsible Investment (SRI) movement, which aims at bringing social responsibility to the asset management sector, is one of them (Gendron and Turcotte, 2007). While CSR movements aim to transform economic institutions, the SRI movement focuses on financial institutions.

Although historically the SRI movement appeared as a marginalized movement composed of ethical activists, it has achieved in the last few years a rise in influence and credibility. The launch in 2005 by the former United Nations Secretary-General, Kofi Annan, of the Principles for Responsible Investment (PRI) illustrates this trend: 'By acting collectively on the basis of these principles for responsible investment, we can help protect all the world's precious assets.'²⁸ (Kofi Annan, 2005) The goal of the SRI movement is twofold: firstly, it aims at changing the institutions of the asset management sector by restoring social responsibility in finance. Institutions are the collective rules and beliefs which organize a field (Friedland and Alford, 1991). Secondly, it seeks to propose alternative institutions based on SRI logics.

Despite the global spread of the SRI movement, research has indicated that the SRI movement has differed extensively both in practice and in principle in different countries (Louche and Lydenberg, 2006; Bengtsson, 2008; Sakuma and Louche, 2008; Sandberg et al., 2009). Contrary to financial markets, the SRI movement seems to exist not as a global phenomenon but as a sum of separate national movements. According to this analysis, the potential impacts of the SRI movement on the asset management sector should be examined

²⁸ Source: Principles for Responsible Investment (PRI) www.unpri.org

through a national lens. In this article, the French SRI movement is analyzed. Two reasons motivate this choice. Firstly, the French SRI movement explicitly aims at changing the institutions of the asset management sector (Europlace, 2008). Secondly, France appears to be one of the most dynamic SRI movements in Europe. Overall, the total SRI French market has grown 615% between 2005 and 2007, which is one of the fastest growth rates on the continent (Eurosif, 2008). Hence, a finely-detailed study of this movement should yield a better understanding of the potential role of the new social movements in reforming economic institutions.

Originally, social movement theorists portrayed social movements as ‘spontaneous, unorganized and unstructured phenomena’ (Morris, 1994). They now focus their attention on how political struggles shape emerging industries (McAdam and Scott, 2005). The concept of ‘organizational field’ (DiMaggio and Powell, 1983), which originates from institutional theory, offers a relevant unit of analysis to study this phenomenon. Firstly, it designates particular economic institutions as constituents of the wider economic system. Secondly, it embodies the common institutional logics of the field (Friedland and Alford, 1991; Thornton and Ocasio, 1999; Friedland, 2009). Institutional logics are defined as a ‘set of material practices and symbolic constructions – which constitutes its organizing principles and which is available to organizations and individuals to elaborate’ (Friedland and Alford, 1991). Consequently, an appraisal of how a social movement impacts the institutional logics of a field should indicate how social movements can contribute to reforming economic institutions. For this purpose, this article uses the concept of ‘field framing’ (Lounsbury et al., 2003). This concept encompasses both the notion of organizational field and the processes of framing which refer to the construction of meaning by a social movement (Benford and Snow, 2000). In other words, the concept of field framing refers to the interactive processes which enable the actors of both the social movement and the field – challengers and incumbents – to create, maintain and change the institutional logics of a field. In particular, this article explores the impacts of the ‘field framing’ of the French SRI movement on the institutional logics of the French asset management field.

Empirical findings are drawn from a longitudinal case study (1997-2009) of the French SRI movement, based on interviews, participative observation and documentary evidence. The main thrust of this study concerns the last few years of the movement. Indeed, by gaining legitimacy and penetrating the mainstream asset management sector, the French SRI movement seems now to be at a crossroads: its survival appears to be threatened by its success.

This article makes three main theoretical contributions to Social Movements, Institutional Change and SRI, respectively. Firstly, it demonstrates that social movements can impact economic institutions and analyzes the relationships between their success and death. Secondly, it suggests that social movements can trigger change among the institutional logics of a field and that the stabilization of a social movement around institutional logics can spawn the creation of a new field. Thirdly, it argues that SRI ‘compromise-movements’ can participate in restoring social responsibility to financial institutions. It also claims that social movement theory could facilitate the understanding of the dilemma of CSR movements: being successful and dying or staying alive but remaining marginal. Furthermore, it envisions that the national anchorage of SRI movements has prevented them from adopting a major role in global financial institutions. Lastly, it provides practitioners with theoretical keys to understand the pros and the cons of ‘SRI labels’.

The remainder of the article is structured as follows. Section 2 explores the theoretical issues under scrutiny. Section 3 and 4 detail the research setting and methodology. Section 5 exposes the results of the case study. Section 6 discusses the findings and points to further research.

2. Theoretical Issues under Scrutiny

2.1. Changing Institutions: The Role of Social Movements

2.1.1. How Do Social Movements Change Institutions?

A ‘coordinated collective action form’ (Touraine, 1969; Zald and Berger, 1978) can be identified as a new social movement if it satisfies four features: having a collective identity, sharing individual resources in the pursuit of a common purpose, aiming to change existing institutions and providing a new orientation for society. In a given organizational field (DiMaggio and Powell, 1983), institutions provide guidance on how actors should behave in the field (Friedland and Alford, 1991). The concept of organizational field has been widely developed by institutional theorists. DiMaggio and Powell (1983) defined it as:

The organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products.

Social movements aim at transforming existing institutions. They have been traditionally designed to change institutions by *opposing* them from the outside. To do so, they first de-institutionalize the existing beliefs, norms, and values embedded in the current form. Then, they create new forms which instantiate new beliefs, norms and values (Rao et al., 2000). Hence, social movements have been theorized as ‘protest movements’ which rally challengers against existing institutions by adopting an ‘outsider’ position. This relates to the traditional view of institutions as a punctuated equilibrium disturbed by exogenous jolts. The Civil Rights Movements (Andrews, 2001) and the Suffragette Movement (McCammon et al., 2001) are examples.

More recently, social movement theorists have acknowledged that social movements can also emerge among the organizational field (Fligstein, 1996, 2001). For example, Rao et al. (2003) explored how social movements underlined re-institutionalization in certain professions. They demonstrated how the Nouvelle Cuisine movement (re)shaped the institutional logics and role identities of French cuisine. In this case, social movements gather ‘insider challengers’ who rely on existing institutions and hitherto aim to theorize, articulate and combine new projects or practices with prevalent arrangements. Contrary to traditional social movements, these movements aim to change existing institutions not by opposing them from the outside but by transforming them from the inside. This internal change can rely on a compromise approach or a conflicting approach between incumbents and challengers. Lastly, a social movement can gather both outsider and insider challengers. Notably, this is the case for the French SRI Movement which, while emerging within the asset management field, has implicated challengers from outside organizations, such as NGOs and trade unions.

2.1.2. The Key Success Factors of a Social Movement

The impact of a social movement on institutions often hinges on how it forms new organizations and shapes collective identities. McAdam et al. (1996) identified three key factors mobilized by challengers to succeed, usually known as a resource mobilization perspective:

1. The mobilizing structures which refer to the organizational forms (formal and informal) available to the challengers.
2. The political opportunity structures (and associated constraints) which provides the context to challengers.

3. The framing processes defined as the collective processes of interpretation, attribution and social construction which mediate opportunity and action.

According to social movement theorists, challengers must frame the issues they defend in order to make them resonate with the ideologies, identities and cultural meanings of potential supporters of the movement, namely among the incumbents (Benford and Snow, 2000). The concept of frame refers to the work of Goffman who defines it as an ‘interpretative scheme’ – which helps actors reduce socio-cultural complexity in order to perceive, interpret and act in a socially efficient way (Goffman, 1974). The framing of a social movement relates to its strategic creation and manipulation of shared meanings, world interpretations and problems. Therefore, framing is a cognitive mechanism which affects how people perceive the interests, identities and possibilities for social change (Campbell, 1988). It relies on the mobilizing and political opportunity structures available to the challengers.

2.2. Explaining Institutional Change in an Organizational Field

2.2.1. The Concept of ‘Field Framing’

The ‘institutional logics’ of a field refer to the ‘organizational principles’ of the field (Friedland and Alford, 1991) – which provide guidance on how actors in the field should behave. They provide the *schemes of meaning* through which actors make sense of institutions in practice. The ‘field framing’ of a social movement relates to the framing used by challengers to transform the institutional logics of a field. The concept of field framing is close to the concept of institutional logics. Both refer to ideas and belief systems and acknowledge the role they play in imparting direction, motivation, sense and coherence (McAdam and Scott, 2005). However, field framing differs from institutional logics on two major points:

- Firstly, it focuses on the challenging ideas and not on the dominant logics.
- Secondly, field framing concerns the political and active construction of new institutional logics by a social movement; it is not interested in the institutional logics themselves.

In other words, institutional logics emphasize the ‘structures’ – the outcomes of the social movement, while field framing highlights the ‘structural holes’ – the processes of the social movement (McAdam and Scott, 2005).

2.2.2. The Side Effect of the Success of a Social Movement

Little research has explicitly studied the relationship between the death and the success of a social movement (Lounsbury et al., 2003). According to previous studies (Rao et al., 2000; Lounsbury et al., 2003; Rao et al., 2003), two outcomes linked to the success of a social movement can be identified: firstly, changes in the existing institutional logics and consequently in the field; secondly, the creation of alternative institutional logics which add to the previous ones. The second outcome can lead to the emergence of a new field (Fligstein, 1996, 2001). These outcomes and their impacts on the social movement depend on the goals of the movement.

On the one hand, it appears that the primary goal of a social movement is to alter existing institutional logics. Therefore, it can be expected that once the movement has succeeded in transforming the dominant logics, it will disappear. For instance, this was the case of the Suffragette Movement. When women were given the right to vote, the movement ended. In other words, the success of the social movement leads to its death. The social movement is seen as a temporary trigger for change in a given organizational field.

On the other hand, previous research (Lounsbury, 2005) has demonstrated that a social movement can also lead – intentionally or not – to the creation of a new field, based on ‘alternative institutional logics’. In particular, the new CSR social movements appear to be torn between two objectives: ‘changing the existing field’ and ‘creating a new field’. For instance, French SRI challengers have aimed to both 1) transform the institutional logics of the French asset management field (i.e. expanding SRI into conventional funds) and 2) set up a new organizational field based on SRI logics (i.e. creating an SRI market based on SRI funds). However, when a social movement aims to create a new field in addition to transforming the dominant institutional logics, the two purposes inevitably collide. Indeed, by downplaying the differences between challengers and incumbents, the success of the first goal, ‘changing the existing field’, jeopardizes the success of the second, ‘creating a new field’. Furthermore, when a social movement stabilizes around common institutional logics, it may cease to be a movement and become a steady organizational field, instead. This dichotomy between transforming an existing field and creating a new field raises several questions: how can a social movement achieve both goals? Can an organizational field play the same role as a social movement? In other words, can a social movement stabilize around steady institutional logics? Notably, this would suggest that a social movement could be permanent. Lastly, are there better strategies (i.e. outsiders vs. insiders and conflict vs.

compromise) according to each goal? These are questions that the following case study will attempt to answer.

In the next two sections, the article examines how the French SRI social movement has mobilized field framing in order to achieve its two goals – changing the institutional logics of the asset management field and building a new field based on SRI institutional logics. The discussion focuses on the various findings.

3. Research Setting

3.1. What Is Socially Responsible Investment?

SRI means including non-financial criteria for integrating environmental, social, governmental (ESG) concerns into investment processes. ESG criteria relate to the non-financial criteria taken into account in SRI funds when investing. These are also known as SRI criteria. SRI dates from the American Methodist and Quaker movements that appeared during the 1920s. These investors originally refused to invest in companies present in the ‘sin-industries’ (e.g. alcohol, tobacco, weapons, pornography and gambling). In Europe, the first SRI funds appeared during the 1970s as a reaction against apartheid in South Africa.

Despite this long historical background, the French SRI social movement only developed in France a decade ago. Prior to this, a number of ethical funds did exist, but there was no collective movement: certain marginal investors – mainly religious – excluded a few companies for ethical reasons. They did not have a collective identity or a common purpose. The French SRI movement was formed at the end of the 1990s when a few asset managers deliberately decided to bring social responsibility to the asset management sector. To do so, challengers developed a ‘best-in-class’ approach to SRI, which consisted of selecting the most socially responsible companies, whatever their sector of activity.

3.2. Features of the French SRI Social Movement

With the exception of Canada (Gendron and Turcotte, 2007), most studies of SRI have not used new social movement theory to explore the collective action which has underpinned the development of SRI. In France, previous research has argued that SRI was led by marginal institutional entrepreneurs, mainly from asset management companies and social rating agencies. According to these studies (Déjean et al., 2004; Déjean, 2005; Boxembaum and

Gond, 2006), the development of SRI in France appeared to be an emerging phenomenon which did not follow a collective action. In contrast, this article argues that SRI has developed in France as a result of a deliberative and organized social movement which aimed at changing the institutional logics of the asset management field. In other words, it suggests that the SRI actors described as individual institutional entrepreneurs in previous research belong, in fact, to the same social movement. The detailed description of the field framing used by the movement since the 1990s provides strong support for this assumption (cf. section 5).

Several elements can explain the differences between both approaches. Firstly, previous research on SRI in France studied the movement before it penetrated the mainstream asset management sector. So, it was difficult to identify how challengers began succeeding in changing the dominant institutional logics. Secondly, none of these studies benefited from participative observation within the French asset management sector. Yet, this in-depth integration provided a different access to the underlying organization of SRI challengers from interviews. Lastly, the approach to SRI itself differed. Whereas previous studies have analyzed SRI as a prolongation of the 1920s ethical funds, this article focuses on SRI only when it shifted from an ethical to a social movement approach. In other words, it examines SRI at the point where asset management companies decided to diffuse this type of investment within the mainstream asset management sector (i.e. since the 1990s).

Despite these differences, previous research and the findings of this case study indicate that the French SRI movement satisfies the four features of the new social movements (Touraine, 1969; Zald and Berger, 1978):

- Having a collective identity: SRI challengers feel that they belong to the same movement – friendship plays a key role. For instance, Penalva-Icher (2007) demonstrated that French SRI challengers stood together in the same community and that this solidarity was adopted for the common good: the success of the social movement.
- Sharing individual resources in the pursuit of a common purpose: for the movement to succeed, SRI challengers cooperate and share knowledge and financial resources, namely through mobilizing structures (Déjean, 2005; Penalva-Icher, 2007). Thus, SRI analysts who belong to competing asset management companies exchange ideas and share knowledge to collectively improve SRI criteria.
- Desiring to change existing institutions: SRI challengers aim at bringing social responsibility into the institutional logics of the French asset management sector

(Europlace, 2008). For instance, SRI analysts aim at cooperating with social rating agencies, brokers, trade unions and NGOs to convince mainstream (i.e. conventional) asset managers inside their company of the financial interest of SRI.

- Providing a new general orientation for society: this last feature has been developed especially for the new social movements. According to the challengers, the integration of SRI criteria should introduce social responsibility to the financial markets (Europlace, 2008). Namely, during the recent financial crisis, SRI challengers explained in the media that SRI may be one answer to the current economic problems (Zouati, 2009).

The French SRI movement gathers both ‘insider’ challengers from the asset management sector (e.g. asset management companies, social rating agencies, brokers, and so on) and ‘outsiders’, such as NGOs and trade unions. Outsiders are actors who do not usually belong to the asset management sector. Both types of challengers have participated in the framing of the movement. Including outsiders who are indirectly linked to the asset management sector favors the notion of the asset management field over the asset management sector. The asset management field is then wider than the asset management sector. The institutional logics of incumbents (i.e. mainstream actors) consist of favoring financial performance over other criteria, including SRI criteria. The new institutional logics developed by challengers aim at adding SRI performance to financial performance. This is obtained through the integration of SRI criteria into investment processes. The goal of challengers is twofold: 1) to transform the dominant institutional logics by encouraging conventional actors to integrate SRI criteria when investing; 2) to create a new field based on SRI logics by developing SRI funds that are different from conventional funds.

4. Research Methods

4.1. Data Collection and Sources

4.1.1. Interviewees and Interviews

Key interviewees were identified after a one-year period of participative observation within the French SRI movement (June 2006-June 2007), conducted as an SRI analyst in a French asset management company specialized in SRI. Aiming at exploring the phenomenon of the penetration of SRI into the mainstream asset management sector, I decided to interview two

types of people. The first set of interviewees grouped SRI challengers. They included SRI asset managers, SRI trade associations, trade unions, social rating agencies, SRI consultants and SRI-oriented NGOs. The second group of interviewees comprised incumbents: actors known as mainstream actors who showed a growing interest in SRI. They included asset managers, the asset management trade association, financial institutions, brokers, finance-oriented NGO, pension funds and consultants. In this fashion, I conducted 33 interviews during the period from July 2007 to March 2009. Fifteen interviews were conducted within the challengers group and 18 within the incumbents', in all, five asset management companies, four financial institutions, two brokers, two trade unions, three consultants, one trade association, two NGOs, one pension fund, one think-tank and five social rating agencies. During the interview period, the two groups gradually intertwined.

Semi-structured interviews lasting between 45 minutes to two hours and 15 minutes were conducted face to face for 29 interviews. Telephone interviews from one to two hours with four other informants were based on a questionnaire previously sent to the interviewee. Twenty-eight interviews were tape-recorded and transcribed verbatim. For the five other interviews, interviewees' comments were recorded in handwritten notes, which were reviewed, edited and transcribed immediately. Further details are provided in appendix 1.

I asked all interviewees to (1) explain to me how they perceived SRI personally, (2) describe to what extent and how their activities had been impacted by SRI over the past decade, (3) tell me how they analyzed the relationships between SRI and the mainstream asset management sector, (4) envisage the future of SRI in France. Other questions were tailored to the interviewees' specific roles.

4.1.2. Participative Observation

According to the typology of membership roles designed by Adler and Adler (1987), I adopted the position of an active member. That is, I 'assumed a functional role in addition to the observational role; which facilitated trust and acceptance of the researcher, but increased the identification of the researcher with members of the setting' (Adler and Adler, 1987). This participative observation within the SRI movement as an SRI analyst continued without interruption from June 2006 to June 2009 and was supported by data gathering based on day-to-day field notes. I participated in think-tanks, working groups, SRI road shows, conferences and business meetings with consultants, agencies and brokers, representing almost 40 formal events per year. These formal meetings were completed by various informal discussions with

various field actors and a continuous strategic surveillance thanks to the amount of information garnered from the field's actors – specialized newsletters and media coverage. This ongoing participative observation allowed me to supplement the information gathered throughout the interviews with a comprehensive, tangible knowledge of SRI during the movement's turning point.

4.1.3. Documents and Secondary Data

Extensive data were collected from documentary sources, including trade association surveys, professional reports (consultants, asset managers, brokers and social rating agencies), NGO studies, newspapers, newsletters, websites, theses, academic papers and books. Market data – amount of assets and number of funds, asset managers and SRI analysts – and press coverage were based on information on company websites, Novethic, Factiva and the *AMF (Autorité des Marchés Financiers)*²⁹.

4.2. Data Analysis

To analyze the data, I used a field analytic method (Scott et al., 2000; Lounsbury et al., 2003), which consists of tracking changes over time in a field. Notably, this method focuses on the critical events, such as organizational births, deaths, mergers and various types of transformation, for example, changes in client demands and press coverage. This method has been judged particularly relevant for supporting the investigation of long-term change processes (Goodrick, 2002). For this purpose, I used an approach which resembled the sequence of sense-making strategies (Langley, 1999) that would later be called grounding, organizing and replicating (Chiles et al., 2004).

Grounding strategies refer to theories that are derived from data, systematically gathered and analyzed through the research process. A key process in grounded theory is the coding of the data. I adopted an 'emerging coding' system which means that codes emerged from collected data into three successive levels of coding (Strauss and Corbin, 1998). The first level refers to open and axial coding and consists of coding and then organizing every incident into categories: core variables which referred to broad conceptions. For instance, I

²⁹ French Securities Regulator

used the code ‘Mainstreaming’ when actors evoked the integration of SRI criteria into financial analysis and the code ‘Ethics’ when actors speak about the ethical approach of SRI. After having found the core variables, I coded data with a selective coding (second level). Hence, I divided the code ‘Mainstreaming’ into two sub-codes: ‘Financial Valuation’ when the mainstreaming approach followed a financial approach and ‘Social Responsibility’ when the integration of SRI criteria into the mainstream was triggered by responsibility concerns, such as external pressure. In the same way, I divided the code ‘Ethics’ into two sub-codes: ‘Exclusion’ when companies were excluded according to their sector and ‘Best-in-Class’ when the best socially responsible companies were selected in each activity sector, whatever their sector. At the same time, new data were sampled with the core in mind. As categories, subcategories, and relationships emerged, I began comparing this data-driven conceptual framework with a broad spectrum of academic literature in social sciences. At this point, I mobilized a theoretical coding system (third level), based on social movement theory and the concept of field framing. This aimed at conceptualizing how the substantive codes relate to each other as hypothesis to be integrated into a theory. For instance, I used the code ‘Mobilizing Structures’ when I identified organizational forms used by challengers to convince the incumbents. This first stage of analysis therefore yielded a set of concepts grounded both in theory and in data.

Organizing strategies draw process data in a systematic fashion (Langley, 1999). For this purpose, I constructed a chronological display (cf. figure 1.1) to chart the temporal sequence of salient events of the French SRI movement from 1997 to 2009. The event categories and specific events were derived from my grounded theory analysis. I completed this qualitative analysis by quantitative data (cf. figures 1.2 to 1.5), which tracked changes in the number of asset management companies proposing SRI funds (1999-2008), the amounts of assets and number of funds in SRI compared to the total market (2000-2008), the number of articles mentioning SRI in French newspapers and the number of SRI analysts in asset management companies (2000-2008).

Replicating strategies are techniques for ‘decomposing the data for the replication of theoretical propositions by phase, by event, and by case’ (Langley, 1999). For this purpose, I used temporal bracketing which allows the tracing of the theorizing process over time. As shown in figure 1.1, I structured the French SRI movement into the following periods:

1. The Pioneering Era (1997-1999) which refers to the framing of a collective identity by challengers.

2. The Building Era (2000-2003) which relates to the framing of the challengers' logics on the incumbents' ones.
3. The Legitimizing Era (2004-2005) which coincides with the penetration of challengers into the incumbents' field.
4. The Mainstreaming Era (2006 to the present) which fits the adoption of the challengers' logics by incumbents.

Although the field analytic method is widely used in field studies (Scott et al., 2000; Lounsbury et al., 2003), it suffers from several limitations. Firstly, it has been difficult to trace in detail the full history of the field due to the lack of data. For instance, I could not interview all the actors who participated in the field. Moreover, the analysis had to focus on certain key events, at the expense of other aspects of the field framing. Secondly, this method meant relying on secondary data to analyze the first years of the movement. In particular, previous research and interviews were used to trace events that took place prior to 2006. This prevented me from experiencing in practice certain assumptions made by other researchers and interviewees (even if most of interviewees belonged to the field since the beginning of the movement). Lastly, even if I were in the field for a long period of time, it has been impossible to fully access the 'true' motivations of actors through interviews. However, I believe that the wide-ranging array of interviews, observations, documents and secondary data provided rich contextual details, which enabled me to triangulate between the different sources of information and to accurately account for the different stages of the movement since its beginning. In the next section, I provide an historical account and evidence by highlighting the importance of field framing to the efforts of the French SRI social movement to alter established institutional logics and propose new ones within the asset management field.

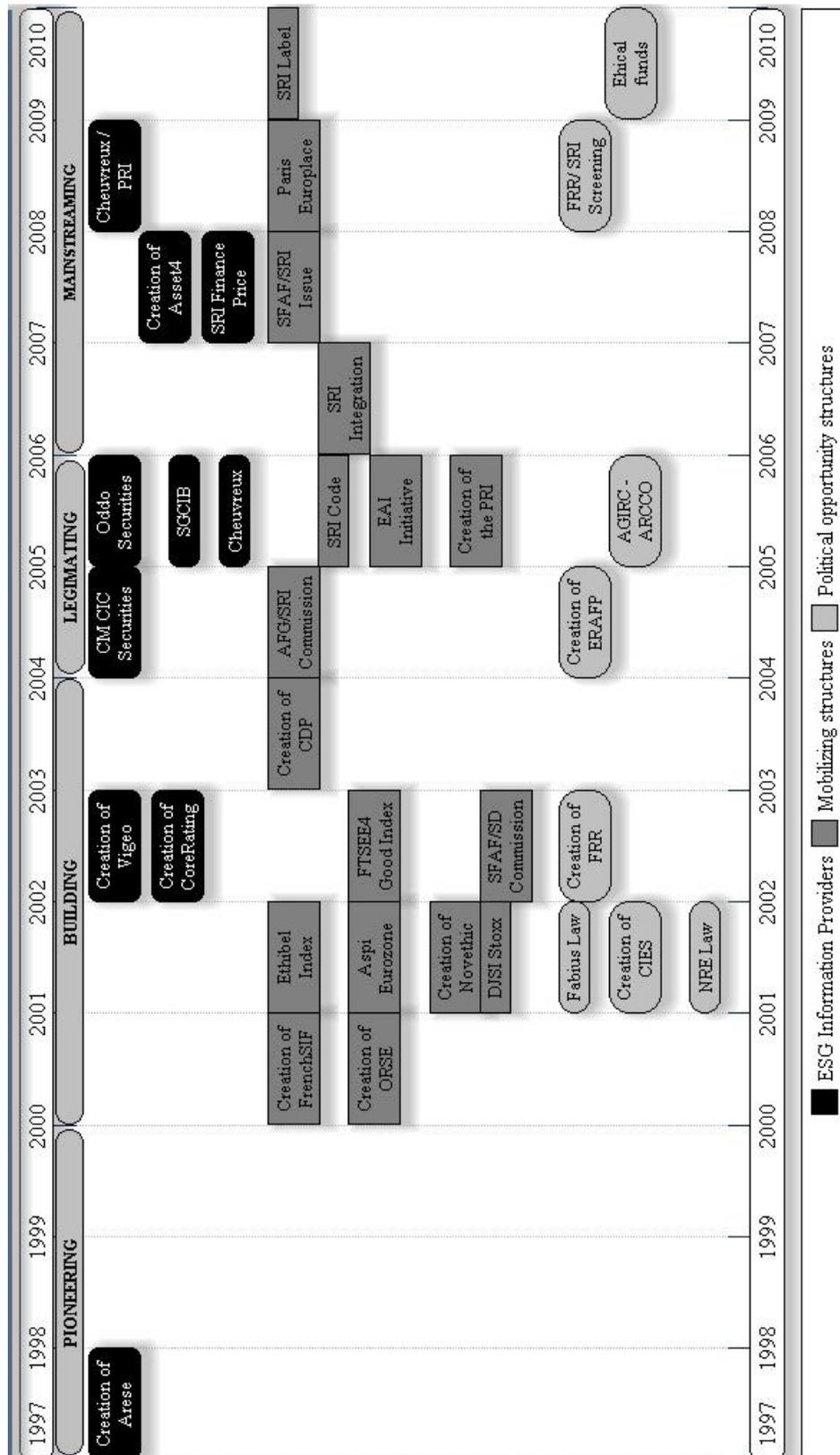


Figure 1.1: Key Elements of Framing – SRI French Sector 1997-2009

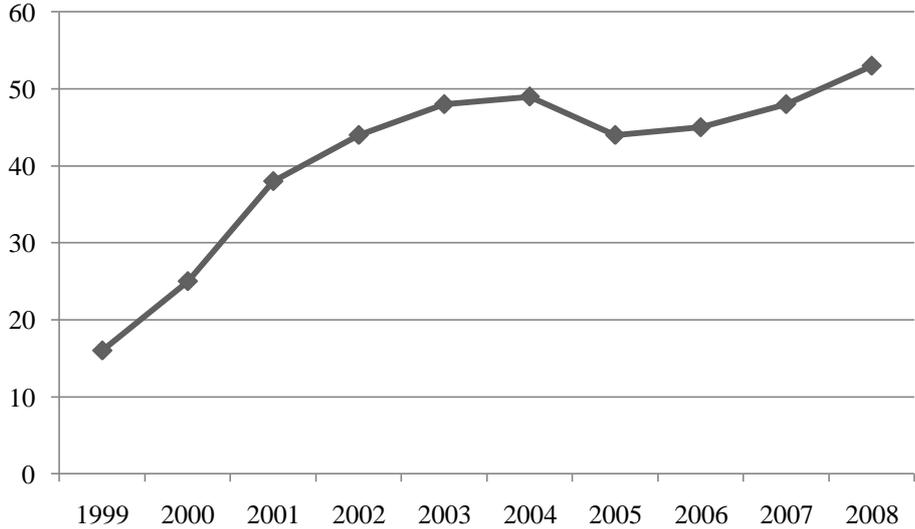


Figure 1.2: Number of Asset Management Companies Providing SRI Funds

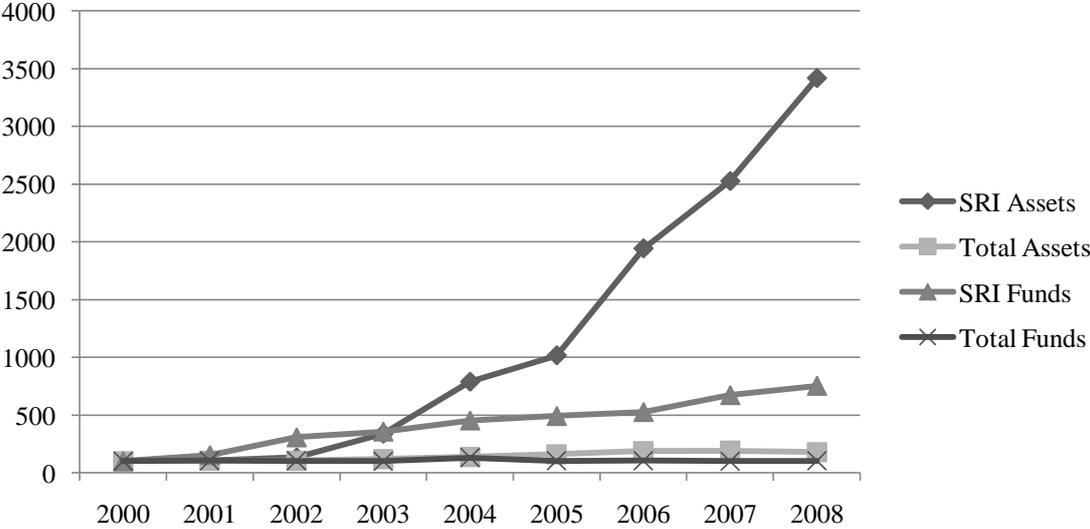


Figure 1.3: Evolution of SRI and Conventional Assets (100 Points Base in 2000)

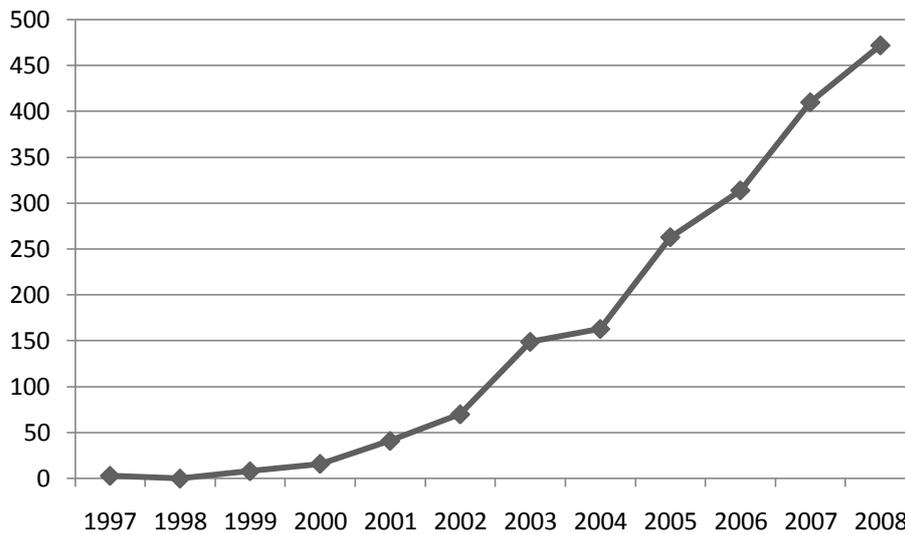


Figure 1.4: Number of Articles Mentioning SRI in French Newspapers

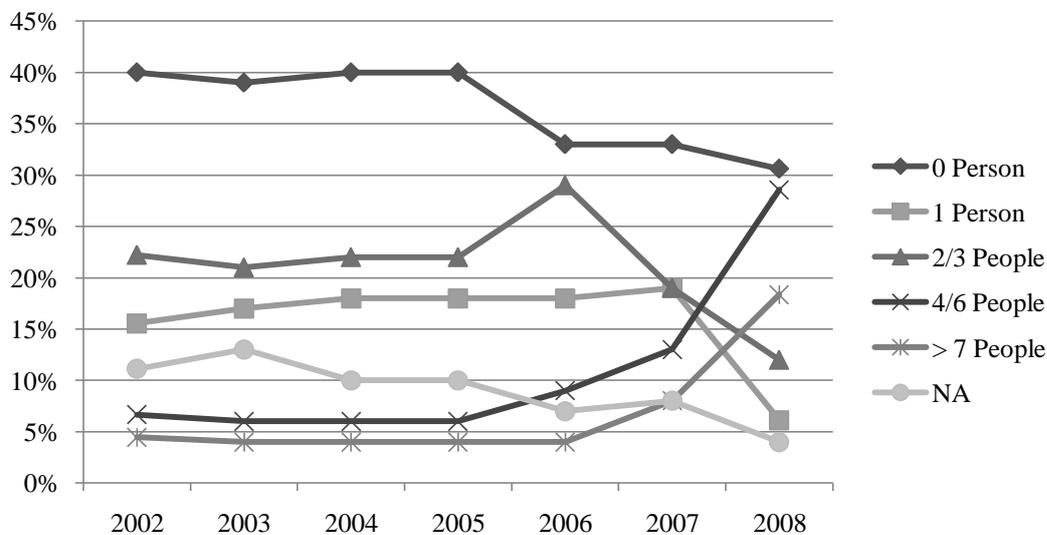


Figure 1.5: Number of SRI Analysts in Asset Management Companies

5. Case Study: Emergence, Development and Future of the French SRI Movement

5.1. 1997-1999: The Pioneering Era

The creation of the first French social rating agency, Arese, in June 1997, set the wheels of SRI in motion. From the start, Arese cooperated with a few asset managers. This cooperation was strategic for both sides: 1) without clients, Arese could not survive; 2) without a social rating agency, asset managers could not create SRI funds. This cooperation was also social.

Both actors aspired to the same goal: bringing social responsibility into the asset management field. Through informal networks, challengers exchanged their experiences and their dreams. In this way, challengers incrementally built the collective activity of their movement.

In order to succeed, the SRI social movement wanted to be accepted by the rest of the asset management field. Indeed, being field members, challengers needed to frame their movement on dominant institutional logics to gain legitimacy. Moreover, strongly criticizing their peers would have meant questioning what they had done for years and what they continued to do. This construction of legitimacy took the form of the conception of products that conformed to the institutional logics of the asset management field (Déjean, 2005). Firstly, social rating was built on the financial analysis model:

When we founded Arese ten years ago, our system was merely qualitative. We later designed a system of quantitative scoring that was more convincing for our clients.

Arese, Former Analyst, 2007

Secondly, the official goals of SRI funds were clearly not ethical. By taking into account SRI criteria, SRI asset managers pleaded in support of higher financial returns in the long term. However, this assertion remained a belief; the adoption of SRI relied first on personal convictions. This necessary acceptance by the asset management field also obeyed technical constraints. To be legal, SRI funds had to receive clearance from the *AMF*. In other words, SRI funds were technically akin to conventional funds (e.g. same practices in terms of risk, diversification and investment processes).

Since challengers belonged to the same social movement, they preferred cooperation to competition (Penalva-Icher, 2007). This sharing of individual resources also contributed to bringing help to people without the support of surrounding networks due to their insurgent position. Indeed, in 1999, only 16 companies offered an SRI fund and the total amount of SRI assets in France was inferior to €0.8 billion.

5.2. 2000-2003: The Building Era

Action undertaken by the French government was a significant inducement to growth. Firstly, the government enforced two laws: the NRE Law (2001) which obliged listed companies to report on the social and environmental aspects of their activities and the Fabius Law (2001)

which both permitted and affirmed the importance of employee saving funds. Secondly, in 2000, the government created a public pension fund with a dedicated SRI policy: the *FRR (Fonds de Réserve des Retraites)*³⁰. This major cue from one of the France's major potential investors clearly explained to a large extent the entry of mainstream actors on the SRI market. This rise in demand was confirmed by the creation in 2001 of the *CIES (Comité Intersyndical de l'Épargne Salariale)*³¹ which provided a trade union 'SRI label' to a range of SRI employee saving funds.

Drawing on these political opportunities, challengers began to build mobilizing structures to support their movement. They aimed at framing their logics on the logics of incumbents (i.e. financial logics). In 2000, the *ORSE (Observatoire sur la Responsabilité Sociétale des Entreprises)*³² was founded by approximately fifteen members – most of whom were asset management companies. The *ORSE* rapidly grouped 100 actors, principally among financial institutions and listed companies. This association aspired to give endorsement to the idea that CSR yielded performance. Firstly, the *ORSE* helped listed companies to adopt CSR institutional norms. Then, it contributed to collectively standardizing SRI criteria and SRI practices, thereby boosting the development of SRI. In other words, through its mobilizing structures, the SRI social movement endeavored to build a relationship between SRI and financial performance, enabling its self-fulfilling prophesy (Gond, 2006):

The SRI market [...] effectively auto created. The market created itself.

Broker, Head of SRI research, 2007

Meanwhile, two other mobilizing structures were launched: 1) the *FIR (Forum pour l'Investissement Responsable)*³³ which aimed at promoting the concept of SRI and its practices; 2) the SRI Committee of the *SFAF (Société Française des Analystes Financiers)*³⁴. Through these structures, challengers aimed at 1) agreeing on the field framing of the movement (the *ORSE* and the *FIR*); 2) convincing the asset management field of the relevance of SRI, namely by influencing financial analysts (*SFAF*). In 2001, the professionalization of the SRI movement was helped by the creation of Novethic; an

³⁰ Pension Reserve Fund

³¹ Trade Unions Committee for Employee Saving Funds

³² Study Center for Corporate Social Responsibility

³³ French Social Investment Forum

³⁴ French Society of Financial Analysts

independent organization financed by the *Caisse des Dépôts et Consignations*, a public financial institution. Novethic aimed at building the legitimacy of the SRI movement by providing quantitative public data (Giamporcaro-Saunière, 2006). By offering definitions and assessments of SRI funds, Novethic gradually revealed the existence of the SRI movement to the media and to the asset management field.

In 2002, Arese became Vigeo and the former CEO of Arese formed CoreRatings. These two agencies dominated the French SRI market for over two and a half years. Consequently, SRI funds were managed according to the same social ratings. This technical mimesis also helped produce common practices. Moreover, these agencies created SRI indexes (e.g. Aspi Eurozone, Ethibel Index, DJSI Stoxx and FTSEE4Good) which became reference points for SRI asset managers (Déjean, 2005) and contributed to bringing SRI into the heart of stock markets. Vigeo had a structural and key impact on the SRI movement. Firstly, by fitting the French business model, based on ‘partnerships’ with financial institutions, trade unions and listed companies, the agency enabled the recognition of SRI by the French elites (Zarlowski, 2007). Secondly, it helped carve out the positive relationship between SRI and financial performance by conceiving SRI analysis which aimed at identifying the SRI criteria which would impact financial performance:

You’re not here to save the planet, as they say. You work for investors. So you really do need a vision of the economic impacts on firms and how they can impact their business.

Vigeo, Former Analyst, 2008

To obtain the *CIES* label, asset management companies had to devote internal resources to SRI. The first SRI Analysis Department was created in 2002. Asset management companies coined a new term: the buy-side SRI analyst. At the end of 2003, SRI as a niche had been developed but remained an emerging inexperienced activity. As stated in the Eurosif’s annual report (2003) on the French SRI: ‘For the moment, however, most traditional financial institutions are waiting to see how the market unfolds, while other non-financial players decide how to go forward.’ The social movement began to be recognized but had not yet succeeded; incumbents vacillated. In 2003, the Carbon Disclosure Project (CDP) was

launched to encourage ‘private and public sector organizations to measure manage and reduce emissions and climate change impacts.’³⁵ Mainstream investors began to feel the pressure.

5.3. 2004-2005: The Legitimizing Era

The SRI market grew and appeared to be shifting structurally from an offer market to an institutional demand market. In 2004, the *ERAFP* (*Établissement de la Retraite Additionnelle de la Fonction Publique*)³⁶, the second largest French public pension fund, was created. As did the *FRR*, the *ERAFP* clearly showed its willingness to invest in SRI: ‘[...] it has been decided to adopt socially responsible investment for the totality of *ERAFP*’s assets.’³⁷ Enthusiasm for SRI also existed among private pension funds as illustrated by the decision of *AGIRC* (*Association Générale des Institutions de Retraite Complémentaire des Cadres*)-*ARCCO* (*Association pour le Régime de Retraite Complémentaire des Salariés*)³⁸ to invest €100 million in SRI funds in 2005. These institutional clients were partly responsible for shifting SRI to financial logics. Firstly, they rejected the idea of SRI indexes contributing to their failure among invitations to tender: asset managers had to beat the conventional market. Secondly, they favored a ‘best-in-class’ approach, which occasionally maintained high financial returns at the expense of SRI. As a result, these financial features casted doubt on the sincerity of the SRI movement and clients became mistrustful:

When individual clients buy an SRI product, they face a dilemma. [...] Clients are satisfied when the product achieves a good financial performance, but then, when they look closer at the first ten lines of the portfolio, they say: “You’ve got TOTAL, but that’s just not right!”³⁹

Asset Management Industry, Head of SRI, 2007

To keep the movement alive, the SRI movement had to highlight its distinguishing features. In 2004, to regulate the movement and signal that SRI was of paramount importance

³⁵ Source : Carbon Disclosure Project (CDP) www.cdproject.net

³⁶ French Public Service Additional Pension Scheme

³⁷ Source : *ERAFP* : www.rafp.fr

³⁸ General Association of Institutions Specializing in Private Pension Schemes for Executives and Employees

³⁹ Total is said to be one of the more polluting companies in France.

for the asset management field, the *AFG (Association Française de Gestion financière)*⁴⁰ created an SRI Commission. In the same vein, both challengers and incumbents (Eurosif, *FIR* and *AFG*) decided to launch a ‘Transparency Code for Public SRI Funds’ in 2005. This encouraged asset managers to describe their investment processes. However, the penetration of mainstream actors into the SRI movement also raised problems; the latter would have acted out of self interest:

We realized that those who believed in SRI were those who dedicated internal resources. Otherwise, it was what we called “anisette” offers⁴¹, meaning 1/7 SRI and 6/7 everything financial!

Trade Union, CIES Member, 2007

The penetration of the mainstream asset management field by the SRI movement was helped in 2005 by the launch of two international SRI initiatives dedicated to mainstream investors: firstly, the EAI (Enhanced Analytics Initiative) which strove to address the absence of quality, long-term research studying material, non-financial issues; secondly, the PRI (Principles for Responsible Investment), which claimed that ‘environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.’⁴² The PRI had a strong impact on the success of the movement since the principles demonstrated to mainstream investors that SRI existed. As a result, by questioning existing practices, SRI provided financial actors with the cultural resources necessary for critical and reflexive action:

Asset managers began to sign the PRI for their SRI funds, and surprisingly, this encouraged them to progressively integrate SRI criteria into the rest of their investments as well.

Social Rating Agency, Head of SRI Research, 2007

Making the most of this attention, SRI challengers decided to directly penetrate mainstream organizations. Coming from social rating agencies, challengers aspired to prove

⁴⁰ French Association of Asset Management

⁴¹ Anisette is anise flavored French liquor which is diluted with water before drinking, generally one volume of liquor to six volumes of water.

⁴² Source: Principles for Responsible Investment (PRI) www.unpri.org

the positive relationship between SRI and financial performance: something that had not yet been proven to date. To do this, they opened mainstream-oriented SRI Departments within the majority of brokers in 2004 and 2005: CM CIC Securities, Société Générale Corporate and Investment Banking, Oddo Securities and Cheuvreux, for example. Financial analysts began to be increasingly attuned to SRI:

I can tell you that we have people here who work on these SRI criteria when it comes to acquisitions, mergers, or trading.

Broker, Head of SRI Research, 2007

At the end of 2005, SRI was no longer a small movement led by activists, since the social movement had been recognized by mainstream actors. SRI was about to take up its first challenge: transforming the asset management field. However, the asset management field had not changed in essence and SRI still represented less than one per cent of total assets. SRI was a legitimate but still emerging practice.

5.4. 2006-2009: The Mainstreaming Era

While SRI adopted financial logics, mainstream actors took over SRI logics. These two movements gradually resulted in a merging of both logics. In 2006, the term ‘SRI Integration’ was used as a concrete theory for the first time in Novethic’s annual study of the market (2006):

We have taken into account a new demand which seems to be sustainably accepted amongst investors: the transversal integration – case by case – of non-financial analysis criteria into classical financial analysis.

At the end of 2007, the SRI market, as such, measured a third of the size of the ‘SRI Integration’ market in terms of assets. In regard to this integration, the *FRR* decided in 2008 to adopt SRI screening for all its investments. Even Paris Europlace – the organization which promoted Paris as a financial market place – affirmed the importance of SRI in a report (Europlace, 2008): it was henceforth a matter of business for the sector. Gradually, SRI and financial analyses became faces of the same (financial) coin:

I think that we're experiencing a phenomenon of integration. Depending on the management, depending on the funds, integration will be more or less important.

Asset Management Company, Head of SRI, 2007

In 2007, SRI Research became a category within the Financial Analysis prizes awarded to the profession. Along the same lines, Cheuvreux was the first broker to sign the PRI in 2008. The asset management sector officially recognized that non-financial analysis belonged to financial analysis. The publication in 2007 of a special SRI issue by the Journal of the *SFAF* confirmed this adoption. Notably, this evolution was illustrated in 2007 by the creation of the Swiss ASSET4, a new type of social rating agency which – contrary to previous social rating agencies – primarily targeted mainstream investors rather than SRI investors. ASSET4 defined itself as the Bloomberg of 'non-financial' corporate metrics. To create more value, SRI and financial analysis needed to be merged. This adoption of SRI criteria by mainstream investors contributed to converting the previous existing social rating agencies into data-base providers. Increasingly, social rating agencies began modeling themselves on financial agencies:

Personally, I'm under the impression that agencies are tending to become like ASSET4. [...] I think that they will evolve in the same way as financial agencies.

Asset Management Company, SRI Analyst, 2008

This integration did not mean that SRI was no longer concerned with social questions. On the contrary, it illustrated that financial actors began recognizing the need to take into account SRI criteria when investing. The success of SRI was explained to a certain extent by the fact that SRI did not sidestep important issues. SRI embodied the undergoing change of economic institutions. Global society faced new challenges: climate change, pollution, hydraulic stress, poverty, and so on. The financial crisis argued in this sense: financially-driven, short-term investments revealed themselves to be dangerous, included for financial performance, only.

Financial actors begin to admit that there are limits to the economic business model they've been promoting for years. [...] The shortcomings of the market have shown the necessity of having better non-financial analysis.

Asset Management Company, Head of SRI, 2007

Nevertheless, the mainstreaming of SRI had a side-effect. As SRI criteria became a means to achieve better financial performance, SRI criteria shifted away from their first goal: restoring social responsibility in financial markets. Certain challengers feared that this move to the mainstream would obliterate the original purpose of the movement:

I'm a little afraid by the fact that we will separate SRI issues because they're difficult to demonstrate in terms of business. But these are the reasons why I wanted to work in SRI.

Asset Management Company, SRI Analyst, 2008

Lastly, a number of historic challengers suffered from this mainstreaming. Since they were competitors, cooperation between challengers and incumbents led to conflicts. As mainstream actors had taken up the slack, small asset management companies and social rating agencies were in a predicament. They did not have the means to face competition in a market where size brought credibility. If they were the erstwhile leaders, they were henceforth the losers of SRI integration.

5.5. The Future: A Coexistence of Two Types of SRI?

Two trends seem to be emerging at present: 1) the continuation of the merger between SRI and mainstream logics; 2) the emergence of a new, more committed SRI movement. When former challengers transform into incumbents, a new SRI social movement appears.

5.5.1. 'Mainstream SRI': Transforming the Asset Management Field

The term 'Mainstream SRI' is increasingly used by financial actors to designate the traditional 'best-in-class' SRI funds which attempt to maximize both SRI and financial performance. Firstly, the appearance of the 'mainstream' term within the movement confirms that SRI has squared with common institutional logics. Secondly, it denotes a move to

mainstream asset management. The demand for SRI integration keeps rising. No less than 20% of the mainstream market is expected to become SRI in ten years (Robecco and Booz, 2008). With this in the offing, Mainstream SRI seems to be full of promise for the asset management field. This trend is confirmed by the diversification of SRI towards different financial products (e.g. funds of funds or hedge funds) and SRI thematic funds (e.g. renewable energies, green technologies, water, and so on). A growing number of conventional funds are now integrating SRI criteria to achieve better financial performance by anticipating those costs linked to a below-average performance in social, environmental and governmental domains. At the end of 2009, 90% of conventional funds in France were estimated to integrate *at least* one SRI criterion, compared to 61% at the end of 2008 and 3% at the end of 2007 (Novethic, 2010). The idea is less about upgrading socially responsible firms than investing in promising – financially – industries and SRI criteria are increasingly selected according to their impact on business. However, this integration is diverse among asset management companies and it remains difficult to know what SRI integration means in practice. Consequently, certain observers doubt the impact of the SRI integration on investment practices (Novethic, 2010).

If mainstream funds mobilize SRI criteria and SRI funds increasingly favor a business approach, how can we differentiate between the two? Indeed, as SRI penetrates the mainstream, the differences between challengers and incumbents gradually fade. This threatens the survival of the SRI movement. To stay alive, SRI actors have recently created an ‘SRI label’ to separate their institutional logics from financial ones. In September 2009, Novethic launched the first French SRI label for SRI public mutual funds: 92 funds among the 250 funds listed by the organization have obtained the label so far. The purpose of this label is to provide SRI with official institutional logics. However, this stabilization over common institutional logics is likely to transform the SRI movement into a new field. As for profit-sharing funds, this recognition could trigger interest among individual investors by offering financial advantage from the state. It could also help SRI to be identified by the state as a key factor in the financial system. For instance, SRI challengers are now working with the French government on a new law which would oblige all asset management companies to account for the SRI aspects of their investments.⁴³ However, although challengers assert that

⁴³ This action follows the French ‘Grenelle de l’Environnement’ (2008-2009), which established six working groups to address ways to redefine France’s environment policy and proposed new laws.

SRI could be a solution to the financial crisis, national states have not as of yet paid attention to the movement as a remedy.

5.5.2. A ‘Committed SRI’: Proposing a New SRI

If pioneers do not win, they can go back to being pioneers. While a number of challengers are gradually converted into incumbents, contributing to SRI integration, others aspire to propose a new, more committed type of SRI. This means an SRI which favors SRI over financial logics. These challengers specialize in particular issues, such as human resources, shareholder activism or developing countries. For the first time, ethical questions seem to penetrate a movement which first avoided them to gain legitimacy:

People were saying that these ethical questions were no longer important. [...] But I’ve noticed that this last year, these last two years in fact, ethical questions have begun to reemerge.

Social Rating Agency, Client Relationship Manager, 2008

By proposing a new type of SRI, these challengers also respond to a new demand among institutional investors who wish to 1) trace their SRI risks; 2) shield themselves from scandals, such as child labor or pollution; 3) favor long-term, diversified investments. For a number of years, observers believed it was impossible for SRI to avoid the following dilemma: remaining small but with the risk that no investors will be interested in them, or growing and institutionalizing, but with the risk of losing their critical function (Louche, 2004). However, contrary to expectations, the achievement of SRI’s first goal could give birth to its second. Now that SRI has become legitimate, the social movement moves away from financial logics and a new SRI appears. In keeping with this trend, a new category appeared in the classification of SRI funds provided by Novethic in 2009: ‘ethical funds’. At the beginning of 2010, there were more than 68 funds in this category. For the first time, French asset management companies offer SRI funds based on exclusion. Certainly, what the movement is devising now will penetrate the mainstream tomorrow. However, challengers realize that to be successful, they will have to cogently advocate that what they propose is relevant... SRI is not dead, SRI has just begun.

6. Discussion and Conclusions

6.1. Summary of Findings

PIONEERING: SRI as a social movement had two goals: 1) to change the institutions of the asset management field; 2) to build a new SRI field. To be accepted by incumbents, SRI challengers framed their institutional logics on financial logics: the most socially responsible firms should be the most profitable in the long term. They remained a marginal movement, unrecognized by mainstream actors for three years. However, this initial collaboration managed to carve out the collective identity of the social movement.

BUILDING: the advent of supportive political opportunity structures, through an institutional SRI demand by the creation of public pension funds, rendered SRI conspicuous. As a result, most mainstream actors offered SRI funds. Seizing this opportunity, SRI challengers built mobilizing structures which would help make their claim a reality. These formal organizations enabled them to agree on common logics.

LEGITIMATING: realizing the importance of SRI for the field, the profession aimed at regulating the social movement. Its first priority was to bring transparency. At the same time, challengers penetrated into mainstream organizations to infuse SRI logics among the incumbents. However, the adoption of financial logics by SRI had an unforeseen outcome: it undermined the motivations of the movement.

MAINSTREAMING: in the aftermath of the upheaval of the financial markets, challengers argued that SRI would restore a long-term view. SRI integration illustrated this trend. Both institutional logics began to merge, which threatened the survival of the social movement.

FUTURE: as a result of its success, the movement could die out. To ward off its death, the movement has just introduced an ‘SRI label’ which aims at differentiating challengers from incumbents. Nevertheless, a number of questions are being raised concerning the financial approach of SRI favored until now by the movement. By selecting those SRI criteria which impact business only, the original aspiration of SRI to restore social responsibility in financial markets may disappear. With this mind and to eschew this mainstream approach, other challengers are developing a new ‘Committed SRI’. Therefore, by originally refusing an ethical approach, SRI challengers would have perhaps gained the authority to ultimately shift from financial logics.

6.2. The Role of Social Movements in Transforming Economic Institutions

Although institutional theorists have recently acknowledged that institutional logics may change through agency, namely through collective institutional entrepreneurship (Lounsbury et al., 2003), they have said little about how existing logics are dismantled and new logics are put in place. This study recasts social movements as a trigger for change within economic institutions. The gradual transformation of the institutions of the French asset management field by the French SRI movement has demonstrated this point: SRI social movements can play a prominent role in reforming financial institutions. Traditionally, such impacts have been theorized as external jolts; fields go through upheaval because of protest-movements. This external view is completed here by an internal focus: compromise-movements change the existing logics through the incumbents' ones. They provide them with the necessary resources to take a critical look at their own practices. This compromise approach questions the traditional perspective of social movements, usually associated with conflicts and outsiders' actions.

In the case of the French SRI movement, it appears that SRI challengers have adopted the strategy most likely to succeed. Indeed, on the one hand and contrary to other countries, the French SRI movement could not only rely on ethical investors, such as religious organizations. Consequently, change needed to be driven by insiders. On the other hand, these insider challengers belonged to the French asset management field. As a result, it was difficult for them to criticize their institutional logics (i.e. financial logics) to develop new ones (i.e. SRI logics). This would explain why they have favored a compromise approach. In other words, it appears that the French SRI movement has adapted its field framing to the features of its environment to succeed. This strategic approach is conducive to an instrumental view of social movements, which differs from a view of social movements as 'spontaneous, unorganized and unstructured phenomena' (Morris, 1994). Drawing on the case study, four strategic phases which refer to the key stages of the field framing of compromise-movements have been identified:

- PIONEERING: framing of a collective identity by challengers.
- BUILDING: framing of the challengers' logics on the incumbents' logics.
- LEGITIMATING: challengers – and their logics – penetrate the incumbents' field.
- MAINSTREAMING: incumbents adopt the challengers' logics.

However, other studies of compromise-movements are needed to generalize these findings on a broader basis. For this purpose, the concept of field framing could provide an interesting analytical framework.

These findings argue in favor of national differences between SRI movements. For instance, SRI activists in other countries, such as Denmark, have geared towards coercing firms into being socially responsible (via the law or by an external pressure, such as the media) (Bengtsson, 2008). Although this national anchorage has been a key factor of success of the French movement (Zarlowski, 2007) by adapting the field framing to the features of the environment, it could also have stunted the role that SRI movements could have played in the global financial crisis. SRI social movements would need to be global or at least to cooperate internationally to be able to structurally impact global financial institutions. Notably, further research in different countries is required to explore whether and why insiders' strategies based on compromise have been favored over outsiders' strategies based on conflicts. In particular, national comparisons between SRI movements could help understand 1) the national impacts on the field framing of SRI, 2) the co-evolutions and differences between the national SRI movements and 3) whether SRI movements are global movements.

6.3. The Economic Success of SRI

The economic success of the French SRI Movement raises questions about its motivations. Could SRI challengers have adopted the social movement strategy not to transform the institutional logics of the French asset management field, but rather to diffuse a new financial product in the field? These criticisms have been directed toward other CSR movements which have emerged within economic institutions, such as fair-trade (Gendron and Turcotte, 2007) or recycling (Lounsbury, 2005). In the case of the French SRI movement, the initial desire of SRI challengers to transform the dominant institutional logics argues in favor of a social movement. Indeed, the study clearly demonstrates that the movement did not benefit from a major business interest among the field for a number of years. SRI challengers were personally committed to SRI succeeding, even though they had no personal and business interest in doing so. Moreover, until recently, very few incumbents believed in the success of SRI. Lastly, the movement constantly gathered the four features of the new social movements (Touraine, 1969; Zald and Berger, 1978). Hence, the economic success of a social movement does not seem to contradict its aim to provide a general orientation for society. In contrast, since CSR social movements attempt to transform economic institutions, their economic

success would be part of their accomplishment. The economic success of SRI has appeared to be a means for the social movement to transform the dominant institutional logics.

6.4. The Future of SRI

Social movement theory has suffered from a lack of research on the relationship between the death and the success of social movements (Rao et al., 2000; Lounsbury et al., 2003; Rao et al., 2003). This article offers interesting insights into how a social movement endeavors to maintain momentum despite its success. It demonstrates that a social movement can be torn between two goals: 1) to change the dominant institutional logics; 2) to build alternative institutional logics. Additionally, this study illustrates how the consolidation of a social movement around common institutional logics can spawn the creation of a new field. This dilemma is well recognized in CSR literature and is referred to as the ‘niche vs. mainstream’ debate (Louche, 2004; Vogel, 2005; Azoulay and Zeller, 2006; Crifo and Ponsard, 2009). The use of social movement theory enables us to explain why this debate occurs. It is linked to the intrinsic nature of social movements: their success threatens their survival. Here, the official recognition of the differences between challengers and incumbents via an ‘SRI label’ could permit the maintenance of the movement through an official agreement on SRI institutional logics. However, this stabilization could remodel the social movement in a stable field. Then, a question emerges: will this transformation into a steady organizational field mean that the movement strays from its primary *raison d’être* of changing dominant institutional logics?

Since the movement began to be successful among the mainstream, the social movement has faced new difficulties. SRI challengers have hesitated between disappearing and keeping the movement alive and complaints about the motivations of certain SRI actors have emerged. Today, the movement appears to be at a crossroads: while some actors want to stabilize the existing SRI logics around an SRI label, others would prefer to diffuse the SRI logics into the mainstream. Lastly, other challengers wish to begin a new ‘Committed SRI’ movement, more demanding than the previous one. Thus, by continuously increasing the demands for change, the social movement could survive. These different trends seem to demonstrate that the movement is currently losing its collective identity. Indeed, if a new social movement or a new organizational field emerges, the latter is likely to be different from the original one (i.e. different challengers with a different collective identity and a different purpose). These

findings argue in favor of the hypothesis according to which the success of a social movement – regarding the transformation of the dominant institutional logics – leads to its death.

Four future scenarios can now be envisaged. Firstly, a new SRI organizational field could be created by agreeing on common institutional logics, notably thanks to an ‘SRI label’. According to the purpose of field members, this field could attempt to keep transforming the dominant institutional logics of the French asset management field. In such conditions, it can be imagined that the field could keep behaving as a social movement. This would prove that an organizational field can play the same role as a social movement. Secondly, field members could aim to no longer transform the dominant institutions logics of the French asset management field. SRI would be transformed into a new financial product and the movement would end. Thirdly, SRI logics could enter the mainstream. The institutional logics of the field would be transformed, which, in turn, would lead to the death of the social movement. Lastly, ‘Committed SRI’ challengers could launch a new social movement, more demanding than the previous one. After a while, it can be expected that this new social movement will face the same problem as the previous one and this, until its transformation into a steady organizational field or its death. However, further research is needed on the future of the French SRI Movement and other new social movements to argue in favor or against these different hypotheses.

Whatever the future of the movement, the mainstreaming of SRI and its associated shift from SRI to finance raises important questions about what the goal of SRI should be. Indeed, the French movement has clearly framed SRI on financial logics in order to succeed, and this, at the expense of SRI logics. At a time when SRI aims at beginning mainstream in other countries, such as Scandinavia (Bengtsson, 2008), this French experience may teach other SRI movements about the side-effects and dangers of mainstreaming. In doing so, the study could help practitioners to understand the pros and cons of SRI labels, by offering a theoretical understanding of the role of such labels to differentiate SRI from mainstream in terms of institutional logics.

APPENDIX 1 – LIST OF INTERVIEWEES

	Organization	Function	Date	Time	Recorded
CHALLENGERS					
Asset Management Companies					
1	Asset Management Company A	Head of SRI	10/13/06	1h00	No
2	Asset Management Company B	Head of SRI	13/11/07	1h13	Yes
3	Asset Management Company C	Head of SRI	01/08/07	1h15	Yes
4	Asset Management Company D	SRI Analyst	06/09/08	1h10	Yes
5	Asset Management Company D	Asset Manager	09/03/09	0h45	Yes
6	Asset Management Company D	Project Managers (2)	19/03/09	0h59	Yes
CIES Certification Committee (SRI Trade Unions' label)					
7	CIES Trade Union B	Member	16/07/07	2h06	Yes
8	CIES Trade Union A	Member	08/08/07	0h55	Yes
NGO					
9	NGO A specialized in SRI	Head of SRI Research	30/10/08	0h50	Yes
Social Rating Agencies					
10	Social Rating Agency A	Head of Research	12/12/07	1h22	Yes
11	Social Rating Agency B	Head of Research	02/08/07	0h45	Yes
12	Social Rating Agency C	Head of Research	09/08/07	1h05	Yes
13	Social Rating Agency D	Head of Research	19/09/08	1h00	Yes
14	Social Rating Agency E	Client Relationship Manager	26/09/08	1h52	Yes
Others					
15	Think Tank A specialized in SRI	Project Manager	17/07/07	1h29	Yes
INCUMBENTS					
Asset Management Companies					
1	Asset Management Company E	CEO Europe & CEO France	05/02/09	1h00	Yes
2	Asset Management Company D	Asset Manager	09/03/09	0h45	Yes
3	Asset Management Company D	CEO	13/03/09	1h55	Yes
Financial institutions which have adopted an SRI approach for a part of their investments					
4	Bank A	Head of Corporate CSR	09/08/07	1h02	Yes
5	Insurance Company A	Head of Corporate CSR	26/10/07	2h00	Yes
6	Insurance Company B	CSR Group / Project Managers (2)	19/02/08	1h22	Yes
7	Bank B	CSR Project Manager	28/02/08	1h27	Yes
8	Insurance Company A	CSR Project Manager	11/03/08	1h52	Yes
9	Insurance Company B	CSR France / Project Manager	09/06/08	1h05	Yes
Brokers with SRI Departments					
10	Broker A	Head of SRI Research	21/11/07	1h13	Yes
11	Broker B	Head of SRI Research	23/02/09	1h05	No

Consultants specialized with a practice specialized in SRI

12	Consulting Firm A	Senior Consultant	09/07/07	1h30	No
13	Consulting Firm B	Consultant	25/02/08	1h00	No
14	Consulting Firm C	Partner	05/03/08	1h00	Yes

French Asset Management Professional Association

15	French Association of Management	Chief Executive Officer	23/07/07	1h35	Yes
16	French Association of Management	Head of Research	22/10/07	2h15	No

NGO

17	NGO B specialized in Finance	Project Manager	06/03/08	2h03	Yes
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Pension Fund

18	Pension Fund A	Head of Equity and SRI	29/10/08	1h07	Yes
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**ARTICLE 2 – TRANSFORMING PRACTICES IN RESPONSE TO
INSTITUTIONAL CHANGE: EXPLORING THE ROLE OF OBJECTS**

RÉSUMÉ

TRANSFORMER LES PRATIQUES EN RÉPONSE AU CHANGEMENT INSTITUTIONNEL: EXPLORER LE RÔLE DES OBJETS

Mots-clefs : Changement Institutionnel – Enquête – Objet Epistémique – Pragmatisme – Pratiques

Objectif : l’objectif de cet article est double : théorique et méthodologique. Théoriquement, l’article cherche à mieux comprendre comment des acteurs transforment leurs pratiques en réponse à un changement institutionnel. En particulier, il étudie comment une société de gestion d’actifs a transformé son activité de gestion actions, suite au phénomène d’ISR Mainstreaming. Méthodologiquement, l’article a pour ambition de contribuer aux méthodologies représentationnelles en mobilisant une épistémologie non-représentationnelle s’inspirant du concept pragmatiste d’enquête (Peirce, 1931; Dewey, 1938).

Conception: l’article analyse en détails les mécanismes utilisés par une société de gestion d’actifs française pour (re)concevoir les processus d’investissement de sa gestion actions en réponse au phénomène d’ISR Mainstreaming. Pour ce faire, l’article mobilise une méthode d’enquête coopérative (Heron and Reason, 1995; Heron, 1996), basée sur une étude de cas longitudinale de trois ans (2006-2009), et combinant observation participante, entretiens semi-dirigés et analyse de sources documentaires.

Cadre théorique: l’article mobilise les concepts d’enquête (Peirce, 1931; Dewey, 1938), d’objet épistémique (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997) et de logiques institutionnelles (Friedland and Alford, 1991; Bogt and Scapens, 2009; Friedland, 2009).

Résultats: l’article démontre que les acteurs transforment leurs pratiques, leurs logiques institutionnelles et leurs objets techniques, en transformant un objet épistémique à travers une enquête collective. En étudiant comment le groupe de travail a progressivement transformé son activité collective en réponse au phénomène d’ISR Mainstreaming, l’article offre – en plus d’une analyse théorique poussée – une illustration empirique de ces mécanismes.

Valeur : théoriquement, l'article contribue à la littérature existante sur le changement institutionnel en combinant – à un niveau intra-organisationnel – théories institutionnelles et théories centrées sur les pratiques. De plus, en étudiant le rôle des objets dans la transformation des pratiques, l'article offre de nouvelles perspectives sur la façon dont les logiques institutionnelles sont instanciées et portées par les acteurs à travers leurs instruments. Méthodologiquement, l'article enrichit les méthodologies représentationnelles en montrant comment la mobilisation d'une méthodologie non-représentationnelle – telle que le pragmatisme – facilite l'accès du chercheur aux pratiques quotidiennes des acteurs

SUMMARY

TRANSFORMING PRACTICES IN RESPONSE TO INSTITUTIONAL CHANGE: EXPLORING THE ROLE OF OBJECTS

Key-words: Epistemic Object – Inquiry – Institutional Change – Practices – Pragmatism

Aim: the purpose of this article is twofold: theoretical and methodological. Firstly, the article aims to explain how actors transform their practices in response to institutional change. Namely, it explores how an asset management company has transformed its equity investment practices when faced with SRI mainstreaming. Secondly, the article aspires to contribute to representational methodologies by using a non-representational epistemology, inspired by the pragmatist concept of inquiry (Peirce, 1931; Dewey, 1938).

Design: the article provides a detailed account of the different phases of the (re)design experienced by an asset management company over time; a (re)design which concerned the transformation of equity funds in response to SRI Mainstreaming. The case study is analyzed using a cooperative inquiry method (Heron and Reason, 1995; Heron, 1996), based on a three-year longitudinal case study (2006-2009), and combining three types of data collection: participative observation, semi-structured interviews and documentary evidence.

Theoretical background: the article uses the concepts of inquiry (Peirce, 1931; Dewey, 1938), epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997) and institutional logics (Friedland and Alford, 1991; Bogt and Scapens, 2009; Friedland, 2009).

Findings: the article demonstrates that actors transform their practices, institutional logics and technical objects, by transforming an epistemic object through a collective inquiry. In particular, it analyzes these mechanisms in the working group under study, by exploring how actors transformed their collective activity through time, in response to SRI Mainstreaming.

Value: the contribution of this article is twofold: theoretical and methodological. Firstly, it expands institutional theories by linking them to practice theories at the intra-organizational

level. Furthermore, by focusing on the role of objects, the article offers new perspectives on how institutional logics are instantiated in and carried by actors through their instruments. Secondly, the article elaborates on the relevance and implications of non-representational methodologies – such as pragmatism – to explore institutional change in practice, compared to representational methodologies.

Transforming Practices in Response to Institutional Change: Exploring the Role of Objects

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Abstract

This article aims to study how practices are transformed and new practices emerge in response to institutional change. It develops a theoretical model based on ever expanding, institutional theory by combining it with practice theories. In other words, it associates the concept of institutional logics with the concepts of collective inquiry and epistemic object. In particular, the article argues that actors transform their practices, institutional logics and technical objects, by transforming an epistemic object through a collective inquiry. Empirical support is drawn from a three-year longitudinal case study of a French asset management company that attempted to (re)design its equity investment process, following the new development of Socially Responsible Investment (SRI) demands. Research methods are based on the concept of inquiry, developed by pragmatist authors, and combine participative observation, semi-structured interviews and documentary evidence. Theoretical and methodological contributions are outlined for institutional theories and practice theories.

Key-words: Inquiry – Institutional Change – Objects – Practices – Pragmatism

**DUE TO A REVIEW PROCESS, THIS ARTICLE IS MOMENTARY
UNAVAILABLE. SORRY FOR ANY INCONVENIENCE THIS MIGHT
CAUSE.**

**ARTICLE 3 – EXPLAINING PRACTICE VARIATION WHEN FACED
WITH INSTITUTIONAL CHANGE: THE EXAMPLE OF SOCIALLY
RESPONSIBLE INVESTMENT**

RÉSUMÉ

EXPLIQUER LA VARIÉTÉ DES PRATIQUES FACE AU CHANGEMENT INSTITUTIONNEL: L'EXEMPLE DE L'INVESTISSEMENT SOCIALEMENT RESPONSABLE

Mots-clefs : Changement Institutionnel – Gestion Actions – Gestion Taux – Investissement Socialement Responsable (ISR) – Logiques Institutionnelles – Objet Epistémique – Pratiques – Variété des Pratiques

Objectif : cet article cherche à mieux comprendre pourquoi – face au même changement institutionnel – des acteurs sont amenés à transformer leurs pratiques de manière différente. En particulier, l'article vise à enrichir la littérature existante sur le changement institutionnel en explorant le rôle des logiques institutionnelles et des objets dans la transformation des pratiques, deux dimensions encore peu étudiées à ce jour.

Conception : l'article compare la façon dont deux groupes de travail – au sein de la même société de gestion d'actifs mais en charge de deux types de gestion différents (i.e. gestion actions et gestion taux) – ont transformé leurs pratiques en réponse au phénomène d'ISR Mainstreaming. Le papier s'appuie sur une étude de cas longitudinale de trois ans (2006-2009), s'appuyant sur une méthode de recherche d'enquête coopérative (Heron and Reason, 1995; Heron, 1996), et combinant entretiens semi-structurés, observation participante et analyse de sources documentaires.

Cadre théorique : l'article mobilise, au sein du même cadre conceptuel, théories institutionnelles et théories centrées sur les pratiques. En particulier, il combine les concepts de logiques institutionnelles (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009), d'enquête (Peirce, 1931; Dewey, 1938) et d'objet épistémique (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997).

Résultats: l'article démontre que face au changement institutionnel, les acteurs transforment leurs pratiques, leurs logiques institutionnelles et leurs objets techniques en transformant un objet épistémique. Ce faisant, l'article affirme que la diversité des pratiques face au

changement institutionnel résulte de divergences à la fois en termes de logiques institutionnelles, d'objets techniques et d'éléments contingents. En particulier, il attribue les problèmes rencontrés actuellement par la gestion taux pour transformer ses pratiques en réponse au phénomène d'ISR Mainstreaming 1) aux contradictions existantes entre les logiques institutionnelles ISR et les logiques institutionnelles de la gestion taux et 2) au manque de pertinence pratique des critères ISR utilisés aujourd'hui en gestion taux.

Valeur: l'article enrichit la littérature existante sur le changement institutionnel en combinant – à un niveau intra-organisationnel – théories institutionnelles et théories centrées sur les pratiques. Notamment, l'article confirme le rôle de l'agence et des logiques institutionnelles dans la transformation des pratiques en réponse au changement institutionnel (Lounsbury, 2001; Gendron et al., 2007; Hopper and Major, 2007; Lounsbury, 2008; Bogt and Scapens, 2009). En particulier, l'article démontre que la variété des pratiques face au changement institutionnel s'explique par des différences en termes de logiques institutionnelles, d'objets techniques et d'éléments contingents. En s'intéressant plus particulièrement à la fonction des objets dans le changement institutionnel, l'article permet également de mieux appréhender le rôle des instruments dans la transformation des pratiques. Enfin, l'article offre aux praticiens des clefs théoriques qui peuvent les aider à mieux comprendre les difficultés actuellement rencontrées par la gestion taux pour transformer ses pratiques.

SUMMARY

EXPLAINING PRACTICE VARIATION WHEN FACED WITH INSTITUTIONAL CHANGE – THE EXAMPLE OF SOCIALLY RESPONSIBLE INVESTMENT

Key-words: Epistemic Object – Equity Investment – Fixed-Income Investment – Institutional Change – Institutional Logics – Practice Variation – Practices – Socially Responsible Investment (SRI)

Aim: this article explores what explains practice variation when faced with institutional change. It aims to expand previous research on institutional change by understanding *how* and *why* institutional logics impact the transformation of practices. In particular, it aims to bring practice and institutional theories together and to study the role of objects; two topics which have not been explored much until now.

Design: the article compares two working groups within the same asset management company that attempted to respectively (re)design their equity and fixed-income investment funds. The article uses a three-year longitudinal case-study (2006-2009), based on a cooperative inquiry method (Heron and Reason, 1995; Heron, 1996), to analyze the mechanisms of the (re)design of the two working groups. It relies on semi-structured interviews, participative observation and documentary evidence. Different hypothesis concerning the differences between both working groups are explored through the article.

Theoretical background: the article draws on practice theories and recent advances in institutional theories. For this purpose, it combines the concept of institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009) with the concept of epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997).

Findings: the article posits that actors transform their practices, institutional logics and technical objects in response to institutional change through transforming an epistemic object. It expands previous research by demonstrating that practice variation when faced with institutional change is as much explained by institutional logics as by technical objects and

contingent elements. Namely, it argues that the main problem faced in fixed-income investment is due to institutional logics and technical objects. In particular, SRI and financial logics contradict each other and the SRI criteria used today in fixed-income investment are not deemed practically relevant by asset managers.

Value: the article expands existing research on institutional change by combining institutional and practice theories (Hopper and Major, 2007; Lounsbury, 2008). This joint approach underscores previous research on the role of agency and institutional logics when transforming practices in response to institutional change (Lounsbury, 2001; Gendron et al., 2007; Hopper and Major, 2007; Lounsbury, 2007, 2008; Bogt and Scapens, 2009). The article enriches previous research by demonstrating that practice variation is explained as much by institutional logics as by technical objects and contingent elements. By focusing on the role of objects, this case study also furthers our understanding of the role of instruments in the transformation of practices, in response to institutional change. Secondly, the article helps practitioners to broaden their understanding of why SRI Mainstreaming has faced more difficulties in fixed-income investment, compared to equity investment.

Explaining Practice Variation when Faced with Institutional Change: The Example of Socially Responsible Investment

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&

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&

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Abstract

This article aims to study what explains practice variation when faced with institutional change. More precisely, it examines why French asset management companies' responses to Socially Responsible Investment (SRI) demands have differed between equity and fixed-income investment. Empirical data are drawn from a longitudinal case study of two working groups inside an asset management company that attempted to (re)design their funds to integrate SRI criteria. The article develops a theoretical model which analyzes how actors transform their practices in response to institutional change. This article enriches previous research on institutional change by analyzing the role of objects in the relationship between institutional and practical change. Using institutional and practice theories – namely, the concept of epistemic object –, the article argues that practice variation when faced with institutional change is explained as much by competing institutional logics, as by technical objects and contingent elements.

Key-words: Epistemic Object – Equity Investment – Fixed-Income Investment – Institutional Change – Institutional Logics – Practice Variation – Practices – Socially Responsible Investment (SRI)

1. Introduction

The global financial crisis which began in 2008 has produced a shock to mass beliefs. According to the International Monetary Fund's Managing Director, Dominique Strauss-Khan, the financial crisis should encourage financial markets to shift from a short-term view of financial performance to a more sustainable approach of economic development. Benefiting from this cultural change in the asset management sector, Socially Responsible Investment (SRI) is now gaining momentum. A growing number of mainstream investors have strengthened their belief that SRI is a key component of a successful investment strategy. In 2009, in line with this trend, there were 560 signatories to the PRI (Principles for Responsible Investment) Initiative,⁴⁴ an investor partnership with the United Nations Environment Program Finance Initiative and the United Nations Global Compact. This represented more than \$18 billion of investments.

Unlike other countries where SRI originally developed for ethical reasons, SRI in France has always followed a financial approach. Hence, in France, no company was initially excluded from portfolios because of its sector (i.e. alcohol, gambling, pornography, tobacco and weapons). Instead, SRI has consisted of factoring 'SRI criteria' – such as environment, social and governance issues – in to investment activity, whatever the sector. This integration of SRI criteria has two objectives: 1) to broaden investment horizons by shifting investors' focus from short-term financial performance to long-term economic performance and 2) to achieve better financial performance by anticipating those costs linked to a below-average performance in social, environmental and governmental domains.⁴⁵ Although SRI used to be a marginal approach, it has benefited over the past few years from a growing interest among French asset management companies; an interest notably sparked by the largest French public pension funds' demand for SRI. Consequently, an increasing number of mainstream investors (i.e. 'traditional' investors usually only focused on financial performance) are now integrating SRI criteria, into their so-called SRI funds but perhaps more surprisingly, also into their conventional funds. This phenomenon of integration of SRI criteria into conventional funds is known as 'SRI Mainstreaming'.

Most of the financial actors committed to SRI (e.g. social rating agencies, asset managers, consultants, lobbies, pension funds and trade-unions) claim that SRI enables the spreading of

⁴⁴ Source : PRI Initiative www.unpri.org

⁴⁵ Source : *FIR : Forum pour l'Investissement Responsable* (French Social Investment Forum) www.frenchsif.org

risk without endangering short-term financial performance, which should result in better financial performance in the long-term (UNEP-FI, 2007; FRR, 2008; Altedia IC, 2009; Mercer, 2009). However, academic studies have been more doubtful regarding the relationship between SRI and financial performance (Margolis and Walsh, 2003; Orlitsky et al., 2003; Forget, 2010). Indeed, according to the literature, there is no evidence as yet that the most socially responsible companies will be the most profitable in the long term (Cavaco and Crifo, 2009). As a result of this lack of evidence, asset managers must often favor financial performance over SRI criteria and (occasionally) vice versa. Moreover, when implementing SRI in practice, ‘SRI analysts’ – those responsible for the integration of SRI criteria into investment process – often face reluctance when trying to convince asset managers of the financial interest of SRI:

These [financial] people think that SRI is not finance, that it’s a marketing ploy, “green washing”. They don’t have the culture, they haven’t been educated about SRI, and they haven’t been interested in SRI.

SRI analyst, SRI Invest, 2009

Consequently, transforming practices in response to SRI Mainstreaming is not an easy task. It questions the exclusive focus on financial performance which has until now been one of the dominant institutions of asset management: financial performance is no longer the only important element, SRI criteria also matter. Furthermore, SRI Mainstreaming requires SRI funds to be distinguished from conventional funds. In particular, asset managers have faced major problems in fixed-income investment, compared to equity investment (Novethic, 2007). Equity investment refers to the buying and holding of shares in anticipation of income from dividends and capital gain as the value of stock rises. Fixed-income investment refers to any type of investment that yields a fixed and regular return. It usually consists of lending money to a borrower, who has to regularly pay interest and reimburse the loan after a fixed period (from three weeks to ten years). Hence, despite appearing similar and facing the same institutional change, equity and fixed-income investment have been transformed in a different way. Facing these surprising findings, this article aims at answering the following research question: *what explains practice variation when faced with institutional change?*

Understanding this divergence is all the more important since fixed-income investment is of major business interest for the asset management sector.⁴⁶

Previous research (Lounsbury, 2001; Schneiberg and Soule, 2005; Hopper and Major, 2007; Lounsbury, 2007; Bogt and Scapens, 2009) has demonstrated that organizational diversity within and among organizations in the face of institutional change is explained by the competing institutional logics available to organizations. By providing a multiplicity of rules and beliefs, these institutional logics are likely to guide actors' decision-making in different ways, creating variation in practice. However, we still know little about *how* and *why* these institutional logics impact the transformation of practices (Lounsbury, 2001, 2008; Cruz et al., 2009). In particular, there has been little rapprochement between the management control literature inspired by institutional theories (Burns and Scapens, 2000; Dillard et al., 2004) and practice theories. On the one hand, the transformation of practices in response to institutional change at the intra-organizational level has been under-studied (Lounsbury, 2001; Hopper and Major, 2007; Lounsbury and Crumsley, 2007; Bogt and Scapens, 2009). On the other hand, little attention has been given to the role of objects in this process of transformation (Miller and O'Leary, 2007; Miller, 2008).

This article attempts to bring these perspectives together, by drawing on practice theories and recent advances in institutional theories. For this purpose, it combines the concept of institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009) with the concept of epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). An epistemic object is synonymous with a research object: an 'object which embodies what one does not yet know' (Rheinberger, 1992). When searching, researchers transform an epistemic object into a technical object: an object stable enough to be taken for granted. The article posits that actors transform their practices, institutional logics and technical objects in response to institutional change through transforming an epistemic object. It expands previous research by demonstrating that practice variation when faced with institutional change is as much explained by institutional logics, as by technical objects and contingent elements. Empirical data are drawn from a three-year longitudinal case study of two working groups within a French asset management company that attempted to (re)design its equity and fixed-income funds in response to SRI Mainstreaming. The study focuses on

⁴⁶ For instance, in France, the proportion of SRI fixed-income funds among the total amount of SRI funds in terms of assets increased from 43% in 2008 to 67% in 2009. Source: www.novethic.fr

why the working group responsible for the fixed-income funds faced more problems than the working group responsible for the equity funds.

The article is structured as follows. Section 2 explains the theoretical framework. Sections 3 and 4 describe the research context and the research methods. Section 5 summarizes the case study. Sections 6 and 7 compare and explain the differences between the two working groups. Lastly, section 8 discusses the findings and points to further research.

2. Theoretical Framework

2.1. Explaining Institutional Change

Recent articles in management accounting have offered relevant institutional contributions to the emergent literature on the nature, the processes and the resistance to accounting change (Burns and Scapens, 2000; Dillard et al., 2004; Dambrin et al., 2007; Hopper and Major, 2007; Lounsbury, 2008). Institutional theories have declared that organizational behaviors are the product of ideas, values and beliefs which have their origins in their institutional context (Meyer and Rowan, 1977; Meyer and Scott, 1983). Institutions have been defined by Burns and Scapens (2000) as the ‘taken-for-granted assumptions which underpin the rules and routines that shape day-to-day practices’. Institutions enable actors to work and live together (Berger and Luckmann, 1966). Given this, organizational survival would depend as much on conformity to institutions as on economic efficiency (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Scott, 1995). Since the two demands often reveal themselves to be contradictory, organizations would be likely to decouple their symbolic displays from their technical operations. In demonstrating this, institutional theories have advanced the understanding of how and why institutional pressures lead organizations to adopt the same organizational form.

However, institutional theories have failed to properly address the processes by which new practices emerge (and fail) over time (Burns and Scapens, 2000). Firstly, institutional theories have neglected the role of power, agency and interest of actors within the process of institutional change. Secondly, they have suffered from a dualistic view which opposes economic and institutional factors. Lastly, they have been criticized for their decoupling assumption, according to which institutional change does not lead to practical change. Over the past decade, numerous authors in several research fields have attempted to fill these gaps. In particular, they have explored the institutionalization process, which refers to both the

implementation and the internalization of new practices in response to institutional change (Zucker, 1988; Hasselbladh and Kallinikos, 2000; Kostova and Roth, 2002; Sahlin and Wedlin, 2008). Notably, they have investigated change not as an *outcome* of the process of institutional change but as part of the *process* of institutional change itself (Burns and Scapens, 2000; Bogt and Scapens, 2009). In the accounting literature, several articles (Burns and Scapens, 2000; Dillard et al., 2004; Dambrin et al., 2007; Hopper and Major, 2007; Lounsbury, 2008; Ezzamel et al., 2009) have expanded institutional theory by adding complementary theoretical frameworks. They have proposed theoretical models of change which recognize the political nature of institutional change (i.e. the role of agency), the institutional dimension of economic issues and the reciprocal structuration which exists between the practical, institutional and social dynamics of change. Additionally, these articles have mitigated the decoupling assumption by offering a better understanding of how institutional change can (not) trigger practical change. To my mind, four key elements explaining institutional change emerge from this work:

1. There is a recursive relationship between practical, institutional and social change: institutional change is nurtured and nurtures social and practical change.
2. There is no theoretical difference between economic and institutional issues: the economic (i.e. technical) criteria are the result of a social construction, in that sense, they are also institutions.
3. Institutional change is transformed through the actions of actors: when actors transform their practices in response to institutional change, they (re)interpret them and transform them according to their (re)interpretation.
4. The transformation of practices in response to institutional change is a process contingent upon actors: notably, this process depends on how actors transform their institutional logics.

2.2. Explaining Practice Variation when Faced with Institutional Change

According to previous research (Lounsbury, 2001; Gendron et al., 2007; Hopper and Major, 2007; Lounsbury, 2007, 2008; Bogt and Scapens, 2009), practice variation when faced with institutional change is explained by the existence of competing institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009) in the organizational environment. Institutional logics were defined as a ‘set of material practices and symbolic constructions – which constitutes its organizing principles and which is available to

organizations and individuals to elaborate' (Friedland and Alford, 1991). Institutional logics provide the *schemes of meaning* by which actors make sense of institutions in practice. According to Bogt and Scapens (2009):

The institutional logics provide the mechanisms by which the *more abstract*⁴⁷ institutions (i.e. taken-for-granted assumptions) influence agents' deliberations and provide the basis for intentional behaviour.

For instance, one of the reference institutions of the asset management sector is the belief in the supremacy of financial performance. Thus, all the rules and routines that shape day-to-day practices in an asset management company are based on this assumption. However, a fixed-income manager and an SRI analyst do not make sense of this institution the same way. For instance, a fixed-income manager believes that his/her decisions must be based on mathematical financial models in order to achieve the best financial performance as possible. In contrast, an SRI analyst is more likely to favor a more intuitive assessment of companies and to search for a compromise between financial performance and SRI criteria. Despite belonging to the same sector, their institutional logics differ. Institutional logics can equal professional logics, although this is not always the case. For instance, the same profession can comprise competing logics. Notably, this was the case when medical professionals in the context of New Public Management reforms were torn between accounting and medical logics (cf. Kurunmaki (2004) for further details).

When transforming their practices in response to institutional change, actors face competing institutional logics. While their interests, identities, values and assumptions are embedded in prevailing institutional logics, alternative institutional logics are conveyed by institutional change. These competing institutional logics provide actors with several ways to transform their practices in the face of the same institutional change (Maguire et al., 2004; Aldrich and Ruef, 2006; Lounsbury and Crumsley, 2007). Consequently, the form of practical change depends on how actors collectively reinterpret and reconstitute their institutional logics. However, despite acknowledging the role of competing institutional logics, we still know little about *how* and *why* these logics impact the transformation of practices (Lounsbury, 2001; Dillard et al., 2004; Gendron et al., 2007). Notably, little attention has

⁴⁷ Emphasized in the original text.

been given to the role of objects in this process: ‘it alerts us to the ways in which certain instruments or models can “mediate” between actors and arenas such as science and the economy’ (Miller and O’Leary, 2007). Actor Network Theory (ANT) studies of institutional change (Gendron et al., 2007; Hopper and Major, 2007) have paid greater attention to this dimension. However, they have not really explored *why* actors behave in a specific way. Latour (2004) explains: ‘ANT is a method, and mostly a negative one at that; it says nothing about the shape of what is being described with it.’ To fill this gap, the next section suggests a model of institutional change which explores the intra-organizational mechanisms of institutional change by focusing on the role of objects.

2.3. Understanding the Intra-Organizational Mechanisms of Institutional Change: Proposal for a Theoretical Model

The theoretical model of institutional change (cf. figure 3.1) proposed in this section is based on ever expanding institutional theories with the concept of epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). The concept of object has been favored over the concept of instrument to underlie that instruments are ‘simultaneously things-to-be-used and things-in-a-process-of-transformation’ (Knorr-Cetina, 1997). For Rheinberger (1992), an epistemic object is any object under research: ‘an object which embodies what one does not yet know’ (Rheinberger, 1992). He distinguishes epistemic from technical objects, which are fixed and provide stable knowledge. Epistemic objects can transform themselves into technical objects and vice versa. According to Knorr-Cetina (1997):

Rheinberger here draws upon the classic distinction between the ready-to-hand, unproblematic, and often industrially produced technical instrument and the question-generating research object on the way to becoming a technical object.

Often, instruments are confused with technical objects (Knorr-Cetina, 1997). It is to avoid this confusion that the notion of object has been favored. Indeed, the same instrument can be either a technical or an epistemic object, depending on its status in the situation. In other words, an object is epistemic or technical according to its role in actors’ practices, not because of its intrinsic nature. If actors use the instrument without questioning it, it is a technical object. If the instrument is no longer taken for granted and actors aim to transform it, it

becomes an epistemic object. This relationship assumes continuity between the successive versions of the instrument.

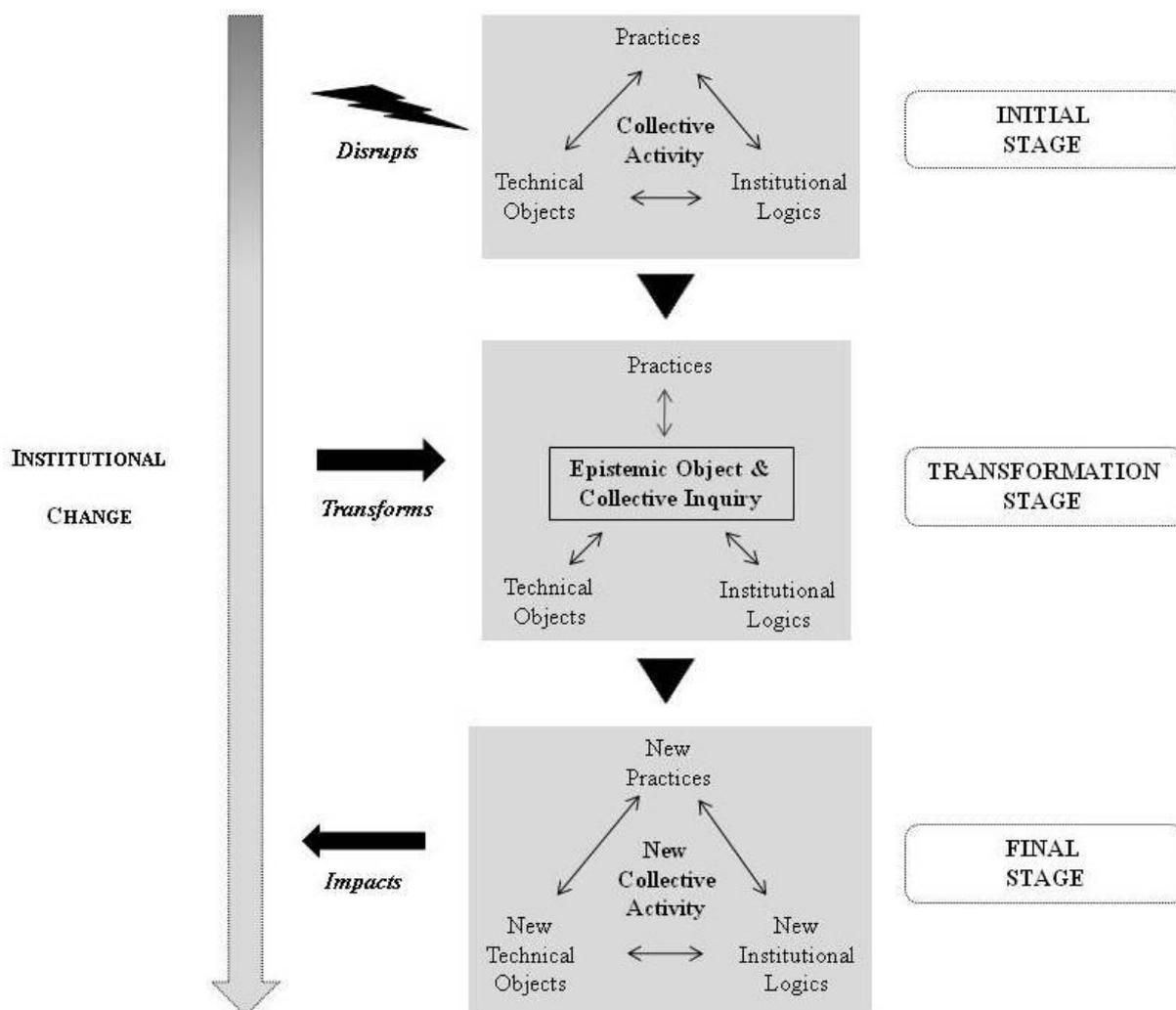


Figure 3.1: Epistemic Model of Institutional Change

Practice-based studies have tended to conflate practices, technical objects, activity and institutional logics. For instance, Jarzabkowski (2003) defined practices as ‘those habits, artifacts, and socially-defined modes of acting through which the stream of strategic activity is constructed.’ In contrast, the four dimensions are distinguished in the model. This distinction follows my goal to explain the *processes* through which practices are transformed in response to institutional change (i.e. how the four dimensions are co-transformed through time). Practices refer to what people do. This relates to how they perform their institutional logics and technical objects. Collective activity is defined as the processes through which actors cooperate to collectively accomplish the purpose of their group (Lorino, 2006). It refers

to the principles and mechanisms that underpin the organization of the group. Nevertheless, the model acknowledges that technical objects, collective activity and institutional logics are all immanent in practice. In other words, actors make sense and perform their collective activity, institutional logics and technical objects only in practice. Further details about the relationships between the four dimensions are given below. The different stages of the model can be summarized as follows:

1. Initial stage: the practices of actors are disrupted by institutional change. To maintain legitimacy, actors decide to transform their collective activity.
2. Transformation stage: through a collective inquiry and by transforming their epistemic object, actors transform their practices, technical objects and institutional logics.
3. Final stage: actors interrupt the process of transformation by transforming their epistemic object into a technical object. In response to institutional change, a new collective activity has been generated, with new practices, technical objects and institutional logics. Actors aim to impact institutional change in accordance with how they have interpreted it.

Despite being divided into stages, this model relates to a continuous process. For instance, the disruption of practices and their transformation are often concomitant. This separation between stages follows the successive states of the object: epistemic and technical. The duration of the model is relatively short since it focuses on when practices are disrupted by institutional change. As such, it differs from previous models (Burns and Scapens, 2000; Sahlin and Wedlin, 2008), which aimed at theorizing the whole institutionalization process (i.e. the recursive relationships between practices and institutional change). To provide a better understanding of how an epistemic object is transformed into a technical object, the example of the transformation of a ‘working paper’ into an ‘article’ follows.

A working paper is an epistemic object. An epistemic object is in a constant process of transformation, composed of a succession of evolving projections, always open-ended and indefinite. As the research process unfolds, the working paper changes, new ideas appear, previous ones are discarded, suggestions made by peers are included and research questions are clarified. The epistemic object suggests where to investigate through the inadequacies it displays. Once it is transformed according to these inadequacies, the epistemic object suggests new inadequacies which, in turn, guide the research process. Through this long and unpredictable process, the working paper matures. Contrary to popular belief, the researcher does not ‘find’ the solution, he/she builds it. The epistemic object does not exist ‘out there’, it

cannot be found since it did not exist before the research process; it has to be constructed through the research process. This research process is a collective inquiry (Dewey, 1938; Knorr-Cetina, 1995). Other researchers participate in the research process, occasionally directly, through co-writing, conferences or reviewing, at least always indirectly through the articles read and referred to by the researcher. The working paper provides a common basis for the discussion of findings. In doing so, the epistemic object plays a twofold role:

1. It is a boundary object (Star and Griesemer, 1989): a mediating instrument which enables and constrains the sharing of knowledge across actors.
2. It is a research object: a mediating instrument which allows the transformation of practices, institutional logics and technical objects.

As the research process unfolds, the researcher transforms his/her epistemic object, practices, institutional logics and technical objects. For instance, he/she uses and interprets differently the articles and the data on which he/she relies. Practices, technical objects and institutional logics all depend on each other; they cannot be dissociated either from the epistemic object or from the collective inquiry. As the end approaches, the researcher is rarely fully satisfied with his/her working paper. He/she believes that much more work could have been done. Indeed, an epistemic object can be transformed indefinitely. However, the researcher decides to interrupt the transformation of his/her working paper to publish it. At this moment, the working paper stops being an epistemic object to become a technical object: an article. A technical object is an object sufficiently stabilized to be taken for granted; it embodies the knowledge available at a given moment in time. In turn, the article can be used by another researcher in his/her research process. Years later, one may even judge that this article needs to be (re)edited, which can imply significant changes regarding the original version. Therefore, a technical object can always become (once again) an epistemic object and vice versa. For the epistemic object to be transformed, technical objects must provide the researcher with the appropriate means to transform his epistemic object. As Rheinberger (1992) suggests:

Without a system of technically-granted identity conditions, the differential character of the scientific object remains meaningless; in other words, the particular piece of nature under inquiry does not exhibit the characteristics of a scientific object.

In other words, if the research process faces difficulties, part of the problem must originate from the technical objects.

The article argues that when actors transform their practices in response to institutional change, they face a situation similar to researchers who aim at generating new knowledge. They need to transform their practices, institutional logics and technical objects through an epistemic object. This theoretical model is used in the rest of the article to explore what explains practice variation when faced with institutional change. Nevertheless, regarding the interest of the article for the transformation of practices, the following sections will mainly focus on the ‘Transformation Stage’ of the model.

3. Delineating the Structure and Institutional Constituents

In a specific context, not all actors perceive institutional logics as their own. Therefore, a key point for institutional studies is to clarify the structure and constituents of the organizational field (Ezzamel and Robson, 2009). For this reason, this section aims to illuminate the nature and the form of the institutional change under study in the article.

3.1. The French Asset Management Sector

Unlike other countries, such as the United States and the United Kingdom, SRI in France has never followed an ethical approach. At the beginning of the 2000s, SRI appeared due to the desire of a few asset managers and former financial analysts to restore a long-term view in asset management. They claimed that the most socially responsible companies will be the most profitable in the long term. Hence, the purpose of SRI has always been twofold: to achieve better financial performance and to select the most socially responsible companies. Over the past few years, SRI has benefited from a growing interest among asset management companies. Notably, this interest was sparked by the demand for SRI from the two largest French public pension funds: the *FRR (Fonds de Réserve des Retraites)*⁴⁸ and the *ERAFP (Établissement de la Retraite Additionnelle de la Fonction Publique)*⁴⁹. In 2008, SRI equity funds represented 33% of the total assets of SRI funds, compared to 67% in fixed-income SRI funds. This proportion can be explained by the motivation of investors to invest in a more

⁴⁸ Pension Reserve Fund

⁴⁹ French Public Service Additional Pension Scheme

secure type of investment since the financial crisis. In 2009, there were 250 SRI funds, proposed by 69 asset management companies. This represented between 2 to 3% of assets under management in France.⁵⁰

Despite being small in terms of assets, SRI has triggered institutional change in the French asset management sector: an increasing number of conventional funds are now required by clients to integrate SRI criteria to achieve better financial performance. At the end of 2009, 90% of conventional funds in terms of assets were estimated to integrate at least one SRI criterion, compared to 61% at the end of 2008 and 3% at the end of 2007 (Novethic, 2010). This phenomenon is known as SRI Mainstreaming. This institutional change blurs the distinction between SRI and the mainstream. Since conventional funds and SRI funds adopt SRI criteria for financial reasons, the difference between the two becomes difficult to grasp. As a result, SRI Mainstreaming disrupts the practices of asset management companies: SRI funds must be distinguished from conventional funds while both types of funds must integrate SRI criteria and achieve good financial performance. Given that financial and SRI criteria may contradict each other, this transformation of funds is a difficult task. Moreover, until September 2009 and the appearance of the first public ‘SRI label’, no organization controlled the content of SRI funds.⁵¹ Hence, any asset management company could claim that its funds were SRI. Nevertheless, despite appearing similar, both types of funds differ on several points. Firstly, whereas conventional funds may use one or several SRI criteria, SRI funds usually draw upon hundreds of SRI criteria. Secondly, unlike conventional funds, SRI funds are usually held accountable on the SRI aspects of investment activity. Lastly, SRI funds are encouraged to exclude companies only for SRI reasons. This exclusion, known as ‘SRI selectivity’, is a key indicator for invitations to tender.

3.2. The Asset Management Company under Study

The company under study is a small French asset management company, referred to as SRI Invest,⁵² managing €2 billion. In 2007, despite being specialized in SRI since 1997, SRI Invest became a laggard. According to the consultants responsible for invitations to tender, its

⁵⁰ This number only concerns *OPCVM – Organismes de Placement Collectifs en Valeurs Mobilières* – (Organizations for Collective Investment in Transferable Securities) Source: www.novethic.fr

⁵¹ The first public ‘SRI label’ was provided in September 2009 by Novethic. Since it is provided by a private organization, this label is neither controlled by the French government nor by the French Securities Regulator (*Autorité des Marchés Financiers – AMF*).

⁵² SRI Invest is a pseudonym.

SRI funds were archaic. SRI selectivity was too weak, while the form and the use of SRI criteria were too simple. In addition, despite good financial performance, investment processes were not deemed sufficiently robust. When faced with this problem, the new CEO of SRI Invest – who arrived at the end of 2006 – decided during the summer of 2007 to (re)design the funds. For this purpose, he created two working groups gathering representatives of the three following Departments (cf. figure 3.2 for an organizational chart):

- Development: responsible for selling the funds.
- Asset Management: responsible for managing the funds.
- SRI: responsible for the SRI aspects of investment processes.

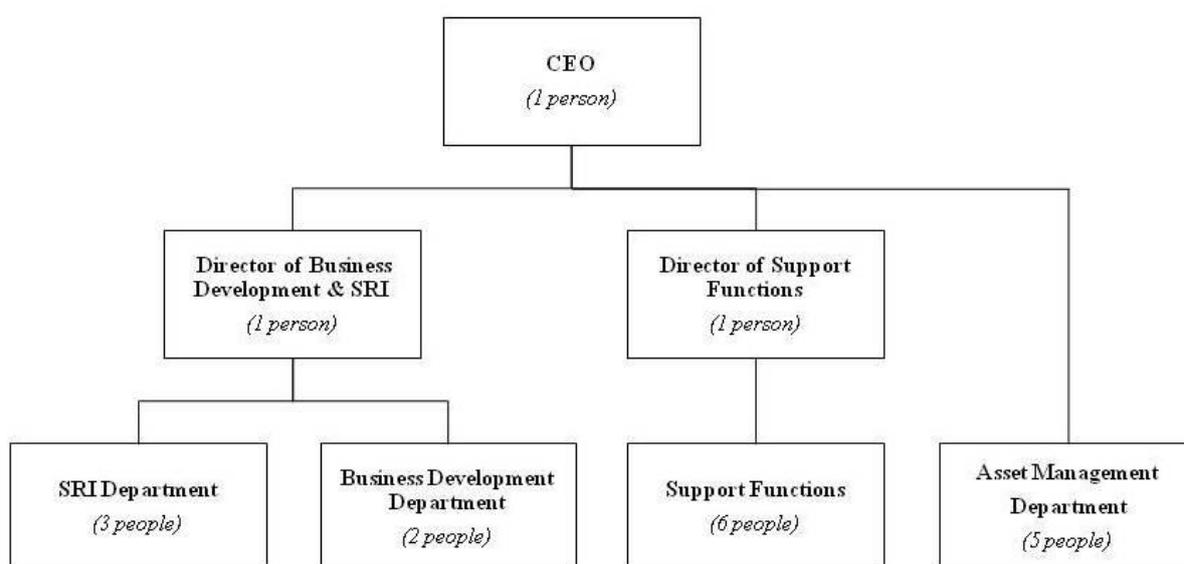


Figure 3.2: SRI Invest’s Organizational Chart

Each working group was composed of seven people and was responsible for the (re)design of one type of funds, namely: equity and fixed-income funds. Two representatives of the Development Department and three representatives of the SRI Department participated in both working groups. In contrast, there were four different people within the Asset Management Department: an equity asset manager and a quantitative analyst for the equity working group, a fixed-income asset manager and the CEO – also the head of the Asset Management Department – for the other group. As a small company, SRI Invest did not count buy-side financial analysts. The purpose of the two working groups was clear: to create new funds with good SRI selectivity and good financial performance, with a selection process

judged to be innovative and robust on both financial and SRI aspects. The process of (re)design lasted one year.

3.3. Institutional Logics at Stake within the Company

Five different institutional logics were present in the working groups (cf. Asset Management Company in figure 3.3).

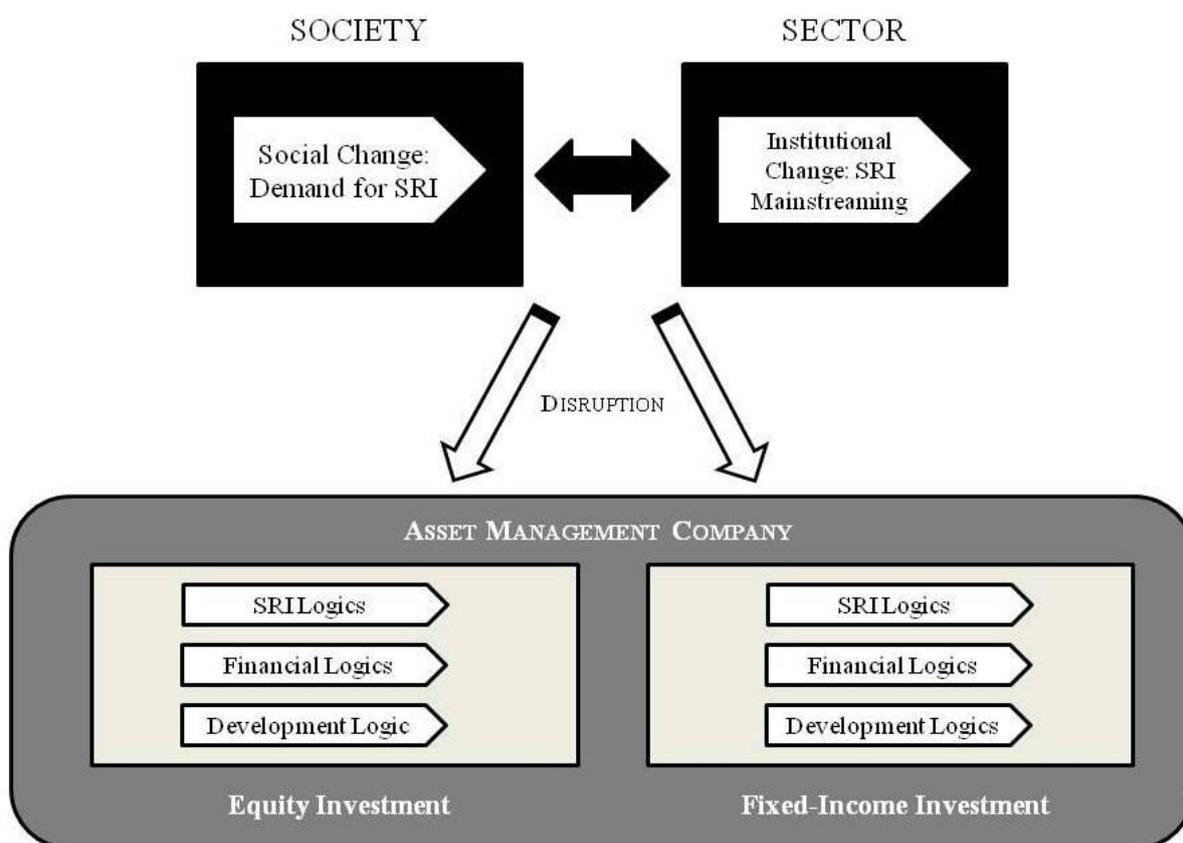


Figure 3.3: The Structure and Logics of Institutional Change at the Initial Stage

Firstly, each Department followed an institutional logic, which equaled its professional logics:

- SRI logics: favoring the most socially responsible companies.
- Financial logics: maintaining good financial performance.
- Development logics: meeting client demands.

Secondly, each type of investment conveyed its own institutional logics. This meant that within the Asset Management Department, the equity and the fixed-income asset managers had two different institutional logics despite belonging to the same profession. In addition, the

SRI analysts and project managers adapted their institutional logics to the characteristics of each type of investment. These differences can be summarized as follows:

- An equity asset manager buys shares in anticipation of the increase in their value on the stock market. When selecting a company in a fund, he/she thinks that the latter will succeed and make profits which will permit shareholder value to increase. Concerning risk, he/she has to invest in all sectors so that if one particular sector suffers, other sectors could compensate for the loss. Hence, he/she aims to select in each sector the two or three companies which appear to be the most promising financially speaking in the long-term. In total, between 40 and 50 companies are present in the fund. To make his decision, he/she mainly relies on his companies' knowledge and experience.
- A fixed-income asset manager lends money to a borrower for a certain period of time. During the financial crisis, this period was short (between three weeks and three months). The asset manager aims to select the issuers which offer the best interest rate and the best guarantees to reimburse the loan. Indeed, if a company goes bankrupt, the asset manager will lose all the money he/she has lent. These issuers can be either private companies or public institutions, such as countries or cities. Interest rates change over time, based on a variety of factors, most of them macro-economic ones, particularly rates set by the Federal Reserve. For example, if there are few people in the market with free cash to lend, the issuer will have to offer a higher rate of interest. Consequently, there is an inverse relationship between interest rates and bond prices. This means that:
 - As interest rates rise, bond prices tend to fall and the yield increases.
 - As interest rates fall, bond prices tend to rise, reducing the yield.

If interest rates rise and exceed the return of bonds, then bondholders are likely to sell their bonds in order to invest in cash for a better return. Bond prices will fall until they reach a level at which the yield becomes attractive again for investors. Therefore, a fixed-income asset manager relies as much on his experience and knowledge as on actuarial models. Given the importance of these financial models, fixed-income investment is said to be much more mathematically driven than equity investment. This leads practitioners to claim that fixed-income investment is more 'objective' and 'rational' than equity investment.

Therefore, each working group referred to a particular type of institutional logics (equity vs. fixed-income investment) and comprised three other institutional logics which related to

each Department (SRI, financial and development logics). Before summarizing the main stages of the (re)design, the following section describes the research methods.

4. Research Methods

4.1. Research Position

This case study is based on a three-year doctoral research project (2006-2009) conducted within the asset management company by the author. Following a pragmatist research method (Dewey, 1938), according to which the researcher actively constructs and transforms the reality he/she studies (Lorino, 2008), I participated in the process of (re)design as a member of the two working groups, as an SRI analyst. A pragmatist epistemology does not aim at describing from an external *objective* stance a social phenomenon, or at producing a ‘truth’ which accurately replicates reality (Guia et al., 2009; Lukka and Modell, 2009). Nor does it imply a *subjectivist* position referring to the interpretative archetype according to which reality is only a projection of human mind (Morgan and Smircich, 1980). Instead, pragmatism aims at co-producing accounts of situations which can be practically experimented (Guia et al., 2009). According to my pragmatist stance, the purpose of research was to co-construct knowledge about SRI that I could experience with SRI Invest members. For this purpose, I used a cooperative inquiry method (Heron and Reason, 1995; Heron, 1996), which consists of conducting research with people rather than on people (Schotter, 2006, 2009). This method is based on the concept of inquiry developed by pragmatists (Peirce, 1931; Dewey, 1938). Cooperative inquiry ‘involves two or more people researching a topic through their own experience of it, using a series of cycles in which they move between this experience and reflecting together on it’ (Heron, 1996). Notably, an inquiry is characterized by the following features:

- Experimental nature of knowledge: the inquiry is triggered by an ‘existential unease’. Usual practices no longer allow actors to overcome the obstacles of everyday life. The purpose of the inquiry is to create a plausible narrative account of the *disruptive-*ted** situation to generate two different outcomes: new practices and new concepts (Lorino et al., 2010). Both practices and theories are temporary and fallible: truth is always partial and can always be changed according to experience.

- Abduction: pragmatist research aims at ‘developing (“inventing”) theoretically informed explanations for new and often surprising, empirical observations’ (Lukka and Modell, 2009). For this purpose, it mobilizes an abductive mode of reasoning (Peirce, 1931) – comprising intuition, reasoning and experimentation (Lorino et al., 2010) – which consists of generating new hypotheses and stories that account for the situation in a plausible way. When using abduction, the researcher can be compared to a detective. As Czarniawska (1999) explains:

He collects observations of which he produces a conjecture, a hypothesis, and then experiments, which sometimes leads to the refutation of certain elements or the whole hypothesis, and finally presents the solution to the stupefied criminal [...] or other witnesses.

- Mediation: to investigate, actors carry, use and transform mediations, which can be speech, discourses, texts or figures. Thus, the inquiry is both *mediated* and *mediating* (Lorino et al., 2010); it embodies a problem in speech and instruments and transforms the speech and instruments as it transforms the embodied knowledge.
- Community of actors: the inquiry concerns a group of actors who need the inquiry to come up with an agreement to be able to maintain their collective activity. However, the community of actors is neither holistic nor monolithic. The inquiry is a collective process made up of permanent exchanges between actors, whose differences inject some dynamism into the inquiry. For this purpose, the inquiry participants need to share and negotiate their understandings of the situations along time (Schotter, 2009).

4.2. Research Process

To meet the four demands of pragmatism – experimental nature of knowledge, abduction, mediation and community of actors – I participated in the working groups both as a researcher and as a practitioner. When the working groups were launched, I had been working as an SRI analyst for one year. According to the typology of memberships of Adler and Adler (1987), I held the position of a complete member, which meant that I was ‘fully immersed in the

research setting⁷. I could understand the beliefs, values and goals of SRI Invest members. To support my inquiry, I used different data collection methods:

- Diary and narratives: to mediate my research process, I needed an epistemic object (cf. section 2.3.) which helped me to continuously analyze what I experienced as a practitioner, with a research stance. To favor this reflection, I wrote a diary on a daily basis where I described the main events of each day spent at SRI Invest and commented on them.⁵³ I also wrote narratives which described what happened at SRI Invest during the (re)design. These narratives offered a common basis for exchange with my supervisors on what happened in both working groups. Lastly, I wrote working papers which I submitted both to SRI Invest members and researchers to obtain their critical feedback.
- Dialogues: during the process of (re)design, I constantly discussed with SRI Invest members about what happened in the working groups and logged the content of these discussions in my diary. Nine months after the end of the (re)design, I conducted semi-structured interviews with all the working group members. The eight interviews lasted between one and two hours and were recorded and transcribed verbatim. For each stage of the (re)design, I asked interviewees to explain to me in a retrospective way what they experienced during the (re)design, what they understood of the situation, how the (re)design concretely occurred, why they acted in the way they did and if they thought it was a good choice. Lastly, I regularly submitted my findings to other researchers to share my understanding of the situation. Among them, my supervisors carefully followed my research, notably by regularly meeting up with the CEO of SRI Invest.
- Documentary evidence: I analyzed documents – such as process presentations to clients, e-mails and minutes of the meetings – which provided useful ‘traces’ of what happened.
- Theory: to support the theoretical account of empirical findings, during the research process I conducted a wide-ranging literature review about institutional change and the micro-dynamics of change.

As in any research, knowledge was being generated as the research process unfolded (cf. section 2.3.). This occurred through four main stages:

⁵³ This represented hundreds of pages of notes.

1. RE-DESIGNING THE PROCESSES (AUGUST 2007-JULY 2008): this period was principally committed to empirical work conducted as an SRI analyst. At the end of this year, I had narratives which precisely described what happened in each working group. I was able to analyze the situation in terms of institutional change but not capable of explaining why both working groups had differed.
2. STANDING BACK FROM THE FIELD (AUGUST 2008-JANUARY 2009): during these six months, I left France and committed myself to research. This period allowed me to confront my data analysis with the literature and other researchers. At the end of this period, I had different hypotheses about how to explain the differences between working groups.
3. VALIDATING BY EXPERIENCE (FEBRUARY 2009-MAY 2009): I spent a further four months as an SRI analyst at SRI Invest. During this period, I discussed my hypotheses with the working groups members – notably, through semi-structured interviews –, to collectively agree on the theoretical account of findings. However, not all members wanted to participate in the research process. In particular, I found it difficult to dialogue with the fixed-income asset manager. I needed an ally to understand what this key actor of the (re)design ‘really’ thought. Luckily, a new fixed-income asset manager was hired during my six-month stay abroad. As we were sharing the same office, she allowed me to gain a better understanding of the institutional logics of fixed-income investment.
4. WRITING THE STORY (JULY 2009-DECEMBER 2009): I left SRI Invest to write the case study and contrast my findings with the literature. During this period, I carefully studied the interviews by analyzing the reasons put forward by actors to explain the differences between the working groups. During the writing process, I continued to submit my working papers to SRI Invest members to guarantee the collective agreement about the research findings. I considered that my theoretical account of findings was relevant when both SRI Invest members and my supervisors agreed with my analysis.

This analysis has generated a theoretical model of institutional change presented in the theoretical section of this article. Interestingly, these open discussions conducted for academic purposes also helped the representatives of the SRI and Asset Management Departments to understand each other. This, in turn, encouraged SRI analysts to collaborate with fixed-income asset managers on new SRI criteria. In the next section, an overview of the process of

(re)design in each working group is provided. The following sections will comment and explain in further detail the practices at stake in the (re)design.

5. The Case Study

5.1. What is an SRI Fund?

Before describing the process of (re)design, more information is needed about what constitutes an SRI fund. A fund is an entity which collects the money of different investors (institutional or individual) in order to invest it in transferable securities (shares, bonds, et cetera). Hence, ‘selling a fund’ means receiving money from an investor for a specific fund. Every fund must receive clearance from the *AMF (Autorité des Marchés Financiers)*⁵⁴. To receive this, funds must comply with several financial and risk ratios, known as the ‘fund’s profile’, and release this information. Each fund is under the responsibility of an asset manager who decides where and when to invest money according to the fund’s ‘investment policy’ (cf. below). An asset manager is assessed on a weekly basis on the financial performance of his/her fund, regarding his/her benchmark (i.e. the reference index to which the fund compares) and peers’ performance (i.e. ranking).

When deciding to invest money in a fund, an investor is interested in several criteria, summarized as follows:

- Assets under management in the fund: for example, an institutional investor who wants to invest €40 million will exclude any fund whose assets are less than €400 million so as not to represent more than 10% of the fund’s assets (for risk consideration).
- Fund’s financial performance and its associated ‘tracking-error’: this measure reports the difference between the fund’s return and that of the benchmark the fund tries to imitate (i.e. a reference index such as the DJ Euro Stoxx 50). Investors will be more likely to invest in funds with a long tracking-error (minimum three-five years) to be sure that the fund ‘behaves’ well when stocks both rise and fall.

⁵⁴ French Securities Regulator

- Administrative costs and services: an asset management company usually receives fees, which represent a few percent of the assets under management. Investors aim to select the asset management company with the lowest administrative costs and the best associated services, such as the possibility to follow a fund's daily performance.
- Investment policy: when an investor has decided to invest in a specific type of fund – for example, an equity fund with a low risk profile which invests among the DJ Euro Stoxx 300 – and has selected a range of funds with comparable financial and administrative costs and services, it will analyze the fund's investment policy. This is the so-called investment process. An investment process describes how companies are selected for the portfolio; a portfolio refers to the composition of the fund in terms of companies. This selection follows different stages: 1) a financial analysis and, occasionally, an SRI analysis; 2) the definition of an 'investment universe' which comprises all the companies among the reference index which passed the financial (and SRI) analysis and 3) the asset manager's selection of companies among this investment universe. In other words, an investment process must describe how Departments work together: their collective activity. An investment process combines 1) actors' usual practices and 2) the physical representation of these practices, which can take the form of a diagram, texts, and so on (cf. figure 3.5 for example). An investment process is deemed good by clients when it demonstrates that the process of selection is robust (i.e. the criteria in-use must be perceived as 'secure' and 'scientific' to maintain good financial performance) and innovative (i.e. a good process benefits from knowledge that other companies do not possess; which should result in better financial performance). As a process is something that is difficult to grasp, asset management companies usually schematize their investment process using PowerPoint presentations and comment on them.

Like all funds, an SRI fund follows the same selection process as the one described previously. Additionally, the investment process of an SRI fund must demonstrate how and why SRI criteria are added to financial criteria. Most SRI criteria are selected according to their potential impact on companies' business. For example, CO₂ emissions are assessed to be more important in industrial sectors than in financial ones. As for financial analysis, SRI criteria are based on a sector approach – known as best-in-class – which involves selecting the most socially responsible companies in each sector. More often than not, the integration of

SRI criteria in portfolio selection follows a three-stage approach: firstly, a companies' ranking is obtained by compiling 'SRI grades', provided by social rating agencies. These grades usually concern four aspects: environment, social, governance and society (i.e. the role of the company in society). Secondly, based on this ranking and their knowledge and experience, SRI analysts conduct further analysis. Lastly, SRI analysts provide asset managers with an SRI ranking for each sector. In the following section, the different stages through which each working group (re)designed its investment processes are described.

5.2. Equity Investment Working Group

The first working group meeting took place in September 2007, under the responsibility of the Director of Development & SRI. The investment process used had not changed for ten years and, given the development of SRI over the past few years, was deemed archaic by consultants. It consisted of a three-stage process: 1) grades provided by two social rating agencies were compiled to provide an SRI ranking of 50 companies; 2) SRI analysts conducted further analysis on a few of these companies, which had almost no impact on the SRI ranking; 3) asset managers selected companies for the portfolios so that the fund's SRI grade (obtained by adding each company's grade) was above average. Regarding the small number of companies, these SRI constraints forced asset managers to invest in very few companies. When asking SRI analysts and asset managers about the financial and SRI profiles of companies, they were knowledgeable, although, there was no written trace of this knowledge. Furthermore, SRI analysts and asset managers were frustrated. According to them, their personal advice was often ignored when investing. They aimed at taking advantage of this (re)design to structurally transform their activity.

The representatives of the Development Department – who arrived a few months before – were convinced that the criticisms of consultants regarding SRI funds were down to miscommunication only. As a result, they asked the Asset Management and SRI Departments to give more evidence of their work by providing written assessments for 300 companies. This assessment had to summarize in one page the SRI grades obtained by compiling hundreds of SRI and financial criteria and SRI analysts and asset manager's personal advice. The two Departments protested against this request which they judged unrealistic. For them, the problem was not miscommunication, but company selection. Working group meetings were heated and the Director of Development & SRI interpreted the reluctance of SRI analysts and asset managers as a refusal to work. SRI analysts and asset managers believed

that the Director did not understand what SRI was. Nevertheless, despite disagreeing, the working group tried over a period of several weeks to design PowerPoint presentations which could describe in detail the various stages of the investment process. They also worked on the content of the one page assessment. As they were designing this, the working group faced a number of problems regarding the company selection process itself. New questions emerged: which SRI criteria have to be selected in each sector? What balance between SRI and financial criteria has to be chosen? And so on. These questions made them realize that they could not work only on the investment process presentations; they also had to (re)design their investment activity.

During October 2007, three actors from each Department began to discuss these questions in an informal way. They decided to seek a solution together and to take the lead of the working group. They carefully studied what competitors were doing and compared this benchmark with the funds of SRI Invest. Limits were clear: the asset manager lacked freedom when selecting companies and SRI criteria were too simple. Moreover, no company was excluded merely for SRI reasons. Yet, this criterion – known as SRI selectivity – was deemed to be very important by clients. From then on, the purpose of the working group was twofold: 1) to give more freedom to the asset manager when selecting companies by lessening the SRI constraint; 2) to increase the SRI selectivity of funds. As they were working on the SRI and financial profile of companies, SRI analysts and the asset manager realized that many companies deemed to be financially solid were considered SRI laggards and vice versa. Therefore, the main challenge was to obtain a high SRI selectivity without endangering financial performance. At each meeting, the three Departments came up with new ideas and submitted them to the other two. Reacting to these ideas, the Departments worked together on the proposals so that they could meet the requirements of each Department. Gradually, a new way of selecting companies appeared. Meanwhile, the working group compared to that of its competitors. Between meetings, the Development Department changed the PowerPoint presentations according to the new proposals and submitted them to clients and consultants to obtain their feedback.

As they were (re)designing the process, the working group better understood the demands of clients: as SRI Mainstreaming expanded, SRI was perceived as a means to provide better financial performance. Throughout, SRI analysts and asset managers worked on new SRI criteria judged to impact business. Hence, they lowered SRI criteria they deemed less important for the long-term survival of companies, such as charity. They particularly studied companies with a contradictory financial and SRI profile. They aimed to find out whether SRI

criteria gave information that the market did not integrate or whether SRI criteria were meaningless in terms of business. For this purpose, they developed a data-base of social rating agency grades and translated their financial and SRI personal knowledge of companies into grades. This allowed them to test the relationship between SRI and financial performance using an econometric approach. Throughout, they developed a ‘decision matrix’ method which compared the SRI and financial ranking of each company (cf. figure 3.4).

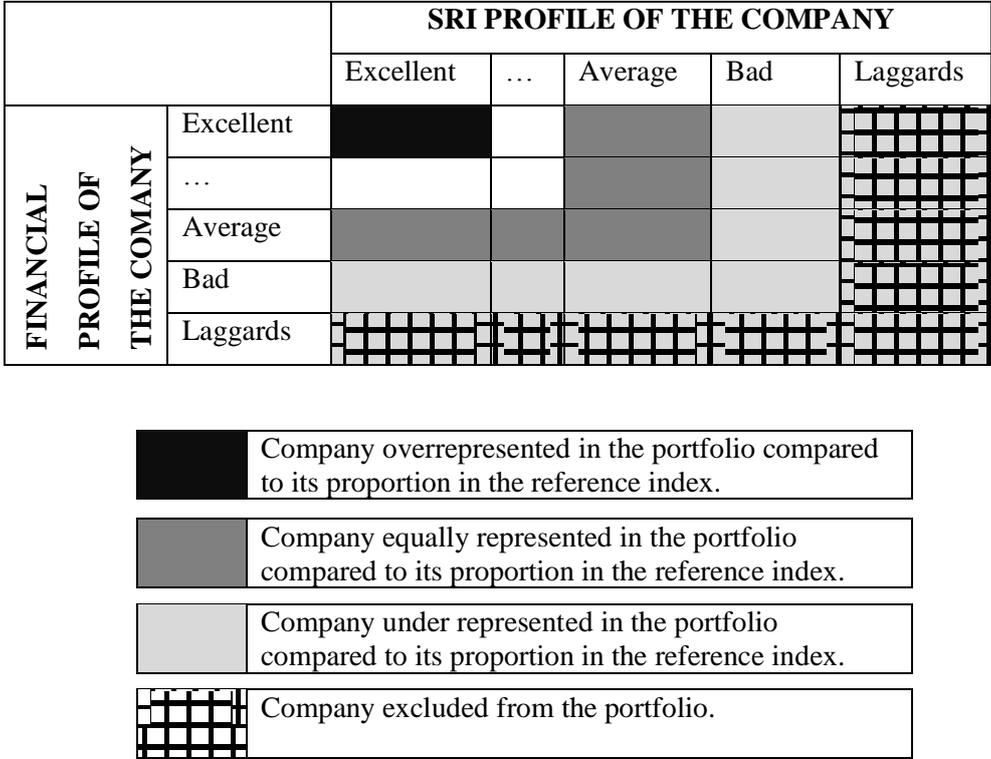


Figure 3.4: Decision Matrix⁵⁵

They replaced the former SRI grade of the portfolio with this matrix to favor companies with the best SRI and financial profile. Companies considered as laggards, both in terms of finance and SRI would be excluded from the portfolio. Other companies would be over, equally or underrepresented in portfolios compared to their proportion in the reference index, depending on their position in the matrix. In January 2008, a new investment process had been (re)designed ‘on paper’ (cf. figure 3.5). SRI selectivity was expected to be 50%. As SRI criteria had been (re)framed in terms of business, this new process was deemed to meet both SRI and financial demands.

⁵⁵ Source: SRI Invest

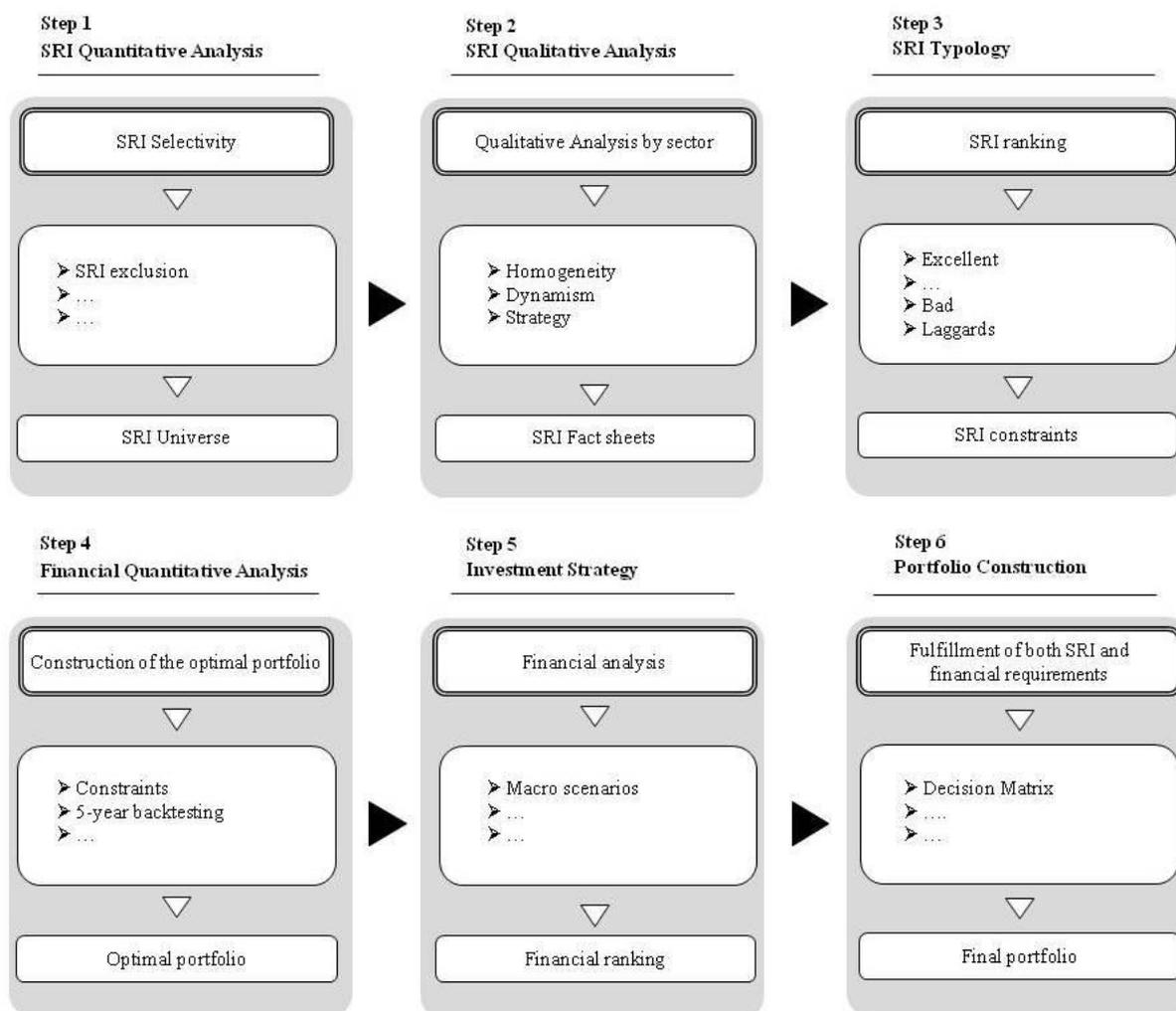


Figure 3.5: Equity Investment Process⁵⁶

Nevertheless, before implementing the new investment process in practice, SRI Invest needed first to receive clearance from the *AMF*. It also needed to test the investment process on ‘fictitious’ portfolios – what the tracking-error would be. Over a four month period, the working group continued to meet on a weekly basis to discuss the results of these tests. Meanwhile, all staff behaved as if the new investment process was already in place. SRI analysts and asset managers discussed companies with their new criteria and matrix. In May 2008, clearance was received and tests were deemed to be successful. The asset manager began to implement the new investment process. However, only a few weeks after the

⁵⁶ Source: SRI Invest

implementation, difficulties appeared regarding SRI selectivity. Too many companies with a good financial profile were excluded for SRI reasons; endangering financial performance. Consequently, SRI analysts and the asset manager decided to lower the number of companies excluded for SRI reasons (i.e. companies belonging to the category ‘laggards’) to 40%, then 25%. In July 2008, the working group officially ended and the new investment process appeared to work in practice.

5.3. Fixed-Income Investment Working Group

SRI Invest was less experienced in SRI fixed-income investment than in equity investment. The selection of companies and public issuers followed a three-stage process: 1) an SRI ranking was obtained through compiling SRI grades provided by two social rating agencies: one SRI ranking for OECD countries (public issuers) and one SRI ranking for companies belonging to the DJ Eurostoxx 600 (i.e. 600 companies), 2) asset managers selected issuers according to their financial criteria and 3) SRI analysts controlled that the SRI grade of the portfolio was above average. Since asset managers could also invest in companies which did not belong to the index (i.e. DJ Eurostoxx 600), SRI analysts could not assess all companies present in the portfolio. During the first working group meeting, each Department submitted its ideas to the other two: 1) the Development Department acknowledged its lack of ideas; it had already studied what competitors were doing and no one seemed to have a different investment process. However, it urged the other two Departments to find a solution to meet the increasing demands of clients for this type of funds. 2) The SRI Department also acknowledged its lack of experience in fixed-income investment. Nevertheless, it wanted to (re)design the whole investment process to obtain high SRI selectivity. 3) The asset manager protested against this idea. According to him, strengthening SRI criteria would jeopardize the financial performance of funds and he suggested refining the investment process presentation. Instead, SRI analysts should maintain the control of the SRI grade of funds but should not intervene in the selection process as such.

For weeks, the working group did not agree on what had to be done. At the end of October, an SRI analyst and a project manager decided to work in an informal way on a new investment process. For them, the SRI grade did not influence the investment process. They asked the asset manager to change his way of selecting issuers according to SRI grades. In line with his previous arguments, the asset manager explained that this request was unrealistic. When asking for further explanations, the asset manager answered that fixed-

income investment was much more complicated than equity investment. According to him, SRI analysts could not understand why SRI criteria endangered financial performance because of their lack of financial background. The SRI analyst and the project manager had the impression that the asset manager treated them with contempt. In November 2007, the working group faced a deadlock and the asset manager refused to participate in further meetings.

Encouraged by the demands of clients, the SRI analyst and the project manager kept working on the investment process. They aimed at increasing SRI selectivity. After a few weeks, they came up with ideas about new SRI criteria but could not test them in practice. They realized that they were not aware of the asset manager's selection process. Once again, they analyzed what competitors were doing and the demands of clients, but the whole sector seemed to be in the same situation: nobody really knew what SRI should consist of for fixed-income investment. Discouraged, they gave up the research.

At the beginning of January 2008, SRI Invest was in a predicament. Its survival was threatened by the financial crisis. The SRI equity funds had lost almost half of their assets; which meant a decrease of 50% in the company's revenues. Therefore, it was urgent to (re)design fixed-income SRI funds. For this purpose, the CEO decided to (re)launch the working group. He organized a brainstorming session during which all actors had to propose any idea, even the most extreme. The SRI analyst and the project manager suggested several elements: 1) to change the SRI ranking in-use for companies according to what has been done in equity investment; the SRI ranking would mainly rely on the SRI grades provided by social rating agencies but the compilation of these grades would follow the new process developed in equity investment (i.e. SRI criteria would be selected according to their business impact), 2) to add new SRI criteria in the SRI ranking used for countries and to reframe it with a sector approach, to wit: developed countries versus less developed countries, 3) to force asset managers to invest at least 70% of funds' assets in companies assessed by SRI analysts and 4) to exclude all issuers ranked as 'SRI laggards'. The asset manager agreed with the first three propositions but was clearly opposed to the latter; this exclusion would endanger financial performance. SRI analysts openly complained about the way the (re)design occurred; financial performance was clearly favored at the expense of SRI selectivity. A significant tension appeared. The CEO did not want to endanger financial performance and asked SRI analysts to find a solution. He adjourned the meeting and planned another one three days later.

At the next meeting, one SRI analyst came up with a solution inspired by the prudent-mean rules developed in the 19th century to limit the power of large shareholders in US corporations. It consisted of limiting issuers in terms of proportion of assets according to their position within the SRI ranking (cf. figure 3.6). Issuers with the best SRI grades (i.e. referred to as category M1) had to represent at least X% of the portfolio’s assets while the proportion of other issuers is limited. For instance, issuers belonging to the category Q1 had to represent not more than Y%. This was a means to favor issuers with the best SRI profile without excluding issuers with a bad SRI profile. The working group discussed the proportions, but everybody agreed on the process. In February 2008, a new process had been (re)designed on paper. The asset manager would implement it during the following month.

Companies	Developed countries	Less developed countries	% in the portfolio
M1	M1	M1	> X
Q1	Q1	Q1	< Y
Q2	Q2	Q2	< Z
Q3	Q3	Q3	< D
Q4	Q4	Q4	< E

Figure 3.6: Fixed-Income Funds’ SRI Constraint⁵⁷

In May 2008, the SRI and the Development Department began to doubt the ‘real’ influence of the SRI constraint. They voiced their concerns to the asset manager, who replied that he had significantly changed how he selected the issuers out of respect for the SRI constraint. The SRI and Development Departments were not particularly convinced; the funds had hardly changed. Two months later, an informal discussion confirmed their impression: the asset manager acknowledged the futility of SRI criteria in his investment activity. In his opinion, SRI was still meaningless for fixed-income investment, merely a formality to respect. To be useful, SRI criteria should resemble financial criteria and help him to identify

⁵⁷ Source: SRI Invest

those companies more likely to go bankrupt. SRI analysts responded that they were not capable of doing this, since they did not have SRI criteria for this purpose.

6. Transforming the Investment Processes into Epistemic Objects

6.1. The Need for an Epistemic Object

At the initial stage, the two working groups face a similar situation. They must (re)design their SRI funds, in response to SRI Mainstreaming. For this purpose, two collective inquiries are launched: a working group responsible for the (re)design of equity funds and a working group responsible for the fixed-income funds. Three Departments participate in this inquiry, each one with its own institutional logics (cf. section 3.3). To mediate this (re)design process, working groups use the representation of investment processes as epistemic objects (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). At the beginning of the transformation stage, most actors believe that (re)designing the representation of investment processes will be sufficient. In other words, they do not perceive it necessary to (re)design also their collective activity. However, they rapidly realize that they cannot transform their epistemic object without transforming their collective activity. Indeed, through transforming their epistemic object, the working groups transform their practices, their technical objects and their institutional logics. The four of them cannot be disassociated and depend on each other (cf. section 2.3.). For instance, even before implementing the new investment process, SRI analysts and asset managers have changed their collective activity: they discuss companies using their new criteria and matrix. As a research object, the investment process provides actors with a mediating instrument to transform their collective activity. The investment process also plays the role of a boundary object (Star and Griesemer, 1989). Notably, it provides actors with a common basis to discuss the competing institutional logics at stake within the inquiry. This role is particularly clear when (re)designing PowerPoint presentations of investment processes (cf. figure 3.5). By organizing the different stages of the investment process, the working groups aim to offer a coherent account of their collective activity. The PowerPoint presentations enable actors to better understand each other's practices, technical objects and institutional logics.

An important moment refers to the transformation of the epistemic object into a technical object. This transformation occurs when 1) the investment processes are implemented in practice (i.e. in March 2008 for the fixed-income working group and in May 2008 for the

equity working group) and 2) this implementation is stable enough to be taken for granted; in other words, when the new collective activity which results from this implementation is considered as the usual one. This occurs very soon after March 2008 in the fixed-income working group whereas the equity working group needs two more months to adapt SRI selectivity. The end comes when the working groups – and more particularly the CEO – have judged that their epistemic object has been sufficiently transformed, as the following discussion with the CEO illustrates:

AUTHOR: Something happened after several months, didn't it? Nothing changed for a while and then you finally found a solution. So, in reality, the end came about quickly?

CEO: Yes. [...] There comes a moment when you have to stop looking for something else, since it's no longer useful – you don't find anything further... It's a bit like doing research. But I don't have to tell you that, do I? There comes a moment when you have something that you shouldn't try to improve. You must go with it and then... carry on.

In other words, even if the working group is not fully satisfied with the transformation of the investment processes, SRI Invest needs to return to stability. Indeed, it is essential for SRI Invest to utilize steady investment processes. On the one hand, the stability of institutional logics enables actors to work and understand each other (Berger and Luckmann, 1966). On the other hand, an investment process should not evolve too much since its value depends on its tracking-error (i.e. practical experimentation). This end is synonymous of frustration for certain actors since they would have liked to continue the research process. This frustration is particularly strong in the fixed-income working group where actors feel that much more could have been done:

AUTHOR: So, in your opinion, there have been difficulties within the fixed-income group? What are the reasons?

SRI ANALYST: Yes. [...] I'm sure that if we'd worked together more, if we'd discussed our jobs more – how a fund works, the risks, and so on – we'd have perhaps found something more relevant. I mean at this point... That doesn't mean that we've given up forever, though.

According to the SRI analyst, the working group responsible for the (re)design of the fixed-income funds would have ‘perhaps found something more relevant’; which means that he perceives the transformation of the fixed-income investment process as not fully relevant. Along the same lines, the fixed-income asset manager acknowledges that more work could have been done:

AUTHOR: Would you like to go further? Or are you happy with it [the existing investment process]?

FIXED-INCOME ASSET MANAGER: To be honest, I’d like to do more. Objectively, the problem is that it should be done with SRI. Yet, the very few times I asked them, they told me that they didn’t have time... [...] There’s no point in doing this alone, I absolutely don’t have the time. And to my mind, SRI analysts are here to try to help asset managers, and not the other way round.

Instead, actors in the working group responsible for the equity funds feel that they have done their best, as the equity asset manager explains:

AUTHOR: Would you say that it [the process (re)design] has been a success?

EQUITY ASSET MANAGER: It’s a bit early to say so, but if we consider how inexperienced the team was and the challenge involved, which I find, was no mean feat, and if I take the short track-record we have today, then yes, we’ve succeeded. [...] We worked very hard on this process. Really, we did our best.

Therefore, SRI analysts think that the transformation of the equity investment process has been more successful and relevant than in fixed-income investment. Moreover, the working group responsible for the fixed-income funds feels that the investment process has not been transformed in an appropriate way. To explain such sentiments, the rest of the article will analyze the differences between both inquiries.

6.2. Comparing the Inquiries

6.2.1. Following the Transformation of Institutional Logics

This section gives an overview of how the institutional logics of each Department and the perception of SRI Mainstreaming by the working groups have changed over the three stages (cf. table 3.1):

EQUITY INVESTMENT				
	Institutional Change ‘SRI Mainstreaming’	SRI Logics	Financial Logics	Development Logics
Initial Stage	Selecting the most socially responsible issuers maintaining good financial performance	Favoring the most socially responsible issuers	Maintaining good financial performance	Meeting clients’ demands
Transformation Stage	SRI appears to be a means to select the most promising issuers, financially speaking	Selecting issuers whose business should benefit from SRI	Using SRI as a means to enrich asset management	Preparing the future
Final Stage	SRI Mainstreaming expands and enriches previous equity’s institutional logics	Enriching financial analysis thanks to a non-financial approach	Working with SRI to meet SRI Mainstreaming which should be financially profitable in the long term	Arguing for SRI Mainstreaming

FIXED-INCOME INVESTMENT				
	Institutional Change ‘SRI Mainstreaming’	SRI Logics	Financial Logics	Development Logics
Initial Stage	Selecting the most socially responsible issuers maintaining good financial performance	Favoring the most socially responsible issuers	Maintaining good financial performance	Meeting clients’ demands
Transformation Stage	SRI appears to be incompatible with fixed-income’s institutional logics	Integrating SRI criteria without endangering financial performance	Lowering SRI constraints which threaten financial performance	Selling funds
Final Stage	SRI Mainstreaming cannot be integrated in fixed-income’s institutional logics	Controlling the respect of SRI criteria	Being forced to manage with SRI constraints	Triggering change among clients’ logics

Table 3.1: Institutional Logics at Each Stage

At the initial stage, both working groups are similar, SRI Mainstreaming is not well perceived. Institutional change takes the form of the client demands: SRI criteria and financial performance. However, no assumption is made about the relationship between financial performance and SRI criteria. The SRI Department aims to select the most socially responsible issuers; the Asset Management Department wants to maintain good financial performance while the Development Department aims at meeting the demands of clients by providing innovative funds.

Both working groups differ during the transformation stage. On the one hand, SRI analysts and the equity asset manager converge on the idea that SRI may be a means to select the most promising companies in the long-term, financially speaking. This change refers to what SRI Mainstreaming conveys. On the other hand, SRI analysts aim at forcing the fixed-income asset manager to integrate SRI criteria without endangering financial performance. Contrary to the equity working group, SRI analysts and the fixed-income asset manager perceive SRI and financial performance as contradictory.

At the final stage, two situations have appeared. In the equity working group, SRI and financial logics have melded; SRI is deemed to enrich investment activity and SRI Mainstreaming has been integrated by actors into their institutional logics. Instead, the fixed-income working group has achieved a divergence between SRI and financial logics: SRI is

not judged to be helpful for the investment process. In other words, SRI Mainstreaming contradicts the institutional logics of fixed-income investment.

6.2.2. SRI Impact on Investment Activity

On which aspects have the inquiries differed? Answering this question requires remembering what the original request of clients was: they wanted an integration of SRI criteria into the selection process to achieve better financial performance. Yet, at the final stage, both funds integrate SRI criteria: equity funds through a matrix decision process (cf. figure 3.4); fixed-income funds through an SRI constraint (cf. figure 3.6). Therefore, both inquiries appear to have transformed their epistemic object in response to client demands. So, what explains the sentiment of frustration among the fixed-income working group members? I asked the CEO about the differences between the two working groups to shed light on this question:

AUTHOR: What was the role of each actor in the working groups?

CEO: [...] For the SRI criteria to be deeply integrated into the selection process [of equity investment], and this, since the very moments companies were selected, the asset manager had to validate the investment process which was proposed in the working group. He had to accept it, to be fully committed to the (re)design, to tell if this would impact his tracking-error, et cetera. [...]

AUTHOR: And what about the fixed-income working group?

CEO: In the fixed-income working group, I would say that it was somewhat the opposite. It was the asset manager who won but I wanted it because I didn't believe that such an integration of SRI could be obtained in fixed-income. [...] Honestly, I don't see what else SRI could play in fixed-income but a marginal or minority role.

According to the CEO, SRI criteria in fixed-income funds impact investment activity to a small extent: they play 'a marginal or minority role'. This analysis is confirmed by the doubts of SRI analysts and project manager about the 'real' impact of SRI on the fixed-income asset manager's practices (cf. section 5.3). In contrast, in equity investment, SRI criteria have been 'deeply integrated into the selection process'. Hence, differences could be explained by the impact of SRI criteria on investment activity: SRI criteria would be more integrated in equity

than in fixed-income investment. However, this sentiment is misleading. Since they are different, funds cannot be compared on this point once SRI criteria impact both investment processes. Yet, the fixed-income asset manager is limited when investing. For instance, he cannot ‘bet’ (i.e. investing 10% of the fund’s assets) on a company, should this company be considered a laggard in terms of SRI. Yet, this situation did occur a few times and occasionally revealed itself costly in terms of financial performance. Therefore, differences between both inquiries cannot be described in terms of SRI impact.

6.2.3. Inquiry Winners

According to the CEO, there was another difference between both working groups: when (re)designing the funds, the equity asset manager ‘was fully committed to the (re)design’ whereas the fixed-income asset manager did ‘somewhat the opposite’ and ‘won’. What happens in the working groups confirms this assertion: the fixed-income asset manager clearly resists the (re)design process as his departure from the working group in November 2007 illustrates. However, when the CEO decides to (re)launch the working group because of the financial crisis, the asset manager has no choice but to change his investment activity. Then, has the fixed-income asset manager really won? As for the impact of SRI criteria on investment activity, it is difficult to argue in favor of this sentiment. Obviously, SRI analysts in the fixed-income working group are forced to adapt to protect financial performance. For example, they cannot exclude SRI laggards. However, despite appearing more consensual, this adaptation also occurs in the equity working group: SRI selectivity is lowered from 50% to 40% and 25%. Hence, in both working groups, SRI analysts have to adapt to the asset manager and vice versa. A compromise between all actors is inevitable in both groups for the inquiry to end. Therefore, the two inquiries cannot be differentiated in terms of winners.

6.2.4. The Meaning of Institutional Change in Practice

Since the main difference seems to concern the role of asset managers in the (re)design and the impact of SRI criteria on investment activity, one answer should be found by interviewing the asset managers about the impacts of SRI criteria on their practices:

Discussion with the equity asset manager:

AUTHOR: Has the integration of SRI changed the way you invest?

EQUITY ASSET MANAGER: Yes. It has made it more interesting, more elaborate and it brings alive the investment activity. [...] It's surprising sometimes to see some companies with a very good financial profile and a very bad SRI profile. When you read financial analyses, it's written that they are excellent. And when you listen to SRI analysts, they describe things inside companies which don't work. So I wonder how these companies can succeed at the end of the day. How can they make up for bad working conditions, for example?

Discussion with the fixed-income asset manager:

AUTHOR: What does SRI mean for you?

FIXED-INCOME ASSET MANAGER: It's a constraint you have to respect when investing, like any constraint.

AUTHOR: When there's a constraint, is it difficult to manage?

FIXED-INCOME ASSET MANAGER: It's always difficult to manage a constraint.

AUTHOR: Is it because it's an SRI constraint?

FIXED-INCOME ASSET MANAGER: No, no. It's not linked to the fact that it's an SRI constraint.

The difference of interpretation of the role of SRI in investment activity between the two asset managers is impressive. Whereas the equity asset manager believes that SRI has made his investment activity 'more interesting' and 'more elaborate', the fixed-income asset manager perceives SRI as a constraint 'like any constraint'. In other words, the equity asset manager believes that SRI has enriched his investment activity by expanding his knowledge of companies. He considers SRI criteria when selecting companies since he feels that they complement his financial analysis by providing new information. In contrast, the fixed-income asset manager describes SRI in terms of constraint; he does not relate SRI to his selection process. Even more interesting, he does not believe that the fact that this constraint concerns SRI makes a difference. In other words, the content itself of the SRI constraint does not influence his investment activity; it is a constraint 'like any constraint'. This means that,

contrary to the equity asset manager, SRI does not represent anything in terms of financial logics for the fixed-income asset manager. Contrary to what SRI Mainstreaming conveys, the fixed-income asset manager does not consider that SRI is a key element of a successful investment strategy. The CEO himself shares this analysis: ‘I didn’t believe that such an integration of SRI could be obtained in fixed-income.’ Therefore, while SRI appears relevant for equity investment in terms of financial logics, it is perceived as meaningless for fixed-income investment. The CEO explains:

AUTHOR: What does SRI bring to investment activity?

CEO: We come back here to the fundamental problem. In equity, everybody can understand that SRI is a positive thing for investment activity; it’s intrinsically linked to the management of companies. [...] But, to all the fixed-income asset managers in Paris, almost all the fixed-income asset managers in the world, integrating SRI into investment activity means nothing.

Hence, the fundamental difference between the two inquiries results from the fact that the transformation of the epistemic object in fixed-income investment ‘means nothing’ in practice. Whereas the transformation of the equity funds into an epistemic object has enabled the generation of new knowledge – literally new knowledge about companies – the introduction of SRI criteria in fixed-income investment has not enriched investment activity. Unlike the demand of SRI Mainstreaming, SRI criteria have not been incorporated into the financial logics of the fixed-income asset manager. Both SRI and financial logics are separated. Therefore, why has the inquiry been interrupted in fixed-income investment? The following section aims to shed light on this question.

7. Explaining Differences between the Inquiries

7.1. What If Everything Was about Contingency?

To what extent do the differences between the two working groups result from the actors themselves? This explanation is given by the project manager:

AUTHOR: What has been the key success factor for you?

PROJECT MANAGER: At the end, the only factor is the empathy people have for each other. [...] I think that problems occur when people see their own interest, rather than a company's. If everybody put a company's interest before his or her professional interest, rather than personal, surely things would be easier. [...] We need to better understand each other and our work.

The project manager refers here to the contingent dimension of any research process. An inquiry is unpredictable since it depends on how actors negotiate various elements which participate in the inquiry. This comprises political, cognitive, emotional and ethical elements. Thus, solidarity and mutual understanding also participate in explaining why both research processes have differed. Notably, this agency power explains why despite being embedded in prevailing institutional logics, actors may change. In addition, the environment impacts the research process. For instance, the financial crisis accelerates the necessity for (re)designing the fixed-income funds; which leads to the intervention of the CEO in the working group. Competitors and clients also play a key role. In equity investment, they provide a benchmark to which SRI Invest can compare and resources to transform their practices.

Like the project manager, when I began to analyze the case study, I believed that the differences between the two working groups were mainly due to personal reasons. However, as I was discussing with the working group members, I increasingly realized that despite playing a role, these contingent elements were not the main explanatory element. Instead, actors insisted on the role played by institutional logics and technical objects. Other elements participated in convincing me of this importance. Firstly, other asset management companies have faced the same difficulties (Novethic, 2007; La Tribune, 2009b). Secondly, when a new fixed-income asset manager arrived a few months after the end of the (re)design, with a strong aim to commit to SRI, SRI Invest faced the same difficulties. In fact, since asset management companies in the French asset management sector refer to the same institutional logics, have the same clients, educate their actors in the same way and participate in the same professional associations, what has happened at SRI Invest may have happened everywhere. Hence, practice variation when faced with SRI Mainstreaming cannot be only explained by contingent factors. With this in mind, the following sections analyze the other two dimensions identified by the working group members as key elements to understanding the differences between both working groups: institutional logics and technical objects.

7.2. Institutional Logics Prevailing in Each Working Group

Despite belonging to the same asset management sector, prevailing institutional logics in each working group differ between equity and fixed-income investment (cf. section 3.3). To gain a better understanding of the *practical* impact of these differences on inquiries, further explanation is needed about what the ‘fundamental problem’ evoked by the CEO refers to:

AUTHOR: What were the main problems in fixed-income in relation to equity?

CEO: In fixed-income, there’s something abstract; it’s an actuarial model [...] fixed-income cannot be embodied in reality, so it’s difficult to integrate SRI. [...] In equity, there’s an idea of durability, effort, success and permanence of the fund which embodies SRI. In fixed-income, all investments are made according to a permanent arbitrage so there’s a total volatility. It’s very difficult to embody something which is linked to sustainability in an investment which is, by design, volatile.

What does the CEO mean by the ‘abstract’ and ‘volatile’ aspects of fixed-income investment versus the ‘durability’ and ‘effort’ dimensions of equity investment? As explained in section 3.3., the equity asset manager aims to select the two or three most (financially) promising companies in each sector. For this purpose, he mainly relies on his knowledge and experience. Since SRI criteria are deemed to impact business, SRI provides a means to identify companies which are more likely to succeed in the long term. That is the reason why there is an idea of ‘durability’ and ‘success’ which reward the ‘efforts’ of the company. In contrast, when selecting issuers, the fixed-income asset manager does not rely only on his knowledge; he also uses an ‘actuarial model’ which allows the modeling of different scenarios regarding interest rates. Then, investment decisions in fixed-income investment depend more on macro-economic factors and less on the knowledge of issuers than in equity investment. That is the reason why the CEO describes fixed-income investment as being ‘volatile’ and ‘abstract’. In other words, the fact that SRI criteria play a smaller role to select issuers explains why SRI plays a ‘marginal or minority role’ in fixed-income investment, compared to equity investment.

7.3. Technical Objects Available for the Inquiry

The previous section has demonstrated that differences in terms of institutional logics (and their associated practices) between both types of investment explain why SRI plays a ‘marginal or minority role’ in fixed-income investment. However, it has not elucidated why SRI ‘means nothing’ in fixed-income investment. Indeed, since the most socially responsible companies are deemed to be the most profitable in the long-term, SRI criteria should also help the fixed-income asset manager to select the issuers with the best risk/interest profile. Namely, SRI criteria should enable the identification of the companies which are more likely to go bankrupt: the main risk of fixed-income investment to which SRI criteria may contribute. Interestingly, at the end of the (re)design of fixed-income investment, the asset manager asks SRI analysts to provide him with such information. However, the SRI Department does not meet his request. According to the fixed-income asset manager, SRI analysts answer that they do not have time (cf. section 6.1.). However, when asking an SRI analyst, the reason differs:

AUTHOR: In July 2008, he [the fixed-income asset manager] asked you to (re)design the process. How did you interpret this request? How did you react?

SRI ANALYST: I found it very positive, except for the content of the request. I remember exactly that he asked us to identify the factors which will impact a company’s value. So, in short, he asked us to find the “philosopher’s stone” of SRI. [...] To find the essence that all asset management companies are looking for today, an essence they don’t find. They don’t find it because it’s a bit too early, there are no historical data and they find it difficult to identify all these things.

Therefore, according to the SRI analyst, the lack of technical objects explains why no relationship between SRI criteria and the probability of going bankrupt has yet been identified: all asset management companies ‘find it difficult to identify all these things’. Because of this lack of relationship, SRI criteria cannot enrich fixed-income investment activity. This explains why the CEO thinks that SRI ‘means nothing’. However, this does not clarify why the technical objects available in the inquiry have not permitted the identification

of such a relationship. Shedding light on this aspect requires the analysis of the SRI criteria used by SRI analysts.

7.4. Integrating Institutional Change into Technical Objects

One way of understanding why the technical objects available in the fixed-income inquiry have not permitted SRI criteria to help the asset manager in selecting issuers is to ask the asset manager what the SRI criteria should have been to be helpful:

AUTHOR: So, in theory, SRI criteria could be useful for you but they don't help you today?

FIXED-INCOME ASSET MANAGER: Exactly, since we don't have anything to measure them, there's no point in looking at them [SRI criteria]. [...] I think that [social] rating agencies are totally incapable of doing this. To be honest, knowing how the company has really integrated SRI criteria... [...] intellectually speaking is a Herculean task. They [SRI criteria] are so approximate, that it's impossible to rely on them.

AUTHOR: You mean that finance is much more reliable?

FIXED-INCOME ASSET MANAGER: I think so. Firstly, there are many more obligations which concern finance: very simple things such as publishing the accounts, certifying them, et cetera. [...] Data are comparable; they've existed for a very long time. It's arithmetical, it's not qualitative. They are not declarations or protocols... but concrete elements we can control.

AUTHOR: Therefore, you can rely on financial criteria, but you cannot rely on SRI criteria?

FIXED-INCOME ASSET MANAGER: Yes, to work, SRI criteria should be like financial criteria. The social rating process should be like the financial one.

SRI criteria should have been 'like financial criteria' to be integrated into the financial logics of the fixed-income asset manager. The problem evoked here relates to the form and content of SRI criteria. According to the fixed-income asset manager, SRI criteria are not 'reliable' since he does not have 'anything to measure them'. Then, how can the equity asset manager rely on them? This results from the differences in terms of institutional logics and technical objects between both types of investment. A fixed-income asset manager has a

mathematical background; he relies as much on ‘actuarial models’ as on financial criteria. For him, criteria must be ‘arithmetical’, ‘not qualitative’, in short ‘figures’. In contrast, an equity asset manager relies much more on his knowledge and experience. He is used to rely as much on financial criteria (i.e. figures) as on other company dimensions, such as governance and social issues. This difference between both types of investment is notably illustrated by the lack of behavioral finance studies (i.e. the influence of psychology on asset managers’ practices) in fixed-income investment.

Yet, SRI criteria have originally been framed on the logics of equity investment. Each company is assessed in comparison with its sector’s peers. For example, a company X and a company Y may be respectively rated 55/100 and 45/100 on the ‘CO₂ Emissions’ criteria. This difference of ten points may result from the lack of reduction targets in company Y. When providing these grades to asset managers, SRI analysts comment on them. Regarding company Y, they may 1) advise not to invest in this company or 2) explain that this grade is one-year old and does not reflect the recent efforts of the company and as a result, favor company Y instead of company X despite its worse grade.

On the one hand, the equity asset manager discusses with SRI analysts to find out which company business is more likely to suffer from CO₂ emissions; which may reveal itself useful information for selecting which ‘company can succeed’. Both SRI and financial analyses are integrated in company selection, namely because SRI criteria are deemed to impact business. The equity asset manager explains:

AUTHOR: At the end of the day, do SRI criteria make you think when investing?

EQUITY ASSET MANAGER: Yes, I think that one advantage of a small company is that there are many exchanges. I refuse to be forced to call upon SRI analysts to speak about SRI when we are in meetings with clients. I don’t want to speak out each time we discuss SRI, I let my analyst talk, because, you know, I’m not an expert. [...] I don’t want to stay with a sort of watertight compartment between SRI analysis and my analysis. I want them to be correlated. Otherwise, it would mean that I select issuers regarding criteria I don’t control at all and this wouldn’t be credible for clients.

On the other hand, the fixed-income asset manager asks SRI analysts which company is more likely to go bankrupt and what to do if only one company offers bonds. Yet, SRI analysts cannot answer the fixed-income asset manager, namely because ‘it’s a bit too early’. Firstly, no relationship has yet been identified between these grades and the probability of a company of going bankrupt. Secondly, SRI criteria have been developed to provide comparisons between sectors. Moreover, they refer to qualitative information based on declarations and qualitative assessments, which explains why the fixed-income asset manager cannot ‘rely’ on them. They are neither ‘arithmetical’ nor ‘like financial criteria’ and cannot be integrated in his ‘actuarial models’ (i.e. technical objects). Hence, SRI criteria cannot help the fixed-income asset manager to select issuers; they do not fit his institutional logics and practices. In other words, the technical objects available in the second working group do not provide the ‘system of technically-granted identity conditions’ (Rheinberger, 1992) to transform the epistemic object. Hence, the lack of specific technical objects for fixed-income investment explains why the fund has not been fully transformed and why SRI ‘means nothing’ for this type of investment. Henceforward, what remains to be clarified is why SRI criteria have not yet been framed on the features of fixed-income investment.

7.5. Institutional Factors

Three explanations can be given as to why SRI criteria have not yet been developed according to the institutional logics and practices of fixed-income investment. These explanations all refer to institutional factors of the French asset management sector:

Firstly, SRI was originally developed in equity investment since 1) the first asset managers who developed SRI were equity asset managers and 2) despite the lack of evidence, the assumption according to which the most socially responsible companies will be the most profitable in the long term has been deemed relevant by the remainder of equity asset managers.

Secondly, as was the case for SRI Invest, other asset management companies have faced difficulties when transforming fixed-income funds in response to SRI Mainstreaming. Notably, this results from the lack of knowledge about the relationship between SRI criteria and the probability of going bankrupt. Hence, over the past few years, the purpose of SRI in fixed-income investment has been shifting from a financial to an ethical approach. Gradually, SRI no longer appears as a means to achieve financial performance but as a way of favoring

the most socially responsible issuers (L'AGEFI, 2008; La Tribune, 2009b). In fixed-income investment, SRI Mainstreaming itself is questioned.

Lastly, clients have been more reluctant to integrate SRI criteria in fixed-income investment than in equity investment. There are two reasons for this: 1) fixed-income investment is perceived by clients as being more mathematically driven than equity investment and therefore less likely to integrate SRI criteria deemed to be 'qualitative' and 'approximate'; 2) fixed-income investment is deemed to be financially more secure than equity investment, which explains why clients have been more reluctant to accept innovation in a type of investment which appears to be scientifically grounded and steady (i.e. at least more than equity investment).

8. Discussion and Conclusions

8.1. Explaining Practice Variation in Socially Responsible Investment

The case study explains the differences between equity and fixed-income investment in terms of institutional logics, technical objects and contingent elements. While contingent elements, such as the financial crisis and the readiness of actors to cooperate, have influenced the framing of practices, the article argues that the main problem faced in fixed-income investment has been due to institutional logics and technical objects. SRI and financial logics contradict each other. The idea conveyed by SRI Mainstreaming, according to which the most socially responsible companies will be the more profitable in the long term, is not deemed relevant. Namely, the lack of relevant technical objects explains this contradiction. SRI criteria have not been framed for fixed-income investment and do not enable the identification of companies more likely to go bankrupt. Institutional factors – such as the reluctance of clients to integrate SRI criteria and the current shift from a financial to an ethical approach – have favored this trend. In contrast, SRI criteria have been judged by asset managers to enrich equity investment by offering a way of selecting the most promising companies.

Regarding the lack of means dedicated to research on SRI criteria in fixed-income investment and the reluctance of clients, SRI Mainstreaming is not likely to rapidly expand into this type of investment. Instead, SRI Mainstreaming should continue to develop in equity investment. As SRI logics will be integrated in financial logics, this institutional change will continue to question the differences between SRI and conventional funds.

8.2. Understanding Practice Variation when Faced with Institutional Change

Although one must be careful in generalizing from one case, this study allows some tentative conclusions with regards practice variation when faced with institutional change. Firstly, it expands existing research on institutional change by combining institutional and practice theories (Hopper and Major, 2007; Lounsbury, 2008). This joint approach confirms previous research on the role of agency and institutional logics when transforming practices in response to institutional change (Lounsbury, 2001; Gendron et al., 2007; Lounsbury, 2007; Bogt and Scapens, 2009). Enriching previous research, the article argues that practice variation is explained as much by institutional logics as by technical objects and contingent elements. By focusing on the role of objects, this case study also furthers our understanding of the role of instruments in explaining practice variation. Notably, it argues that actors transform their collective activity by transforming an epistemic object, through a collective inquiry. Through transforming their epistemic object (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997), actors transform their practices, technical objects and institutional logics. This transformation is possible thanks to the dual role of an epistemic object. As a boundary object (Star and Griesemer, 1989), it is a common basis for discussion for actors. As a research object, it provides actors with a medium to transform their collective activity.

Secondly, the transformation of the epistemic object into a technical object enables the exploration of the relationship between stability and change. This allows the (re)introduction of mimetic processes within the process of institutional change itself. Indeed, whereas previous research on institutional change has explored how actors attempt to transform their institutions, this article studies how actors attempt to return to stable institutions. Though differences between both approaches can appear insignificant, this introduction of stability may offer a better understanding of the recursive relationships between social, institutional and practical change. Moreover, it also confirms institutional theory by demonstrating that a process of institutional change aims as much at transforming institutions as at conveying isomorphism. Nevertheless, other studies of institutional change in practice are needed to generalize these findings more broadly.

Thirdly, the article enhances the understanding of how institutional logics can ‘hybridize’. Institutional studies have explored the challenges faced by organizations which face conflicts among the logics they embody (Thornton et al., 2005b; Haveman and Rao, 2006b). However, they have paid little attention to how organizations deal internally with these tensions (Battilana and Dorado, 2009). Despite not being its main focus, the article provides an

interesting case study in which logics hybridize, on the one hand, and oppose each other, on the other. Notably, it explores why the hybridization of logics can vary within organizations. Furthermore, it enriches previous studies on the hybridization of logics by integrating exogenous and endogenous aspects of institutional change (Thornton et al., 2005b).

Lastly, the concept of epistemic change enriches ANT studies (Gendron et al., 2007; Hopper and Major, 2007) by furthering the understanding of *why* actors transform their practices in a specific way. Moreover, the concept of epistemic object has revealed itself very convenient in analyzing the transformation of practices as a specific ‘passage point’ (Star and Griesemer, 1989) of the network. However, regarding the little exploration of this aspect in this article, further research is needed to elaborate on the potential contributions of the concept epistemic object to ANT.

8.3. Implications for Further Research

This study suffers from several limitations which further research may remedy. Firstly, the article has not examined the relationships between social and institutional change, on the one hand, and social and practical change, on the other. Indeed, the study has mostly focused on the impact of institutional change on practical change at the transformation stage. Moreover, interactions between SRI Invest and the sector have not been explicitly explored. Further work is required to develop a multi-level epistemic model of institutional change. In particular, the time dimension needs to be explored. For instance, it may be expected that practices will change in the long-term, which may convey isomorphism among practices. Secondly, despite studying the *processes* through which actors transform their practices, the article has not analyzed in detail what happened in each working group. For example, it has not studied the content of meetings or discussions about the PowerPoint presentations. Yet, analyzing these micro-dynamics of (re)design should further our understanding of the process of institutional change. Lastly, the epistemic model of institutional change suffers from its division in three stages. Despite acknowledging that the process of change is continuous, this model may convey the image of punctuated change process. Further work is needed to account for the passages between the three stages. Despite these limitations, this article contributes to research on institutional change by exploring the role of objects at the intra-organizational level. By combining institutional and practice theories, the purpose of the article has been to meet the challenge of linking institutional research to practices. In doing so, this article has also been a call to draw academics to practice.

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**CONCLUSION – THE FUTURE OF SRI MAINSTREAMING: FROM
INSTITUTIONAL CHANGE TO CHANGE OF INSTITUTIONS**

This dissertation aims to provide a better understanding of the phenomenon of SRI Mainstreaming in France. SRI Mainstreaming relates to the progressive and increasing penetration of SRI criteria into conventional funds. Notably, the three articles attempt to answer the following research questions:

1. How and why has SRI Mainstreaming expanded into France?
2. How have asset management companies transformed their practices in response to SRI Mainstreaming?
3. Why has this transformation differed between equity and fixed-income investment?

The first article, ‘A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered’, explains how and why SRI Mainstreaming has expanded into France. It demonstrates that this phenomenon has resulted from the action of a collective movement, driven by financial players, including asset managers and former financial analysts. This movement has been described as a social movement (Zald and McCarthy, 1977; McAdam and Scott, 2005), whose purpose is to trigger institutional change in the French asset management sector. In order to convince conventional actors of the relevance of SRI for their funds, the movement mobilizes structures and framing processes (McAdam et al., 1996). To succeed, the movement also benefits from political opportunities, such as the emergence of a new demand for SRI from public pension funds and change in society, known as ‘Sustainable Development’. However, over the past few years, the movement has appeared to die out. As SRI Mainstreaming grows, SRI and conventional funds start to resemble each other: a mimesis which threatens the survival of SRI.

The second article, ‘Transforming Practices in Response to Institutional Change – Exploring the Role of Objects’, studies how an asset management company (re)designs its equity investment processes, in response to SRI Mainstreaming. Facing the disruption of practices due to SRI Mainstreaming, the article argues that actors are required to (re)design their collective activity. It demonstrates that actors transform their practices through the transformation of an epistemic object, which is an object under research (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). More particularly, the asset management company under study uses an investment process as an epistemic object. Through (re)designing their epistemic object, actors transform their practices, technical objects and institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009). This transformation occurs through a collective inquiry (Peirce, 1931; Dewey, 1938), which constantly combines reasoning and experimentation.

The third article, ‘Explaining Practice Variation when Faced with Institutional Change: The Example of Socially Responsible Investment’, explores why the transformation of asset management companies practices in response to SRI Mainstreaming differ between equity and fixed-income investment. Notably, it argues that the variations between the two result from their differences in terms of institutional logics. Asset managers deem SRI analysis to enrich equity investment as it is expected that SRI criteria lead to better financial performance in the long term. In contrast, the institutional logics of fixed-income investment contradict SRI logics; asset managers believe that SRI Mainstreaming threatens financial performance. Namely, this results from the fact that no SRI criteria have yet been developed to predict the possibility of companies going bankrupt. Yet, the anticipation of this risk is judged to be the major risk to which SRI criteria may contribute. As a result of these differences, SRI Mainstreaming itself changes. In equity investment, SRI Mainstreaming keeps growing. As it develops, SRI analysis increasingly moves toward financial analysis. In fixed-income investment, SRI Mainstreaming seems to slow down. SRI is progressively shifting from a financial approach to an ethical one. SRI no longer appears as a means to achieve better financial performance, but as a way to favor the most socially responsible companies, and this, for ethical purposes.

Expanding on the three articles, this conclusive chapter aspires to comment on the contributions, limitations and implications of these findings. Sections 1 and 2 discuss the contributions and the limitations of the dissertation. Section 3 suggests different scenarios regarding the future of SRI Mainstreaming and envisions the expected impacts on the French asset management sector. Lastly, section 4 provides managerial recommendations and points to further research.

1. Contributions of the Dissertation

The dissertation makes three types of contributions – theoretical, methodological and practical – which are summarized in this section.

1.1. Theoretical Contributions

1.1.1. Socially Responsible Investment

The dissertation contributes to the literature on SRI in two major ways. Firstly, almost no study to date has provided an insider perspective on the inner workings of SRI inside an asset management company, with the exception of the Netherlands (Louche, 2004). In particular, few academics have conducted such research in France. Indeed, on the one hand, most studies have explored social rating agencies (Déjean et al., 2004), the relationships between financial performance and SRI (Cavaco and Crifo, 2009) and their mechanisms of legitimation (Déjean, 2005; Giamporcaro-Saunière, 2006; Penalva-Icher, 2007). On the other hand, the absence of participative observation in previous research has strongly limited the exploration of the underlying mechanisms of the sector. In contrast, by using a pragmatist research method, the dissertation enables a new understanding of the collective action of the French SRI movement (cf. article 1). In addition, the dissertation allows the study of the workings of an asset management company in practice (cf. articles 2 and 3), a topic which has not benefited from much research until now (Louche, 2004).

Secondly, the dissertation is one of the first studies to explore the mechanisms of SRI Mainstreaming, for several reasons. Firstly, this phenomenon is very recent and still ongoing. In particular, France seems to be among the first countries to face such a mainstreaming of SRI⁵⁸ – although the phenomenon has recently become a major research topic for SRI worldwide⁵⁹. Secondly, accessing a *process* of change requires experiencing this change. Yet, regarding SRI Mainstreaming, I was lucky enough to start the dissertation at the very moment institutional change began. Regarding this aspect, my insider perspective revealed itself key to

⁵⁸ Notably, this sentiment was confirmed by the discussions which occurred during the 2009 PRI (Principles for Responsible Investment) Academic Conference ‘The Next Generation of Responsible Investing’ (Ottawa, Canada, 1-3 October 2009).

⁵⁹ For instance, the 2010 PRI Academic Conference ‘Mainstreaming Responsible Investment’ (Copenhagen, Denmark, 5-7 May 2010) aims to understand how and why investors implement responsible investment into mainstream portfolios.

identifying the weak signals among the sector, such as changes in client demands, the appearance of exclusion and the progressive shift of SRI analysis to financial analysis. Last but not least, by studying this new phenomenon, the dissertation enables the pursuit of the contemporary study of French SRI, a movement which has been the subject of significant research, almost since its inception (Déjean, 2005; Giamporcaro-Saunière, 2006; Penalva-Icher, 2007). In doing so, the dissertation may also provide a useful point of comparison for future French and foreign studies.

1.1.2. Institutional Change

In exploring the phenomenon of SRI Mainstreaming, the dissertation also contributes to the understanding of a process of institutional change *in the making*. This contribution is all the more significant since it is at the crossroads of four types of literature: institutional, practice, management accounting and social movement theories. Firstly, the dissertation aims to connect institutional change with the transformation of daily work practices (cf. articles 2 and 3). Regarding the absence of intellectual relationships between institutional theories, on the one hand, and practice theories, on the other, this topic is key to analyzing institutional change in practice (Jarzbnkowski, 2004; Weick et al., 2005; Hopper and Major, 2007; Lounsbury and Crumsley, 2007; Bogt and Scapens, 2009). This contribution is particularly relevant for the field of management accounting and control, which is at the crossroads between institutional rules and policies (accounting standards, financial markets and regulations) and operational practices (control of performances). In particular, given the power of financial markets in society and the new stakes faced by the economy – such as climate change, pollution and poverty – the study of the relationship between SRI and financial performance is expected to become particularly important for the future of management accounting research. Indeed, the new requirements – known as CSR (Corporate Social Responsibility) demands – are likely to be a lever for the most profound transformation of management accounting and performance measurement systems.

Secondly, the dissertation aims to fill three gaps in institutional theories: the theorization of collective action, the explanation of practice variation when faced with institutional change and the role of objects in the transformation of practices in response to institutional change. For this purpose, it explores how actors collectively transform their practices in response to institutional change through the use of a collective inquiry and an epistemic object (cf. articles 2 and 3). It also argues that practice variation in the face of institutional change is explained

as much by institutional factors as by contingent elements and technical objects (cf. article 3). These findings enrich previous research on the mechanisms of transformation of practices in response to institutional change (Gendron et al., 2007; Hopper and Major, 2007) by exploring *why* actors behave in a specific way. In demonstrating this, the dissertation also answers the recent call for exploring the role of objects as media between institutional demands and operational practices (Miller and O'Leary, 2007; Miller, 2008).

Lastly, by theorizing the role of collective action in driving institutional change, the first article of the dissertation contributes to social movement theories in two respects. Firstly, it explores the role of new social movements – such as SRI movements – in the building of new economic institutions; a topic which has been somewhat disregarded by social movement theorists until now (Habermas, 1996, 1998, 2008). In particular, the article demonstrates that the success of a social movement at altering institutional logics relies as much on its capacity to organize and draw on political opportunity structures as on its ability to compromise with incumbents. Secondly, the dissertation studies the relationship between the death and the success of a social movement; a subject which has also been little researched (Rao et al., 2000; Lounsbury et al., 2003; Rao et al., 2003). Namely, it demonstrates that a social movement aims to maintain momentum despite its success by either increasing the demands for change or proposing alternative institutions.

1.2. Methodological Contributions

Two main methodological contributions emerge from the dissertation. Firstly, the dissertation contributes to the development of field studies, which are still lacking in management accounting: 'To obtain better understandings of how management accounting functions in practice, field studies that bring the messy world of organizations closer to the reader are needed.' (Ahrens and Dent, 1998) Namely, by using a non-representational epistemology, the dissertation enables the overcoming of dualisms – such as thought versus action or logical reasoning versus narrative thinking (Lorino et al., 2010) – and the access to the 'reflexive' practices by which actors make familiar commonplace activities of everyday life (Garfinkel, 1967). Notably, this allows the production of theoretical outcomes which have emerged from and have contributed to practices and vice versa; a concern which is – according to Scapens (2006) – of major importance for the field:

The challenge for the future is to use this theoretically informed understanding to provide insights which are relevant and useful for practitioners; for management accounting research to have more of an *impact*⁶⁰ on practice.

Secondly, the dissertation furthers the understanding of research methods based on pragmatism (Peirce, 1931; Dewey, 1938), an epistemology which has benefited from a growing interest in organization and accounting literature over the past few years (Lukka and Modell, 2009; Simpson, 2009). In particular, I was able to conduct an inquiry to the end, that is, to the practical validation of findings (Dewey, 1938), even if the latter can still be questioned (cf. section 2). Lastly, I adapted the cooperative inquiry method (Heron and Reason, 1995; Heron, 1996; Raelin, 1999; Reason and Bradbury, 2001), by combining participative observation, semi-structured interviews, documentary evidence and narratives. Given the absence of pragmatist studies in management accounting (Lorino, 2008), these methodological insights could reveal themselves useful for future researchers who would like to mobilize pragmatist methods.

1.3. Practical Contributions

Within SRI Invest, the dissertation contributed and contributes to practices in several respects:

- Transformation of my practices: as I investigated the situations for the dissertation, I transformed the way I was working as an SRI analyst. This research process helped me to gain a better understanding of my practices and to better adapt them to colleagues' practices. It also enabled me to (re)design the SRI aspects of the investment processes of SRI Invest. Firstly, it helped me better understand client demands regarding the phenomenon of SRI Mainstreaming. Secondly, my knowledge in management control facilitated the building of new SRI data-bases by providing me with theoretical keys to understanding the pros and cons of different SRI performance indicators.
- Transformation of our collective practices: thanks to our discussions, my SRI Invest colleagues and I collectively reflected on our own practices. Throughout,

⁶⁰ Emphasized in the original text.

we acquired a better understanding of the problems we faced, notably during the (re)design process. For instance, we collectively reflected on the phenomenon of SRI Mainstreaming – notably through the concept of social movement – to anticipate what the consequences for our SRI funds would be. This favored the development of new practices, such as new SRI criteria for fixed-income investment.

- Merging of academic and practitioners practices: as the dissertation unfolded, SRI Invest members increasingly relied on academic studies in their daily practices. For instance, we became used to referring to academic articles on SRI and CSR to enrich our SRI analysis. Lastly, in 2008 and 2009, we conducted a research action project on the CSR management systems of the CAC 40 companies⁶¹, which led to both a professional and an academic publication.⁶²

The dissertation also aims to contribute to the French asset management sector as a whole. Firstly, it provides asset managers with theoretical keys to understanding the difficulties faced in SRI by fixed-income investment, compared to equity investment (cf. article 3). Given that SRI fixed-income investment funds are likely to be of major importance for business in the years to come (cf. section 3), this topic is an essential stake for the sector. Secondly, by using social movement theories (cf. article 1), the dissertation highlights the contradictions which have underlined the SRI mainstreaming phenomenon. This enables the understanding of the dilemma asset managers have faced since the beginning of the SRI movement: ‘staying small but with the risk that nobody will be interested in them, or growing and institutionalizing, but with the risk of losing their critical function’ (Louche, 2004). Lastly, the dissertation explores the modalities and the impacts of SRI Mainstreaming on the practices of asset management companies (cf. article 2); which should allow practitioners to better anticipate the expected impacts of the SRI Mainstreaming phenomenon on their practices (cf. section 3), and thereby facilitate the adaptation of their funds.

During the dissertation, I regularly submitted my research findings to different SRI actors of the French asset management sector to obtain their critical feedback. A challenge for the future will be to continue to maintain close contacts with practitioners while being a full-time academic. For this purpose, I plan to present the findings of my dissertation to a professional

⁶¹ The CAC 40 companies are the 40 largest French listed companies.

⁶² ‘Corporate Social Responsibility: A New Business Model for Multinational Companies?’ (Arjaliès and Péan, 2009), which is available in the appendices.

audience and to conduct new research projects on SRI. With this in mind, I am currently participating in a research project of the Ecole Polytechnique on the use and development of ‘SRI labels’ in Europe.⁶³

Although the studied situation concerns performance measurement systems in asset management, the findings of the dissertation may also be useful for other practitioners. For instance, the third article explores how two working groups – apparently similar and facing the same institutional change – transform their practices through the same epistemic object in a different way. This divergence could be faced in other situations, such as the use of cartography for risks in different entities of the same organization or the implementation of a new quality norm in a range of cars. For instance, a new regulation on CO₂ emissions may trigger different (re)design processes between a compact car and a four-wheel drive. In the same vein, risk mapping may be used and interpreted differently by risk managers compared to operational managers. Facing this diversity, the use of epistemic object could reveal itself useful to understanding practice variation in the face of institutional rules and policies (e.g. accounting standards).

2. Limitations of the Dissertation

Despite its contributions, the dissertation suffers from several theoretical, methodological and practical limitations which are described below.

2.1. Theoretical Limitations

From a theoretical perspective, the dissertation can be criticized on three main dimensions. Firstly, it was not able to theorize the process of institutional change as a whole: a topic which still requires further research (Burns and Scapens, 2000; Dillard et al., 2004; Hopper and Major, 2007; Bogt and Scapens, 2009). Indeed, the second and third articles focus on the transformation of practices in response to institutional change, while the first article studies the role of collective action at the organizational field level. Namely, I was not able to study whether the transformation of practices inside SRI Invest transformed the practices of the asset management sector: the ‘feedback loop’ is missing (cf. the dotted line in figure 4.1).

⁶³ This research project is conducted by Delphine Prady, Samer Hobeika and myself.

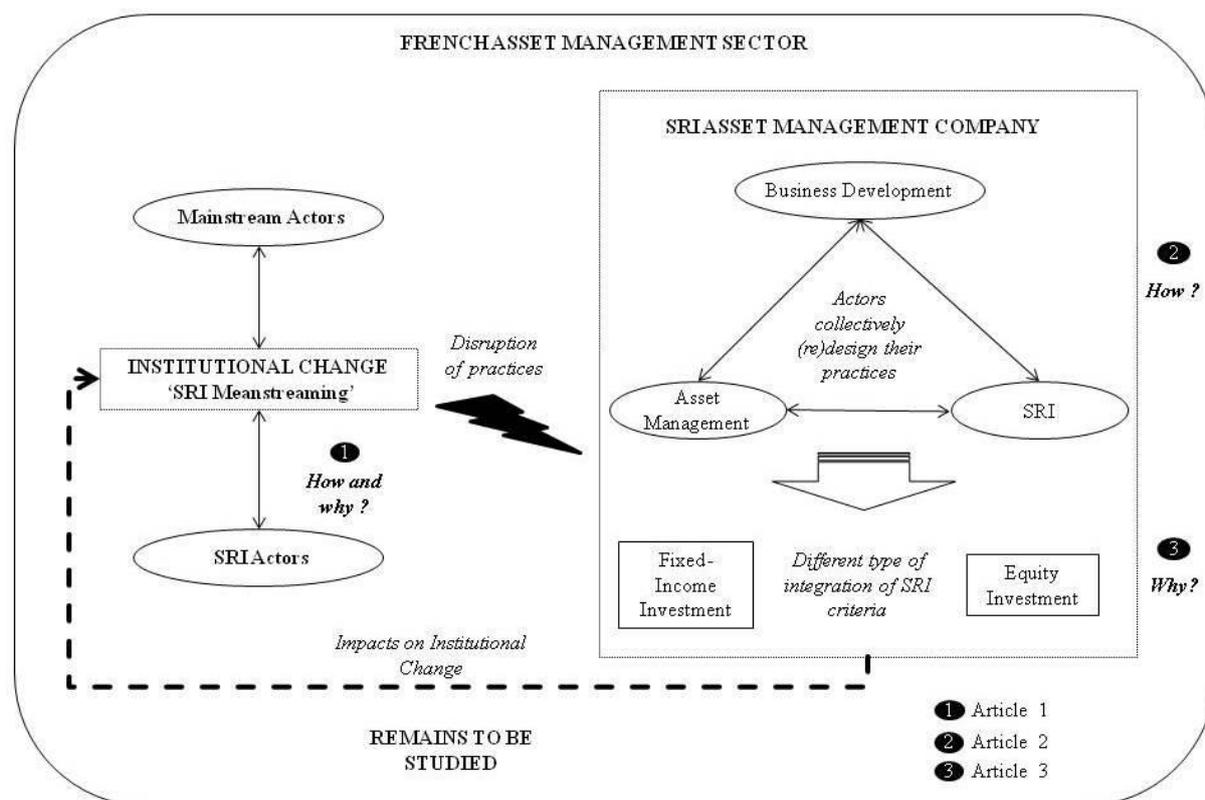


Figure 4.1: Synopsis of the Thesis – What Remains to Be Studied

In other words, the dissertation did not come a full circle; the effects of practical change on institutional change were not studied. Yet, it would have been interesting to explore whether the transformation of practices impacted institutional change; an effect which could have occurred in three many ways:

1. the transformation of client demands (i.e. change in the offer);
2. the transformation of asset management practices (i.e. change in the profession, including the notion of performance);
3. the transformation of standards (i.e. change in SRI norms, for instance SRI labels).

For instance, I could have interviewed the consultants responsible for selecting the SRI funds of SRI Invest to find out whether the (re)design influenced their selection process. If I did not conduct such research, it was principally due to time constraints. On the one hand, I could not seriously close the loop during the dissertation and on the other, further years of research would have been necessary to trace the full process of institutional change (i.e. a return to stability). Since institutional change is still in the making, it was impossible to assess the long-term impacts of SRI Mainstreaming on the practices of SRI Invest and the French asset management sector – something that only can be achieved through further research.

Secondly, the dissertation only focuses on the French asset management sector. Yet, despite the national anchorage of SRI movements (Louche and Lydenberg, 2006; Bengtsson, 2008), it may be supposed that the process of SRI Mainstreaming studied in the dissertation was influenced by other countries. For this reason, it would have been worth exploring whether this process of institutional also occurred at the European and global level. However, future comparative and transnational studies should enable the exploration of the impacts of SRI Mainstreaming worldwide. For instance, I could take advantage of the three overseas stays (Canada, United-Kingdom and Sweden) in which I partook during my dissertation to conduct an international study of SRI

Lastly, the dissertation primarily seeks to contribute to institutional theories rather than practice theories; the theoretical contributions to practice-based studies are lacking. This limitation resulted from my original aim to expand institutional theories by using practice theories; a choice which was triggered by my empirical and theoretical findings, which first related to institutional change. Yet, relating institutional change to practices may also have led to a broadening of recent work on practice, which has tended to neglect the institutional dimensions of practices (Jarzbnkowski, 2004). For instance, Weick et al. (2005) suggest that practice theorists may exaggerate agency and be reluctant to assume that actors are institutionally constrained while institutional theorists are more likely to believe the contrary. Being at the crossroads of both communities, I could help reconcile diverse positions by playing the role of translator. For example, I could conduct further research with practice theorists on the role of institutional logics in the (re)design of practices by actors (cf. article 2).

2.2. Methodological Limitations

If the cooperative inquiry method offers interesting access to practices, it also suffers from several limitations. Firstly, the lack of time has not enabled the full practical validation of findings; which is an essential dimension of pragmatist epistemology. Indeed, since institutional change is still ongoing, it has not been possible to validate or contradict the findings of the dissertation – in particular reflection on the future of SRI Mainstreaming presented in the next section. Given this limitation, it would be interesting to study how the phenomenon of SRI Mainstreaming will evolve in the coming years when the sector is in a steadier situation. Additionally, the irregular situation of SRI Invest being threatened by a take-over did not allow me to identify whether the outputs of the inquiry were due to the

inquiry itself or to the organizational and environmental situation. In particular, it was difficult to figure out to what extent the findings were influenced by the financial crisis. For instance, SRI funds apparently performed better than conventional funds during the financial crisis (Altedia IC, 2009), which could have triggered interest among investors at this particular moment. Regrettably, this will remain unknown.

Secondly, despite any truth always being fallible according to pragmatism (Peirce, 1931; Dewey, 1938), the fallibility of the findings – especially in the second and third articles – was also nurtured by my practitioner perspective. Being the practitioner responsible for the SRI aspects of the process of (re)design at SRI Invest during the first six months⁶⁴, part of the analysis of SRI practices I suggested in both articles could not be questioned either by my SRI Invest colleagues or by other researchers. This, in turn, limited the practical validation of findings. However, this limitation is counterbalanced by the fact that I was able to discuss with another SRI analyst from the sixth month of the (re)design onwards and that, even during the first six months, I was able to converse on a daily basis with members of the Development and Asset Management Departments.

Finally, the structure of the dissertation itself – based on articles – limited the exploration of several empirical and theoretical findings, which could also have been interesting to note. Indeed, for the articles to be as clear and focused as possible, I sacrificed many elements I deemed interesting for research purposes. For instance, I did not take advantage of my position as an SRI analyst to study SRI analysis, despite the interest of such research for the asset management sector and for management accounting (Crifo and Mottis, 2010). Although these limitations can be formulated for any research project, this is particularly the case for this field work, which has been exceptionally rich. Nevertheless, most of these empirical findings could be mobilized in the future.

2.3. Practical Limitations

The dissertation suffers from one main practical limitation: it does not explicitly provided practitioners with solutions to *all* the problems listed in the articles. For instance, the third article identifies why fixed-income investment funds are difficult to transform in response to SRI Mainstreaming but does not offer solutions to overcome these problems. In the same

⁶⁴ The third SRI analyst arrived in March 2008 while the second analyst did not actively participate in the process of (re)design.

vein, the first article elucidates why SRI challengers face a dilemma regarding the phenomenon of SRI Mainstreaming, but does not clearly explain what could be done to meet this challenge. Notably, this results from the structure of the articles, which does not permit me to dedicate sufficient space for managerial recommendations. This is also explained by the fact that most asset management companies are still facing these problems today. However, part of these practical limitations should be addressed in the next section which reflects on the future of SRI Mainstreaming to issue managerial recommendations. Moreover, future collaborations with practitioners should enable me to account for the theoretical findings of the dissertation in terms of practices.

3. The Future of SRI Mainstreaming

3.1. The Pursuit of the Phenomenon

Today, the French asset management sector continues to face institutional change; SRI Mainstreaming (i.e. the penetration of SRI criteria into conventional funds) is still ongoing. Actions such as the decision of the *FRR (Fonds de Réserve des Retraites)*⁶⁵ to extend SRI to all its asset classes in 2008 and the partnership between the *AMF (Autorité des Marchés Financiers)*⁶⁶ and the *FIR (Forum pour l'Investissement Responsable)*⁶⁷ in 2009 to transform Paris into a pole of excellence in terms of responsible finance and sustainable development illustrate this trend. Thus, in 2008, 44% of institutional investors integrated SRI into their investment activity and among the 56% who had not yet integrated SRI, 38% planned to do so (Seeds Finance and Macif Gestion, 2008). In accordance with this trend, over 80% of investors in 2009 considered climate change as a very or somewhat important factor when investing (Mercer Investment Consulting and Carbon Disclosure Project, 2009). And the tendency should keep growing in the years to come: non-financial concerns – such as carbon emissions – are expected to become more and more important in day-to-day business (Arjaliès and Ponssard, 2010). For example, the ‘*Stern Review on the Economics of Climate Change*’ estimated that without any global action, the overall costs and risks of climate change would be equivalent to losing at least 5% of global Gross Domestic Product (GDP)

⁶⁵ Pension Reserve Fund

⁶⁶ French Securities Regulator

⁶⁷ French Social Investment Forum

each year, which could rise to 20% if a wider range of risks and impacts are taken into consideration (Stern, 2006).

Therefore, asset managers are likely to increasingly take SRI aspects into account when investing; which should continue to nurture institutional change. Hence, I anticipate in the coming years the pursuit of the phenomenon of SRI Mainstreaming, both in equity and fixed-income investment, even if research regarding fixed-income investment is still taking its first faltering steps. However, one day, the phenomenon of SRI Mainstreaming will end, and this, for at least one reason: being a *process* of change, SRI Mainstreaming is *by essence* temporary. Though it remains difficult to predict what will come next, the phenomenon of SRI Mainstreaming is likely to disappear: conventional funds will or will not integrate SRI criteria.

3.2. The Appearance of New SRI Funds

Though foreseeing the future is impossible, one can expect a researcher to have certain convictions, especially after working four years on a research topic. First and foremost, I do not believe that SRI funds will disappear. Although the appearance of SRI funds has been quite recent in France, the development of a retirement system based on funded pension plans will certainly maintain the demand for SRI funds, at the very least, from trade unions. Moreover, despite the financial crisis, SRI has benefited from a growing interest among investors. For instance, in 2008, the assets under management in SRI funds increased by 37%, whereas total assets decreased by 11% (Novethic, 2009). In addition, the good performance of SRI funds during the financial crisis has convinced most conventional actors that SRI does not necessarily threaten financial performance (Le Monde Argent, 2009). Lastly, the emergence of new regulation in the French asset management sector may favor the development of SRI in the future. Notably, it may be expected that the French asset management companies be required to account for the SRI aspects of their investments in the near future. Along the same lines, new regulation in the bank and insurance sectors (e.g. Basle III and Solvency II) should encourage investors to favor long-term investment over speculative and volatile funds. This, in turn, may favor the development of SRI, especially in fixed-income investment.

In this section, the future of conventional and SRI funds is envisaged over a ten year horizon. Conventional funds relate to ‘traditional’ funds (i.e. only focused on financial performance) whereas SRI funds aim to achieve two types of performance: SRI and financial.

No distinction has been made between equity and fixed-income investment. Indeed, although this type of investment is still under research as present (Drut, 2009), I am confident that in ten years – regarding the business interest of fixed-income investment for the sector – both researchers and practitioners will have solved most of the problems today faced by asset management companies to integrate SRI criteria into fixed-income investment (cf. article 3). The recent work conducted by SRI Invest on the relationship between SRI criteria and the probability of going bankrupt is a good example. In accordance with the dissertation, I have not elaborated on the investment methods used in SRI, such as exclusion, best-in-class, and stock-picking, to design the typology of SRI funds. Instead, to classify SRI approaches, I have used the motivations of the investors for adopting SRI. This has enabled me to identify three types of SRI:

- ‘SRI/Financial’: SRI is a means for investors to achieve better financial performance. SRI criteria are selected according to their impacts on financial performance; which makes SRI/financial analysis part of financial analysis.
- ‘SRI/Responsible’: SRI is a means for investors to maintain their ‘operating license’. In other words, investors attempt to shield themselves from scandals and risks, to ensure the continued existence of their activity. According to this approach, a company is a moral agent which exists ‘thanks to society’ and since ‘it has power and uses resources’, has ‘in compensation [...] duties’ (Bowen, 1953). In other words, ‘power (economic, financial, technological and so on) implies responsibility’ (Frederick, 1994). Institutional investors – such as public pension funds and sovereign funds – are more likely to adopt an SRI/responsible approach. SRI/responsible analysis comprises non-financial risks, such as pollution, child labor and corruption.
- ‘SRI/Ethical’: SRI is a means for investors to express their ethical preferences. Companies are selected according to ethical purposes, such as exclusion of weapons. Investors accept jeopardizing financial performance for SRI/ethical performance. This situation relates to the traditional Anglo-Saxon approach, based on exclusion.

Regarding these different funds, I expect conventional funds to have integrated SRI criteria deemed to generate better financial performance in their financial analysis. These criteria are likely to relate to environmental concerns, such as carbon emissions. However, I do not believe that conventional finance as a whole will be assessed on two types of performances: financial and SRI/responsible. This would require a major change at the

society and sector level. Notably, it would require agreeing on a collective 1) use and 2) form of SRI performance. Yet, SRI criteria and SRI performance are still in their early stages. Moreover, a significant number of investors still have not shown interest in SRI. Lastly, such a change in conventional finance could hardly be implemented without support from other countries; which would require regulation at an international level. Yet, regarding the difficulties faced by the G20 summit to agree on financial regulation in April 2009, I do not believe it is possible to reach a worldwide compromise on SRI performance in the next ten years.

I also predict the development of SRI/ethical funds, based on exclusion, both for individual and institutional investors. Although financial performance will remain an important criterion, these investors will accept jeopardizing financial performance for ethical purposes. For instance, a 2009 study demonstrated that only 24% of individuals had been offered SRI funds by their banks. Yet, 15% had already invested in such funds and 41% were considering doing so (La Tribune, 2009a). Institutional investors – such as the *ERAFP* (*Établissement de la Retraite Additionnelle de la Fonction Publique*)⁶⁸ – have also expressed an interest in ethical funds. In the same vein, in 2008, AXA announced its decision to pull out of investments in companies that produced cluster bombs, due to the pressure of NGOs, including Handicap International and Amnesty International. Thus, at the end of 2009, there were 68 SRI/ethical funds among the 268 listed by Novethic⁶⁹, most of which appeared in 2008 and 2009. However, these funds will remain marginal in terms of assets.

Finally, I consider that current SRI/financial funds will disappear and be progressively replaced with SRI/responsible funds. Indeed, as soon as SRI criteria are deemed useful to achieve better financial performance, they will be integrated into conventional funds. As a result, to survive, SRI funds will have to differentiate themselves from conventional funds which could only be achieved by developing specific SRI funds based on SRI/responsible and/or SRI/ethical approaches. As the societal pressure for responsibility develops, institutional investors will aim to protect themselves against SRI risks. For instance, in 2008, Agrica – a major French benefit institution – decided to manage 70% of its assets with an SRI approach. For this purpose, they will integrate SRI criteria, not to achieve better financial performance, but to maintain their operating license. However, contrary to SRI/ethical funds,

⁶⁸ French Public Service Additional Pension Scheme

⁶⁹ Source : Novethic www.novethic.fr

investors will not easily accept jeopardizing financial performance for SRI concerns.⁷⁰ This will require reaching a compromise between both performances.

3.3. Future Challenges

For SRI to maintain momentum, I believe that the French asset management sector will have to meet several challenges in the coming decade: a sector agreement on SRI performance, the choice of an SRI label and the design of new SRI criteria for fixed-income investment.

3.3.1. Sector Agreement on SRI Performance

Due to SRI Mainstreaming, the integration of SRI criteria no longer appears sufficient to distinguish SRI funds from conventional funds. To differentiate themselves from conventional funds, I consider that it will be compulsory for future SRI funds to be assessed on SRI performance. Hence, a key element for the future development of SRI will relate to the capacity of the sector to agree on a common measure of SRI performance. Today, SRI selectivity and SRI grades are the two criteria widely used for this purpose (cf. introductory chapter). However, these criteria are neither controlled, nor standardized at the sector level. Moreover, they are not compulsory and mainly depend on the motivation of asset management companies to use them. As a result, a major challenge for the French asset management sector will be to agree on a common SRI performance. This agreement could occur either through soft or public regulation. At present, the French authorities have not shown any interest in such regulations, which argues in favor of soft regulation. Nevertheless, a major event – such as when the European Union considered a ban on certain Credit Default Swap contracts used against Greece⁷¹ – may possibly trigger such intervention.

⁷⁰ For instance, in January 2010, the FRR fired Dexia from an SRI mandate as a result of poor financial performance, after three and a half years of an expected five-year mandate, and this despite good SRI performance.

⁷¹ In March 2010, Europe's leaders launched a concerted attack on financial speculation, blaming the crisis in Greece on the use of debt derivatives by hedge funds.

3.3.2. Sector Agreement on an SRI Label

Although SRI challengers have long rejected the idea of an SRI label, the success among asset managers of the SRI label launched by Novethic in 2009 has demonstrated that the sector was waiting for more transparency.⁷² The update in January 2010 of the Transparency Code for SRI by the *AFG (Association Française de Gestion Financière)*⁷³ and the *FIR* was another example. This search for transparency relates to the need for SRI funds to differentiate themselves from conventional funds in order to survive; a distinction which could be obtained through a sector agreement on an SRI label (cf. article 1). Today, there are two SRI labels: one provided by Novethic for public SRI funds and one provided by the *CIES (Comité Intersyndical de l'Épargne Salariale)*⁷⁴ for a range of employee savings funds. However, none of them has yet been officially recognized by the sector. Moreover, they neither control the content of funds nor the compliance of the declared investment processes with practices, which means that 'SRI performance' is not assessed. Regarding the business interest of such SRI labels, one of the future key challenges for asset management companies will be to agree on a common SRI label.⁷⁵ As for SRI performance (cf. section 3.3.1), this agreement could occur either through soft or public regulation.

3.3.3. The Development of Fixed-Income Investment SRI Criteria

Regarding the significant proportion (between 80 and 90%) of fixed-income investment in the breakdown of assets managed by institutional investors (Pras and de la Lande, 2009), the future of SRI funds will certainly depend on the ability of asset managers to strengthen this type of investment. Namely, this will require the development of new SRI criteria for fixed-income investment, notably on the relationship between SRI criteria and the probability of going bankrupt (cf. article 3).

⁷² Among 250 funds, 131 asked for and 92 received the label, which represented €11.2 bn (a third of the French SRI public funds).

⁷³ French Association of Asset Management

⁷⁴ Trade Unions Committee for Employee Saving Funds

⁷⁵ Delphine Prady, Samer Hobeika and myself are currently conducting a research project on this topic. However, since we are at the first stages of the study, it is at present difficult to reflect and to anticipate the future of these SRI labels.

3.3.4. The Relationship between SRI and Financial Performance

I have not suggested the identification of a causal relationship between SRI and financial performance as a key challenge to meet. This choice reflects my theoretical assumption about financial and SRI performances according to which both are institutions; which means social constructions (cf. introductory chapter). Consequently, to my mind, the most important element is not to know whether the use of SRI criteria will generate better financial performance, but whether the sector will collectively decide to add SRI to financial performance. The use of SRI performance and SRI criteria – even if it has practical effects (cf. articles 2 and 3) – will result, above all, from a collective agreement at the sector and society level. However, this will not prevent academic and professional studies about the correlation between SRI and financial performance from influencing decisions. Indeed, it can be imagined that if an increasing number of studies argue in favor of a positive relationship between SRI and financial performance, the integration of SRI criteria in conventional funds will grow faster.

3.4. Managerial Recommendations

In accordance with these findings, several managerial recommendations can be formulated:

- To maintain momentum, SRI funds will have to be clearly differentiated from conventional funds, I would thus advise creating an SRI label at the sector level, recognized for its legitimacy by asset management companies. The organization responsible for the label will therefore have to be a certification organization.
- To be able to distinguish SRI and conventional funds, it will be essential to assess SRI funds on SRI performance. For this purpose, I would suggest SRI performance to be a compulsory dimension of the SRI label.
- Lastly, to favor the mainstreaming of SRI in fixed-income investment, I would encourage asset management companies to focus their SRI analysis on the relationship between SRI criteria and the probability of going bankrupt.

4. Avenues for Further Research

The dissertation has been a first step towards a better understanding of the process of institutional change in the making. It has aimed to address the challenge of cross-theoretical frameworks by breaking down barriers between theoretical perspectives and exploiting their complementary explanatory potential. Throughout, the dissertation has reinforced the claim of pragmatism that the cooperation between researchers and practitioners is of primary importance for generating innovative knowledge and savoir-faire. In demonstrating so, the dissertation has also pointed to further research; several projects I would like to conduct in the years to come. Among them, four have particularly caught my attention: the function of SRI labels, the penetration of SRI analysis in financial analysis, the development of SRI Mainstreaming worldwide and the role of epistemic objects in the transformation of practices. With this in mind, future collaborations with researchers from Ecole Polytechnique, Manchester, Uppsala and Montreal may be envisaged to broaden the scope of my studies and to pursue the work I have undertaken in this dissertation.

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APPENDICES

**APPENDIX A – A MANAGERIAL
PERSPECTIVE ON THE PORTER
HYPOTHESIS: THE CASE OF CO₂ EMISSIONS**

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Abstract

Investors and companies are increasingly aware that climate change and its associated needs for reducing CO₂ emissions are likely to structurally impact many areas of the economy. This paper offers a contribution to understanding these impacts on companies’ strategy, by studying management systems. A typology is introduced based upon a two-stage model. At stage one, the firm becomes aware of the risk and CO₂ is a compliance issue. At stage two, the firm is involved in a more global re-assessment of its business portfolio including its relationship with suppliers and clients. The construction is based on three case studies: DuPont (chemicals), Lafarge (building materials) and Unilever (consumer goods). The implications of the analysis for investors are drawn.

Key-words: Corporate Social Responsibility – CO₂ emissions – Management Systems – Strategy

1. Introduction

Over the past decade, the debate on climate change has dramatically shifted. The strong evidence presented by the scientific community through the Intergovernmental Panel on Climate Change (IPCC) process established by the United Nations Environment Program (UNEP) and the World Meteorological Organization (WMO) has largely settled the discussion about whether action should be taken to stabilize atmospheric greenhouse gases (GHGs) (Parry et al., 2007). Climate change is now acknowledged as being a serious global threat which demands an urgent response. For example, the Stern Review on the economics of climate change estimates that without any global action, the overall costs and risks of climate change would be equivalent to losing at least 5% of global Gross Domestic Product (GDP) each year, which could rise to 20% if a wider range of risks and impacts are taken into consideration (Stern, 2006). The question is: what should be the response to address the challenge of global warming while maintaining at the same time economic growth (Mc Kinsey Global Institute, 2008). With this in mind, environmental concerns are becoming an increasing central topic for strategic choices and decision-making by investors around the world.⁷⁶

According to one leading consultancy, over 80% of investors consider climate change as a very or somewhat important factor when investing (Mercer Investment Consulting and Carbon Disclosure Project, 2009). The Carbon Disclosure Project (CDP) was launched in 2000 to collect high quality information on CO₂ emissions. In 2009, it provided information concerning over 2,000 organizations in 66 countries, and grouped no less than 475 institutional investors – holding \$55 trillion in assets under management – and 60 purchasing organizations.⁷⁷ However, despite assessing CO₂ emissions as a key dimension to analyze when selecting companies for the portfolios, a significant number of investors acknowledge they must keep working on how to integrate climate data into their existing systems, models and processes.⁷⁸ Almost five years after the European Union Greenhouse Gas Emission

⁷⁶ For example, the Fonds de Réserve pour les Retraites (FRR) – the major French public pension fund – declared: “Environmental concerns and, in particular, the global warming’s impact on the global economy and its different sectors put forward by the scientific community, raise a lot of questions a long-term investor cannot ignore when deciding its global investment strategy.” (FRR, 2009)

⁷⁷ Carbon Disclosure Project : <https://www.cdproject.net>

⁷⁸ For example, hardly any investor anticipated in 2006 the increase by 62% of Rhodia’s stock due to a major reduction in total greenhouse gas emissions (GHGs) in South Korea (Le Revenu, 2006).

Trading System (EU ETS) operation, Mercer concluded its study by stating that only a very small handful of investors have succeeded in directly and systematically taking into account climate considerations into their actual stock selection.

The discrepancy between the major restructuring consequences of the climate change challenge and the relatively slow response of financial professionals may be explained by two very different factors. Firstly, for years, environmental pressure had been perceived by investors neither as a risk nor as an opportunity which could structurally impact companies' bottom lines. As a direct result, investors have historically regarded explicitly and addressing environmental factors in their investment strategies as incompatible with their fiduciary responsibilities (Innovest, 2007). The context has now significantly changed. Secondly, at a more fundamental level, the lack of academic consensus on the macro-impacts of environmental regulations on the profitability of firms did not provide a sound basis to develop operational tools.

Indeed, when analyzing the academic literature, two approaches emerge. On the one hand, a view, known as the 'Porter hypothesis' (Porter, 1991; Porter and van der Linde, 1995), asserts that stricter environmental standards can spur innovations which enhance competitiveness and contribute to making companies more profitable. This virtuous mechanism is said to lead to the so-called 'win-win' situation in which both a better environment and a higher financial performance are achieved. This view has benefited over the past decades from a growing interest among politicians and practitioners.⁷⁹

On the other hand, according to a neo-classical economic perspective, tightening environmental regulations through norms or taxes, will reduce the choice set of the firm and cannot benefit a profit maximizing firm (Fogler and Nutt, 1975). Indeed, Palmer et al. (1995) use the standard economic framework to demonstrate that more stringent environmental constraints cannot generate a higher profit, even if the firm innovates. They also provide counter arguments as regards the fact that more stringent environmental evidence in the US in the 80's relative to the EU or Japan would have caused the possible loss of competitiveness of US industry.

Academic attention then shifted from macro to micro evidence. Wagner (2003) reviews more than 20 empirical studies which have tested the Porter hypothesis and shows that no

⁷⁹ Since Gore (1993), politicians have viewed the green economy as a chance for growth and competitiveness for the industry. See also Wagner (2003) on that subject.

relationship between environmental regulations and financial performance can be demonstrated. Ambec and Lanoie (2008) identify three possible ways in which environmental constraints may induce higher profit: cost reductions, increased revenues and lower cost of capital. They review the empirical cases in this respect, pointing out positive or contradictory evidence.

Altogether, it is not surprising that investors are still searching for adequate tools to assess the impacts of more stringent CO₂ regulation on their portfolios. In this paper, we seek to contribute to this question by providing a systematic framework to evaluate the response of firms to this new environment. We take the position that previous studies on the Porter hypothesis at the micro-level have neglected an important factor that could explain the ambiguity of the empirical results: the managerial dimension of strategy, i.e. the organizational conditions in which a firm elaborates and implements its strategy. We suggest that environmental regulations can systematically lead to a better financial performance only if the new strategic choices have led to a transformation of organizational processes and management systems. This view concurs with some previous work. For instance, Ambec and Barda (2002) associate the Porter hypothesis with agency problems. Gabel and Sinclair Desgagné (1998) attribute the hypothesis on the prevalence of organizational routines. Our model also takes into consideration the fact that agents in the firm operate under bounded rationality and informational constraints.

To elaborate our construction, we build upon a comparative study of three companies belonging to different sectors, to wit: DuPont (chemicals), Lafarge (building materials) and Unilever (consumer goods). These firms operate at different levels of the added value chain: DuPont provides components to manufacturers, Lafarge belongs to the manufacturing sector and Unilever delivers goods for the final consumers. This choice has two objectives: 1) to provide a general model of change regardless of the firm's business and 2) to analyze the managerial dimension of the Porter hypothesis in firms which face different forms of environmental regulations and pressures regarding climate change. Indeed, we believe that organizational and business diversities are key advantages when developing managerial models.

The paper is structured as follows. Section 2 explains what we mean by a managerial perspective, building on Simons' synthetic work on organizations (Simons, 1995). It also reviews a preliminary positioning of firm's environmental and social strategy in those terms, based upon an empirical survey of large French firms (Arjaliès and Péan, 2009). This

positioning will be used to construct our own typology. Section 3 introduces this typology. It is hypothesized that firms follow a two stage process: at the first stage, the strategy of the firm is associated with awareness/risk while at the second stage it is associated with vision/opportunities. The relevance of this model to structure the strategies actually followed by DuPont, Lafarge and Unilever is discussed in detail. Section 4 revisits the Porter hypothesis. Section 5 comes back to the investors, and draws on the implications of our results for the design of adequate tools to assess the impacts of climate change on portfolio analysis, giving due consideration to those factors that may trigger the passage of a firm from stage one to stage two. Section 6 concludes.

2. The Managerial Framework and Some Preliminaries Findings on How Firms Manage CSR

2.1. The Managerial Framework

To adapt to its environment, a firm must keep innovating and evolving. According to bounded rationality perspective (Cyert and March, 1963), firms should encourage organizational learning (Argyris and Schon, 1978) and local initiatives for generating emergent strategies (Mintzberg, 1989) while controlling that the chosen strategies are well implemented. Simons (1995) has elaborated a comprehensive framework to analyze strategic and organizational change in this framework. It relies on four performance systems.

- The first two systems are key cognitive tools to ‘frame’ what can and cannot be done both in terms of behaviors and actions:
 - *Beliefs systems* set the core values of the company to create a sense of commitment and belonging on part of the employees.
 - *Boundary systems* set the framing for strategic elaboration and analysis. They orientate managers’ actions by showing what is permitted.
- The other two systems refer to the planning and control procedures. In particular, they are concerned with the information systems needed to support these procedures.

- *Diagnostic systems* typically involve a wide range of indicators, which reflect the different facets of a company’s performance, for internal or external use. They aim at ensuring that managers meet the firms’ strategic goals. Control is made by exception, with actions taken whenever reported data widely differ from targets.
- *Interactive systems* involve a limited range of indicators to create a total determination of the management on a selected set of goals. Their purpose is to stimulate organizational learning by encouraging managers to innovate. The control takes the form of a very high degree of interaction along the hierarchical line. The interactive control systems will focus on areas varying from company to company according to a critical performance criteria.

It is the *joint* use of these four systems which permits firms to drive strategic renewal by favoring continuous innovation and ensuring that the implemented strategic actions are coherent and efficient. A summary of this process is provided in figure 5.1.

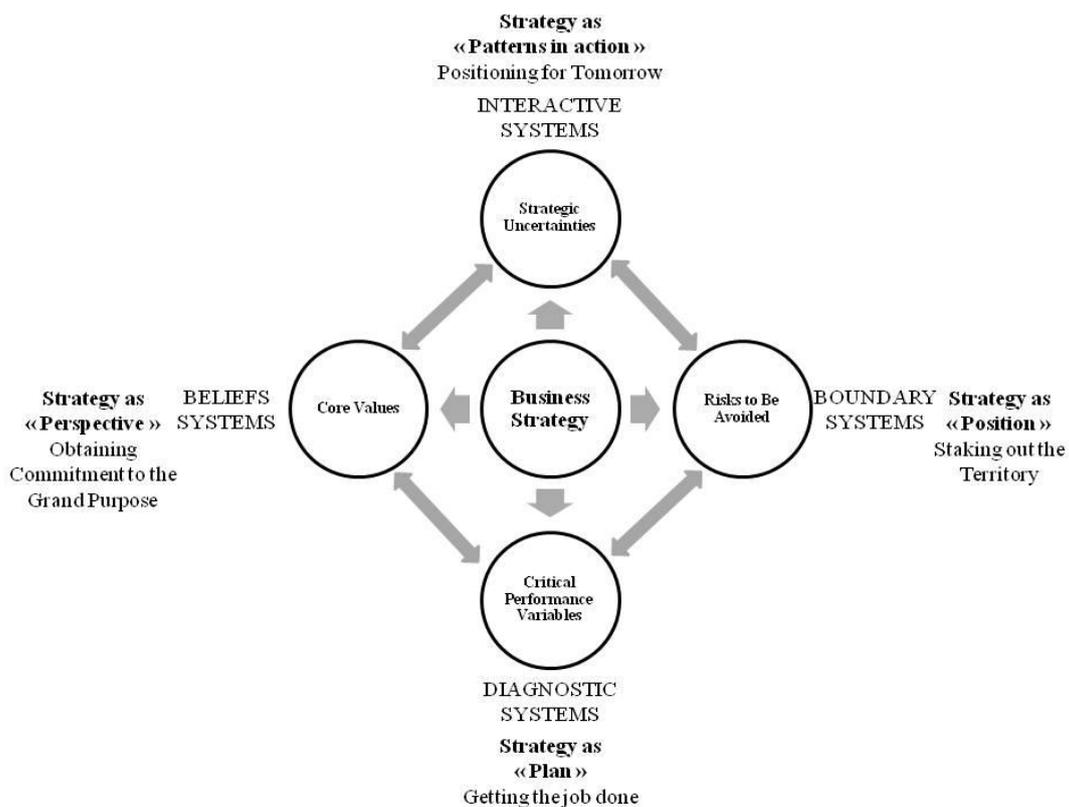


Figure 5.1: A Dynamic Relationship (Source: Simons (1995))

In his research, Simons gives particular attention to the differences between diagnostic and interactive systems. He points out the connection between the major sources of strategic uncertainty (regulatory constraints, cost efficiency, launching of new products, et cetera) and the interactive systems to be put in place. He also emphasizes that the design of managerial compensation should be different in both systems. Compensation should typically be based on objective criteria for the diagnostic systems which are result-oriented, and on subjective criteria for the interactive ones which are process-oriented. Objective and subjective criteria constitute the extrinsic part in the motivational system of the firm. The beliefs systems of the firm have a direct impact on the intrinsic motivation of the employees and as such they contribute to their alignment with the goals of the firm.⁸⁰

The relevance of this framework has been illustrated by a number of case studies by Simons and others.⁸¹ Simons' approach will be used as a starting point for our model. Two other dimensions need to be added to provide our managerial framework. The first dimension refers to the necessary cross-functional aspect of environmental strategies: interactive systems should be designed so as to promote horizontal interaction between functional and operational departments to evaluate the risks, for instance, and to design appropriate responses. This cross-functional dimension of management systems is not addressed by Simons in his typology while it is an important feature in the implementation of turnaround strategies.⁸² The second dimension relates to the participation of external stakeholders such as NGOs and scientists in strategic deliberation. More than on any other corporate topics, environmental issues may involve an important number of firms' outsiders. As a result, Simons' framework should be used both at the internal and external levels, focusing explicitly on the relationships between firms and their stakeholders.

⁸⁰ That intrinsic (i.e. symbolic) and extrinsic (i.e. financial) motivation must be considered as complementary has become an important issue (Bénabou and Tirole, 2006).

⁸¹ See for instance Simons (1994), Bisbe & Otley (2004) and Marginson (2002).

⁸² In his analysis of change at Nissan, Goshn (2002) insists on setting ambitious targets for the company and on the key role of transversal working groups to by-pass the inherited compartmentalized organizational structure of the company. See also Ponsard and Tanguy (1993).

2.2. How Firms Manage CSR: Some Preliminary Findings

In this section, we revisit a recent comparative analysis of the CAC 40 companies⁸³ conducted by Arjaliès and Péan (2009).⁸⁴ The main finding of this analysis is puzzling: while companies have acknowledged the strategic importance of CSR for businesses, they still devote limited resources and time to such concerns. The study demonstrates that companies have not yet developed appropriate management systems to trigger strategic and practical change. According to the authors, this is the main reason explaining why no strategic renewal has yet been conducted by these companies to meet the CSR challenge. In line with our general management perspective, different elements can be put forward from this study:

CSR is now deemed to be essential for companies' long-term survival.

CSR has progressively become a major issue at the corporate level. Indeed, companies must meet an increasing number of demands regarding CSR both from their clients and stakeholders. As a result, CSR would become as of now a necessary prerequisite for companies to be able to maintain their business and their so-called 'license to operate'.

However, the integration of CSR concerns remains limited in practice.

The recognition of CSR as a corporate issue has not been translated into operational goals. Firstly, CSR has not yet generated many demonstrative business cases. Secondly, CSR demands are rarely framed on the situations experienced by operational managers in practice. Thirdly, companies face difficulties when implementing CSR strategies as a result of their lack of cross-functional approach. Finally, despite their assertion that CSR is important for business, most companies still separate CSR issues from business-related issues.

Diagnostic systems dominate for external reporting.

This focus of diagnostic systems on external reporting can be explained by the domination in practice of a risk approach of CSR. In other words, management systems would be first used to avoid behaviors which could endanger companies' licenses to operate and not to generate strategic opportunities. The study provides evidence that the means dedicated by the companies to CSR are too limited to enable the generation of structural strategic change. For

⁸³ The CAC 40 companies are the 40 biggest French listed companies.

⁸⁴ This study is based on questionnaires and documentary evidence.

example, the important feedback dimension of control systems is lacking in many companies. This prevents a systematic process of improvement of existing practices.

Interactive systems exist but their influence is limited.

As for diagnostic systems: interactive systems suffer from a lack of feedback, which makes the capitalization on innovative ideas difficult. Moreover, managers' commitment to such systems is limited, as a result of their perception of CSR as being meaningless for day-to-day business. Thus, whereas companies assert that CSR is likely to play a key role in terms of innovation and strategic renewal, only a few of them are able to design interactive systems to achieve the associated goals.

This study provides a broad picture in which it demonstrates that CSR is increasingly integrated into the beliefs systems of firms, but mainly as a risk/compliance issue. The diagnostic systems are adapted to provide the data required by external bodies (regulatory and social rating agencies, NGOs...) through emerging standards such as the GRI (Global Report Initiative). Boundary systems are almost not impacted and there is no CSR action program followed by innovative interactive systems. This demonstrates that companies still separate CSR actions from everyday business. We will see in this paper that detailed case studies provide a less extreme picture. Our goal is precisely to provide a systematic framework to organize isolated case studies.

3. The Two Stage Model for Implementing a CO₂ Strategy: From Awareness/Risk to Vision/Opportunities

In this section, we elaborate on the general framework introduced in section 2 to formulate the hypothesis on how firms implement their CO₂ strategy. The hypothesis is explained as a two-stage model. In simple words, stage one would correspond to the situation described in the preceding survey and applied to CO₂: climate change appears as an awareness/risk issue mostly of concern at the corporate level. We shall hypothesize that some operational actions may still take place, as long as the corresponding programs are directly aligned with the compliance goals formulated at the corporate level. Stage two is not based on the survey but on our detailed case studies. We shall hypothesize that firms in stage two will consider climate change as an opportunity and characterize the four management systems that, in our view, would support such a strategy. An important theoretical question will then be

addressed: are there conditions that could trigger the passage for firms from stage one to stage two? This question will be addressed in section 4, while revisiting the Porter hypothesis. We start by giving the main ideas of the model and then discuss them in full.

3.1. The Main Ideas Underlying the Model

– Stage 1: Awareness/Risk

CO₂ risk is identified but awareness is limited in the sense that only some managers in the firm, typically functional managers at the corporate level, are aware of this risk and can provide quantifiable measures in terms of loss of revenues and/or increase of costs. Neither the beliefs nor the boundary systems are affected by change.

Some specific actions may be undertaken to counter change due to CO₂ regulation in the environment, such as delaying its impact on the firm's activities through lobbying and/or mitigating emissions in production.

The firm's control systems remain in place. Eventually, diagnostic systems are by increments updated to measure and mitigate the actual emissions. No specific interactive system is designed to elaborate and implement radical change.

– Stage 2: Vision/Opportunities

The core values of the firm address the challenge created by CO₂ emissions in a positive way through a reformulation of the firm's vision and corporate culture. This induces a reformulation of the beliefs and boundary systems to drive strategic and organizational change.

Changes in the boundary systems make possible strategic formulation at the corporate level for the whole sector, along the chain value, with the goal to identify the strengths and weaknesses of the firm relative to its competitors, suppliers and customers.

The strategic orientation is explained through action plans. These action plans are explicitly introduced into the control systems. Dedicated diagnostic systems are integrated into the general planning and control systems of the firm. Dedicated interactive systems are designed to follow up the targets associated with the new vision.

3.2. Revisiting DuPont, Lafarge and Unilever Strategies through this Model

Our model is now applied to revisit the respective implementations of CO₂ strategy in DuPont, Lafarge and Unilever. Figure 5.2 provides a synthetic view of these firms in 2008. It gives their CO₂ emissions levels as of today and summarizes their current targets on these emissions. The three firms generate CO₂ mainly through their manufacturing activities, with some or many European Union (EU) plants eligible for the EU-ETS⁸⁵, in our case for Unilever and Lafarge, respectively. In the US, all firms have plants that would potentially be subject to a CO₂ regulation. However, the relative significance of these industrialized CO₂ emissions is more important for Lafarge, with cement representing both its major product and its main source of emissions, than for the other two companies which are diversified. DuPont is an upstream company which produces industrial components for electronics, textiles, motor vehicles, construction materials, agriculture and plastics and so forth whereas Unilever is a downstream company which produces consumer goods through around 400 brands covering food, household and personal care products. The ‘test’ of our model for these differentiated companies will provide an indication of their potential value to handle many different situations.

	DUPONT	LAFARGE	UNILEVER
Headquarters’ location	Wilmington, USA	Paris, France	London, UK
Revenues	\$30.5 billion	€19 billion	€41 billion
Employees	60 000	84 000	174 000
CO₂ emissions (Mt) from CDP 2008	9.3	108.9	1.2
Current Target in 2008	15% for 2015/2004 (absolute value)	20% 2010/1990 (relative value)	25% 2012/2004 (relative value)

Figure 5.2: DuPont, Lafarge and Unilever at a Glance

The case studies were elaborated in two steps: step one, a standard questionnaire was filed by the authors based on public information (company reports, carbon disclosure reports (CDP),

⁸⁵ EU-ETS refer to the European Union Greenhouse Gas Emission Trading System, which is a major pillar of EU climate policy.

press articles, articles published in academic journals and so on); step two, interviews with company representatives were utilized to complement this outside view.⁸⁶

We are using the outputs of these case studies to give substance to our model. In this construction, it will be important to keep in mind that we refer to CO₂ in a broad sense so as to take into account the diversity in which the operations of these three companies affect the climate. DuPont's involvement started with the recognition of the CFC impact on the ozone hole. Unilever's involvement mainly comes through the sourcing of palm oil and its impact on deforestation. There have been different policies to tackle these different impacts and the firms' responses varied accordingly. Moreover, the public questioning on the detrimental effects of CFC emissions on CO₂ emissions from manufacturing and on CO₂ emissions from deforestation have not appeared at the same time and triggered different responses.

The first scientific paper hypothesizing a connection between CFC and the ozone hole is from 1974. In 1987, the Montreal protocol to reduce and eliminate CFC was signed by 24 Nations and the EU. In 2007, 191 Nations revisited the Montreal protocol and expressed their satisfaction that all CFC production would end in 2010.

Awareness of the GHGs on global climate change has been much slower than awareness of the impact of CFC on the ozone hole. The IPCC (Intergovernmental Panel on Climate Change) was founded in 1989. The scientific hypothesis that connects CO₂ and global climate change has been clearly formulated but an agreement on this hypothesis has not yet reached the same level of consensus as for CFC and the ozone hole. The Kyoto protocol was open for ratifications in 1998, but it sets binding targets for only 36 industrial countries so far. Moreover, the Nations' commitment (i.e. countries in Annex B of the Protocol) to reduce emissions by 5.2% on the period 1990/2012 will not be reached. To say the least, the Copenhagen meeting, in December 2009, did not lead to an international binding agreement.

Deforestation had remained largely ignored by the Kyoto protocol. Firstly, deforestation mainly occurs in developing countries (which are not in Annex B). Secondly, following the principle of common but differentiated responsibilities, these countries did not have to

⁸⁶ We interviewed executives from these three companies but also from other companies in the same sectors. We also interviewed financial analysts. We are indebted to these executives for their responses to our inquiry. The authors remain the sole responsible for the views and analysis presented in this paper.

commit to any reduction of emissions. Furthermore, despite international debate on this issue, forest conservation projects are excluded from the Clean Development Mechanism.⁸⁷

This timing of events will have important consequences in the awareness process that occurred in the companies.

– Stage 1: Awareness/Risk

Keeping this historical context in mind, we are now discussing similarities and differences in the strategies of DuPont for the CFC risk and Lafarge for CO₂ risk. In both cases, the emissions concern the manufacturing operations of these companies.

Awareness

The quantification of the risks for both firms is easy. In the early eighties, DuPont had a 50% market share in CFC in the US and 25% worldwide, with this business accounting for 2% of total sales.⁸⁸ In 2008, cement accounted for 57% of Lafarge's total sales, the cost increase in cement at a price for CO₂ of 30€/t would induce an increase in cash cost of about 20€/t (based on an emission rate of .7 ton CO₂ per ton of cement). This puts the cement industry as the most affected sector in terms of cost increase (the unit cost being around 45€/t), making the EU cement industry vulnerable to pollution havens (relocation in countries that would not regulate their CO₂ emissions).⁸⁹

Actions at the corporate level to mitigate regulation

On both sides, awareness triggered some lobbying effort to delay regulation. DuPont launched a voluntary effort of industry through the Alliance for Responsible CFC as early as 1980. DuPont also publicly questioned the scientific connection between CFC and the ozone hole, but founded public research to get further evidence. Lafarge discouraged early attempts to introduce a carbon tax in France in the nineties and prompted industry efforts during the renegotiation phases of the successive EU-ETS to have cement classified as a 'sensitive'

⁸⁷ This created strong incentives for firms operating in industrialized countries to involve themselves into emission reduction in developing countries.

⁸⁸ For a detailed account of DuPont CFC strategy, see Smith (1998). The data mentioned in this paper in relation to CFC are mostly extracted from this article.

⁸⁹ Competitiveness issues for the cement industry are discussed in particular in Hourcade et al. (2007). See Ponsard & Walker (2008) for a quantification of these issues.

sector to reduce the impact of a unilateral CO₂ price in the EU on the competitiveness of the industry.

Corporate commitments

The risk for business also triggered positive actions. DuPont openly recognized that if a valid scientific connection was established between CFC and the ozone hole, it would immediately stop its CFC production. As a matter of fact, the scientific consensus was almost total prior the Montreal protocol. Consequently, in 1988, DuPont made public its decision to reduce its CFC production to zero by 1994.⁹⁰ In 2000, the CEO of Lafarge made a public commitment to reduce Lafarge's emissions of CO₂ by 20% over the period 1990 to 2010. Such statements seemed to have come as surprises for operational managers in both companies. According to internal sources, these managers did not consider that it would be feasible.

No change in boundary systems but a slight adaptation of internal control systems

At the operational level, both companies integrated CFC and CO₂ risks respectively as being part of their everyday business. In DuPont, which is a 'science' company making its profit on technical innovations, the CFC risk induced R&D programs to elaborate substitutes to CFC, but the R&D budget remained consistent with the average R&D spending in other areas. Lafarge's operational commitment for CO₂ was associated with its ongoing energy efficiency program which involved optimization of inputs (gas, coal, electricity, biomass and so on), optimization of yields, as well as the incremental substitution of cementations materials (slag, flying ashes) for clinker, being the high energy intensive ingredient in cement. Thus, in both companies, no radical change was encouraged through specific new programs and/or design of specific incentives. The nature of these operations demonstrates that both companies' boundary systems had not changed.

Differentiated impacts on beliefs systems

There are some interesting differences between the two companies in terms of beliefs systems. For DuPont, its CFC strategy has been progressively reintegrated into its larger corporate environmental targets. DuPont's environmental commitments in 1989 involved

⁹⁰ DuPont had just developed a clean substitute for CFC at that time. This certainly helped to make that a decision that was considered as a complete reversal by other members of the Alliance for Responsible CFC. Still the commitment to eliminate CFC by 1994 remained ambitious due to the many applications and the sunk investments in these applications.

70% reductions in air toxics and 90% reductions in air carcinogens, 35% less in hazardous waste. In 1994, DuPont further committed to a 40% reduction in GHG emissions (2000/1990).⁹¹ In contrast, Lafarge's operations in CO₂ were not connected to its long-standing commitment on environmental issues (the license to operate for cement plants requires special attention to local stakeholders for quarries, logistics, emissions of gases and dust; this also concerns the other activities of Lafarge, thus its global involvement in environmental issues). Interestingly, Lafarge had its CO₂ goal certified by WWF in 2000, but did not use this partnership to change its beliefs systems. CO₂ remained a public relation issue at the corporate office to quantify the risk for the company and external lobbying efforts, and a reinforcement issue on energy efficiency programs for operations.

– Stage 2: Vision/Opportunities

So far, in our analysis, climate change issues have not substantially changed the vision of the firm. At this point in the analysis, we will look at a 'turnaround', something that denotes that the 'frame' used to stimulate initiatives, evaluate decisions, promote managers, has changed.

DuPont, as a result of CFC has a clear historical advantage in this matter. It provides an illustrative example of such a change. Unilever will provide another illustration.

Changes in beliefs systems at DuPont

In 1999, DuPont coined a new term to describe its vision, 'sustainable growth'. This vision was associated with a major move of the company from fossil fuel technology to green technology. It acquired Pioneer in 1997, a major seed and biotechnology company and divested Conoco in 1998, a major oil company (acquired only a few years earlier). Its commitments were reformulated to highlight the change. The sustainability targets made in 1999 for 2010 involved a large spectrum of new goals: (1) to be flat on energy (base 1990) in spite of growth, (2) to source 10% of its energy use from renewable energy, (3) to remain below 65% in terms of its total GHG emissions compared to 1990 and (4) to generate 25% revenues from products based on non-depletable resources. As a result of these major strategic choices, DuPont's beliefs systems shifted from thinking of CO₂ as a liability/cost reduction issue only, to thinking about it also as an opportunity issue.

⁹¹ By 2003, it had reduced its emissions by 72%. Then it reset its base line in 2004, see current target in figure 5.2.

Changes in beliefs systems at Unilever

As seen in figure 5.2, CO₂ direct emissions from Unilever are relatively low. However, the indirect impacts of Unilever's activities on climate change are very significant. We already mentioned the case of deforestation.⁹² Overall deforestation accounts for approximately 18 % of world total CO₂ emissions. Indonesia alone holds the global record for GHG emissions from deforestation, putting this country in the third place behind the USA and China in terms of total GHG emissions from human activity. That is the reason why, being the world's leading buyer of palm oil, Unilever has been targeted by Greenpeace as fueling climate change. Taking now other products of Unilever such as detergents and personal care products, the uses of these products are energy-intensive. As a matter of fact, while manufacturing activities in Unilever are not accountable for large CO₂ emissions, suppliers and customers of Unilever products are. To respond to this challenge, Unilever introduced its new vision about climate change around 2006, following an earlier awareness/risk phase similar to the one described above. The reduction of CO₂ emissions for Unilever is now part of its overall vision to minimize its environmental footprint (water, sustainable agriculture, energy, packaging, et cetera) all along the value-added chain while delivering valuable consumer goods.

Changes in boundary systems

The reformulation of the CO₂ issue as a whole value-chain issue can be illustrated through the launching of long term global programs. DuPont has engaged in the development of the next generation of bio-fuels: Cellulosic ethanol, a joint venture with Danisco, and Biobutanol, under development with BP. DuPont also creates value-adding materials from renewable-sourced feed-stocks and bio-based ingredients for various industrial applications. DuPont is expecting that 60% of its business will stem from the use of biotechnology to reduce fossil fuels in the next decades. Such expectations need to be evaluated in the context of changes in the whole value chain with their indirect consequences for agricultural sustainability. In 2004, Unilever became a founding member of the Roundtable on Sustainable Palm Oil (RSPO). In May 2008, following a public challenge from Greenpeace, Unilever formalized its commitment to purchase all its palm oil from certified sustainable sources by 2015. Through the RSPO, the company supports an initiative to put pressure on suppliers and users of palm oil to change their ways via certification bodies and NGOs. The future of this initiative

⁹² On the link between Unilever and deforestation see the Greenpeace report (2008).

remains uncertain, given the many uses of palm oil, often in small proportions to other ingredients, and by the many players at each level of the value added chain.⁹³ In some other activities, the global strategy seems easier to implement, such as in tea, an activity in which Unilever is also a world leader (Poret, 2010). In 2007, Unilever announced its commitment to achieve in 2015 a sourcing of all its tea sustainably from a Rainforest Alliance Certification. This certification involves measurements on ten sustainability indicators for producers: soil fertility, soil loss, nutrients, pest management, biodiversity, product value, energy, water, social capital and local economy. In all its divisions, Unilever managers implement a ‘Brand Imprint Tool’ that prompts them to ‘think about where they source their ingredients and how they can get value from communicating this to consumers’ (Paul Polman, Chief Executive Officer, Unilever website).

Diagnostic and interactive systems are systematically changed.

As part of a stage 2 strategy, we must observe how these visions have been integrated into firms’ management and management systems. The fact that the organizational chart and the control systems have changed are illustrative of such integration. For example, at DuPont, we now have a VP Chief Sustainability Officer, a Sustainable Growth Review for each business, a Corporate Environmental Plan, a more systematic link to compensation, decentralized competence centers for sustainable growth, local champions, awards and so forth. At Unilever, there are a Board-level Corporate Responsibility and Reputation Committee and a Corporate Responsibility, Issues, Sustainability and Partnerships (CRISP) leadership team, which review the BU strategic plans along the key performance indicators (KPIs) associated with the global sustainability targets. This illustrates the importance of both quantitative (KPIs) and subjective indicators (such as symbolic prizes associated to local champions and awards) in the incentive systems when conducting strategic renewal.

⁹³ On December 11, 2009, Unilever announced that it suspended its supplies from Sinar Mas, until it provides substantial, evidence that its operations did not involve deforestation in Indonesia. Greenpeace considered this as a consequence of its pressure on Unilever.

3.3. Putting the Pieces Together

The next two figures (5.3&5.4) summarize our two-stage model and its application to the DuPont case.

	STAGE 1	STAGE 2
CO ₂ Strategic Approach	Awareness/Risk	Vision/Opportunities
Beliefs Systems	No change	– Integration of the climate policy strategy in the firm's vision
Boundary Systems	No change	– Systematic review of portfolios' activities including suppliers and clients' relationships
Diagnostic Systems	<ul style="list-style-type: none"> – Measurement of CO₂ emissions at plant level – Incremental and local adaptation of energy efficiency programs – Compliance approach (regulation) 	<ul style="list-style-type: none"> – (Re)designing of the firm's position in the value chain targets' setting – Integration of environmental issues in strategic reviews – Joint design and cross-functional implementation of diagnostic and interactive systems
Interactive Systems	<ul style="list-style-type: none"> – Focus at corporate level on risks associated with ongoing and future regulation 	<ul style="list-style-type: none"> – Introduction of financial and symbolic motivations

Figure 5.3: The Two Stage Model

	STAGE 1 (1980-1999)	STAGE 2 (1999-2009)
CO₂ Strategic Approach	Awareness/Risk	Vision/Opportunities
Beliefs Systems	<ul style="list-style-type: none"> – As regards environmental issues, ongoing compliance beliefs systems are not affected 	<ul style="list-style-type: none"> – New vision: holistic approach to sustainability through voluntary actions including ‘footprint reduction goals’ and <i>for the first time</i> ‘market-facing goals’
Boundary Systems	<ul style="list-style-type: none"> – No questioning of DuPont’s portfolio since CFC represents only 2% of total sales 	<ul style="list-style-type: none"> – Major move from fossil fuel technology to green technology – Partnerships along the value chain
Diagnostic Systems	<ul style="list-style-type: none"> – Measurement of CFCs emissions at plant level – R&D programs to generate substitutes 	<ul style="list-style-type: none"> – Change of organizational chart and control systems – Nomination of a VP Chief Sustainability Officer – Implementation of a Sustainable Growth Review for each business
Interactive Systems	<ul style="list-style-type: none"> – Launch of the Alliance for Responsible CFC to preempt regulation – Direct involvement in the elaboration of the Montreal protocol 	<ul style="list-style-type: none"> – Cross-functional competence centers – Local champions and awards

Figure 5.4: Application to DuPont

Our analysis confirms the importance of transforming the four types of management systems in accordance with the CSR challenge. It also demonstrates that shifting from a stage one strategy based on risk and compliance to a stage two strategy whose goal is to generate new innovations and strategic opportunities requires: 1) a cross-functional approach and 2) a coherent transformation of the four systems aligned with the new strategic targets. As claimed, it provides a more nuanced view than the broad picture described in section 2. As seen shortly, it also provides a systematic framework for organizing case studies.

4. The Porter Hypothesis Revisited: What Have We Learnt?

In this section, we come back to the Porter hypothesis. Will an increased environmental pressure for the reduction of CO₂ emissions generate more profitability? Our contribution will be discussed at two micro levels: the firm level and the sector level.⁹⁴ We build on our exploratory research to formulate questions that could be interesting to pursue.

There are probably as many case studies in which firms benefit from more stringent environmental regulation and societal pressure as ones in which they experience an increase in costs and a reduction in profits. Our own case studies confirm these ambiguous results. But we can go one step further since we propose a systematic framework for organizing these cases studies. It suggests that the beneficial case studies would be more likely to be in stage two and the detrimental ones in stage one. A systematic test of this proposition would shed light on the capacity of the corresponding firms to either take full benefit of the change or be sucked in a compliance/risk strategy. Our main contribution on this question concerns the hypothesis that, to be in stage two, a firm must design its management systems in order to align middle managers with the vision of the firm formulated at the corporate level. Another contribution of our analysis concerns the dynamic nature of stage two. The strategic turnaround that we associate with such a repositioning implies that the potential benefit is risky and long-term. It certainly cannot be considered as a ‘free lunch’, as suggested by a literal interpretation of the Porter hypothesis.

A more general question may be stated at the sector level. For instance, are there structural factors that would imply that firms in the cement sector would be more likely to be in stage one while firms in the chemical or agro-food sectors would be in stage two? In other words, would Holcim and Cemex be positioned as Lafarge, while Bayer and Rhodia as DuPont, and Danone and Nestlé as Unilever? It would indeed certainly be worthwhile to see if our model may be applied at the sector level: could steel and petroleum be considered as being in stage one while chemicals, food, automobile be considered as being in stage two? Our research suggests some clues to investigate this point: whether the nature of the sector facilitates some diversification, whether it is concentrated on manufacturing or on the design and/or the assembly of components, or the significance of R&D and the speed with which new products are introduced into the portfolio.

⁹⁴ We leave aside the macro level.

Finally, and probably the most challenging issue, is to address the question concerning the possible identification of the key factors that would trigger the passage from stage one to stage two at the sector level. For instance, one may consider that a sustained high price for petroleum would accelerate the passage of chemicals from stage one to stage two, assuming that it is not already there. The identification of some firms already in stage two, in a sector to be globally considered in stage one, would also be a key factor. For instance, it may be that some firms in the construction sector are already in stage two: such as construction builders who may have more flexibility to adjust their strategies than the manufacturers of cement and steel. Our research does indeed emphasize the changes that occur along the whole value chain and the development of partnerships to take advantage of these changes.

5. Implications for Investors

In this section, we develop some implications that may be drawn from our work for investors that are concerned with the possible impact of climate change on the value of their portfolios.

It is interesting to note that the debate surrounding CO₂ among investors is also progressively shifting away from cost and risk toward the question on how to capitalize on financial opportunities. Investors increasingly believe that climate change will present many business opportunities in the near future (Deutsche Bank Advisors, 2008; Oddo Securities, 2008). According to a former leading consultancy, firms who recognize the challenge of climate change early and elaborate on it to innovate will benefit from a competitive advantage and therefore prosper (Lehman Brothers, 2007). However, despite acknowledging the potential for strategic renewal regarding climate change, most investors keep assessing companies with an awareness/risk approach and not a vision/opportunities one. For instance, the assessment tool being used the most by investors to evaluate a firm's CO₂ emissions consists of calculating its carbon footprint, by estimating its number of Certified Emissions Reduction (CER).⁹⁵ The purpose of such a calculation is to evaluate the financial gains/loss associated with the *virtual* valuation of these climate credits on the emission trading market (e.g. virtual valuation since investors do not directly benefit/pay for these CER). Although this assessment enables the identification of firms which have mitigated their CO₂ emissions

⁹⁵ Certified Emission Reductions (CERs) are climate credits (or carbon credits) issued by the Clean Development Mechanism (CDM) Executive Board for emission reductions achieved by CDM projects and verified by a Department of Energy under the rules of the Kyoto Protocol.

(i.e. stage 1), it does not allow the selection of the firms which have conducted strategic renewal according to climate change (i.e. stage 2). Yet, it is this second type of companies that investors should select for their portfolios to generate better financial performance in the long term.

For investors to shift from a stage one to a stage two approach when evaluating companies' CO₂ strategic approaches requires building new assessment tools. Our two stage model is an attempt to fill this gap. Namely, it should provide some guiding principles to the question 'which firms are in a position to materialize what gains?' It suggests analyzing differently a company in stage one from one in stage two. In line with recent approaches developed by brokers (Oddo Securities, 2008) and social rating agencies (Innovest, 2007) to assess firms based on their business opportunities regarding climate change, our analysis insists on the importance of studying the potential for strategic and organizational change generated by CO₂ emissions at the sector and firm levels. Firstly, we suggest maintaining the so-called 'best-in-class' approach, which consists of selecting the best firms regarding CO₂ emissions in each sector. Two reasons motivate this choice: on the one hand, when building a portfolio, a firm must be assessed in comparison to its peers; on the other, it cannot be ignored that most investors will not exclude sectors such as oil or building materials from their portfolios even if they are considered as laggards in terms of CO₂ strategies. Secondly, we suggest identifying different scenarios according to the stage of the sector regarding CO₂ strategies.

These two different scenarios can be outlined according to the following approach:

- *Scenario 1 - the whole sector is at stage one:* in a few sectors, all firms appear to be more or less at stage one regarding CO₂ emissions, possibly in real estate, oil or building materials. In such cases, the traditional approach based on risk/awareness when assessing firms would be the rule. For instance, an investor could start by identifying the level of CO₂ emissions associated with the firm's operations and ask for actions that mitigate these emissions. The investor could proceed to identify the CO₂ content associated with the products, anticipating that a carbon tax of this content will affect the market value of these products.
- *Scenario 2 - at least one firm in the sector is at stage two:* this means that climate change has generated business opportunities for the sector, possibly in chemicals,

water or food products sectors. When faced with this situation, an investor must favor the most promising firms regarding CO₂ strategies. These firms can be identified using the different characteristics developed in the second stage of our model, such as the reformulation of the firm's vision, corporate culture, the integration of dedicated diagnostic, interactive systems in the general planning and control systems of the firm.

A more challenging grid would ask why and when a firm would move from stage one to stage two. Our analysis suggests that the key factors to consider would be the following ones:

- The 'new vision' that incorporates climate change as a major ingredient of the company culture should be based upon in-depth internal studies identifying the risks for the company and its capacity to successfully address these risks in a stage one strategy.
- The involvement of the CEO in the formulation and the communication of the new vision is a key factor, which is usual in organization theory. To discern such an involvement from green washing, it seems important to link the CEO vision to the formulation of explicit new CSR targets.
- The quantification of these new targets should be integrated in the management control systems; note that it is possible to evaluate from the outside if this is the case through an analysis of the KPIs introduced at the business unit levels, along with changes in the compensation package, as well as in changes in the general strategic review process.
- The identification of a stage two strategy remains the change in the carbon intensity of the portfolio of activities of the firm, as well as their positioning into the whole value chain; the capacity of the firm to articulate its current strategy in this respect provides a direct indication that its vision has changed its boundary systems and is delivering results.
- An interesting factor for assessing the change from stage one to stage two may be that the firm now engages in positive partnerships and interactions with NGOs and scientists to formulate and implement its strategy.

This move from stage one to stage two is easier to identify in the second scenario (i.e. at least one firm in the sector is at stage two) than in the first scenario (i.e. all firms are at stage one). Indeed, in the second scenario, other firms can be assessed in comparison to the sector leader. In case of the first scenario, the reasons which explain why no firm has been in stage

two must be researched: do the technical problems that prevent innovation require major breakthroughs? Are clients reluctant to change? Have the leaders an interest in the status quo? Are the competitive forces not so important? And so forth. Once the reasons have been identified, investors may choose 1) to keep using a stage one approach when selecting the firms in the sector, 2) to encourage the leaders of the sector to shift from stage one to stage two or 3) to favor firms at stage two belonging to other sectors but which can be good substitutes (for example, investing in firms belonging to the oil services sector instead of the more classical integrated oil & gas sector). While our research has identified the existence of different stages to position a sector, further research is clearly needed to explain what prevents some sectors from shifting from stage one to stage two.

6. Conclusion

The objective of this paper was to revisit the Porter hypothesis from a managerial perspective. We have proposed a framework to position a climate change strategy of a firm consisting of a simple two stage model: awareness/risk, in which compliance and incremental improvements are the rule, and vision/opportunity, which may induce a more global re-assessment of the portfolio of the firm including its relationship with suppliers and clients. Our construction is based upon three case studies: DuPont (chemicals), Lafarge (building materials) and Unilever (consumer goods).

The results have been used to revisit the possible relationship between an increase in environmental constraints and the profitability of the firm, contingently at the stage the firm is considered to be in. Moreover, a number of key factors that may trigger the shift from stage one to stage two have been identified: integration of the climate change policy into the beliefs systems of the firm, involvement of the CEO in the formulation of the environmental targets for the whole company, integration of these targets into the planning and control systems.

Our work suffers from a number of limitations: our empirical base should clearly be extended. This may lead to a refinement of the model. At some point, this should generate a number of hypotheses that would be amenable to systematic testing. On the more practical side, the implications we have developed for investors should be made more operational. In spite of its limitations, firms and investors may also be interested in using our model to position their own strategy. The clear architecture of the model would facilitate this positioning and, hopefully, provide a useful starting block for further analysis.

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**APPENDIX B – CORPORATE SOCIAL
RESPONSIBILITY: A NEW BUSINESS MODEL FOR
MULTINATIONAL COMPANIES?**

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Abstract

Since they provide the tools that enable actors to choose, organize, deploy and monitor strategy, management systems are said to be one of the necessary media for implementing and changing corporate strategies. Based on this assumption, the introduction of CSR into companies' management systems should: 1) give evidence of the 'real' will of companies to integrate CSR into their strategy and 2) provide the means for effectively changing operational practices. With this in mind, this paper aims at exploring to what extent CSR changes the business model of multinational companies by studying whether and how these companies integrate CSR into their management systems. The distinction between diagnostic and interactive management systems introduced by Simons (1995) provides the conceptual framework of the paper. According to this typology, two types of management systems are essential for a strategy to be implemented (diagnostic systems) and changed (interactive systems). Empirical data are drawn from a comparative study of the CAC 40 companies – the 40 largest French listed companies – based on a survey conducted between September and December 2008 (response rate: 87.8%) and documentary evidence. Based on the study, the paper argues that the gap which exists between the management systems used to integrate CSR into companies' operational practices and the targeted strategies could explain why CSR has not yet led to the emergence of a new business model for these multinational companies.

Key-words: Business Model – CAC 40 – Corporate Social Responsibility (CSR) – Management Systems – Strategy

1. Introduction

At a time when the world is facing a financial, economic and social crisis of great amplitude, many question the validity of a business model that has, little by little, forgotten humans for the benefit of money. The Economic Nobel Prize Krugman declared: ‘The people who assured us that markets work; that the private pursuit of profit always leads to a good result have been rather massively wrong.’ (Reuter News, 14/10/2008). As a result of this ongoing change, societies are now searching for a new balance – a balance which would reconcile short-term profitability and long-term durability: a new model of society known as ‘Sustainable Development’ (Bruntland, 1987). Since they are essential actors of the economic and social development of our societies, by their creation of wealth as well as via their role in society, Sustainable Development could not have been imagined without the participation of companies in this societal project. This commitment of companies developed over the past few years, is known as ‘Corporate Social Responsibility’ (CSR).

The concept of CSR requires companies to take into account social, environmental and economic considerations related to their activities and their interactions with their stakeholders on a voluntary basis (European Commission, 2001). The perceived importance of CSR has soared in recent years, as companies, investors, and regulators have grown increasingly aware that such policies could help manage risks and opportunities as well as build reputation and innovation. In light of this evolution, two approaches of CSR now face each other (Crifo and Ponssard, 2009): 1) a ‘niche’ strategy which would concern only a few companies which have adopted a CSR positioning in the market (Vogel, 2005) and 2) a ‘mainstream’ approach of CSR according to which CSR would act as a lever for profound organizational and strategic change within companies (Acquier and Aggeri, 2006). With this in mind, this paper aims at shedding light on the following research question: *does CSR lead to the emergence of a new business model for multinational companies?* In other words, this paper seeks to explore whether and to what extent the core aspects of business of multinational companies, including strategies, organizational structures, and operational processes are affected by CSR; change which could permit us to argue in favor of a ‘mainstream’ approach of CSR.

For this purpose, this paper studies a key dimension of the penetration of CSR into the business model of multinational companies: their management systems. The latter includes various elements of management control such as CSR budgeting and CSR indicators. Since management systems provide the tools that enable actors to choose, organize, deploy and

monitor strategy, it has been demonstrated that managers use management systems to drive strategic renewal (Simons, 1995). Then, the introduction of CSR into companies' management systems should: 1) give evidence of the 'real' will of companies to integrate CSR into their strategy and 2) provide the means for effectively changing operational practices. Yet, it appears that although most executives agree on the strategic interest of CSR, none of them fully include CSR aspects when implementing business projects (McKinsey, 2009): the integration of CSR within management systems would remain weak.

Moreover, despite the importance of management systems when integrating CSR into business, little research has been conducted on this topic (Adams, 2002; Norris and O'Dwyer, 2004; Berland and Essid, 2009). Lastly, most of the existing literature which explores the relationships between management systems and CSR relates to particular case studies of one or few companies. Useful as it is, this corporate focus prevents the provision of an overview of how multinational companies integrate CSR into their management systems, and, therefore, into their strategy. Consequently, it remains difficult to know whether CSR has begun to penetrate the business model of multinational companies.

This paper is in attempt to fill this gap. By interviewing the 40 largest French listed companies – members of the CAC 40 – on the management systems they use to drive CSR policies, this paper aims to identify 'trends' regarding the strategic interest for CSR. France is particularly interesting on this point since it adopted the New Economic Regulations (NRE) act in 2001, which requires companies quoted on the French stock market to account for the social and environmental impacts of their activities. Thus, France is considered to be among the leading countries worldwide regarding the integration of CSR into annual reports (KPMG, 2008). Then, the analysis of the CAC 40 companies should provide an overview of what can be considered to be part of the most advanced CSR policies among the world. Empirical data are drawn from a comparative study of the CAC 40 companies conducted between September and December 2008, based on open questionnaires and documentary evidence such as CSR reports and social agencies' rating. In total, 36 companies responded to the survey (response rate: 87.8%): 19 answered in writing, 17 provided their answers during a telephone interview, representing more than 90% of the total capitalization of the CAC 40. This high response rate provides the study with an exhaustive view of the current practices of the biggest French companies regarding CSR.

The typology of management systems developed by Simons (1995) is used as a theoretical device to make sense of the data. According to Simons (1995), management systems play a key role when conducting corporate strategy by helping companies to meet the two strategic

demands. On the one hand, *diagnostic systems* act as a lever of control for implementing the intended strategy of a company; they encourage managers to focus on the strategic goals and priorities chosen by the company. This refers to a top-down approach of strategy in which management systems are used to motivate, control and reward specific goals. On the other hand, *interactive systems* enable managers to search for new opportunities; they encourage managers to innovate and propose new strategic orientations for the company. This refers to a bottom-up approach of strategy in which management systems are used to stimulate organizational learning and the emergence of new ideas and strategies. Therefore, the combined use of diagnostic and interactive management systems should enable a company to achieve a balance between the ‘intended’ (i.e. top-down) and the ‘emergent’ (i.e. bottom-up) strategy and, as a result, allow the survival of the company in the long-term (Mintzberg, 1989, 1993; Simons, 1995). With this in mind, the integration of CSR into the strategy of multinational companies should rely on both types of management systems to enable strategic change.

However, the study shows that the use of diagnostic and interactive systems regarding CSR remains limited. Indeed, even if most companies have developed diagnostic systems to provide CSR reporting, this reporting is rarely utilized as a means to provide feedback on the implemented strategy for providing corrective actions or confirming the chosen ones. This leads to a partial use of diagnostic systems and to a consequent lack of control of the meeting of CSR goals by managers. Moreover, when companies aim to develop interactive systems to favor the emergence of new opportunities regarding CSR, few of them have succeeded in making the most of the new ideas proposed by local managers. As a result, CSR is often not perceived by managers as being of major importance for their company. Given these limits, the paper shows that CSR has not yet been fully integrated into the strategy of the CAC 40 companies. This partial integration does not enable us to argue in favor of a change in the business model due to CSR. Nevertheless, the study shows that CSR is considered by the CAC 40 companies as being strategic for their survival in the long-term. The use – even partial – of management systems to drive CSR policies illustrates this claim. The CAC 40 companies no longer question the validity of Sustainable Development for their future: CSR will be a strategic aspect of their business model and they are readying themselves. Yet, the means they dedicate to it and the way they use them do not meet the challenges they face. Therefore, it cannot be said that CSR concerns only few companies which would use it as a ‘niche’ strategy (Vogel, 2005). However, it neither can be argued that CSR has become a ‘mainstream’ approach. Instead, CSR would act as a profound lever for organizational and

strategic change among multinational companies, but this process would have just begun; the full integration of CSR into management systems would be still needed to achieve it.

In demonstrating this, the contribution of the paper is twofold. Firstly, it expands the existing literature on CSR by analyzing how companies use management systems to integrate CSR into their strategy; a question which has not benefited from important research until now. Moreover, by offering an overview of the CAC 40 companies regarding this integration, this paper helps understand the role and the place of CSR in the business model of these multinational companies. Secondly, it provides practitioners with a better understanding of the importance of management systems when conducting CSR policies. This comprehension should contribute to the emergent body of knowledge regarding the penetration of CSR within the business models of multinational companies.

The paper is structured as follows. Section 2 details the typology of management systems developed by Simons (1995) by explaining the differences between diagnostic and interactive systems. Section 3 describes the research methods used to conduct the study. Section 4 presents the study's findings. Drawing on these findings, the concluding section discusses the results and points to further research.

2. Theoretical Background

2.1. The Typology of Management Systems Developed by Simons (1995)

Over the past decades, many researchers have studied how management systems can influence the implementation and the control of corporate strategies. Among them, a particular focus has been made on the systems which enable the measure of strategic performance (Kaplan and Norton, 2004). However, despite this research, some problems remain when using management systems to conduct strategy (Kaplan and Norton, 1992). The main problem refers to the difficulty for managers to achieve a balance between implementing the intended strategy and making the most of emergent opportunities (Zwetsloot, 2003; Caldelli and Parmigiani, 2004). To overcome this tension, Simons (1995) has proposed a typology of four management systems whose combined use should permit the meeting of both strategic demands. In accordance with Lawrence and Dyer (1983) who demonstrated that organizational adaptation requires high levels of efficiency and innovation, Simons (1995) argues that companies should use management systems to achieve a high level of *both* control and organizational learning. This argument refers to an adaptive view of organizations

according to which companies must adapt their strategy to environmental change in order to survive.

With this in mind, Simons (1995) has developed four types of management systems, which refer to the two main strategic approaches companies must combine to be successful: the ‘intended’ and the ‘emergent’ strategies. To serve the intended strategy, management systems must focus managers’ attention on the strategic goals pursued by their company. According to Simons (1995), two types of management systems must be used for this purpose. The first type of systems are known as ‘boundary systems’ and consist of showing managers what they are permitted to do and what is forbidden. These systems orientate the research of new opportunities conducted by managers on goals which relate to the strategy chosen for the company. This first type of systems are used as a media for the second type of systems known as ‘diagnostic systems’. Diagnostic systems aim to control the meeting of strategic goals by managers. They refer to the traditional view of strategy as a top-down process according to which incentive and control systems must be implemented to ensure the internal and external cohesiveness of the intended strategy. Regarding the emergent strategy, other management systems must be favored (Simons, 1995): ‘interactive systems’ and ‘beliefs systems’. On the one hand, interactive systems aim to stimulate organizational learning by encouraging managers to search for new opportunities at the local level. Contrary to diagnostic systems, interactive systems relate to a bottom-up approach of strategy. According to this approach, a strategy is considered to be the result of local strategic opportunities which have emerged without being planned. On the other hand, beliefs systems are used as a means to inspire and guide the research of opportunities by providing managers with the purposes and the values of the company. The roles of beliefs and boundary systems are close: they act as a media for implementing respectively the interactive and diagnostic systems. Regarding their mediating role, the choice has been made in the rest of the paper to include the boundary and beliefs systems within the diagnostic and interactive systems. Then, two types of management systems are used as theoretical devices in the paper: diagnostic and interactive systems.

According to Simons (1995), the joint use of diagnostic and interactive systems should enable managers to overcome the main tensions a company faces when conducting strategy. Those tensions can be described as follows: the tension between 1) the unlimited research for strategic opportunities versus the limited capacity of attention of managers, 2) the intended strategy versus the emergent strategy, and 3) the individual interests versus the collective

contribution. To gain a better understanding of how management systems can help overcome these tensions, the two following sections describe in further detail each system.

2.2. Implementing the Intended Strategy: The Use of Diagnostic Systems

The diagnostic systems developed by Simons (1995) refer to what is known as contractualist approaches of companies (Charreaux, 2002b, a). These approaches argue that the economic performance of a company depends to a large extent on its control systems. According to these approaches, an analytical and rational vision of strategy must be favored (Mintzberg, 1989, 1993). With this in mind, conducting a strategy is described as a top-down process in which top management makes decision and other managers and employees implement the chosen decisions (i.e. the intended strategy). Then, management systems used for this purpose must focus the managers' attention on the strategic goals of the company by controlling the organizational space made available for managers and employees (Roberts and Scapens, 1985). This research of coherence between decision making and strategy is a traditional role of management systems (Anthony, 1965). Simons (1995) described this role as a need for diagnostic systems to reduce the 'opportunity space' of managers and employees. An opportunity space refers to all the opportunities an organization can potentially identify or create at a given moment in time, regarding its resources and competences. For that purpose, diagnostic systems rely on boundary systems which stake out the territory of managers.

Therefore, diagnostic systems are required to motivate, control and reward managers and employees to meet the strategic goals of the company. Diagnostic systems are likely to describe organizational processes in terms of *inputs* and *outputs*: they aim to standardize the outputs to minimize individual creativity. For this purpose, diagnostic systems rely on three main characteristics:

- The capacity to measure the outputs of a process.
- The existence of pre-determined standards with which the effective results can be compared.
- The capacity to correct the eventual diversion with respect to these standards (ex-post control).

Then, the main goal of diagnostic systems is to assess whether the intended strategy of the company is implemented and successful, using for example profit plans or scorecards. With this in mind, three elements are essential for a diagnostic system to be considered as being exhaustive. Firstly, a diagnostic system must use plans and resources to orientate managers

toward the chosen strategy. Secondly, feedback is necessary to control managers' actions. To meet these first two demands, incentive systems must be used to motivate managers. Lastly, it is important that the data made available in a diagnostic system be exhaustive and reliable. Therefore, internal control is necessary to maintain the integrity of diagnostic systems and detailed procedures to collect data are often required. For these purposes, managers must participate in diagnostic systems at three key moments: 1) when the goals are negotiated and implemented; 2) when feedback is provided and; 3) when the corrective actions are chosen. This participation combined with the accuracy of diagnostic systems' measures should allow the identification, the pursuit and the assessment of the critical performance variables necessary for the intended strategy to succeed.

2.3. Changing the Intended Strategy: The Use of Interactive Systems

However, to adapt to its environment, a company must keep innovating and evolving. For this purpose, a company must take advantage of the new strategic opportunities made available at local levels. This refers to a cognitive approach of companies (Charreaux, 2002a, b) which differs radically from the conventional approaches of strategy described in the previous section. According to cognitive approaches, strategy should focus on the construction of competences and on the capacity of companies to innovate, create investment opportunities and change their environments. With this in mind, companies should encourage organizational learning (Argyris and Schon, 1978; Mintzberg, 1989) and local initiatives for generating emergent strategy. Then, management systems used for this purpose must favor organizational dialogue and debate. They emphasize the role of actors and aim to provide them with freedom to innovate. Therefore, in contrast with diagnostic systems, interactive systems do not aim to standardize outputs but to stimulate research and creativity. This should allow the emergence of new strategies, namely, through the organizational responses to opportunities and external threats. With this in mind, managers must help actors to act collectively and encourage them to innovate according to the values and goals of the company. This is obtained thanks to the beliefs systems whose purpose is to drive actors' commitment to the grand purpose of the company by showing what the corporate values are.

Drawing on beliefs systems, interactive systems focus on strategic uncertainties and contingent factors which could threaten or contradict the intended strategy. Those uncertainties are often the result of a difference between the required information to realize a task and the effective information made available for it. In other words, interactive systems

aim to extend and redefine the opportunity space of managers and employees. They are bottom-up systems in which local managers generate new information when implementing the intended strategy. These interactive systems can refer to systems which permit the generation of new information about environment or to systems which enable the identification of key competences among the organization. For an interactive system to provide a space for dialoguing and sharing information, it must meet the following five requirements:

- The information generated by the system should be addressed by top management and must be understood by other managers and employees.
- All levels of management must be attentive in a permanent way to the information generated by the system.
- Managers and employees must discuss the information generated by the system. This debate should concern the data, the hypothesis and the underlying action plans.
- An interactive system must be considered by the company as a catalyst for continuous change.
- An interactive system should address the strategic uncertainties of the company.

Interactive systems are essential for a company to survive: *'the right of an organization to keep existing is not perpetual but must be won'* (Simons, 1995). However, according to Simons (1995), intended and emergent strategies are not mutually exclusive. On the contrary, they must be pursued simultaneously. Then, the joint use of diagnostic and interactive systems, with the help of the boundary and beliefs systems, should enable actors to overcome the tensions a company faces when conducting strategy, and, as a result guarantee its survival in the long-term. A summary of this process is provided in figure 6.1.

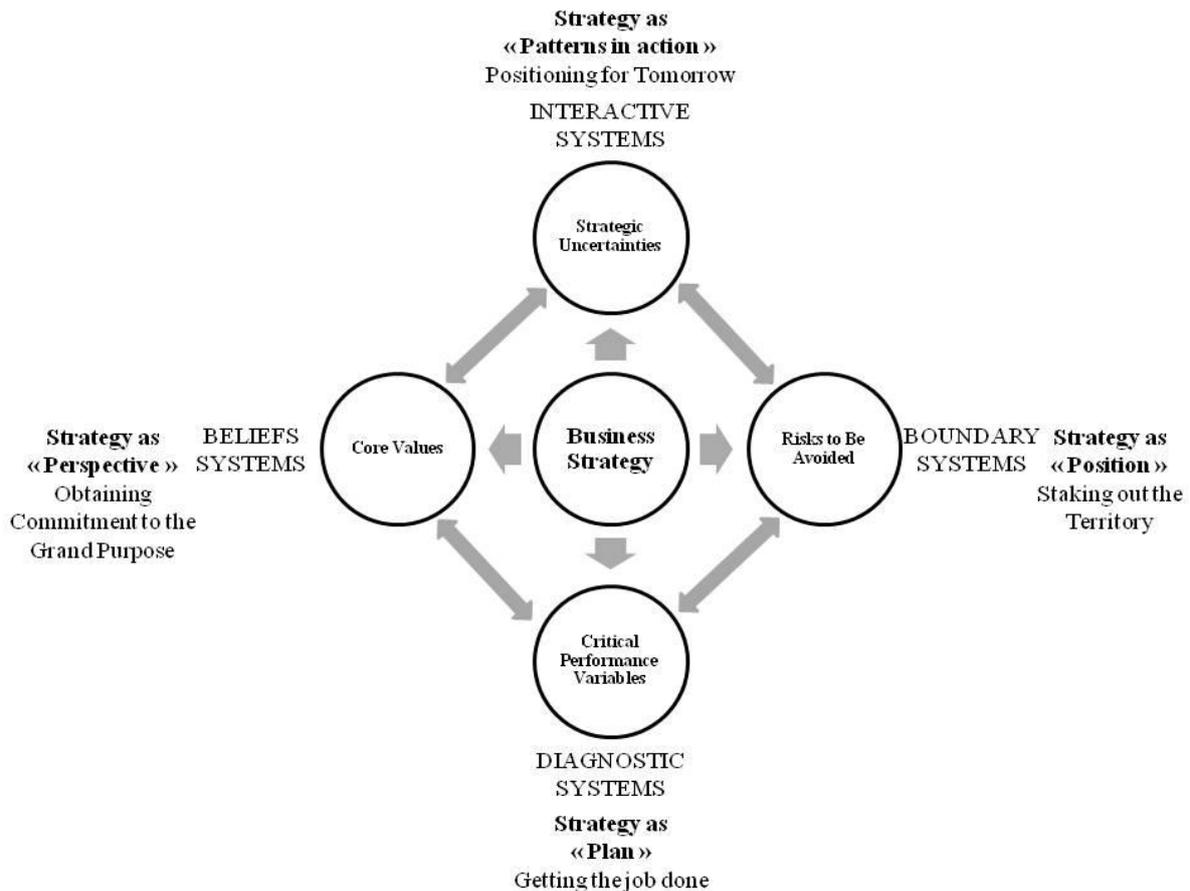


Figure 6.1: A Dynamic Relationship (Source: Simons (1995))

However, when studying management systems used to drive CSR strategies, previous research has demonstrated that diagnostic systems are often favored at the expense of interactive systems (Ittner and Larcker, 2003; Capron and Quairel-Lanoizelée, 2004; Quairel, 2004; Capron and Quairel-Lanoizelée, 2005; Durden, 2008), with some exceptions (Zingales and Hockerts, 2003; Caldelli and Parmigiani, 2004; Berland and Essid, 2009). Indeed, according to the existing literature, CSR would not be perceived by companies as a potential lever for organizational learning but as a formality to meet (Durden, 2008). Therefore, the integration of CSR within management systems would mainly obey communication purposes (Capron and Quairel-Lanoizelée, 2005), and be confined to diagnostic systems. In other words, companies would only use diagnostic systems in order to collect ‘CSR data’ to communicate them externally but would not elaborate on these data to nurture their strategy. As a result, few interactive systems would be used as well. Yet, it is essential for a company to support innovations and favor continuous improvement by using management systems which are not only focused on controlling behaviors (Zwetsloot, 2003; Norris and O’Dwyer,

2004). Then, it appears surprising that companies do not favor interactive systems when developing CSR policies. To gain a better understanding of this phenomenon, the following sections analyze the management systems used by the French CAC 40 companies to drive their CSR policies. With this in mind, the subsequent section describes the research methods used to conduct the research.

3. Research Methods

3.1. Research Position

This study is part of a three-year doctoral work (2006-2009) conducted within a French asset management company with an action research perspective. The goal of action research is ‘to resolve social or organizational issues in conjunction with those who are experiencing them, while simultaneously contributing to scientific knowledge’ (McDermott et al., 2008). There are different types of action research according to the level of commitment of the researcher within the organization. Among them, participative action research refers to a high level of integration of the researcher in the organization. The researcher is likely to participate in the project definition as well as in the implementation of the actions (Whyte, 1991). Then, participative action research implies a strong collaboration between researchers and practitioners committed to the research process. In other words, the theoretical accounts of empirical findings are the results of collective agreements co-produced within the research community committed to the research process (Dewey, 1938).

With this in mind, this study is the result of a participative action research conducted within the SRI Analysis & Research Department of a French asset management company specialized in Socially Responsible Investment (SRI). As any action research, the decision to study the management systems used by the CAC 40 companies was the result of a practical problem which can be described as follows. The main task of the SRI Analysis & Research Department was to provide SRI an assessment of companies to select the most socially responsible companies for portfolios. To do so, SRI analysts analyzed companies by relying mainly on the social ratings provided by social rating agencies. These ratings used to be organized around the main domains of CSR, that is: social, environmental, governmental and societal issues. According to this analytical framework, certain pieces of information were provided on the management systems used to drive CSR policies but the latter remained partial and marginal. Yet, when selecting the companies for the portfolios, the level and the

form of integration of CSR into management systems were deemed to be key information in order to identify the companies which seemed to consider CSR as being part of their business. With this in mind, the SRI analysts decided to focus on the integration of CSR within management systems when analyzing the companies. However, as they were studying social ratings, CSR reports and financial analyses, they found that the information they obtained on management systems remained limited. Therefore, as they needed to know more about these aspects, they decided to conduct a study on the management systems used by the CAC 40 companies to drive CSR policies. As one of the SRI analysts was also conducting a Ph.D. thesis in management control within the asset management company, they decided to adopt a participative action-research.

The choice to study the CAC 40 companies was for two reasons. The first related to the practical knowledge of the SRI analysts committed to the study. As part of a French asset management company, they were more knowledgeable about French companies than other European companies. The second reason originated from the interest of these companies regarding CSR. Indeed, since the New Economic Regulations act in 2001, French listed companies have been required to account for the social and environmental impacts of their activities. As a result, the largest French listed companies – members of the CAC 40 – were judged by SRI analysts and experts (KPMG, 2008) to be among the most advanced companies worldwide in terms of the integration of CSR into their business. Moreover, the CAC 40 companies belonged to different activity sectors; this offered an exhaustive overview of economic activities which was deemed important to provide an overview of the current practices of French multinational companies. A list of the companies present in the CAC 40 is provided in appendix 1. Then, the CAC 40 companies were deemed to offer an interesting panel to assess whether and how CSR had become part of the business model of multinational companies.

Three SRI analysts participated in the study. The first one used to work for a social rating agency for five years before working as an SRI analyst for the asset management company. It was one year since he began to work as an SRI analyst when conducting the study. The second SRI analyst had worked in the CSR Department of an insurance company for two years before working as an SRI Analyst. It was her third year as an SRI Analyst when the study began. At the same time, she was conducting a Ph.D. thesis in management control about SRI. This two-sided profile led to the choice for participative action research. Consequently, the goal of the study was twofold: 1) to gain a better understanding of the integration of CSR within the business model of multinational companies by studying their

management systems, in order to help the SRI Analysts when selecting companies for the portfolios; 2) to expand the existing literature on the relationships between management systems and CSR. This close collaboration between practitioners and a researcher was expected to lead to the generation of new knowledge as well as to the transformation of practices, which are the two main characteristics of participative action research (Dewey, 1938; Pastorelli, 2000). The third SRI analyst was a beginner hired by the company on a short-term contract to help conduct the study under the responsibility of the other two SRI Analysts. The research process began in July 2008 and finished one year later. The different stages of the research process are described in the following section.

3.2. Research Process

3.2.1. Company Analysis and Literature Review

The first two months of research involved studying the CSR reports and the social ratings providing by the three social rating agencies the Department used to work with to identify all information regarding the use of management systems to drive CSR policies. As SRI analysts, we were used to analyzing these companies but, contrary to our traditional framework based on environmental, social, governmental and societal issues, we decided to focus our analysis only on management systems. The goal of this preliminary analysis was twofold: 1) to be able to have an in-depth knowledge of the companies we would interview; 2) to begin to identify the different trends among the CAC 40 companies. With this in mind, two exploratory interviews were conducted at the same time. The first interview was conducted with the Head of Research of one of the biggest social rating agencies in France and the second one with a CSR Department of an insurance company. The purpose of these interviews was to help us identify what social rating agencies and CSR Departments assessed to be key elements to study regarding our research question. As a result of this preliminary work, we had an analysis of each company of the CAC 40 regarding the management systems they used to drive CSR policies. Meanwhile, we conducted a literature review on the relationships between management systems and CSR. Thanks to this literature review, we identified the typology of management systems provided by Simons (1995) as a potential theoretical framework to support our research.

3.2.2. Sending of Questionnaires

Regarding our preliminary research, we decided to conduct a study based on questionnaires. This choice was motivated by two main reasons. The first one was practical. Since we aimed to get an overview of the CAC 40 companies at a given moment in time, we thought that submitting questionnaires would permit us to obtain this ‘snapshot’. Indeed, meeting all companies would have taken much more time and was difficult in practice. The second reason was motivated by the fact that CSR Departments were used to answering questionnaires. Contrary to interviews, they permitted companies to exercise control over their communication; a control which we knew to be compulsory for certain companies we wanted to study. As a result, questionnaires appeared to be the most convenient form of data collection for obtaining results. For the study to be reliable, it was necessary to obtain a high response rate since we aimed to provide an overview of the CAC 40 companies. Yet, we knew that CSR Departments were overwhelmed with questionnaires and that presenting the study with an academic approach could be counter-productive. Consequently, we decided to make the most of our action research approach, by drawing on our investor’s position. We sent the questionnaire to the CSR Departments of the 40 companies along with a letter signed by the CEO of the asset management company. The letter explained that we asked for this information as a shareholder of the company; the asset management company aimed to know more about the way the company managed CSR in their day-to-day practices for investment reasons. We thought that this financial request would be considered more seriously by CSR Departments than academic research. Finally, to be sure that all companies would answer our questionnaire, we decided to adapt each questionnaire to the companies’ practices. Drawing on a common framework provided in appendix 2, we elaborated all questionnaires on our preliminary analysis to gather information we could not obtain when reading the CSR reports and the social ratings. For example, when we knew that there were CSR managers within the business units of a company, we asked for further details about their role, their profile and the utilization of information they provided. If we did not know if there were CSR managers, we simply asked if there were some. This showed companies that we knew about them and was a means to obtain information about their management systems we could not find elsewhere. In line with this approach, we also offered the possibility to CSR Departments to provide their answers during a telephone interview; which could be more convenient for them.

3.2.3. Data Collection

This action research approach proved to be successful. From September to December 2008, we collected the answers to the questionnaires. Thanks to our research methodology, we obtained a very high response rate since 87.5% of the CAC 40 companies responded to the survey⁹⁶. This represented more than 90% of the capitalization of the CAC 40. This high rate response allowed the study to give a reliable overview of the current practices of the CAC 40 companies. In total, 36 companies participated in the study: 19 answered in writing, 17 during a telephone interview. The individual respondents belonged either to the CSR Department or its equivalent (75% of participants), to the Financial Communication and/or Investor Relations Department (sometimes SRI) (19.5% of participants), the remaining 5.5% of participants chose a joint answer between these two Departments.

3.2.4. Data Analysis

As we were receiving the questionnaires, we began to elaborate on the information we were obtaining. The objective of the study was not to rank the companies against each other, but to provide a ‘snapshot’ of the means expanded by the CAC 40 companies for their CSR policies. Since it was an exploratory study, we chose an open coding. Then, we analyzed each question of the questionnaires with the following procedure:

- What are the major trends among the participating companies?
- Are there unusual cases?
- What are the reasons given by participants to justify their choices?

In case of doubt of the comprehension of a given response and/or the inability to explain an unusual case, the company was called back. In this way, it was possible for most of the questions to shed light on the methods and reasons for the processes chosen. Each SRI analyst coded all interviews; which provided three different codings. To achieve a consensus, the SRI analysts confronted their point of view until they agreed on a common analysis. The typology of management systems provided by Simons (1995) was used as a theoretical device to make sense of the data. However, since the results of the study had first to be presented in a

⁹⁶ Since the merger of GDF and SUEZ was still recent at the time of the study, the merger of the teams committed to CSR had not yet been effected. Therefore, it was decided, after discussion with GDF SUEZ, to include the responses corresponding to the two former entities, as well as the response of SUEZ ENVIRONNEMENT, new arrival in the CAC 40. This increased the number of studied companies to 41.

professional study, no theorization of the results was provided in the first report presented to the profession in March 2009; only the empirical findings were given (Arjaliès-de la Lande et al., 2009). Drawing on these findings, from April to June 2009, the SRI analysts developed new SRI criteria to focus more on the integration of CSR within management systems. Therefore, the first goal of the participative research action was met: a better practical understanding of the relationships between management systems and CSR was achieved. Nevertheless, the participative action-research was not yet finished. From now on, we needed to provide theoretical accounts of the empirical findings to expand the existing literature.

3.2.5. Theoretical Accounts of Empirical Findings

As a result, the last stage of the research consisted of analyzing a second time the empirical findings with the theoretical framework provided by Simons (1995), more particularly, the use of diagnostic and interactive systems. As this theoretical framework had been used as an analytical tool since the beginning of the study, it appeared to be a relevant device to give theoretical accounts of the empirical findings. This last stage was a common work between two of the three SRI analysts: the SRI analyst who previously worked in a social rating agency and the one who conducted a Ph.D. thesis, who, in the mean time, had decided to commit herself full-time to research. As required by the participative action research, the analysis of the data was the result of a co-construction between the practitioner and the researcher. Hence, the theorization and the presentation of its findings in this paper achieved the process of participative action research: new knowledge was generated in order to contribute to scientific knowledge. These findings are presented in the following section.

4. Study Findings

4.1. CSR Is Increasingly Perceived as Being Part of Companies' Strategy

4.1.1. Internal Motivations

One of the most interesting findings of the study is that the importance of CSR for multinational companies no longer seems to be questioned. Indeed, all companies claim their interest to integrate CSR issues into their strategy. According to them, CSR has progressively become a strategic element to consider when making strategic decisions. With this in mind,

we noticed that all companies have created a CSR Department and most of them have decided to give the CSR Department a strategic place within the company. Thus, only 12%⁹⁷ have chosen the Communication Department as a host Department. Instead, 55%¹ of companies have subordinated the CSR Department to management or presiding authorities having a decision-making role at the group level. Different reasons are put forward to justify this claim: internal and external motivations. Regarding internal motivations, three types of reasons can be found.

Source of innovation: CSR is said to be a means to enable the survival of companies in the long-term. Thus, although most companies still perceive CSR as being a source of cost – indeed, very few of them evoke CSR as being a direct source of revenues –, two-thirds of companies now see CSR as a necessary investment to guarantee the future success of business.

Leverage for organizational learning: CSR is deemed to contribute to the improvement of the companies' efficiency by playing a role of internal leverage for change. In other words, by analyzing the CSR dimensions of their activities, companies would get a better understanding of their environment and of themselves. Different examples have been given to illustrate this trend. From a general stance, companies think that CSR has permitted the generation of new innovations, a better communication within the group and the improvement of their management processes. Therefore, CSR is deemed to generate new strategic opportunities.

Values' conveyor: companies use CSR as a means to develop their corporate culture by federating their employees around shared values as well. This directly refers to the goal of beliefs systems described in the previous sections.

4.1.2. External Motivations

When explaining external motivations for the importance of CSR in their strategy, companies have also given three main reasons:

Client demands: companies see CSR as increasingly being a compulsory demand to meet to keep surviving in terms of business. This demand takes the form of legal requirements (e.g. New Economic Regulations act and carbon emissions) and client demands, principally for the invitations to tender (e.g. ISO certifications). In other words, CSR would increasingly become

⁹⁷ These percentages concern only 33 of the 36 interviewed companies.

a necessary ‘pre-requisite’ for companies to maintain their business. Then, by anticipating the future demand for CSR, companies would increase their competitiveness.

Legitimacy concerns: CSR also appears to be an essential dimension of the relationships of companies with their environments. As the pressure of external stakeholders for CSR increases – mainly among NGOs and civil society –, companies aim to integrate CSR issues into their strategy to maintain their legitimacy. CSR is seen as a way to better manage risks, namely at the governance, security and reputational levels; which should generate better economic performance in the long-term. Deeply concerned by the groundless criticism of certain external stakeholders, the majority of companies now prefer building a dialogue with key external stakeholders chosen for their competence and their willing attitude. Surprisingly, the pressure of shareholders, trade unions, social rating agencies and SRI investors has not been described by companies as being a key element for implementing CSR into their strategy. Indeed, it seems that they do not perceive these stakeholders as threatening their license to operate.

Brand policy: lastly, CSR has become an important means to attract young graduates. Then, investing in CSR would favor the selection of the most talented employees, which should contribute to the future economic performance of companies. These three external reasons clearly relate to the necessity for companies to adapt their strategy to their environment. More precisely, they refer to the strategic uncertainties companies must face to survive; strategic uncertainties that interactive systems should need to address.

Therefore, CSR appears to be a key element of the CAC 40 companies’ strategy. According to them, the role played by CSR in business is twofold. On the one hand, it enables the survival of companies in the long-term by generating new strategic opportunities and improving the existing organizational processes. This leverage for change refers to the emergent aspects of strategy. On the other hand, CSR is increasingly perceived as being a compulsory demand that all companies must meet to maintain their business. Then, companies aim to control the CSR dimensions of their strategy to permanently adapt to their environment. This pursuit of CSR goals due to external requirements relates more to the intended strategy of companies.

4.2. But the Integration of CSR in Practice Remains Limited

4.2.1. At the Intended Strategy Level

Although all companies claim that CSR has become an important aspect of their strategy, CSR Departments themselves seem to acknowledge that the integration of CSR in practice remains limited. Thus, even if certain companies have integrated CSR into their strategic plans, most of the CSR Departments appear to face difficulties when implementing CSR policies into their group. Two main elements seem to explain these problems:

CSR is perceived as being meaningless by managers and employees: the first reason relates to the difficulties for local managers and employees to implement the intended strategy regarding CSR. Indeed, as CSR policies are most often decided and formalized at the top management level, local managers and employees do not succeed in making sense of a strategy which seems to be imposed by the ‘top’.

Lack of local adaptation: moreover, because of external pressures, the priorities, actions and indicators of CSR policies are often chosen in accordance with the most important external requirements companies need to meet in order to maintain their business. Yet, more often than not, this identification process of CSR issues obeys a logic of external conformity to existing indicators such as the Global Report Initiative (GRI)’s ones (2006). Therefore, while CSR is first described as leverage for internal change, this external focus tends to neglect the intrinsic features of companies’ activities and local particularities. For example, 55% of companies have decided not to adapt their CSR policy to geographical particularities, namely cultural and local. Thus, CSR goals are generally identical in all countries. This external conformity prevents local adaptation and appropriation of these issues by local managers and employees.

As a result, CSR policies often do not make sense for local managers and employees: they are merely a formality to meet. Therefore, the discrepancy between the external focus of the intended strategy regarding CSR and the operational practices of companies contributes to explaining the limited integration of CSR in practice.

4.2.2. At the Emergent Strategy Level

The second dimension refers to the emergent strategy of companies regarding CSR. It can be described as a side-effect of the difficulties that many local managers and employees face

when implementing the intended strategy. To comprehend this second problem requires gaining a better understanding of the mechanisms through which a CSR policy is decided and implemented. This process is described below.

Limited managers' commitment: although many local managers find it difficult to integrate CSR into their practices as they often perceive CSR as not being of major importance for business, it does not mean that they do not participate in the decision and implementation process of CSR policies. Instead, nearly all CSR Departments aim to integrate local managers when defining the priorities of the intended strategy. However, this participation is often limited to the choice of the general CSR commitments for the company, which refers to the first phase of a CSR policy. Thus, when CSR policies are effectively developed, namely through the choice of prior actions and the creation of management systems, the CSR Departments and the top management remain the principal actors. Yet, surprisingly, whereas local managers have rarely participated in this second phase, they are required to play a key role in the third phase of the implementation of CSR policies. Among other demands, they are expected to communicate the CSR policy to their employees, to implement the prior actions decided by the CSR Department and the top management and to provide them with the required CSR reporting. However, the partial participation of local managers in the CSR policies' decision and implementation process raises two major problems. On the one hand, the lack of participation of local managers in the selection of prior actions contributes to explaining their reluctance to implement the intended strategy. Indeed, they are more likely to perceive CSR as a formality imposed by the 'top' than a lever for improving business. On the other hand, it prevents local managers from making the most of emergent strategic opportunities as they often judge CSR to be meaningless in terms of business. As a result, they are less likely to innovate in terms of CSR.

Lack of feedback: feedback from local managers regarding the implementation of CSR at local levels is often informal, depending on the personal relationships between the local managers and the CSR Departments. This prevents a systematic control of the implemented strategy, and, as a result, the implementation of corrective actions. Therefore, when certain local managers innovate in terms of CSR, mainly for personal reasons, CSR Departments face difficulties to elaborate in practice on these innovations usually known as 'CSR best practices'. In other words, due to the current priority of the intended strategy regarding CSR, few companies have succeeded – mainly for time and practical reasons – to organize a feedback system within the whole company to effectively make the most of new strategic opportunities generated by CSR. Therefore, the 'bottom-up' aspect of strategy regarding CSR

has not yet been systematized. Thus, even if local managers are recognized as playing a key role when implementing the intended strategy and generating the emergent strategy regarding CSR, their participation remains partial. This contributes to explaining why the integration of CSR in practice is still limited.

As the difficulties to implement the intended strategy and to generate the emergent one suggest, most problems stem from the lack of appropriate management systems. On the one hand, companies tend to focus on diagnostic systems at the expense of interactive systems. On the other hand, existing systems remain partial in their elaboration and in their use. To gain a better understanding of this phenomenon, the next sections describe the management systems used by companies to integrate CSR into their strategy.

4.3. The Domination of Diagnostic Control Systems: CSR as a Top-Down Strategy

4.3.1. The Domination of Diagnostic Systems

First of all, the study has clearly demonstrated that companies show willingness to integrate CSR into their management systems. For this purpose, they have developed *both* diagnostic and interactive systems to drive their CSR policies. This dedication of significant resources to CSR argues in favor of a strategic approach of CSR. However, due to the necessity for companies to meet the external demands of clients and stakeholders, diagnostic systems still dominate. Confirming what previous research has demonstrated (Ittner and Larcker, 2003; Capron and Quairel-Lanoizelée, 2004; Quairel, 2004; Capron and Quairel-Lanoizelée, 2005; Durden, 2008), companies are likely to adopt a ‘compliance’ approach of CSR by adapting to their environment. In other words, they aim to provide stakeholders with ‘CSR reporting’, to manage their risks and to give ‘evidence’ of their CSR behavior by complying with ‘CSR certifications’. These systems refer to a top-down approach of strategy which consists of implementing the decision chosen by the top management with the help of the CSR Department (i.e. intended strategy). Within this framework, diagnostic systems must reduce the opportunity space of managers and employees to control the coherence between the implemented strategy and decisions (Anthony, 1965; Simons, 1995).

4.3.2. Examples of Diagnostic Systems

To illustrate this trend, the three diagnostic systems which have been found most often among companies are described in this section: 1) a CSR reporting system; 2) a suppliers' behaviors control system; and 3) ISO 14001 certification.

CSR Reporting System: the main diagnostic system used by companies to drive their CSR policy can be described as a 'CSR reporting system'. Its goal is to provide the group with relevant and consolidated CSR reporting. This objective has been identified as being one of the three main tasks of a CSR Department; the other two tasks consisting of maintaining the consistency of the CSR policy at the group level and diffusing within the group the CSR best practices identifying at local levels. To support CSR reporting, information systems are largely used. For this purpose, 63% of companies have chosen to develop a specific information system for CSR which gathers the social, environment and social aspects of reporting. In contrast, 29% have adapted an existing information system by adding CSR criteria to economic ones whereas 8% have developed separate systems for environment and social issues. The reasons for choosing between a new CSR specific tool and the integration of an existing system differ from one company to another. Certain companies advocate integration in order to place the CSR indicators at the centre of practice, at the same level as financial indicators. Others prefer using specific tools because they do not consider existing systems to be well adapted to CSR reporting. Nevertheless, all companies have such systems implemented, in more or less detail. The CSR Department is usually responsible for collecting the data and communicating the CSR reporting to top management and stakeholders, namely through the CSR reports. Surprisingly, the development of a CSR reporting system is often one of the first actions carried out upon implementing a CSR policy. In other words, companies often aim to provide stakeholders with CSR reporting before conducting strategic actions at operational levels.

This choice can be explained by three factors. Firstly, companies have been required since the New Economic Regulation (NRE) act in 2001 to account for the environmental and social impacts of their activities. As a result, CSR has first been perceived as being an external requirement to meet. Secondly, when developing a CSR policy, one of the first actions conducted by a company – after creating a CSR Department – is to 'audit' what has already been done to choose the actions to conduct. Moreover, the existence of data enables CSR issues to be 'visible' within the companies, following the idea that 'you manage what you measure'. For example, pollution becomes more tangible as carbon emissions are measured.

Then, implementing a CSR reporting system is a means to communicate to managers and employees the strategic importance of CSR for the company. By requiring their participation in the data collection, the CSR reporting system is also deemed to favor the commitment of managers and employees to the CSR policy. Lastly, regarding the novelty of CSR for companies, CSR Departments have been more likely to draw on existing indicators to create their policy. Indeed, for a company which has just launched a CSR reflection, organizing CSR reporting is not an easy task. However, several standards have been a precious help for this purpose such as the Global Compact Principles (United Nations - Global Compact, 2009), the NRE act and the GRI guidelines (2006). Thus, 61% of companies use such standards when starting to identify CSR priorities for their companies. Therefore, the implementation of the CSR reporting system has a structuring impact on the company. It provides it with the first standards and goals of the group's CSR policy and aims to control that the intended strategy of company is well implemented at local levels. This refers to the classic role of management systems (Anthony, 1965).

Suppliers' behaviors control system: this system aims to assess the CSR aspects of the companies' suppliers. It has first been developed with a risk approach. Indeed, regarding the increasing pressure of stakeholders and the potential impacts of CSR 'scandals' such as the non respect of human rights by suppliers, companies have aimed to prevent CSR problems among their supply chain. For example, 57% of companies carry out a systematic assessment of their suppliers via questionnaires and/or specific questions on CSR issues and/or criteria in invitations to tender (rarely exclusive) and/or voluntary or contractual commitments. 25% of companies complete this examination by supplier audits that they conduct alone or in partnership with other companies using the same suppliers, or via an independent organization. Through this system, companies require suppliers to conform to their CSR requirements and to give evidence of their compliance. These goals directly relate to the three characteristics of a diagnostic system: measuring the outputs of a process, comparing them with existing standards and conducting correcting actions. However, many companies question the efficiency of such a control system since some suppliers do not succeed in meeting the requirements. Moreover, the cost of audits compared with their usefulness is questioned as well. Facing these problems, certain companies are now shifting from a diagnostic approach to an interactive one. On the one hand, an increasingly number of companies perceive this management system as a means to improve the existing practices through the reduction of costs (e.g. decrease in energy consumption). On the other hand, companies are more likely to use this system as a means to build long-term relationships with

their suppliers, which should improve management processes. For example, an organized visit of factories when conducting audits is increasingly perceived as a means to share knowledge and best practices. Therefore, whereas the control system of suppliers was originally developed with a diagnostic approach, it seems now to act as leverage for organizational change. The interactive aspects of systems become more important than the strict control of suppliers.

The ISO 14001 Certification (International Organization for Standardization, 2004): adopted by 60% of companies, the ISO 14001 standard was launched in 1996 and prescribes the requirements relative to an Environmental Management Systems (EMS). This system differs from the two previous ones as it is dedicated to only one aspect of CSR: environment and consists of complying with existing standards. This certification process is described by companies as a means to give evidence of their good CSR behavior regarding the environment. This certification is encouraged by clients through invitations to tender. This external requirement explains why 100% of companies which belong to the industrial sector are certified. Then, the development of such a diagnostic system is motivated by compliance motivations. This contributes to explaining why 40% of companies do not want to develop an ISO certification. On the one hand, they do not want to implement a costly system if clients do not demand it formally, as it is often the case for service companies. On the other hand, they prefer developing their own system instead of adopting one which has not been explicitly framed on their characteristics. The last explanation refers to the necessity for companies to adapt their diagnostic systems to their intrinsic features.

4.3.3. The Side Effect of Diagnostic Systems

These three examples of diagnostic systems provide interesting insights to gaining a better understanding of the problems described in the previous sections when implementing CSR policies. First of all, they illustrate the importance for companies to meet the external requirements of clients and stakeholders. Namely, the focus on CSR reporting contributes to explaining why CSR can be perceived as being first a matter of communication; companies aim to demonstrate that they have adopted a CSR policy. The side-effect of this external motivation is the lack of adaptation of diagnostic systems to operational practices. Indeed, the use of existing standards such as the GRI guidelines and the ISO certification nurtures the discrepancy between the CSR policies' goals and the practical issues. Moreover, the focus of companies on the management of risks contributes to driving the attention of managers on

control aspects instead of encouraging local innovations. In other words, by developing such diagnostic systems, companies are more likely to adopt a compliance approach of CSR at the expense of leverage for organizational change, which contributes to prevent from improving existing practices. Therefore, the focus on diagnostic systems at the expense of interactive systems is contradictory with the will of companies to use CSR as means to favor organizational learning. This helps explain why CSR has not yet been integrated in practice whereas it is deemed to be a strategic element for the long-term survival of companies.

4.3.4. The Limits of Diagnostic Systems

However, the diagnostic systems implemented by companies remain partial and their efficiency limited. As the current questioning of the control of suppliers illustrates, the diagnostic systems used to drive CSR policies face a number of problems:

Lack of relevance and exhaustiveness: on the one hand, companies encounter difficulties to provide clear, exhaustive, reliable and relevant indicators of CSR; some characteristics a diagnostic system must have to be considered as being efficient (Simons, 1995). These problems are principally due to the novelty of CSR issues and to the difficulties to measure such intangible assets. Moreover, CSR Departments experience difficulties in implementing a clear reporting protocol explaining guidelines and representing a helping tool for people in charge of providing data. Yet, although reporting protocol are reviewed by external auditors and information systems used, reporting processes are not explicit enough. Data cannot therefore be considered as reliable, which prevents a good feedback process (cf. infra).

Lack of alignment with companies' strategic goals: a diagnostic system should force managers to focus on the strategic objectives of the intended strategy. Therefore, it has to be mapped out in accordance with these objectives. However, in contrast with the diagnostic systems developed only for economic purposes, CSR diagnostic systems are often created in a separate way, as the lack of participation of local managers in the CSR policy illustrates. Thus, the upward flow of CSR data is carried out, most often, separately from the financial data and is driven by the CSR Departments. This separation between the strategic goals of companies and their CSR goals is illustrated by the lack of incentive systems. Whereas incentive systems are deemed to be essential to motivate managers, more than 63% of companies have not developed financial incentives in relation with the achievement of CSR goals. For the companies which have developed such systems, incentives remain weak and usually concern CSR criteria which are deemed to directly impact – namely, financially

speaking – the activities, such as energy consumption, of companies. The absence of a specific budget dedicated to CSR actions (more than 49% of companies do not have a budget dedicated to CSR as such) also explains why managers can be reluctant to implement such actions. Indeed, they are often required to pay for CSR actions on their own budget. This reluctance is also a consequence of the lack of participation of managers in the selection process of CSR actions and the resulting feeling that CSR is a ‘costly’ formality to meet, useless for business.

Lack of feedback: lastly, very few companies have systematized the feedback aspects of their diagnostic systems. Yet, the capacity to identify the diversion compared with the intended strategy and the implementation of corrective actions is one of the main tasks of a diagnostic system. However, although a control of the CSR reporting system exists among 87% of companies, CSR Departments acknowledge that it remains difficult to control the effective practices. Indeed, control of CSR reporting usually focuses on the *process* of reporting and not on the collected *data*. The weaker commitment of top management during the follow-up of CSR policies also explains why CSR Departments are less focused on corrective actions. Nevertheless, to overcome these problems, certain companies are now conducting audits with the help of social rating agencies. Finally, this lack of feedback is also explained by the fact that the implementation of CSR policies is a recent phenomenon. Indeed, more than 90% of companies have created a CSR Department as such after 2000. As a result, companies have not had enough time to assess their CSR policies. In other words, the feedback loop of diagnostic systems has not yet occurred.

Thus, companies have been more likely to use diagnostic systems in order to meet the external requirements regarding CSR. However, these systems remain partial and limited, which contributes to explaining why companies face difficulties when integrating CSR in practice. Moreover, these diagnostic systems have often been developed at the expense of interactive systems. Yet, interactive systems are necessary to allow CSR to favor organizational learning. However, this focus on diagnostic systems does not mean there is no interactive system at all. Indeed, as the example of the control of suppliers shows it, when being used, diagnostic systems can transform into interactive systems. In other words, it is not because a system is designed with a diagnostic approach (i.e. to reduce the opportunity space of managers and employees), that it cannot be used as a means to learn and improve the existing practices. This interactive use depends on the will and ability of local managers and employees to make sense of the CSR diagnostic systems. However, as has been previously shown, this commitment remains limited, which explains why the interactive use of

diagnostic systems also remains limited, with some exceptions such as the control of suppliers and the reduction of energy consumption. Nevertheless, companies can also develop interactive systems as such. With this in mind, the following section analyses the actions conducted by companies to transform CSR into a lever for change as they aim to do it for strategic purposes.

4.4. The Limits of Interactive Control Systems: The Difficulties of CSR at the Bottom

4.4.1. Goals and Examples of Interactive Systems

Interactive systems aim to favor organizational learning and to generate strategic opportunities by providing managers and employees with a space for dialoguing and sharing information. Such systems must favor a bottom-up approach of strategy by permitting local managers to react when adapting the intended strategy to their practices. For this purpose, companies have developed different interactive systems.

Working groups: among other interactive systems, the use of working groups is the most frequent. A working group is usually created to discuss a particular topic which concerns CSR, for example, the development of green products or the reduction of carbon emissions. Sometimes, some working groups aim to generate new ideas, which imply brainstorming sessions on various topics. With this in mind, 23% of companies call on a regular panel of external stakeholders; which lets them ensure that they meet their demands. This type of consultation is usually considered as an interesting means to identify CSR issues and/or to ‘validate’ them. Local managers aim to make the most of these working groups to share their difficulties and to learn from the experience of others. This process refers to what is known as the exchange of the ‘best CSR practice’. These working groups enable the expansion of the knowledge of companies by interviewing CSR experts. Different internal and external stakeholders usually participate in the working groups. External stakeholders are chosen for their legitimacy with respect to the activities of the company and their ability to work in a collaborative way. Among the stakeholders, NGOs are the preferred organizations (55% of companies), because of their expertise and of the legitimacy they bring. However, four companies complain about the lack of relevant NGOs regarding their activities. The other stakeholders identified by companies are social rating agencies (10%), members of the civil society (7%) and auditors (5%). The form taken by these working groups differs according to

companies: formalization of these consultations through official partnerships (25%), organization of regular meetings without listing it as an official partnership (25%), occasional consultation (43%), and relationships with stakeholders in a decentralized way (7%). Whatever their form, these consultations are always perceived as being a sign of transparency and openness from companies. Moreover, they participate in developing the organizational knowledge of companies.

Intranet information systems: also widely in-use, the purpose of these systems is twofold. On the one hand, they aim to provide feedback on existing practices, an aspect which is too weak among the diagnostic systems in use. On the other hand, they must permit the sharing of knowledge and good practices. In other words, they aim to provide a space for dialoguing and sharing information to generate organizational learning. For that purpose, 72% of companies have developed formal interactive systems such as electronic intranet systems where managers and employees can exchange their experiences. Among them, a few companies have developed intranet systems dedicated only to the purchasers who face specific problems regarding the control of suppliers as the previous section shows. Companies also use informal exchange systems, namely regular meetings with the CSR Correspondents responsible for providing feedback.

The implementation of such systems demonstrates that companies do not consider CSR only as a matter of communication purposes. In contrast with previous research, it shows that companies aim also to use CSR as leverage for organizational change. This argues in favor of a strategic approach of CSR.

4.4.2. Limits of Interactive Systems

Nevertheless, as for the implemented diagnostic systems, certain limits exist:

Lack of resources: first of all, these systems are limited in comparison with the time and money allocated to the diagnostic systems. For example, CSR Correspondents usually have another job at the same time, which limits the time and the power they have to integrate CSR in practice. As a result, CSR remains perceived as being something which adds to day-to-day business, and, therefore, as not being of strategic importance at local levels.

Lack of cross-functional approach: the separation between CSR issues and the economic aspect of business is also nurtured by the focus of the working groups on certain CSR issues. In practice, companies find it difficult to conduct CSR projects involving different Departments. As a result, it remains difficult to develop CSR policies which cross over the

whole group whereas CSR issues often require such a global approach as the management of carbon emissions illustrates, for example. Moreover, only few managers and employees participate in the systems. This contributes, in particular, to weakening the potential impact for change of such systems.

Lack of managers' commitment: first of all, top management does not pay much attention to the information generated by such debates. Yet, for an interactive system to be efficient, it is imperative that all managers be attentive to the proposed ideas in a permanent way. This refers to the limited commitment of the top management in the feedback process of CSR policies. Thus, even if 44% of the CSR Departments give a formal feedback to their management on a regular basis, the use of the information provided is unclear. Indeed, it does not appear that corrective actions are taken regarding the feedback. Lastly, as previously demonstrated, managers and employees find it difficult to make sense of the CSR policy in practice. This limited comprehension prevents them from participating in the debates. In the same vein, the lack of incentive systems does not encourage them to spend time on such considerations. As a result, local managers and employees are likely to consider CSR as a personal commitment separate from their job. Because of these limits, the use of interactive systems is partial and limited, which also helps explain why CSR has not yet led to profound organizational change.

Therefore, companies have developed interactive systems to enable CSR to act as a lever for organizational change, which illustrates their will to integrate CSR into their strategy. Nevertheless, the means they dedicate to interactive systems are limited in comparison with diagnostic systems. Moreover, the limited commitment of the top management and local managers combined with a lack of feedback, weaken the force of such systems to drive strategic renewal. As a result, although companies describe CSR as being of major strategic importance for their survival in the long-term, the lack of appropriate management systems seems to prevent them from integrating CSR in operational practices. This limitation does not permit us to argue in favor of a change of business model as the following section explains.

5. Discussion and Conclusions

To argue in favor of a change of business model of the CAC 40 companies would have required us to find evidence of significant change due to CSR among the core aspects of their business, including strategies, organizational structures, and operational practices. With this in mind, we believe that the analysis of the management systems of the CAC 40 companies has

provided an interesting means to assess whether and to what extent CSR has penetrated business. Indeed, since management systems are necessary to drive strategic renewal (Simons, 1995), they are deemed to illustrate the will and the commitment of companies to integrate CSR into their strategy. However, despite the fact that companies claim that CSR is a strategic element for maintaining their business, our study of their management systems cannot demonstrate that CSR has led to profound organizational change in practice. This conclusion results from different observations. Firstly, CSR remains an issue separate from day-to-day business. On the one hand, most management systems used to drive CSR policies are not integrated within existing management systems dedicated to economic purposes. On the other hand, the majority of managers and employees continue to perceive CSR as being something different from business, a formality to meet for legitimacy purposes. This impression is principally due to the discrepancy between the management systems in-use and the operational preoccupations of local managers. The lack of incentive systems also contributes to this feeling. As a result, the integration of CSR in practice remains limited. Secondly, although all companies have decided to dedicate significant management systems to CSR issues, the means they have committed to it do not meet the challenges they face. CSR Departments are too small to drive CSR policies among multinational companies which count hundreds of thousands of employees. The little time that local managers can dedicate to CSR and the lack of specific budget for this purpose also explain the limited impact of CSR on organizational practices. Thus, even if it cannot longer be argued that CSR is only a matter of communication or a ‘niche’ strategy (Vogel, 2005), it seems that companies have not yet allocated the necessary resources for transforming it into a strategic goal. Thirdly, when management systems are implemented to integrate CSR into strategy, companies focus on diagnostic systems at the expense of interactive systems, which prevents organizational change and the generation of innovations. Moreover, the systems in-use are partial and incomplete, especially at the feedback level. Yet, without a feedback process, it appears difficult to improve existing practices. As a result, it can be imagined that the existence of inappropriate management systems contribute to explaining why CSR has not yet led to a change of business model. Lastly, CSR is still emerging and companies face many difficulties to integrate it into their business. As a result, due to their lack of experience regarding these issues, companies still lack the relevant management processes and indicators to drive CSR policies. Moreover, the perspective of CSR as being a strategic element for the survival of companies is still a hypothesis for the future which has not yet been borne out by the evidence. Therefore, multinational companies no longer question the fact that CSR will be a

strategic aspect of their future business model but this change is still ongoing and has not yet led to a change of business model.

Regarding the relationships between management systems and CSR, this study expands the existing literature by offering a better understanding of how companies use management systems to drive their policies. Firstly, the study has demonstrated that despite belonging to different sectors, the CAC 40 companies present significant similarities when conducting their CSR policies. Thus, whereas CSR issues are usually developed with a sector approach, it seems that the management systems used by companies depend also on their size and country; some findings which enrich existing research on the factors which influence CSR reporting (Adams, 2002). Secondly, this study has allowed us to demonstrate that management systems are a necessary medium for integrating CSR in practice. Without appropriate diagnostic and interactive systems, companies are unlikely to meet their external requirements, manage their risks and elaborate on strategic opportunities generated by CSR. This should encourage further research on the role of management systems when implementing CSR policies. Lastly, it has demonstrated that companies do not only use diagnostic systems to drive their CSR policies. In other words, even if providing CSR reporting imperative for companies, they also aim to transform their practices according to CSR concerns. The interactive use of diagnostic systems and the implementation of interactive systems as such argue in that sense. Companies do not perceive CSR only as a formality to meet and try to integrate CSR into their strategies. This finding nuanced previous research on the integration of CSR within management system which described CSR as being quite exclusively a matter of communication (Quairel, 2004; Capron and Quairel-Lanoizelée, 2005). However, as previously explains, the management systems in-use still need some refinement to effectively permit this strategic renewal. Among others, there is a need for more interactive systems to encourage innovations and permit a continuous improvement. More feedback must be favored as well. This conclusion confirms previous research on the importance of using both types of management systems (i.e. diagnostic and interactive) to drive CSR policies (Adams, 2002; Zwetsloot, 2003; Durden, 2008).

These findings should encourage practitioners to elaborate more on the management systems they use to drive CSR policies. Indeed, the study has demonstrated that management systems have structural impacts on organizational practices, and vice versa. Not only do management systems provide the means for transforming practices, they are also transformed by practices. With this in mind, much thought should be given to the management systems used to integrate CSR into practice. However, this observation should not make us think that a

perfect management system exists, and that companies should utilize it. Instead, the study illustrates that management systems must be adapted to the intrinsic features of companies for all managers and employees to make sense of it. This could not be obtained without the commitment of local managers to their design. The acknowledgment of companies of the limits of their management systems and their aim to improve them in the future are elements which could make us think that they are aware of the necessity to focus more on these aspects.

Therefore, this study has aimed to contribute to the emerging body of knowledge about the penetration of CSR into the business model of multinational companies. The analysis of management systems has provided an interesting means to explore this question. However, due to the choice of questionnaires, the study did not enable us to directly access companies' practices. Nevertheless, regarding the significant amount of information we have gathered to conduct the analysis, we believe that the study has provided us with the current trends among the CAC 40 companies regarding the use of management systems to drive CSR policies. However, since our goal was to give an overview of this set of companies, we have not elaborated in the paper on the particular cases we have found. It could be interesting to understand why some companies differ from the current trends and whether this choice impacts their practices. Nevertheless, we think that this study complemented current research on the use of management systems in particular case studies by providing an overview of the dominant practices among one set of companies. Although one must be careful in generalizing from such a focused sample, this study has allowed us to make some tentative conclusions with regards French multinational companies. With this in mind, it would be interesting to conduct the same type of study in different countries, different sectors and among different companies such as small and medium enterprises. This should permit a better understanding of what influences management systems regarding CSR and whether CSR acts as a lever for a change of the business model.

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APPENDIX 1 – LIST OF COMPANIES BELONGING TO THE CAC 40

COMPANY	ACTIVITY SECTOR
ACCOR	Hotels
AIR FRANCE –KLM	Airlines
AIR LIQUIDE	Commodity Chemicals
ALCATEL-LUCENT	Telecommunications Equipment
ALSTOM	Industrial Machinery
ARCELORMITTAL	Iron & Steel
AXA	Full Line Insurance
BNP PARIBAS ACT.A	Banks
BOUYGUES	Heavy Construction
CAP GEMINI	Computer Services
CARREFOUR	Food Retailers & Wholesalers
CREDIT AGRICOLE	Banks
DANONE	Food Products
DEXIA	Banks
EADS	Aerospace
EDF	Conventional Electricity
ESSILOR INTERNATIONAL.	Medical Supplies
FRANCE TELECOM	Fixed Line Telecommunications
GDF SUEZ	Multiutilities
L'OREAL	Personal Products
LAFARGE	Building Materials & Fixtures
LAGARDERE S.C.A.	Publishing
LVMH	Clothing & Accessories
MICHELIN	Tires
PERNOD RICARD	Distillers & Vintners
PEUGEOT	Automobiles
PPR	Broadline Retailers
RENAULT	Automobiles
SAINT GOBAIN	Building Materials & Fixtures
SANOFI-AVENTIS	Pharmaceuticals
SCHNEIDER ELECTRIC	Electrical Components & Equipment
SOCIETE GENERALE	Banks
STMICROELECTRONICS	Semiconductors
SUEZ ENVIRONNEMENT	Waste & Disposal Services
TOTAL	Integrated Oil & Gas
UNIBAIL-RODAMCO	Retails
VALLOUREC	Industrial Machinery
VEOLIA ENVIRONNEMENT	Water
VINCI	Heavy Construction
VIVENDI	Broadcasting & Entertainment

APPENDIX 2 - QUESTIONNAIRE'S FRAMEWORK

CHOOSING A CSR POLICY

- Trigger for the implementation of a CSR policy
 - Originating authority
 - Subordination of Sustainable Development Departments
 - Identification process of CSR issues
 - Integration of Operational Departments in the definition of CSR commitments
 - Involved external parties consulted for the definitions of CSR commitments
 - Type of external consultation
-

ORGANIZING THE CSR POLICY

- Suggestion and orientation of the CSR policy
 - Validation of the group CSR policy
 - Choice of CSR reporting indicators
 - Focus : ISO 14001 certification
 - CSR budgeting
 - Communication of the CSR policy to Managers
 - Financial incentives for Managers
-

DEPLOYING THE CSR POLICY

- Methods of deployment
 - Local adaptation
 - Feedback procedure of good practices
-

MONITORING THE CSR POLICY

- Tools for relaying CSR data
 - Focus : internal studies on the social climate
 - Perimeter of CSR reporting
 - Control of CSR reporting
 - Integration of CSR indicators in management charts
 - Upward flow of CSR data to General Management
 - Focus : follow-up of suppliers
 - Frequency of reevaluation of CSR commitments
-

RESUME SUBSTANTIEL EN FRANCAIS

L'Investissement Socialement Responsable (ISR) est apparu aux Etats-Unis dans les années 1920, à l'initiative des mouvements méthodistes et quakers, qui souhaitaient exclure de leurs investissements l'ensemble des entreprises appartenant aux secteurs dit du « péché » (i.e. alcool, armement, jeu, pornographie et tabac). Au cours des années 1970, l'ISR se développa en Europe comme moyen de lutter contre l'apartheid en Afrique du Sud. Au début des années 2000, on assista en France à la montée en puissance d'une nouvelle forme d'ISR véhiculant l'idée que la prise en compte de critères ISR permettrait une meilleure performance financière à long terme. En 2005, Kofi Annan, ancien Secrétaire Général des Nations Unis, lança les Principes pour l'Investissement Responsable (PRI), un programme mondial visant à favoriser la prise en compte de l'ISR par l'ensemble des acteurs financiers. En 2008, on estimait que l'ISR représentait dans le monde plus de 5 000 milliards d'euros d'actifs (Eurosif, 2008).

A l'heure où le monde vit une crise financière, économique et sociale sans précédent, ce développement de l'ISR interpelle. De prime abord, combiner responsabilité sociale et performance financière semble en effet contradictoire. Pourtant, depuis dix ans, l'ISR ne cesse de se développer : encore inconnu hier, il concernerait aujourd'hui plus de 90% du secteur français de la gestion d'actifs. Comment expliquer un tel changement ? Tel est l'objectif de cette thèse. En explorant comment et pourquoi l'ISR s'est peu à peu institutionnalisé dans le secteur français de la gestion d'actifs, la thèse cherche à mieux comprendre quels sont – au niveau des pratiques des acteurs – les *mécanismes* sous-jacents à un changement institutionnel. Pour ce faire, la thèse s'appuie sur trois articles intégrés dans un cadre commun. Deux autres articles étudiant les modalités d'intégration de critères extra-financiers dans les systèmes de pilotage de la performance sont également fournis en annexe.⁹⁸ Afin d'offrir au lecteur francophone une vue d'ensemble de la thèse, ce résumé présente de manière succincte le phénomène d'ISR Mainstreaming, les questions de recherche traitées par les différents articles (section 1), les théories mobilisées (section 2), la méthodologie employée (section 3), les résultats obtenus (section 4) et les contributions, limites et pistes de recherche suggérées par la thèse (section 5).

⁹⁸ S'agissant de productions intermédiaires de projets de recherche en cours, ces deux articles n'ont pas le même statut que les trois articles composant la thèse. Il nous a paru néanmoins utile que le lecteur puisse en disposer en annexe.

1. De l'ISR vers le « Mainstream » : le phénomène d'ISR Mainstreaming

1.1. Les particularités de l'ISR français

Contrairement aux autres pays tels que les Etats-Unis, le Royaume-Uni ou la Suède, les motivations des investisseurs français à l'égard de l'ISR n'ont jamais été d'ordre éthique mais d'inspiration financière. Ce positionnement atypique trouve en partie son origine dans la tradition catholique du pays qui – à l'opposé des églises protestantes nordiques et anglo-saxonnes – a eu tendance à associer à l'argent des principes d'immoralité (De Blic and Lazarus, 2007). Ce faisant, peu d'organisations religieuses françaises se sont intéressées aux fonds éthiques et aucune d'entre elles n'a joué un rôle majeur dans la promotion de l'ISR au sein du secteur de la gestion d'actifs. De manière surprenante, c'est donc à des acteurs financiers – au premier rang desquels des gérants et d'anciens analystes financiers reconvertis en « analystes ISR » – que l'ISR français doit son apparition et son développement.⁹⁹ Ainsi, les premiers fonds ISR créés à la fin des années 1990 avaient pour objectif, non pas de favoriser les entreprises les plus éthiques, mais de générer une meilleure performance financière en sélectionnant les entreprises les plus socialement responsables (i.e. jugées économiquement plus prometteuses à long terme). Longtemps marginaux, ces fonds ISR bénéficient depuis quelques années d'un intérêt croissant, tant de la part des gestionnaires d'actifs que des investisseurs institutionnels. Parmi les raisons avancées, le passage d'un système de retraite par répartition à un système par capitalisation serait l'explication majeure : l'ISR permettrait de garantir le bien-fondé des investissements tout en maintenant le rôle des syndicats dans la gestion des retraites. Forts de cette conviction, les fonds de pension publics français – tels que le FRR (Fonds de Réserve des Retraites) et l'ERAFP (Etablissement de la Retraite Additionnelle de la Fonction Publique) – et les fonds d'épargne salariale adoptent peu à peu une approche ISR pour l'ensemble de leurs actifs.

Pour atteindre leurs deux objectifs – 1) sélectionner les entreprises les plus socialement responsables et 2) offrir une meilleure performance financière que les fonds conventionnels (i.e. fonds classiques uniquement centrés sur la performance financière) – les fonds ISR français ont refusé d'exclure systématiquement les entreprises appartenant à des secteurs controversés tels que l'alcool ou l'armement. A cette fin, les sociétés de gestion d'actifs ont

⁹⁹ Avant les années 1990, la France comptait quelques fonds éthiques. Néanmoins, ces derniers étaient très marginaux, tant en termes d'actifs que de nombre.

adopté une méthode d'investissement consistant à sélectionner pour chaque secteur d'activité les entreprises les plus socialement responsables, et ce, quelque soit le secteur concerné. Cette approche, connue sous le nom de « best-in-class », permettrait selon ses promoteurs de générer une meilleure performance financière à long terme (UNEP-FI, 2007; FRR, 2008; Altedia IC, 2009; Mercer, 2009). A ce jour, pourtant, aucune corrélation systématique (positive ou négative) entre performance ISR et performance financière n'a encore été trouvée (Margolis and Walsh, 2003; Orlitsky et al., 2003; Cavaco and Crifo, 2009; Forget, 2010). Dans les faits, beaucoup d'entreprises présenteraient en effet des profils ISR et financier contradictoires, forçant les gestionnaires d'actifs à arbitrer entre performance ISR et performance financière. Enfin, tandis que les fonds ISR se multiplient, le secteur est en proie à une difficulté de plus en plus prégnante : réguler le secteur de l'ISR sans menacer l'innovation. Face à ce problème, plusieurs organisations syndicales et privées ont créé des « labels ISR » volontaires tandis que d'autres militent pour la mise en place d'une loi au niveau du secteur.

1.2. L'ISR Mainstreaming : l'apparition d'une nouvelle institution ?

Jusqu'à récemment, la prise en compte de critères ISR dans les processus d'investissement suffisait à distinguer les fonds ISR des fonds conventionnels. Ce n'est plus le cas aujourd'hui. De plus en plus, les fonds conventionnels (aussi appelés fonds « mainstream », en français « courant principal ») adoptent également des critères ISR. Ce phénomène d'intégration appelé « ISR Mainstreaming » est apparu au cours de la moitié des années 1990 et a connu une forte accélération au cours de ces trois dernières années. Ainsi, alors que seuls 3% des fonds conventionnels intégraient des critères ISR en 2007, on en comptait 61% en 2009 et ils ne seraient pas moins de 90% aujourd'hui (Novethic, 2010). Trois éléments majeurs sont à l'origine de cette tendance. Premièrement, de plus en plus de critères ISR jugés pertinents au regard de la performance financière tels que la mesure des émissions CO₂ sont désormais intégrés dans l'analyse financière. Deuxièmement, depuis la crise financière, un nombre croissant d'investisseurs institutionnels exigent dorénavant que les fonds conventionnels rendent des comptes sur leur performance ISR. C'est notamment le cas du FRR qui décida en 2008 d'étendre son approche ISR de quelques mandats dédiés à l'ensemble de ses classes d'actifs. Enfin, le secteur lui-même serait de plus en plus enclin à favoriser le développement de la gestion ISR au niveau de la place de Paris. Dans cette optique, Paris Europlace – l'organisation en charge de promouvoir la place financière de Paris – déclara en 2009 vouloir

faire de Paris une place de référence mondiale en termes d'ISR. Cette offensive commerciale aurait notamment pour objectif de concurrencer la place de Londres, renommée internationalement pour la finance islamique.

A mesure que le phénomène d'ISR Mainstreaming se développe, les différences entre les fonds conventionnels et les fonds ISR s'atténuent. Le mimétisme entre les deux types de gestion est tel que certains observateurs commencent à s'interroger sur le bien-fondé d'une approche ISR basée sur la performance financière. Aujourd'hui, les fonds ISR doivent relever un nouveau défi : démontrer leurs différences vis-à-vis des fonds conventionnels. Les fonds conventionnels font également face à de nouveaux problèmes : intégrer dans leurs portefeuilles des entreprises aux profils ISR et financiers contradictoires. Ce problème est particulièrement difficile dans la gestion taux, qui présente des caractéristiques techniques plus complexes que la gestion actions (Garnaud, 2009).¹⁰⁰ Ce faisant, l'ISR Mainstreaming questionne les règles et les croyances collectives du secteur : ses institutions (Berger and Luckmann, 1966). La gestion d'actifs se doit désormais d'être socialement responsable en plus d'être financièrement performante. Ce changement soudain et profond perturbe les logiques institutionnelles (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Friedland, 2009) du secteur : les pratiques, hypothèses, croyances et règles mobilisées par les acteurs du secteur pour faire sens de leur réalité sont remises en question. Face à ce changement institutionnel, les sociétés de gestion d'actifs doivent (re)penser leur activité collective : la manière de gérer leurs fonds ne correspond plus aux demandes des clients.

1.3. Questions de recherche

Face à la complexité d'un tel changement, la thèse cherche à mieux comprendre comment et pourquoi les pratiques du secteur français de la gestion d'actifs se sont transformées en réponse au phénomène d'ISR Mainstreaming. En particulier, la thèse cherche à répondre aux questions suivantes :

- Comment et pourquoi le phénomène d'ISR Mainstreaming s'est-t-il développé en France ? (article 1)

¹⁰⁰ La gestion taux consiste à prêter de l'argent avec intérêt à un emprunteur privé ou public. La gestion actions consiste à devenir propriétaire d'une entreprise en achetant une part de son capital sous forme d'actions.

- Comment les sociétés de gestion d’actifs ont-elles transformé leurs pratiques en réponse au phénomène d’ISR Mainstreaming ? (article 2)
- Pourquoi cette transformation a-t-elle été différente dans la gestion actions par rapport à la gestion taux ? (article 3)

Ces questions de recherche sont traitées respectivement dans les articles numéro 1, 2 et 3 de la thèse, à savoir :

- De l’émergence d’un mouvement social en finance : l’exemple de l’Investissement Socialement Responsable (article 1)
- Transformer les pratiques en réponse au changement institutionnel : explorer le rôle des objets (article 2)
- Expliquer la variété des pratiques face au changement institutionnel : l’exemple de l’Investissement Socialement Responsable (article 3)

2. Cadre théorique

2.1. Les limites des théories institutionnelles

Les théories institutionnelles font référence à un ensemble d’approches théoriques visant à décrire les mécanismes qui expliquent l’apparition, la disparition ou le maintien des institutions. Trouvant leurs origines dans les travaux de Berger et Luckmann (1966), elles définissent les institutions comme les règles et croyances collectives adoptées par les êtres humains pour pouvoir agir et vivre ensemble. Selon les théories institutionnelles, tout comportement organisationnel résulterait d’idées, de valeurs et de croyances qui trouveraient leurs origines dans un contexte institutionnel (Meyer and Rowan, 1977; Meyer and Scott, 1983; Zucker, 1988). De manière concomitante, seules les organisations qui parviendraient à afficher et reproduire – de manière superficielle ou non – des comportements en adéquation avec leurs institutions de référence pourraient maintenir leur légitimité (DiMaggio and Powell, 1991; Boxenbaum and Jonsson, 2008). Ce sont ces mécanismes de reproduction qui permettraient aux pressions institutionnelles de maintenir stabilité et résistance au changement au sein d’un même champ organisationnel (DiMaggio and Powell, 1983).

Bien que largement utilisées en sciences sociales, les théories institutionnelles ont fait l’objet de nombreuses critiques (Scott, 2001; Djelic and Quack, 2003; Hopper and Major, 2007). Parmi les principales, quatre ont particulièrement attiré mon attention :

- La séparation entre exigences institutionnelles et techniques : les théories institutionnelles ont été souvent enclines à différencier des impératifs qui seraient d'ordre technique (ex : performance financière), d'exigences jugées institutionnelles (ex : performance ISR). Bien que s'appuyant dans une large mesure sur des théories institutionnelles, la thèse s'oppose clairement à cette différenciation théorique : la performance financière est considérée comme n'étant ni plus, ni moins institutionnelle ou technique que la performance ISR.
- La théorisation de l'action collective : afin de mieux comprendre le rôle des acteurs dans le changement institutionnel, les théories institutionnelles ont développé le concept d'« entrepreneurs institutionnels » (DiMaggio, 1988; Oliver, 1991; Greenwood et al., 2002; Boxenbaum and Gond, 2006; Lawrence and Suddaby, 2006). Décrits comme des acteurs mus par leurs propres intérêts, les entrepreneurs institutionnels seraient des acteurs isolés agissant de manière individuelle. Malgré son intérêt, cette appréhension de l'agence à travers les entrepreneurs institutionnels souffre d'un manque notable : une théorisation de l'action *collective*.
- L'étude des pratiques : peu d'efforts ont été entrepris parmi les théories institutionnelles pour relier le changement institutionnel au changement des pratiques (Lounsbury and Crumsley, 2007). En particulier, peu de recherches ont cherché à intégrer au sein d'un même cadre conceptuel théories institutionnelles et théories centrées sur les pratiques (Hopper and Major, 2007; Lounsbury, 2008; Bogt and Scapens, 2009) ou à analyser précisément le changement institutionnel à un niveau intra-organisationnel (Lounsbury, 2001; Bogt and Scapens, 2009).
- Le rôle des objets : enfin, peu de travaux de recherche mobilisant des théories institutionnelles ont porté leur attention sur le rôle des objets – notamment les systèmes de gestion – dans les mécanismes du changement institutionnel (Miller, 2008; Friedland, 2009; Spee and Jarzbkowski, 2009).

Forte de ses limites, la thèse se propose d'enrichir la littérature existante sur le changement institutionnel en combinant – dans un même cadre conceptuel – théories institutionnelles et théories centrées sur les pratiques. En particulier, la thèse a pour objectif d'étudier :

- le rôle de l'action collective dans les mécanismes du changement institutionnel ;
- comment et pourquoi les organisations transforment leurs pratiques de manière différente en réponse au changement institutionnel ;

- le rôle des objets dans cette transformation.

La section suivante introduit les différentes théories mobilisées par les articles à cette fin.

2.2. L'apport des théories centrées sur les pratiques aux théories institutionnelles

La thèse cherche à mieux comprendre les causes et les mécanismes d'un changement institutionnel. Pour ce faire, le choix a été fait de ne pas proposer un cadre théorique holistique visant à théoriser l'ensemble du processus de changement institutionnel mais de se focaliser sur les questions théoriques suivantes :

- Dans quelle mesure et sous quelles conditions les nouveaux mouvements sociaux peuvent-ils changer des institutions économiques ? (article 1)
- Comment les acteurs transforment-ils leurs pratiques en réponse au changement institutionnel ? (article 2)
- Comment expliquer la diversité des processus de transformation face au même changement institutionnel ? (article 3)

Ces trois questions théoriques font référence aux trois questions de recherche présentées dans la section 1.3.

La thèse mobilise dans une large mesure des théories institutionnelles, en particulier le concept de « logiques institutionnelles » définies par Friedland et Alford (1991) comme :

L'ensemble des pratiques matérielles et constructions symboliques – sur lequel l'organisation fonde ses principes et à partir duquel les individus et les organisations font sens [du quotidien].

En d'autres termes, les logiques institutionnelles correspondent aux *schèmes d'interprétation* utilisés par les acteurs pour faire sens en pratique de leurs institutions de référence. Afin de proposer un cadre conceptuel reposant à la fois sur des théories institutionnelles et des théories centrées sur les pratiques, la thèse s'appuie également sur les théories suivantes :

- Théorie des mouvements sociaux (article 1).
- Pragmatisme (articles 2 et 3).
- Concept d'objet épistémique (articles 2 et 3).

La théorie des mouvements sociaux (McAdam et al., 1996; Meyer and Tarrow, 1998; Benford and Snow, 2000; McAdam and Scott, 2005) est une théorie de l'action collective

visant à expliquer le rôle des mouvements sociaux dans le changement institutionnel. Cette théorie est mobilisée dans le premier article, en complément du concept de champ organisationnel (DiMaggio and Powell, 1983), afin de théoriser l'action collective à l'origine du phénomène d'ISR Mainstreaming.

Le pragmatisme (Peirce, 1931; Dewey, 1938) est utilisé dans le deuxième et troisième articles afin de mieux comprendre les mécanismes de transformation des pratiques en réponse au changement institutionnel (i.e. le phénomène d'ISR Mainstreaming). Pour ce faire, la thèse s'appuie sur le concept d'enquête collective, défini comme les processus d'investigation – mobilisés par un groupe d'acteurs engagés dans une même activité collective – pour faire sens d'une situation incertaine et perturbée. En se focalisant sur les pratiques et sur l'action collective, ce concept permet notamment d'étudier les dynamiques intra-organisationnelles liées au changement institutionnel.

Afin d'étudier le rôle des objets dans la transformation des pratiques, les deuxième et troisième articles s'appuient également sur le concept d'*objet épistémique* (Rheinberger, 1992; Knorr-Cetina, 1995, 1997; Rheinberger, 1997). Un objet épistémique est un objet qui « contient ce qu'on ne le sait pas encore » (Rheinberger, 1992). Il s'oppose à l'*objet technique* qui est un objet stable contenant tout le savoir disponible à un moment donné. Le concept d'objet a été préféré à celui d'instrument (Lorino, 2006; Miller and O'Leary, 2007) afin d'insister sur le fait que les instruments sont « simultanément des choses-à-utiliser et des choses-dans-un-processus-de-transformation » (Knorr-Cetina, 1997). En effet, tout objet épistémique peut se transformer en objet technique, et réciproquement, en fonction du statut de l'objet dans la situation. Par exemple, un système de gestion utilisé comme une ressource quotidienne, stable et non problématique est un objet technique. Si le système de gestion « tombe en panne », il devient un objet épistémique. Il génère des questions, soulève des problèmes que les acteurs tenteront de résoudre afin de (re)transformer l'objet épistémique en un objet technique. Plus précisément, les articles démontrent que les acteurs transforment leurs pratiques, leurs logiques institutionnelles et leurs objets techniques, en transformant un objet épistémique à travers une enquête collective.

Dans la continuité du parti-pris de la thèse de s'intéresser aux pratiques, le choix a été fait de mobiliser une épistémologie de recherche centrée sur les pratiques: le pragmatisme (Peirce, 1931; Dewey, 1938). De plus amples détails sur les implications méthodologiques de ce choix épistémologique sont donnés dans la section suivante.

3. Méthodologie

3.1. Positionnement épistémologique

Accéder aux pratiques est une tâche difficile. Si beaucoup de recherches ont accès aux « traces » d'anciennes pratiques, peu d'entre elles étudient réellement les pratiques effectives des acteurs. D'une part, l'accès aux pratiques est souvent médiatisé par un support, prenant généralement la forme d'un entretien ou d'un document (Lorino, 2008). D'autre part, beaucoup de chercheurs – dans leur volonté *d'observer* les pratiques – ne rendent pas compte de la vie organisationnelle qui se développe au cœur de ces dernières. Cet écueil trouve notamment son origine dans l'approche objectiviste de la réalité véhiculée par les épistémologies représentationnelles (Lorino et al., 2010). Considérant la réalité comme une « chose » identifiable, stable et observable « de l'extérieur », ces épistémologies ont tendance à négliger les relations dynamiques et dialogiques sous-jacentes aux actions (Schotter, 2009). En particulier, elles ignorent les pratiques « réflexives » – « accounting practices » (Garfinkel, 1967) – qui permettent aux acteurs de faire sens de leurs activités quotidiennes.

La compréhension de tels processus nécessite de la part du chercheur d'étudier les situations, non pas « de l'extérieur », mais « de l'intérieur » (Schotter, 2006). Acteur de la situation, le chercheur devient alors un enquêteur ayant un double objectif : 1) rendre compte de la situation de manière plausible et 2) transformer les pratiques. Pour ce faire, le chercheur peut choisir d'adopter une épistémologie non-représentationnelle inspirée du concept pragmatiste d'enquête (Peirce, 1931; Dewey, 1938). Le pragmatisme considère « le développement du savoir comme une réponse humaine/sociale à des conditions environnementales et comme une restructuration active de l'environnement » (Lorino et al., 2010). La méthodologie d'enquête aspire notamment à dépasser les dualismes « pensée/action, raisonnement logique/pensée narrative » et se caractérise par les éléments suivants :

- La nature expérimentale du savoir : l'enquête est déclenchée par un « malaise existentiel » au cours duquel les acteurs ne parviennent plus à surmonter leurs difficultés quotidiennes. Face à cette situation *perturbée-perturbante*, l'enquête cherche 1) à générer de nouvelles pratiques permettant de dépasser les problèmes rencontrés et 2) à produire de nouveaux concepts pouvant être utilisés dans des enquêtes ultérieures. Néanmoins, étroitement dépendants de l'expérience des acteurs,

ces nouveaux concepts et pratiques sont toujours par nature partiels, temporaires et faillibles.

- Abduction : le pragmatisme vise à générer de nouvelles hypothèses et histoires qui rendent compte de la situation de manière plausible. Pour ce faire, l'enquête utilise un mode de raisonnement abductif s'appuyant à la fois sur de l'intuition, du raisonnement (logique inductif, déductif et analogique), de l'expérimentation et de la pensée narrative (Lorino et al., 2010).
- Médiation : l'enquête est verbalisée, socialisée et médiatisée-médiatisant (Lorino et al., 2010) . Elle incarne un problème en discours et en instruments qu'elle transforme tout comme elle transforme le savoir incarné.
- Communauté d'acteurs : l'enquête concerne un groupe d'acteurs, dont les différences et échanges permanents nourrissent l'investigation, et qui ont besoin de s'entendre sur une analyse commune de la situation afin de maintenir leur activité collective.

Suivant une épistémologie pragmatiste (Peirce, 1931; Dewey, 1938), la thèse mobilise une méthode de recherche basée sur le concept d'enquête coopérative (Heron and Reason, 1995; Heron, 1996; Raelin, 1999; Reason and Bradbury, 2001). Une enquête coopérative « implique au moins deux personnes dont le processus recherche se nourrit d'allers et retours entre leurs expériences personnelles du sujet étudié et leur réflexion collective sur ce dernier » (Heron, 1996). Cette méthode suppose que les membres de l'enquête coopèrent comme co-chercheurs et co-sujets. L'utilisation de cette approche est décrite dans la section suivante.

3.2. Processus de recherche

3.2.1. Une approche par les pratiques

Afin d'accéder aux pratiques des acteurs et en accord avec l'épistémologie pragmatiste décrite ci-dessus, une enquête coopérative a été menée par l'auteur, à la fois en tant que chercheur et praticien. Ce double statut a été obtenu par le biais d'une convention CIFRE (Convention Industrielle de Formation par la Recherche en Entreprise) menée de 2006 à 2009 en tant qu'analyste ISR, au sein d'une société française de gestion d'actifs (SRI Invest¹⁰¹). Filiale d'un grand groupe mutualiste français, SRI Invest est une petite société de gestion spécialisée

¹⁰¹ SRI Invest est un pseudonyme.

en ISR depuis 1997 employant une vingtaine de personnes et gérant un peu plus de deux milliards d'euros d'actifs. Ce travail de terrain fut utilisé à deux fins : 1) obtenir un accès privilégié au secteur français de la gestion d'actifs en tant que « participant observant¹⁰² » et 2) expérimenter en pratique la refonte d'un processus d'investissement – en gestion taux et en gestion actions – en réponse au phénomène d'ISR Mainstreaming.

3.2.2. Collecte et analyse des données

Au cours de ces trois années passées sur le terrain, j'ai utilisé trois méthodes de collecte de données:

- *Observation participante* : afin de nourrir le processus de réflexion personnel et collectif requis par l'enquête, j'ai consigné quotidiennement dans un journal de bord l'ensemble des événements (réunions, conférences, appels d'offres, etc.) auxquels j'ai participé. J'ai ensuite retravaillé ces notes jusqu'à l'écriture de plusieurs *essais* décrivant des événements et/ou suite d'événements jugés intéressants (i.e. la refonte des processus d'investissements, les réponses aux appels d'offre, etc.). Enfin, j'ai écrit plusieurs papiers de travail (i.e. versions antérieures des articles) qui furent utilisés comme base de discussion entre mes directeurs de thèse, les acteurs de SRI Invest et moi-même. Ces derniers furent (re)travaillés jusqu'à obtenir un accord collectif sur l'analyse théorique des événements.
- *Entretiens semi-dirigés* : de juillet 2007 à novembre 2009, j'ai conduit plusieurs entretiens semi-dirigés avec des acteurs du secteur français de la gestion d'actifs et des responsables Développement Durable et/ou Relations-Investisseurs de grands groupes français (au total 47 entretiens dont 39 enregistrés et retranscrits mot-à-mot). Ces entretiens avaient pour objectif de mieux comprendre comment la perception par les acteurs du phénomène d'ISR Mainstreaming. En particulier, des entretiens ont été menés avec l'ensemble des acteurs de SRI Invest ayant participé à la refonte des processus d'investissement.
- *Analyse de sources documentaires* : beaucoup de documents et sources d'informations secondaires, tels que des rapports professionnels, d'articles de presse, de compte-

¹⁰² Le terme « observation participante » doit être compris ici dans un sens plus large que celui généralement utilisé dans les épistémologies représentationnelles. Il fait référence à l'enquête coopérative menée par le chercheur avec les praticiens.

rendu de réunions, de réponses aux appels d'offres, ont été analysés tout au long de la thèse.

De manière schématique, le processus de recherche a suivi sept différentes « phases » au cours desquelles intuition, raisonnement logique et analogique, narration et expérimentation ont été mêlés :

- *Mai 2006-Novembre 2006* : cette période fut dédiée à la rédaction de mon mémoire de master et à l'apprentissage du travail d'analyste ISR. C'est au cours de cette période que j'ai découvert que SRI Invest rencontrait des difficultés lors de la vente de ses fonds ISR.
- *Décembre 2006-Juin 2007* : peu après l'arrivée du nouveau Directeur Général de SRI Invest en décembre 2006, une étude sur la viabilité de SRI Invest fut réalisée par un cabinet de conseil. Grâce à cette dernière et aux discussions informelles menées au sein de SRI Invest, je réalisais peu à peu que les problèmes de SRI Invest étaient largement imputables au changement institutionnel en cours.
- *Juillet 2007-Juillet 2008* : cette année fut quasiment exclusivement consacrée à la refonte des processus d'investissements des fonds actions et taux de SRI Invest. A temps plein dans la société, je profitais de cette expérience pour mener des entretiens avec d'autres acteurs de la gestion d'actifs et affiner ma réflexion sur le phénomène d'ISR Mainstreaming.
- *Août 2008-Janvier 2009* : en août 2008, je quittai SRI Invest afin de me consacrer à temps plein au travail de thèse. A cette fin, je passais six mois au sein du Département de Business Studies de l'Université d'Uppsala (Suède) et y approfondissais ma connaissance des théories institutionnelles et de l'ISR scandinave. Cette immersion à l'étranger me permit notamment de mieux comprendre la spécificité de la situation française par rapport au phénomène d'ISR Mainstreaming. A la fin de ce séjour, des premières versions du premier et du deuxième article furent proposées à mes directeurs de thèse ainsi qu'à mes collègues de SRI Invest.
- *Février 2009-Mai 2009* : je mis à profit ces quatre derniers mois passés au sein de SRI Invest en tant qu'analyste ISR pour (ré)interroger mes collègues sur les différents événements associés à la refonte des processus d'investissement. SRI Invest semblait à nouveau compétitive quoiqu'ayant beaucoup souffert de la crise financière.

- *Juin 2009-Août 2009* : je décidai avoir achevé ma collecte de données et quittai le secteur de la gestion d’actifs pour passer trois mois en tant que Marie Curie Fellow¹⁰³ au sein de l’Accounting and Finance Group de la Manchester Business School (Royaume-Uni). Au cours de ce séjour, j’étudiais les approches centrées sur les pratiques développées dans la littérature du contrôle de gestion pour analyser le changement institutionnel et écrivais des premières versions du troisième article.
- *Septembre 2009-Avril 2009* : cette dernière année se déroula au sein du Département d’Economie de l’Ecole Polytechnique, dans le cadre de la Chaire de Finance Durable et d’Investissement Responsable, et fut consacrée à la rédaction de ma thèse. Au contact des principaux acteurs français de l’ISR, je continuais néanmoins à participer de manière informelle à différents événements organisés par le secteur. Je profitais également de cette période pour passer plusieurs semaines au sein de la Chaire de Responsabilité Sociale et de Développement Durable de l’UQAM (Université du Québec à Montréal) au Canada afin de pouvoir mieux saisir les différences entre l’ISR européen et l’ISR américain.

Ces quatre années furent également l’occasion de suivre un ensemble de cours et séminaires doctoraux dans le cadre du programme Ph.D. de l’ESSEC Business School.¹⁰⁴

4. Résultats

Afin de fournir au lecteur une vue d’ensemble de la thèse, un synopsis des articles de la thèse est fourni en figure 7.2. A des fins pédagogiques, le choix a été fait de commencer la thèse par l’étude du phénomène d’ISR Mainstreaming au niveau du champ organisationnel, ceci devant faciliter la compréhension des origines et des formes de ce phénomène (cf. article 1). Le deuxième article étudie la façon dont les acteurs d’une société de gestion d’actifs ont transformé leurs pratiques, en réponse au phénomène d’ISR Mainstreaming. Enfin, le troisième article explore pourquoi la transformation des pratiques, au sein de cette société, a été différente dans la gestion actions, par rapport à la gestion taux.

¹⁰³ Un Marie Curie Fellow est une bourse de recherche à la mobilité financée par la Commission Européenne.

¹⁰⁴ Ceux-ci représentèrent environ 390 heures de cours, incluant également des examens dits « préliminaires » justifiant l’obtention d’un diplôme de master recherche à la fin de la deuxième année.

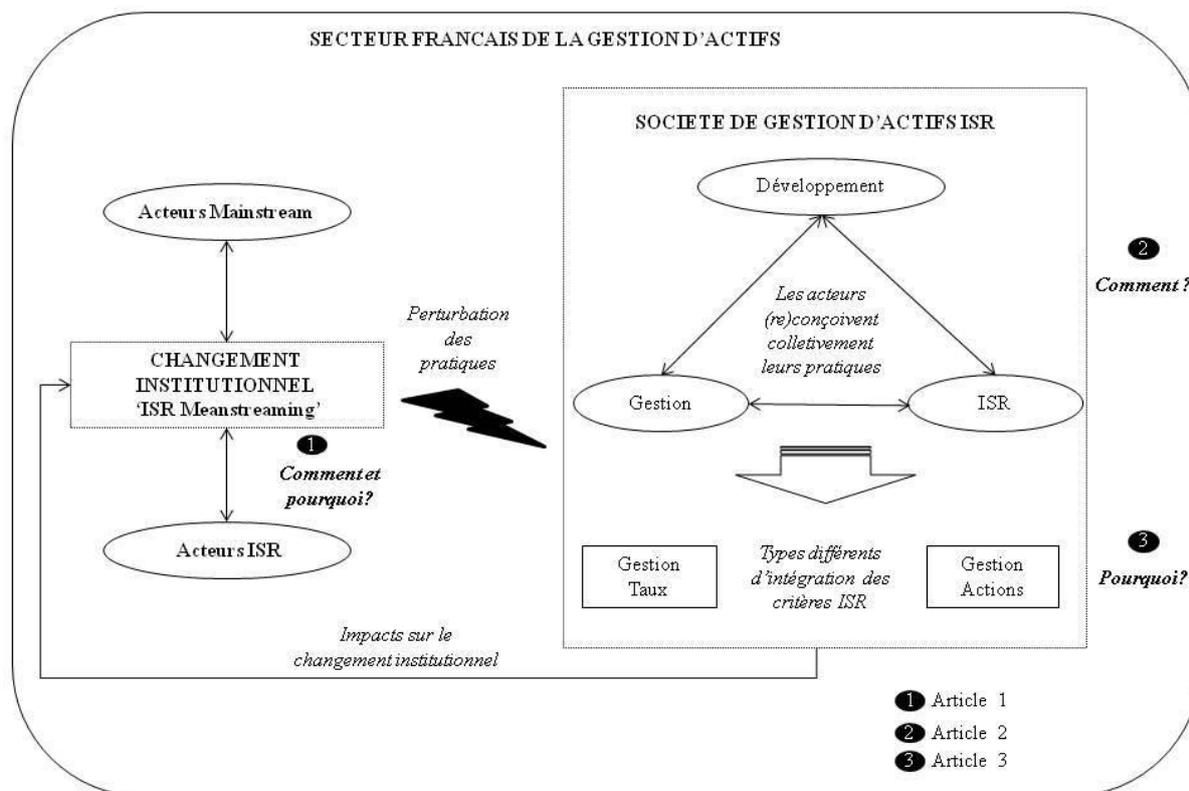


Figure 7.2: Synopsis de la thèse

Une vue d'ensemble des articles est proposée dans le tableau suivant (7.1). Des résumés étendus des articles sont également fournis dans la thèse au début de chaque article.

Article	Question de recherche	Question théorique	Théories utilisées	Méthodes de recherché
1 De l'émergence d'un mouvement social en finance : l'exemple de l'Investissement Socialement Responsable	Comment et pourquoi le phénomène d'ISR Mainstreaming s'est-il développé en France ?	Dans quelle mesure et sous quelles conditions les nouveaux mouvements sociaux peuvent-ils changer les institutions économiques ?	<ul style="list-style-type: none"> – Théories institutionnelles – Théorie des mouvements sociaux 	<ul style="list-style-type: none"> – Observation participante – Entretiens semi-dirigés (33) – Documents et données secondaires
2 Transformer les pratiques en réponse au changement institutionnel : explorer le rôle des objets	Comment les sociétés de gestion d'actifs ont-elles transformé leurs pratiques en réponse au phénomène d'ISR Mainstreaming ?	Comment les acteurs transforment-ils leurs pratiques en réponse au changement institutionnel ?	<ul style="list-style-type: none"> – Théories institutionnelles – Pragmatisme – Objet épistémique 	<ul style="list-style-type: none"> – Observation participante – Entretiens semi-dirigés (7) – Documents
3 Expliquer la variété des pratiques face au changement institutionnel : l'exemple de l'Investissement Socialement Responsable	Pourquoi la transformation des pratiques face à l'ISR Mainstreaming a-t-elle été différente dans la gestion actions par rapport à la gestion taux ?	Comment expliquer la diversité des pratiques face au même changement institutionnel ?	<ul style="list-style-type: none"> – Théories institutionnelles – Pragmatisme – Objet épistémique 	<ul style="list-style-type: none"> – Observation participante – Entretiens semi-dirigés (8) – Documents

Tableau 7.1: Vue d'ensemble des articles

5. Contributions de la thèse

Les contributions de la thèse sont de trois ordres : théorique, méthodologique et pratique. Un résumé de ces contributions est proposé dans les sections suivantes.

5.1. Contributions théoriques

5.1.1. Investissement Socialement Responsable

Les contributions de la thèse vis-à-vis de l'ISR sont doubles. D'une part, la thèse est l'une des seules études réalisées en Europe – à l'exception des Pays-Bas (Louche, 2004) – sur les pratiques quotidiennes des sociétés de gestion d'actifs proposant des fonds ISR. Son approche de terrain s'est notamment révélée extrêmement utile pour offrir un nouvel éclairage sur les mécanismes de l'ISR français, enrichissant ainsi les études existantes sur le mouvement (Déjean, 2005; Giamporcaro-Saunière, 2006; Penalva-Icher, 2007). D'autre part, la thèse compte parmi les premiers travaux de recherche mondiaux sur le phénomène d'ISR Mainstreaming et ses impacts sur la gestion d'actifs. Une telle avance s'explique notamment par le fait que la France semble l'un des premiers pays à connaître une telle ampleur du phénomène. Etant donné l'importance de ce phénomène pour l'ISR¹⁰⁵, cette thèse pourrait devenir une référence utile pour les futures recherches menées sur le sujet.

5.1.2. Changement institutionnel

En explorant le phénomène d'ISR Mainstreaming, la thèse contribue également à la compréhension des *mécanismes* d'un changement institutionnel, une contribution d'autant plus importante qu'elle se situe au croisement de quatre types de littératures : théories institutionnelles, théories sur les pratiques, contrôle de gestion et théories des mouvements sociaux. Plusieurs éléments participent de cette contribution : l'intégration de théories institutionnelles et de théories centrées sur les pratiques dans un même cadre conceptuel, l'étude du rôle des objets et de l'action collective dans la transformation des pratiques et la compréhension de la variété des pratiques face au changement institutionnel.

¹⁰⁵ Par exemple, la Conférence Académique 2010 des PRI (Principes pour l'Investissement Responsable) qui a eu lieu du 5 au 7 mai 2010 à Copenhague au Danemark portait précisément sur le phénomène de SRI Mainstreaming.

5.2. Contributions méthodologiques

Les contributions méthodologiques de la thèse sont de deux ordres. Premièrement, la thèse enrichit les épistémologies représentationnelles traditionnellement mobilisées dans les études sur les organisations en proposant une recherche de terrain s'appuyant sur une épistémologie non-représentationnelle inspirée du concept pragmatiste d'enquête (Peirce, 1931; Dewey, 1938). Ce faisant, elle offre à la discipline du contrôle de gestion – qui souffre d'un manque de travaux de recherche ayant trait aux pratiques (Ahrens and Dent, 1998) – une étude de terrain supplémentaire. Deuxièmement, la thèse enrichit la littérature existante sur le pragmatisme en fournissant une illustration empirique de la méthodologie d'enquête. Etant donné l'intérêt croissant en organisation et en contrôle de gestion pour le pragmatisme (Lukka and Modell, 2009; Simpson, 2009), ces outils méthodologiques pourraient s'avérer utiles pour de futurs chercheurs souhaitant mobiliser une épistémologie pragmatiste.

5.3. Contributions pratiques

La thèse a contribué à la transformation des pratiques à plusieurs titres. D'abord, l'enquête a sollicité au sein de SRI Invest une réflexion collective qui a permis d'enrichir et de transformer les pratiques de la société. A titre d'exemple, de nouveaux critères ISR pour la gestion taux ont été développés et un projet de recherche-action a été mené sur l'intégration de critères extra-financiers dans les systèmes de gestion des entreprises du CAC 40.¹⁰⁶ Par ailleurs, en proposant aux gestionnaires d'actifs des outils théoriques facilitant la compréhension du phénomène d'ISR Mainstreaming, la thèse offre aux praticiens des outils théoriques qui pourraient les aider à transformer au mieux leurs pratiques en réponse au changement institutionnel.

6. Limites de la thèse

Malgré ses contributions, la thèse souffre de plusieurs limites théoriques, méthodologiques et pratiques, qui sont autant de pistes de recherche pour l'avenir.

¹⁰⁶ En plus d'une publication professionnelle, ce projet de recherche a conduit à la publication d'une publication académique à disposition du lecteur dans les annexes de la thèse : « Responsabilité Sociale de l'Entreprise : un nouveau modèle de management ? »

6.1. Limites théoriques

D'un point de vue théorique, la thèse souffre de trois principales limites. Premièrement, elle n'a pas été en mesure de proposer un cadre théorique holistique traitant l'ensemble du processus d'un changement institutionnel, un sujet pourtant d'importance pour la recherche en contrôle de gestion (Burns and Scapens, 2000; Dillard et al., 2004; Hopper and Major, 2007; Bogt and Scapens, 2009). En particulier, la thèse n'a pas étudié la façon dont la transformation des pratiques au sein de SRI Invest a influencé (ou non) le phénomène d'ISR Mainstreaming au niveau du secteur. Le manque de temps en est la principale explication. D'une part, la thèse est un exercice limité dans le temps qui impose de faire des choix dans les sujets abordés. D'autre part, il aurait été impossible d'étudier l'ensemble du processus de changement institutionnel étant donné que le phénomène d'ISR Mainstreaming est toujours en cours. Rien n'empêche cependant d'envisager à l'avenir de développer des travaux de recherche ayant trait à cette problématique.

La deuxième limite théorique de la thèse est à attribuer à la dimension française de la thèse. En effet, bien que plusieurs études aient démontré l'ancrage national des mouvements ISR (Louche and Lydenberg, 2006; Bengtsson, 2008), il semble raisonnable de penser que le phénomène d'ISR Mainstreaming français a été également influencé par les évolutions de l'ISR dans d'autres pays. A ce titre, il serait intéressant de mener à l'avenir des études internationales afin de pouvoir mieux appréhender la dimension transnationale de l'ISR. Les trois séjours à l'étranger (Canada, Royaume-Uni et Suède) réalisés pendant la thèse pourraient par exemple servir de point d'ancrage pour de tels projets.

Enfin, la thèse souffre d'une troisième limite théorique : la contribution aux théories institutionnelles aux dépens des théories centrées sur les pratiques. La décision de privilégier une littérature au détriment d'une autre trouve notamment son origine dans l'intérêt originel de la thèse pour le changement institutionnel. Ce déséquilibre pourrait être corrigé à l'avenir en menant par exemple des travaux de recherche visant à enrichir les théories centrées sur les pratiques par des approches institutionnelles.

6.2. Limites méthodologiques

La méthodologie d'enquête coopérative (Heron and Reason, 1995; Heron, 1996) présente de nombreux avantages, tant au niveau de l'accès aux pratiques qu'elle procure que de la collaboration avec les praticiens sur laquelle elle s'appuie. Son utilisation dans la thèse a

pourtant souffert de deux limites. D'une part, comme pour les problèmes théoriques, le manque de temps a empêché de tester en pratique l'ensemble des suggestions proposées par la thèse. En particulier, la crise financière et la situation particulière de SRI Invest ont rendu difficile la prise de recul par rapport aux résultats liés à la refonte des processus d'investissement. D'autre part, la réflexion collective sur les pratiques de SRI Invest a été en partie freinée par le fait que j'ai été pendant six mois la seule responsable de l'aspect ISR de la refonte des processus ISR. Il m'était alors difficile d'échanger avec d'autres analystes ISR sur les problèmes rencontrés lors de la refonte. Cette limite fut néanmoins compensée par le fait que des discussions régulières ont pu avoir lieu avec des acteurs appartenant à d'autres départements. Enfin, la structure de la thèse, basée sur des articles, a limité l'exploitation de plusieurs éléments théoriques et empiriques présentant pourtant un intérêt incontestable d'un point de vue académique. Notamment, l'étude du métier d'analyste ISR et des impacts de l'analyse ISR sur l'analyse financière, encore peu étudiés aujourd'hui (Crifo and Mottis, 2010), auraient pu être un sujet de recherche particulièrement intéressant à explorer.

6.3. Limites pratiques

D'un point de vue pratique, la thèse souffre d'une limite principale : ne pas avoir proposé aux praticiens des solutions concrètes à l'ensemble des problèmes listés dans la thèse. A titre d'exemple, le troisième article explique pourquoi la gestion taux rencontre plus de difficultés pour transformer ses pratiques que la gestion actions, mais ne fournit pas d'indicateurs ISR pouvant faciliter son adaptation. Ce manque est lié à la fois à l'espace limité disponible dans un article pour faire des recommandations managériales et au fait que la plupart des sociétés de gestion d'actifs sont encore en proie aujourd'hui à ces difficultés (i.e. peu de solutions ont été trouvées). Cette limite devrait être en partie compensée par les recommandations managériales proposées dans l'une des sections suivantes (section 7.2).

7. Pistes pour l'avenir

7.1. Le phénomène d'ISR Mainstreaming

Quel avenir prédire pour le phénomène d'ISR Mainstreaming ? Tout d'abord, il apparaît raisonnable de penser que l'intégration de critères ISR par les fonds conventionnels – qu'ils relèvent de la gestion actions ou de la gestion taux – continue dans les années à venir. On peut

en effet imaginer que les critères ISR jugés pertinents dans le cadre de l'analyse financière seront de plus en plus mobilisés, notamment ceux concernant les enjeux environnementaux tels que le réchauffement climatique. Néanmoins, une fois cette intégration finie, le phénomène d'ISR Mainstreaming s'achèvera et une nouvelle situation devrait voir le jour. D'une part, des fonds éthiques – basés sur l'exclusion – devraient se développer, à la fois au niveau des investisseurs individuels et institutionnels. Ces clients accepteront de sacrifier de la performance financière au bénéfice de la performance ISR, mais resteront très marginaux en termes d'actifs par rapport au reste du secteur. D'autre part, les fonds ISR visant à générer plus de performance financière existant actuellement devraient disparaître. Devant se distinguer des fonds conventionnels, ils seront progressivement remplacés par des fonds ISR cherchant à protéger les investisseurs institutionnels contre des scandales tels que la corruption ou le travail des enfants. Basés sur une approche « risque », ces fonds seront évalués à la fois sur leur performance financière et leur performance ISR.

7.2. Recommandations managériales

La survie de l'ISR à l'avenir ne pourra avoir lieu qu'au prix d'un effort collectif de la part du secteur français de la gestion d'actifs pour : 1) s'accorder sur une mesure commune de la performance ISR ; 2) différencier les fonds ISR des fonds conventionnels grâce à l'utilisation d'un « label ISR » et 3) concevoir de nouveaux critères ISR pour la gestion dans une optique financière. Pour ce faire, ces trois recommandations pourraient s'avérer être utiles :

- Créer un label ISR reconnu au niveau du secteur pour différencier les fonds ISR des fonds conventionnels.
- Introduire dans ce label de manière obligatoire un critère de mesure de la performance ISR.
- Encourager les sociétés de gestion d'actifs à centrer leur analyse ISR sur la gestion des risques, en étudiant par exemple la corrélation entre critères ISR et banqueroute.

7.3. Futurs travaux de recherche

Cette thèse est une première étape sur le chemin de la connaissance du changement institutionnel et de ses impacts sur le secteur de la gestion d'actifs. A la croisée de la théorie et des pratiques, elle est également une première tentative d'approche interdisciplinaire de la recherche en contrôle de gestion. Au terme de ce travail doctoral, plusieurs pistes de travail

s'offrent à moi : le rôle des labels ISR, la pénétration de l'analyse ISR dans l'analyse financière, le développement du phénomène ISR au niveau mondial et le rôle des objets épistémiques dans la transformation des pratiques. Pour mener de tels projets de recherche, de futures collaborations avec des chercheurs de l'École Polytechnique, de l'Université de Manchester, de l'Université d'Uppsala et de l'UQAM pourraient notamment être envisagées.

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ABSTRACT

This dissertation explores the mechanisms of institutional change in practice. The institutional change under study relates to the progressive penetration of Socially Responsible Investment (SRI) criteria into conventional investment funds, a phenomenon which appeared during the 2000s, known as SRI Mainstreaming. The dissertation aims to explain why SRI Mainstreaming has expanded into France and to identify its impacts on the practices of the French asset management sector. It mobilizes a three-year (2006-2009) longitudinal case study of a French asset management company, conducted as an SRI analyst. Research methods rely on the pragmatist concept of inquiry and combine participative observation, semi-structured interviews and documentary evidence. The dissertation comprises three articles that should be considered together. They explore 1) the origins of the SRI Mainstreaming phenomenon, 2) how asset management companies have transformed their practices in response to SRI Mainstreaming and 3) why practices have been transformed in a different way in fixed-income investment, compared to equity investment, respectively.

Key-words

Asset Management – Epistemic Object – Equity Investment – Fixed-Income Investment – France – Institutional Change – Mainstreaming – Practices – Social Movement – Socially Responsible Investment (SRI)

RÉSUMÉ

Cette thèse cherche à mieux comprendre quels sont – au niveau des pratiques des acteurs – les mécanismes sous-jacents à un changement institutionnel en cours dans le secteur français de la gestion d'actifs, connu sous le nom d' « ISR Mainstreaming ». Ce phénomène, apparu dans les années 2000, fait référence à la pénétration progressive et massive de critères d'Investissement Socialement Responsable (ISR) dans les fonds d'investissement conventionnels (également appelés fonds « mainstream » ou « courant principal »). En particulier, la thèse cherche à identifier les raisons qui peuvent expliquer l'émergence d'un tel changement au niveau du secteur et à analyser l'impact de ce dernier sur les pratiques des gestionnaires d'actifs. Pour ce faire, la thèse s'appuie sur une étude de cas longitudinale de trois ans (2006-2009) d'une société de gestion d'actifs française, conduite par l'auteur en tant qu'analyste ISR. D'inspiration pragmatiste, la thèse mobilise une méthode d'enquête coopérative combinant observation participante, entretiens semi-dirigés et analyse de sources documentaires. La thèse se compose de trois articles qui analysent 1) les origines du mouvement de l'ISR, 2) la transformation des pratiques des sociétés de gestion d'actifs en réponse au phénomène d'ISR Mainstreaming et 3) les différences constatées entre gestion actions et gestion taux lors de la transformation de ces pratiques.

Mots-clefs

Changement Institutionnel – France – Gestion Actions – Gestion d'Actifs – Gestion Taux – Investissement Socialement Responsable (ISR) – Mainstreaming – Mouvement Social – Objet Epistémique – Pratiques