Organizational Fields, Transnational Business Governance Interactions and the Diffusion of CSR

Melanie Coni-Zimmer

Follow this and additional works at: http://digitalcommons.osgoode.yorku.ca/olsrps

Recommended Citation

This Article is brought to you for free and open access by the Research Papers, Working Papers, Conference Papers at Osgoode Digital Commons. It has been accepted for inclusion in Osgoode Legal Studies Research Paper Series by an authorized administrator of Osgoode Digital Commons.
Organizational Fields, Transnational Business Governance Interactions and the Diffusion of CSR
Paper to be presented at the ISA Annual Convention 2013

Melanie Coni-Zimmer

The TBGI Project
Transnational initiatives to regulate business activities interact increasingly with each other and with official regulation, generating complex governance ensembles. Heterogeneous actors and institutions interact at multiple levels and in various ways, from mimicry and cooperation to competition and conflict. The TBGI Project investigates the forms, drivers, mechanisms, dynamics, outputs and impacts of transnational business governance interactions (TBGI) from diverse theoretical and methodological perspectives. It is funded by a Social Sciences and Humanities Research Council of Canada grant led by Professor Stepan Wood, Osgoode.

This paper can be downloaded free of charge from:
http://ssrn.com/abstract=2436999

Further Information and a collection of publications about Osgoode Hall Law School Legal Studies Research Paper Series can be found at:
Abstract:
The paper analyzes the process of global diffusion of Corporate Social Responsibility (CSR) in the oil industry and how interactions between different actors have contributed to this outcome. It starts from the empirical puzzle that CSR has spread globally among transnational corporations since the mid 1990s (diffusion of CSR as a dependent variable). To explain this phenomenon, the paper presents a theoretical argument based on insights from sociological neo-institutionalism. It uses the concept of organizational fields as social spaces where organizations interact with one another. The structuration of an organizational field leads to processes of homogenization among the organizations belonging to it.
Empirically, the paper explores the case of the oil industry. It can be shown that an organizational field has developed around the issue of CSR. Actors constituting the organizational field are identified, including multi-stakeholder-initiatives (e.g. EITI and Voluntary Principles), international organizations, NGOs, governmental actors and transnational corporations. The organizations interact with each other and engage in the definition and promotion of CSR standards. As a result of field-level interactions an increasingly dense normative transnational environment has developed where expectations regarding the appropriate behavior of corporations are formulated. With regard to the dependent variable, data on the diffusion of CSR is presented and

Keywords:
Neo-institutionalism, organizational fields, diffusion, corporate social responsibility, oil industry, transnational standards

Author(s):
Melanie Coni-Zimmer
Research Fellow
Peace Research Institute Frankfurt
Frankfurt am Main, Germany
E: zimmer@hsfk.de
Organizational Fields, Transnational Business Governance Interactions and the Diffusion of CSR

Evidence from the oil industry

Melanie Coni-Zimmer

Paper to be presented at the ISA Annual Convention 2013
San Francisco, April 3-6, 2013
Panel TB46: Transnational Business Governance Interactions

First Draft - Please do not cite or quote.

Abstract

The paper analyzes the process of global diffusion of Corporate Social Responsibility (CSR) in the oil industry and how interactions between different actors have contributed to this outcome. It starts from the empirical puzzle that CSR has spread globally among transnational corporations since the mid 1990s (diffusion of CSR as a dependent variable).

To explain this phenomenon, the paper presents a theoretical argument based on insights from sociological neo-institutionalism. It uses the concept of organizational fields as social spaces where organizations interact with one another. The structuration of an organizational field leads to processes of homogenization among the organizations belonging to it.

Empirically, the paper explores the case of the oil industry. It can be shown that an organizational field has developed around the issue of CSR. Actors constituting the organizational field are identified, including multi-stakeholder-initiatives (e.g. EITI and Voluntary Principles), international organizations, NGOs, governmental actors and transnational corporations. The organizations interact with each other and engage in the definition and promotion of CSR standards. As a result of field-level interactions an increasingly dense normative transnational environment has developed where expectations regarding the appropriate behavior of corporations are formulated. With regard to the dependent variable, data on the diffusion of CSR is presented and similarities and differences between corporate CSR approaches are discussed.

Keywords: Neo-institutionalism, organizational fields, diffusion, corporate social responsibility, oil industry, transnational standards

JEL classification: D18; D21; D23; D70; D81; F23; L21; L23; L33; L51; L71; M14; Q32

1 Research Fellow, Peace Research Institute Frankfurt, Baseler Str. 27-31, 60329 Frankfurt am Main, Germany, e-mail: zimmer@hsfk.de
1. Introduction

In the last two decades the idea of Corporate Social Responsibility (CSR) has increasingly spread in the business world. CSR has become a global trend that corporations from different sectors, different in size and from different world regions have taken up. In 2011, 95% of the 250 largest global corporations publically reported about their CSR activities (KPMG 2011). More than 7,000 corporations have joined the UN Global Compact, the world’s largest CSR initiative, since its inception in 2000\(^2\). This trend is also visible in the oil industry where companies have started developing and/or revising their policies with regard to the environment and society in the 1990s. They have established dedicated departments and regularly publish CSR or sustainability reports. Transnational multi-stakeholder initiatives, such as the Extractive Industries Transparency Initiative (EITI) and the Voluntary Principles on Security and Human Rights, have been founded where major extractive corporations are involved and have committed to implement the respective standards. Considering the lack of financial incentives and binding regulation, the rather fast diffusion of CSR standards among transnational corporations is puzzling (Vogel 2008: 268).

How can the diffusion of CSR among transnational corporations in the oil industry be explained and what role do interactions play in this regard? It will be argued in this paper that a transnational organizational field has developed around the issue of CSR which is populated by different groups of actors such as corporations, civil society organizations, international organizations, and multi-stakeholder initiatives. This organizational field is characterized by an increasing density of interactions which can take different forms. At the level of individual firms this development has led to the diffusion of CSR.

Research on CSR has in recent years exploded. Different disciplines, such as business ethics, political science and sociology, have formulated overlapping research agendas. One strand of research deals with explaining corporate CSR engagement. Explanatory factors on different levels of analysis are distinguished in the literature; corporate engagement is explained by reference to (1) characteristics of the company itself and its products, (2) characteristics of the political, societal and market environment in home and host states as well as (3) by reference to the transnational environment (Flohr et al. 2010, Campbell 2007, Shanahan/Khagram 2006). While a lot of research deals with explaining differences between corporate CSR commitments and activities, the focus of this paper is rather on explaining the similarities existing in a population of actors. In recent years, some research has started analyzing the adoption of CSR by transnational corporations using constructivist theories to explain norm diffusion and socialization processes (Kollman 2008, Deitelhoff/Wolf 2011, forthcoming, Dashwood 2012). Similar to this paper, this research emphasizes the importance of normative developments on the transnational level and understands corporations as social actors that are not purely profit-driven but are responsive to concerns in their institutional environment.

\(^2\) Global Compact: http://www.unglobalcompact.org/participants/search (March 2013).
This paper also contributes to the research agenda on transnational business governance interactions (Eberlein et al. 2012) by looking at possible effects of increasing interactions between institutions and actors through the theoretical lens of new sociological institutionalism. By analyzing the diffusion of CSR as a possible effect of a transnational governance field it provides a top-down analysis of the effects of transnational fields on the firm level.

The paper is structured as follows: In the next section a theoretical argument based on sociological neo-institutionalism is developed to explain the empirical puzzle identified above, the growing diffusion of CSR practices in the oil industry (section 2). In the empirical part of the paper, the emergence of an organizational field around CSR and its actors are analyzed (section 3.1). Special attention is given to interactions between multi-stakeholder initiatives and state-based governance initiatives that engage in the development and promotion of CSR standards (section 3.2). Subsequently, data on the diffusion of CSR in the oil industry is presented; similarities and differences between corporate approaches are discussed (section 3.3). The fourth section briefly concludes.

2. Organizational fields and the diffusion of CSR

In this section organizational fields are introduced as a concept. Increasing interactions between organizations are a defining feature of such fields. The theoretical argument put forward by neo-institutionalist scholars is that field-level processes are over time likely to lead to the homogenization of organizations belonging to it. Applying this argument to the empirical case of the oil industry, the main conjecture is that a transnational organizational field around CSR has developed since the mid-1990s where different subpopulations of actor interact with one another and engage in collective sense-making. The increasing diffusion of CSR among transnational corporations from the oil and gas industry is the result of field-level processes.

2.1 Transnational organizational fields and the role of interaction(s)

Sociological neo-institutionalism has developed in sociology since the mid 1970s. The common point of departure of early works was the surprising homogeneity of organizational forms and practices that exist despite the embeddedness of organizations in different local contexts and huge differences in resources available to them (DiMaggio/Powell 1991 [1983]: 64). The corresponding basic hypothesis is that organizations do not (only) follow a functional logic but are embedded in institutional environments where they strive for support and legitimacy (Scott/Meyer 1991, DiMaggio/Powell 1991 [1983]). Organizations “incorporate elements which are legitimated externally, rather than in terms of efficiency” (Meyer/Rowan 1991 [1977]: 49).
Organizational fields are a central concept in new sociological institutionalism. The idea was introduced by DiMaggio and Powell (1991 [1983]) to further develop the notion of institutional environments. Organizational field are defined as “those organizations that, in the aggregate, constitute a recognized area of institutional life” (DiMaggio/Powell 1991 [1983]: 64, Wooten/Hoffman 2008). The structuration of a field can be shown by referring to different indicators: increasing interactions among the organizations, the increasing exchange of information, and the awareness among organizations that they are involved in a common project (DiMaggio/Powell 1991 [1983]: 65). This definition shifts the attention towards interactions between field participants. As Scott has argued field members interact more frequently with one another than with organizations outside the field (1994: 207-8). As a consequence, analyzing the density of interactions also helps to determine the boundaries of fields.

The structuration of an organizational field leads to processes of homogenization; over time organizations resemble each other more and more, the so-called isomorphism. Di Maggio and Powell differentiate between three ideal-type mechanisms of isomorphic change: coercive isomorphism, mimetic processes, and normative pressures (1991[1983], Boxenbaum/Jonsson 2008). First, coercive isomorphism refers to formal or informal pressure that organizations put on other organizations. Such pressure mainly results from legislation and other activities of state actors or, for example, corporations can exert pressure on their suppliers. Second, mimetic processes often occur under the condition of uncertainty. Under this condition, organizations tend to take over standards and practices of other organizations that they perceive to be successful and legitimate. Third, normative pressure is related to processes of professionalization, i.e. professionals with a similar education and active in professional networks contribute to the increasing homogeneity of organizations as they tend to perceive problems in a similar manner and recognize similar practices as externally legitimated.

Early research on organizational fields has focused on empirical cases such art museums, hospitals, or companies from a certain region or sector in the national context. In contrast, more recent research has also applied the concept of organizational fields to processes of transnational politics (Djelic/Sahlin-Andersson 2006, McNichol 2006, Dingwerth/Pattberg 2009). Moreover, recent research has also clarified that fields do not necessarily form around organizations with a similar technology or markets. Instead, fields can emerge around contested issues bringing together different subpopulations of actors with different interests (Hoffman 1999, Hoffman 2001, Wooten/Hoffman 2008). In this line of research – rather than analyzing the diffusion of existing institutions – processes of contestation, conflict and change within fields are more central. For example, Hoffman has shown how a field involving a complex constituency of actors emerged around a contested issue (1999, 2001). He investigated the development and the dissemination of environmental standards in US companies. It is assumed that companies are influenced by the organizational field but not determined by it. The organizational field forms around a certain issue, in his
study environmental standards (Hoffman 2001: 135). Relevant subpopulations of the field are a variety of
groups such as governments, consumers, shareholders, financial institutions, activists, and scientists. Every
subpopulation of actors uses a specific framing of an issue and the complex interplay between the
populations affects companies’ reactions, e.g. the adoption of a certain standard.

In this paper, transnational organizational fields are understood as social spaces where organizations
interact with one another. Different subpopulations of organizations can be part of this field; the question
which organizations belong to it needs to be determined empirically by reference to the interactions
between them. This includes the possibility that field membership can change over time. For the purpose
of this paper, it is assumed that all organizations participating in the discourse about CSR in the oil and gas
industry are part of the transnational field.

2.2 Diffusion as a possible effect

This paper follows a rather traditional line of research in organizational sociology and seeks to explain the
diffusion of an institution within a population of actors. The diffusion of CSR among transnational
corporations is to be expected as the result of processes in the transnational organizational field. The
dependent variable is the diffusion of CSR. The diffusion of an idea (here: CSR) in a population of actors
(here: transnational corporations) is usually the result of a complex process that is influenced by a diverse
set of actors and mechanisms. The focus is not on the adoption of a policy by an individual actor but by a
group of actors. The often found pattern of diffusion processes is an S-shaped curve. In an early phase only
very few actors adopt a certain innovation. Afterwards a phase of strong growth follows, before the
process reaches a certain saturation level and slows down again (Knill 2005: 4, Rogers 2003). A diffusion
process may be “successful” or not, i.e. new ideas, norms, and practices may be diffused in a certain
population or not.

The term diffusion of CSR refers in this paper to the population of transnational companies, no matter in
which home state the company is based and where it operates. The adoption of CSR through an individual
company is considered to be part of the diffusion process (Davis/Marquis 2005: 336).

It is important to note that the diffusion of CSR does not imply that CSR approaches of companies are
necessarily homogenous. Early neo-institutionalist work was criticized for being overly static and focusing
too much on the diffusion of existing stable institutions and the homogeneity of organizations
(Wooten/Hoffman 2008: 113-4). The diffusion of CSR means that a certain level of homogeneity emerges
between corporations, but at the same time there can also be differences between CSR approaches. The
level of homogeneity or heterogeneity between organizational approaches is an empirical question. In this
context CSR should be understood as a bundle of norms that is not very specific and that allows for, or even requires, processes of interpretation on the organizational level.

For the purpose of this paper, reporting about CSR will be used an indicator for the adoption of CSR by a transnational corporation. To gain some insights into similarities and differences between CSR approaches, the policy fields in which corporations engage will be examined.

3. The Emergence of a Transnational Field and the Diffusion of CSR in the Oil Industry

3.1 The transnational field and its actors

The structuration of a transnational field around CSR began in the 1990s when civil society became increasingly active against economic globalization and transnational corporations as its central actors. The former have thereby contributed to the establishment of individual and collective self-regulation as well as multi-stakeholder schemes to regulate corporate behavior (Segerlund 2010; Yaziji/Doh 2009; Soule 2009). This trend has been discussed for different industries, such as textile and apparel, diamonds, timber as well as oil and gas (Yaziji/Doh 2009, Segerlund 2010).

With regard to the oil industry, civil society activities against the British company Shell were a defining moment for the broader debate about CSR. Firstly, Shell became the target of a campaign for its plan to dump the oil platform Brent Spar in the North Sea in 1995 (Falkner 2003). Secondly, the company faced public outrage for its operations in Nigeria when leading figures of the Ogoni (an ethnic group) were executed by the Nigerian regime for protesting against the operations of Shell in the Niger Delta (Zimmer 2010). These events had far-reaching consequences not only for Shell – that started to revise its policies and published its first CSR report – but also for the broader oil industry, for which these events served as a wake-up call. In theoretical terms, the literature on organizational fields has shown that disruptive events are often important moments in the development of fields as they “provide the impetus for organizations to make sense of a reconfigured environment” (Wooten/Hoffman 2008: 138) and they therefore begin to interact with each other.

Other civil society activities either targeted individual corporations or the whole industry (Falkner 2003). One important set of problems that the former focused on were corporate dealings with public and private security forces. Some of the prominent cases are BP in Columbia, ExxonMobil in Indonesia, and different corporations active in Myanmar and Sudan. Transnational corporations were blamed for being involved or being responsible for human rights violations of local communities around their operations. They were criticized for making payments to security forces, providing access to their infrastructure or equipment that
the latter then used to aggressively respond to local protests (Human Rights Watch 1999, Freeman et al. 2001, Human Rights Watch 2003). Civil society activism around the problem of human rights implications of corporate security provision was a central trigger for the development of the Voluntary Principles on Security and Human Rights, a sectoral multi-stakeholder initiative targeting the oil, gas and mining industry.

The civil society campaign “Publish What You Pay” launched in 2002 focused on transparency in the extractive industry and asked corporations to publish what they pay to governments in their host countries. In addition, governments were asked to publish what they receive and how they spend the money. It was suggested that by establishing transparency governments could be better held accountable and revenues from the resource sector would then benefit the broader population (Oranje/Parham 2009). The activities of the PWYP campaign led to the foundation of another prominent sectoral multi-stakeholder initiative, the EITI.

Along with these campaigning activities, civil society organizations also started increasingly using litigation and complaint procedures to scandalize the (mis-)behavior of corporations in their local operations. For example, cases under the Alien Tort Claims Act (ATCA) were filed against companies such as Shell, Chevron, Unocal and Talisman in US courts (Dunst 2009). Under the complaint procedure provided by the OECD Guidelines on Multinational Enterprises more than 40 cases against corporations from the mining, oil and gas industry were submitted by NGOs between 2000 and 2010 (OECD Watch 2010: 13).

It is beyond the scope of this paper to provide a detailed description of the various civil society activities related to the operations of corporations in the field of natural resource extraction, in general, and the oil and gas industry, in particular. In general terms, activities of civil society organizations have focused on different sets of problems related to the extraction of natural resources. Terms such as the “paradox of plenty” or “resource curse” have been introduced into the debate and refer to the fact that the resource-rich countries and, in particular, the local population rarely benefit from the extraction of resources. Local grievances are caused by environmental problems that play an important role as extractive operations do almost always impact upon the livelihood of the local communities where they operate (e.g. through oil spills and gas flaring). These environmental problems are often connected to social problems because traditional social and economic structures are (negatively) influenced. Human rights violations are criticized not only in regard to the provision of security for corporate operations but, for example, also related to (forced) resettlements. Besides the transparency of revenues mentioned above, widespread corruption is also an important problem in the oil industry (Frynas 2009, UNCTAD 2007). In all these areas, companies are asked to implement more responsible business practices adhering to international
norms and standards.

In summary, civil society activities have significantly contributed to an increasing awareness regarding the malpractices in the extractive industries and put pressure on companies by making these practices public. Claims made by civil society organizations are often not only addressed to companies but also to states and/or international organizations that are asked to regulate corporate activities or to improve the implementation of existing legislation. In addition, it is important to note that the increasing interactions between NGOs and companies are not necessarily confrontational. Research has also shown that the cooperation between these two groups of actors, for example in multi-stakeholder initiatives and public-private partnerships, is another important development (Yaziji/Doh 2009).

At the end of the 1990s the transnational field grew further. More actors joined the discourse about CSR and new collective self-regulation and multi-stakeholder initiatives emerged where increasing interactions between different groups of actors around the issue of responsible business conduct in the oil and gas industry can be observed. The UN Global Compact was founded in 1999/2000; the Global Reporting Initiative (GRI) published a first version of its guidelines during the same year. As important sectoral initiatives, the Voluntary Principles on Security and Human Rights were also founded in 2000, and the EITI was initiated in 2002. In the following paragraphs, these initiatives will be briefly described highlighting in particular what standards they propose and what actors they include. In theoretical terms, multi-stakeholder initiatives can take over two different roles: (1) they can serve as forums where different groups of actors can meet and discuss issues of common concern and (2) they can be analyzed as at least partly autonomous actors with secretariats promoting the development and diffusion of CSR standards. Because multi-stakeholder initiatives serve as forums for the discussion of responsible business practices, the different subpopulations that are part of the organizational field can be identified by analyzing membership and/or participation in these initiatives.

**Global Compact**

The Global Compact was initiated by UN Secretary General Kofi Annan in 2000. It promotes ten general principles in the area of human rights, labor rights, the environment and anti-corruption. Next to corporations, NGOs, business associations, trade unions, academic institutions as well as organizations from the public sector can join the initiative. The United Nations are represented by a network of seven programs and specialized agencies. Corporations are the primary regulatory target of the UN Global Compact. They are asked to implement the ten principles in their business operations. To operationalize

---

3 In International Relations these two different roles are assigned to international organizations by constructivist theories which analyze them as forums and actors (Rittberger/Zangl 2006).

4 UN Global Compact: www.unglobalcompact.org/ParticipantsAndStakeholders/index.html (March 2013).
the principles, the Global Compact offers a wide range of issue-specific activities often resulting in the publication of recommendations, collections of corporate best practices, or tools that intend to help companies improve their CSR performance. In this context, the Global Compact also draws on and refers to other initiatives and standards as described in more detail below. The Global Compact is not a sector-specific initiative, though some of its activities are of special relevance to the extractive industry. This includes, for example, the policy dialogue on the role of business in zones of conflict and the development of related guidance materials where different companies from the oil industry were involved (e.g. the Guidance on Responsible Business in Conflict-Affected and High-Risk Areas, Global Compact/PRI 2010).

**GRI**

The GRI provides guidelines for CSR or sustainability reporting. It emerged as an early attempt to standardize corporate reporting (Dingwerth 2007, Brown et al. 2007). The GRI is also a multi-stakeholder initiative, each organization can join the GRI as an “organizational stakeholder” including corporations, NGOs, academic institutions, trade unions, or consulting firms (Rieth 2009). With regard to their content, the GRI Guidelines define issues as well as certain economic, ecological, and social indicators that companies are expected to report on. Social indicators are further broken down into labor, human rights, society, and product responsibility subcategories. Additionally, sectoral supplements exist for certain industries that provide specific indicators organizations should report on. A supplement for the oil and gas industry was launched in 2011 and was developed by a multi-stakeholder working group with broad participation from the industry, including corporations such as Shell, Eni and Petrobras. While the definition of indicators might seem rather technical, they nevertheless imply “a normative standpoint on appropriate corporate behavior” (Dingwerth 2007: 109). The primary regulatory targets of the GRI are corporations, but the guidelines can be used by all kinds of organizations not only profit-oriented businesses.

**Voluntary Principles**

The Voluntary Principles on Security and Human Rights were negotiated and launched in 2000. The US and UK governments took the initiative, because some of their major extractive corporations faced criticism regarding security provisions in their overseas operations (Freeman 2002). The Voluntary Principles were jointly negotiated between the two governments, major US and UK corporations and some selected NGOs. The resulting voluntary standard asks companies to conduct risk assessments regarding the human rights implications of their security provisions and includes recommendations for dealing with private as well as public security providers in host countries. The Voluntary Principles are organized as a

---

5 Global Reporting Initiative: www.globalreporting.org/reporting/latest-guidelines/g3-1-guidelines/Pages/default.aspx (March 2013).
multi-stakeholder initiative including corporations, governments, and NGOs as well as some observers (e.g. industry associations, international organizations, and academic institutions). The primary regulatory targets of the initiative are corporations from the oil, gas and mining industry. Currently, 22 corporations are participants. The rather low number is, at least partly, a result of the exclusive process of negotiating the principles. Nevertheless, the developed standard is proliferating as it is referenced and recommended for implementation by many other initiatives.

**EITI**

The EITI was initiated by the British government that thereby took up the idea of the “Publish What You Pay” campaign. Based on a broad consultation process, the EITI was established as a multi-stakeholder initiative and includes different groups of actors into its governance structure. The EITI is implemented on the national level, where governments have to publish what they receive in terms of payments from corporations, and corporations have to publish what they pay to governments. An EITI Report is then produced that verifies and reconciles reported data. This process is overseen by national multi-stakeholder working groups (EITI 2010). The primary regulatory target of the initiative are resource-rich states that can join the initiative as implementing countries. Other countries, companies, industry associations, civil society organizations, institutional investors as well as international and regional organizations can become supporting stakeholders.

As it can be inferred from this short description, the four initiatives have different primary regulatory targets (corporations or states). Some of them cover a broad range of policy fields and different industry sectors (Global Compact and GRI). In contrast, the Voluntary Principles and the EITI focus on the oil, gas and mining industry and each deals with a rather specific policy problem.

These four multi-stakeholder initiatives are part of the organizational field around CSR in the oil and gas industry. They should therefore not be treated separately but need to be seen in context. In fact, the four initiatives do not compete but complement each other and, as it will be shown in more detail below, interact with and reference each other. While the Global Compact is the broadest initiative, the GRI complements it by specifying how to report on corporate self-commitments. The Voluntary Principles and the EITI both put forward very specific standards, respectively on security and human rights and transparency, and thereby specify broader expectations as for example put forward by the ten principles of the UN Global Compact.

As multi-stakeholder initiatives are important forums for discussing issues related to CSR, analyzing their membership provides insights into which subpopulations are active in the organizational field around CSR.

---

Business actors and civil society organizations are involved in all four initiatives. International and regional organizations, states and academic institutions as well as unions and business associations participate in two of them. Next to multi-stakeholder initiatives these groups of actors can be considered important subpopulations of the organizational field contributing to the development and diffusion of CSR-relevant standards.

CSR standards were also developed by international organizations and industry associations around the same time. For example, the OECD launched a new version of its Guidelines on Multinational Enterprises in 2000 (and an updated version in 2011). The OECD is an intergovernmental organization, but the revisions of the Guidelines were based on consultative processes involving civil society as well as business. The Guidelines are “recommendations jointly addressed by governments to multinational enterprises” (OECD 2011: 17) as their primary addressees. They are non-binding, voluntary recommendations for a responsible business conduct. The guidelines are addressed to all companies that have their home state in OECD countries and companies are expected to follow the guidelines wherever they operate (OECD 2011: 17). They encourage companies to “contribute to economic, environmental and social progress with a view to achieving sustainable development” and to “develop and apply effective self-regulatory practices and management systems” to achieve this aim (OECD 2011: 19). The concrete recommendations are comprehensive and cover different policy fields such as the disclosure of information, human rights, employment and industrial relations, the environment, combating bribery, consumer interests, science and technology, competition, and taxation (OECD 2011).

Moreover, the World Bank Group plays an important role for standards in the oil industry. For example, the International Finance Corporation (IFC) has issued a Policy on Social & Environmental Sustainability and Performance Standards in 2006 (a revised version was published in 2012). The latter are standards that IFC clients (i.e. corporations) have to adhere to. They cover different fields such as labor and working conditions, pollution prevention, dealing with indigenous peoples or cultural heritage7. The Performance Standards have a direct influence on the extractive industry if projects are financed by the IFC. An indirect effect results from the Equator Principles, a self-regulation initiative in the banking sector, that applies the Performance Standards to all projects, where total capital costs exceed US$ 10 million (Equator Principles 2010).

In terms of industry associations, the IPIECA published guidelines on sustainability reporting in 2005. An updated version was released in 2010 as the result of a joint project between IPIECA, the American Petroleum Institute and the International Association of Oil and Gas Producers (IPIECA et al. 2010).

---

7 IFC: www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/ (March 2013).
Developed by a working group of industry representatives and involving some external experts, it provides guidance on reporting about environmental and social issues in the oil and gas industry. Fields where reporting is expected are quite similar to those covered in the GRI Guidelines and the GRI Sectoral Supplement for the oil and gas industry. However, there is quite some difference in terms of the structure proposed for reporting and what kind of data companies are expected to provide.

<table>
<thead>
<tr>
<th></th>
<th>GC</th>
<th>GRI</th>
<th>VP</th>
<th>EITI</th>
<th>OECD</th>
<th>IFC PS</th>
<th>IPIECA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Labor Rights</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Transparency and Anti-corruption</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Community Development</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Table 1: Policy fields covered in CSR-relevant standards

Similar to the Global Compact and the GRI, the OECD Guidelines, the IFC Performance Standards and the IPIECA Guidelines are all very broad and cover a variety of issues. They converge around some broad issues such as environmental protection, labor rights and working conditions, human rights as well as combating corruption and establishing transparency, and dealing with local communities. But they vary with regard to the concrete expectations in these areas and the specificity of provisions.

Against this background, CSR should be understood as an institution or a bundle of norms (Finnemore/Sikkink 1998: 890) that addresses expectations of appropriate behavior to corporations. As part of this norm set, it is expected that corporations should minimize negative externalities and positively contribute to societal development beyond making profits. In the discourse about CSR, this central idea is linked to different material norms such as human rights norms, labor rights, environmental protection, consumer protection, and anti-corruption.

It has been noted that institutions can vary with regard to their specificity and are more or less open for interpretation (Tempel/Walgenbach 2007: 9). CSR is then a rather unspecific set of norms. Processes of interpretation and contestation around CSR can be observed at the level of the field and of individual corporations. This includes the possibility that the “components” of an institution, their content and relations can change over time as a result of field level processes (Finnemore/Sikkink 1998: 891). For example, during the last few years human rights issues have become a more prominent topic in the CSR debate as a result of the development of the “UN Guiding Principles on Business and Human Rights”. This is reflected in the fact that human rights sections were firstly introduced in some standard documents
3.2 Analyzing interactions

At the level of the organizational field, different kinds of interactions between actors and institutions can be observed. These interactions are a defining feature of organizational fields and a precondition for the definition and diffusion of an institution. The following section will focus on interactions between the meta-organizations identified above as important forums and actors in the discussion about CSR in the oil and gas industry.

The UN Global Compact and the GRI cooperate closely since their foundation. In 2010 a formal Memorandum of Understanding was signed to scale up cooperation\(^8\). The GRI Guidelines are recommended by the Global Compact as a tool for companies to report to their stakeholders. Detailed guidance is provided on how Global Compact participants can use the GRI Guidelines to submit their annual COP\(^9\). With regard to the OECD Guidelines, the UN Global Compact emphasizes the complementarities of both standards:

“The UN Global Compact and the OECD Guidelines for Multinational Enterprises (“the Guidelines”) are two of the foremost voluntary initiatives that promote corporate responsibility and sustainable business practices. […] Together they define and enhance the relationship between businesses and international standards, in addition to providing a comprehensive model for responsible business practices today\(^{10}\).”

The two sectoral initiatives, EITI and the Voluntary Principles, are referenced in the Global Compact’s work on Business and Peace\(^{11}\). For example, the latest guidance document “Guidance on Responsible Business in Conflict-Affected and High-Risk Areas” repeatedly refers to the two initiatives. The document has been the result of a broad consultative process involving not only many representatives from the oil, gas and mining industry but also representatives of the EITI, the IFC, the OECD, and many other international organizations (Global Compact/PRI 2010).

In addition to its partnership with the Global Compact, the GRI has strategic alliances with the OECD, the United Nations Environmental Programme, and the International Organization for Standardization\(^{12}\). The GRI and the OECD signed a Memorandum of Understanding in 2010 with the aim of encouraging

\(^{10}\) Global Compact: www.unglobalcompact.org/docs/about_the_gc/UNGC_OECDGuidelines.pdf (March 2013).
companies to use both standards. The GRI has also been involved in the consultation process to update the OECD Guidelines (OECD 2011). It is explicitly mentioned in chapter on disclosure of the OECD Guidelines. Dialogue and consultation with IPIECA was important regarding the GRI Sectoral Supplement for the Oil and Gas Industry. Some companies were active in the GRI as well as in the IPIECA consultation processes, including BP, Eni, Hess, Shell, Statoil and Petrobras. The aim was to work towards “alignment [of the guidelines, M.C.-Z.] wherever possible, in order to best serve the oil and gas community’s reporting needs”. An additional guidance document is provided by the GRI that compares its Sectoral Supplement with the IPIECA Guidance. Similar to many other international standards and initiatives, the EITI and the Voluntary Principles are both referenced in the GRI Sectoral Supplement. For example, with reference to EITI, companies are expected to report data on payments to governments as well as on existing restrictions on reporting by countries.

In its guidance on sustainability reporting, the IPIECA acknowledges the dialogue with the GRI and that the development of the guidelines profited from this (IPIECA et al. 2010: iii). In addition, similarities and differences between the two reporting frameworks are discussed. The EITI and the Voluntary Principles are both included into the guidance document, companies are recommended to report on human rights and security as well as on payments to governments (IPIECA et al. 2010: 104, 108).

The EITI has close working relationships with World Bank who administers the EITI Multi-Donor Trust Fund and with many other international and regional organizations, such as the OECD, and with business associations, such as the International Organization of Oil and Gas Producers and the American Petroleum Institute. Similar to the Voluntary Principles, the EITI is referenced in many of the broader standards as an important sectoral initiative but does not have formal relationships with the respective organizations.

In addition to its cooperation with the GRI and the UN Global Compact, the OECD also refers to many other initiatives in its work. A Resource Document accompanying the updated OECD Guidelines lists “instruments and initiatives which from the perspective of adhering governments are relevant to aspects of the OECD Guidelines for Multinational Enterprises and their implementation”. The list includes many intergovernmental treaties and conventions (e.g. ILO conventions) but also the IFC Performance Standards, the EITI and the Voluntary Principles.

---

In sum, relevant initiatives for the oil and gas industry do not only cover similar topics in their standards but reference each other in their standard documents and in additional guidance material. While some organizations have developed formal agreements for cooperation (i.e. memoranda of understanding) or are active participants in other initiatives, other forms of interaction are more informal (e.g. participation in conferences or consultative processes).

At least two different sets of actors can be responsible for establishing cooperative relationships between initiatives: (1) members of the initiatives and organizations and (2) staff of secretariats. First, overlapping membership can be considered a central mechanism for interaction between initiatives that leads to cross-referencing. Indeed, a core group of large Western transnational corporations from the oil and gas industry is active in many initiatives, e.g. Shell, BP, Total and Statoil are all participants or members of the Global Compact, the GRI, the EITI, the Voluntary Principles and the IPIECA. Many other companies are at least members in one or two initiatives. Second, the staff of secretariats can become active and initiate the exchange of information or even joint projects (e.g. joint publications or conferences). Those initiatives that are well-equipped and have rather independent secretariats are particularly active in this regard, e.g. the Global Compact and the GRI in contrast to the Voluntary Principles. Moreover, the exchange of CSR professionals is also important mechanism for exchange and interaction between initiatives. To mention just one example, the head of the EITI Secretariat is a former Senior Advisor to the Global Compact.

This section has analyzed interactions between initiatives and organizations that are part of the organizational field around CSR. The empirical analysis has not only shown a broad variety of interactions and involved actors but also demonstrated that, at least for the oil and gas industry, interactions between these meta-organizations are often cooperative and not confrontational. In sum, this shows that there is an increasingly dense network of actors and institutions on the transnational level. The different transnational standards jointly constitute a normative frame of reference for how transnational corporations from the oil and gas industry are expected to operate on the ground.

3.3 Describing the CSR diffusion pattern in the oil industry

Based on the theoretical discussion in the second section of the paper, the diffusion of CSR among companies from the oil and gas industry is a likely outcome of the structuration of a transnational organizational field. The diffusion of CSR among transnational corporations can be shown by using CSR reporting as an indicator. The percentage of the largest 250 corporations worldwide (G250) supplying

---

17 Overlapping membership must not necessarily refer to business actors. In addition, NGOs, states, academic institutions, international and regional organizations can be active in different initiatives.
information on CSR activities has increased from 45% in 2002 to 52% in 2005 and up to 79% in 2008 (KPMG 2005, 2008). In 2011 95% of all G250 corporations reported in some form about their CSR activities (KPMG 2011) signaling that such reporting has become a standard practice for these global players and that they have adopted the idea of CSR. In addition, the same survey showed that 64% of the nationally 100 largest enterprises in 34 countries around the globe now report about CSR (KPMG 2011).

Another indicator for the diffusion of CSR is the growth of transnational CSR initiatives. For example, the UN Global Compact (the world’s largest CSR initiative) has now more than 11,000 participants, 7,200 being from the private sector, and local networks of the initiative were established in 100 countries. This larger trend is mirrored in the oil industry. An analysis of the 20 largest transnational oil companies and their publically available information on CSR was conducted. These 20 companies (see Annex 1) are originating from 15 different countries. CSR spreads mainly since the end of the 1990s. For the years 2008/2009, 19 out of 20 published a CSR report. The only exception is PDVSA, the state-owned Venezuelan oil company. Only two companies (Shell and BP) published their first CSR report before 2000. 10 out of the 19 companies firstly publically reported on CSR activities between 2000 and 2005, the remaining five corporations did so after 2005.

With regard to the content of CSR reporting, similarities as well as differences can be identified. All 19 corporations report rather extensively on environmental issues and all of them cover labor issues. Dealing with local communities is also a central concern. The corporations that do not cover human rights issues and anti-corruption/transparency are mostly originating from non-OECD countries.

<table>
<thead>
<tr>
<th></th>
<th>19 out of 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>Labor Rights</td>
<td></td>
</tr>
<tr>
<td>Local Communities</td>
<td>17 out of 19</td>
</tr>
<tr>
<td>Human Rights</td>
<td>15 out of 19</td>
</tr>
<tr>
<td>Anti-corruption/Transparency</td>
<td>14 out of 19</td>
</tr>
</tbody>
</table>

Table 2: Content of CSR Reporting

In line with the theoretical argument presented above, similarities of corporate CSR approaches are to be expected and should even increase over time. However, the concrete commitments in these fields are interpreted differently by companies. Some companies report quite comprehensively using qualitative and quantitative indicators while other only make general statements. For example, Chinese corporations from the oil industry, such as CNPC, Sinopec, and CNOOC, have published CSR reports since 2006. However, they do not mention human rights issues or transparency of revenues in their reporting. Moreover, when

---

18 UN Global Compact: www.unglobalcompact.org/participants/search (March 2013).
dealing with labor issues, the companies refer to Chinese state legislation as their main point of reference. This stands in stark contrast to most Western corporations that report on labor issues with international norms (mainly ILO Conventions) as their central reference.

To gain additional support for the hypothesis that the transnational organizational field is an important reference point for corporations, a content analysis of CSR reporting was done coding references to international initiatives and standards in corporate CSR reports.19

<table>
<thead>
<tr>
<th>References to standards</th>
<th>Number of companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No reference</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>One reference</td>
<td>3</td>
<td>15,8%</td>
</tr>
<tr>
<td>Two references</td>
<td>3</td>
<td>15,8%</td>
</tr>
<tr>
<td>Three or more references</td>
<td>13</td>
<td>68,4%</td>
</tr>
<tr>
<td>Total</td>
<td>19 Companies</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 3: References to global standards

All companies referenced at least one international initiative or standard. The GRI stands out clearly; it is mentioned by all 19 corporations. The Global Compact was referenced by 13 corporations. Sectoral initiatives are also important reference points (IPIECA: 12 references, EITI: 11 references, Voluntary Principles: 10 references).

In addition, more than two thirds of the companies refer to three or more initiatives or standards. The largest number of references can be found in reports of some Western corporations, such as Total (France), Shell (Netherlands/UK), Repsol (Spain), Exxon Mobil and Marathon Oil (both USA). This comprehensive referencing is a consequence of the fact that some companies are members in many different initiatives. However, references do not necessarily mean that that the company is a member of these initiatives or that the standard is fully implemented. For example, the French corporation Total joined the Voluntary Principles only in 2012. In its CSR report covering the year 2009 the company already stated: “The Voluntary Principles on Security and Human Rights (VPSHR) is an especially important reference for us in balancing personal and property safety with respect for fundamental liberties.” (Total 2010: 38)

The Chinese company SINOPEC (as well as other Chinese companies) refers to the GRI but does not fully implement the guidelines:

19 The following initiatives and standards were coded: (1) Global Compact, (2) GRI, (3) Voluntary Principles, (4) EITI, (5) OECD Guidelines, (6) World Bank Projects and IFC Performance Standards, (7) conventions of the International Labour Organization, (8) Universal Declaration on Human Rights, (9) IPIECA Guidelines on Sustainability Reporting
“Although the Global Reporting Initiative’s (GRI) G3 Guidelines have not been applied to this Report, Sinopec Corp. has strived to apply its reporting principles … However, the Report does not include all the core indicators, which will be provided in our future reports.” (Sinopec 2009: 25)

In sum, the analysis shows that CSR has spread among transnational corporations from the oil and gas industry since the mid 1990s. A large group of major transnational corporations has adopted the idea of CSR and even reports on similar issues. However, there are also many differences among corporate approaches in terms of commitment made and implementation. To explain such differences, different lines of theoretical arguments could be used. Firstly, neo-institutionalist work has shown that organizations are shaped but not determined by their institutional environment (Hoffman 1991). They can respond strategically to institutional pressures (Oliver 1991), this includes the possibility of decoupling between formal structures and practices of an organization (Boxenbaum/Jonsson 2008). Secondly, it has been mentioned that CSR understood as an institution or a bundle of norms is not very specific with regard to its requirements and that processes of contestation can be observe around CSR norms. This leaves room for interpretation on the level of the organization. The idea of translation has been introduced to understand what happens when “the original meaning of an organizational practice changes as individual field members incorporate these items into their own organization” (Wooten/Hoffman 2008: 142, Czarniawska/Sevón 1996). Thirdly, national differences could be explained by taking into account national CSR discourses and analyzing overlapping transnational and national organizational fields.

4. Conclusion

This paper analyzed the diffusion of CSR in the oil industry through the lens of sociological neo-institutionalism. Civil society became increasingly active in the 1990s and scandalized the practices of large transnational corporations from the oil and gas industry. At the end of the 1990s, major multi-stakeholder initiatives and collective self-regulation initiatives emerged that defined and promoted CSR-standards to transnational corporations. It has been shown that these multi-stakeholder initiatives and international organizations should be analyzed as part of the transnational organizational field. They are aware of and interact with each other. They do not only reference each other in their standards but are involved in consultative processes of each other, jointly work on publications, or organize workshops and conferences. In some cases they even formally collaborate through memorandums of understanding. The CSR-standards identified in this paper cover similar policy fields, such as human rights, labor rights and environmental protection. Although concrete expectations and recommendations vary, the different standards form an increasingly dense transnational normative frame of reference for transnational corporations. As a result of these transnational processes, changes have taken place on the organizational level, i.e. corporations have adopted the idea of CSR.
The organizational field perspective has several benefits (Dingwerth/Pattberg 2009) and provides a useful tool for analyzing processes of transnational governance where different state and non-state actors interact with one another. In contrast to state-centric IR theories, sociological neo-institutionalism provides a general theory of organizations and is therefore open to analyze interactions between different subpopulations of actors, including state and non-state actors. This paper has followed a rather traditional line of research in sociological neo-institutionalism and analyzed the diffusion of an institution among a population of actors. Further research could, for example, analyze processes of contestation among different subpopulations of the field more thoroughly or focus on the process of institutional definition of CSR and how this definition has changed over time as a result of field-level processes. Moreover, the similarities and differences of corporate CSR approaches as well as changes over time could be analyzed in more detail looking at processes of interpretation and translation in corporations.
Literature
Equator Principles (2010): About the Equator Principles,


Human Rights Watch (1999): The Price of Oil. Corporate Social Responsibility and Human Rights Violations in Nigeria’s Oil Producing Communities,

Human Rights Watch (2003): Sudan, Oil, and Human Rights,


Total (2010): Ten Questions for Total, Courbevoie: Total S.A.


Annex 1: The 20 largest oil corporations in 2009

<table>
<thead>
<tr>
<th>Company</th>
<th>Home State</th>
<th>First CSR Report</th>
<th>Report covering 2008 or 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Exxon Mobil</td>
<td>USA</td>
<td>2002 (covering 2001)</td>
<td>2009 Corporate Citizenship Report</td>
</tr>
<tr>
<td>3. BP</td>
<td>Great Britain</td>
<td>1998</td>
<td>BP Sustainability Review 2009</td>
</tr>
<tr>
<td>5. Total</td>
<td>France</td>
<td>2002</td>
<td>Environment and Society 2009</td>
</tr>
<tr>
<td>9. Eni</td>
<td>Italy</td>
<td>2006</td>
<td>Sustainability Report 2009</td>
</tr>
<tr>
<td>10. PDVSA</td>
<td>Venezuela</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>15. Petronas</td>
<td>Malaysia</td>
<td>2007</td>
<td>Sustainability Report 2009</td>
</tr>
<tr>
<td>17. Nippon Oil</td>
<td>Japan</td>
<td>2004</td>
<td>CSR Report 2009</td>
</tr>
<tr>
<td>19. PTTEP</td>
<td>Thailand</td>
<td>2006</td>
<td>PTTEP Sustainability Report 2009</td>
</tr>
<tr>
<td>20. Rosneft</td>
<td>Russia</td>
<td>2006</td>
<td>Sustainability Report 2009</td>
</tr>
</tbody>
</table>