Social accountability and the finance sector: the case of Equator Principles (EP) institutionalisation

O'Sullivan, N.A.

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“Instead of theorizing a world in which institutions are completely taken-for-granted and actors are incapable of independent action, scholars should theorize agency and institutional context as independent but interwined.” (Reay, et al., 2006, p. 978)

3.1 Introduction

This chapter conducts a more in-depth examination of some of the key theoretical concepts applied in this research on the Equator Principles (EP) institutionalisation process. The chapter is divided into two parts.

Firstly, it analyses how the notions of “institution” and “institutionalisation” have been defined and understood in the literature and how they will be interpreted in the context of this research. Secondly, it introduces the Dillard et al. (2004) framework on institutionalisation and provides an in-depth explanation of its constituent parts. This encompasses an explanation of Giddens’ structuration theory and outlines how it is used by Dillard et al. to conceptualise the process of institutionalisation within their framework. The chapter concludes with an overview of how the Dillard et al. model is interpreted and mobilised within this research.

3.2 PART 1: Institutions and Institutionalisation

3.2.1 Institutions in Focus

“Institutions are to social action as grammars are to speech.”
(Barley and Tolbert, 1997, p. 96)

Throughout an institutionalisation process it is generally accepted that a certain “institution” is being “institutionalised”. Yet, how are institutions themselves understood and defined?

The literature suggests that institutions are “the central conceptual pillar in a new-institutionalist framework” (Prakash, 1999, p.322). They are recognised as the “shared rules
and typifications that identify categories of social actors and their appropriate activities or relationships” (Barley and Tolbert, 1997, p.96). Put more simply, institutions may be regarded as the “rules, norms and beliefs that describe reality for the organization, explaining what is and what is not, what can be acted upon and what cannot” (Hoffman, 1999, p.351).

Barley and Tolbert (1997) argue “institutions are socially constructed templates for action, generated and maintained through ongoing interactions” (p.94). Institutions are therefore seen as “a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of people” (Scapens, 2006, p.14; Burns and Scapens, 2000). Hence, institutions are affected by the routine behaviour of “individuals, groups, organisations or even higher collectives” (Barley and Tolbert, 1997, p.97). Actors are said to “create institutions through a history of negotiations that lead to […] generalized expectations and interpretations of behaviour” (Barley and Tolbert, 1997, p.94). Over time, “the patterned relations and actions that emerge from this gradually acquire the moral and ontological status of taken-for-granted facts [and] in turn, shape future interactions and negotiations” (Ibid, emphasis added). Institutions are thus recognised as “an established order comprising rule-bound and standardized social practices” (Dillard et al. 2004, p. 508, emphasis added). The creation, transformation and diffusion of institutions requires (cognitive) legitimacy, which is recognised as “a condition whereby other alternatives are seen as less appropriate, desirable, or viable” (Dacin, et al., 2002, p.47). Such legitimacy is gained through an institutionalisation process, and once fully institutionalised, particular norms, rules or “ideas” are said to “strive across generations, uncritically accepted as the definitive way of behaving” (Greenwood et al., 2002, p.61).

The “founding” works (Meyer and Rowan, 1977; Di Maggio and Powell, 1983) emphasised the constraining nature of institutions on organisational behaviour, views which have remained prevalent throughout the literature today. For example, a widely cited definition is North’s (1990) view of institutions as the “humanly devised constraints that structure political, economic and social interaction” (p. 97, emphasis added). North distinguishes between institutions that operate through formal constraints, for example rules, laws, and constitutions; and informal constraints, for example, norms of behaviour, conventions, and self-imposed codes of conduct (North, 1990; Barnett and King, 2008). Ingram and Clay
(2000) advance North’s typology and focus on the need to restrict or sanction behaviour as a means of distinguishing one type of institution from the other. They classify institutions into: (1) public or private; and (2) centralised or decentralised. Public institutions are largely compulsory and run by the state, while private institutions (run by organisations or individuals) are seen as voluntary in nature, as actors’ involvement is at their own discretion. In centralised institutions a central authority is said to set rules, incentives and sanctions for noncompliance. While, decentralised institutions do not have powerful central authorities and rely on the action of “numerous independent actors to encourage compliance with institutional rules” (Barnett and King, 2008, p.1151).

However, with the advent of a deeper appreciation of agency, rationality and change in the literature, the possible enabling nature of institutions and institutional processes emerged. New attention was paid to actors’ ability to discard, create and empower institutions to “enable” their desired institutional change (Di Maggio, 1988; Dacin, et al., 2002). Thus, there was growing recognition that “through choice and action, individuals and organizations can deliberately modify, and even eliminate institutions” (Barley and Tolbert, 1997, p.94, emphasis added). In addition, some institutionalists were influenced by Giddens’ (1976, 1979, 1984) notion of societal structures’ ability to enable and constrain action and began to view institutions likewise. For example, Scott (1995) conceptualised three “pillars” or elements, underlying institutions: regulative (legal); normative (social), and cognitive (cultural). Regulative elements focus on rule-setting, monitoring and sanctioning behaviour/activities; normative elements focus on prescriptive, evaluative and obligatory aspects of social life; whilst cognitive elements focus on shared meaning systems about the nature of social reality (Scott, 1995; 2008). Scott (2008) suggests that:

“Although [these] institutional elements are themselves symbolic, they are of interest insofar as they provide cognitive schema, normative guidance and rules that constrain and empower social behaviour. Rules, norms and meanings arise in interaction, and they are preserved and modified by the behaviour of social actors.” (Scott, 2008, p.429, emphasis added)

Hence, the notion of a more dynamic interchange between institutions and actors (and organisations), which both enables and constrains action, influences heterogeneity across organisations and may lead to the transformation of institutions themselves, has provided
new insights into how institutions can be understood and defined. As Dacin et al. (2002) remarked:

“[I]nstitutions change over time are not uniformly taken-for-granted, have effects that are particularistic, and are challenged as well as hotly contested. Thus, we acknowledge that although institutions serve both to powerfully drive change and to shape the nature of change across levels and contexts, they also themselves change in character and potency over time.” (Dacin et al., 2002, p.45, emphasis added)

Prior to outlining how an institution will be interpreted in this study, it is worth briefly considering how institutions have been understood and used in relation to environmental and social (sustainability) issues within the literature. This will assist in the conceptualisation of the Equator Principles as an “institution” within this research.

3.2.1a Institutions and Sustainability

A number of environmental management, or broader sustainability, studies have adopted a neoinstitutional perspective to explain for example a firm’s adoption of environmental management systems, practices and standards (e.g. Jennings and Zandbergen, 1995; Prakash, 1999; King and Lenox, 2000; Delmas, 2002; Jiang and Bansel, 2003); a firm’s response to environmental pressures (e.g. Milstein et al., 2002 cited in Pinkse, 2006); sustainability reporting trends and, more recently, the exploration of how various institutional and organisational factors combine to initiate and institutionalise sustainability reporting practice (Kolk, 2005; Larrinaga-Gonzalez, 2007; Bebbington et al., 2009). Throughout this literature, environmental codes of conduct/standards i.e. ISO 14001 environmental management system (EMS) and the chemical industry’s Responsible Care Program, have been recognised and examined as “institutions” (e.g. Prakash, 1999; King and Lenox, 2000; Jiang and Bansel, 2003). The voluntary nature of these environmental initiatives has labelled them “self-regulatory institutions” (Barnett and King, 2008; Lenox, 2006) or “private, decentralized”, self-regulatory institutions (Barnett and King, 2008).

In their study of the Responsible Care Programme, Barnett and King (2008) highlight how “a sudden worsening of a commons problem […] is often the catalyst that brings actors together to form a self-regulatory institution” (p.1154). The “commons” referred to here is a “reputation commons” (King et al., 2002; Barnett and King, 2008) as opposed to a physical
commons (Ostrom, 1990). Here, a firm’s reputation is based on the judgements of its observers, with firms in a particular industry experiencing a common “fate” due to “collective stakeholder sanctions or rewards” (p.1152). Barnett and King (2008) hypothesise that “an industry self-regulatory institution created following a major crisis reduces the degree to which an error at one firm harms other firms in the industry” (Barnett and King, 2008, p.1154). Yet, they also outline how self-regulatory programmes have been shown not to measurably improve firm performance (e.g. King and Lenox, 2000), and that member compliance through “self-reporting”, coupled with limited or non-existent punishment for misbehaviour, has brought their viability into question. However, Barnett and King believe these views “may be based on an incorrect assumption about the institutions’ function” (p.1165) to improve firm performance, rather than viewing them as a way of coordinating a unified “non-market strategy” among industry firms to “directly reduce the probability of stakeholder sanctions” (Ibid). Furthermore, Barnett and King suggest “firms can voluntarily come together to protect an intangible industry commons, despite the risk of free riding” (Ibid) and provide benefit to the industry as a whole at the same time.

In terms of the EP, Wright and Rwabizambu (2006), while not explicitly referring to the EP as an “institution”, focus on them as a “voluntary code of conduct”. Similar to Barnett and King (2008), they argue that codes of conduct act as signalling devices for organisations to display positive credentials, and as tools for maintaining or enhancing corporate reputation and organisational legitimacy in institutional environments in which they are threatened. They suggest that the EP are such a tool for EP banks, especially those working transnationally on high-risk project finance deals, which are heavily “exposed” to stakeholders. Wright and Rwabizambu (2006) also state that: “while having adopted a code of conduct may indicate a strong environmental and social record, or even a commitment to these issues, it is false to assume that this is always the case” (p.90). They believe this applies to the EP as, in the absence of a formal mechanism to monitor EP banks; “all Equator banks gain some reputational benefits irrespective of their actual practices” (p. 91). They also suggest that “firm-specific characteristics may influence the way in which different firms interpret and react to similar institutional pressures” (p.110), and feel that more empirical research is needed to “identify the factors that discourage or encourage
firms to adopt codes of conduct, and ultimately integrate environmental and societal concerns into their business practices” (Ibid).

The next section outlines how an institution is interpreted in this research.

### 3.2.1b Interpretation of an Institution

“Scholars have long suggested that understanding of decentralized institutions such as norms, codes of conduct, and industry standards could be advanced by greater consideration of the varying strategic motives of the agents that might interact with these institutions.” (King et al., 2005, p.1091)

This research seeks to interpret the EP as an “institution”. It therefore views the Principles as a “template for action” or standard, representing norms/values/beliefs for more responsible project finance. Here, the EP are recognised as being created, modified and maintained by EPFI actors, assisted by their interaction with broader stakeholders (i.e. NGOs and to a lesser extent project finance clients, consultants and lawyers), and gradually becoming “taken-for-granted” (institutionalised) by them over the course of 2003 to 2008. It therefore views actors as active participants in EP institutionalisation.

If to use the Ingram and Clay (2000) classifications, the EP could be referred to as a “private, decentralised, self-regulatory institution” (Ingram and Clay, 2000), due to their development by commercial banks, their voluntary nature and their lack of central authority. Yet, in contrast to the afore-mentioned studies, especially Wright and Rwabizambuga (2006), this research privileges the examination of how the EP, as an environmental and social “institution” for project finance, became institutionalised. It therefore focuses on an EP institutionalisation process between 2003 and 2008. In other words it explores the conditions before the EP were developed, why and how they were created, and their evolution, modification and impact over the course of 2003 to 2008.

The next section will now discuss institutionalisation in more detail.
3.2.2 Institutionalisation

“Institutionalization is usually conceived as both the process and the outcome of a process, by which a social practice/behaviour becomes usual, desirable and/or taken for granted in organizations.” (Larrinaga-Gonzalez, 2007, p.151)

The literature has “traditionally” placed most emphasis on the outcome of institutionalisation i.e. isomorphism, as opposed to the actual process by which institutionalisation takes place. Hence, scholars have largely tended to focus on the “end product” of institutionalisation and “assume” the process (Heugens and Lander, 2009).

In response, a number of “processual”/staged models of institutionalisation have been developed in an attempt to understand and explain how institutionalisation processes may transpire. One of the first of these was the Barley and Tolbert (1997) model. Barley and Tolbert (1997) felt institutionalists had pursued an empirical agenda that “largely ignored how institutions are created, altered and reproduced” (p.93), and set about the development of a model to address this conceptually and empirically. To do this they merged institutional theory (NIS) and structuration theory (Giddens, 1976, 1979, 1984) to develop “a model of institutionalization as a structuration process” (Barley and Tolbert, 1997, p.93).

Barley and Tolbert (1997) believed that “institutionalization is best understood as a dynamic, ongoing process” (p.93, emphasis added), within which institutions and actions are inextricably linked. They felt that structuration theory, which emphasises the recursive interaction between structures and actors in the (re)production of social systems, was thus a useful conceptual guide to understand and explain the underlying dynamics of an institutionalisation process. The model they produced focused on four “movements” or stages of an institutionalisation process. This centred around Barley and Tolbert’s substitution of “scripts”, described as actors’ “observable, recurrent activities and patterns of interaction [in] a particular setting” (p.98), for Giddens’ notion of “modalities” or mode of interaction between structure and agency (see Section 3.3.2c for further explanation). The authors argued that “scripts” were more empirically identifiable than Giddens more abstract concept of modalities. Barley and Tolbert’s institutionalisation process hence involved: (1) the “encoding” (internalisation) of institutional “principles”, or ideas, into
scripts; (2) the “enactment” of these scripts; (3) the “replication or revision” of these scripts; and (4) “objectification and externalization” of the script as the new activities become accepted and “taken-for-granted” (institutionalised) by the actors involved (Barley and Tolbert, 1997; see Figure 1). They believed that it was the continuous interchange between these four (institutional) phases and the actors involved that drove an institutionalisation process. Therefore, they perceived actors as active agents in the institutionalisation process.

Figure 1: Barley and Tolbert (1997): A Sequential Model of Institutionalisation

Institutional Realm

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Realm of Action

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Key: a = encode, b = enact, c = replicate or revise, d = externalize and objectify

(Barley and Tolbert, 1997, p. 101)

Burns and Scapens (2000) extended the Barley and Tolbert model by adopting an old institutional economics (OIE) perspective and focusing on micro-processes at an organisational level (primarily with regard to the study of management accounting change). Here they substituted Barley and Tolbert’s notion of scripts for “rules and routines”, whereby rules represented the “formally recognised ways in which things should be done [...] while routines are the way in which things are actually done” (Burns and Scapens, 2000, p.6). The authors’ view these rules and routines as reciprocally and recursively interrelated, and as acting as the medium and outcome (Giddens, 1984) between institutions and human action. Put more simply, they view the rules and routines as the means through
which institutions are transferred into day-to-day activities in an organisation, and in turn how those actions may lead to changes in the rules and routines, and thus, institutions over time. Hence, they regard this interaction between institutions, rules and routines, and human action, as fuelling organisational change processes (see Figure 2).

**Figure 2: Burns and Scapens (2000): Process of Institutionalisation**

![Figure 2: Process of Institutionalisation](image)

Greenwood et al. (2002), while not incorporating Giddens’ structuration theory, developed another processual model of institutional change that is useful for the conceptualisation of an institutionalisation process. They propose six phases in their staged model of institutional change (see Figure 3). This commences with an external “jolt” (e.g. social, technological, regulatory) to catalyse institutional change, and is then advanced with the “de-institutionalization” of existing institutional “ideas” (institutions) and the “pre-institutionalization” of the new “innovations”, as assisted by institutional entrepreneurship.
The newly proposed ideas and practices then enter a phase of “theorization” where they are legitimised (moral and/or pragmatic legitimacy) as the best alternative to the old ideas. This is then followed by a phase of “diffusion” in which the new ideas and practices gain more widespread acceptance (pragmatic legitimacy). Finally, in the sixth “re-institutionalization” phase, these new “ideas” become institutionalised (i.e. become an institution) and “taken-for-granted” (cognitive legitimacy), or, fail to become fully institutionalised and are perceived as a “fad or fashion” (Greenwood et al., 2002, pp.60-61). Once more actors are portrayed as having an important role in this processual model of institutionalisation.

Figure 3: Greenwood et al. (2002): Stages of Institutional Change

Despite these developments, scholars have still felt that “little is known of how and why institutionalized practices within a field atrophy or change” (Greenwood et al., 2002, p.58, emphasis added), and that there is “little understanding of how new ideas and practices, once emerged, spread to the point of legitimacy” (Reay, et al., 2006, p. 979, emphasis added). Furthermore, Purdy and Gray (2009) reflect on the question of “how long a practice needs to persist to be considered institutionalized as opposed to a fad” (p.376), and feel that their longitudinal study supports the view that “institutionalization may be constantly in flux” (Ibid). They believe that this is particularly the case in emerging fields where “the
degree of institutionalization may vary more widely in both density and continuity than when change occurs in mature fields” (Ibid).

In this research, the Dillard et al. (2004) framework of institutionalisation will be the primary theoretical lens applied to understand and explain the EP institutionalisation process. This model will begin to address some of the above queries related to how and why institutionalisation processes take place. The Dillard et al. framework will now be discussed in-depth in the following sections.


3.3.1 Background

In developing their framework Dillard et al. (2004) sought to address what they felt was a gap in the theoretical considerations of the “processes whereby institutional practices are established, transposed and decomposed, or the socio-economic and political context that constitutes the framework for these organizational processes” (p.507, emphasis added). Consequently, they combine Weber’s notions of capitalistic institutions (1958, 1961, 1968,) with Giddens’ structuration theory (1976, 1979, 1984) to address the “context” and “process” of institutionalisation respectively. In doing so they believe that their framework “outlines a dynamic social context within which the processes of institutionalization, transposition and de-institutionalization take place and within which radical as well as incremental change can be addressed” (Dillard et al., 2004, p.507).

Dillard et al., like Barley and Tolbert (1997), recognised the limitations of focusing on institutionalisation as an outcome, as opposed to a process. Similar to some of the critiques of institutional theory discussed earlier, they felt that by focusing on organisational practices as outcomes and examining them at a given point of time, emphasis is placed on “the constraining and limiting nature of institutionalized beliefs and values, and not on the dynamics of change or the role of human agency” within that change (Dillard et al., 2004, p.507). Quite importantly, they felt that institutional theory had neglected the role of power, special interests and the political nature of organisations within institutionalisation processes. Thus, they felt that focusing on institutionalisation as an outcome inferred that
“expectations of acceptable practices exist in a given environment and organizations must passively conform to them to maintain legitimacy and increase survival prospects” (p.510, emphasis added).

In contrast, Dillard et al. (2004), in extending the work of Barley and Tolbert (1997) and Burns and Scapens (2000), view institutionalisation as “the process whereby the practices expected in various social settings are developed and learned” (Dillard et al., 2004, p.508). Here, they support Di Maggio’s (1988) assertion that “the success of an institutionalization project and the form that the resulting institution takes depends on “the relative power of the actors who support, oppose, or otherwise strive to influence it” (Di Maggio, 1988, p.13 in Dillard et al., 2004, p.510). Their framework therefore seeks to recognise institutionalisation as a “political” process “reflecting the relative power of organised interests and the actors who mobilise around them” (p.510), and they use structuration theory to theorise the influence of actors’ knowledge, skills and awareness in this institutionalisation process.

In general, Dillard et al. (2004) believe that “when incorporated into institutional theory, structuration theory, offers significant advantages in overcoming the inherent inertia and isomorphic forces built into institutional theory” (p. 519), and that structuration theory essentially “specifies the ‘hows’ of the institutionalization process” (p.521, emphasis added). Hence, as structuration theory played a fundamental role in the the formation of the Dillard et al. framework, it is necessary to provide an explanation of structuration theory now, prior to a more in-depth discussion of the Dillard et al. framework per se.

3.3.2 Structuration Theory

“Agency and structure are, paradoxically, independent but related.”
(Macintosh and Scapens, 1991, p.137)

In response to the longstanding dichotomy in social theory between structuralism and functionalism on the one hand and hermeneutics and “interpretive sociology” on the other, Anthony Giddens developed his structuration theory.
Functionalism\(^{17}\) and structuralism\(^{18}\) “regard the individual as produced (determined) by society, whilst interpretative work presents a view of the individual as the producer of social reality” (Roberts and Scapens, 1985, p.445). In an effort to bridge this “dualism” between subject and object, and the “individual” and “society”, Giddens’ structuration theory proposes a “duality of structure” in social systems. Giddens (1984) defines a social system as “the patterning of social relations across time-space, understood as reproduced practices” (p. 377). Some examples of social systems could be “a society, a profession, an organisation or professional service firm” (Yuthas et al., 2004, p. 231). Giddens views social systems as consisting of structures (or more accurately structural properties) which are both the medium and outcome of actors’ practices within those systems. He believes that it is the continuous interplay between structures and agency over time and space that causes the production and reproduction of social systems. He refers to this ongoing, dynamic process as the duality of structure (Giddens, 1984).

3.3.2a Structure

Giddens defines “structure” in a more cognitive sense then the conventional notion of it in physical terms. He refers to structures as “rules and resources”, but further distinguishes between normative and interpretive rules as well as allocative and authoritative resources (Giddens, 1984; Yuthas, et al., 2004).

Normative rules represent *legitimation* structures, which “identify legitimate or moral conduct within a social system” (Yuthas, et al., 2004, p.231). In other words, legitimation structures embody the norms and values for appropriate and acceptable social behaviour. They are translated and “verbalised” by social agents as particular rights and obligations, and may also be “codified as policy, rule, or law, accompanied by sanctions and/or rewards” (Yuthas, et al., 2004, p.231).

Interpretive rules on the other hand represent *signification* structures, which create “meaningful symbolic systems that provide ways for actors to perceive and interpret events” (Yuthas, et al., 2004, p.231). Signification structures are seen to consist of shared knowledge and organising rules (e.g. codified policies or laws) that guide social interaction.

\(^{17}\) Where society is viewed as a single system of interrelated elements, with each element serving a specific function (Ryan et al., 2002).

\(^{18}\) Which views society as shaped by social structures (Ryan et al., 2002).
They therefore allow the norms and values (laid out by legitimation structures) to be interpreted and understood. The reflexive interaction of the interpretive schemes and stocks of knowledge underpinning signification structures results in communication among social agents (Giddens, 1984; Yuthas et al., 2004). Signification structures thus “influence the manner in which actors understand themselves and attach meaning to their surroundings” (Yuthas et al., 2004, p.231).

In terms of resources, Giddens believes that “domination structures determine who has access to resources” (Yuthas et al., 2004, p.231, emphasis added), and views these as providing “the means or facilities for realising specific social goals and objectives” (Ibid). That is domination structures “relate to power as it concerns the ability to control and mobilize resources” (Dillard et. al., 2004, p. 519). If broken down further, “allocative resources” relate to material or economic resources and the power gained from their control (e.g. of machines, weapons or intelligence networks) (Macintosh and Scapens, 1991). While “authoritative resources” represent “non-material” resources such as human beings, and result from the domination of some actors over/by others (Giddens, 1984; Yuthas et al., 2004).

It is important to note however that, according to Giddens (1984), power, as embodied in domination structures is “never merely a constraint but is at the very origin of the capabilities of agents to bring about intended outcomes of action” (p.173). In other words, “the power to do” (Roberts and Scapens, 1985, p.449), or enable is just as pertinent as the “power over” or ability to constrain in domination structures. As Giddens (1984) highlighted: “power is the means of getting things done, very definitely enablement as well as constraint” (p.175).

3.3.2b Agency

Structuration theory regards agency as the ability of human actors to be active, purposeful, knowledgeable and reflexive (Giddens, 1984; Sarason et al., 2006). Giddens (1984) proposes that both “awareness of social rules” and “reflexive monitoring” are core characteristics of agency.
Giddens (1984) believes that through an “awareness of social rules” (normative and interpretive) actors gain “knowledgeability” which is mainly expressed through “practical” as opposed to discursive or theoretical consciousness. Put more simply, Giddens views all social actors, and thus all human beings, as “learned”, with vast “stocks” of practical knowledge which they draw upon in the production and reproduction of day-to-day social encounters, for example, in their organisational life (Giddens, 1984).

In terms of “reflexive monitoring”, reflexivity refers to “the capacity of humans to routinely observe and understand what they are doing while they are doing it” (Sarason et al., 2006, p.291), thereby allowing agents “a theoretical understanding of themselves and others” (Ibid). Hence, agents are knowledgeable about the conditions and consequences of their daily activities and may self-examine, ‘rationalise’ and modify those activities on a continuous basis to meet changing social conditions and obligations (Sarason et al., 2006). Consequently, agents are said to be able to “monitor their monitoring” (Sarason et al., 2006, p.291) of both themselves and others.

Furthermore, Sarason et al. (2006) suggest the term “agent” itself signifies “purpose and power” (p.291). In that, being an agent implies “the ability to intervene in the world, or to refrain from intervention, and presumes that the agent is able to deploy a range of causal power, including that of influencing others” (Ibid; Giddens, 1984). Hence, Giddens (1984) believes “action” depends on the ability of “the individual to ‘make a difference’ to a pre-existing state of affairs or course of events” (p.14), and that an “agent” ceases to be such if this capability to exercise some form of power is lost. It is also important to note that Giddens (1984) believes that agents’ flow of action, and execution of power, may produce consequences that are “unintended” and that “these unintended consequences also may form acknowledged conditions of action in a feedback fashion” (p.27). Hence, uniform or “intended” action on the part of agents may not always be the case and any unintended action can in turn influence the “conditions” for action (i.e. the structural properties guiding action) and lead to change over time.

3.3.2c Duality of Structure

Giddens (1984) views structures as existing only as “memory traces” in human knowledge. In other words he believes that “structure has no existence independent of the knowledge
that agents have about what they do in their day-to-day activity” (Giddens, 1984, p.26). Likewise, he believes that “social agents cannot be understood independently from their enacted social structures” (Yuthas, et al., 2004, p.231).

Giddens believes all three structures: legitimation, signification and domination, have the ability to both enable and constrain action. Moreover, he views all three as “inextricably intertwined in practice and only separable analytically” (Macintosh and Scapens, 1991, p.141). Structures are thus drawn upon as an integrated “set” by agents and in doing so they shape and pattern (i.e. structure) interaction (Roberts and Scapens, 1985). The mode/act of “drawing upon” these structures i.e. actors’ use of their “knowledgeable capabilities” to interpret, validate and facilitate interaction with the structures, is known as the modality of structuration/modalities of structure. These are essentially the “points of intersection” between structure and agent. It is then through actors actual interaction with the structures, for example, through communication, use of power and sanction/reward, that the structures themselves are produced and reproduced. This is the “duality of structure” which allows structures to be understood as both the medium and outcome of interaction (Giddens, 1984; Roberts and Scapens, 1985; Barley and Tolbert, 1997) as depicted in Figure 4.

Figure 4: Dimensions of the Duality of Structure

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<th>Structure</th>
<th>Signification &lt;-&gt; Domination &lt;-&gt; Legitimation</th>
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<tr>
<td>Modality</td>
<td>Interpretive Scheme &lt;-&gt; Facility &lt;-&gt; Norm</td>
</tr>
<tr>
<td>Interaction</td>
<td>Communication &lt;-&gt; Power &lt;-&gt; Sanction</td>
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(Giddens, 1984, p.29)

Therefore, in the “duality of structure” action and structure are seen to “presuppose one another” (Macintosh and Scapens, 1991, p.137), so that neither structure or agent are able to survive without the other (Giddens, 1984). Hence, structuration theory “offers a conceptual
scheme that allows one to understand how actors are at the same time the creators of social systems, yet created by them” (Sarason et al., 2006, p.290).

When considering institutionalisation, Giddens (1984) regards structures as being “recursively involved in institutions” (p.24), or to put it another way, institutions may be seen as “chronically reproduced rules and resources [structures]” (p.375). That is, structures (structural properties) can be recognised as the “institutionalised features” (Giddens, 1984) of social systems, and likewise, institutions can be recognised as the “manifestations” (Dillard et al., 2004) of these structures.

The Dillard et al. framework will now be discussed in more detail in the following sections. This will offer further explanation of the relevance and use of Giddens’ structuration theory to this framework.

3.3.3 A Closer Look at the Dillard et al. (2004) Framework

The Dillard et al. (2004) framework seeks to address what the authors recognise as a lack of consideration of institutionalisation as a process and the socio-economic and political context in which this takes place. In response, they produce a “general institutional model of organizational change” (pp.510-515) which views an institutionalisation process as occurring over three levels of social systems:

1. An overarching societal level of social, economic and political systems, the (SEP) level,\(^{19}\) where “norms and values are established and disseminated to members of the society” (p.512);

2. A secondary organisational field (OF) level including “socio-economic configurations such as industry groups, professional institutes, geographical collectives and so forth” (Ibid); and

3. A tertiary organisational level (OL) inhabited by individual organisations.

\(^{19}\) Although Dillard et al. (2004) introduce this first level as the “overarching societal level of political, economic and social systems” (p.512), they continue to refer to it in their written and diagrammatic explanation of their framework as the “Economic and Political level (PE)”, and later in their application of the framework as the “Political and economic domain (society)” (p.524). Therefore, in an effort to more explicitly capture the societal dimension of this level of the framework, it will be referred to as the social, economic and political level (SEP) throughout the research narrative; apart from where the Dillard et al. framework per se is being explained and presented in this section.
Hence, as outlined in Figure 5, Dillard et al. (2004) envisage an institutionalisation process as proceeding in a “recursively cascading manner” over three-levels of “socio-historical relationships” (p.512). They argue that social, economic and political level “criteria” (C_{PE}) for acceptable societal behaviour influences organisational field (OF) level criteria (C_{OF}), and provides the “legitimating and regulative base” (p.513) for OF operating practices (P_{OF}). In turn they argue that this influences practice at organisational level (OL). Here at OL, they distinguish between “Innovators (I)” and “Late Adopters (LA)”, whereby they see innovators as developing new organisational practices (P_{I}) within the boundaries of organisational field (OF) practices, which are then adopted by late adopters (P_{LA}). They outline how “the practices of the late adopters are legitimated by both the success of the innovator’s practices and the organizational field practices and criteria” (p.514). It is here that the authors also feel that “decoupling” may occur between late adopter adoption of innovator practices and the actual integration of those practices into their organisational or operating processes. Rendering “the implementation of an institutional practice [as] symbolic, or decoupled, if it is not integrated into the management and organization processes” (p. 518). They also note that the designations “innovator” and “late adopter” could be viewed as two points on a continuum.

Dillard et al. then consider the “duality of structure” within their framework through what they refer to as an “inverting of the cascade” (p.514). In other words, they view the actions taken by “knowledgeable, reflexive agents within the organizations” (Ibid) as simultaneously rising up through the three levels and affecting change to varying degrees in the process. They believe that what happens at OL impacts upon and may modify OF practices and criteria by “reinforcing, revising or eliminating” (Ibid) existing practices. Changes to legitimate and accepted OF practices (P’_{OF}) and criteria (C’_{OF}) may be evolutionary (incremental) or revolutionary (radical) and could contribute to a new contextual environment. In addition, as the late adopters implement the new practices, their effects are seen to be further reinforced at the organisational field level, encouraging more late adopters. Subsequently, the new OF practices (P’_{OF}) and criteria (C’_{OF}) can affect changes to the social, economic and political level criteria (C’_{PE}) “either supporting the norms and practices articulated by the powerful interest groups, modifying them, or eliminating them and thereby affecting the resource allocation process within a society and the recognised social order” (Ibid).
Finally, the process is inverted once more and moves downwards through the three levels as the (newly) legitimate and acceptable practices for organisations unfold over time and space. Dillard et al. thus feel that “recursivity is the key to understand change in the institutionalization process since taken-for-granted norms, values, beliefs and assumptions may be continually revised at all three levels of the model” (p.514). Hence, throughout this process, and consistent with structuration theory, Dillard et al. “recognise the possibility of
institutions being created and modified through actions of individuals and/or groups of individuals” (p.513) over the three levels. Yet, they also state that there is an implicit “hierarchy of institutional influence” (Ibid) present in their framework, where the SEP level provides “the foundations for organizational field level institutions, and the organizational field provides the context for the institutions confronted by and embedded in organizations” (Ibid).

Subsequently, the socio-historical context (SEP) is recognised as reflected in societal “criteria” i.e. norms, values, beliefs (legitimation structures) and “sense making” schemes (signification structures), for individual and collective “practice”. In turn, resources are allocated and controlled (domination structures) based on the prevailing criteria, which through agent enactment/practice at organisational field (OF) and organisational level (OL) create and recreate the extant criteria, and thus the institutions which they support, on an ongoing basis. As a result of this iterative process between criteria and practice, Dillard et al. believe that a significant degree of structural stability is created which both enables and constrains action. At the same time, the notion of change is incorporated into the process in that the possibility of “unintended” outcomes or consequences from agents’ practices/interaction with the “expected” criteria is also recognised. This whole process is also viewed as “both value driven, in that the institutionalized, taken-for-granted shared values and beliefs infuse all actions and practices, and history dependent [in that] current actions are grounded in extant values, beliefs and practices” (p.513).

Therefore, in general, Dillard et al. view institutional features (structures) and knowledgeable, purposive and reflexive human action (agency) as reciprocally related in the production and reproduction of institutions, and thus institutionalisation processes. In turn, Dillard et al. view institutions as “manifestations” of the social structures that underpin them. Furthermore, Dillard et al. focus on the interaction between socially accepted “criteria” for legitimate behaviour and actors’ response to this in their day-to-day “practices”, as the interactive basis of an institutionalisation process. Hence, one might interpret “criteria and practice” as the “modalities of structure”, or means by which structures and agents interact in order to produce, reinforce, eliminate or change institutions over time. This would be akin to Burns and Scapens (2000) notion of “rules and routines”, or, Barley and Tolbert’s (1997), notion of “scripts”. However, it must be stressed that
Dillard et al. do not explicitly state that the latter is the case, nor do they provide any specific definition for criteria or practice throughout their paper. In this sense, this researcher therefore broadly interprets “structures” (and their expectations/rules i.e. “what should be done”) and “criteria” as loosely interrelated; and human agency (and daily action/routine i.e. “what is done”), and “practice” as being likewise. This proposed relationship is captured in Figure 6 below.

**Figure 6: Interpretation of the Relationship Between Institutions, Structure and Agency and Criteria and Practice**

In addition, Dillard et al. view active actors or groups as influencing the power dynamics or power distribution associated with recursive institutionalisation processes. They state that different actor sets may be in a more influential position, and therefore more powerful, at different levels of their framework. For example, they mention that at the SEP level, it may be governmental officials or regulators; at the OF level it may be industry leaders, labour
unions or external consultants; and at the OL it may be managers and workers that are the primary actors. However, they also state that “the ability of any individual to contribute to the institutionalization process is dependent upon a myriad of factors” (p. 513). Furthermore, the authors note that while there is normally a “dominant coalition of interests” (p.515) at societal level, that there may also be “competing coalitions setting forth alternative social, economic and political criteria as legitimating” (Ibid). Here, they believe that these competing interests and their different criteria “set the boundaries of recognised actions of resistance by providing some degree of legitimacy to them” (Ibid). They suggest that Greenpeace’s destruction of another organisation’s property for environmental protection purposes could be an example of the latter. Furthermore, they state that these alternative social, economic and political criteria (perhaps indicative of Lounsbury’s (2008) “multiple logics”) can themselves undergo “permutations”, due to the recursive nature of the institutionalisation process in which all values, norms and beliefs held at societal level evolve and change over time.

Similarly, Dillard et al. note that differences can develop between the accepted beliefs, values and norms of broader society and those of particular fields, so that not all organisational fields accept the same beliefs, values and norms. They also state that this is true for different organisations within an organisational field, and that “it is at these points of friction and conflict that change is most likely to be initiated” (p.514). The authors argue that such “conflicting criteria” acts as a motivating force for change while the institutionalisation process maintains continuity overall.

Furthermore, the authors distinguish between routine and crisis change situations as influencing institutionalisation processes. Routine situations refer to “situations where change is not initiated by circumstances that threaten the existence of the entity, organizational field or society” and are generally “motivated by, or reflected in, evolutionary improvements in the organizational routines, organizational field characteristics and/or societal characteristics” (p. 521). In contrast, crisis situations refer to situations which “threaten the entity, organizational field or society’s continued existence” (Ibid), and are generally seen to result in “the implementation of new organizational routines, new organizational field perspectives and/or new societal arrangements reflecting, for example, significantly different administrative and/or scientific technology” (Ibid).
However, Dillard et al. also state that “crisis situations” can range in their severity and immediacy.

Therefore, by way of brief summary, the Dillard et al. (2004) framework views institutionalisation as a structuration process running all the way up and down the three levels of their model. The existence and continuity of the reciprocal relationship between structure and agency, as “activated” or “mobilised” through the interplay between criteria and practice, is regarded as the underlying dynamic of an institutionalisation process. Here, Dillard et al. emphasise agency, and the power associated with this, as the ultimate means of change. As a result, the authors feel that a more explicit recognition of the “political nature of institutional change” and a “more complete understanding of the dynamics involved in such a change” is achieved (p. 507). Hence, the authors believe they developed a framework with a more complex and theoretically grounded appreciation of the context and processes associated with creating, adopting and discarding institutional practices. The following sections will now discuss each of the three levels of the Dillard et al. framework in more detail.

3.3.3a The Social, Economic and Political (SEP) Level

As mentioned earlier, Dillard et al. (2004) feel there is a need to consider the background socio-economic and political (SEP) context within which institutionalisation processes take place, especially in the Western world. They believe this is important because when one considers institutional theory, organisations are seen as “suspended in a web of values, norms, rules, beliefs and taken-for-granted assumptions” (Barley and Tolbert, 1997, p.93, emphasis added) of how they should act in social, economic and political terms. They therefore seek to highlight and understand where these societal factors, or criteria, emerge from, how they “translate down to the organizations therein” (p.511), and how an institutionalisation process may be contextualised by them as a result. Hence, to Dillard et al., the SEP level is not considered as separate from the organisational field (OF) level or organisational level (OL), but rather as an inherent, contextual component and contributor to the institutional and organisational environments and processes overall.

Dillard et al. view the societal level as being where “political and economic systems (PE) use symbolic sense-making criteria (C_{PE}) in articulating and instituting legitimate norms
and practices” (p.513). For example, according to the authors “the dominant political and economic context faced by most organizations in industrialised western societies is market capitalism [with the] primary legitimating characteristic within this system being economic efficiency” (p.508). Therefore, one of the implicit objectives of creating this framework appears to be the authors’ need to make explicit the assumption that global market capitalism represents the (rational) grounds from which organisational behaviour emerges.

Dillard et al. draw on Max Weber’s (1958, 1961, 1968) notions of “capitalistic institutions” (p.507): representation, rationality and power, to contextualise the SEP level and the basis for institutional processes. Representation concerns “the way reality is framed or symbolically described” (Dillard et al., 2004, p.517). Here, Weber focuses on the role ideas, interpretations and meanings play in legitimating social action, and recognises the importance of these symbolic representations in creating the context for social action (Dillard et al., 2004). He further distinguishes between substantive representations, which are seen as socially constructed, and objective representations, which are presumed to be logical and analytical.

Weber then questions the role of these ideas, interpretations and meanings in “motivating legitimate and illegitimate actions within these societies” (Dillard et al., 2004, p.517). The social context is hence seen as providing the basis by which ideas and practices can be considered appropriate (legitimate), and according to Weber, rationality is the primary contextual factor to address this. Thus, rationality is seen as providing “the legitimating conditions for evaluating criteria and practices” (Ibid). Weber also distinguishes between “formal rationality”, which is calculation oriented, for example, economic efficiency, and “substantive rationality”, which is values oriented, for example, environmental protection. Subsequently, the actions of entities within a society are justified either by formal or substantive rationality or both.

Finally, Weber conceptualises power as “the means and degree of control over human and material resources” (Dillard et al., 2004, p.518). He believes that at the societal level, as well as at the organisational level “control is imposed through mechanisms that follow from a dominant ideology” (Ibid). For example, Weber believes that at an organisational level control can be gained through: 1) the implementation of hierarchical structures, where the
logic of structure and the duty to obey provides the context for action; or 2) through social consensus, where the logic of personal choice and ongoing social interaction provides the logic for action (Dillard et al., 2004).

Therefore, Dillard et al. argue that these three constructs, or “axes of tension” (p.517): representation, rationality and power, allow them to conceptualise the context within which the meaning, justification and control associated with certain norms and behaviour at societal level emerges. However, they also argue that Weber’s three “axes” or constructs overlap with Giddens’ structural types (signification, legitimation and domination), whereby they see “the legitimation structures as representing the rationality axis; the signification structures as analogous to the representational axis; and the dominatintion structures as representing the power axis” (Dillard, et al., 2004, pp.519-520).

Due to the fact that Dillard et al. recognise strong similarities between Webers’ and Giddens’ social constructs, and because structuration theory is used by the authors to conceptualise institutionalisation processes at organisational field and organisational levels, this research will predominantly use Giddens’ concepts/terminology in its application of the Dillard et al. framework. This is done in the interest of simplicity and the desire to maintain a consistent conceptual focus throughout the pending narrative. The organisational field (OF) level will now be discussed in more detail below.

3.3.3b The Organisational Field (OF) level

Dillard et al. outline how organisational fields represent the “interorganizational context” in which “organizations are institutionally embedded” (p.509) and involve “socio-economic configurations such as industry groups, professional institutes, geographical collectives and so forth” (p. 512). They believe that the organisational field is “an interactive part of a larger social system that must be considered when examining the establishment, embedding and de-institutionalization of criteria and practices” (p.515). In turn, they feel that the motivation for “innovation” or change associated with such criteria and practice can come from a number of sources. They believe that this is largely influenced by the socio-economic and political (SEP) criteria from the societal level, but also from a range of responses and “innovator” or competitor type actions taking place at the organisational level. Therefore, they view the organisational field as a form of conduit between the SEP
level and organisational level activity and developments, but also as a hub of activity in its own right through the facilitation of inter-industry dynamics.

However, apart from mentioning that “industry leaders, labour unions or external consultants”(p.513) may be influential at this level, Dillard et al. do not provide a more detailed explanation of what or who determines or influences organisational field components or characteristics. As a result, a more detailed definition or explanation of what and who constitutes an organisational field, and thus how it could be applied in the context of this study, was needed. In order to address this both Di Maggio and Powell’s (1983) definition of organisational fields and Hoffman’s (1999) conceptualisation of an organisational field are drawn upon to expand the Dillard et al. explanation above.

When defining organisational fields, DiMaggio and Powell (1983) state that:

“Fields only exist to the extent that they are institutionally defined. The process of institutional definition, or ‘structuration’, consists of four parts: an increase in the extent of interaction among organizations in the field; the emergence of sharply defined interorganizational structures of domination and patterns of coalition; an increase in the information load with which organizations must contend, and the development of a mutual awareness among participants in a set of organizations that are involved in a common enterprise.” (p.148)

While the above definition may be useful to conceptualise the dynamics between industry players i.e. EPFIs, in, what this research will term, the Equator Principles (EP) organisational field, there are also non-financial actors, for example NGOs, with a different EP “enterprise” in mind, that play a major role in the emergence and evolution of this field. Therefore, in order to capture a broader and more “holistic” interpretation of how an organisational field can emerge and develop, and who or what it constitutes, Hoffman’s (1999) conceptualisation of an organisational field is used.

Hoffman also recognises the value of using DiMaggio and Powell’s (1983) definition of an organisational field as a starting point to indicate that “the presence of a field structure should be analytically detected not through observing the emergence of a tangible pattern of organizational coalitions” (Hoffman, 1999, p. 352), but through such increases in inter-organisational activity, information exchange and mutual awareness as proposed by Di Maggio and Powell (Ibid). He then expands this by proposing that “a field is not formed
around common technologies or common industries, but around *issues* that bring together *various* field constituents with *disparate* purposes” (Ibid, emphasis added). He therefore suggests that a field is “formed around the issues that become important to the interests and objectives of a specific collective of organizations” (Ibid), and uses the example of the protection of the natural environment as such an issue.

Hoffman elaborates upon this by stating that “issues define what the field is, making links that may not have previously been present. Organisations can make claims about being part or not part of the field, but their membership is defined through social interaction patterns” (p.352). Subsequently, “if an organization or population chooses to disregard an emerging issue, others may crystallize the field formation processes for them” (Ibid). For example, NGOs may force some banks to consider E&S issues for the first time and/or the need to adopt the EP. Therefore, if an organisational field is conceptualised around an issue rather than networks “greater *complexity* in field formation and evolution” is revealed (Ibid, emphasis added).

Hoffman believes that “more than just a collection of influential organizations a field is the center of common channels of dialogue and discussion” (p.352), where “competing interests negotiate over issue interpretation” (p. 351). However, he also claims: “not all constituents may realise an impact on the resulting debate, but they are *often armed with opposing perspectives* rather than with common rhetorics” (p.352, emphasis added). The resulting process may thus “resemble institutional war than isomorphic dialogue” (Ibid). Hence, Hoffman states “it is important to distinguish between an organizational field and *individual populations within it*, or classes of organizations that are relatively homogenous in terms of environmental vulnerability” (Ibid, emphasis added). He provides an example of environmentalists and chemical manufacturers occupying a common organisational field, but highlights that, even though they might influence one another; “it would be incorrect to assume that they share the same beliefs and attitudes toward the environment” (Ibid).

Finally, he also states that “field formation is not a static process; new forms of debate emerge in the wake of triggering events that cause a reconfiguration of field membership and/or interaction patterns” (p. 351). Hence, he claims that field membership “may also be for a finite time period, coinciding with an issue’s emergence, growth, and decline” (p.352).
Therefore, both the DiMaggio and Powell (1983) and Hoffman (1999) conceptualisations of how an organisational field may be developed and perceived, as well as what and who it may constitute, expand and develop the Dillard et al. (2004) frameworks brief overview of the OF level. Consequently, in the context of this research, a deeper understanding of how the OF level constructs and constituents may influence, and in turn be influenced by, an institutional process as a whole is facilitated. The next section will now focus on the organisational level of the Dillard et al. framework in more detail.

3.3.3c The Organisational level (OL)

In general, institutional theory posits that “organizational activities are motivated from the imperative of legitimacy-seeking behaviour” (Dillard et al., 2004, p.508), and that a greater degree of conformity (isomorphism) develops as the “level of institutionalization and the related need for greater legitimacy among constituencies increases” (p.515).

Dillard et al., however, believe that in highly institutionalised environments organisational responses to such pressures to “conform” may not be uniform and may “vary widely based upon the multiplicity of institutional pressures both within and external to an organization” (p. 515). Subsequently, they outline how the literature suggests that while organisations may be “constrained” by the institutional environment, there may be “different expectations for different types of organizations” (Ibid), and that diverse organisational responses to internal and external forces in the organisational field can be seen as symbolic (decoupled) or substantive. Furthermore, they highlight that some organisations may simply resist the institutionalisation process, while others may actively wish to shape their institutional environment. Dillard et al. also feel that there may be a variety of ways in which an organisation experiences change within an institutionalisation process. For example, they outline how change could “arise from the institutional environment, inter-organizational ties, other organizations, as well as from within an organization” (p.515). The author’s multilevel representation of the dynamics associated with the institutionalisation process (Figure 5) thus attempts to provide some insights into how these influences can be brought to bear on an organisation. Hence, Dillard et al. emphasise how a variety of responses and experiences by different organisations within an organisational field is possible.
More specifically, as mentioned earlier, Dillard et al. anticipate innovative organisational practices as originating at the organisational level through the activities of reflexive, purposeful and knowledgeable agents, that are “enabled and constrained by the higher level parameters” (p.515) i.e. SEP and OF criteria. Therefore, they view innovative changes in organisational practices as arising “from those who develop new ideas and different ways of doing things that prove to be more efficient” (Ibid). Hence, organisations “developing new organizational practices within the boundaries of the organizational field practices” (p.514) are termed “innovators”. Subsequently, “late adopters” are viewed as those organisations that “adopt the practices of innovator organizations” (p. 514). As a result, the authors feel that “perceived ‘better practices’ are implemented by other organizations within the organizational field and become expected practices (institutionalized)” (p.515).

However, Dillard et al. only include “practice” (as informed by OF level criteria and practice) at OL in their framework (see Figure 5), as opposed to recognising the possibility of “criteria” also existing at organisational level. This highlights the need for Dillard et al. to consider the possible dynamics between criteria and practice at organisational and/or intra-organisational level and its influence on institutionalisation processes. The authors allude to the fact that the Burns and Scapens (2000) framework, which focuses on institutional processes within organisations, may be applicable to this level of their framework, yet they do not elaborate or illustrate how this may be the case.

This appears to have been one of the reasons why the Dillard et al. model was extended at the (intra)organisational level by Hopper and Major (2007), which, to the best of this author’s knowledge, is the only published paper that directly applies the Dillard et al. (2004) framework. Here, Hopper and Major (2007) focus on the adoption of activity-based costing (ABC) in a private telecommunications company in Portugal, and extend the Dillard et al. framework by drawing on the labour process approach and actor network theory (ANT). They relabel Dillard et al.’s organisational level as “intraorganisational” in order to capture the dynamics associated with “multiple, competing rationalities, power and material issues” (p.90) which led to ABC being institutionalised differently within this telecommunications company. Their aim is to show how organisations are “functionally and hierarchically differentiated [and] are not unitary”(p.85). They therefore split the intra-organisational level into functionally and hierarchically differentiated “communities” within the organisation.
representing for example, different departments, production workers and senior management, in order to recognise the importance of their different responses to ABC.

Hopper and Major (2007) highlight how after ABC was “translated” and “enacted” within the company, this led to divergent “consciousness” about the merits of ABC amongst these different actors, and thus its “resistance” (by production workers) or “institutionalisation” (by commercial managers). In addition, Hopper and Major also extend the model at OF and SEP level, through their recognition of particular “epistemic” or “boundary-spanning” communities i.e. consultants within their study. Here, they believe that external consultants had the capacity to transcend all three levels of the model and influence the ABC institutionalisation process as a whole.

However, in extending the Dillard et al. framework to intra-organisational level, Hopper and Major tend to “override” Dillard et al.’s consideration of inter-organisational dynamics at OL (i.e. between “innovators” and “late adopters”). It could therefore be argued that Hopper and Major’s extension may only be useful for the application of the Dillard et al. model to a case study of a single organisation, as opposed to one incorporating more than one organisation. Therefore, in the context of this study, which inter alia focuses on various inter and intra organisational dynamics of EPFIs at organisational level, Hopper and Major’s (2007) extension will not be applied. Rather, the same theoretical focus on institutionalisation as a structuration process, between relevant EP criteria/structures and human action/practice, will be maintained and used to explicate the intra-organisational dynamics of EP institutionalisation at intra-organisational level.

The following section will now provide further explanation of how and why the Dillard et al. framework is interpreted and applied to this research.
3.3.4 Interpretation and Application of the Dillard et al. (2004) Framework

“NIS [new-institutional sociology] researchers increasingly recognise that institutionalisation may be contingent, unstable and only revealed through grounded study of complex, longitudinal processes.”

(Hopper and Major, 2007, p.87)

The Dillard et al. (2004) paper addresses many of the critiques of institutional theory outlined in Chapter Two and offers a comprehensive conceptual framework that can be used to inform the exploration of institutionalisation as a dynamic, political, multi-level and recursive process. It is for these reasons that it has been chosen to frame this study of the EP institutionalisation process.

More specifically, the SEP level helps conceptualise the influence of various socio-economic and political factors and actors on the EP institutionalisation process leading up to and between 2003 and 2008. It draws attention to the main societal system under consideration i.e. the financial system, its economic “rationale” and commercial bank dominance therein. It facilitates the exploration of how other “powerful competing coalitions” at this societal level i.e. NGOs, challenged this dominance by questioning the legitimacy and accountability of these commercial banks. In doing so, it initiates an analysis of why and how the EP were developed, as well as the political dynamics that continued to influence their evolution over the course of 2003 to 2008. The general significance of the EP within their broad socio-economic and political environment is therefore also brought into consideration. In short, the SEP level allows for the conceptualisation of the societal context within which the EP institutionalisation process emerged, evolved and became embedded prior to and between 2003 and 2008.

Secondly, Dillard et al.’s portrayal of the organisational field level (OF) as an interactive part of the broader social system, helps to conceptualise the EP organisational field as a conduit between SEP level and organisational level dynamics, as well as being a hub of activity itself. This study expands this however, through the consideration of DiMaggio and Powell’s (1983) definition of an organisational field and the application of Hoffman’s (1999) conceptualisation of a field emerging and developing around an “issue”. This is done, firstly, to draw attention to how the EP field can be recognised through an increase in
inter-organisational activity, information exchange and mutual awareness (as per the Di Maggio and Powell, 1983) between commercial banks/EPFIs. Yet, secondly, and most importantly, it is done to demonstrate that the EP field emerged around the “issue” (Hoffman, 1999) of more “sustainable” (project) finance and the EP per se, bringing together a variety of field constituents with disparate purposes.

At organisational level (OL), Dillard et al.’s distinction between Innovators (I) and Late Adopters (LA) assists in understanding and explaining the different levels of EP adoption and activity of variant commercial banks over the course of 2003 to 2008; and how this influenced, and was influenced by, the EP institutionalisation process. However, the term “later” as opposed to “late” adopter will predominantly be used in the pending narrative to more accurately represent some EPFI interviewees within this study, arguing that late adopter has somewhat negative connotations, almost suggesting “passive” or “symbolic” EP adoption (and/or “decoupling”) from “substantive” EP implementation.

Furthermore, in order to conceptualise and explain both inter and intra-organisational activity and heterogeneity in more depth in this study, an organisational and intra-organisational level are incorporated. The organisational level facilitates the exploration of different commercial banks’ cultures, experiences/capacity to deal with E&S issues and rates of EP adoption. The EP “criteria” at this level is seen as E&S risk management/EP policies and/or manuals/guidelines. The “practice” is the development of those policies as well as EP implementation procedures, for example, EP training, coordination of the EP internally and (external) EP reporting. The intra-organisational level then allows for a deeper exploration of the interplay between specific EP “criteria” i.e. EP policies and/or the Equator Principles per se, and actual “practice” within the project finance process; as managed by project financiers in consultation with (E&S) risk managers. Here, the organisational and intra-organisational levels are recognised as highly interdependent, with a “fluid” demarcation between both.

In general, Dillard et al.’s representation of institutionalisation as an iterative and recursive process, between structures/criteria and agency/practice, over societal, organisational field and organisational levels, provided this researcher with a very useful interpretive guide to
capture the complex nature of the EP institutionalisation process over 2003 to 2008. This is discussed in detail in the case narrative (Chapters Six to Nine).

3.4 Chapter Summary

This chapter conducted a more in-depth examination of some of the key theoretical concepts applied in this research on the EP institutionalisation process. The chapter was divided into two parts. Firstly, it analysed how the notions of “institution” and “institutionalisation” have been defined and understood in the literature. It then outlined how this research interprets the EP as an institution, or standard, representing the norms/values/beliefs for more responsible project finance. It explained how the EP are recognised as being created, modified and maintained by EPFI actors, assisted by their interaction with broader stakeholders; and gradually becoming “taken for granted” (institutionalised) by them over the course of 2003 to 2008. This research therefore views actors as active participants in EP institutionalisation.

Secondly, it introduced the Dillard et al. framework on institutionalisation and provided an in-depth explanation of its constituent parts. This encompassed an explanation of Giddens’ structuration theory as well as how Dillard et al. view institutionalisation as a structuration process occurring over socio-economic and political, organisational field and organisational levels. Here, the existence and continuity of the reciprocal relationship between structure and agency, as “activated” through the interplay between criteria and practice, is regarded as the underlying dynamic of an institutionalisation process. This section highlighted how Dillard et al. emphasise agency, and the power associated with this, as the ultimate means of change. The chapter concluded with an overview of how the Dillard et al. model is interpreted and mobilised within this research: to evidence, understand and explain the EP institutionalisation process. The next chapter will now address the methodological approach and research methods applied within this study.