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Abstract

Financial institutions such as mutual funds and pension funds have started to subscribe to CSR in their investment decisions. In line with other scholars in the field of responsible investment, we thus propose to analyze the role of institutional investors as a driver of CSR. However, in contrast to the existing literature, the distinct motivation of our study is to focus on how institutional investors may drive large corporations to become socially responsible. Our aim is to understand the complex nature of responsible investment, and to identify the critical underlying processes that allow institutional investors to have an impact on a corporate management’s decision-making with regard to CSR. By drawing upon sensemaking studies (Weick, 1995, 1979, 1969), issue-selling (Dutton and Ashford, 1993; Dutton et al., 2001), and impression management (Goffman, 1959; Schlenker, 1980) we thereby derive several influence tactics that institutional investors can use to foster CSR.
1. Introduction

Financial institutions such as large pension funds, mutual funds, and other institutional investors have started to become substantially concerned with a company’s exposure to social and environmental risks. Their investments in the corporate sector thereby provide them with direct access to a management’s decision-making (Scholtens, 2006). For instance, institutional investors have increasingly challenged large corporations to improve their disclosures and management systems on issues such as climate change, supply chain labour standards, and corruption. The rationale for these demands is that the integration of CSR related issues can play a major role in securing long-term shareholder returns while at the same time delivering broader social welfare (Sullivan and Mackenzie, 2006, p. 13).

So far, the most prominent avenue that enables financial institutions to use their funds to promote CSR is via the stock market. Institutional investors can select shares on the basis of the company’s CSR and thus pursue a policy of (socially) responsible investment. By deliberately excluding companies that harm the society or the environment from their portfolio, or including those being known as good corporate citizens, institutional investors integrate social concerns into their daily decision-making. Some large pension funds like the California Public Employees' Retirement System (CalPers) also use their ownership rights to express their concerns and challenge company boards on CSR issues (CalPers, 2008). In recent years, the market for responsible investment has grown significantly in both the US and Europe. In the US, 2.71 trillion USD, equalling 11 percent of total assets under management (AUM), were involved in responsible investment in 2007 (USSIF, 2008). In Europe, the responsible investment market climbed from 1 trillion EUR in 2005 to 2.7 trillion EUR at the end of 2007 (Eurosif, 2008). These figures clearly indicate that financial institutions have started to subscribe to CSR in their investment decisions. Their role in fostering socially and ecologically sound corporate conduct should therefore remain a central theme for research in management science for the foreseeable future.

In line with Jeucken (2004), Scholtens and colleagues (2008), Scholtens (2006), Sjöström (2008), and Sparkes and Cowton (2004), we therefore propose to analyze the role of institutional investors as a driver of CSR. However, in contrast to the existing literature, the distinct motivation of our study is to focus on how institutional investors may drive large corporations to become socially responsible. In writing this article, we have not aimed to clarify whether or not institutional investors have an impact on CSR or whether or not corporations should engage in CSR. Our aim was rather to understand the complex nature of responsible investment, and to identify the critical underlying processes that allow institutional investors to have an impact on a corporate management’s decision-making with regard to CSR.

The paper is organized as follows: First, we will provide the reader with a literature review on the role of institutional investors in driving CSR. Here, we argue that existing research has too much focused on economic based governance structures such as efficient markets and ownership rights, but failed to account for the social processes that underlie responsible investment and the claim of corporate change. To fill this gap, the subsequent section introduces sensemaking studies by the social psychologist Karl E. Weick that we will then use in our fourth section as underlying theory to elaborate on the question of how institutional investors can promote CSR. This paper closes with some implications for institutional investors and researchers in the field of responsible investment.

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1 Please note that we use responsible investment as an umbrella term for all related investment approaches that are known in academic and practitioner literature such as ‘socially responsible’, ‘ethical’, ‘sustainable’, ‘green’ investing. Within the scope of our article we will only concentrate on responsible investment via the stock market. Alternatively, one can invest via private equity or directly such as community investing. They are, however, not subject of this study.

2 The term ‘corporate citizen’ has emerged out of the CSR discussion and signifies a company being aware of its political role in a globalizing society and taking on its social and environmental responsibility (Scherer and Palazzo, 2007).
2. Previous Literature

From the practitioner literature we can conclude that there is a broad consensus among practitioners that "making a difference and making money" (Domini, 2001) are the two declared objectives of responsible investment. ‘Making a difference’ in this context expresses the claim of promoting better corporate social and environmental practice (Lewis and Mackenzie, 2000) and is thus the focus of our article. Further academic research on this “claim of corporate change” (Haigh and Hazelton, 2004, p. 61), however, is still nascent and largely dominated by empirical studies (David et al., 2007; Jeucken, 2004; Haigh and Hazelton, 2004; Scholtens, 2006; Sjöström, 2008). So far, we can identify two predominant (but not mutually exclusive) arguments that have been introduced to assess the influence potential of ‘responsible investors’ on corporate change. The first argument refers to the sensitivity of the share price to investment decisions. The second argument elaborates on the effectiveness of ownership rights to change a corporate policies and practices with regard to CSR.

Proponents of the first argument investigate if the decision whether to invest in or ignore a specific company significantly affects that company’s share price (due to e.g., market signalling) and, thus, translates into a superior or inferior shareholder return for the investor. Assuming that (i) the share price reflects the aggregated opinion of the financial market, and (ii) the company is driven by shareholder value maximization, corporate management would then abide by the norms of responsible investment and strive for the social and ethical decision-making demanded by its shareholders (Sullivan and Mackenzie, 2006). Empirical studies broadly relating to this argument are vast and involve three subsets: (1) Event studies that explore the effect of ESG related announcements, such as the in- or exclusion of specific companies from the FTSE4Good Index, or the enactment of corporate governance guidelines, on a company’s share price (e.g. Curran and Moran, 2007; Picou and Rubach, 2006); (2) cross-sectional regression analyses that elaborate on the relationship between a company’s social performance and its financial performance (e.g., Margolis and Walsh, 2001; Waddock and Graves, 1997; see Orlitzky et al., 2003, for a literature review on this topic); and (3) studies comparing the economic performance of social and conventional mutual funds (e.g., Bauer et al., 2007; Bauer et al., 2006; Bauer et al., 2005; Bello, 2005; Kreander et al., 2005; Mill, 2006; Scholtens, 2005; Statman, 2000). A closer look at the findings of those studies, however, reveals that the empirical evidence of the share price argument is questionable. Findings vary largely and cannot be generalized, owing to the heterogeneity of selected research methods, short time periods of investigation, and vastly different interpretations of the CSR concept (Schumacher-Hummel, 2005, pp. 139-148).

The situation is similar for the much fewer theoretical papers that support the share price argument. Haigh and Hazelton (2004, p. 61) identified a ‘cost of capital’ logic, in line with Bruyn (1987) and Harte and his colleagues (1991). It goes back to the claim of responsible investment fund managers that their funds would raise or lower a company’s cost of capital structure due to the law of capital supply and demand, which in turn affects a share price to fall or rise. However, Haigh and Hazelton (2004) come to the conclusion that it is unlikely that a single responsible investor will create economic effects due to an often negligible share in the company; thus, it is unlikely that he can affect corporate change. In contrast, Rivoli (2003) supports the share price argument. She challenges the horizontal demand curve assumption by Shleifer (1986) and shows how market imperfections

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3 The horizontal demand curve assumption by Shleifer (1986) in the context of equity markets implies that an individual investor’s actions (e.g., adding stocks to a portfolio) have no effect on the market price of a good, i.e. the share price of a company due to a perfectly competitive market. If no investor has the ability to influence the share price of a company, the demand curve facing each individual investor must be perfectly elastic (horizontal).
such as divergent opinions of responsible investors, and incurring transaction costs can cause a downward slope in the demand curve for equities which may then result in a share price that is sensitive to screening decisions. She concludes that, in the case of perfect markets responsible investment may not have an impact on firm behaviour through its effects on investor's required returns; however, it should affect firm behaviour under the condition of market imperfection (Rivoli, 2003, p. 285).

The second argument mentioned above, the ownership argument, explains the impact of responsible investment on corporate change after the investment decision has been made and applies to scenarios where responsible investors hold a substantial share in a company. This argument can be traced back to agency theory and elaborates on the use of formal governance mechanisms to influence corporate decision-making. This approach is commonly labelled “shareholder activism” (see Sjöström, 2008 for an overview). It is presumed that by effectively using his ownership rights an investor is able to better align his interests with that of corporate management so that a superior shareholder value and better social performance can be achieved. Ownership rights include writing shareholder proposals, appointing the board of directors, and divesting, and can be exercised alone or together with other institutional investors in a collaborative shareholder initiative. Although this argument has a stronger theoretical foundation than the share price argument, most articles solely concentrate on the use of ownership rights to increase a company’s governance in the light of Jensen and Meckling’s (1976) agency theory (see e.g., Bassen, 2002; Del Guercio and Hawkins, 1999; Gillan and Starks, 2000; Karpoff et al., 1996; Wahal, 1996). A sound elaboration on shareholder activism as driver of CSR has been almost absent for the last decades (for a few exceptions see Clark and Hebb, 2004; Hoffmann, 1996; Logsdon and Van Buren, 2008a; McLaren, 2004; O’Rourke, 2003; Vandekerckhove et al., 2008). A recent literature review on the role of active shareholder in advancing CSR by Sjöström (2008) reveals that existing studies are largely descriptive and empirical in nature and do not investigate how and why certain phenomena emerge and develop. This is reflected by a large body of literature concerned with the descriptive study of shareholder proposals, their “issues, voting results and targets” (ibid., p. 145), most of them taking place in the US. Prominent studies include the work of Proffitt and Spicer (2006) who examined the proxy seasons of 1969-2003, Graves and colleagues (2001) covering an 11 year period of 1988-1998, Campbell and colleagues (1999) focusing on the 1997 proxy season, and Logsdon and Van Buren (2008b) who investigate how shareholder activists use the resolution process to promote social justice during the period 1999-2005. Two related studies by Rehbein and colleagues (2004) and Clark and colleagues (2008) both pay attention to which corporations are targeted by shareholder proposals. However, the question whether and how shareholder activism has an effect on corporate change remains largely unanswered. Only a small body of empirical work explicitly addresses this topic (see David et al., 2007; Johnson and Greening, 1999; Nelson, 2006; Neubau and Zahra, 2006; Smith, 1996). However, findings are dissonant. Smith (1996) and Nelson (2006) both investigate the effect of the activist American pension fund CalPers on improved social performance and shareholder wealth but come to opposite results. Neubau and Zahra (2006) show a positive

4 This idea has initially been brought forward by Boatright (1999) who early argued that for social corporate policies to cause higher returns for SRI funds the market has to be inefficient in identifying or pricing the link between social policies and performance.

5 Agency theory suggests that the firm can be viewed as a ‘nexus of contracts’ between resource holders. An agency relationship exists whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service on behalf of the principal.

6 As such, the ownership argument also relies on the sensitivity of the share price. However, we decided to list both separately. The point in time of the investor’s action serves as distinguishing criterion: before and after the investment.

7 Additional literature reviews can be found in Karpoff (1998) and Black (1998).

8 A proxy season describes the period of time in which stockholders of a company are allowed to submit proposals for a vote at a company’s annual meeting.
correlation between active ownership and corporate social performance (CSP), which is disproved by David and his colleagues (2007), who find that the submission of shareholder proposals can be even destructive to CSP.

In summary, the existing body of literature has failed to establish any clear consensus as to whether responsible investment decision making has a positive impact on corporate pol-


Hence, the next sections of this article aim at reorienting SRI research away from the search for replicable empirical findings to explain the influence of investors on corporate change towards a quest for a deeper understanding of the underlying processes and drivers of whether and when investors may influence corporate management to truly become socially responsible. With our approach we provide a conceptual basis that frames responsible investment as a series of social processes in which institutional investors and corporate management interact and strive for a joint understanding of what is valuable and sustainable for the company. An analysis of the socio-psychological drivers such as mental models, cause maps, values and expectations constituting the nature of such an interaction further allows us to take a closer look at what is expected to change: the organizational reality of corporate social responsibility. Surprisingly, a deeper analysis of this dimension has been missing from the majority of existing studies. According to Sjöström (2008, p. 152), most previous work has pictured CSR at the surface only by looking at a company's year-to-year performance within some random CSR ranking.

3. Introduction to Sensemaking Studies

Drawing upon interpretive organization studies we consider the practice of responsible investment and CSR as organizational realities that are enacted through the social construction and interaction processes of both institutional investors and corporate members. Our particular interest is thus to find out about how these organizing processes interrelate and influence each other so that CSR can emerge and develop. We are thereby convinced that an interpretive approach, with its different stance toward what is meaningful, can enrich and extend the existing theory, research, and practice of responsible investment.

Our view on responsible investment suggests a so called process theory, as opposed to entity-driven theories that regard organizational effectiveness a function of organizational structure. In process theory, characteristic patterns of events, such as change and development, are fundamental theoretical constructs. The objective is to “identify the generative mechanisms that cause observed events to happen and the particular circumstances or contingencies behind these causal mechanisms” (Van de Ven and Poole, 1995, p. 512). One of the most influential and promising writers in this line of research is the organization theorist Karl E. Weick (1995, 1979) who developed the construct of sensemaking drawing upon concepts of social psychology (Czarniawska, 2006). Weick thereby conceptualizes organizations as a process, not a structure - a verb, not a noun: “Without verbs, people

9 See Morgan (1980, pp. 607-17) for a classification of sensemaking into the interpretive paradigm.
would not see motion, change, and flow; people would see only static displays and spines” (Weick, 1979, p. 44). So what is sensemaking all about?

Various scholars have developed models to describe how people make sense of issues and events in their environment (Milliken, 1990, p. 43; Daft and Weick, 1984, p. 286). March and Olsen (1975), for example, take a behavioural perspective and consider sensemaking as part of experiential learning in which “individuals and organizations make sense of their experience and modify behaviour in terms of their interpretations” (p. 157). Starbuck and Milliken (1988) take a cognitive perspective and observe that “sensemaking has many distinct aspects – comprehending, understanding, explaining, attributing, extrapolating, and predicting, at least” (p. 51). Thomas and his colleagues (1993) note that sensemaking “involves the reciprocal interaction of information seeking, meaning ascription, and action” and that “each element of this sense making process is presumed to have some relationship to performance” (p. 240). Within the scope of this article we will concentrate on the work of Weick and colleagues (2005) who define sensemaking as an “ongoing retrospective development of plausible images that rationalize what people are doing”; they further emphasize “its central role in the determination of human behaviour ... because it is the primary site where meanings materialize that inform and constrain identity and action” (p. 409).

The central argument of sensemaking that human beings contribute to the *creation* of their environment, or that they even *invent* their environment (ibid.), is based on the idea of *enactment*. “Enactment, at a minimum, changes the actor from inactive to active and, in doing so, deepens the actor’s stake in what is being done and in its outcome” (Weick, 2003, p. 186). Rooted in the work of Garfinkel (1967) the concept of enactment thus focuses our attention to what people actually do since it is their actions that make the difference: “[T]he actor’s own actions are first order determinants of the sense that situations have” (Garfinkel, 1967, p. 115). Weick (2003) further argues that enactment “helps people see the environment as something other than resources, institutional precedents, promises, uninterpreted information, niches, models to mimic, markets, liabilities, and costs. The ‘something other’ is that all of those preceding features are names, punctuations, and interpretations imposed in the interest of meaning. If one is puzzled, then ‘finding’ an organization to mimic, an institutional guideline to follow, a resource to be hoarded, a market to be saturated, or a liability to be skirted are ways to make sense and allocate effort” (p. 189).

In short, enactment concerns two questions: “What’s the story?” and “Now what?” (ibid., p. 186). The first question “has the force of bringing an event into existence” because it requires that people notice an event at first stance; the second question “has the force of bringing meaning into existence, meaning that ... [individuals] hope is stable enough for them to act into the future, continue to act, and to have the sense that they remain in touch with the continuing flow of experience” (Weick et al., 2005, p. 410). Weick and his colleagues further maintain: “Answers to the questions ‘what’s the story’ emerge from retrospect, connections with past experience, and dialogue among people who act on behalf of larger social units. Answers to the question ‘now what?’ emerge from presumptions about the future, articulation concurrent with action, and projects that become increasingly clear as they unfold” (ibid., p. 413). Hence, enactment “is about the stubborn insistence that people act in order to develop a sense of what they should do next” (Weick, 2003, p. 186).

Weick further assumes that people live within streams of ongoing situations from which they continually have to notice, bracket, interpret some portion which is then memorized. Thus, sensemaking necessarily becomes an *ongoing* activity: “Sensemaking never starts. The reason it never starts is that pure duration never stops” (Weick, 1995, p. 43). In a study of manufacturing companies in Scotland, Porac and colleagues (1989) clearly show that *flow, continuity, and dynamic change* constitute an organization rather than stability. That change is indispensably linked to sensemaking is illustrated by Gioia and Chittipeddi
(1991) who find that change in a major US university is an iterative process of meaning construction (sensemaking) and efforts to influence this construction. If change is the rule in any organization the question is how to frame it for further research. In this context Weick and Quinn (1999) present an extensive work on the tempo of organizational change, defined as ‘rhythm’ or ‘pattern’ of an activity. They reveal two distinct forms of organizational change: episodic and continuous change (Weick and Quinn, 1999, p. 365). Episodic change is typically described as “infrequent, discontinuous, and intentional” while continuous change equals “ongoing, evolving, and cumulative” (Pettigrew et al., 2001, p. 704). Both forms are valid approaches to organizational change; their contrast mirrors a different perspective of the observer (Weick and Quinn, 1999, p. 362). While “occasional episodes of revolutionary change” are often observed from a more distanced level, a closer look at micro-level processes within an organization reveals “ongoing adaptation and adjustment” (ibid.). In the light of our research interest to understand the micro-processes involved in responsible investing we thus take, in line with Weick (2001, 1995, 1979), a view from closer in and consider organizational realities as continuous change processes. The flow and continuity inherent in organizations finally implies that if one organization tries to change another organization it has to redirect the existing sensemaking processes which form the organizational reality. To redirect these processes ‘change agents’ need to bracket one portion of the flow that is relevant for change, make controlling beliefs and actions visible, rebalance them and finally resume continuous change (Weick and Quinn, 1999).

The central message underlying Weick’s thoughts on sensemaking is thus that processes involved in sensemaking are actions that form organizational realities. In the light of our guiding research question of how institutional investors may shape the reality of CSR in publicly listed companies it therefore follows that the sensemaking processes involved in the interaction between institutional investors and corporations are the means to the end. Simply looking at the end is not enough. Instead our study focuses at how people notice, on an individual as well as collective basis. How they make sense is what determines their behaviour in the end and, on an aggregated basis, which forms their organizational reality. Hence, we argue that an organizational character including (socially) responsible activities is an outcome of the ongoing sensemaking processes within and across organizations and always subject to change (as opposed to the assumption of stasis as proposed by structure-driven approaches).

4. Making Sense of Institutional Investors as Drivers of Corporate Social Responsibility

It follows that institutional investors can only exert influence on corporate behaviour if their influence is directed towards the way how the targeted corporation constructs meaning but not towards the meaning itself. Weick (2003) states: “… to change an organization is not simply to change what people notice, but how they notice. Active noticing leaves traces. Those enacted traces are drawn up into systems as problems for others. Thus any attempt to increase effectiveness will fail if all it tries to affect is what people notice, and not what they do as well” (p. 188, emphasis in the original). This section of the article is thus concerned with a sensemaking perspective on the explicit claim of institutional investors that they will change corporations. Corporate change with regard to CSR thus implies, in a Weickian sense, a change in how people make sense of responsibility. Given the assumption that sensemaking is ongoing and change is always ‘under way’ the

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10 This again underscores the inability of existing economic-based governance structures to increase organizational effectiveness especially with regard to CSR as they only serve to economize upon costs of information-gathering but ignore the ‘costs’ involved when interpreting these information.
The current understanding of the claim of corporate change has thus to be fundamentally rethought. **The role of institutional investors, if understood as change agents, is no longer one of triggering change but one of redirecting it.** Often, within the SRI industry, investors regard themselves as prime movers that are able to initiate corporate change for the good. However, assuming **CSR to be a continuous change process** we argue that they should rather view themselves as agents who **lead** change by making existing patterns of how to make sense of responsibility visible, rebalance those patterns, and finally resume for further learning and improvisation.

We will start with outlining why we consider CSR a continuous change process. Afterwards, we will outline Weick and Quinn’s (1999) proposed intervention theory in continuous change. And finally, drawing upon Weick and Quinn’s (1999) work on organizational change we will outline possible intervention processes that institutional investors may engage in if they desire a change in CSR.

### 4.1 Corporate Social Responsibility as Continuous Change Process

To answer the question of how institutional investors may change the way a corporation makes sense of responsibility we draw upon the construct of continuous change and argue that CSR as an ongoing sensemaking process is changing over time (Jones, 1980, p. 66). Hence, if institutional investors claim to advance CSR they need to be aware that they aim at changing something which is already ‘under way’.

The image of an organization underlying the idea of CSR as continuous change process is one which argues that organizations are continuously being constructed and ‘enacted’ through interaction between organizational members: The “sensemaking perspective casts social reality as an ongoing construction elaborated through interactions, a fragile and temporary order that people continuously define and redefine through their actions and experiences” (Allard-Poesi, 2005, p. 174). CSR understood as organizational reality thus becomes the ‘fragile and temporary order’ that continuously defines and redefines a corporation’s roles and relationships with regard to environment and society. It is thus the continuous search for a plausible answer to questions such as ‘What stakeholders should we deal with?’ or ‘How should we engage with the stakeholder?’ (see e.g., Carroll and Buchholtz, 2006). Or, as Weick (2003) has framed it: “What's the story?” and “Now what?” (p. 186, see previous section).

The character of CSR can thus be described as dynamic and continuous (Basu and Palazzo, 2008; Cramer et al., 2006; Miles et al., 2006; Nijhof and Jeurissen, 2006; Painter-Morland, 2006; Roberts, 2003; Zwetsloot, 2003). Miles and colleagues (2006) speak of CSR as ‘dynamic, emergent strategy making’; Nijhof and Jeurissen (2006) describe CSR as “an evolutionary process where may different agents act and react upon each other” (p. 316); Cramer and colleagues (2006, p. 382) argue that the implementation of CSR in a specific organizational setting requires a process of ‘iterative interpretation and confirmation’. The actual sense that organizational members make of CSR is thus impossible to define a priori but becomes subject to the way people translate their prevailing values and expectations into action. Even though some scholars are right in their claim that corporations should have universal responsibilities for preventing child labour or pollution the way organizational members implement these responsibilities still varies according to their local context (Maclagan, 1999). Empirical evidence can be found in Schouten and Remme (2006) who show that the way organizational members internalize CSR as social institution depends on their own language efforts with which they continuously define and refine their understanding of CSR. In this context, Graafland and colleagues (2006) for example find that organizational language may vary according to deeply rooted religious beliefs.

Hence, the meaning of what constitutes corporate responsibility cannot be considered as universal, stable, or easy to prescribe top-down. Rather, it is ambiguous and largely de-
pends on local circumstances. As a consequence, as Allard-Poesi (2005) points out, “mean-
ings people develop and attach to their experience are fundamentally fluid, unstable and
idosyncratic, and that there is no such thing as a common, unified or shared representa-
tion in organizations: individual histories are too diverse ... and influence processes to
dependent and multiple ... to produce similarity” (p. 172). Corporate manager’s efforts trying
to transform organizations by implementing best practices such as total quality manage-
ment (TQM) often fail because their change efforts stay at the surface but do not affect
their organizational members’ underlying beliefs and values (Liedtka, 1998, p. 258; see
also Gioia, 1986). In Weick’s words, their change efforts thus only addressed ‘what people
notice’ (but this is nothing that can be shared) and not ‘how’. If however change in cor-
porate behaviour is desired (and TQM surely affects corporate behaviour), a change effort
has to be directed at how organizational members collectively make sense of an issue
(e.g., TQM) through communication and interaction: “... if people in organizations share
anything, what they share are actions, activities, moments of conversations, and joint
tasks, each of which they then make sense of using categories that are more idiosyncratic”
(Weick, 1995, p. 188). Change then unfolds over time as result of “endless modifications in
work processes and social practice ... Numerous small accommodations cumulate and am-
plify” (Weick and Quinn, 1999, p. 366).

Our description of CSR thus accommodates several distinguishing features of an ongoing
sensemaking process such as: “… its genesis in disruptive ambiguity [CSR is difficult to
grasp], its beginning in acts of noticing and bracketing [organizational members use their
own language to create meaning around CSR], its mixture of retrospect and prospect [or-
ganizational members attach meanings of what constitutes responsibility to their experi-
ence and derive meanings from their expectations], [and] its culmination in articulation
that shades into acting [CSR unfolds as result of social practice]” (Weick et al., 2005, p.
413). A conceptualization of CSR as continuous change process thus enables us to generate
new perspectives for institutional investors on how they may influence CSR.

4.2 The Logic of Intervention in Continuous Change

Given the assumption that CSR is ongoing and change is always ‘under way’ the current
understanding of the claim of corporate change has to be fundamentally re-thought. As we
mentioned before the role of institutional investors, if understood as change agents, is no
longer one of triggering change but one of redirecting it. Assuming CSR to be a continuous
change, process, the character of the ‘change agent’ becomes more one of a ‘transforma-
tional leader’ (Bass, 1995; Munduate and Bennebroek Gravenhorst, 2003), or ‘sense-
orchestrator’ (Dutton et al., 2001) who redirects a current way of corporate members’
thinking and acting. Redirection, from an investor’s perspective, thereby involves the at-
tempt to transform current modes of cognition and action that enables a corporation “to
take advantage of important opportunities or to cope with consequential environmental
threats” (Gioia and Chittipeddi, 1991, p. 433). It involves the process of interrupting an
ongoing sensemaking process, making visible existing patterns of how to make sense of
responsibility, rebalancing those patterns, and finally resuming for further learning and
improvisation: “Experience is a continuous flow, and it be-comes an event only when ef-
forts are made to put boundaries around some portion of the flow, or when interruption
occurs” (Weick, 1999/2001, p. 462). The underlying change sequence as proposed by Weick

11 To illustrate the different outcomes of change efforts that are directed at ‘what’ and ‘how’ people notice social psychol-
ogists distinguish between ‘public compliance’, private acceptance’ and ‘internalization’ (see Kelman, 1956). ‘Public compli-
ance’ thereby refers to “a surface change in behavior-expressed attitudes ... [that] does not reflect internal change, ... [and]
usually persists only while behavior is under surveillance”; in contrast, ‘private acceptance’ is based on “the subjective
validity of norms” while ‘internalization’ describes the “subjective acceptance and conversion ... that produces true internal
change” (Munduate and Bennebroek Gravenhorst, 2003, p. 6).
and Quinn (1999, p. 379) thus suggest an intervention process based on freezing, rebalancing, and unfreezing.

Within the scope of this article, our next paragraphs will concentrate on how institutional investors can rebalance an ongoing sensemaking process of CSR. We thereby draw upon the concepts of issue-selling (Dutton and Ashford, 1993; Dutton et al., 2001; Dutton et al., 1997) and impression management going back to Goffman (1959) as these ‘tactics’ are not simply directed towards ‘what’ people notice but present distinct efforts that are “attentive to process” (Weick, 1995, p. 112) and focus on an alteration of ‘how’ people notice: “As people become more aware of the workings of the mind and accept those workings as the resources for collective action, they are in a better position to produce wise action” (Weick and Sutcliffe, 2006, p. 515). Moreover, issue-selling and impression management add to current research on sensemaking in inter-organizational relationships as they provide organizational actors with distinct techniques of how to focus attention and maintain interaction beyond organizational boundaries (see Vlaar et al., 2006).

Drawing upon the recent work of Dutton and colleagues, issue-selling thereby refers to “the process by which individuals affect others’ attention to and understanding of the events, developments, and trends that implications for organizational performance ... Because no issue is inherently important or strategic, individuals’ claims about what matters (that is, their issue selling) determine, in part, which change initiative get activated” (Dutton et al., 2001, p. 716). Issue-selling thus portrays “an organization as a pluralistic marketplace of ideas in which issues are ‘sold’ via the persuasive efforts of managers [in our case: of the investor] and ‘bought’ by top managers who set the firm’s strategic direction” (ibid.). An analysis of the underlying influence tactics that institutional investors may use to persuade top management of ‘what matters’ thus significantly affects the process by which individuals defend their activities, how they set their priorities, and, in part, which underlying beliefs-structures dominate their decision-making.

Impression management is concerned “with the behaviors people direct towards others to create and maintain desired perceptions of themselves” (Gardner and Martinko, 1988, p. 321). It goes back to Goffman’s (1959) dramaturgical analysis of social interactions in his classic book titled ‘The Presentation of Self in Everyday Life’ and later publications such as ‘The Interaction Order’ (Goffman, 1983). Goffman’s (1959) fundamental idea was to view individuals as ‘actors’ who ‘perform’ in specific ‘settings’ in front of an ‘audience’. Meaning thereby unfolds depending on how the actor presents himself towards the audience and vice versa. The meaning that is derived from their interaction in turn guides their behaviour (Gardner and Martinko, 1988, p. 322; see Weick and Roberts, 1993 who argue that the ‘locus’ of meaning is between people not within). Thus, transferring Goffman’s thoughts to the study of institutional investors’ claim of corporate change, it follows that the way institutional investors (the actors) present themselves in front of corporate managers (the audience) can significantly affect the meaning that corporate managers may attach to this interaction; thus, affecting the decision whether a change initiative gets activated.

4.3 How Institutional Investors May Rebalance Corporate Social Responsibility

Rebalancing involves questioning existing sensemaking patterns such as frames of references or mental models and looking for alternatives (see e.g., McNulty and Pettigrew, 1999): To “rebalance is to reinterpret, relabel, and resequence the patterns ... [for example] to reframe issues as opportunities” (Weick and Quinn, 1999, p. 380). The latter for example addresses the question of how institutional investors sell an ethical issue which may alter the way corporate management will argue to make sense of the issue. Institutional investors may also engage in re-labelling their organizational self-description. This may then affect a change in the image that corporate management has of the investor, and thus may alter the way management will expect to make sense of the role that the
investor plays in ethical decision making. In our following analysis we will concentrate on issue-framing as an issue-selling tactics that Dutton and colleagues (2001) identified as particular successful in focusing top management’s attention to a seller’s issue. Also we have selected various impression management techniques such as an organization’s self-description, tone of voice, appearance, and authenticity that were primarily drawn from the work of Goffman (1959) and Schlenker (1980). Some of them also appear in Dutton and Ashford’s (1993) theoretical work on issue-selling and have been integrated in their later empirical work (Dutton et al., 2001). We thereby concentrated particular on those techniques that were considered as crucial in maintaining or enhancing the seller’s credibility vis-à-vis corporate management.

4.3.1. Issue-framing

Institutional investors may alter the way corporate managers argue to make sense of responsibility by choosing about how they linguistically frame an issue of concern (Dutton and Ashford, 1993). We argue that in case of issue-framing institutional investors are able to advance CSR by providing corporate managers with alternative explanations of how to make sense of an ethical issue. More concrete, issue-framing may provide corporate managers with an alternative tool kit that they can use to defend their self-esteem while at the same time focusing their attention on a new issue. The logic that underlies issue-framing is thereby one of ‘attraction’ (Weick and Quinn, 1999). Drawing upon Kotter’s (1996) work Weick and Quinn (1999) argue that influence tactics directed at triggering episodic change are those which “tell people what to do (logic of replacement)”; influence tactics that aim at redirecting continuous change however are those which “show people how to be (logic of attraction)” (p. 380).

An issue’s framing can affect the way corporate managers pay attention to an issue through a variety of paths. Drawing in large upon insights from Dutton and Ashford (1993), Dutton and her colleagues’ (2001) empirical study of issue-framing tactics in hospitals, and insights from Sillince and Mueller’s (2007) work on how to frame accounts of responsibility, we chose the following two tactics as relevant for closer examination in the context of responsible investment: ‘use logic of a business plan’, and ‘frame issue as incremental’.

Use logic of a business plan: In their initial work on issue-selling, Dutton and Ashford (1993) claim that supporting facts and empirical evidence are important indicators for the selling success of an issue. Coming from a sensemaking perspective one might also argue that the ‘richer’ an issue is supported by previously made experience, defined roles and responsibilities, tested in various local contexts, the easier it will be for top management to derive a plausible story from the given facts and ‘narrativize’ the issue in their respective work environment (Weick, 2007). In testing this hypothesis, Dutton and colleagues (2001) thereby find indeed that “using lots of numbers and charts, conveying a logical and coherent structure, and emphasizing bottom-line impacts” (p. 721) was assumed positively correlated with the selling success of an issue. They summarized this tactic as ‘use logic of a business plan’. The business plan logic however was also found to be sensitive to the individual background of top managers. Managers coming from a financial background for example are more likely to focus their attention to the ‘bottom-line impacts’; a business plan in this case should therefore incorporate financial aspects to ‘attract’ the audience in the first place. A detailed reflection on individuals’ prevailing sensemaking processes is thus a necessary pre-requisite for any intervention process to start with. For the context of responsible investment, this implies that institutional investors may be better able to sell an ESG related issue to corporate management if they provide enough supporting facts and evidence of that issue’s ability to advance a corporation’s overall ESG performance. For an example we take Aviva Investors’ letter to Global Compact participants (see appendix). In their letter, Aviva provided the companies with broadly defined reasons of why compliance with the Global Compact Principles benefits a corporation’s financial performance. Hence,
they provided corporate management with an instrumental rationalization of their proposed issue, i.e. compliance with Global Compact Principles. They also gave an ethical rationalization thereby pointing to the role of the UN in protecting human rights, fighting corruption, and safeguarding the environment. The letter could however be extended by giving additional supportive arguments such as pointing to successful case studies of how the Global Compact has assisted other companies in advancing their ESG performance. This could be equally promising in raising the level of corporate management’s attention devoted to complying with the Global Compact Principles.

Frame issue as incremental: Framing an issue as incremental was found by Dutton and colleagues (2001) as another important indicator for a seller’s success in attracting top management’s attention. It refers to the actual size of the change implied by an issue (ibid., p. 722). This observation thereby supports Weick and Quinn’s (1999) call for a stronger focus on the small micro-processes of organizing as source of organizational change (see also Weick, 1984). Moreover, Plowman and colleagues (2007) just recently provided a case study in favour of Weick and his colleague’s argument and showed how small changes in organizational behaviour amplify and lead to ‘continuous radical change’. We imagine at least two aspects that may explain the selling success of issues framed as incremental. First, issues that imply small organizational changes may appear easier to grasp, better to understand, and thus also less difficult to resolve than issues that imply full-scale, organization-wide changes. Once top managers feel capable of resolving an issue in terms of e.g. authority, resources, and access, their perceived responsibility for an issue is likely to increase because others might call them into account as being in control of that issue (Sillince and Mueller, 2007). Second, issues that imply small organizational changes are less perceived as ‘threats’ to individual and collective self-esteem. Rather, organizational members may feel comfortable in handling those issues and are thus more tempted to interpret incremental issues as ‘opportunities’ to receive positive work credits and advance their career. Issues that were negatively associated with ‘threat’, or ‘weakness’ can suddenly become positive sources of organizational change (Weick, 1993/2001). In the context of responsible investment we believe that this framing tactic is of central importance. Responsible business behaviour is nothing that one can build overnight or ‘from scratch’; the number of alternative viewpoints of what is moral and amoral is countless and collective sensemaking a long and time-consuming process. An incremental approach that focuses on small steps can thus be essential if a richer understanding of corporate responsibility is desired. Unfortunately, most investor activities refer to large-scale organizational issues such as a corporation’s compliance with the Global Compact Principles (see Aviva’s letter) or a corporation’s compliance with ILO conventions (see Vandekerckhove et al., 2007). It appears rather unlikely that corporate managers will feel very comfortable in handling ‘compliance with Global Compact Principles’ or ‘compliance with ILO conventions’. Also, these issues are too broad to define clear roles and responsibilities so that in the end nobody may feel responsible for it. Although Aviva received a high number of responses from corporate managers indicating that they will take Aviva’s concerns seriously and strive towards a better compliance with the Global Compact Principles, it remains thus unclear if an actual change in corporate behaviour is going to follow.

In summary, it follows:

Proposition 1a: The more an institutional investor frames an issue by using the logic of a business plan, the greater the level of corporate management’s attention invested in the issue.

Proposition 1b: The more an institutional investor frames an issue as incremental, the greater the level of corporate management’s attention invested in the issue.
4.3.2. Impression Management

Institutional investors may alter the way corporate managers make sense of responsibility by choosing about how they behaviourally present themselves and their concerns vis-à-vis corporate management (Goffman, 1959; Schlenker, 1980). We argue that by using impression management techniques institutional investors are able to advance CSR by providing corporate managers with alternative images of how to make sense of the role institutional investors may play in ethical decision making. Impression management techniques may thereby help to raise corporate managers’ situational awareness and their willingness to question or maintain long-held expectations such as the expectation of ‘amoral’ investors. Hence, the logic underlying impression management is equally one of ‘attraction’.

Impression management techniques can affect the image that corporate managers have in mind when dealing with their shareholders in a number of ways. Their objective, as stated earlier, is thereby to increase the investor’s credibility vis-à-vis corporate management so to ensure a productive joint collective sensemaking. Drawing in large upon insights from Goffman (1959), Schlenker (1980), and in part also from Dutton and Ashford (1993), we chose the following three tactics as relevant for closer examination in the context of responsible investment: ‘organization’s self-description’, ‘individual versus team performance’, and ‘authenticity’.

**Organization’s self-description:** The most obvious form of self-presentation is stated in an organization’s verbal self-description. Organization’s self-descriptions are “descriptive statements made by an actor that describe various aspects of an organization to which he or she belongs” (Gardner and Martinko, 1988, p. 332). Gardner and Martinko (1988) thereby clarify the link between the individual and the organizational level as follows: “…the descriptions that members provide of their organizations reflect upon themselves and are thus important self-representational behaviors” (p. 331). A main problem in the context of responsible investment is that corporate managers often view their shareholders as purely financially oriented and thus, do not incorporate them into the decision making process that affects CSR. To make the claim of corporate change effective thus implies that institutional investors have to provide corporate managers with an alternative image that stresses their role in CSR related decision making. Most institutional investors active in the responsible investment industry mention on their mission statements their concern for environmental and social issues. As such, they provide corporate managers with ‘textual content’ about their prevailing values. However, less clear is the picture of how they integrate ESG concerns into their own operational activities. This however would be essential as it provides corporate managers with a clearer idea of an investor’s own exposure to responsible business conduct. It would also help to clarify why institutional investors think they have a legitimate stake to be included in ethical decision making. A good example is here again Hermes’ public self-description that clearly advocates Hermes’ role as steward of their beneficiaries’ wealth. By speaking of assets under ‘stewardship’ (see Davis et al., 1997) instead of assets under ‘management’ they take a stand and present themselves as collectively oriented institutional investor. As such they intentionally relabelled their activities as fund managers to signal to corporate managers that they are not only interested in advancing a corporation’s attention to CSR but also they tie responsible thinking with inner actions. The new label can thereby be considered as a self-fulfilling prophecy that organizational members of the fund will use to make sense of their activities (Weick, 1985/2001, p. 49). But also, it can serve as ‘tool’ to create a vision that corporate managers use as a new source of order that will change their previously held role expectation of Hermes; and thus, it may increase their willingness to listen to Hermes’ advice on how to improve CSR management: “The key event in a self-fulfilling prophecy involves an expectation that causes an envisioned situation to materialize. Prophecies, therefore become tools of design” (Weick, 1993/2001, p. 67).
Individual versus team performance: An observation taken from impression management literature is that organizational actors choose to perform individually or in teams. Goffman (1959) for example finds that actors often bundle their self-presentations into team performances. In a similar argumentation, Dutton and Ashford (1993) argue that issue-sellers engage in “selling solo or with others” (p. 417). They thereby propose that forming a coalition to promote an issue is positively linked with an issuer’s selling success. Especially support from ‘outsiders’ is considered to have a positive influence on the selling success (Dutton et al., 2001). Issue-sellers should thereby concentrate on “articulate, persuasive sponsors who can make the case” (Burgelman and Sayles, 1986, p. 89, cited in Dutton and Ashford, 1993) if they wish to increase the perceived importance of an issue. This is line with Weick’s (2007) article on the ‘Generative Properties of Richness’ in which he argues that the more people can draw plausible stories from an issue, i.e. the richer it is, the more likely they will be able to make sense of it. Also, coming from an impression management perspective, team performance symbols more acceptance of an issue. In this regard, Dutton and Ashford (1993) point to the risk that an issue seller is likely be seen as a ‘deviant’ (p. 418) by top management if being the sole voice for an issue. Dutton and Ashford (1993) however emphasize that involving others when selling an issue might also pose a risk on a seller’s credibility vis-à-vis corporate management. If, for example, one team member is not perceived as trustworthy this negative image is likely to shadow on the other team members.

In the context of responsible investment the choice whether to engage in individual versus team performance may differ according to the preferred responsible investment strategy. When screening, for example, SRI investors tend to engage in individual performances because each screening approach can be considered as a self-presentation technique that aims at distinguishing oneself from other SRI investors. While some investors may choose to concentrate on environmental issues, others such as the Pax World Fund may screen companies primarily after their engagement in the weapon industry. In the context of engagement and activism however, institutional investors are likely to perform in teams. They come together in so-called collaborative shareholder engagement initiatives and e.g., write joint letters to corporate managers. A platform that organizes these initiatives can be found at the Principles of Responsible Investment (PRI), an investor initiative to promote socially responsible behaviour. A couple of years ago, PRI launched its ‘engagement clearinghouse’, a web-based portal designed to coordinate shareholder collaboration. This platform provides shareholders with a ‘meeting point’ where they can raise issues of concern and discuss possible engagement strategies with other like-minded investors. Institutional investors are thus given the opportunity to enrich an issue with multiple viewpoints, and to share experience with colleagues on past engagements. Hence, the PRI is a great platform for institutional investors to bundle their self-presentations in a way that enriches the nature of an issue, makes the issue more legitimate, and thus might affect corporate management’s way of seeing their shareholders.

Authenticity: Authenticity is the last impression management technique that we discuss in our study and refers to “the degree to which the performance is consistent with the actor’s self-concept” (Gardner and Martinko, 1988, p. 333). Authenticity as success factor for gaining positive credits from the audience may appear obvious at first glance. However, Schlenker (1980) finds several cases in which actors misrepresented themselves. Goffman (1959) thereby emphasizes that especially in situations that are characterized by high equivocality and a lack of social order actors feel safe deviating from their self-concepts. As such, their performance before the audience differs from their self-description. In the realm of CSR Ciulla (2005) has likewise noted that often corporation ‘do not walk their talk’. Corporations would use their self-descriptions (their talk) purely as ‘window-dressing’. However, the question is what comes first. Taking into account that sensemaking is inherently retrospective Weick (1995) argues that instead of ‘walking the talk’ people should be more concerned with ‘talking the walk’. Assuming that people are always
‘thrown in the middle of things’ the more reasonable way of deriving authenticity would be “to search for words that make sense of current walking that is adaptive for reasons that are not yet clear” (p. 183). What does this imply for the context of responsible investment? It implies that institutional investors should be foremost concerned with their walk and then search for words that make sense of their actions in front of corporate management. An institutional investor who does not integrate ESG metrics into his own core business, i.e. investment analysis, is unlikely to derive authenticity from telling corporate managers to integrate ESG considerations into their core businesses. Rather, such behaviour will reinforce the image of an amoral investor as the ethical claim is not taken as credible. In such a case, any shareholder engagement for CSR could be considered as an ‘inconsistent talk of the walk’, and thus may destroy an actor’s authenticity. In such a case, any shareholder engagement for CSR could be considered as an ‘inconsistent talk of the walk’, and thus may destroy an actor’s authenticity. It thus becomes essential for the institutional investor to reflect at first instance what exactly he is doing to make sense of responsibility before he approaches others with ethical claims. In particular we believe that the integration of ESG issues into the investment analysis, i.e. following an enhanced analysis strategy is essential for developing mutual trust in the relationship between corporate managers and investors in the context of responsible investment. It can be considered a necessary condition for any further engagement and activism strategy if institutional investors want to appear authentic in front of corporate management.

In summary, the following propositions can be derived:

**Proposition 2a:** The more an institutional investor’s self-description is aligned with an issue, the greater the level of credibility that he gains when selling an issue in front of corporate management, and thus the greater the level of corporate management’s attention to the issue.

**Proposition 2b:** The more an institutional investor collaborates with other investors to sell an issue, the greater the level of credibility that he gains when selling an issue in front of corporate management, and thus the greater the level of corporate management’s attention to the issue.

**Proposition 2c:** The more an institutional investor’s performance on an issue is consistent with his self-concept, the greater the level of credibility that he gains when selling an issue in front of corporate management, and thus the greater the level of corporate management’s attention to the issue.

5. Implications for Practitioners and Researchers

We argue that it is fundamental for institutional investors to understand that an investor’s role in advancing CSR is not one of telling corporations what to do (logic of replacement), but one of telling them how to be (logic of attraction). So far, most change initiatives by institutional investors have been primarily concerned with some kind of advice regarding what corporations should and should not do. For example, institutional investors would tell companies to improve their environmental policies. Hence, these initiatives predominantly focus on CSR as an inventory of activities (see Basu and Palazzo, 2008). A corporation’s ‘attentional resources’ such as underlying values and beliefs that triggered these CSR activities in the first place however remain unaffected.

In our analysis we introduced two comprehensive techniques that we considered as adequate for focusing a corporation’s sensemaking of CSR related issues: issue-selling and impression management. We thereby argued that the way an institutional investor packages an ethical concern is likely to affect how corporations will notice it. Also, we showed
that the way institutional investors present themselves will affect their attractiveness as a trustworthy partner in corporate decision making. At this point, we like to enlarge on two of the identified tactics of issue-selling and impression management: ‘package your issue as incremental’ and ‘be authentic’.

To package an issue as incremental is essential when institutional investors want to advance CSR because it reduces the complexity of a phenomenon called CSR to a manageable unit. When institutional investors are interested in changing corporate behaviour they need to acknowledge first that their counterpart must recognize its own role and responsibility in becoming part of this change. Hence, when talking to corporate management, institutional investors need to activate a corporate manager’s attention to an issue, and his willingness and curiosity in becoming the first in implementing it. According to Weick (1979) “[r]epeated failure of organizations to solve their problems are partially explained by their failures to understand their own prominence in their environments. Problems that never get solved, never get solved because managers keep tinkering with everything but what they do” (p. 152, emphasis in the original).

Authenticity refers to the process of aligning an individual’s performance with his self-concept. To become authentic thus implies that an institutional investor should engage in an ongoing critical reflection on what responsibility means in his respective work environment. A dominant short-term orientation of fund managers, short-term oriented incentives schemes, and a lack of enhanced analysis strategies, indicate that institutional investors still seem to separate their thinking of responsibility and their acting upon it. As such, it would not be surprising if corporations were still rather reluctant to incorporate their investors into ethical decision making. For institutional investors to be able to reflect on their own notion of responsibility it would thus be useful to engage with external bodies such as Mercer Investment Consulting that may provide the investor with a different perspective of how they think the investor’s self-concept is aligned with its performance. Also, it would be helpful for institutional investors to use the PRI portal not only for pursuing collaborative shareholder engagement initiatives, but also to build communities where they can share and reflect upon their respective responsible investment practices.

Our conceptualization of institutional investors as ‘transformational leaders’ thereby sheds a new light on the role of institutional investors in driving CSR. Scholars may for example be interested in deepening the link between research on responsible investment and organizational change literature; or, in finding out more about how the different roles of institutional investors (viewed as change agents) are linked to varieties in CSR outcomes. As we presented only selected aspects of issue-selling and impression management, scholars may also be interested in analyzing alternative issue-selling techniques such as ‘issue bundling’ (see Dutton and Ashford, 1993) or further impression management techniques such as ‘tone of voice’ (see Schlenker, 1980).
Appendix

Aviva’s letter to Global Compact participants

Final Letter to Global Compact Participants

Dear <<<<CEO>>>>,

Re: <Company Name’s> Global Compact Signatory Status

As signatories to the UN Principles of Responsible Investment (PRI), we have been examining the companies that have signed up to the UN Global Compact - one of the PRI’s founding institutions. Many of us make explicit reference to the Global Compact in our investment policies.

We believe that the Global Compact has improved the quality of the debate surrounding corporate impacts on human rights, labour standards, and the environment. We consider these issues to be potentially significant for business performance. As a result, we see a corporate commitment to adhering to the Global Compact as a positive public statement, and believe that it deserves our support.

As existing or potential investors in your company, ... [[[Then one of the five following paragraphs.]]]

[[[1. To companies that have submitted exemplary COPs:] ]]

... we would like to take this opportunity to congratulate <name of company> on being selected by the Global Compact as having submitted a notable Communication on Progress (COP). We welcome this accolade, which demonstrates a serious commitment to responsible corporate practices.

[[[or 2. To group companies that have become ‘non-communicating’: ]]]

... we note from the Global Compact database that <name of company> may no longer be in full engagement with the Compact. The database shows that you have been designated as a ‘non-communicating’ member. We urge you to re-engage with the Global Compact as soon as possible to avoid further measures that may ultimately result in expulsion.

[[[or 3. To parent companies where subsidiaries have become ‘non-communicating’: ]]]

... we note from the Global Compact database that <name of company> may no longer be in full engagement with the Compact. The database shows that your subsidiary has been designated as a ‘non-communicating’ member. We urge you to ask your subsidiary to re-engage with the Global Compact as soon as possible, in order to avoid further measures that may ultimately result in expulsion. We would also request that you consider signing the Global Compact on behalf of the company group.

[[[or 4. To group companies that have become ‘inactive’: ]]]

... we note from the Global Compact database that <name of company> may no longer be in full engagement with the Compact. The database shows that you have been designated
as an ‘inactive’ member. We urge you to submit a Communication on Progress as soon as possible to avoid losing participant status.

[[[or 5. To parent companies where subsidiaries have become ‘inactive’:]]]

... we note from the Global Compact database that <name of company> may no longer be in full engagement with the Compact. The database shows that your subsidiary has been designated as ‘inactive’. We urge you to ask your subsidiary to submit a Communication on Progress as soon as possible in order to avoid losing participant status. We would also request that you consider signing the Global Compact on behalf of the company group.

[[[Letter continues...]]] We recognise that reporting on the Global Compact principles can be time consuming. Nevertheless, a company’s ability to manage and mitigate exposure to social and environmental risk, and capture opportunities linked to these issues, is increasingly relevant to long-term financial success. The Compact provides a framework for companies to act on commitments to upholding human rights, promoting labour standards, protecting the environment and eliminating corruption. In so doing, it helps companies to maintain their licence to operate and protect shareholder value.

Yours sincerely,

Morley Fund Management, et al... (Note: Morley is now Aviva Investors)
References


