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The structuration of issue-based fields: Social accountability, social movements and the Equator Principles issue-based field

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ABSTRACT

This paper presents a longitudinal case study examining why and how commercial banks sought to integrate sustainability issues into their project finance operations between 2003 and 2008. We study the evolution of a set of influential environmental and social risk management guidelines for project finance – the Equator Principles (EP) – and the simultaneous structuration of a field around these guidelines focused on the issue of socially accountable project finance. The case is theoretically framed using Hoffman's (1999) concept of an issue-based field and associated conceptualisations of the role of internal and external (social) movements in the structuration of these fields. The structuration of the issue-based field studied is shown to encompass a dynamic, contested process involving extensive interactions between a non-governmental organization (NGO) movement and a commercial bank movement. We unveil how the conflicting, collective rationales and actions of both movements fuelled the structuration process and facilitated an evolution in the social accountability of commercial banks. While prior work sees little potential for civil society actors to engage with and move corporate social responsibility and reporting in a more challenging direction, we reveal how the NGO movement evoked a progression in social responsibility and reporting in a sector that had previously shown little inclination to address its wider social accountability. Drawing on our case analysis, we theorize how issue-based fields cohere and crystallise, particularly how they build an institutional infrastructure based upon the infrastructure of the mature field which they straddle and which the relevant issue impacts upon.

Introduction

In the wake of the 2008 financial crisis, the US Government's Financial Crisis Inquiry Commission indicated that one of its main causes was a collapse in accountability among some of the world's largest financial institutions. The Commission concluded that many industry leaders were lulled into taking unwarranted risks that ended up having devastating social consequences (Economist Intelligence Unit, 2012; Roberts & Jones, 2009). As a result, increased scrutiny of financial institutions' social licence to operate emerged, leading to escalating interest in examining their social accountability (Hopwood, 2009; McSweeney, 2009). While the financial crisis highlighted the adverse direct social impacts of certain financial sector activities, the sector's core lending and investment practices have long been seen to have indirect social (and environmental) consequences, particularly with respect to decisions to lend to or invest in entities whose operations may have damaging impacts on society and/or the environment (Scholtens, 2006, 2009). Although efforts to consider social and environmental

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impacts within lending and investment practices existed prior to the financial crisis (Coulson & O'Sullivan, 2014; Dejean, Gond, & Leca, 2004; Scholtens, 2006, 2009), we are limited in our understanding of the dynamics of these processes, such as why and how these processes emerged, how actors within and outside the financial sector interacted and influenced these processes, and the nature and extent of the institutional change they effected. In particular, we know little about the extent to which such change processes advanced social accountability in the financial sector.

This study attends to these change dynamics, and their effects. It investigates why and how commercial banks began to address sustainability issues in their 'project finance'[2] operations from 2003 onwards and how this was catalysed by non-governmental organization (NGO) campaigns promoting socially accountable finance. It further examines the effects these processes had on the project finance field and on commercial bank social accountability; particularly the evolution in the nature of commercial bank reporting on their environmental and social risk assessment processes. Specifically, we present a longitudinal case study examining the evolution and adoption of the Equator Principles (EP), a suite of environmental and social risk management guidelines for commercial banks' project finance activities. The Principles represent one of the most significant social accountability initiatives to have emerged within financial markets in the past decade. We examine the role of an NGO movement operating outside the mature project finance field and the role of a commercial bank movement from within this field in the structuration of a separate, but related, field focused on the issue of socially accountable finance – what we term "the Equator Principles (EP) issue-based field".[3] We simultaneously study how this process influenced how commercial banks adopting the Equator Principles (termed Equator Principles Financial Institutions (EPFIs)) addressed their social accountability.[4] The case is theoretically framed using Hoffman's (1999) concept of an issue-based field and associated conceptualisations of the role of internal and external (social) movements in the structuration of fields formed around key issues.

Our analysis unveils how the conflicting collective rationales and actions of the NGO and Equator Principles Financial Institution (EPFI) movements regarding the issue of socially accountable project finance shaped the Equator Principles (EP) issue-based field structuration process and an ensuing evolution in EPFI social accountability.[5] We offer a nuanced understanding of the dynamic, political and contested interactions between NGO and corporate movements in the structuration of (sustainability-related) issue-based fields, especially in financial markets (see, King & Pearce, 2010), and of how these interactions influence the construction of "new categories and standards of accountability" (King & Pearce, 2010, p.260). Drawing on our analysis, we theorize how issue-based fields cohere and crystallise, particularly how they evolve an institutional infrastructure based upon the infrastructure of the existing mature field which they straddle, and which the issue impacts upon.

We make a number of theoretical and empirical contributions to the literature. First, the extant literature provides rich agentic accounts of field structuration which emphasise the interplay between the notions of institutional entrepreneur, (collective) rationality, logics, theorization, framing and diffusion, resource mobilization, collective action, and social movements in dynamic processes of field evolution and change (see, Hardy & Maguire, 2008; Schneiberg & Lounsbury, 2008; Wooten & Hoffman, 2008). However, this literature has predominantly focused on mature and emerging organizational fields (e.g. Dejean et al., 2004; Ezzamel, Robson, & Stapleton, 2012; Greenwood & Suddaby, 2006; Lounsbury, 2002; Purdy & Gray, 2009; Suddaby, Cooper, & Greenwood, 2007), with analyses of issue-based fields (Hoffman, 1999), and in particular how and why issue-based field structuration unfolds, remaining largely neglected. We contend that our focus on issue-based fields is important as it allows for a better understanding of how issues, in particular sustainability-related issues (in our case, the issue of socially accountable finance), affect and are affected by mature fields (here, the commercial bank project finance field), and of how separate fields can develop around specific issues yet continue to influence, and be influenced by the mature fields they impact on. Given the prominence of sustainability issues in contemporary societies and markets and the prevalence of a wide-range of issue-specific corporate sustainability principles, standards and codes of conduct throughout these contexts, we contend that it is necessary to analyse the emergence of such phenomena in depth in order to better comprehend how sustainability issues are infiltrating mature (corporate) fields and affecting corporate social accountability processes. Our analysis extends Hoffman's (1999) study of how the issue of corporate environmentalism was interpreted and addressed by the US chemical industry and his theorisation of how fields develop around issues as opposed to markets or technologies. Moreover,

[2] Project finance is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure to default. It can involve the financing of the construction of a new capital installation, or the refinancing of an existing installation, with or without improvements. The borrower is usually a Special Purpose Entity (SPE) which is not permitted to perform any function other than developing, owning and operating the financed installation. As a consequence, the repayment depends primarily on the project's cash flow and on the collateral value of the project's assets (Equator Principles II, 2006).

[3] "An organizational field is composed of sets of institutions and networks of organizations that together constitute a recognizable area of life" (Maguire, Hardy, & Lawrence, 2004, p.657). An *issue-based* field is formed around an issue, as opposed to common technologies or industries, and brings disparate groups together (Hoffman, 1999). We view field structuration as an on-going, iterative process between field institutions/structures and agency which is reflected in the nature of the inter-organizational infrastructure (common meaning, relational and operational systems) that arises at field level (Scott, 2008). We elaborate on these notions in the theoretical framing in the next section.

[4] Equator Principles Financial Institutions (EPFIs) are financial institutions that adopted the Equator Principles. EPFIs also encompass all of those financial institutions that were the initiators and original developers of the Equator Principles (who also went on to adopt the Equator Principles).

[5] Please refer to Appendix A for a list of the acronyms used throughout the paper.