



# ORGANIZING TRANSNATIONAL ACCOUNTABILITY

EDITED BY

Magnus Boström    Christina Garsten



# Organizing Transnational Accountability



# Organizing Transnational Accountability

---

*Edited by*

**Magnus Boström**

*Associate Professor in Sociology and Environmental Lecturer,  
Department of Life Sciences, Södertörn University College,  
Sweden*

**Christina Garsten**

*Professor in Social Anthropology and Research Director,  
Stockholm Centre for Organizational Research, Stockholm  
University, Sweden*

**Edward Elgar**

Cheltenham, UK • Northampton, MA, USA

© Magnus Boström and Christina Garsten 2008

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher.

Published by  
Edward Elgar Publishing Limited  
The Lypiatts  
15 Lansdown Road  
Cheltenham  
Glos GL50 2JA  
UK

Edward Elgar Publishing, Inc.  
William Pratt House  
9 Dewey Court  
Northampton  
Massachusetts 01060  
USA

A catalogue record for this book  
is available from the British Library

Library of Congress Control Number: 2008930894

ISBN 978 1 84542 901 0

Printed and bound in Great Britain by MPG Books Ltd, Bodmin, Cornwall

# Contents

---

<i>List of figures and tables</i>	vii
<i>List of contributors</i>	ix
<i>Foreword by Michael Power</i>	xv
<i>Acknowledgements</i>	xviii
<i>List of abbreviations</i>	xix
1 Organizing for accountability <i>Magnus Boström and Christina Garsten</i>	1
2 The United Nations – soft and hard: regulating social accountability for global business <i>Christina Garsten</i>	27
3 ISO expands its business into Social Responsibility <i>Kristina Tamm Hallström</i>	46
4 Organizing accountability in transnational standards organizations: the Forest Stewardship Council as a good governance model <i>Lars H. Gulbrandsen</i>	61
5 From accounts to accountability: corporate self-presentations in response to public criticism <i>Boris Holzer</i>	80
6 Watchdogs beyond control? The accountability of accounting standards organizations <i>Dieter Kerwer</i>	98
7 Boundaries of responsible buying: accountability for what and to whom? <i>Karin Svedberg Nilsson</i>	114
8 Rituals of legitimation: organizing accountability in EU employment policy <i>Renita Thedvall</i>	131
9 The political logics of accountability: from ‘doing the right thing’ to ‘doing the thing right’ <i>Jessica Lindvert</i>	147

10	Agenda setting for accountability: the Swedish code of corporate governance <i>Susan Marton</i>	160
11	Making it all publicly available: four challenges to environmental disclosure <i>Sander W.K. van den Burg and Arthur P.J. Mol</i>	177
12	Accountability, public involvement and (ir)reversibility <i>Linda Soneryd and Rolf Lidskog</i>	194
13	The antinomy of accountability <i>Luigi Pellizzoni</i>	210
14	The treadmill of accountability <i>Magnus Boström and Christina Garsten</i>	231
	Afterword: organizing transnational accountability <i>John W. Meyer</i>	250
	<i>Index</i>	255

# Figures and tables

---

## FIGURES

3.1 ISO in transition: the expansion of ISO from narrowly technical fields to broader fields with standards having public policy implications, leading to a change of legitimacy base	56
4.1 Forest area certified by major certification schemes, 1998–2006	70
7.1 Boundary setting and accountability	120
7.2 Organizational accountability between the self and the other	128

## TABLES

4.1 Two notions of accountability in non-state certification schemes	66
8.1 The European Commission's first proposal for a table on transitions between different labour market states and types of employment	136
8.2 Tables suggested by the French delegate on the transition between non-employment and employment contracts	137
8.3 A new proposal from the European Commission on a table on the transitions between non-employment and employment and within employment by type of contract	137
8.4 A new proposal from the European Commission on a table on transitions between non-employment and employment and within employment by contract status	141
8.5 Returning to the former table suggested by the European Commission on transitions between non-employment and employment and employment by contract status	142





# Contributors

---

**Magnus Boström** is Associate Professor in Sociology and Lecturer in Environmental Science at the Department of Life Sciences at Södertörn University College. He previously worked as Research Director at Stockholm Centre for Organizational Research (Score), Stockholm University. Magnus Boström studies environmental organizations, policy making, rule setting, and green political consumerism in various sectors. His research has focused on debate, collaboration and negotiations among various types of actors in environmental policy making and rule setting, and on the role of political, regulatory, discursive and organizational settings in such processes. He publishes in such areas as organization literature, political sociology and environmental sociology. His most recent book is *Eco-standards, Product Labelling, and Green Consumerism* (Palgrave Macmillan, 2008), which he co-authored with Mikael Klintman.

**Christina Garsten** is Professor and Chair in the Department of Social Anthropology, and Research Director at Stockholm Centre for Organizational Research (Score), Stockholm University. Her research interests lie in the anthropology of organizations and markets, with a current focus on new forms of regulation and accountability in the labour market and in transnational trade. Her particular research concentrations are the varieties of cultural articulation at the interface of market and community: organization and sociality. She has published in the areas of organizational culture, flexibilization of employment, and corporate social responsibility. Her most recent books are *Workplace Vagabonds: Career and Community in Changing Worlds of Work* (Palgrave Macmillan, 2008) and *Transparency in a New Global Order: Unveiling Organizational Visions* (co-edited with Monica Lindh de Montoya, Edward Elgar Publishing, 2008).

**Lars H. Gulbrandsen** is Senior Research Fellow at the Fridtjof Nansen Institute in Norway. He was a visiting scholar in 2007 at the John F. Kennedy School of Government, Harvard University. His research interests include transnational forms of governance, international environmental regimes, corporate social responsibility, and the role of science in environmental governance. He is the author of a number of recent journal articles, book chapters and reports on the emergence, organization and effectiveness of non-state certification, and eco-labeling schemes.

**Boris Holzer** is Assistant Professor of Sociology at the University of Lucerne, Switzerland. His research interests include political and economic sociology, social networks and globalization. Recent publications include 'Political consumerism between individual choice and collective action: social movements, role mobilization and signalling', *International Journal of Consumer Studies*, 30 (2006); 'Framing the corporation: Royal Dutch/Shell and human rights woes in Nigeria', *Journal of Consumer Policy*, 30 (2007); and 'Turning stakeseekers into stakeholders', *Business & Society* (Special Issue on the Politics of Stakeholder Influence, 2008).

**Dieter Kerwer** is Assistant Professor of International Politics at the Technical University in Munich, Germany. His major research interests are global and European governance, financial market regulation and organization theory. He is currently working on a book project on the role of global standards in the governance of financial markets. His recent publications include *Holding Global Regulators Accountable: The Case of Credit Rating Agencies*, Governance 18/3; *Rules That Many Use. Standards and Global Regulation*, Governance 18/4; and 'Global standards in action: insights from anti-money laundering regulation' (with Rainer Hülse), *Organization*, 14 (5), 625–642.

**Rolf Lidskog** is Professor in Sociology at the Centre for Urban and Regional Studies, Örebro University. His research interest is environmental policy and politics on an international and national level, especially the role of expertise in environmental politics. He is currently conducting research in three areas: international air policy, biodiversity and climate change adaptation. He has published extensively in academic journals on such topics as environmental sociology, environmental politics and policy making, science–policy relations and risk communication.

**Jessica Lindvert** is Senior Research Fellow and Associate Professor in Political Science at Stockholm Centre for Organizational Research (Score), Stockholm University. Her research interests include welfare policy, neo-institutionalism, public administration, gender politics and labour market policy. She recently published a book on the swift changes that have occurred in Swedish labour market arrangements over the past decade: *Hollow Labour Market Politics. Organization and Legitimacy in Sweden*. Her earlier work focused on the varieties of gender policy developments in Social Democratic and Liberal capitalist economies, a topic discussed in her thesis, *Feminism as Public Policy. Sweden and Australia 1960–1990* and in articles published in *Social Politics* and *Nordic Journal of Women's Studies*.

**Susan Marton** is Senior Lecturer at the Department of Politics and History, Karlstad University; and Researcher at the Center for Public Sector Research (CEFOS) at Göteborg University. Her research interests focus on the interplay between politics and economics and its expression in various public policy processes. Recently, this interest has included issues of corporate social responsibility, corporate governance and sustainable development. A further research interest, higher education and innovation policy, has led to contributions in *Transforming Higher Education: A Comparative Study* (Springer, 2006) and *Governing Knowledge: A Study of Continuity and Change in Higher Education* (Springer, 2005).

**John W. Meyer** is Professor of Sociology, emeritus, at Stanford University. He has contributed to organizational theory, comparative education, and the sociology of education, developing lines of thought now called sociological institutional theory. Since the late 1970s, he has done empirical research, and published many papers, on the impact of global society on national states and societies (some papers are collected in *Weltkultur: Wie die Westlichen Prinzipien die Welt Durchdringen*, Suhrkamp, 2005). Recently, he completed a collaborative study of worldwide science and its impact on national societies (Drori et al., *Science in the Modern World Polity*, Stanford, 2003). Another collaborative project, on the impact of globalization on organizational structures, has just been published (Drori et al., eds, *Globalization and Organization*, Oxford, 2006). He now studies the rise and impact of the world human rights regime, world curricula of mass and higher education, and the global expansion of higher education.

**Arthur P.J. Mol** is Chair and Professor in environmental policy at Wageningen University, the Netherlands. His research interests are in social theory and the environment, globalization, informational governance, greening production and consumption, and environment and development. His latest books are *Environmental Governance in China* (with Neil Carter; Routledge, 2007), *Partnerships, Governance and Sustainable Development: Reflections on Theory and Practice* (with Pieter Glasbergen and Frank Biermann; Edward Elgar, 2007) and *Environmental Reform in the Information Age: The Contours of Informational Governance* (CUP, 2008).

**Luigi Pellizzoni** is Associate Professor of Sociology of the Environment at the University of Trieste, Italy. His research interests focus on risk, environment, technology and participatory democracy. In the last years he has been dealing especially with the transformation of governance approaches and the implications of uncertainty for the science–policy interface. His recent publications include: *Sociologia dell'ambiente* (with

G. Osti; Il Mulino, 2008, 2nd edn); *La deliberazione pubblica* (ed., Meltemi, 2005); 'The myth of the best argument', *British Journal of Sociology*, 52 (1), 2001; 'Uncertainty and participatory democracy', *Environmental Values*, 12 (2), 2003; 'Knowledge, uncertainty and the transformation of the public sphere', *European Journal of Social Theory*, 6 (3), 2003; 'Responsibility and environmental governance', *Environmental Politics*, 13 (3), 2004; 'Revolution or passing fashion? Reassessing the precautionary principle', *International Journal of Risk Assessment and Management*, forthcoming.

**Michael Power** is Professor of Accounting and Research Theme Director of the ESRC Centre for the Analysis of Risk and Regulation (CARR) at the London School of Economics, where he has worked since 1987. He was educated at St Edmund Hall, Oxford and at Girton College, Cambridge and is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and an Associate member of the UK Chartered Institute of Taxation. He has also held visiting fellowships at the Institute for Advanced Study, Berlin and at All Souls College, Oxford (2000). He is a member of the risk management committee of the London School of Economics and, since May 2005, is a non-executive Director of St James's Place Capital plc, where he is Chair of the Risk Committee. His research and teaching focuses on regulation, accounting, auditing, internal control and risk management. His major work, *The Audit Society: Rituals of Verification* (Oxford University Press, 1999) has been translated into Italian, Japanese and French. His new monograph, *Organized Uncertainty: Designing a World of Risk Management*, was published by Oxford University Press in May 2007.

**Linda Soneryd** is Senior Research Fellow and Associate Professor in Sociology at Stockholm Centre for Organizational Research (Score). Her research interests are connected to risk regulation and experiments in public participation and deliberation in the fields of science and technology. She is currently interested in the genealogy of public participation methods (such as consensus conferences, citizen juries), how the methods are initiated and become established, the ideas and assumptions that underpin them, and how the ideas and organization of public participation change as the methods travel among different organizations. She has conducted empirical research on public consultations on nuclear waste siting, a dialogue project on mobile phones and health risks and on the ongoing debates about the co-existence between GM and conventional and organic farming. Soneryd has currently published in *Science, Technology & Human Values* and *Public Understanding of Science*.

**Karin Svedberg Nilsson** is Assistant Professor in the Department of Management and Organization at the Stockholm School of Economics and Senior Research Fellow at Stockholm Centre for Organizational Research (Score). Karin is interested in how boundaries, identities and accountabilities of organizations are being constructed – and why. She has previously published on these issues in relation to market reform, procurement and CSR. Another research interest is governance and control within and across organizations, in the form of rules, for example, or in the case of public–private partnerships.

**Kristina Tamm Hallström** is Senior Research Fellow at Stockholm Centre for Organizational Research (Score) and Lecturer in Management at the Stockholm School of Economics. Her research interests are in organization studies of rule-setting processes. She has published internationally on the establishment of legitimacy, and on power within international standard-setting processes, with investigations into such areas as financial accounting, quality management and corporate social responsibility. Her most recent book is *Organizing International Standardization* (Edward Elgar, 2004), and she and Magnus Boström are currently working on another book: *Hidden Power Struggles – The Cases of ISO, FSC and MSC* (preliminary title, Edward Elgar, 2009).

**Renita Thedvall** is Senior Research Fellow in Social Anthropology at Stockholm Centre for Organizational Research (Score), Stockholm University. Her research interests lie in policy processes, bureaucratic practices and organization studies. She has a particular interest in the construction of markets, social and working-life issues. Recent publications include her dissertation, *Eurocrats at Work. Negotiating Transparency in Postnational Employment Policy* (Stockholm Studies for Social Anthropology, 58, 2006) and chapters in *Observing Government Elites. Up Close and Personal*, edited by R.A.W. Rhodes, P. 't Hart and M. Noordegraaf (Palgrave Macmillan, 2007) and in *Transparency in a New Global Order: Unveiling Organizational Visions*, edited by Christina Garsten and Monica Lindh de Montoya (Edward Elgar Publishing, 2008).

**Sander W.K. van den Burg** is Senior Researcher at the Environmental Policy Group, Wageningen University. His research interests lie in the changing distribution of power and responsibilities between state, corporations, civil society and citizen-consumers, and the emergence of new arrangements for environmental governance. His PhD research, completed in 2006, focused on the changing role of information in environmental governance and featured case studies on energy monitoring, labelling and disclosure. His research interests have remained constant over time, and his current research

tackles them by analysing the changes in sustainable consumption policies, as part of the Contrast research project ([www.contrast-research.nl](http://www.contrast-research.nl)) and by further research on disclosure schemes, in various national and international settings.

# Foreword

---

It is conventional to attribute the explosion of interest in accountability, both scholarly and practical, to the growing empowerment of new groups, the rise of human rights and increasing consumerist confidence in advanced economies. In the post Enron world leaders of all kinds are now under suspicion, almost guilty until proven innocent, and an active media has created new reputational anxieties for a wide variety of organizations under pressure to account for their activities in areas such as corporate social responsibility, governance and financial propriety, and security and risk management. Yet, despite this expanded interest in accountability, there seems to be no obvious consensus about what it is. Accountability is sought, resisted, disputed, is deficient, fails, disappoints, and is then sought again despite the fact that it proves difficult to define clearly and univocally. And it seems as if this ambiguity of the concept has been important to its elevation as part of a moral vocabulary for organizations and individuals.

Values and norms like accountability are often discussed as if they had a life of their own, operating at the ideational level of moral and political philosophy. Here the analytical imperative is to get definitions of terms as clear as possible before the last resort of concluding that they may be 'essentially contestable'. A contrasting approach begins from the fact that values are embedded and expressed in material practices. Such an approach avoids, at least temporarily, the problem of definitions by attending to the way ideas of accountability are realized in concrete arenas. In short, it refuses to be dazzled by the noun and begins to look at how accountabilities are *organized*.

Once the idea of accountability is liberated from any essentialist perspective and from the illusion that the term refers to a consensual object, then the agenda for enquiry is a rich one indeed, as the different chapters in this edited collection clearly show. For example, calls for accountability are significant and powerful in shaping normative conceptions of what it is to be an 'actor'. Demands for accountability may lead to highly precise forms of due process but they may also intensify the 'responsibilization' of organizational participants. And if the mobilization of accountability has consequences like this for agency and identity, it follows that we must study it 'where it happens' and where it materializes. From this point of view



definitions of accountability are emergent, a product of the different struggles and compromises of organizing in its name.

A variety of tools and instruments make accountability 'real' and play important roles in 'performing' and defining accountability relationships from the bottom up. Indicators, accounting statements, certificates and labels do not passively implement stable ideas of accountability, but have the potential to construct such understandings and make visible new relationships between actors. Furthermore, it is widely acknowledged that tools like financial accounts make some accountability relationships visible at the expense of others. Challenging dominant conceptions of accountability is therefore not simply a matter of argument, but involves the strategic introduction of counter-accounts with the potential to 'kick-start' new organizational discourses.

Struggles over accountability are in large part struggles over the design of tools which represent some groups and exclude others. Understanding the organized nature of accountability requires that audit reports, labels and evaluations are themselves evaluated in terms of their potential to expand the richness of accountability or to create dead ends which make actors timid and fearful, rather than productive. This point of view forces us to analyse how 'principals' and 'agents' get defined and realized in contested historical contexts, rather than viewing these categories as elements of a formal puzzle.

The focus on the organized character of accountability also directs our attention to the many organizations now involved in the production of guidance and norms. The growth of recipes for how to be a good organization across many different dimensions has created a sense that compliance with norms is an end in itself. There is anecdotal evidence that accounting standard setters have more regard for observing the precepts of a conceptual framework, rather than being responsive to industry. Within the risk management field, standards of practice have become *de facto* sources of authority – representations of 'best practice' to which organizations feel accountable.

There is a close and much discussed relationship between accountability and transparency, which becomes yet more complex at the level of organizing and specific practices. For example, interpretations of transparency as 'openness' may be unproblematic at a conceptual level, but are fraught with difficulty in practice. Bentham's view that 'the more we are watched the better we behave' has limited appeal in contexts where accountability depends on deals and negotiation, and where auditing and surveillance can be counterproductive. Modes of openness can empower some participants and exclude others with unintended consequences, as has been the experience with Freedom of Information legislation. Intended as a tool of

democratic citizenship, it is often a resource for muckraking journalists in search of a story. Mechanisms of accountability and transparency can therefore be quickly discredited in organizational settings, despite the best intentions of their designers.

The different chapters of this book deal with these and other complexities of organizing accountability, not least the potential pathology of societies which invest more in account-giving than doing, which produce quality labels which are immediately compromised by small print, and which create forms of 'transparency' which are impossibly costly for most people to interpret. How we are perceived, as organizations and individuals, rather than what we do, has come to be a major preoccupation in late modern societies. Even the regulatory institutions built to serve better accountability, and dedicated to the production of social and economic trust, also look over their shoulders at the different constituencies which might hold them to account and subject them to blame. The response is, to adapt a phrase from Ian Hacking, an 'avalanche of norms' which seems to have its own momentum and logic.

All this means that the process of organizing accountability is one of the most significant topics of our age, touching nearly everyone. This book deserves a wide readership for that reason alone.

Michael Power  
London, November 2007

# Acknowledgements

---

There is a sense in which the crafting and diffusion of catchwords and doctrines say something important about our times. Calls for ‘accountability’ are now rampant. What do they express about our world today? What do they imply for people and for organizations? And how are they organized? This book was born of an interest in questions of this kind, an interest that we share with many colleagues. We believe that through the close examination of current key ideas like accountability, we can generate some understanding of the dominant narratives, normative claims and organizing metaphors that influence contemporary organizations.

This book was built through close and intensive discussions with our co-writers. We are grateful to all of them for their contributions – for their ideas and for their constructive criticism of the various versions of text. The writing of this book has indeed been a collegial venture.

We have also benefited greatly from the support and critical eyes of our colleagues at Stockholm Centre for Organizational Research: Score. We consider the theme of this book to be tightly linked to the core of Score’s main research interests and activities, which has enriched the discussions around our arguments.

Several colleagues outside of Score have also been influential in the process of fashioning ideas. Our colleagues at Södertörn University College and at the Department of Social Anthropology, Stockholm University have contributed their fresh perspectives. Likewise, we have benefited greatly from the stimulating contact with colleagues at Stanford University, the London School of Economics, and Cambridge University.

Some of the ideas in these chapters were tested at the conference of the European Group for Organizational Studies (EGOS) in Bergen in 2006. Our co-organizers, Chris Grey and Bas Koene, and all the participants at the session Organizing Accountability, contributed in valuable ways to the discussion. As it turned out, accountability for this book is nested into several relations and milieux. Finally, we are grateful for the ambitious and careful language editing of the entire manuscript by Nina Colwill.

Magnus Boström and Christina Garsten  
Stockholm

# Abbreviations

---

AF&PA	American Forest and Paper Association
AICPA	American Institute of Certified Public Accountants
AMS	Arbetsmarknadsstyrelsen (National Labour Market Board)
AMV	Arbetsmarknadsverket (National Labour Market Administration)
ATFS	American Tree Farm System
BCCI	Bank of Commerce and Credit International
CI	Consumers International
CSA	Canadian Standards Association
CSR	Corporate Social Responsibility
DC	Developed Country
DIK	Union for Documentation, Information & Cultural Employees
DQA	Data Quality Act
Ds	Departmentsserien (Departmental Series)
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
EPER	European Pollutant Emission Register
FASB	Financial Accounting Standards Board
FSC	Forest Stewardship Council
GAAP	Generally Agreed Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	General Accounting Office
GRI	Global Reporting Initiative
ICC	International Chamber of Commerce
ICT	Information and Communication Technologies
IGO	Intergovernmental Organization
ILO	International Labour Organization
IOE	International Organization of Employers
IPPC	Integrated Pollution Prevention and Control
ISEAL Alliance	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization

ISO 9000	The ISO standard series on quality assurance and quality management
ISO 14000	The ISO standard series on environmental management
ISO 26000	The (future) ISO standard on social responsibility
ITUC	International Trade Union Confederation
KBS-3	The acronym for the method suggested by SKB. KBS stands for Kärnbränslesäkerhet (Nuclear Fuel Safety)
LO	Swedish Trade Union Confederation
MAD	Multiple Accountabilities Disorder
MBA	Master of Business Administration
Milkas	Miljörelsens kärnavfallssekretariat
MSC	Marine Stewardship Council
NEA	Nuclear Energy Agency
NGO	Non-governmental organization
OECD	Organization for Economic Co-operation and Development
OMB	Office of Management and Budget
PCAOB	Public Company Accounting Oversight Board
PEFC	Programme for the Endorsement of Forest Certification schemes
RDD	Research, Development and Demonstration
SEC	Securities and Exchange Commission
SFI	Sustainable Forestry Initiative
SKB	Svensk Kärnbränslehantering AB (The Swedish Nuclear Fuel and Waste Management Co.)
SKI	Statens kärnkraftinspektion (Swedish Nuclear Power Inspectorate)
SMO	Social Movement Organization
SOU	Statens offentliga utredningar (Swedish Government Official Reports)
SR	Social Responsibility
SSI	Statens strålskyddsinstitut (Swedish Radiation Protection Authority)
SSRO	The stakeholder group Service, Support, Research and Others
TCO	Swedish Confederation of Professional Employees
TNC	Transnational Corporation
TRI	Toxics Release Inventory
UN	United Nations

UNECE	United Nations Commission for Europe
WHO	World Health Organization
WTO	World Trade Organization
WWF	World Wide Fund for Nature



# 1. Organizing for accountability

**Magnus Boström and Christina Garsten**

---

## INTENSIFYING PRESSURES FOR ACCOUNTABILITY

Accountability is one of the grand catchwords of contemporary politics and organizational life. Nongovernmental organizations, social movements, journalists, policy debaters and engaged citizens report and protest about the misdeeds of powerful organizations and call for ‘greater accountability’. For their part, large organizations including states, transnational corporations (TNCs) and intergovernmental organizations (IGOs) appear more and more willing to speak in favour of accountability. They want to show that they are responsible; that they really have considered the views of the poor, the vulnerable and the damaged; and that they have the best intentions and will strive to avoid unwelcome side effects. Yet, what does such commitment mean in practice? Accountability is a sought-after ideal, yet a fuzzy concept, leading to many definitional struggles: for whom and for what should the actor be accountable? In a transnational political and organizational context, accountability no longer merely concerns relationships between citizens and elected politicians, between elected politicians and public servants, or between corporate owners and management. The concept is widening and the accountability struggles in organizational and political life are intensifying.

Social, political, environmental and financial scandals fuel the demand for accountability. The trials surrounding Enron’s corporate scandal testify to the pressure to make organizations accountable for their misdeeds. In Sweden, the recent Skandia trials are a showcase for the need to identify responsible actors and require culprits to answer for the consequences of their misdemeanours. Increasing demands for accountability feed a rising supply of accountability tools and arrangements as well. An ‘accountability industry’ of standard setters, regulatory agencies and inspection regimes grows and develops its own interests, finding new arenas and formats for its operations (see, for example, Power 2007). In this category, we find international organizations such as the UN and the EU and such private organizations as the International Organization for Standardization (ISO), as well as



various nongovernmental organizations offering assistance, tools for implementation and verification and learning exercises for other organizations.

We see a parallel development at the individual level, with mentors, career coaches and training institutes catering to the needs of ‘responsibilized’ individuals. As individuals, we are faced with increasing demands for our individual accountability. We are taught the importance of being responsible citizens, partners and employees. Indeed, ‘responsibilization’ is a key feature of contemporary social and organizational life, with new ways of governing individual conduct (Grey 1997; Hodgson 2005). Not least, people in managerial positions are taught about the need to be responsible and accountable for their actions and decisions. During the trials of Enron and Skandia, for example, spotlights were placed on the senior managers responsible for the decisions leading to wrongful actions. Severe criticism was the response to the high compensation levels of ASEA Brown Boveri’s former CEO, leading him to leave the company and return more than half of his total compensation. In the aftermath, Chairman of the Board Peter Wallenberg published an article in the Swedish press with the telling title, ‘I assume responsibility’ (*Dagens Nyheter*, 3 April 2002, authors’ translation). Accountability is now perceived to be a favoured characteristic of individuals in both private corporations and public organizations.

This book focuses on the development of accountability tools and techniques and on the organizational arrangements and political struggles behind such endeavours, within an increasingly transnational context. How do organizations respond to demands for accountability? How is accountability itself defined, framed, formed and institutionalized in concrete organizational arrangements? What does accountability offer, in its concrete manifestations, for the taming of political and organizational elites, and what challenges and limitations appear on the way? Is accountability always desirable?

In this book, we argue for the relevance of a multidisciplinary approach, which adds an organizational perspective to the theoretical analysis of political accountability and, consequently, for a widening of the conventional understanding of the concept. The transnational aspect is key. The word ‘transnational’ generally denotes interaction that occurs across national boundaries and includes a minimum of one non-state actor. From this perspective, states are but one type of actor in global politics and regulation (Rosenau 2003; Djelic and Sahlin-Andersson 2006). Globalization processes present a fundamental challenge to the traditional territorial, state-centric notion of accountability. Many types of globalization processes – economic, political, cultural, ecological, technological processes, for instance – are at play here. They do not always walk hand in hand, but interact with each other in often unforeseen and incongruent ways. There is a tra-

ditional assumption behind political accountability: that elected politicians and those holding appointed offices at the nation state level should be able to provide reasons for their actions and decisions. And citizens affected by these actions and decisions should be able to apply negative sanctions and withdraw their electoral support. Accountability procedures are not always in tune with globalization processes and trans-boundary risks and problems. What if the problems originate far from the place where their effects are experienced: in another state, in another part of the world? And, what if the problems (and the greenhouse effect would be a good example) are created by all of us continuously, and will affect the planet for the next hundred thousand years? Who, then, is to blame?

Such questions invite us to a radical rethinking of accountability. This book does not argue for a precise new conceptualization of accountability. Rather, it highlights the many struggles involved in contemporary attempts to widen the scope of accountability on to the transnational scene and argues for the development of a theoretical sensitivity to these empirical processes. We do not pretend to provide readers with a new, ready-made theory on transnational accountability, but invite readers to rethink traditional notions of accountability, using insights from studies of current accountability practices. The authors in this book discuss challenges of accountability in their current manifestations, largely by using a qualitative case-study approach. Their chapters focus on the interplay between new organizational arrangements and accountability tools, techniques and definitions.

The many recent initiatives aimed at organizing for accountability occur within the contexts of globalization, increasing non-state authorities, growing interdependence among various types of organizations and the emergence of new multi-level ways to govern and regulate organizations. In this introductory chapter, we briefly relate the focus of our research topic to these more general trends and processes. The second section of this chapter addresses the definition and meaning of accountability. We then introduce three themes that cover the topics of this book: (1) new organizational arrangements; (2) tools, techniques and definitions; and (3) limits and challenges. Finally, we present the structure and content of the chapters of this book.

## **TRENDS: GLOBALIZATION, GOVERNANCE AND THE RESHUFFLING OF RESPONSIBILITIES**

The contemporary discourse and practice of accountability speak of larger trends in the shifting relations between polity and economy and of ideological changes at large. Globalization has transformed the meaning

of and the forms for the governance of economies. The regulatory capacities of nation states are being challenged by large-scale private corporations and the mobility of capital and information. The ascendance of liquid and transnational capital and organizational forms has produced regulatory voids that lie not only beyond states but beyond the international, interstate system (Sassen 1998). The mosaic of global life now shows a world where the centrality of the state has diminished and the structures of global politics are in flux. State action has become increasingly circumscribed by the appearance of new regulatory frameworks, regimes and institutions, by the incapacity to deal effectively with transnational extensions of corporate powers. All in all, the globalization of markets, the weakening of the political powers of the nation state and the growing importance of private authority structures on the global scene have helped place the problematics of accountability on the agenda. The widely endorsed normative idea of the duty of states to ensure accountability of state agencies and other organizations has become increasingly challenged by global forces (Held and Koenig-Archibugi 2005; Mason 2005). At the heart of this problematic lies the fact that the organizational processes and structures by which accountability is to be achieved are now being contested and refashioned.

The presence of the media in global markets and politics has also changed the situation for many organizations. Media reports of corporate misconduct, environmental destruction, violation of human and animal rights, child labour and the abuse of power by states, have contributed to a stronger demand for accountability. The logic by which the media operate demands actors that can be highlighted and used as reference points for more abstract and complex processes. Single organizations and single individuals within these organizations are great targets for accountability pressures, and make perfect figures in the logic of media and news reporting. Through this line of reasoning, we can see how the pressure for accountability also goes hand in hand with ideas of 'actorhood'. According to Meyer and Jepperson (2000), actorhood is one of the central notions of our times, and captures well the exaggerated expectations on agency that are placed on organizations and individual actors. Highly visible transnational corporations such as Shell (Holzer, Chapter 5), Nike, Unilever, IKEA and their top managers learn that they are easily targeted by transnational social movements and seek to develop accountability strategies to secure brand image and prevent damage to their reputations.

These trends bring about a gigantic ambiguity and confusion about the allocation of decision-making power, responsibility, legitimacy and expertise. But they also give rise to new structures of political participation, governing, communication and protesting. New ways for various societal

groups to interact on the transnational and local level are being negotiated, implemented and tested.

These trends have a two-edged link to accountability. On the one hand, pressures to develop joint responsibilities for public and private actors stimulate many attempts to institutionalize novel accountability arrangements, often on a global scale. While globalization and governance challenge a traditional territorially bounded form of accountability they simultaneously open windows for channelling new demands on both states and big businesses. As Keohane puts it, '[a]ction at a distance, and harm at a distance, are more feasible, and frequent, now than ever before' (2003: 151). Social movements engage in a kind of political globalization, critically responding to aspects of economic globalization; and big organizations – states, IGOs and TNCs – cannot avoid a recognition of their growing significance. States can no longer rely simply on the doctrine of sovereignty, but are forced to consider variants of 'external accountability' (Keohane 2003).

On the other hand, a number of governance theorists among other scholars stress the 'accountability deficit' or 'accountability gap' within the new arrangements (for example Pierre and Peters 2000; Rhodes 1997, 2000). This view is based on the notion that only state actors can be truly accountable, as they are under popular democratic control. Hence, problems arise when elected and formally accountable actors and institutions become dependent on non-accountable actors for the execution of public policy. In this muddle of complex, global relations among interdependent actors of various types, we may ask: 'Which groups are held accountable to whom, to what principles and in what ways?'

Addressing these and related questions first requires some discussion about the very definition and meaning of accountability.

## WHAT'S IN A WORD? 'ACCOUNTABILITY' AND ITS CONTOURS

It is not always easy to hold an actor accountable. To begin with, it is not always clear what 'being accountable' actually means, either in theory or in practice. There may be as many definitions of the concept as there are perceptions of what it may mean in practice. In a somewhat colloquial manner, we may speak about being accountable in terms of being subject to an obligation to report, explain, or justify something. To be accountable is to be answerable for something and to make that something explicable. In academic reasoning, the concept of accountability has been rooted partly in political science and the study of public administration and partly in streams of organization theory. Whereas accountability traditionally refers to a formal

relationship involving someone in a position of authority assigning to others or negotiating with others the performance of certain responsibilities, the term is now frequently used to describe situations in which the core features of an authoritative relationship and a formal process of enforcement are not necessarily present (Thomas 2003: 550). New perspectives on accountability quite dramatically extend its meaning, and scholars innovatively provide their own wider typologies. Traditional forms of accountability, such as 'hierarchical accountability', 'vertical accountability', 'legal accountability', 'democratic accountability', 'electoral accountability', 'fiscal accountability', 'internal accountability' and 'compliance accountability' are supplanted or supplemented by 'professional accountability', 'horizontal accountability', 'multi-stakeholder accountability', 'negotiated accountability', 'peer accountability', 'reputational accountability', 'market accountability', 'direct accountability', 'moral accountability', 'external accountability', 'performance accountability', 'reflexive accountability', 'fuzzy accountability', 'transnational accountability', 'global accountability' and several more variants (for example, Romzek, 1998; Keohane 2003; Considine 2002; Kearns 2003; Thomas 2003; Lovan et al. 2004; Benner et al. 2005; Newell 2005). Indeed, there is now a multiplicity of accountabilities to be dealt with.

Whereas conventional forms generally rely on mechanisms such as supervision, directives, monitoring, fiscal control and inspection, the recent development implies a shift in favour of output, outcomes, deference to expertise, deliberation and responsiveness to stakeholders, customers and clients. New perspectives on accountability give added significance to 'external' stakeholders, not merely to internally related 'principals' and 'agents'. New accountability tools abound in new types of regulations labelled 'voluntary regulation', 'soft regulation', 'self-regulation', 'co-regulation' and 'joint regulation'; and they are (too) often seen as signs of true responsibility-taking, *a priori*, by definition and without question.

Because it is often unclear in these new regulatory forms exactly how and by whom accountability should be put into action, there is a broad, firm consensus about the desirability and importance of accountability, coexisting with increasing disagreement about the meaning of accountability (Koppell 2005; Thomas 2003). New accountability tools and arrangements do not typically replace older ones, but lead to a web of accountabilities, which, in turn, creates greater and greater fuzziness. Against this fuzzy background, scholars aim to provide yet more typologies and definitions, with the aim of clarifying the 'true' nature of accountability. We doubt, however, that the problems with multiple accountabilities (Koppell 2005) can be effectively tackled by such means. Accordingly, our aim is not to provide nice typologies and exact definitions, but to suggest that *the*

*definition of accountability is itself part of many power struggles, framing activities and organizing efforts among a broad array of groups and organizations.* We are more interested in how the word ‘accountability’ and related ideas and terms (such as responsibility, responsiveness, transparency, answerability, justification, auditing) are used in mobilizations and power struggles among groups.

Keeping a degree of vagueness may actually be more fruitful for developing an understanding of the broader accountability game (Kearns 2003). Michael Power develops similar points in relation to the concept of auditing: ‘it is precisely this fuzziness in the idea of auditing that enables its migration and importation into a wide variety of organizational contexts. The ambiguity of auditing is not a *methodological* problem but a *substantive* fact’ (Power 1997: 6, emphasis in original). That said, we nevertheless wish to offer a few words on shared assumptions in the definition and meaning of accountability, in order to locate our discussion and encircle this broad problem area.

Most definitions of accountability relationships include the notion of an individual, group or organization making demands on another individual, group or organization to make a report – an *account* – of its activities. There is a request that people explain their actions. What have you done? Why did you do it? How did you do it? What are the achievements? How could this flaw occur? The party asking the questions – sometimes understood as the ‘principal’ – often has some form of authority in relation to the party that responds – sometimes understood as the ‘agent’. The responding actor must, to some extent, recognize the one making the inquiry. The responding actor should therefore have developed a preparedness, capacity and commitment to answer critical questions. Although this idea seems to fit the ‘principal–agent’ theory, it should be emphasized that much recent research on accountability extends the analysis to cover relationships that are not based on formal authority. ‘Weak’ social movement actors may request reports from ‘strong’ corporate actors, for instance, and this situation has been conceptualized as ‘external accountability’ (Keohane 2003). Although such actors are not internally organized or closely interdependent, the strong party may recognize the ‘moral authority’ (Hall and Biersteker 2002) of NGOs and social movement players.

The principal–agent terminology is often referred to in writings on accountability, and helps make interesting analyses of such problems as information asymmetry and conflict of interests or of the drawing of organizational boundaries (cf. Svedberg Nilsson, Chapter 7). Robert Keohane (2003) maintains that much of the politics of accountability involves struggles over who should be accepted as principal. He argues that we can speak of an ‘authorized or institutionalized accountability relationship when the

requirement to report, and the right to sanction, are mutually understood and accepted' (2003: 139) – when actors mutually accept each other as agent and principal. When actors such as social movement organizations (SMOs) seek to hold an agent accountable, they are denoted 'would-be-principals'. Yet, is the principal–agent terminology adequate for fully explaining the widening of the accountability struggles we are currently observing? In our view, the theory risks the overemphasis of a formal authority relationship, for example, and an asymmetric power relation in favour of the inquiring party. We find this distinction to be too narrow. *Organizing for accountability* can indeed include the development of shared expectations among various stakeholders that agree to develop standards, certificates, reporting procedures, peers and many other tools in their partly conflicting attempts to realize what they think is a good society, good practice and good life. But in various hybrid organizations – such as ISO and the Forest Stewardship Council (FSC) (see Chapters 3 and 4) – it is adequate to view the participants or members as *actors* on equivalent formal grounds (which is *not* to say there is balanced power symmetry in the relationship).

Furthermore, most definitions of accountability include some notion on control, auditing, monitoring and negative sanctions (for example Romzek 1998; Thomas 2003; Koppell 2005). Sanctions can range from such tangible penalties as loss of office or budget cuts, to such symbolic punishments as guilt, humiliation, assignment of blame or loss of reputation. There are many positive sanctions as well. *Organizing for accountability* establishes and institutionalizes mechanisms for auditing, monitoring, sanctions and complaint procedures.

Organizing for accountability is, moreover, about continuously managing and drawing and redrawing organizational boundaries: choosing between 'make' or 'buy', and thereby expanding or restricting the scope of accountability (Svedberg Nilsson, Chapter 7). Keohane's distinction between *internal* and *external* accountability highlights boundaries and the relational aspects of accountability. Keohane maintains that 'authorization' and 'support' are the bases for 'internal accountability'. Authorization is the process by which one entity authorizes another to act and thereby confers rights on the authorizer and obligations to the agent. Support can be political or financial. Authorization and support create capabilities to hold entities accountable because the principal is providing legitimacy or financial resources to the agency. The accountability is 'internal' because the principal and agent are institutionally linked. Keohane argues that '[i]n my view, however, the most serious normative problems arise with respect to what I call external accountability: accountability to people outside the acting entity, whose lives are affected by it' (2003: 141). In synthesizing, we could say that whereas TNCs are held internally accountable to their

shareholders, with greater or lesser success; whereas employees are held internally accountable to their employers, with greater or lesser success; whereas elected politicians are held internally accountable to their constituents, with greater or lesser success; and whereas public officials are held internally accountable to the elected politicians, with greater or lesser success; groups outside these big organizations face gigantic challenges to hold these diverse bodies *externally accountable*. As essentially all people in the world are affected by the operations of big organizations, the 'external accountability gap' cannot be anything but enormous (cf. Mason 2005). Likewise, the challenges to be faced in closing this gap are equally huge. Yet many organizations are sincerely engaged in striving to close such gaps, and we see much evidence of it in this book.

Another common and potentially useful distinction is the temporal one between *ex ante* and *ex post* dimensions of responsibility and accountability (for example, Pellizzoni 2004; Bexell 2005). Responsibility can be imputed before or after a situation has materialized. Bexell views accountability as retrospective, as concerning answerability, monitoring and sanctions; whereas responsibility is prospective and concerns expectations, obligations, duties, roles and tasks (cf. Lindvert, Chapter 9, who discusses accountability and responsibility in relation to auditing and corporatist arrangements). Pellizzoni (2004) sees accountability as *ex-post justification* of conduct, whereas the *ex-ante* dimension of responsibility is conceptualized as 'responsiveness', which is 'a receptive attitude to external inputs to help in deciding what to do' (2004: 557). Hence, *responsiveness* could be seen as a type of organized *ex-ante openness* towards all stakeholders. According to Koppell 2005, responsiveness turns accountability outward rather than upward. He speaks of responsiveness in relation to people's 'demands' or 'needs'; but in line with Pellizzoni's argument, one could add responsiveness in relation to people's 'voices' (see also Gulbrandsen, Chapter 4, who elaborates on the notion of accountability as responsiveness versus accountability as control).

This temporal distinction can be helpful for critical analysis – such as observing possible tradeoffs between *ex ante* and *ex post* dimensions – but should not be read in a strictly categorical sense. Even if accountability is oriented towards reporting, explaining and justifying *ex post*, the same actions require expectations, preparedness and commitments *ex ante*. Likewise, even if responsiveness is seen as an *ex ante* commitment to dialogue, it is meaningless if not realized in *ex post* conduct. An actor committed to responsiveness will face pressures to show this commitment in practice over time. Indeed, organizing for accountability essentially concerns mobilizing and governing *mutual expectations, capacities, preparedness and commitments ex ante*; and watching, monitoring, following up and



evaluating actual performance *ex post*. This temporal dimension is accentuated with an organizational perspective because organization is never a finite project, but involves the unfolding of structures and relations. Through organizing processes, actors are tied up in accountability arrangements that may be more or less lasting in time, and that involve agreement on the direction of accountability claims.

Finally, as mentioned previously, the transnational aspects challenge us to develop a non-territorial understanding of political accountability that accounts for complex chains of cause and effect, stretched in time and space. Organizing *transnational* accountability would then include such questions as how to represent, involve and empower ‘global affected publics’ (Mason 2005); and even unborn generations and non-human entities. We believe that notions such as external accountability and the temporal dimension are critically important to account for such a widening of the concept. Likewise, an organizational perspective is helpful in drawing attention to the structures and boundaries created on a variety of scales, levels and layers next to a nation state. Without insisting on a new accountability framework, therefore – a new synthesis – we hope to have highlighted some key accountability features that appear to be central in analyses of a broad accountability struggle. Now, we introduce three themes that cover central topics of this book.

## ORGANIZING FOR ACCOUNTABILITY: THREE THEMES

In this book, we are interested in reflecting on the various ways in which organizations organize to meet demands for accountability. Several scholars in organizational theory have contributed significantly to this area (see, for example, Boli and Thomas, 1999; Djelic and Sahlin-Andersson 2006; Power 2007). Building on these insights, we wish to narrow the focus to the organizational processes through which accountability is responded to or avoided, as the case may be. The processes whereby ideas of accountability are translated from the general discourse to local organizational forms are, by nature, varied and complex. Organizations may choose to follow certain rules, standards, or ready-made models of accountability, or they may choose to implement their own tools. They may opt to invent new forms for ensuring accountability, and enter into new constellations with other organizations. Although there are many ready-made formats offered, others crop up (cf. Brunsson 2000, Chapter 11).

In the following sections, we reflect on what we perceive to be three themes in organizing for accountability. Whilst these themes by no means

exhaust the field, they do provide three different perspectives or aspects of the organizational processes involved.

### **(1) New Organizational Arrangements**

A first attempt would be to investigate and theorize about political and organizational processes behind the emergence of accountability arrangements. Such a focus would include analyses of novel, established organizational arrangements aimed at mobilizing commitments and enforcing, introducing, implementing and administrating accountability tools and techniques. Which type of organization has sufficient power, willingness and expertise to enforce which type of accountability arrangement? An organizational perspective would include sensibility to power, framing struggles and organizational interdependencies. It would, for example, require that questions be posed around the development of shared commitments and expectations, the arrangement behind control mechanisms and complaint structures, a division of roles (such as the distinction made between standard setters, standard users, standard enforcers and standard supervisors; Kerwer, Chapter 6), the continuous managing and drawing of organizational boundaries (Svedberg-Nilsson, Chapter 7), the inclusion and exclusion of stakeholders within the arrangement (Tamm Hallström, Chapter 3; Marton, Chapter 10), the role of external spectators (Pellizzoni, Chapter 13) and the development of organizational capacity and willingness for responsiveness (Gulbrandsen, Chapter 4).

Some observations concerning the organization behind many novel accountability arrangements should be immediately emphasized. They concern the seemingly inclusive and consensus-oriented nature of many such arrangements. To be sure, many arrangements are far from inclusive; in contrast, they often reflect an established interest position and power asymmetries (for example, Marton, Chapter 10). Yet inclusiveness and broad participation is a sought-after ideal in transnational politics in general and within the corporate social responsibility (CSR) movement specifically. And, we may ask: 'Why this is so?'

It is a commonly addressed topic that individual organizations (corporate as well as state actors) are unable to deal independently with new problems surrounding quality, environment and ethics. Social and environmental complexities are too high, making it impossible to comprehend matters without expertise and lay experience from a variety of sources. Alternatively, or in addition, these big organizations face a legitimacy crisis; Shell, for example, experiences a shift from a 'trust me' to a 'show me' world (Holzer, Chapter 5). As a consequence, it faces difficulties informing others about measures taken in a credible way if it tries to do it without cooperation, or

without the inspection of external stakeholders. There is a need in many big organizations, therefore, to develop joint strategies with other types of organizations, like NGOs or SMOs. We are seeing new arrangements, with the attempt to organize the relationships among stakeholders in new ways, under such rubrics as ‘multi-stakeholder dialogue’, ‘extended stakeholder management’, ‘partnership’ and ‘joint policy making’. One key actor that actively spreads new norms and forms of cooperation is the UN. The UN, as the multilateral and representative type of organization it is, encourages a soft, consensus approach to accountability, and embodies such grand principles as ‘dialogue’, ‘partnership’ and ‘voluntarism’ (Garsten, Chapter 2). Similar norms are spread by other globally recognized standard-setters such as the FSC (Gulbrandsen, Chapter 4) and the ISO, which recently entered the field of CSR (Tamm Hallström, Chapter 3). Likewise, in the current literature on the CSR movement and NGO business partnerships, we note optimistic views on the development of new, inclusively organized accountability arrangements. Stakeholders such as NGOs and SMOs may be sources of new ideas, alternative knowledge, grand principles and critical thinking. NGO input may even benefit corporations:

The transactional corporate culture and the greater pressures of production time in a corporate world mean that it is impossible for corporations to achieve the same reflective depth, connections and understanding that the relationship civil society culture and longer time-horizons of a civil society world encourage. (Waddell 2000: 205)

In recent years, the notion of ‘partnership’ has evolved from a legalistic business concept into a more common usage as a general inter-organizational ideal for such inclusive arrangements. ‘The new era of partnership’ is evinced in the rise of public–private partnerships, a closer collaboration between NGOs and trade unions, between NGOs and corporations; and a number of coalitions, networks and alliances of various sorts. As noted by Murphy and Coleman (2000: 209), this notion is a carrier of many hopes: ‘The emergence of a global civil society based on partnership principles is now considered as one of the real hopes of democratizing the global political economy (De Oliveira and Tandon, 1994; Korten, 1998).’

In the pursuit of accountability for TNCs, partnership provides a vehicle for joint activities that may favourably influence the perception of all parties. Forming partnerships with NGOs is often perceived as a way for corporations to gain credibility. Despite the risks of working with partners with different priorities, senior corporate managers consider the idea of partnership to be a generally accepted and much-celebrated form of collaboration and governance. Inherent in the idea of partnership is also the notion that the relationship is a voluntary relationship between equal partners (Garsten 2004).

Including more actors in policy making or within organizational arrangements – such as in the FSC or ISO – may be seen to be intrinsically good, because, as we have seen, the inclusiveness ideal easily connects with democratic ideals around representation, deliberation and voluntary participation. Inclusiveness may also be seen as instrumentally good, because the inclusion of more actors is perceived as a promising way to solve complex problems. Inclusiveness can be seen as being instrumental for the mobilization of dispersed resources that are considered essential for the operations of the standard-setting body. Those who are included may have power resources such as finances, specific expertise or symbolic resources – resources such as ‘moral authority’ – that bring added value (see Boström 2006a, for an extended analysis). Or the cooperation – including the compromises, mutual respect and mutual learning that have been achieved as an outcome of it – may well be seen as instrumentally good.

Several scholars claim that there is a positive relation between inclusiveness and accountability (for example, Considine 2002; Lovan et al. 2004; Van Rooy 2004; Benner et al. 2005). Within inclusive organizational arrangements, through repeated interaction, actors jointly develop viewpoints, frames and standards, which they later use as yardsticks from which they assess each other’s behaviour. Kearns (2003) insists that accountability need not be oriented merely to reporting, compliance and sanctions, but could be seen as learning encouraged by an inter-organizational culture and climate in which all stakeholders continuously learn from each other about improving accountability. Such repeated interaction may foster compliance with rules and agreements and encourage responsiveness (Gulbrandsen, Chapter 4).

It is important to ask what general limitations are attached to these transnational, hybrid arrangements. Are they necessarily tied to a soft, consensus-oriented approach? Is there room for critical citizens and social movements to voice their concerns and calls for radical change? Are social movements co-opted within the arrangements?

To address such questions, it is first important to note that existing power asymmetries and rising power struggles also take place in apparently inclusive and well balanced organizational arrangements (Boström 2006a, 2006b). Even in a highly inclusive arrangement, some types of actors will be excluded and marginalized, and no arrangements are immune to power struggles and power shifts. As we can see in the chapters in this book, many tensions, struggles and counter-moves occur under the consensus-oriented surface. ISO, for example, has been accused of not being serious enough about its own accountability (Tamm Hallström, Chapter 3), and FSC faces the challenge of being counteracted by competing schemes that assume a more restricted role for external stakeholders (Gulbrandsen, Chapter 4).

An analysis of the organizational arrangement of accountability, we suggest, must take into account both excluded and included actors, their arguments, positions and power resources. Accountability may be restricted both through the co-optation of actors and through the marginalization of exactly those actors that are addressing or likely to address the most critical questions. To establish an organizational arrangement that continuously allows critical actors to ask critical questions and report misconduct requires a degree of cognitive and organizational autonomy of these critical actors. Asking the right, intriguing and critical questions may require that citizens, NGOs and SMOs are not too well integrated. Accountability and responsiveness ultimately rest on 'participation authenticity' (Lovan et al. 2004) or on the capacity of citizens or SMOs to remain creative, cooperating opponents within and outside of the accountability arrangement. We may ask: how can participating critical actors prevent being 'co-opted', 'captured', or 'dependent' on other established actors in the accountability arrangement? Such intriguing questions are discussed in several chapters (for example, Holzer, Chapter 5; Soneryd and Lidskog, Chapter 12; Pellizzoni, Chapter 13), and we return to them in our concluding chapter.

## **(2) Tools, Techniques, Definitions**

The second theme we address concerns the accountability tools and techniques. We argue that it is important to examine the types of definitions that have evolved, the techniques used and the types of instruments involved in processes of organizing for accountability. This book includes the analysis of such instruments as, for instance, indicators within EU policy making, labelling and certification, disclosure, environmental reporting, CSR standards and codes of conducts, socially responsible buying and supplier evaluation techniques, third-generation environmental policies and auditing. A number of questions guide these analyses. What types of labeling and reporting are seen as trustworthy? How is accountability validated? What is the role of 'objective', 'independent' validators? Does it make sense to speak of 'objective' and 'independent'? What types of rationality are favoured by the drive to accountability? What is the role of measurement, and what are its limits? What are the ideological assumptions and effects of accountability and its techniques? How are the power positions of different stakeholders affected by various accountability tools? Who decides for whom and for what one should be accountable?

When studying the organization of accountability tools and arrangements, we argue that it is not enough to focus merely on the tools and techniques; we must also pay attention to the more general ideologies, definitions, programmes, discourses, strategies and framings underpinning

such tools. The rising accountability movement goes far beyond an expression of support for particular accountability techniques, but must be seen as a broad ideological or cultural commitment to inter-organizational regulation, governing, checking and monitoring (cf. Power 1997; Djelic and Sahlin-Andersson 2006). It is equally important, however, to examine more deeply this hegemonic cultural commitment around the desirability of accountability and investigate the many sub-political power struggles around the pros and cons of diverse tools and techniques. Revealing such power struggles must simultaneously imply the unmasking of the widespread rhetoric around neutrality and objectivity (for a parallel discussion around ‘transparency’, see Garsten and Lindh de Montoya 2008).

We believe that it is particularly fruitful to use a framing perspective in relation to the establishment and use of accountability tools and techniques. Although it is not possible in this context to elaborate in length on various versions of the framing theory, which stem from policy analysis and social movement analysis (see, for example, Schön and Rein 1994 and Steinberg 1998 for an overview), the concept does deserve a few words. *Frame analysis* is particularly useful for understanding debates, discussions and compromises in processes of standard setting (for example, Boström and Klintman 2008). Debates about standard criteria can be conceived as conflicts within, or between, *frames*. The definition of *framing* provided by Martin Rein and Donald Schön is particularly instructive:

[F]raming is a way of selecting, organizing, interpreting, and making sense of a complex reality to provide guideposts for knowing, analyzing, persuading and acting. A frame is a perspective from which an amorphous, ill-defined, problematic situation can be made sense of and acted on. (Rein and Schön 1993: 146)

Through processes of categorization, certain limited and manageable parts of reality are included, whereas others are excluded as ‘irrelevant’, ‘extreme’, ‘unfeasible’, or are simply not seen by the actors involved.

Frames can be widely shared among a large number of organizations, or they can be more specific to a certain organization. Actors refer to frames that are common in the general social and environmental discourse, that are collectively recognized and used as a reference in the communication about social and environmental responsibility issues: ‘corporate responsibility’, ‘sustainability’, ‘triple bottom lines’. Thus, framing occurs in a discursive context (cf. Steinberg 1998), but organizations interpret them slightly differently and create specific combinations in accordance with their identities, activities and priorities (Boström 2004).

Frames can refer to deeply subjective and cultural meanings (for example, ethical, aesthetic, economic), even as they are constructed strategically to appeal to different audiences. Hence, frame analysis attends to an actor’s

potentially active role in the construction of interpretative schemes (cf. Swidler 1986). The policy analysts can use framing theory for analysing both the explicit frames that policy actors construct and the more implicit and hidden assumptions and understandings (Fischer 2003).

One intriguing question concerns what is included in or excluded from the accountability standards (that is, substance). Another question concerns how this process unfolds (that is, procedures): if, and to what extent, *frame reflection* is part of the process or if the frames underlying standard-setting processes have become rigid and difficult to change (Boström and Klintman 2008). Are the participating actors conscious of the frames underlying accountability games, or are the general frames merely taken for granted?

In this context, the notion of ‘accountability’ and such related notions as ‘accountability gap’, ‘accountability deficit’, ‘who is accountable for what’, can be understood as the result of ongoing framing activities, focusing the attention of people and influencing the choices made in certain ways. Depending on the framing, ‘accountability’ structures social meanings and actions in particular ways.

In the context of framing activities, the significance of ‘strategy’ should be neither overemphasized (for example, the rational choice perspective would be poorly equipped to grasp ideological, institutional, or cultural aspects) nor downplayed (as in some neo-institutional approaches). Strategy interacts with legitimacy in ways that invite us to study it with a framing lens. Organizations increasingly learn that they must respond strategically and proactively to media exposure, social movements, concerned consumers and stakeholder pressure (for example, Bendell 2000; Holzer 2007). To ignore the concerns raised by external stakeholders – by stating that ‘the risk does not exist’ or that ‘there is not enough scientific evidence motivating any concern on this issue’, for example – may be seen as irresponsible or unresponsive conduct. Corporate actors at least learn they must do better in defending and legitimating their conduct – by saying ‘we are aware of possible risks and have set up an environmental management system to be better equipped for dealing with rising problems’, for instance, or ‘we follow the precautionary principle, have educated our personnel, and hired a professional staff that continuously engage with these issues’. Hence, companies may use such tools as codes of conducts, principles and management systems for dealing with substantial matters, but also for framing their own ‘goodness’. The very abundance of concepts, norms, standards, images, messages and storylines around whatever is seen as ethically beneficial conduct can be a promising source for framing clever (but not necessarily responsive) arguments. It is relevant to ask if the accountability rhetoric, through (superficially) impressive voluntary regulatory

programmes, simply conceals and legitimizes ‘business as usual’ – a form of hypocrisy or decoupling (Brunsson 2003) – or if accountability tools and arrangements really have the potential to bring about reform in organizational life.

Do different tools and techniques have democratizing potentials, and do they respond adequately to quests for strengthened accountability? Do ideals such as measurability threaten to colonize other political ideas, ideals and visions (Thedvall, Chapter 8; Lindvert, Chapter 9)? Do actors invest in their capacity to ‘do the right thing’ rather than to do things right (Lindvert, Chapter 9)? What problems arise from the voluntary nature of codes and standards (Garsten, Chapter 2; Marton, Chapter 10)? Are the tools and techniques of any practical use (van den Burg and Mol, Chapter 11; Garsten, Chapter 2; and Pellizzoni, Chapter 13)?

### **(3) Limits and Challenges**

Despite being a sought-after norm, accountability faces a number of challenges and limitations. We have already touched upon some of them, but here we wish to emphasize four theoretical perspectives on such limitations, which we derive from the current literature on accountability. In our concluding chapter we return to these four broad perspectives. In combination with findings from the other chapters in this book, we aim at discussing general obstacles and what we observe as a treadmill character of current accountability struggles. Based on various literatures on the organization of accountability, we see four sources of limitations and challenges to accountability: the governance approach and the problems with horizontal policy networks; complexity, indeterminacy and uncertainty; power asymmetry; and the inner logic of accountability.

#### **(A) The governance approach and the problems with horizontal policy networks**

A first approach is developed within governance theory, mainly within political science, which addresses a number of problems associated with horizontal policy networks. Governance scholars address the problems with unaccountable networks and NGOs. The political scientist Rod Rhodes has, for example, developed a critical analysis of accountability from a policy network approach. According to Rhodes (1997, 2000), the analytical heart of governance is self-organizing, autonomous and inter-organizational networks, including both state and non-state actors. Networks resist government steering, develop their own policies and shape their environments. ‘Networks are not accountable to the state, they are self-organizing’ (2000: 61). Networks are seen as informally organized, permanent, rule-governed



relationships. Within these networks, actors from interdependent organizations build mutual trust and learn to communicate with each other. They respect each other's interests, knowledge and experiences, and the uncertainty gradually diminishes. Rhodes pays attention to the unrepresentative, exclusive character of policy networks:

Policy networks focus on the oligopoly of the political market-place; that is, on how they limit participation in the policy process; define the roles of actors; decide which issues will be included and excluded from the policy agenda through the rules of the game; shape the behaviour of actors; privilege certain interests not only by according them access but also by favouring their preferred policy outcomes; and substitute private government for public accountability. So, accountability disappears in the interstices of the webs of institutions which make up governance. (Rhodes 2000: 77–78)

The fluid horizontal relationships of networks make it difficult to identify who can be held responsible and answerable for decisions and actions. The informal character of networks makes them opaque (Keohane 2003). According to this perspective, vertical relationships, on the other hand, disclose who has the legitimate decision-making power and authority and who can therefore be held responsible for a particular set of actions and decisions and their consequences. Networks are simply not under democratic control.

Power and accountability must rest with the same actors in order for some form of electoral control to be real and meaningful. Governance confuses that linkage by inviting non-accountable actors into the political process (Pierre and Peters 2000: 67). The involvement of other actors than those directly related to the political system (representative democracy) in policy making (NGOs, business actors) is problematic, because it is unclear who these actors are accountable to: shareholders, the market, founders, NGO members (if they have any) or the society at large. In governance arrangements, no one individual, organization or institution can be singled out as being fully in charge (Thomas 2003: 550). In contrast, the classic model of government and liberal representative democracy provides clear institutional channels for the participation of citizens and the representation of their interests and clear lines for accountability for executive action. Pierre and Peters (2000: 196) argue that whereas the state no longer has the monopoly in governing society, they still have the monopoly to govern in an accountable way: 'we cannot see any rival to states, as sources of democratic, accountable governance'. From our point of view, however, public accountability not only resides within the traditional political sphere. In contrast, by using an organizational perspective we assert that accountability tools and techniques can be institutionalized and practised in all parts of organizational life, beyond territorial norms of responsibility

(cf. Mason 2005), and that political accountability is also highly relevant in these transnational sub-political spheres – in the relationships among consumers, citizens, social movements, corporations and state agencies, for example – enabling variants of external and transnational accountability.

### **(B) Complexity, indeterminacy and uncertainty**

A second approach to accountability challenges can be traced within environmental sociology and related disciplines. A fundamental challenge to all accountability arrangements within this approach is how to deal with great complexity and uncertainty in substantial issues. Modern technology has dramatically extended the human capacity to intervene in the environment, with dramatically heightened uncertainty and decreased ability to foresee the consequences of our actions. Biotechnology and storage of nuclear waste represent good examples. Many political decisions can be cancelled and replaced by other decisions after a change of government. When the hazard level of planned physical enterprises is high, however, and something goes wrong, traditional forms for political accountability seem to fall short (Soneryd and Lidskog, Chapter 12).

One of the authors in this book, Luigi Pellizzoni, has made a substantial contribution within this field of research (see Pellizzoni 2004), although his contribution in this volume is probably somewhat closer to the fourth topic, below. As he has shown, an accountability relationship, at least conventionally understood, requires the possibility of establishing a link among an outcome (event), a particular action (or non-action) and an identifiable actor who is expected to follow certain prescriptions (informal or formal rules) and who has the capacity to do so. Establishing such a link may be tricky, however, given the enormous complexity and uncertainty of the same social and environmental problems that caused demands for strengthened accountability in the first place. Who is responsible for climate change? Should we blame producers, consumers, our parents, the state or another state? Or, we may ask, as Soneryd and Lidskog do in their chapter: how can we think about accountability when we are dealing with decision-making power and its consequences that spans over 100 000 years? How could we render the irreversible reversible? Who is expected to give voice to the interests of future generations?

The joint or network-like policy making described in the governance literature previously mentioned adds to this complexity. Hirst (2000), for example, recognizes that modern legislation faces a difficult task in attempting to protect the public against a widening range of ‘contingencies’ in an increasingly complex society.

This situation creates huge challenges for a widening of accountability. In situations of complexity, indeterminacy and uncertainties, it can always

be tempting to claim lack of evidence of harm or that a particular measure will improve the situation. Powerful organizations that want to stick with their business and avoid costly precautionary measures may find strong support from traditional accountability doctrines and frameworks. 'Strict liability' makes it possible to justify one's behaviour and its consequences by reference to lack of scientific knowledge and other information, at the time the relevant action was done: 'the party with the burden of proof is very likely to lose' (Pellizzoni 2004: 553). Referring to uncertainties can also be part of an argumentative strategy for actors that want to undermine new types of accountability tools and techniques such as environmental disclosure, because they may argue we can never trust the data quality in any case (van den Burg and Mol, Chapter 11). Why should we bother providing information about risks if it is impossible to determine risk?

On the other hand, the recent widening of accountability definitions (see above) has implied a shift from 'causal imputation' to 'reasoned justification' (Pellizzoni 2004). Awareness of fundamental complexities and uncertainties can fuel another view on accountability in which strict evidence is less pronounced. Pellizzoni maintains that *answerability* can be seen as the capacity to justify the reasons for one's action without strictly proving that it did or did not lead to a particular outcome. Answerability accordingly requires that the accountable actor is prepared to justify its actions and the rationales for its actions, whether or not it is possible to strictly determine causal links between events and actions. Thus whereas complexity and uncertainty can doubtless create huge problems for all types of accountability, such disturbing conditions do not necessarily undermine variants of accountability. Social movements may continue asking critical questions, claiming answerability and persuading other stakeholders, customers, clients and citizens about the misconduct of a particular TNC, despite lack of clear data. Strong theory and reflexive thinking may be a good substitute for accurate data, and such knowledge may be broadly distributed in societies (Nowotny et al. 2001).

### **(C) Power asymmetry**

A third theoretical perspective, especially pronounced within political science and the study of international relations, focuses on power relationships. Power asymmetry stands in the way of accountability (cf. Marton, Chapter 10). 'In general, rulers dislike being held accountable' (Keohane 2003: 142). Robert Keohane insists that '[d]iscussing accountability without focusing on issues of power would be like discussing motivations of corporate leaders without mentioning money' (2003: 16). Where fundamental conflicts of interests are pronounced, powerful organizations (such as the USA) will not allow themselves to be held accountable to their adversaries

(such as al-Qaeda). Weak actors may demand external accountability from powerful actors, however, and TNCs are not immune to the quest for external accountability. As shown in the case of Shell, the very largeness of TNCs and other transnational organizations makes them extremely visible, and good targets for social movement protesting.

On the other hand, the weakness of civil society groups and social movements is, beyond doubt, a source of a huge accountability gap. In discussions around tools, instruments and definitions, it is important to note that NGOs and SMOs are weak actors relative to TNCs, IGOs and states. Should TNCs such as Shell report to Greenpeace, or is it more the case that such reporting addresses internal audiences (discussed by Holzer in Chapter 5)? Many NGOs and SMOs that demand external accountability conveniently understand their lack of power and authority in that respect. They refer to grand principles such as ‘sustainability’, ‘human rights’, ‘precaution’, ‘triple bottom lines’, which are useful but insufficient. Because they allow for almost unlimited interpretative flexibility, we must look for other mechanisms that tie actors to a particular way of action. The establishing of new organizational arrangements, previously mentioned, is one important dimension in this regard. In such arrangements, social movements must mobilize resources, and a great many of their ventures relate to the mobilization of symbolic capital that they can use to strengthen their moral authority (Hall and Biersteker 2002; Boström 2006a), which in turn enables them to make more effective claims for accountability. Reducing this power asymmetry requires the strengthening of NGOs or SMOs that develop a capacity to speak for affected people around the world. The stronger such NGOs and SMOs become, the more critical the issue around their own accountability turns out to be. A refashioned accountability relying on broader participation will have to address such key questions as: ‘Who formulates the questions?’ and ‘Whose voices get heard?’ (Lován et al. 2004: 7; Mason 2005; Scholte 2005).

#### **(D) The inner logic of accountability**

It is also possible to trace a fourth perspective on the limits and challenges of accountability that focuses on the inner logic of accountability itself. Such a perspective can be observed in diverse literatures, including political science, social anthropology, sociology and neo-institutional organizational theory, but a particularly significant one is within the literature on management and critical accounting. Here it is emphasized that limits are generated through the design, negotiations and power struggles around the tools, techniques, definitions and organizational arrangements. Ideals such as measurability, auditability and answerability threaten to become obsessions and rituals, and they can marginalize other ideals and values; the means of

accountability become ends in themselves (cf. Power 1997, 2007; Thedvall 2006). ‘Too much of it can clog up the works, diverting resources and opening organizations to perverse pressures’ (Considine 2002: 21). The frequent use of expertise in standardization may introduce knowledge asymmetries that discourage accountability (see Kerwer’s discussion on ‘Stockholm School’ theorists, Chapter 6). Gregory (2003) maintains that accountability arrangements are typically oriented more towards avoiding the worst outcomes than to achieving the best ones. Accountability is about minimizing misgovernment; whereas responsibility, in his view, is about maximizing good government. Being excessively organized and equipped to write good reports may hamper other dimensions of responsibility, such as responsiveness (cf. Power 1997; Pellizzoni 2004). And organizing accountability always involves the drawing of boundaries – deciding the boundary of an organization’s responsibility, for example. According to this line of thinking, Pellizzoni provides a critical evaluation of current approaches to accountability in Chapter 13, focusing on their self-referential character.

A variant of this theme is that it is the very *diversity* of accountabilities that can be a source of irresponsibility. Koppell (2005) speaks of a Multiple Accountabilities Disorder (MAD). The many meanings of accountability suggested by the varied use of the word are inconsistent. Organizations cannot be accountable in all of the senses implied by the single word ‘accountability’. He addresses two problems that arise as a consequence of MAD: organizations could attempt to be accountable in the wrong sense and organizations may try to be accountable in every sense, a situation that necessarily leads to organizational dysfunction. Koppell’s suggestion seems to be that organizations should carefully prioritize, choose and concentrate on being accountable in some senses and in the right ones. Although this is a simple, logical suggestion – indeed a classic suggestion in organizational theory (Considine 2002: 22) – we may ask how to determine the right or rational choice. A perhaps greater, but related, problem is that multilateral organizations such as the World Bank, WTO and TNCs are subject to accountability claims from almost everybody. According to Keohane, they tend to solve this problem by making themselves accountable only to powerful organizations such as the EU or UN. A smorgasbord with accountability tools, techniques, definitions and meanings helps big organizations to choose the preferable options, which are seldom the most radical ones.

## STRUCTURE OF THE BOOK

Each chapter speaks to each of the themes outlined above. The authors of each chapter discuss limitations and challenges of accountability, whether

theoretically, empirically or both. Some focus primarily on organizational arrangements and processes, indirectly investigating the tools and techniques that result from these arrangements. Others primarily analyse the establishment or use of tools and techniques, with a focus on how the establishment and negotiation of the tools and techniques reflect a broader organizational and discursive context. Yet others more directly discuss and theorize challenges involved for certain accountability techniques or for accountability in general. Because the three themes should be seen as tightly connected, the ordering of the chapters within them does not follow a strict logic. Yet, we have chosen to begin with a number of chapters on large transnational organizations that deal with new ways of organizing social and environmental accountability and responsibility.

The authors of these chapters theorize about and investigate the roles and actions of such organizations as the UN, and how this type of organization encourages a soft and consensus-oriented approach to accountability (Garsten, Chapter 2); ISO, and how it entered the field of Corporate Social Responsibility and the implication of this new strategy for ISO's own accountability and the accountability struggle (Tamm Hallström, Chapter 3); FSC, and how a new type of arrangement based on certification set a template for new arrangements or triggered the establishment of competing models (Gulbrandsen, Chapter 4); Shell, and how this transnational corporation had to improve accountability after two huge scandals and public relations disasters (Holzer, Chapter 5); and accounting standards organizations, and how a range of regulatory activities targeted at such firms was invented after the Enron scandal in the USA (Kerwer, Chapter 6). Others primarily analyse the establishment or use of tools and techniques, while keeping a focus on how they reflect a broader organizational and discursive context. A case on socially responsible buying demonstrates how the drawing and redrawing of organizational boundaries assist in determining when, for whom and for what one should be accountable (Svedberg Nilsson, Chapter 7). The increasing demand for accountability within EU policy making, with its hope for 'objective' indicators and statistics that make the impact of political decisions measurable, and which, in turn, enables evaluations and benchmarking of the performance of member states, is exemplified by a case within the EU employment area (Thedvall, Chapter 8). A move from corporatist logic to an auditing rationality, with the implications involved, is analysed in the context of recent administrative changes in the field of Swedish labour policy (Lindvert, Chapter 9). Sweden is also the context for a case study on the development of a code of good corporate governance, a process that was strongly demanded but not inclusively organized (Marton, Chapter 10).

Finally, we present four chapters that more directly focus on limitations and challenges involved in pursuing accountability. One chapter focuses on four main challenges confronting an increasingly popular type of accountability tool: environmental disclosure (van den Burg and Mol, Chapter 11). In another chapter, the authors discuss the implications of irreversibility and long-term consequences for accountability, using a case of nuclear waste management (Soneryd and Lidskog, Chapter 12). A critical analysis of the third generation of environmental policies serves a theoretical discussion of the self-referential character of accountability in general (Pellizzoni, Chapter 13). In the concluding chapter – Chapter 14 – we use findings from all chapters in order to elaborate on the notion of ‘a treadmill of accountability’. This notion, we suggest, captures some of the more significant aspects of the ongoing quest for accountability. What the calls for accountability mean in organizational and in cultural terms and what they tell of contemporary society more broadly are issues addressed by John W. Meyer in the Afterword.

## REFERENCES

- Bendell, Jem (ed.) (2000), *Terms for Endearment: Business, NGOs and Sustainable Development*, Sheffield, UK: Greenleaf Publishing.
- Benner, Thorsten, Wolfgang H. Reinicke and Jan Martin Witte (2005), ‘Multisectoral networks in global governance: towards a pluralistic system of accountability’, in D. Held and M. Koenig-Archibugi (eds), *Global Governance and Public Accountability*, Oxford: Blackwell Publishing, pp. 67–86.
- Bexell, Magdalena (2005), *Exploring Responsibility: Public and Private in Human Rights Protection*, Lund: Lund University.
- Boli, John and George M. Thomas (eds) (1999), *Constructing World Culture: International Nongovernmental Organizations since 1875*, Stanford: Stanford University Press, pp. 13–49.
- Boström, Magnus (2004), ‘Cognitive practices and collective identities within a heterogeneous social movement: the Swedish environmental movement’, *Social Movement Studies*, 3(1), 73–88.
- Boström, Magnus (2006a), ‘Regulatory credibility and authority through inclusiveness. Standardization organizations in cases of eco-labelling’, *Organization*, 13, 345–67.
- Boström, Magnus (2006b), ‘Establishing credibility: practising standard-setting ideals in a Swedish seafood-labelling case’, *Journal of Environmental Policy & Planning*, 8(2), 135–58.
- Boström, Magnus and Mikael Klintman (2008), *Eco-standards, Product Labelling, and Green Consumerism*, Basingstoke: Palgrave Macmillan.
- Brunsson, Nils (2000), ‘Standardization and fashion trends’, in N. Brunsson and B. Jacobsson and associates (eds), *A World of Standards*, Oxford: Oxford University Press, pp. 151–68.
- Brunsson, Nils (2003), *The Organization of Hypocrisy: Talk, Decisions and Actions in Organizations*, Malmö: Liber.

- Considine, Mark (2002), 'The end of the line? Accountable governance in the age of networks, partnerships, and joined-up services', *Governance: An International Journal of Policy, Administrations, and Institutions*, **15**, 21–40.
- De Oliveira, Miguel Darcy and Rajesh Tandon (eds) (1994), *Citizens Strengthening Global Civil Society*, Washington, DC: CIVICUS World Alliance for Citizen Participation.
- Djelic, Marie-Laure and Kerstin Sahlin-Andersson (eds) (2006), *Transnational Governance, Institutional Dynamics of Regulation*, Cambridge: Cambridge University Press.
- Fischer, Frank (2003), *Reframing Public Policy: Discursive Politics and Deliberative Practices*, Oxford: Oxford University Press.
- Garsten, Christina (2004), 'Market missions: negotiating bottom line and social responsibility', in C. Garsten and M. Lindh de Montoya (eds), *Market Matters: Exploring Cultural Processes in the Global Marketplace*, Basingstoke: Palgrave Macmillan, pp. 69–90.
- Garsten, Christina and Monica Lindh de Montoya (eds) (2008), *Transparency in a New Global Order: Unveiling Organizational Visions*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Gregory, R. (2003), 'Accountability in modern government', in J. Pierre and G. Peters (eds), *Handbook of Public Administration*, London: Sage, pp. 557–68.
- Grey, Christopher (1997), 'Management as a technical practice: professionalization or responsibilization?', *Systems Practice*, **10**(6), 703–25.
- Hall, Rodney Bruce and Thomas Biersteker (eds) (2002), *The Emergence of Private Authority in Global Governance*, Cambridge: Cambridge University Press.
- Held, David and Mathias Koenig-Archibugi (eds) (2005), *Global Governance and Public Accountability*, Oxford: Blackwell Publishing.
- Hirst, Paul (2000), 'Democracy and governance', in J. Pierre (ed.), *Debating Governance: Authority, Steering, and Democracy*, Oxford: Oxford University Press, pp. 13–35.
- Hodgson, Damian (2005), 'Putting on a professional performance: performativity, subversion and project management', *Organization*, **12**(1), 51–68.
- Holzer, Boris (2007), 'Framing the corporation: Royal Dutch/Shell and human rights in Nigeria', *Journal of Consumer Policy*, **30**(3), 281–301.
- Kearns, Kevin P. (2003), 'Accountability in a seamless economy', in J. Pierre and G. Peters (eds), *Handbook of Public Administration*, London: Sage, pp. 581–9.
- Keohane, Robert (2003), 'Global governance and democratic accountability', in D. Held and M. Koenig-Archibugi (eds), *Taming Globalization: Frontiers of Governance*, Cambridge: Polity, pp 130–59.
- Koppell, Jonathan (2005), 'Pathologies of accountability: ICANN and the challenge of "Multiple Accountabilities Disorder"', *Public Administration Review*, **65**(1), 94–108.
- Korten, David C. (1998), *Globalizing Civil Society: Reclaiming our Right to Power*, New York: Seven Stories Press.
- Lovan, W. Robert, Michael Murray and Ron Shaffer (eds) (2004), *Participatory Governance: Planning, Conflict Mediation and Public Decision-Making in Civil Society*, Aldershot: Ashgate.
- Mason, Michael (2005), *The New Accountability: Environmental Responsibility Across Borders*, London: Earthscan.
- Meyer, John W. and Ronald L. Jepperson (2000), 'The "actors" of modern society: the cultural construction of social agency', *Sociological Theory*, **18**(1), 100–20.



- Murphy, David F. and Gill Coleman (2000), 'Thinking partners: business, NGOs and the partnership concept', in J. Bendell (ed.), *Terms for Endearment: Business, NGOs and Sustainable Development*, Sheffield: Greenleaf Publishing, pp. 207–15.
- Newell, Peter (2005), 'Citizenship, accountability and community: the limits of the CSR agenda', *International Affairs*, **81**, 541–57.
- Nowotny, Helga, Peter Scott and Michael Gibbons (2001), *Re-thinking Science: Knowledge and the Public in an Age of Uncertainty*, Cambridge: Polity.
- Pellizzoni, Luigi (2004), 'Responsibility and environmental governance', *Environmental Politics*, **13**, 541–65.
- Pierre, Jon and Guy Peters (2000), *Governance, Politics and the State*, London: Macmillan Press.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Power, Michael (2007), *Organized Uncertainty: Designing a World of Risk Management*, Oxford: Oxford University Press.
- Rein, Martin and Donald A. Schön (1993), 'Reframing policy discourse', in F. Fischer and J. Forester (eds), *The Argumentative Turn in Policy Analysis and Planning*, Durham and London: Duke University Press, pp. 143–66.
- Rhodes, R.A.W. (1997), *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*, Maidenhead: Open University Press.
- Rhodes, R.A.W. (2000), 'Governance and public administration', in J. Pierre (ed.), *Debating Governance: Authority, Steering, and Democracy*, Oxford: Oxford University Press, pp. 54–90.
- Romzek, Barbara S. (1998), 'Where the buck stops. Accountability in reformed public organizations', in P. Ingraham, J. Thompson and R. Sanders (eds), *Transforming Government*, San Francisco: Jossey-Bass, pp. 193–219.
- Rosenau, James (2003), *Distant Proximities: Dynamics Beyond Globalization*, Princeton: Princeton University Press.
- Sassen, Saskia (1998), *Globalization and Its Discontents*, New York: The New Press.
- Scholte, Jan A. (2005), 'Civil society and democratically accountable global governance', in D. Held and M. Koenig-Archibugi (eds), *Global Governance and Public Accountability*, Oxford: Blackwell Publishing, pp. 87–109.
- Schön, Donald A. and Martin Rein (1994), *Frame Reflection*, New York: Basic Books.
- Steinberg, Marc W. (1998), 'Tilting the frame: considerations on collective action framing from a discursive turn', *Theory and Society*, **27**, 845–72.
- Swidler, Ann (1986), 'Culture in action: symbols and strategies', *American Sociological Review*, **51**, 273–86.
- Thedvall, Renita (2006), *Eurocrats at Work: Negotiating Transparency in Postnational Employment Policy*, Stockholm: Almqvist & Wicksell International.
- Thomas, Paul (2003), 'Introduction (section 13 on Accountability)', in J. Pierre and G. Peters (eds), *Handbook of Public Administration*, London: Sage, pp. 549–56.
- Van Rooy, Alison (2004), *The Global Legitimacy Game: Civil Society, Globalization, and Protest*, New York: Palgrave MacMillan.
- Waddell, Steve (2000), 'Complementary resources: the win-win rationale for partnership with NGOs', in J. Bendell (ed.), *Terms for Endearment: Business, NGOs and Sustainable Development*, Sheffield, UK: Greenleaf Publishing.

## 2. The United Nations – soft and hard: regulating social accountability for global business

**Christina Garsten**

---

### INTRODUCTION: CORPORATE GLOBALITY AND REGULATORY ASPIRATIONS

The nature and scale of recent waves of economic globalization has created a world that is more interdependent than ever before. During the last decades, there has been a growth in international trade and financial relationships, and a corresponding expansion in the power of large transnational corporations and financial institutions. A growing number of corporations operate across boundaries in ways that exceed the regulatory capacities of any one national system.

The expanded presence of transnational corporations on the global scene implies that these organizations are positioned to exert significant influence in societies around the world. Many command resources that are formidably large in relation to those at the disposal of various groups and organizations within a nation state. Whether for good or for ill, their impact can be wide ranging, impinging on both the economic factors and the environmental, social and cultural patterns, and thereby on human rights. Notwithstanding the contribution of transnational companies to economic progress, there is continuing and rising concern about aspects of their conduct and impact. Corporations are under pressure from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders to adopt or expand social accountability efforts. But governments find it increasingly difficult to rein them in. International regulation by governments primarily addresses corporate rights rather than corporate social responsibilities. Transboundary accountability issues have triggered an erosion of the effectiveness and legitimacy of state-based accountability, not least because democratic political accountability is tied to the sovereign authority of states. There is now a 'spatial mismatch between national territories of governmental

responsibility and transboundary pathways of (potential) harm' (Mason 2005: 2).

These developments have raised concern with what has been called 'the limits of government' (Power 1997: 52). The globalization of markets and the increased interconnectedness of people, capital and information across borders, brings with it shifting alignments of power and responsibility. Whereas the nation state is often the author of globalization processes, it is also made the recipient of globalizing markets with their own inherent logic. The weakening power of nation-state politics, coupled with an increased awareness of the world as 'one single place', in which risks and responsibilities are shared, accentuate the need for common global policies and rules (Bauman 1998; Beck 1992; Sassen 2000). We are seeing the formation of new transnational legal regimes and regulatory institutions that are neither private nor supranational and that are taking over functions until recently located in nation-state institutions (Sassen 1998).

To use Saskia Sassen's terminology (1998: 95–96), new 'sites of normativity' are emerging alongside the more traditional normative order represented by the nation state. Even if there is no world government, organizations with global governance concerns span the world. However powerful they may be, corporations do not exist in environments free of rules; on the contrary, they must respond to rule-making organizations at different levels. There is a large number of organizations seeking to advise, guide or set rules for the conduct of corporations in a global market (see for example Djelic and Sahlin-Andersson 2006). Various types of trans-state organizations, such as the American National Standards Institute (ANSI), the International Organization for Standardization (ISO) and the United Nations (UN) create and promote rules and offer advice on a range of issues from public policy to technological specification and corporate social responsibility. A large number of standards, policies and codes of conduct are now available for corporate leaders to choose from and act upon. They may often work in a complementary fashion, but they may also come into conflict or competition with each other (see also Gulbrandsen's Chapter 4 in this book). The emergence of such standard-promoting organizations is an expression of the broader growth of new forms of organizations and of governance that has been referred to as constituting part of 'world society' (Meyer 1994). These organizations expend considerable effort convincing other organizations that it is in their interest to accept and adopt these new, voluntary forms of regulation (Brunsson and Jacobsson 2002).

Rules aimed at promoting a higher degree of corporate social accountability are now increasingly being placed on the corporate agenda. Corporate leaders must respond to pressures from a variety of organizations and movements, ranging from local interest groups to intergovernmental

organizations (IGOs), and ensure that international agreements on human rights, labour rights and environmental protection are not breached. Alongside the financial bottom line, social and ethical issues are brought into 'the talk' of organizations. As Marcus notes,

the emphasis on organizational competitiveness is still there, but the discourse is inflated with concerns about values, corporate personhood, the relation of individuals to community – in general, those topics that might have been considered before as 'soft' in relation to 'means-ends' modifications of organizational practices with the bottom line of competitive enhancement always in sight. (Marcus 1998: 7)

This chapter explores the UN as a 'site of normativity' involved in the regulation of corporate accountability for human rights at a global level. More specifically, it addresses two regulatory approaches to the responsibilities of transnational corporations, the underlying assumptions of accountability of these approaches and the organizational challenges under way. The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights, or simply 'the Norms', represent an important milestone in the field of corporate responsibility. They do so in their comprehensiveness, building on existing codes and standards, in operationalizing the Universal Declaration of Human Rights for business corporations, but, above all, for projecting corporate responsibility into a legal framework. The regulatory approach of the Norms is discussed here in relation to the approach of the UN Global Compact, which offers an alternative, voluntaristic and nonbinding road ahead. It is suggested that organization matters for the trajectories of the various regulatory approaches: the organizational origin of the initiative, the organizational procedures involved and the organizational language used all have an impact on the pathway of the regulatory approaches. It is suggested that the 'hard law approach', as evinced in the UN Norms, rests upon a territorial system of accountability, with a strong association between nation-state political accountability and the organizational structure of the UN. The 'soft law approach', as illustrated by the UN Global Compact, on the other hand, rests on a transboundary assumption of accountability and a transnational network of involved organizations. None of these approaches has been able to establish an international system of political and legal accountability in terms of answerability and redress. However, whilst the UN Norms have come to a deadlock, the Global Compact is now one of the important drivers behind a complex organizational web of accountability.

The chapter builds on ethnographic fieldwork in the area of corporate social responsibility, a series of interviews with NGO representatives and officials at the UN headquarters in New York, and an analysis of documents.

To be sure, fieldwork in such a 'culture of expertise' (Holmes and Marcus 2005) tends to be of a different character than the 'classical' anthropological fieldwork. In this case, it has meant an attempt to follow the trajectory of an idea, more specifically a rule, and to establish 'the logic of association' among various actors and sites (cf. Marcus 1995, 1998). The logic of association in this case comprises a shared involvement and stake in the regulation of corporate accountability. Doing fieldwork among experts also means that some of the ingrained assumptions in the field of ethnographic research must be rethought. To study a policy field, such as rule setting in corporate accountability, one may find that it is often at the crossroads of interaction between organizations and actors that one understands how certain possibilities and courses of action are made possible and others are ruled out, and what tools are put to work to further particular interests and visions (Garsten 2005). At the crossroads, we may find that interactions and relationships in the field may be relatively dense around the core topics, that differing interests are twinned in complex ways, and that ethnography in translocal fields may very well be 'grounded' in its own particular way, in reference to the character of the field.<sup>1</sup>

## RULES FOR A TRANSBOUNDARY WORLD

Scrutiny of the activities of global corporations led many corporations to adopt codes of conduct during the 1980s and 1990s, and an emerging movement on corporate social responsibility led to numerous voluntary codes. However, voluntary codes of conduct, while being a welcome signal of corporate commitment, have proved insufficient. Many codes are vague in their human rights commitments. Whether unique to the company or adopted sector-wide, voluntary codes are often criticized by external stakeholders for lacking international legitimacy. When companies set up operations in countries where governments are unable or unwilling to implement international human rights rules, they are able to gain greater freedom to manoeuvre than they would enjoy at home. Notorious incidents have been recorded, among them the Bhopal catastrophe of 1984, in which a large number of people were killed or injured due to lethal gas leaking from a chemical plant operated by Union Carbide of India. The Indian judicial system was unable to handle the situation, and plaintiffs sought to invoke the jurisdiction of US courts, arguing that the headquarters of the company was Union Carbide in New York. Union Carbide then reverted to the classic transnational corporation (TNC) argument of *forum non conveniens*,<sup>2</sup> which was accepted by a New York District Court (Dunér 2002; International Council on Human Rights Policy 2002).

The case of Bhopal and other similar cases are used to argue that the responsibilities of transnational corporations should be directly addressed in international law, preferably human rights law. The Bhopal disaster has been used as one case among many to demonstrate the regulatory gap in international trade and the wanton disregard on the part of some transnational corporations for the value of life in developing countries. Many and strong claims have been made regarding the negative correlation between the presence of transnational corporations and human rights, implying that international competition, the search for low costs and high profits, attracts transnational corporations to countries with weak regulatory mechanisms which they can exploit. These types of claims are also disputed, however, by those who point to the positive correlation of the transnational corporate presence and human rights, which suggests that human rights are enhanced by the presence of corporations in a long-term perspective (Dunér 2002; Meyer 1998).

The global human rights regime has a core consisting of two types of entities to which rights and duties are ascribed: states and individuals, the former having duties and the latter having (human) rights. The formal status of transnational corporations has remained unclear. Calls for their more definite inclusion in the human rights regime were being heard loudly by the 1970s, and they have been conceded a degree of legal personality in the more recent development of international law. Several arguments have been advanced for ascribing binding duties to transnational corporations regarding their responsibility to respect human rights. It has been said that voluntary rules and market forces are insufficient insurance, that power must be constrained by law, and that we need an international enforcement of human rights obligations if they are to be of any real use (International Council on Human Rights Policy 2002). Others argue that because the Bill of Human Rights makes implicit mention of transnational corporations as 'organs of society' that carry responsibilities, this could just as well be made explicit.

One of the most difficult challenges in defining rules for transnational corporations has been the lack of a forum for their creation and implementation. It is widely recognized that the International Labour Organization (ILO) setting is not appropriate for the purpose. Although there are references to human rights thinking in the objectives of the ILO, as articulated specifically in the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, measures introduced by the ILO have tended not to be effective. The power of conventions applies only to states that have ratified them, and there is scope to have conventions and recommendations circumscribed. Furthermore, the ILO has few tools for ensuring compliance (Dunér 2002).

If the regulatory power of one organization is not enough to protect human rights, it has been suggested that a combination of two or more organizations may do a better job. The ILO labour conventions, for example, together with the sanctioning power of the World Trade Organization (WTO) trade rules could be effective ways of improving working conditions in developing countries (Dunér 2002). Several efforts to combine standards have also been made, and the combinatory freedom of voluntary rules is often used as an argument for retaining their voluntary nature, keeping tougher state or IGO regulatory aspirations at arm's length.

All in all, the abundance of rules and of rule-setting organizations at a transnational scale and with global scope point at once to the fragmented nature of nation-state polity and the emergence of new regulatory sites (as is shown in other chapters in this book: Chapters 3, 4 and 10, for example). The conventional notion of political accountability, built on the assumption of a sovereign nation state, has become unsettled by shifts in the nature of risks and of governance. Accountability usually denotes modalities of oversight and constraint on states and other organizations: it involves the capacity of citizens to keep in check those who possess authority, mechanisms for compelling office holders to provide reasons for their actions, and, when performance is deemed unsatisfactory, mechanisms to sanction them. In short, it is built on the dual notion of answerability and redress (Mason 2005: 3; see also Flinders 2001: 9–15). Given the spatial mismatch of conventional political accountability structures and today's global corporate presence, the aspect of redress has been weakened. What remains is largely a form of accountability that rests on answerability, and on the need for corporate reputational accountability.

The proliferation of rules also points to an emerging 'pragmatic universalism' (Albrow 1997) that relies on communicability rather than on shared assumptions and values. This type of pragmatism relies on the idea that a set of rules that is applicable around the world, irrespective of the site of operation of companies, would facilitate the spread of normative ideas at global level. It is one of the destination points of transboundary regulatory approaches to make the global corporate world amenable to universalist tools for legibility, auditability and accountability.

## THE UN NORMS: A MOVE TOWARDS GLOBAL GOVERNMENT?

The good news is that there are now tools to help companies with this task [making sure human rights are respected in their operations]. For example, the UN Sub-Commission on the promotion and protection of human rights has

recently adopted a set of human rights norms for business, that pull together in one document international human rights standards that are relevant to business – relating to labour issues, health and environmental issues, discrimination issues, security issues, etc. (Mary Robinson, Director, Ethical Globalization Initiative, formerly UN High Commissioner for Human Rights, quoted in Amnesty International 2004)

The 1970s was a period of intense activity in the realm of transnational corporations and human rights obligations. Transnational corporations became the targets for NGO and media attention, and a number of flagrant violations of human rights and workers' rights brought to the fore the need for tools regulating TNC accountability. During this period, we saw the adoption of the OECD Guidelines (1976) and the ILO Tripartite Declaration (1977), for example.

During the same period, a major effort was initiated to prepare a UN Code of Conduct for Transnational Corporations. The subject of transnational corporations was raised on the agenda of the UN General Assembly in 1974 in connection with the adoption of the Declaration on the Establishment of a New International Economic Order (Dunér 2002). The right of the state to control transnational corporations operating in its territory was established, and the need for a code of conduct was announced. Towards this end, a draft was worked upon in the UN for many years through its Commission on Transnational Corporations. The UN Draft Code of 1990 included obligations to respect human rights, and was an effort to regulate corporate conduct and establish standards for non-discrimination, to protect consumers and the environment. In particular, it stipulated that transnational corporations should respect human rights and fundamental freedoms in the countries in which they operate, and that the ILO Tripartite Declaration should be applied in the field of employment, training and conditions of work and life (Dunér 2002: 122). The Draft Code was comprehensive, therefore, and integrated human rights, labour rights, the environment, development, anti-bribery issues and consumer protection.

In its comprehensiveness, the Draft Code represented an important milestone in the field of corporate responsibility, building on existing codes and standards and operationalizing the Universal Declaration of Human Rights for business corporations, but, above all, projecting corporate responsibility into a legal framework.

According to the International Council on Human Rights Policy (2002: 144), however, negotiations on the Draft Code had failed by 1992, largely because the need of developing states for foreign direct investment outweighed their desire to control multinationals. The Commission on Transnational Corporations completed its work, and it was not until 1995



that an attempt to create an international set of rules for the regulation of corporate conduct appeared again on the agenda. A working group in the UN Commission on Human Rights (UNCHR) pointed to the fact that private organizations were not treated in the UN discussions on development issues, even though they are important actors in the production of wealth, the fight against poverty, and the striving for democracy. It was concluded that there was a need for a set of international rules to regulate the activities of private organizations. The important role of transnational corporations was also addressed in a report by the Secretary-General to the UN Sub-Commission on Human Rights:

The activities and methods of work of TNCs have implications for the effective enjoyment of a number of human rights. [ . . . ] It is widely recognized that States have the primary responsibility to promote the economic, social and cultural development of their people, to choose their means and goals of development, to fully mobilize and use their resources, to implement progressive economic and social reforms and to ensure the full participation of their people in the process and benefits of development. [ . . . ] In pursuit of their economic interests, TNCs may not always respect the right to self-determination, conceived as permanent sovereignty over natural wealth and resources as defined, notably, in article 1, paragraph 2, common to both International Covenants on Human Rights as well as in General Assembly resolution 1803 (XVII) of 14 December 1962.<sup>3</sup>

A report was also presented by the chairman of the working group appointed to work on the development of the rules, in which the unregulated power of transnational corporations was seen as an obstacle to enjoying human rights:

Transnational corporations, whose activities, on account of their diversity and underlying bad faith are frequently beyond the control of the host State, are the source of serious and unpunished violations of economic, social and cultural rights.<sup>4</sup>

Several references were made to the unregulated powers of corporations, and examples of their negative effect on human rights were mentioned. The Sub-Commission decided in 1995 to ask for yet another report from the Secretary-General regarding transnational corporations and human rights.<sup>5</sup>

An interim report on unpunished crimes against human rights was delivered to the Sub-Commission in 1996, pinpointing transnational corporations as a problem. This report also brought to the fore the need for internationally applicable rules that would make it possible to hold private organizations accountable for violations against human rights.<sup>6</sup>

In the Secretary-General's second report on the effect of transnational corporations on human rights, it was clearly stated that the Secretary-General was asking for a new system of rules on the responsibilities of transnational corporations towards social issues. The lack of binding rules, the increasing power of transnational corporations in intensified globalization, the difficulties of making a company legally accountable to one nation state in a court of law, and the inability of existing law to make companies accountable for social issues, were mentioned as examples of why this was necessary.<sup>7</sup>

In 1997, the Sub-Commission prepared a study on the connection between transnational corporations and human rights. The following year, a Working Group on the Working Methods and Activities of Transnational Corporations, consisting of five Sub-Commission experts, was established; and in 1999 it began the process of preparing a draft Code of Conduct for companies. This Working Group (which still exists) is part of the Sub-Commission on the Promotion and Protection of Human Rights of UNCHR. Unlike the UNCHR and the General Assembly, the representatives of the Sub-Commission are not representing governments, but serve in their individual capacity as experts (Leipziger 2003: 107). Organizationally, it is noteworthy that a small number of individuals, particularly David Weissbrodt, played a key role in the development of the Code of Conduct in the Working Group. Prior laws and codes were researched and an extensive consultation process carried out. The consultation process solicited broad input and heard testimony from relevant stakeholders, including many businesses, unions, and human rights organizations and other NGOs. After four years' work, the Working Group forwarded a proposal, now termed the Human Rights Principles and Responsibilities for Transnational Corporations and Other Business Enterprises (Draft Norms) to the Sub-Commission, which unanimously adopted them in August 2003 (Amnesty International 2004).<sup>8</sup>

The adoption of the document was seen as an important step towards binding rules. The aim was for the Norms to provide a comprehensive set of rules for the conduct of transnational corporations, one that would acknowledge national and international law and build on existing 'soft law', that is, legally non-binding rules, such as recommendations, codes of conduct and declarations, provided by such multilateral organizations as the ILO and the OECD. The question of how to implement and oversee the practice, as well as the sanctioning modes and bodies, was still left open.

The Draft Norms were presented before the Commission on Human Rights in 2004; they were discussed, and the UN High Commissioner on Human Rights decided to continue investigations. This was a critical instance for the Draft Norms. The fact that their content and implications

were to be further investigated was a relative success. Yet, it was, in the view of the Commission on Human Rights, a serious flaw that the Norms had not been in demand in the first place, that they enjoyed no legal status, and that the Sub-Commission could not engage in monitoring of the effect of transnational corporations.<sup>9</sup> This meant that the Norms were regarded as being of no political or legal value, because they had not been endorsed by the member states.

Organizational issues proved to be important here. Whereas the Commission on Human Rights consists of representatives of 53 member-states, the Sub-Commission consists of 26 experts and resembles a think tank. Furthermore, the Norms were drafted in a working group consisting of a few individual experts under the Sub-Commission. The organizational origin of the Norms was therefore at a grassroots level, and some critics claimed they had been prepared outside the mandate of the UN. The power and mandate of the working group and Sub-Commission were not enough to push the Norms through the representative system of the Commission on Human Rights. The Commission, in turn, had different national interests to protect and position. And because an agreement on the status, desirability and need for the Norms could not be reached, the Norms were caught in a deadlock.

The document remains to be endorsed by the Human Rights Commission. The status of the document is still being contested, and interpretations of its voluntary or binding character vary across organizations. NGOs such as Amnesty International claim the Norms' status to be, if not a formal treaty, then clearly more authoritative than the many codes of conduct adopted by companies, and a significant advance over existing standards. The codes are seen as being likely to have some legal effect, not least because they result from a formal, UN-authorized, and consultative process, similar to that resulting in other 'soft law' standards, and because they are consciously normative in tone. It is also stated that international law is not static, but in a constant process of development; thus to the extent that the Norms command attention and respect, they will assume greater force. The substantive human rights provisions in the Norms are all drawn from existing international law and standards (Amnesty International 2004). The most severe critics point to the fact they have still not been endorsed; furthermore, should they ever be endorsed, they will require an international system for verification and sanctioning, which has little chance of ever coming into being. Hence, at this stage, the Norms are more Utopian than real.

The Norms can be said to have been conceived within the language of the human rights regime and international law. As such, they are relatively precise and comprehensive, and they build on existing international law

and voluntary regulations. They are set within a discursive arena of 'binding rules', 'monitoring' and 'sanctioning'. They express 'duties' and 'obligations', and little in the way of voluntary self-regulation. They aspire to be authoritative and prescriptive in character. In short, they represent a 'hard' regulatory approach and come with legally enforceable commitments for states and for transnational corporations (on 'hard' versus 'soft' law, see, for example, Mörth 2004).

## THE UN GLOBAL COMPACT: THE ALLURE OF VOLUNTARISM

As indicated, a number of leading companies became increasingly engaged in a process of dialogue with stakeholders during the 1990s. Some of these dialogues were institutionalized and fora were created for discussion among actors that had never been part of the discussion or among actors that held hostile positions towards each other (Leipziger 2003: 21). This period also witnessed the creation of a multitude of voluntary rules for the conduct of transnational corporations: unilateral codes of conduct that were primarily firm-specific, bilateral framework agreements between two parties, and multilateral standards developed in a network of organizations and with a wider range of application.

The UN Global Compact may be seen as a move by the UN to gather momentum and to take a leading role in establishing a new kind of governance structure for the regulation of transnational corporations on a global scale. Whilst the Norms were being re-drafted and moved up and down the hierarchy of the UN, and the prospects of the legally binding framework being endorsed seemed to be weak, another initiative was launched in the UN – this time from another locality in the organization. The Global Compact was the first initiative on corporate responsibility to emerge from the UN Secretary-General's office that was aimed at companies. Hence, its organizational origin differs from that of the Norms, work on which was initiated by the Sub-Commission. The Global Compact was established as a separate unit directly under the Secretary-General's office. Five core UN bodies are engaged in its work, providing expertise and operational support, including the ILO, the UN Development Programme (UNDP), the UN Environment Programme (UNEP), the Office of the UN High Commissioner for Human Rights, and the UN Industrial Development Organization (UNIDO).

The Global Compact Initiative was officially launched at the World Economic Forum in Davos, on 31 January 1999. UN Secretary-General Kofi A. Annan warned international business leaders that 'globalization

might be more fragile than they realized' and challenged them to 'embrace and enact' the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. By signing the Global Compact, they would agree to the following: (1) to 'become public advocates for the compact and its nine [now ten] principles in the corporate mission statements, annual reports and similar venues'; (2) 'At least once a year they will post on our [UN] web site examples of progress they have made, or lessons learned, in putting the principles into practice in their own corporate domains'; (3) 'They will join the United Nations in partnership projects, either at the policy level (for instance, a dialogue on the role of corporations in zones of conflict) or at the operational level, such as helping African or south Asian villagers link up to the Internet, or strengthening small and medium-sized firms in developing countries' (Annan 2000). Since its launch, the Global Compact has been signed by more than 3,300 corporations in over 100 countries (<http://www.unglobalcompact.org>, accessed 18 October 2007), and there are national contact points in a number of governments.

Contrary to the Norms, the UN Global Compact is not a regulatory instrument in the strict sense. It does not 'police', enforce or measure the behaviour or actions of companies. Rather, it relies on public accountability, transparency and 'the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based' (United Nations, Global Compact brochure 1994). Members of the Global Compact commit 'to join with the United Nations in partnership projects of benefit to developing countries, particularly the least developed, which the forces of globalization have largely marginalised' (Ruggie 2002: 31). In essence, it is a voluntary initiative, with a clear focus on learning and dialogue – not a code or a system for verification. As Secretary-General Kofi Annan said in support of the collaborative approach, 'let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of the future generations . . .' ([www.unglobalcompact.org](http://www.unglobalcompact.org), accessed 15 May 2005).

The ten Global Compact principles cover human rights, labour, the environment and corruption, and are drawn from the Universal Declaration of Human Rights, the International Labour Organization's fundamental principles on rights at work, the Rio Principles on environment and development, and the United Nations Convention against Corruption. Although the Global Compact is not legally binding, it is viewed as complementing other voluntary initiatives and regulatory approaches, by helping to establish the business case for human rights, labour standards, environmental

stewardship and the fight against corruption. Many of the exogenous standards adopted by companies support the principles of the Global Compact, or are derived from them, and are therefore consistent with its overall objectives.

To put the principles into practice, a variety of organizations are working with business to develop programmes aimed at supporting these principles. The organizations may be business associations, workers' organizations, NGOs or collaborative efforts among them. The result is a thick, complex web of organizational connections. The Global Compact has created, supported or inspired the creation of a number of local and worldwide networks of corporations, NGOs, consultancies, state agencies and the like, organized by sector or along geographic lines (country, region). The Global Compact Office also spends considerable effort in outreach events around the world; it organizes conferences and seminars and issues a number of publications. The UN Global Compact Initiative and its associated network of organizations has developed into an 'organizational field' (DiMaggio and Powell 1983), composed of organizations that are connected or in partnership because they build on or require each other in some way.

Together these networks of organizations and regulatory approaches comprise a web of accountability in the relations between each element: each organization, code of conduct, standard or the like, strengthens others.

In relation to the Norms, the Global Compact is dressed in a completely different language – the language of dialogue, partnership and voluntarism (Garsten 2004; cf. Boström et al. 2004). This particular lingo connects with little difficulty to the dominant contemporary discourse of the corporate world, and thus hooks more easily on to business than does the terminology of the Norms. The Global Compact is understood by company leaders to respect the integrity and challenge of international operations, and expresses a willingness to engage in dialogue without threats of punishment. The Global Compact office does demand an annual report from companies, however, in which they must account for their work in this area and describe their plans for improvement. If such a report is not submitted, despite several reminders, the company may face the risk of being published on the 'black list' of corporations that have failed to meet the requirements of partnership in the Global Compact.

Thus the Global Compact builds on the sensitivity of corporations to reputation and brand image. In this sense, the corporate social responsibility (CSR) agenda, as framed in the Global Compact, overlaps with marketing and accounting concerns as a driver of corporate value (Power 2007: 134). This is also how the Global Compact office explains the attraction of the CSR platform: as one that bridges financial and social concerns, and as

one that companies cannot risk ignoring, nor afford not to engage in. Apart from the web of accountability, the transnational accountability that is pushed through the Global Compact is built on reputation. Its transformative potential rests largely with corporate concerns for reputation and with reputation management. It rests as well on recognition of market-based reasoning and on the financial priorities and strategies that drive corporate action.

This voluntary and market-oriented partnership between business and the UN signified a new direction for the organization, which was known in business as having a hostile and top-down regulatory view of transnational corporations. In comparison with the Norms, the Global Compact principles go into much less detail in definition and scope. Rather, it is designed to promote innovation and best practice in relation to good corporate citizenship in a more general sense. The fact that the scheme is voluntary and nonbinding, with no mechanisms of enforcement attached to it, has been criticized by a number of NGOs claiming that the UN risks granting transnational corporations legitimacy without forcing them to change behaviour. Many organizations see the Global Compact as a public relations exercise or a branding move that has little impact on human rights.

## CONCLUDING DISCUSSION: WEBS OF TRANSNATIONAL ACCOUNTABILITY

Corporate responsibility is a journey for which there is no single map but hundreds of guides. Codes and standards are maps that can be combined in new ways for different journeys. (Deborah Leipziger 2003: 19)

The landscape of corporate responsibility is a landscape of rules stipulating how to organize, the policies to pursue, the social and ethical considerations to take into account, and the like. As March et al. (2000: 15) put it, rules ‘are the “talk of” organizations, and organizations are understood in part by their “talk”’. Within this landscape of rules, the UN emerges as an important site of normativity by the two approaches to corporate responsibility it is pursuing: one hard, one soft. The Norms and the Global Compact represent very different regulatory approaches, yet with more or less the same normative message. Whilst the Norms rely heavily on the human rights regime and the coercive power of law, the Global Compact relies on a voluntaristic approach in which actors are drawn into collaborative organizational constellations, and adverse publicity is the only mechanism of sanction. The former is built on the conventional model of political

accountability and possibilities for redress, the latter on transboundary assumptions of accountability and a focus on answerability.

The trajectories of the two UN regulatory approaches also differ a great deal. There is great variation in the organizational procedures through which a rule is initiated, negotiated, fashioned and put to work, and the thresholds and challenges it encounters along the way. As we have seen, the Norms have been an issue within the UN since the 1970s. During that long period, their trajectory has had several ups and downs, with intervals of standstills and acceleration. They have never really left the UN; they have never taken off. They have yet to be endorsed by the Human Rights Commission, which would provide them with the status of legally binding rules, and institutions have yet to be defined or created to ensure proper implementation, verification and sanctioning. There is, in short, a long way to go. The primary impact of the Norms on the corporate world has been the threat that international law may replace self-regulation; and that voluntary adoption of the rules of others, in whichever combination the corporation chooses, with little threat of punishment, may not be an option in the future. In this way, the Norms may be said to have had an indirect impact on corporate conduct, despite the fact that their legal status is, as yet, disputed.

Because of its representative system, the UN faces a significant challenge in organizing transnational accountability. Itself organized on the recognition of state voice and mandate, it is not equipped to deal with transboundary accountability. Transnational corporate accountability depends on recognition of the transboundary character of corporate activities and the multiplicity of interests and priorities that this involves. As a meta-organization (Ahrne and Brunsson 2005) with nation states as members, the UN cannot push legally binding rules without the full support of its members. Given that the organizational origin of the Norms was the Sub-Commission on Human Rights, in order for those norms to be endorsed, they need to be processed through the UN system and supported by the member states, which is a tough path to tread. Hence, they must rely to a large extent on the mobilizing force of the UN. Meta-organizations such as the UN are ill suited to push legally binding rules in the area of transnational business, but they are in a much stronger position to promote voluntary rules and to achieve leverage through their extensive networks and mobilizing power. Because of their dependence on the support of member organizations, they tend to be weak in decision making but strong sites of normativity.

The Global Compact relies on exactly this – its mobilizing and normative power. It has initiated rule making and rule implementation on a large scale through encouragement and the provision of resources for learning, dialogue and specific projects. As a voluntary initiative, it is designed



to promote innovation in relation to good 'corporate citizenship'. The organizational location of the Global Compact office directly under the Secretary-General also means that it does not require the explicit support of the UN member states for its continued work. They are, in a sense, 'betwixt and between' the traditional structure of decision making in the UN, which provides a greater degree of freedom, yet no real power to push for binding rules.

The Global Compact is now entering its next stage of development – from a phase of entrepreneurial growth to one of increasing organizational maturity. Over the years, the relatively loose constellation of organizations evolving from participation in the Global Compact may acquire a degree of inertia that will institutionalize the process. Hence, the Global Compact may well become a normative force and an originator of rules with some impact, at least of the prescriptive character.

Yet another aspect of regulatory approaches is that organizations that regulate generally tend to aspire to uniformity and monopoly in rule setting (Brunsson 2002: 150). The Norms pose a threat to the corporate world, in that they try to promote uniformity. Their proponents make strong efforts to argue for the benefits of uniformity and the usefulness of following the same rules. As incipient of the Norms, the UN resembles classical standards organizations like the ISO (Tamm Hallström 2002, 2004; see also Chapter 3 in this book), with their comprehensive and universalizing approach. The Global Compact, on the other hand, makes no claim for uniformity. Rather, it invites freedom to choose among existing voluntary rules. Neither does it claim monopoly for rule making. It encourages corporations to adopt existing standards, and offers advice on the variety of rules available. Thus the Global Compact does not constitute a threat to the growing market for standard-provision; it may even be said to support it.

As a site of normativity, the UN thus works on two alternative or complementary regulatory approaches simultaneously. Quite different normative claims are diffused from the same organization. The two regulatory approaches are 'loosely coupled' to each other (Weick 2001). There is some degree of communication between the officials involved in the two approaches, but no institutionalized communication. The groups tend to work independently, in different organizational contexts and in different parts of the world (New York and Geneva). There is also relatively little in the way of text references between the documents in which the Norms and Global Compact are defined. The Norms make reference to the Global Compact in terms of 'awareness', and the Global Compact Office claims to be 'looking forward to seeing how these efforts could contribute positively to the Global Compact' (Amnesty International 2004). Interviews with

officials at the Global Compact Office also made clear that the trajectory of the Norms is being followed with interest. The UN is able to promote two differing regulatory approaches, partly because they have no link to each other – neither organizationally nor discursively.

The voluntaristic approach has proved more successful than conventional binding forms of regulation in addressing the challenges of transnational accountability. The type of accountability that is implemented rests, however, not on political and legal liability, but on reputational accountability and the coercive strength of the web of accountability that is created through networks of organizations and overlapping and complementing soft law regulations. The differing trajectories of the two regulatory approaches also question the degree to which, considering their impact, it is useful to draw a sharp distinction between hard and soft forms of law. In principle, they may rest on different types of rules, but in practice, the boundaries may often be blurred (on the blurring of hard and soft law, see, for example, Power 2007). The Global Compact, whilst lacking the bite of hard law, has proved able to address at least some aspects of the regulatory gaps of global corporate business in ways that the Norms, despite their comprehensiveness, have as yet failed to do.

## ACKNOWLEDGEMENTS

Earlier versions of this chapter were presented at the 21st EGOS Colloquium ‘Unlocking Organizations’, Sub-theme 16, ‘Organizations that Regulate’ in Berlin in July 2005; at the Score conference ‘Organizing the World’ in Stockholm in October 2005; and at a Scancor seminar at Stanford University in January 2006. I wish to thank the participants at these events for constructive, critical comments. Also, I am grateful to my co-editor Magnus Boström for valuable comments on the manuscript.

## NOTES

1. Research for this paper has been funded by the Bank of Sweden Tercentenary Foundation. My sincere thanks to Niklas Jambrén who worked as a research assistant on this sub-project.
2. *Forum non conveniens* is Latin for ‘inconvenient forum’. Although there are rules that govern where a lawsuit must be filed, sometimes the location is inconvenient for the witnesses or parties. If a party makes an adequate showing of inconvenience, the principle of *forum non conveniens* allows a judge to decline to hear or to transfer a case, even though the court is an appropriate one for the case.
3. E/CN.4/Sub.2/1995/11, paragraphs 89 and 97.
4. E/CN.4/Sub.4/1995/19, paragraph 136.

5. The resolution regarding a second report from GS: E/CN.4/Sub.2/Res/1995/31.
6. E/CN.4/Sub.2/1996/15, paragraph 132.
7. E/CN.4/Sub.2/1996/12, paragraph 71–85. In the report, there is also a list of the states, UN organs and NGOs that contributed information to the report.
8. The Sub-Commission is a body of independent human rights experts within the UN system. The experts are elected from all regions of the world by the UN Commission on Human Rights, which oversees the Sub-Commission's work (Amnesty International 2004).
9. E/CN.4/2004/116.

## REFERENCES

- Ahrne, Göran and Nils Brunsson (2005), 'Organizations and meta-organizations', paper presented to EGOS subtheme 'Organizations that Regulate', Berlin, July.
- Albrow, Martin (1997), *The Global Age*, Stanford: Stanford University Press.
- Amnesty International (2004), *The UN Human Rights Norms for Business: Towards Legal Accountability*, available at <http://www.amnesty.org/en/library/info/IOR42/002/2004>.
- Annan, Kofi A. (2000), 'A deal with business to support universal values', *International Herald Tribune*, 26 July, p. 7.
- Bauman, Zygmunt (1998), *Globalization: The Human Consequences*, New York: Columbia University Press.
- Beck, Ulrich (1992), *Risk Society*, London: Sage.
- Boström, Magnus, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds) (2004), *Den organiserade frivilligheten*, Malmö: Liber.
- Brunsson, Nils (2002), 'Standardization and uniformity', in Nils Brunsson and Bengt Jacobsson (eds), *A World of Standards* (2nd edition), Oxford: Oxford University Press, pp. 138–50.
- Brunsson, Nils and Bengt Jacobsson (eds) (2002), *A World of Standards* (2nd edition), Oxford: Oxford University Press.
- DiMaggio, Paul J. and Walter W. Powell (1983), 'The iron cage revisited: institutional isomorphism and collective rationality in organizational fields', *American Sociological Review*, **48**, 147–60.
- Djelic, Marie-Laure and Kerstin Sahlin-Andersson (eds) (2006), *Transnational Governance: Institutional Dynamics of Regulation*, Cambridge: Cambridge University Press.
- Dunér, Bertil (2002), *The Global Human Rights Regime*, Lund: Studentlitteratur.
- Flinders, Matthew V. (2001), *The Politics of Accountability in the Modern State*, Ashgate: Aldershot.
- Garsten, Christina (2004), 'Market missions: negotiating bottom line and social responsibility', in Christina Garsten and Monica Lindh de Montoya (eds), *Market Matters: Exploring Cultural Processes in the Global Marketplace*, Basingstoke: Palgrave Macmillan, pp. 69–90.
- Garsten, Christina (2008), 'Ethnography at the crossroads: engaging with translocal organizational cultures', in Jonathan Mitchell, Marit Melhuus and Helena Wulff (eds), *Ethnographic Practice in the Present*, Oxford: Berghahn.
- Holmes, Douglas R. and George E. Marcus (2005), 'Cultures of expertise and the management of globalization: toward the re-functioning of ethnography', in Aihwa Ong and Stephen J. Collier (eds), *Global Assemblages*, London: Blackwell pp. 235–52.

- International Council on Human Rights Policy (2002), *Beyond Voluntarism: Human Rights and the Developing International Legal Obligations of Companies*, Vernier, Switzerland: ATAR Roto Press SA.
- Leipziger, Deborah (2003), *The Corporate Responsibility Code Book*, Sheffield: Greenleaf Publishing.
- March, James G., Martin Schultz and Xueguang Zhou (2000), *The Dynamics of Rules*, Stanford: Stanford University Press.
- Marcus, George E. (1995), 'Ethnography in/of the world system: the emergence of multi-sited ethnography', *Annual Review of Anthropology*, **24**, 95–117.
- Marcus, George E. (1998), *Ethnography through Thick and Thin*, Princeton, NJ: Princeton University Press.
- Mason, Michael R. (2005), *The New Accountability: Environmental Responsibility Across Borders*, London: Earthscan.
- Meyer, John W. (1994), 'Rationalized environments', in Richard W. Scott and John W. Meyer (eds), *Institutional Environments and Organizations*, Thousand Oaks, CA: Sage, pp. 28–54.
- Meyer, William H. (1998), *Human Rights and International Political Economy in Third World Nations: Multinational Corporations, Foreign Aid, and Repression*, Westport and London: Praeger.
- Mörth, Ulrika (ed.) (2004), *Soft Law in Governance and Regulation*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Power, Michael (2007), *Organized Uncertainty: Designing a World of Risk Management*, Oxford: Oxford University Press.
- Ruggie, J.G. (2002), 'The theory and practice of learning networks: corporate social responsibility and the Global Compact', *Journal of Corporate Citizenship*, **5** (Spring), 27–36.
- Sassen, Saskia (1998), *Globalization and Its Discontents*, New York: The New Press.
- Sassen, Saskia (2000), 'Spatialities and temporalities of the global: elements for a theorization', *Public Culture*, **12**(1), 215–32.
- Tamm Hallström, Kristina (2002), 'Organizing the process of standardization', in Nils Brunsson and Bengt Jacobsson (eds), *A World of Standards* (2nd edition), Oxford: Oxford University Press, pp. 85–96.
- Tamm Hallström, Kristina (2004), *Organizing International Standardization*, Cheltenham: Edward Elgar Publishing.
- United Nations, Global Compact brochure (1994), 'Corporate citizenship in the world economy', New York: United Nations, The Global Compact Office.
- Weick Karl (2001), *Making Sense of the Organization*, Oxford: Blackwell.

### 3. ISO expands its business into Social Responsibility

**Kristina Tamm Hallström**

---

Every time we meet in the WG [ISO Working Group on Social Responsibility] I get the feeling that it will crash any minute, and it never does! I see this as a miracle. (NGO representative active in the ISO 26000 work, interviewed in Lisbon, May 2006)

#### INTERNATIONAL STANDARDIZATION IN TRANSITION

In this chapter I analyse the workings of the International Organization for Standardization (ISO) in the field of Social Responsibility (SR). ISO is a private association assembling primarily industry representatives to set international standards in more than 200 technical fields, including management systems, with the aim of enabling technical coordination and increasing the effectiveness and rationalization of global trade. SR, on the other hand, focuses on responsibilities for sustainable development and the welfare of society. The general understanding of SR is that it encompasses issues such as human rights, labour practices and the environment – in short, issues that several of the stakeholders involved in this process would place within the traditional responsibilities of states. In 2004, however, it was decided that ISO would enter this field to set a guidance standard: the so-called ISO 26000, to be released in 2009. The more precise aim was to provide guidance on the concept of SR and on the ways in which an SR approach could be integrated into the everyday operations of all organizations.

During the past two decades, the pressure on organizations to act in an environmentally, ethically and socially correct way has increased considerably, and the supply of various SR instruments has grown enormously. The diversity and inconsistencies among various conventions, codes of conduct, standards and certification schemes made it difficult for organizations facing this pressure to make good decisions. The UN underlined this problem by officially encouraging standard-setting SR initiatives, and mentioned organizations like ISO and the Global Reporting Initiative

(GRI) as examples of possible standard setters. ISO, with its well-known trademark and background in management systems, therefore undertook to contribute to the field by setting the ISO 26000 standard.

In this chapter I examine the making of this standard, a process that took place within ISO using a multi-stakeholder work structure. The investigation covers the first two years of the work process, during which more than 300 experts from six stakeholder groups and more than 50 countries tried to agree on specific procedures for the process, and a first draft of the content of the standard. There were those who criticized and resisted this private initiative from the outset and, as the introductory quote suggests, some participating experts even doubted if the work process would hold together. Still, many commentators noted that ISO was relatively successful in its endeavours to establish legitimacy through its multi-stakeholder approach. Therefore the question to be discussed here is: how has ISO worked to establish this legitimacy?

There are good reasons for exploring this question in relation to recognized standard setters such as ISO. Standards are increasingly used at the global level as coordinating and regulating tools, not only within technical fields, but also for environmental and social issues. These standardization processes often involve a mix of actors – private, governmental and non-governmental organizations (NGOs). As argued by Djelic and Sahlén-Andersson (2006), there is indeed a growth of codes and standards published by quasi-voluntary regulatory regimes, including regulatory constellations that transcend the state/non-state divide. Moreover, standards are normative; they are tools for rationalizing and improving both individual organizations and socio-economic systems. As a consequence, a standard setter producing such normative instruments will require some type of authority and legitimacy in order to convince stakeholders and to survive in the long run (Guillet de Monthoux, 1981). Thus a theoretical point of departure in this chapter is that legitimacy is crucial to standard setters (Boli, 1999; Tamm Hallström, 2004, 2006; Beisheim and Dingwert, 2005; Huckel, 2005; Boström, 2006). Without legitimacy no relevant stakeholders would support and engage in the process, and few would comply with the future standard. The particular legitimacy problem discussed here is linked to the move that ISO made from a specific, technically narrow environment consisting primarily of stakeholders in industry to a more complex environment in which NGOs, governmental organizations, consumer organizations and trade unions are among the involved stakeholders. The traditional bases of legitimacy of international standard setters like ISO – technical expertise (Schmidt and Werle, 1998; Tamm Hallström, 2004) and emphasis on the rationalizing benefits of standards (Boli, 1999) – became insufficient as ISO moved in this new direction and faced new types

of stakeholders presenting new requirements and expectations for the organization.

A methodological point of departure would suggest that legitimacy cannot be understood without taking a process approach to undertaking a further investigation of the actors, activities and dynamics involved in the standards development work. This investigation of ISO was conducted with a process approach, therefore. It began in 2004, covered the investigative work conducted by ISO in 2003–2004, and includes an analysis of the first 18 months of standards development work in 2005–2006. During this period I conducted more than 40 interviews with stakeholders from various countries and stakeholder categories, and analysed documents and reports produced and discussed within this work process during 2003–2006 (various issues papers, the design specification, the first working draft of the standard and comments on these documents, for example). Moreover, I directly observed meetings of the Swedish mirror group that follows and works in parallel with the international work process, and spent one week in Portugal in May 2006 conducting interviews with experts participating at the working group's Third International Work Meeting.

In the next section, the ISO case is described in three parts: a presentation of stakeholders and their perspectives on the work; an account of the creation of six stakeholder categories and the actual practice of representation; and an account of the problems surrounding the issue of transparency.

## THE ISO 26000 CASE

### **The ISO 26000 Initiative – Both Support and Opposition**

This initiative was controversial from the start. It meant that a private, industry-dominated standard setter that had primarily set technical standards was now undertaking standards in a social field. These social issues were to include human rights and labour practices, which many people regard as public policy issues that should be handled by governmental organizations such as the UN or the tripartite body International Labour Organization (ILO), and enforced by legislation rather than voluntary standard setting. ISO has traditionally set standards in highly technical fields to be followed by a restricted number of organizations – primarily corporations. The experts participating in such standards development originated mainly from corporations using the technologies being standardized. In the 1980s and 1990s, ISO expanded its standard-setting ambition into 'softer' issues like standardized management systems, focusing on

the procedures of an organizational activity – ISO 9000 standards on quality assurance and ISO 14000 standards on environmental management, for example. There were still industry corporations active among the experts drafting these standards. There was, however, an even larger proportion of non-users among the experts: service providers offering management consultation, certification and various verification audits – services linked to the use of management system standards (Tamm Hallström, 2004).

In 2004 ISO took yet another step in this widening direction with its decision to draft the ISO 26000 standard aimed at all types of organizations globally. Seen from the point of view of ISO, entry into the SR field was a major market opportunity to reach old and new standard users around the world. The following statement was made by an interviewee who was a member of the ISO Advisory Group that had published a report in 2004, including the recommendation to ISO to proceed to develop an SR standard:

ISO needs this standard. That's really why the Advisory Group recommended this; because despite much opposition from industry, this was a big strategic question for ISO and they had a need for this standard to survive and compete as an organization. (Interview with a former Advisory Group member in Lisbon, May 2006)

The creation of an SR standard would, in fact, offer business opportunities to ISO as a seller of standards, and to many of its member bodies providing services linked to the use of standards. Moreover, success with this standard, including recognition and support from intergovernmental organizations collaborating with ISO, would probably pave the way for further, similar standardization projects. There were other stakeholders, including the UN, that valued the ISO trademark being widely spread among businesses internationally. Although there was a clear business opportunity for ISO in the SR field then, and although several stakeholders supported this initiative, there was also strong opposition. ISO had to be prepared to handle the difficulties in creating legitimacy for entering a new field that many people and groups regarded as inappropriate for private standard setting.

One of the first steps taken by ISO was to change its organization and working procedures for this process. An important difference compared to ISO's other working areas was the involvement of a much wider range of experts, originating not only from industry corporations and service-providing companies, but also from governmental, non-governmental, consumer and labour organizations. A consequence of involving such diversity of interests, however, was the intense debate and controversy that occurred throughout the process, in particular around the definition of the concept of SR, including principles and more detailed concepts linked to it. One topic



of discussion was whether or not to include terms such as ‘supply chain’, ‘value chain’ and ‘spheres of influence’ in the section about ‘identification and engagement with stakeholders’. Another issue concerned the inclusion of the term ‘sustainable development’ in the definition of SR, or whether or not to include requirements on compliance with national legislation as a part of the SR standard. Of course, all these issues related to the organizations’ perceptions of the meaning of SR and to their responsibility according to the standard – making them controversial. Yet another discussion concerned the implicit and explicit character of the standard as a management system and the advantages of writing a generic text that was easy to read and aimed at all types of organizations (it would be positive to reach many organizations) versus the risk of making it too general and thereby ‘empty’ (losing the focus on corporations). A particular worry, raised mainly by representatives of developing countries (DCs), but also by intergovernmental organizations and NGOs, concerned the risk of the standard turning into a technical barrier to trade, for developing countries in general and for small organizations in these countries in particular. Some DC representatives were concerned about differences between countries (the need in poor regions to allow children to work, for example), making it difficult to comply with some of the recommendations stated in the ISO 26000.

In brief, there were many corporations (or rather industry associations representing the interests of corporations) actively trying as far as possible to limit the responsibilities of companies, to avoid company-specific wording and to push for a general wording applicable to all organizations. In contrast, NGOs tried to fill the text with as strict and exact wording as possible, precisely in order to clarify the responsibilities of companies and to ensure that the corporate social responsibility agenda was not forgotten. As well, there were stakeholders who were not overly concerned about the exact wording, considering it more important to ensure that a standard would actually result from this process and that it could be easily communicated, sold on the market and used in practice.

In addition to controversies about the explicit content of the standard, intense debate also circulated around organizational issues, about the exact shaping of the multi-stakeholder approach assumed by ISO and about the transparency of this standard-setting process. ISO, in its role as the standard-setting body hosting this process, had to actively attend to these organizational issues. This was not an easy task.

### **Efforts to Create Fixed Stakeholder Categories and Fair Representation**

The first two years of standards development work primarily contained activities designed to shape the new multi-stakeholder organization and its

procedures more concretely by, for example, the creation of six stakeholder categories, a division of labour into a number of task and advisory groups, and twinning arrangements for leadership and new funding solutions. By 2003–2004, when ISO established its Advisory Group to explore the possibilities of entering the SR field, ISO managed to collect a broad range of stakeholders representing almost 30 organizations, including national standards and certification bodies, WWF, the International Chamber of Commerce (ICC), the International Organization of Employers (IOE), large corporations such as Siemens and Motorola, intergovernmental bodies such as the UN Global Compact and the OECD, the ILO, Consumers International (CI), and the GRI. As the Advisory Group Report was presented and discussed at a conference in 2004, ISO used five formalized stakeholder groups to categorize the conference participants: labour, NGO, government, consumer and industry. The same five categories, together with a sixth category labelled Service, Support, Research and Others (SSRO), were used when the actual standards development work started in 2005.

The idea of having formalized and compulsory stakeholder categories was new to ISO, with its tradition of voluntary participation by experts linked to nationalities (national members, national delegations, national comments, and national votes, for example). The introduction of a parallel system of stakeholder categories caused problems because, according to critical voices, the tendency was to ‘business as usual’ with national work structure and national voting power. In order to show that the stakeholder structure was taken seriously, therefore, the ISO secretariat responsible for ISO 26000 work launched a series of activities aimed at securing a multi-stakeholder approach. For example, it began scheduling time at work meetings for stakeholder debate within each stakeholder category; it encouraged specific stakeholder comments (not merely national comments as used within other ISO committees and working groups); and it started to keep track of statistics about stakeholder representation at meetings, in working groups, and for secretariat and chairperson positions. The idea was to order the two approaches sequentially, thereby limiting the stakeholder approach to the drafting phase of the work (about three years), whereas the national decision-making structure would take over during the final revisions of and voting on the standard.

Looking at the practice of participation and representation, the Third International Work Meeting in Lisbon in May 2006 drew a large and varied number of participants: close to 370 people from 65 countries (36 developing and 29 developed nations). Among these participants were experts and observers representing the six stakeholder groups and 32 so-called liaison members (for example, ILO, CI, IOE, ICC, GRI, OECD, WHO). One consumer representative interviewee compared this standardization

process with others, such as the development of ISO 14000, pointing to the fact that all stakeholder groups were not equally interested in this work – although ISO needed them all to maintain its legitimacy:

Every other ISO process is self-limiting; that is, all people who win or lose are there, but this is the first time that ISO brings people who would otherwise not have come – for example, labour. (Interview with consumer representative in Lisbon, May 2006)

According to one (labour) interviewee who was critical of the choice of stakeholder categories, ISO did not consider the initial categorization properly in 2004; it merely put into five groups those groups who happened to arrive. One effect of the chosen categorization, according to the interviewee, was that only some categories were functioning well, those having only one organization coordinating the interests of national member organizations and representing their interests globally – the labour groups with their International Trade Union Confederation (ITUC), and the consumer groups with the CI. One strength of such groups would be their ability to act in accordance, with one strong view; yet it could also be a weakness for an important organization like the CI to have only two expert positions and two observer positions at its disposal, as this was the quota allowed for so-called liaison organizations such as the CI. A consumer representative coming from one of the national delegations made the following remark about the advantages of the consumer stakeholder group:

We are a more homogenous group than the others. There is only one global organization: Consumers International. Two or three consumer experts belong to an organization that is a member of Consumers International and many of those remaining are governmental organizations. But we are used to working together and now we are here to work for this. So it is easier for us to focus on strategic issues when we do not have to spend time disagreeing. (Interview with a consumer representative in Lisbon, May 2006)

Another observation was that all stakeholder groups were not equally represented and did not have the same opportunity to influence the process. The labour groups averaged 5 per cent of all experts present at all the meetings and consumer groups averaged 9 per cent – relatively weak representation. Government, in contrast, averaged 14 per cent of the experts present and the NGOs 15 per cent; whereas the industry group (averaging 24 per cent), together with the residual group SSRO (averaging 35 per cent) had the highest representation. One expert, in discussing the resources required to participate, said:

[The experts] have had only limited success in TG1 [the internal task group responsible for funding issues]; there has been limited support for developing

countries. One month ago the NGO group wrote to ISO that two years have passed and there are still no financial solutions for NGOs, labour, consumers and liaison organizations in developed countries. It all comes back to resources – resources and availability of resources. ISO must come up with more here. (Interview with NGO representative in Lisbon, May 2006)

Thus, in practice, stakeholder representation, participation and ability to influence the work were not evenly distributed. There were a number of reasons for this situation: not every category had enough resources to have representatives at meetings; language skills were uneven among participants, as were experiences in earlier ISO work, ISO procedures and ISO vocabulary; some stakeholders had more authoritative positions than others (for example, the ILO and the UN Global Compact, both having a Memorandum of Understanding with ISO); some stakeholder groups were more homogenous in their views than others were, implying that they were capable of using an effective voice strategy; and some stakeholders were better than others at creating alliances with other groups around an issue of common interest. It was possible, therefore, for stakeholders with such advantages to influence the content of the standard by making comments and by actively participating in debates. It also meant, however, that they could influence the content of the working agenda as well as the organization of the process to their own benefit through the creation of a work structure comprising various working groups and task forces, leadership and advisory positions, and work procedures.

From the point of view of ISO this situation presented a problem; it was crucial for ISO not only to act as a neutral arena for this process, but to ensure that representatives of all stakeholder categories really were present and could act on equal terms. New procedural rules were invented during the course of work, restricting the number of experts and observers from each stakeholder category that were allowed to participate at international work meetings, obliging all task and advisory groups to reserve positions for all stakeholder categories, and requiring ‘twinning arrangements’ (representatives of developed and developing countries) for all leadership positions. A task group was established, the mandate of which was merely to discuss and find new financial solutions for groups with few resources, and on a number of occasions workshops only for developing countries were arranged with the purpose of encouraging and preparing participants to engage actively in the ISO 26000 process.

### **Controversies Around the Issue of Transparency**

In addition to these debates and efforts aimed at improving the functioning of the multi-stakeholder work, there were specific controversies around

the issue of transparency. The NGO group shared its views on this issue with the consumer group. As one NGO representative described:

Industry has taken a very hard line and has used its veto power through sustained objections as a whole stakeholder category. Industry has tried to block the process in this way. What is emerging is that you do not have consensus about the media issue. [The debate around media] is the first issue to bring the question of transparency ahead. The openness towards media is not satisfactory to industry, just as it is not satisfactory to NGOs and consumers to have it closed, not transparent. (Interview with NGO representative in Lisbon, May 2006)

It is obvious from this quote that the NGO and consumer groups, in particular, were in favour of opening the process to the media, of making the process transparent, and that the industry group was against media participation in principle. The tension about the media issue actually increased during the working week in Lisbon. One week prior to this meeting, the CI sent out a one-page press release with the heading ‘Consumer groups outraged as business lobby seeks to silence media on corporate social responsibility’. A forthcoming CI report on the marketing practices of the world’s leading pharmaceutical companies was referenced in the press release, which contained the following statement:

Consumers International and other ISO stakeholder groups are outraged that the business lobby is forcing the ISO to block press access to the main debates. The situation is all the more shocking because the weeklong talks are aimed at creating the first global standard on Social Responsibility. Accessible, transparent information is an essential part of this principle, as well as a core consumer right. (Consumers International press release of 8 May 2006)

After a paragraph on the ‘staggering lack of transparency’ in the pharmaceutical industry, the press release announced the coming Lisbon meeting:

The report’s findings are a clear signal of the need for transparency in the Social Responsibility process. But if the creation of the ISO Social Responsibility standard itself is not transparent, industry will continue to hold transparency in poor regard. Transparency begins at home and the ISO must resist pressure from the business lobby and allow full media access to the debate on Social Responsibility in Lisbon. (Consumers International press release of 8 May 2006)

The following week, at the time of the Lisbon meeting, the CI invited the media to come to the conference centre for a press release. At that time they planned to hand out white T-shirts labelled *LET THE PRESS IN*. The back of the shirt read: ‘Access = Transparency. Consumers Seeking Responsibility’. The action did not succeed as planned, as the few journalists who showed up were thrown out by security guards. The next day,

however, a number of consumer and NGO representatives were walking around the conference building sporting these new T-shirts.

There were mixed feelings among the meeting participants about this initiative of the CI, as indicated in the comments of one ILO representative:

The CI press release the other day was not a very constructive action. It was not appreciated by us. It mostly created a lot of distress, which is not needed in a multi-stakeholder work like this. You know, transparency has a purpose, but open and frank dialogues also have a purpose. It's serious horse trading taking place and you need to be able to speak frankly about your positions. This is what negotiations are all about! I would give primacy to that to get somewhere. You just have to decide when the important moments are for openness and when it's important to close. (Interview with ILO representative/liaison member in Lisbon, May 2006)

Although the presentation of the ISO case ends here, the debate and actions around the issues of participation/representation and transparency certainly did not end at this point. But, let us now turn to the analysis – what was really happening at the meetings and what did ISO do to establish legitimacy?

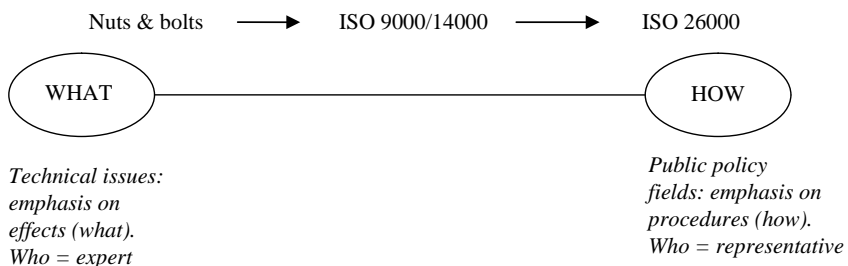
## LEGITIMACY AND ACCOUNTABILITY IN THE MAKING

As noted in the introduction, ISO's traditional way of organizing and legitimizing its work was apparently not sufficient for ISO's entry into the SR field; commentators criticized the ISO way of doing 'business as usual'. The traditional way of organizing technical standardization within ISO was to delegate discussions and decisions about the specific content of the standards as well as the writing of the standards to its members – to the national standards institutes that established working groups comprising voluntary experts. Guiding the working process in these working groups was the consensus principle, followed by a number of voting processes based upon one member country, one vote. Standard users were usually satisfied and did not question the standard-making process as they – being the ones possessing the relevant expertise – could participate in the standardization work and thereby influence the contents of the standards. This strategy worked, at least for experts belonging to the most powerful and resourceful corporations (Tamm Hallström, 2005a) that really had something to win or lose. Standard users that were not active in the standard-making process usually did not complain about the processes or its outcome, even though they had no direct influence on the creation of the standards. Perhaps they perceived that the standardization work was legitimate,

thanks to the heavy emphasis on expertise, combined with the fact that most standards, in principle, are voluntary (Boli, 1999; Tamm Hallström, 2004; Boström et al., 2004). Another possible explanation is that standards are difficult to question because powerful corporations and other influential organizations support them (Tamm Hallström, 2004) or that they are hard to resist and relatively attractive, depending on their general character (Jacobsson et al., 2004). Yet another explanation could be that standard users place such high value on the coordination and rationalization gains of using certain standards that they do not care how the standards are developed. To a large extent, the usual benefits resulting from the use of standards (compatibility, rationality, effectiveness) are strongly emphasized for traditional, technical standards. What is gained by the use of standards is thus of importance for the acceptance of the work involved in developing standards.

The SR case analysed here, however, was different. Legitimacy creation was primarily centred on procedural issues – how the standard-setting process was organized and conducted. Thus the standardization of issues like SR, which, in many countries, is regarded as a public policy issue under the responsibility of the state, seemed to require emphasis on democratic values about the procedures. A general suggestion is, therefore, that in fields having public policy implications like the SR case, the standard setter needs to change focus from ‘what’ to ‘how’ (see Figure 3.1).

In the ISO case analysed here, there were many new stakeholders originating from governmental organizations, NGOs, and labour and consumer organizations, requiring that ISO change the organization and procedures used for this particular work into a multi-stakeholder arrangement. During the process of operationalizing this arrangement, many problems occurred and were debated. It proved difficult, for example, to categorize stakeholders into equal groups and to ensure that all groups could participate on



*Figure 3.1 ISO in transition: the expansion of ISO from narrowly technical fields to broader fields with standards having public policy implications, leading to a change of legitimacy base*

equal terms. The creation of six stakeholder groups was appreciated by several of the stakeholders, but there were also practical problems resulting from the use of this model; additional procedural rules were implemented during the course of work, and not all stakeholders approved of the more regulated work situation entailed in the multi-stakeholder approach. In meeting the demands of some stakeholders for equal representation and a transparent process, ISO faced the risk that other stakeholders, who disagreed with these procedural ideas, would leave the process. Thus in order to keep the process legitimate, ISO had to balance the views of all relevant stakeholders and to encourage them to stay.

Inclusiveness regarding the people involved in standardization work is, in fact, a basic legitimizing principle in standards development work, as pointed out by Boström (2006), who has investigated environmental standard setting and eco-labelling. As Boström also concludes, however, a number of difficulties often arise as the principle of inclusiveness is practiced by a standards body – problems such as maintaining a balance of power, which is implied in the idea and ideal of inclusiveness. In the case analysed here, the practice of this multi-stakeholder work caused ISO great problems. ISO had to include, for its legitimacy, not only the organizations that appeared voluntarily, but also others that had to be actively encouraged, and often financially supported, in order to gain their participation. In the interests of legitimizing this standardization process, it was necessary, for instance, to include groups like labour representatives who encompassed crucial expertise in the area of social responsibility as well as representatives of developing countries – locations where, in many cases, activities and responsibilities of multinational corporations are criticized. Developing countries typically did not have enough resources to send experts to participate at ISO meetings, however. The principle of inclusiveness, or rather a balanced representation of various stakeholders, was difficult to practise due to inequalities in the participants' access to financial and other resources (Tamm Hallström, 2004; Boström, 2006). Moreover, difficulties occurred because some groups lacked the willingness to support, or believe in, the private standardization scheme, *per se*. Then, of course, there were difficulties in reaching consensus among strongly diverse interests.

In response to these problems, ISO worked hard at being creative in finding financial and educational solutions, enabling weaker stakeholders to participate effectively. It also introduced the system of 'twinning arrangements' that assigned dual leadership positions to one representative of a developed country and one of a developing country (see also Tamm Hallström, 2005b, for a thorough account of legitimizing activities). More specifically, these legitimizing activities can be seen as a way for ISO to improve its own accountability by creating and negotiating procedures for



stakeholder involvement, demonstrating that due process and fairness prevailed and that there was proper representation of all relevant stakeholders.

The lack of transparency was also a big issue, concerning ISO's own accountability. The CI raised the issue in its press release of 8 May 2006, and this initiative was supported by the NGO group, thus combining the resources and representation of two of the weaker groups. At the same time, the consumer group presented a strong and homogenous view. By arguing for greater transparency – indeed, a legitimate value within this process – the consumer group used its united-voice strategy successfully. The well represented industry group and the ILO (with its Memorandum of Understanding with ISO giving it a particularly strong position) did not support the calls for transparency, probably because they did not see the same advantages to opening up the process. In summary, as suggested by Figure 3.1, the procedural complexity and accountability expectations did increase, because the standard being developed was about social responsibility.

## CONCLUDING REMARKS

I have proposed here that we need to take a process approach, to look at the actors involved and the specific activities occurring over time in order to answer the question addressed in this paper: how did ISO work to establish legitimacy? It is clear that legitimacy is not a stable condition, but something fluid that must be created and conquered; legitimacy creation is characterized by a continuous negotiation among stakeholders. The outcome of such processes depends on who is involved, why they are there, and what they want, as well as how they act and react during the course of work. The analysis suggested that it was difficult for ISO to create groups that could play on equal terms; all stakeholder groups were not equally represented and some stakeholders had more financial and other resources to influence not only the content of the standard but also the shaping of the agenda, organization and procedures of the standard-setting work. ISO, in turn, had to expend great effort in trying to balance the various interests of stakeholders and exhibit considerable creativity in finding new organizational solutions to make this multi-stakeholder arrangement legitimate.

The fact that the ISO 26000 standard was aimed at encouraging organizations to become more socially responsible towards internal and external stakeholders reinforced the importance of procedural (how) issues as part of the work and created legitimacy for the process. Repeatedly, ISO had to reflect upon and be consistent with and accountable for its own doings. The analysis has provided many examples of ISO's own accountability being called into question during the investigation. The fact that ISO used a

multi-stakeholder approach in order to increase the inclusiveness of experts participating in the standards development work both strengthened ISO's legitimacy and caused ISO accountability problems, particularly around the issues of a proper representation of involved stakeholders and transparency of the work process.

In this context it should not be forgotten that ISO also had interests at stake. Thus ISO was not only a neutral arena, as was usually claimed in public presentations, but also an actor (see also Tamm Hallström, 2006). Although the goal of ISO was not to thrust accountability onto others, it still had interests in becoming a seller of a new standard and the services around it. The more stakeholders ISO managed to involve in the process and convince about the advantages of the ISO 26000 standard, the more 'missionaries' it had to promote and encourage the use of the standard, and the better the odds for the standard to reach compliance in all types of organizations around the world. ISO's well-known trademark and market reach throughout organizations worldwide was one of its most important strengths at the outset of the ISO 26000 process, together with its willingness and need to enter this field. At the same time, in order to establish legitimacy for the process, it was important for ISO to prove its neutrality, to be clear about the fact that a balanced set of all relevant stakeholders was actually involved and could influence it in an equal way, and to be transparent about its work and the process as a whole.

Finally, given the high level of conflict and complexities in the process investigated, questions can be raised about what can be decided upon in processes like the ISO one. On the release of the ISO 26000 standard in 2009, would it, as feared by some, be an 'empty shell', with no real impact on the practice of organizations? Or would it be a standard with strict requirements that would, in turn, function as serious barriers to trade for some organizations and countries? Or would it rather, as ISO suggested, become a useful tool to improve the world? There were many worries about the outcome of this standard, and halfway through the process there were no obvious answers. It is clear, however, that this process has attracted a great deal of attention not only among direct users of standards like the ISO 26000 but also among organizations worldwide, signalling a fast-growing 'accountability industry'. Upon the launch of the standard, yet another accountability tool will exist. Much more will have been created, however; the outcome of the ISO 26000 process has involved a large number of organizations over a number of years, fostering the emergence, promotion and growth of a whole accountability industry consisting of management consultants, certification auditors, rule setters and the like, all convinced about the importance of continuing the regulatory efforts towards sustainable development and improving the welfare of society.

## REFERENCES

- Beisheim, Marianne and Klaus Dingwert (2005), 'Are the good ones doing better? Procedural legitimacy as a success factor for private transnational governance', paper presented at the Score conference 'Organizing the World – Rules and Rule-setting Among Organizations', Stockholm, Sweden, 13–15 October.
- Boli, John (1999), 'Conclusion: world authority structures and legitimations', in John Boli and George Thomas (eds), *Constructing World Culture: International Non-governmental Organizations since 1875*, Stanford, USA: Stanford University Press.
- Boström, Magnus (2006), 'Regulatory credibility and authority through inclusiveness: standardization organizations in cases of eco-labelling', *Organization*, 13(3), 345–67.
- Boström, Magnus, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (2004), 'Organiserad Frivillighet', in Magnus Boström, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds), *Den organiserade frivilligheten*, Stockholm, Sweden: Liber, pp. 7–21.
- Consumers International (2006), 'Consumer groups outraged as business lobby seeks to silence media on corporate social responsibility', press release of 8 May.
- Djelic, Marie-Laure and Kerstin Sahlin-Andersson (2006), *Transnational Governance: Institutional Dynamics of Regulation*, Cambridge: Cambridge University Press.
- Guillet de Monthoux, Pierre (1981), *Doktor Kant och den oekonomiska rationaliseringen*, Göteborg, Sweden: Bokförlaget Korpen.
- Huckel, Carmen (2005), 'Legitimacy and global governance in managing global public health', paper presented at the Score conference 'Organizing the World – Rules and Rule-setting Among Organizations', Stockholm, Sweden, 13–15 October.
- Jacobsson, Kerstin, Ulrika Mörth and Kerstin Sahlin-Andersson (2004), 'Den Frivilliga Styrningens Attraktionskraft', in Magnus Boström, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds), *Den organiserade frivilligheten*, Stockholm, Sweden: Liber, pp. 163–89.
- Schmidt, Susanne and Raymund Werle (1998), *Coordinating Technology. Studies in the International Standardization of Telecommunications*, Cambridge, MA: The MIT Press.
- Tamm Hallström, Kristina (2004), *Organizing International Standardization – ISO and the IASC in Question of Authority*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Tamm Hallström, Kristina (2005a), 'Frivilligt för de Starka', in Magnus Boström, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds), *Den organiserade frivilligheten*, Stockholm, Sweden: Liber, pp. 99–119.
- Tamm Hallström, Kristina (2005b), *International Standardization Backstage – Legitimacy and Competition in the Social Responsibility (SR) Field*, paper presented at the Score conference 'Organizing the World – Rules and Rule-setting Among Organizations', 13–15 October, Stockholm, Sweden.
- Tamm Hallström, Kristina (2006), 'ISO enters the field of Social Responsibility (SR) – construction and tension of global governance', in Folke Schuppert/WZB (ed.), *Contributions to Governance – Global Governance and the Role of Non-State Actors*, vol. 4, Berlin, Germany: Nomos Publisher.

## 4. Organizing accountability in transnational standards organizations: the Forest Stewardship Council as a good governance model

**Lars H. Gulbrandsen**

---

### INTRODUCTION

Voluntary standard setting implies that companies, industry associations or nongovernmental organizations (NGOs) assume some responsibility for policy making and enactment and that the state plays a less central role.<sup>1</sup> The emergence of standards and certification schemes in the environmental realm is part of a general shift from command and control instruments and ‘end of pipe’ regulations towards process-oriented collaborative solutions among environmental organizations, industry and the state (for example, Mol et al. 2000; Spaargaren 2000). Transnational non-state-driven standardization processes are particularly illustrative of the new collaborative alliances between environmentalists and private companies. Frustrated by their inability to enact stronger environmental regulations through government lobbies, many green groups have searched for new forms of political participation, engaging in cooperation with businesses to set standards and develop mechanisms for enforcing them. Standards are ‘soft regulations’ existing outside organizations and issued without the authority that managers are granted within organizations, but they are often backed by particular standards organizations or standard setters seeking to become more like formal organizations (Ahrne and Brunsson 2004).

Yet it is not clear if non-state organizations that claim responsibility for collective goods and public interests are answerable only to their own members or if they must answer to the general public. These organizations make rules that responsible companies are expected to follow, but the organizations examined in this chapter do not have a government mandate to make rules or to represent the general public. They monitor compliance

with rules and may penalize noncompliant companies by suspending their certificates, but governments have not delegated any formal authority to have them verify and enforce compliance. In the absence of the exclusive rule-making authority of the state, standards organizations must depend upon the voluntary participation of companies and must respond to pressures to be accountable to all the stakeholders they claim to represent. How do these organizations create legitimacy for their actions and a higher degree of accountability? This chapter explores how transnational standard setters *organize* rule making and governance to respond to demands for accountability.

In addressing this issue, I examine certification and labelling schemes in the forestry and fisheries sectors, as initiatives in these two sectors probably represent the most advanced and successful cases of non-state rule making and governance in the environmental realm. I argue that the Forest Stewardship Council (FSC), initiated primarily by the World Wide Fund for Nature (WWF), has established a template for other standards organizations, specifically within the fields of fisheries and forestry. By creating the Marine Stewardship Council (MSC), the WWF exported the FSC certification model to the fisheries sector. In the forestry sector, landowner- and industry-led certification schemes that were created to replace FSC by offering an industry-dominated certification model have begun to support many of the same procedural requirements initially established by their rival. However, they have acted strategically to maintain some control of the standard-setting and certification processes. More generally, I argue that some standards organizations take advantage of the flow of popular organizational recipes. In doing so they adopt particular accountability arrangements, arguably geared towards diverting criticism of their activities rather than enhancing responsiveness to those affected by their activities. This chapter draws upon several years' worth of primary research on non-state governance in the forestry and fisheries sectors, including 22 interviews with representatives of forest owners' associations, environmental organizations and government agencies in Sweden and Norway (2000–05), as well as interviews with FSC representatives in Bonn (2006) and MSC representatives in London (2006).<sup>2</sup>

I proceed with an examination of two notions of accountability, followed by a review of the development of procedures for accountability through organizational setups and certification rules, as undertaken by transnational standards organizations. Next, I explore how these organizations, in particular those dominated by industry, responded to pressures for accountability to a broad range of stakeholders – not merely to industry peers – and if those responses resulted in a capacity for greater accountability. The conclusion reflects on lessons learned from the study of

accountability arrangements and on dynamics in transnational standards organizations.

## TWO NOTIONS OF ACCOUNTABILITY

In this chapter, I examine the notion of accountability as hierarchical control and the notion of accountability as responsiveness; they are supplementary rather than mutually exclusive ideas, although an over-emphasis on the first type could result in less of the second type. According to the traditional notion of *accountability as control*, rulers in liberal democracies are accountable to citizens through some mechanism of representation, such as elections. In the political sense, accountability is '[t]he requirement for representatives to answer to the represented on the disposal of their powers and duties, act upon criticisms or requirements made of them, and accept (some) responsibility for failure, incompetence, or deceit' (Bradbury 2003). This notion of accountability implies that there are certain tasks or functions which people in positions of authority are obliged to perform, and that there is some other person or body to whom the office holders are responsible or answerable for the performance of these duties.

In the absence of public delegation of authority, non-state standards organizations are not directly answerable to public authorities. Dahl argues that international organizations cannot be democratic in the sense of ensuring popular control over personnel and decisions (Dahl 1999). The verdict would obviously be worse for non-state standards bodies with no governmental mandate to regulate and to enforce rules. Other scholars claim that there is likely to be an 'accountability deficit' in new forms of governance dominated by non-state organizations because it is not clear to whom these organizations are actually responsible or answerable (Rhodes 1997; Rosenau 2000). In a transnationalizing world, however, non-state bodies may establish governance systems that could be more effective in holding corporations to account than could traditional state regulations. Specifically, standards organizations may establish requirements and procedures to enhance the answerability of those adopting the standards and to enhance control over them. Whereas environmental and social regulations and law enforcement capabilities vary widely from one country or region to another, standards are typically uniform and universal rules that direct the activities of companies around the world. Whether they conduct business in Sweden, China or the United States, corporations that voluntarily adopt certain standards may be held to account by standards organizations through their participation in certification schemes. Delegation of the auditing function to independent certification bodies is a key feature of

most organizations that set standards for certification. Those certification bodies must be accredited by and are answerable to the standard setter. Certification bodies issue certificates to companies that comply with the standards, audit performance through regular inspections, and may penalize non-compliant companies by suspending their certificates. Although participation in certification schemes is voluntary, producers who have granted decision-making authority to standard setters and certifiers must consent to regular inspections of their practices and must accept the consequences of non-compliance. In these ways, companies that opt to participate in a certification scheme are held accountable for their performance to the certification body, and ultimately to the standard setter. The mechanism for holding companies accountable is to change the utility that they assign to behavioural options by increasing the benefits of certification and compliance with rules and by penalizing defection and non-compliance. In the first place, certification and labelling initiatives rely mainly on the moral persuasion of consumers and on strategic market moves by professional purchasers and producers (Gulbrandsen 2006). Thus labelling and other market-style relationships provide incentives for producers to take consumer sentiments into account (Stone 1995, p. 521).

The notion of *accountability as responsiveness* turns attention to horizontal relationships between various stakeholders such as NGOs, businesses, governments and multilateral organizations, the media, and citizens rather than hierarchical top-down relationships. Acting responsively means taking criticism and the concerns of others seriously, looking for common ground, and seeking to meet the expectations of clients and constituencies (cf. Romzek and Dubnick 1987; Koppell 2003; Pellizzoni 2004). As noted by Koppell (2003, p. 180), 'responsiveness turns accountability outward rather than upward'. Unlike traditional state authority, which is often taken for granted, transnational bodies must be granted legitimate rule-making authority from a wide range of stakeholders and constituents (Cashore et al. 2004). There is, then, a web of accountability structures from standard setters to different actors rather than a single, top-down, hierarchical accountability arrangement. The performance of standards organizations and companies is evaluated by constituents of various kinds, including governments, environmental organizations, retailers, investors and consumers. From this perspective, accountability involves not only the capacity of consumers or retailers to exit to another provider, but also involves a voice option by which they can ask questions and demand answers (Mulgan 2000, pp. 568–9). For March and Olsen (1995), explanation and justification are at the core of accountability; calling actors to account means asking them to explain and justify their actions. Through companies' interactions with and feedback from constituents of various kinds, they may internalize

norms about appropriate behaviour as corporate citizens. Internalization of norms means that actors learn and accept them, and then use them to guide their behaviour without having to reflect upon them. The sanctions and rewards that underpin an accountability relationship may not be restricted to traditional political consequences such as loss of office or reduced autonomy, but could also include symbolic consequences such as loss of reputation and trust (Thomas 2003, p. 549). Although the tangible penalty for non-compliance is the suspension of a certificate that signals responsibility and gives the producer the right to use a product eco-label, nonperformance or even nonparticipation in a credible certification and labelling scheme could also involve symbolic losses such as the loss of goodwill and credibility among a broad audience of relevant stakeholders.

The responsiveness conception of accountability points to a need to look beyond control and procedural arrangements and to analyse the actual responsiveness of organizations to clients and salient constituencies. Accountability arrangements such as obligation to report performance and verify compliance with standards could become rituals to justify one's conduct and the 'business-as-usual' situation – without accepting the need to act responsively to criticism (cf. Gregory 2003; Pellizzoni 2004). Expanded monitoring and auditing activities may, in fact, undermine trust, resulting in an ever-growing demand for more monitoring and auditing (Power 1997). By contrast, processes that systematically involve a broad range of stakeholders and interests may help to establish some degree of trust among disparate constituents, a sense of ownership of outcomes, and governance bodies that are accountable to outside stakeholders in their response to criticism and divergent opinions (Bernstein 2005; Boström 2006). An organizational capacity for responsiveness to clients, customers, and external constituents such as NGOs and local communities could be enhanced by such means as the inclusion of a wide range of stakeholders in standard-setting processes; consultation in certification proceedings; transparent decision making; and opportunities for complaints and procedures for dispute resolution. Failure to live up to stakeholder expectations or respond constructively to criticism would result in a loss of dialogue with stakeholders and constituents. Table 4.1 summarizes the key differences between the notion of accountability as control and the notion of accountability as responsiveness.

It should be acknowledged that elements of control and responsiveness may operate simultaneously in a given accountability relationship and that accountability relationships may change over time. As noted by Harmon (1995, p. 195), there are certain legitimate constraints that power wielders must not violate, but they set the framework for accountability as 'a dialogue involving the mutual interpretation of people's actions in the process of cooperatively discovering what sorts of practices are worth engaging in'



*Table 4.1 Two notions of accountability in non-state certification schemes*

	Accountability as control	Accountability as responsiveness
Accountability structure	Hierarchical top-down relationships	Web of horizontal relationships
Accountability holder	Standards organization, certification body	NGOs, industry peers, retailers, consumers
Answerable party	Certified companies	Standards organization, certification body, certified companies
Basis of compliance	Third-party auditing, rewards for compliance, sanctions for non-compliance	Persuasion, deliberation, internalization of norms and rules
Consequence of non-compliance	Loss of certificate	Loss of dialogue

(quoted in Gregory 2003). An accountability relationship initially based upon control and coercion may, over time, and as a result of explanation and justification of actions and repeated interactions between accountability holders and answerable parties, lead to mutual learning and the internalization of norms and rules of acceptable or appropriate conduct in a particular role or situation. For both types of accountability relationships, failure to comply with rules or to meet expectations about appropriate conduct, whether that implies loss of a certificate or loss of dialogue, would ultimately result in loss of trust and reputation.

## ORGANIZATIONAL SETUP AND CERTIFICATION RULES

Although certification schemes were first developed through forestry initiatives, fisheries shared similar concerns: resource depletion, environmental degradation, and insufficient governmental action. In the following section, I review the creation and initial organizational features of certification schemes in the two sectors.

### **The Forest Stewardship Council**

In 1993 the forest certification frontrunner, FSC, was officially founded by the WWF and other environmental groups, a few timber traders, indigenous

peoples' groups, forest workers' organizations and other stakeholders, with a goal of promoting responsible forest management. Two years later, it was legally registered as a nonprofit organization. The establishment of FSC was largely a result of increasing concern over global forest degradation following irresponsible industrial logging in the tropical zone and elsewhere, and the failure of governments to tackle the problem. FSC has a tripartite structure consisting of social, environmental and economic chambers that comprise the General Assembly – the highest decision-making body in the organization. Each chamber holds one-third of the votes and each chamber has voting parity among stakeholders from developing and developed countries. The chambers each elect three representatives for a three-year term to the board of directors, which is accountable to FSC members. This structure is designed to ensure that no specific interests are allowed to dominate rulemaking in the scheme. FSC is membership based; when applying for membership, applicants indicate whether they represent a developed or a developing country and whether they wish to belong to the social, environmental or economic chamber of the General Assembly.

FSC has developed a global standard for its definition of 'well-managed forests'; it comprises a number of principles and criteria for the environmentally appropriate, socially beneficial and economically viable management of forests.<sup>3</sup> These principles and criteria are tailored to meet conditions in various countries through a process by which ecological, economic and social stakeholders collaborate on a level playing field. Nationally or locally developed standards are approved by the FSC board of directors if they conform to the scheme's global principles, criteria and decision-making rules. Another essential task of the scheme is accreditation of the independent certifiers that audit forest operations. By establishing a legally independent accreditation business unit, FSC has separated its accreditation services from its standard-setting function. A forest company or landowner seeking certification must be approved in a major assessment conducted by a third-party certifier. Upon passing this hurdle, the company receives a FSC certificate that is valid for five years, and may sell the wood as certified; but its forest operations are also monitored by the certifier in annual audits. After this first five years, the company must pass a new inspection, which is far more wide-ranging and comprehensive than the annual audits. If forest companies or forest owners fail to correct serious certification-standard shortfalls, they risk the loss of their certification.

### **The Marine Stewardship Council**

Primarily as a result of overcapacity in the world's fishing fleets following years of expansion, overfishing that depletes fish stocks and habitats

remains the most serious problem in fisheries management, within national waters and the high seas. In 1996, in response to the global fisheries' management challenges, WWF teamed up with the global corporation Unilever, a major purchaser of frozen fish; and in 1997 they established MSC to improve fishery practices through linking fish production with fish trade. The creation of MSC was inspired by the founding of FSC a few years earlier, and the similarity of their names and labels was no coincidence (Fowler and Heap 2000, p. 137). Similar to FSC, MSC developed prescriptive sustainable resource management standards through an open and inclusive process, including eight workshops in different regions of the world and two expert drafting sessions.

The three main principles of MSC require (1) that wild-caught fisheries do not conduct operations that lead to overfishing or depletion of exploited populations or that they hinder the rebuilding of depleted populations; (2) that they maintain the structure, productivity and diversity of the ecosystem on which the fishery depends; and (3) that they have an effective management system in place and comply with local, national and international fishery laws and standards.<sup>4</sup> These principles are supplemented by a number of more specific operational and management criteria. In addition, fisheries seeking certification must elaborate on the principles to meet regional and local fishery conditions through an inclusive process involving a broad range of stakeholders. This process can be costly and time consuming; after a four-year process of criteria development and assessment, for example, certification of Alaska pollock – the world's largest whitefish fishery – was finally completed (Gulbrandsen 2005). Its certificate, like the FSC certificate, is valid for five years; and the fishery is subject to annual third-party audits of fishing operations. Before the end of the five-year period, the fishery must undergo a new major assessment to renew its certificate.

### **Landowner- and Industry-Dominated Forest Certification Schemes**

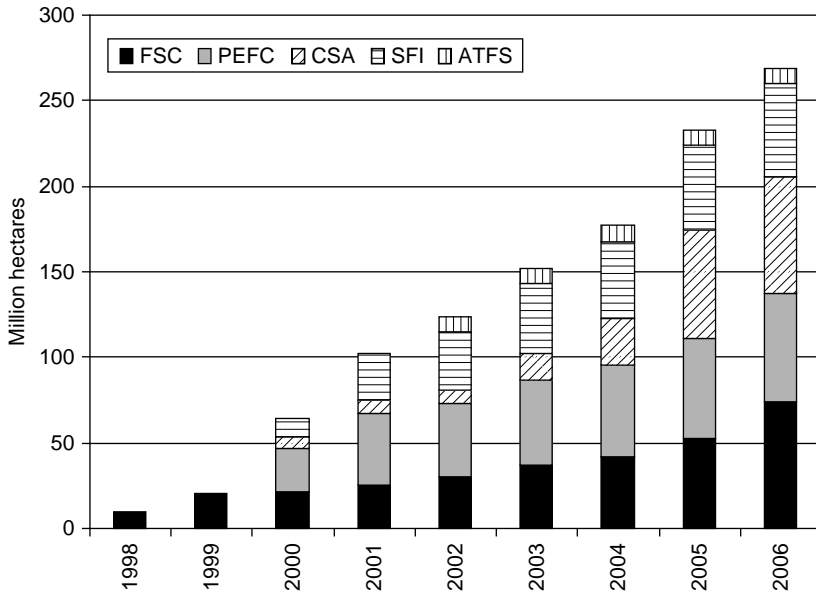
Although MSC is still the only multi-criteria certification and labelling scheme applicable to wild-caught fisheries throughout the world, FSC has been challenged by a number of landowner- and industry-dominated certification schemes. The establishment of FSC competitors is related to the institutional setup and design of FSC, in particular the key role of WWF and other NGOs in the initiation of the scheme; the fact that environmental and social interests with a two-thirds majority can outvote economic interests; and the stringency and intrusiveness of prescriptive environmental and social rules (Cashore et al. 2004; Gulbrandsen 2004). The landowner- and industry-dominated programmes initially operated

under the strongly held belief that those who must actually implement rules for sustainable forest management (that is, forest companies and forest owners) ought to develop the rules (Cashore et al. 2004). In 1998–99 European forest owners' associations created the Pan-European Forest Certification Scheme (PEFC) to facilitate the mutual recognition of national, landowner-dominated certification schemes and to provide a common eco-label for these schemes. The PEFC Council, composed of national governing bodies primarily representing forest owners' associations and the broader forestry community, approves national certification schemes if they are developed in conformance with the criteria, indicators and rules of the umbrella scheme. A similar development took place in North America with the establishment of landowner- and industry-dominated schemes in Canada (Canadian Standards Association scheme) and the United States (Sustainable Forestry Initiative and American Tree Farm System). In 2003, PEFC restructured itself and went global, changing its official name to the Programme for the Endorsement of Forest Certification schemes, while keeping PEFC as its acronym.<sup>5</sup> With the endorsement of most European landowner-based certification schemes as well as several non-European schemes (including the two major North American schemes), the PEFC umbrella scheme has become firmly established as a global competitor to FSC. Figure 4.1 shows the forest area certified by the major schemes between 1998 and 2006.

To summarize, whereas rule makers in FSC developed inclusive governance structures to enhance the organizational capacity for accountability to a wide range of economic, social and ecological stakeholders, forest owner and industry association representatives who comprised the governing bodies of FSC-competitor programmes were primarily accountable to their peers. As a result, the latter programmes had little or no credibility among major environmental and social groups. Because the lack of support from these stakeholders had a negative impact on the credibility of landowner- and industry-dominated schemes in the market and among consumers, they have taken steps to strengthen the independence of the programmes and achieve greater rule-making legitimacy among governments, environmental organizations, and relevant audiences in the marketplace. MSC has also implemented measures to enhance credibility and accountability. These developments are explored in the next section.

## ORGANIZATIONAL CHANGE

Strengthening the autonomy of transnational governance programmes and increasing the participation from outside stakeholders in rule-making



*Note:* Certification schemes indicated here are Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification Schemes (PEFC), Canadian Standards Association scheme (CSA, endorsed by PEFC in 2005), Sustainable Forestry Initiative (SFI, endorsed by PEFC in 2005), and American Tree Farm System (ATFS).

*Source:* UNECE/FAO (2006).

*Figure 4.1 Forest area certified by major certification schemes, 1998–2006*

processes could be ways of responding to demands for accountability. In the case of fisheries certification, MSC has taken steps to consolidate its independence, avoid conflicts of interest and enhance the inclusiveness of the organization. Initially, there was controversy over MSC because of the major involvement of a global corporation, Unilever, in the initiation and development of the scheme, rather than a wide range of stakeholders, as was the case in FSC (Constance and Bonanno 2000, p. 131). To fend off assertions that it was controlled by WWF and Unilever, MSC was restructured in January 1999 as a fully independent non-profit organization. This was seen as an essential step for gaining credibility as a neutral body in a multi-stakeholder industry, but on the advice of the consulting firm Coopers & Lybrand, WWF and Unilever decided against an open membership organization like FSC in order to avoid regulatory capture (Fowler and Heap 2000). They wanted to prevent a governance arrangement that was

inefficient, expensive to operate, and open to potential capture by particular interest groups or sectors. The establishment of MSC as an independent organization also meant that instead of being financed by WWF and Unilever it had to source its own funding from a range of private organizations and charities such as the Packard Foundation and from logo (eco-label) license agreements with certified fisheries.

Notwithstanding this move to enhance the autonomy of MSC, stakeholders were concerned over what they claimed to be a lack of transparent and inclusive decision making in the organization. In 2001, following a ten-month governance review and consultation process, MSC announced a governance reform to enhance responsiveness to various stakeholders within and outside the fisheries sector. The reform included the creation of a board of trustees, a stakeholder council, and national and regional working groups (MSC 2001a). The board is self-recruiting and members are appointed – not elected – for three-year terms. It comprises members from industry, environmental organizations, the scientific community, and the seafood retailers. The stakeholder council can have 30 to 50 members who meet annually to discuss MSC strategy, activities and other matters. Its two joint chairs have seats on the main board and are therefore involved in all board discussions and decisions. Members of the stakeholder council are drawn from ‘the public-interest category’, composed of representatives of scientific, environmental and marine-conservation communities and ‘the commercial and socio-economic category’, comprising individuals representing catch-sector interests; supply chain, processing and retail interests; and developing countries and fishing communities (MSC 2001b). In sum, the reform resulted in an inclusive multi-stakeholder governance structure, but in order to avoid the inertia and inefficiency sometimes experienced in FSC, it left final decision-making authority to the board of trustees rather than to the stakeholder council.<sup>6</sup> Since the governance reform, MSC has attracted increasing support from governments, the fishing industry, environmental NGOs, and corporate and charity funding sources. A number of major fisheries on a national or even on a global scale, including Alaska pollock, Alaska salmon, New Zealand hoki and South African hake, have now been certified to the standard.

The development of the dominant forest certification scheme in the United States is particularly illustrative of the increasing independence of non-state governance initiatives originating with landowner or industry associations.<sup>7</sup> Many forest companies in the United States disliked FSC because of its stringent, performance-based approach to forest management and its chain-of-custody requirements, which at the time required that industrial companies could sell FSC-certified products only if they could demonstrate that all suppliers of raw material were also FSC-certified (Cashore

et al. 2004, p. 100). In 1993–94, the US industry association, American Forest and Paper Association (AF&PA), created the Sustainable Forestry Initiative (SFI) programme as a more industry-friendly alternative to FSC. The AF&PA designed and operated the programme, and tasked professional foresters and other experts with developing sustainable forest management principles and implementation guidelines. The SFI programme was initially an industry code of conduct designed ‘to visibly improve industrial practices and report results’ (AF&PA 2002, p. 3). In 1995, AF&PA established an External Review Panel (originally called the Expert Review Panel) to formalize stakeholder involvement. It comprised 18 representatives of academic institutions, government institutions and conservation groups; but none of the large international NGOs participated.

In 1998 the AF&PA restructured the programme to create an industry certification standard. Companies could opt to audit themselves (first party), have the AF&PA do it (second party), or have an independent certifier audit practices (third party). Whereas most of the large member companies in the industry association have undergone or committed to third-party auditing, environmental groups were critical of the dominant role of AF&PA in the operation of the programme (Cashore et al. 2004). To address this concern, in 2000 the AF&PA established the independent Sustainable Forestry Board to govern the SFI programme. This could be seen as a move to make SFI member companies accountable to stakeholders outside the forest industry, but with 6 of the 15 board members representing AF&PA member companies, the forest industry maintained a strong presence in the SFI programme. The latest steps to enhance the autonomy of the SFI programme were taken in 2002, when the Sustainable Forestry Board completed its legal separation from the AF&PA by applying for non-profit status and changed its structure to mimic FSC’s three-chamber system (Cashore et al. 2004). One-third of the board members consist of conservation and environmental organization representatives (for example, Nature Conservancy and the Conservation Fund), one-third represent AF&PA members, and the remaining one-third is drawn from the broader forestry community such as forestry research institutes, unions and trade associations.<sup>8</sup> In December 2005 the PEFC endorsed the SFI programme, which meant that SFI became a member of the umbrella scheme and could use its eco-label, subject to certain conditions.<sup>9</sup>

In spite of SFI’s legal separation from the AF&PA, the industry association and other forestry interests have maintained a prominent role in the Sustainable Forestry Board, with two-thirds of the board members; and the lack of consultation or public information in the certification process means that the SFI scheme is less inclusive and transparent than FSC (Ozinga 2004; Nussbaum and Simula 2005). Whereas some American

conservation groups participate in the Sustainable Forestry Board, none of the big international environmental organizations such as the WWF or Greenpeace support the programme. According to one prominent forest conservation NGO, the SFI scheme certifies 'near status quo' practices and is 'one of the least credible of all schemes', owing to its lax environmental standards and lack of transparency (Ozinga 2004, p. 23).

Similarly, although the PEFC umbrella scheme has opened up over time for some participation from interested stakeholders outside the forestry community, forest-owner and industry associations still dominate rule making and governance. Environmental organizations claim that PEFC is less rigorous and transparent than FSC, leaving them with little scope for scrutinizing practices and providing forest owners with great leeway in applying sustainable forest management standards (Gulbrandsen 2004). The PEFC regulations explicitly state that development of certification criteria at the national level 'shall be initiated by national forest owners' organizations or national forestry sector organizations having the support of the major forest owners' organizations in that country' (PEFC 2005, p. 3). All relevant stakeholders are invited to participate in the standard-setting process, but there is no requirement that there should be a tripartite decision-making structure as in FSC. Although several national PEFC schemes have mimicked FSC's three-chamber structure, forestry interests dominate the decision-making process, as seen, for example, in Sweden, where the three chambers represent forestry, primary processing industry and other interests rather than ecological, social and forestry interests.

## ORGANIZATIONAL MIMICRY AND HYPOCRISY

It is evident that transnational standards organizations are responding to calls for accountability by allowing for greater participation from outside stakeholders and adapting their ways of organizing rule making and governance. Indeed, in both forest and fisheries certification, standards organizations are becoming increasingly professional and constitute themselves as independent of the organizations that established them. Over time we see some evidence of convergence and institutional isomorphism, the tendency towards organizational homogeneity (cf. DiMaggio and Powell 1983). The success of FSC in attracting widespread support among market players and social movement organizations (Gulbrandsen 2006) has legitimized a particular management recipe based on participation of a wide range of stakeholders, shared decision-making authority, and empowerment of those affected by the actions of power-wielders. This recipe in turn incorporates and is reinforced by popular prescriptions of appropriate ways of



organizing for accountability and widely held norms about transparency, corporate social responsibility, stakeholder democracy, and dialogue between business and civil society. Interestingly, the industry-led forest certification schemes that were initiated to replace FSC and offer an alternative, industry-dominated certification model have come to support many of the same procedural requirements initially established by their rival.

Despite efforts to strengthen the autonomy of landowner- and industry-dominated certification schemes, however, most of the major environmental organizations have little confidence in them. Rather than endorsing the steps taken by the landowner- and industry-dominated schemes to enhance independence or the appearance thereof, the WWF and other environmental groups responded by intensifying campaigns to promote FSC in the marketplace.<sup>10</sup> The fact that FSC competitors were initiated by and still are accountable primarily to landowner and industry associations goes a long way towards explaining the lack of trust that environmentalists place in them. Within most environmental organizations, any efforts by industry-dominated schemes to increase participation from environmental and social stakeholders in their governing bodies are considered as moves towards 'greenwashing' the schemes – making them appear inclusive and independent without fundamentally altering their lack of responsiveness to environmental criticism or the possibilities for environmental groups to influence rule making and governance. They claim that whereas landowner and industry associations have accepted some participation from environmental or social groups in their standards organizations, those associations reserve for themselves the right to decide who is accountable to whom and for what.<sup>11</sup> Accountability understood in this way could become a meaningless ritual of justifying conduct by answering only those questions that the answerable party has decided upon (Pellizzoni 2004).

In the industry-dominated organizations, the adoption of particular accountability arrangements appears to be driven more by expectations and demands in their institutional environments than by the instrumental function of such arrangements. This study suggests that these organizations take advantage of popular, taken-for-granted accountability recipes, which are fashionable, associated with the modern organization, and seen as preeminent ways of organizing for accountability in order to deflect negative attention. Rather than passively absorbing organizational ideas and recipes, they have adapted selectively to institutional environments by imitating certain ways of organizing while carefully filtering out the management prescriptions they did not like. By adopting procedural accountability arrangements such as independent auditing of their activities, organizations can tell critics that their practices are approved by third-party auditors. Certified landowners and forest companies could simply point to the

independent auditors who inspect and certify them as a way of disarming outside criticism of their modes of operation. Similarly, consultation with environmental groups and other stakeholders could be a way of justifying one's actions without the acceptance of answerability to anyone but industry peers. When actors are unwilling to act upon criticism, they could adopt management principles and tools to justify rather than change behavior or to conceal unacceptable behavior (Brunsson 1993).

By contrast, FSC's membership-based model enhances the ability to meet expectations from different audiences. Through its open membership policy and tripartite decision-making structure FSC created a capacity and commitment to be responsive to a wide range of environmental, social and economic stakeholders. Moreover, accountability in the sense of acting responsively is not only a matter of organizational design; it also requires that organizational members are open to new ideas, knowledge, evidence and experiences as well as criticism from various stakeholders. As seen in several processes to develop national and regional FSC standards, repeated interaction in organized networks can, over time, build mutual trust, internalization of norms and common expectations of right and proper conduct (for example, Elliott 1999; Elliott and Schlaepfer 2001; Boström 2006). The inclusiveness of FSC helps to explain why so many environmental organizations trust the scheme and reject the efforts of landowner- and industry-dominated schemes to obtain their support.

On the other hand, many forest companies and forest owners are sceptical of FSC precisely because of its openness to a broad range of stakeholders in rule-making and certification processes.<sup>12</sup> Holding someone accountable implies a judgement on the appropriate performance of particular functions and duties. What is considered appropriate behaviour to environmental and social groups may be considered inappropriate or unacceptable by an industry association or a company. Forest owners and forest companies do not necessarily accept the premise that environmental and social groups ought to have a significant influence on rule making as long as those groups are not responsible for implementing the rules and do not have to bear the costs of complying with them. They claim that the stringency and intrusiveness of FSC rules leave them with little discretion and choice in forest management. And they do not accept the notion that companies and forest owners ought to be accountable to outside stakeholders who, in their opinion, have inadequate knowledge of the challenges in the forestry sector, little experience in the field and no mandate to regulate. We can therefore identify two distinct types of accountability arrangements in non-state certification schemes. In the first type, environmental, social and economic stakeholders agree on the constitutive rules of the game, have equal decision-making powers and are accountable to a wide range of

stakeholders; whereas, in the second type, industry and other business interests dominate rule making and governance and are primarily accountable to industry peers. Determining who ought to be accountable to whom and for what should be seen, then, as a struggle between stakeholders about how to set up accountability arrangements.

## CONCLUSION

In setting a global standard for accountability in transnational governance, FSC has established a template for other certification schemes. The MSC fisheries certification scheme and the landowner- and industry-dominated certification programmes in forestry have, to some degree, sought to imitate the governance structure and mechanisms of FSC. As a result, a new form of governance has emerged, different from both traditional state regulations and various forms of industry self-regulations and voluntary measures. Non-state certification and labelling schemes are well positioned to achieve a high standard of 'accountability as control' relative to other governance experiments such as international codes of conduct or industry self-regulatory schemes, which do not involve prescriptive standards or third-party auditing of compliance.

The process of increasing the autonomy and inclusiveness of landowner- and industry-dominated schemes is likely to be difficult to reverse and could, in the long run, enhance organizational capacity for responsiveness to external constituencies. However, the landowner- and industry-dominated certification schemes have thus far avoided decision-making rules and structures that could reduce the influence of forest owners and forest industries in standard development and operation. This study suggests that the steps taken by those schemes to increase their level of transparency and to open them up to outside stakeholders can be explained in part as strategic adaptations to popular expectations about appropriate ways of organizing for accountability in modern organizations. The adoption of fashionable accountability recipes could, in fact, serve to justify the business-as-usual situation. Indeed, we have seen that organizations may adopt popular, taken-for-granted accountability recipes strategically in order to divert criticism of their activities, rather than acting to improve their conduct. Students of accountability arrangements in transnational governance schemes need to look beyond accountability as control, therefore, and should explore the actual responsiveness of power wielders to various groups and constituents. In the absence of real stakeholder participation and influence, procedural accountability arrangements such as consultation with stakeholders and independent auditing of practices may do

little to enhance responsiveness to constituents such as environmental organizations and local communities.

## NOTES

1. I thank the editors for their helpful comments on earlier versions of this chapter. Parts of this chapter draw on material that appeared in Gulbrandsen, L.H. (2008) 'Accountability arrangements in non-state standards organizations: instrumental design and imitation', *Organization*, **15** (4), 607–27.
2. The interviews with FSC representatives were conducted by Magnus Boström, who tape-recorded and transcribed the interviews and generously shared the material with me.
3. See the FSC website <http://www.fsc.org>.
4. See the MSC website <http://www.msc.org>.
5. See the PEFC website <http://www.pefc.org>.
6. Interviews with MSC representatives, May 2006.
7. See Cashore et al. (2004), Chapter 4, for a thorough analysis of the emergence of forest certification schemes in the United States.
8. See the Webpage of the Sustainable Forestry Board: <http://www.aboutsfb.org/>.
9. The SFI was asked to implement the accreditation requirements of PEFC and to develop a statement to support labour in compliance with the International Labor Organization (ILO) conventions. See [http://www.pefc.org/internet/html/members\\_schemes/4\\_1120\\_59/5\\_1246\\_326/5\\_1123\\_1190.htm](http://www.pefc.org/internet/html/members_schemes/4_1120_59/5_1246_326/5_1123_1190.htm) (accessed 8 March 2006).
10. Interviews with WWF representatives in 2001 and 2003.
11. Interviews with representatives of WWF and Friends of the Earth in 2001, 2003 and 2005.
12. Interviews with representatives of forest owners' associations, forest industry associations and forest companies in Sweden and Norway in 2001, 2003 and 2005.

## REFERENCES

- AF&PA (2002), *2002–2004 Edition Sustainable Forestry Initiative (SFI) Program*, Washington, DC: American Forest and Paper Association.
- Ahrne, Göran and Nils Brunsson (2004), 'Soft regulation from an organizational perspective', in Ulrika Mörth (ed.), *Soft Law in Governance and Regulation: An Interdisciplinary Analysis*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar, pp. 171–90.
- Bernstein, S. (2005), 'Legitimacy in global environmental governance', *Journal of International Law and International Relations*, **1** (1–2), 139–66.
- Boström, M. (2006), 'Regulatory credibility and authority through inclusiveness: standardization organizations in cases of eco-labeling', *Organization*, **13**(3), 345–67.
- Bradbury, Jonathan (2003), 'Accountability', in Iain McLean and Alistair McMillan (eds), *The Concise Oxford Dictionary of Politics*, Oxford: Oxford University Press.
- Brunsson, N. (1993), 'Ideas and actions: justification and hypocrisy as alternatives to control', *Accounting, Organizations and Society*, **18** (6), 489–506.
- Cashore, Benjamin, Graeme Auld and Deanna Newsom (2004), *Governing Through Markets: Forest Certification and the Emergence of Non-State Authority*, New Haven, CT: Yale University Press.

- Constance, D.H. and A. Bonanno (2000), 'Regulating the global fisheries: the World Wildlife Fund, Unilever, and the Marine Stewardship Council', *Agriculture and Human Values*, **17** (2), 125–39.
- Dahl, Robert A. (1999), 'Can international organizations be democratic?', in I. Shapiro and C. Hacker-Cordón (eds), *Democracy's Edges*, Cambridge: Cambridge University Press, pp. 19–36.
- DiMaggio, P.J. and W. Powell (1983), 'The iron cage revisited: institutional isomorphism and collective rationality in organizational fields', *American Sociological Review*, **48**, 147–60.
- DiMaggio, Paul J. and Walter W. Powell (1991), 'Introduction', in W.W. Powell and P.J. DiMaggio (eds), *The New Institutionalism in Organizational Analysis*, Chicago: University of Chicago Press, pp. 1–38.
- Elliott, Chris (1999), *Forest Certification: Analysis from a Policy Network Perspective*, Thèse no. 1965, Lausanne: Ecole Polytechnique de Lausanne.
- Elliott, C. and R. Schlaepfer (2001), 'The advocacy coalition framework: application to the policy process for the development of forest certification in Sweden', *Journal of European Public Policy*, **8** (4), 642–61.
- Fowler, Penny and Simon Heap (2000), 'Bridging troubled waters. The Marine Stewardship Council', in Jem Bendell (ed.), *Terms for Endearment: Business, NGOs and Sustainable Development*, Sheffield, UK: Greenleaf, pp. 135–48.
- Gregory, Robert (2003), 'Accountability in modern government', in Jon Pierre and Guy Peters (eds), *Handbook of Public Administration*, London: Sage, pp. 557–68.
- Gulbrandsen, L.H. (2004), 'Overlapping public and private governance: can forest certification fill the gaps in the global forest regime?', *Global Environmental Politics*, **4** (2), 75–99.
- Gulbrandsen, L.H. (2005), 'Mark of sustainability? Challenges for fishery and forestry eco-labeling', *Environment*, **47** (5), 8–23.
- Gulbrandsen, L.H. (2006), 'Creating markets for eco-labelling: are consumers insignificant?', *International Journal of Consumer Studies*, **30** (5), 477–89.
- Harmon, Michael M. (1995), *Responsibility as a Paradox: A Critique of Rational Discourse on Government*, London: Sage.
- Koppell, Jonathan G.S. (2003), *The Politics of Quasi Government: Hybrid Organizations and the Dynamics of Bureaucratic Control*, Cambridge, UK: Cambridge University Press.
- March, James G. and Johan P. Olsen (1995), *Democratic Governance*, New York: Free Press.
- Mol, Arthur, Volkmar Lauber and Duncan Liefferink (eds) (2000), *The Voluntary Approach to Environmental Policy: Joint Environmental Policy-making in Europe*, Oxford, UK: Oxford University Press.
- MSC (2001a), 'MSC announces new governance structure', press release, Marine Stewardship Council, July 27, available from [http://msc.org/html/ni\\_36.htm](http://msc.org/html/ni_36.htm) (accessed 16 January 2007).
- MSC (2001b), *Conclusions of the MSC Governance Review*, London: Marine Stewardship Council.
- Mulgan, R. (2000), "'Accountability": an ever-expanding concept?', *Public Administration*, **78** (3), 555–73.
- Nussbaum, Ruth and Markku Simula (2005), *The Forest Certification Handbook* (2nd edn), London, UK: Earthscan.

- Ozinga, Saskia (2004), *Footprints in the Forests: Current Practices and Future Challenges in Forest Certification*, Moreton in Marsh, UK: FERN.
- PEFC (2005), 'Technical Documentation. Annex 2: Rules for Standard Setting' (28 October), available from [http://www.pefc.org/internet/resources/5\\_1177\\_288\\_file.1385.pdf](http://www.pefc.org/internet/resources/5_1177_288_file.1385.pdf) (accessed 12 September 2006).
- Pellizzoni, L. (2004), 'Responsibility and environmental governance', *Environmental Politics*, **13** (3), 541–65.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford, UK: Oxford University Press.
- Rametsteiner, E. and M. Simula (2003), 'Forest certification – an instrument to promote sustainable forest management?', *Journal of Environmental Management*, **67** (1), 87–98.
- Rhodes, R.A.W. (1997), *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*, Maidenhead, UK: Open University Press.
- Romzek, B.S. and M.J. Dubnick (1987), 'Accountability in the public sector: lessons from the Challenger tragedy', *Public Administration Review*, **47** (May/June), 227–38.
- Rosenau, James N. (2000), 'Change, complexity, and governance in a globalizing space', in Jon Pierre (ed.), *Debating Governance: Authority, Steering, and Democracy*, Oxford, UK: Oxford University Press, pp. 167–200.
- Spaargaren, Gert (2000), 'Ecological modernisation theory and the changing discourse on environment and modernity', in Gert Spaargaren, Arthur Mol and Frederick Buttel (ed), *Environment and Global Modernity*, London, UK: Sage, pp. 41–71.
- Stone, B. (1995), 'Administrative accountability in the "Westminster" democracies: towards a new conceptual framework', *Governance*, **8** (4), 505–26.
- Thomas, Paul G. (2003), 'Introduction (section 13 on Accountability)', in Jon Pierre and Guy Peters (eds), *Handbook of Public Administration*, London, UK: Sage, pp. 549–56.
- UNECE/FAO (2006), *Forest Products Annual Market Review 2005–2006*, New York and Geneva: United Nations Economic Commission for Europe and Food and Agriculture Organization of the United Nations.

## 5. From accounts to accountability: corporate self-presentations in response to public criticism

**Boris Holzer**

---

### INTRODUCTION

Organizations are regarded as ‘actors’ because they produce effects that can and must be attributed to them – not only desired products and services, but also the hazards, damages and side effects of their operations. If others are affected by such adverse consequences, they may seek compensation within the formal limits of legal liability. Organizations may also be held accountable for their actions in more informal ways, however. If external observers regard organizational decisions or their consequences as unacceptable, albeit within the boundaries of legality, they will seek to ‘moralize’ organizational behaviour. The organization is thus forced to provide explanations and excuses for its alleged misdemeanours. Corporate communication crises and public relation disasters such as Shell’s conflict with Greenpeace about the disposal of the Brent Spar oil buoy and Nike’s confrontation with human rights activists about sweatshop production demonstrate how even resourceful transnational corporations can be forced to justify and sometimes to change their decisions. In such a situation, an organization must give an acceptable *account* of its actions. The ability and social obligation to give an account are distinctive features of actors – both individual and corporate actors. As a consequence of successful campaigning and increased awareness of their impact, organizations that enter the public stage as ‘corporate actors’ anticipate the demand for accounts and thus seek to define the extent – and the limits – of their accountability.

In this chapter I discuss the emergence of accountability practices as a form of corporate self-presentation. My primary point of reference is the case of Royal Dutch/Shell, a company with auditing and reporting procedures that have become a benchmark in the field of corporate accountability and corporate social responsibility (CSR). Shell’s adoption of those policies is also a reaction to two critical episodes in 1995, when Shell came

under public attack for its operations in Nigeria and for its plan to dump the Brent Spar oil buoy in the Atlantic. Based on previous analysis of media reports about Shell and interviews with Shell managers in the UK and Germany (cf. Holzer, 2001b), I argue that conflicts between corporations and social movements are not only about conflicting values but also about the rules of 'proper' actorhood. Those rules are largely informal and therefore not as binding as formal law; but they are nonetheless rules that organizations cannot ignore if they are to maintain the legitimacy of their operations in institutionalized environments (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). In order to shed light on the conditions and constraints of global actorhood and how they are reflected in new forms of corporate self-presentations, this chapter proceeds as follows. First I show how public conflicts about organizational decisions – such as the 1995 conflicts between Shell and environmental and human rights groups – rely on a 'moralization' of organizations, particularly on notions of actorhood that define behavioural standards and legitimate objectives. As a consequence, organizations are forced to justify their decisions publicly – to give 'accounts' of their actions. In addition to sporadic responses to public criticism, companies such as Shell have developed new routines of accounting that go beyond the reporting of financial data. The routinization of such accounts involves intricate 'rituals of verification', which are geared towards increasingly specialized and differentiated audiences.

## OBSERVING ORGANIZATIONS AS MOTIVATED ACTORS

Public conflict forces companies to give more than financial accounts of their actions. The recent history of Royal Dutch/Shell illustrates how corporate behaviour may be 'moralized' in the course of such conflicts. In 1995 the oil company faced global protest against its operations in Nigeria and its deep-sea disposal plan for the Brent Spar oil buoy.<sup>1</sup> In the Brent Spar case in particular, Shell managers and employees were surprised to learn that influential protest groups cannot be pacified by legal and technical arguments alone. Successful efforts to ensure legal compliance and environmental best practices failed to convince the wider public, because the plan to dump the Brent Spar in the Atlantic was opposed by Greenpeace activists who orchestrated a major publicity campaign throughout Europe and seized the platform to prevent the deep-sea disposal. Shell became the target of protest and boycott campaigns, particularly in Germany, where Shell's petrol sales fell by 20 to 30 per cent and protesters even launched violent attacks on Shell petrol stations. In addition to the consumer



boycott, more and more European politicians voiced concerns about Shell's plans. After repeated occupations of the platform and internal disputes among the Dutch, British and German Shell companies, Shell finally changed its plans and stopped the sea disposal.

The surrender of Shell was partially due to the professionalism of Greenpeace in broadcasting its message. According to a Shell manager cited in Paine and Moldoveanu (1999: 1), the pressure group pursued the campaign with almost 'military precision'. Video footage of the events on the platform was made available to TV networks, and the Internet was used to disseminate up-to-date information. Greenpeace's methods were professional, not only in their use of modern communication technologies but also in casting the environmentalists as inferior challengers. Ironically, the success of the Brent Spar campaign depended on the fact that it seemed initially to be unlikely to succeed, if only for the apparent imbalance of power between the oil giant and the activists. The Brent Spar was regarded as a conflict between David and Goliath, in which the weaker party succeeded against a much more powerful opponent (Tsoukas, 1999). In such a case, the sympathies of the public are more likely to be with the challengers than with the powerful. A widespread criticism of Shell was that the company behaved arrogantly; it took the liberty to do things that no one else, at least no 'man on the street', would be allowed to do – like dumping rubbish into the sea. As a *Guardian* article reported: 'How can you tell 90 million Germans religiously to sort their rubbish and not expect them to cry foul when they see a global company fly-tipping its rubbish into the sea, or have a government committed to integrating ecology into all policy areas without people beginning to take personal responsibility?'<sup>2</sup>

Although the Brent Spar conflict shows how standards of human moral conduct such as the 'what if everyone did the same thing' maxim are applied to organizations, the public debate about Shell's Nigerian operations in the same year revolved around a different aspect of organizational actorhood: the social construction of responsibility. Shell's responsibility for several oil spills and other environmental problems in the Niger Delta was undisputed. But most of Nigeria's human rights problems were largely beyond its control. In particular, the national government had long relied on violence to silence demands for a fair share of oil revenues from local communities like the Ogoni people in the Niger Delta. Yet when the Ogoni writer and environmental activist, Ken Saro-Wiwa, was executed following a dubious trial in 1995, it was Shell rather than the Nigerian government that became the primary target of an international campaign (Bob, 2005: Chapter 3). Although Shell's collusion with the military regime over the years facilitated such an attribution of responsibility, the corporation was clearly 'framed' for its general involvement rather than for specific actions

and decisions (Holzer, 2007). Of course, it did not help that the Brent Spar conflict had already marked Shell as an irresponsible and morally dubious actor.

Such examples of anti-corporate campaigning show how corporations and their opponents get involved in public, often transnational debates over the corporate responsibility for human rights or the environment. Social movements successfully direct their claims at corporations as corporate *actors*. Environmental and human rights groups referred to Shell as an actor liable to moral evaluation. This moralization of corporate behaviour requires that the corporation be framed as a motivated, goal-directed actor rather than a nonsocial entity. In other words, corporate responsibility and accountability presuppose a certain degree of 'actorhood'. Actors and their actions are 'artefacts of processes of attribution' (Luhmann, 1995: xlv), and it is common to attribute intentions, decisions and actions to organizations. In a way, 'corporations are much more like persons than not only automobiles but even animals' (Goodpaster, 1983: 313). From a legal perspective, that is certainly true. A corporation is a legal 'person' in the sense of a 'right-and-duty bearing unit' (see Dewey, 1926). But the personhood or 'actorhood' of corporations also implies that they are treated as social actors in a broader sense. If organizations are regarded as 'doing', 'achieving' or 'failing to do' something, *motives* are used to *explain* action. Motives enable actors to give proper *accounts* of their actions and thereby make behaviour *socially intelligible* (Scott and Lyman, 1968; Blum and McHugh, 1971). Thus understood, the function of motives in communicating about action is to provide a public method for deciding upon the very existence of action. This method is normative in the sense that it relies on rules that legitimize certain types of action and proper 'actorhood' (Meyer et al., 1994).

The application of a moral frame of communication to organizations poses a number of difficulties. First and foremost, organizations are not required and are sometimes even unable to 'act' in a consistent manner; they pursue multiple, sometimes conflicting goals over time, as well as simultaneously in different places (Luhmann, 1968). Furthermore, organizations are not obliged to provide a consistent account of their behaviour. Notwithstanding these limitations of a moral frame of observation, organizations are regularly observed in terms of their *objectives* and the *motives* underlying them. Corporations such as Shell are treated as planners and perpetrators of their acts. Moreover, they are treated as *moral* actors subject to public scrutiny of both the motivation and outcomes of their actions. Actions and events such as disposal plans or oil spills are attributed to the organization as a whole, even though other, less collectivistic interpretations are often possible. Press releases and other announcements

are treated as communications by Shell, and Shell is the actor associated with dumping oil rigs in the sea or inflicting environmental damage.

The question of *what* kinds of action are legitimate is only partially answered by legal rules and norms that are enforced 'from above'. On the transnational level, authority is fragmented and therefore constructed 'from below' by actors who propagate legitimate scripts and values and by those who subscribe to them. Actors legitimize their agency by referring to the accepted principles of world culture (Meyer et al., 1997; Boli and Thomas, 1999). It is easier for nongovernmental organizations (NGOs) to legitimize their actions than it is for transnational corporations (TNCs): actors who appear to act solely as self-interested agents and to neglect the legitimate interests of others are morally questionable (Boli, 1999). In contrast, those actors who claim to act on behalf of others or on behalf of highly legitimate values command a great deal of credibility as so-called 'rationalized others' (Meyer, 1996). The claims made against Shell in the Brent Spar and Nigeria cases reflected this distribution of motives; despite Shell's efforts to make 'rational' decisions, these decisions still remained guided by pure economic self-interest. The campaigning NGOs, in contrast, were able to cast themselves as 'rationalized others' who represented either nature or people who could not speak out on behalf of themselves.

Corporations and protest groups therefore embody conflicting values or rationalities within world culture. Whilst TNCs enact the cultural script of rational progress and economic growth, NGOs draw on notions of the quality of environmental life and act like the disinterested advocates of others – as rationalized others. TNCs often invoke the notion of disinterestedness for themselves, by emphasizing their contribution to economic progress, for instance. Yet NGOs as the prime representatives of disinterested 'otherness' have a strong moral position. The inevitably egoistic pursuit of economic profitability, in contrast, is not universally acclaimed (although by and large accepted). Because it is legitimate to scrutinize actors for their motives and objectives, the actorhood of corporations comes with strings attached; if confronted by NGOs or other rationalized others, they need to dispel the impression that their actions are based on narrow economic motives and, ultimately, on self-interest alone.

## ACCOUNTS AND ACCOUNTABILITY

Clashes with 'rationalized others' force corporations to justify and legitimate their actions. Occasionally, even NGOs must defend their legitimacy (Bond, 2000). But the mistrust of corporations, and TNCs in particular, is far greater and more widespread; their motives are regularly questioned,

and they need to justify their actions and decisions with elaborate accounts, especially when their acts do not comply with routine expectations. Scott and Lyman (1968) distinguish between two types of such accounts: excuses and justifications. Excuses admit that an act was wrong or inappropriate, but deny full responsibility; justifications accept responsibility for the act but deny that it was wrong. Excuses may come in the form of claiming that an accident occurred, appealing to defeasibility, invoking biological drives or even scapegoats. All these techniques seek to attribute the cause of the act to external factors, while admitting that it was inappropriate. In contrast, justifications of an act 'assert its positive value in the face of a claim to the contrary' (Scott and Lyman, 1968: 51).

In the Brent Spar episode, Shell's initial strategy was to *justify* its decisions. The alleged harm to marine life – the existence of any type of 'injury' – was denied; the 'condemner', Greenpeace, was accused of giving false information; and the government's approval was taken as an indicator of higher loyalty. Denial, reciprocal accusation and the appeal to higher loyalties are classic 'techniques of neutralization' (Sykes and Matza, 1957). They aim either to refute the accusations or at least to deny responsibility. Yet Shell did not succeed in neutralizing its perceived misdemeanours. At later stages of the conflict, Shell – and Shell Germany in particular – also offered a variety of *excuses*, including lack of information about consumers' concerns. In the case of Nigeria, the company stated past legacies (the industrial installations which caused environmental damage were old and would be replaced) and blamed scapegoats (for example, that oil spills had been predominantly caused by sabotage). The limited success of Shell's damage limitation exercises showed that it is not a promising strategy to wait for situations in which *others* force the company to account for its decisions. Shell had failed to *anticipate* the necessity for accounts and to manage the impression that its actions could have on others.

Excuses and justifications are reactive strategies; they are employed to reduce the damage when actors have ignored or misjudged how others may evaluate their actions. Yet they can be avoided by more sophisticated impression management: by controlling and manipulating the impressions that observers glean from one's actions through appropriate forms of self-presentation (cf. Goffman, 1956 [1990]: Chapter 6; Schlenker, 1980). Impression management seeks to minimize the discrepancy between the desired self-image and how one is perceived by others. In management discourse, the goal of impression management is ultimately to preserve and foster a company's reputation (Hooghiemstra, 2000). More than for individuals, active impression management is crucial for corporations, because image and reputation are 'critical corporate assets directly linked to competitive success' (Gray, E.R. and Balmer, 1998: 695). Because the decisions

of consumers are not governed by economic motives alone, but may also be based on moral and other criteria, failure to create a favourable social image may result in economic losses as well. Some corporations therefore seek to control their image and reputation by a form of self-presentation that provides more than isolated accounts: *accountability*.

Accountability is an attempt to deal with the risks and responsibilities attached to corporate actorhood. Corporations occasionally seek to avoid 'actorhood' and the concomitant obligations altogether. They may even refuse to accept responsibility for the operations of subsidiaries. In response to a boycott campaign, for instance, Mitsubishi successfully insisted that its subsidiaries are independent entities. In so doing, it actively denied and rejected the notion of a unified global actor (Holzer, 2001a). Other corporations achieve a similar result by simply making little or no use of their global brand. The multinational Nestlé, for instance, now uses a variety of different brand names for its products, perhaps as a result of its troubles with the international campaign against its marketing of infant formula products in developing countries (Sethi and Post, 1979). For most corporations, however, it is hardly possible to deny corporate actorhood completely. Neither is it usually desirable, considering the marketing benefits of global branding. Many, if not most, corporations acknowledge their actorhood, therefore, although it requires them to cope with the concomitant social pressure for corporate accountability and responsibility (Garsten, 2003).

Shell, for instance, has actually reinforced the coordination of its regional operations since the Brent Spar conflict. It continues to acknowledge the existence (and vulnerability) of a global brand and to maintain certain standards around the world, which requires active and reflexive 'identity work' in the form of constant interaction with various constituencies, interest groups and 'stakeholders'. Since 1995, Shell has adopted a more anticipatory style of dealing with outside expectations. In terms of relationships with specific stakeholders on the one hand, and with the public at large on the other, the corporation's approach has shifted from giving accounts only when asked or pressured to do so to the voluntary and verifiable disclosure of information. It has, as it were, moved from isolated accounts to an organized system of accountability, the main elements of which I review in the following section.

## **MAKING SHELL ACCOUNTABLE: FROM 'TRUST ME' TO 'SHOW ME'**

At the core of Shell's reorientation after its public relations disasters of 1995 is a new approach to the established ritual of annual reporting, which was first

tested in 1998. The new element in Shell's annual reports is its aim to present an 'integrated' form of reporting – one that not only provides financial data, but also addresses the social and environmental aspects of business performance. Although the reports contain selected measures of financial performance, which are of interest to shareholders and potential investors,<sup>3</sup> the emphasis is on issues of interest to a wider audience. This impression is vindicated by Shell's efforts to distribute the reports. Copies are available at no cost, and the report is also accessible on the Internet. Furthermore, a short summary booklet of the Shell Report 2000 was included as part of an advertising campaign in international news magazines such as *Newsweek*.<sup>4</sup>

The reports aim to incorporate financial, social and environmental criteria into what is called the 'triple bottom line' (Elkington, 1998). After some experiments with various formats in the first two reports, later editions have placed greater emphasis on external auditing and verification of the information (Shell, 1998, 1999–2006). In his discussion of Shell's 1998 report, Sklair (2001: 185) regards it as a 'benchmark for the policies and practices of global corporate citizenship'. According to Sklair, it exemplifies a new form of interaction between globalizing corporations and the public, whereby 'information from a wide variety of stakeholders is being systematically collected globally and is constitutively altering the character of business practices' (Sklair 2001: 188). Indeed, the 1998 report and subsequent reports give the impression that a great deal of work has gone into their design and content, and that they can be regarded as prime examples of the emerging field of environmental and social reporting.<sup>5</sup>

The 1998 report begins with the statement: 'This report is about values.' It explains that Shell and other multinationals are anxious to be 'good corporate citizens', and that this position is becoming more difficult to maintain in a 'fast-changing world' in which people are withdrawing their 'trust in traditional institutions'. Thus the notion of a fundamental shift in people's attitudes is introduced. It is claimed that we have moved from a 'Trust Me' world, in which there was faith in authority, to a 'Show Me' world, in which people demand evidence in order to grant their trust. Among Shell representatives, the idea of a shift in world views is one of the favourite patterns of interpretation for the difficulties facing TNCs. It can be found in speeches by Shell executives (Watts, 1998) and was also mentioned during several interviews with Shell representatives. For instance, a member of the Sustainable Development Group at Shell International explained that the idea went back to Shell's engagement with various stakeholders during 1996.<sup>6</sup>

There was a recognition that there was a breakdown in respect for established authority, whether that established authority is the government, a church leader, a scientist, doctors or whatever else – even a company. In fact, in some regards,

even parental authority has been undermined. And people are no longer content to trust or accept that an authority says 'trust me, I know best, you don't have to worry'. Cause people have been let down and disillusioned on this point too many times. And when there is a lack of trust then there is a demand for independent verification and independent assurance processes. So whatever you say somebody else can validate and that the other person can believe that what you're saying is true.

This perceived change in societal expectations contrasted with Shell's traditional corporate culture, which from the 1950s onwards had been captured by the advertising phrase 'You can be sure of Shell' (Howarth, 1997: Chapter 12):

What we are seeing, not just in the oil industry but in society as a whole, is a progressive move from a situation in which companies were trusted to a situation in which society is now progressively saying 'you need to show us what you're doing.' . . . And latterly we're in this stage now of saying 'well actually, we want to be involved in what you're doing. We want to have a say in some of your decision making'. . . . So you see this move from the 'trust me' world to the 'show me', 'tell me', the 'engage me' world.

Apparently, it is not merely that people cannot 'be sure of Shell' any more. Shell is no longer sure about society's expectations either. Because Shell has endeavoured to reframe its corporate objectives in terms of sustainable development, it must deal with the problem that 'a sustainable oil company is a contradiction in terms' – despite assertions that there is 'no fundamental conflict between sustainable value creation and long-term shareholder value' (Elkington in Shell, 1998: 46–7).<sup>7</sup> Yet the crucial question is how 'sustainable value creation' is defined. It remains a vague concept that new accounting procedures are supposed to translate into practice.

In marked contrast to its old 'trust me' slogan, Shell now admits that it cannot yet 'stand with confidence' with regard to its balance of financial, social and environmental performance; and although the 1998 report stresses that the company 'is commercial in nature and its primary responsibility has to be economic' (Shell, 1998: 3), Shell is struggling, in its entire reporting process, with the question of how to reconcile such objectives with the expectations that Shell encountered in the conflicts of previous years. Statements to the effect that trust cannot be taken for granted any more reflect a situation in which the rules and norms of socially acceptable decision making – the institutionalized environments of the corporation – are in flux. In other words, Shell is faced with the consequences of 'de-institutionalization' (Oliver, 1992). Former certainties regarding rules and standards are challenged by new actors, and the organization must therefore readjust the way in which it relates to its social environment.

## ACCOUNTABILITY TO WHOM? RITUALS OF VERIFICATION AND THEIR AUDIENCES

In contrast to the sporadic providing of *accounts* – the explanation and justification of behaviour in times of crisis – systematic *accounting* requires the constant monitoring of activities and the possibility of external verification. Both verification and monitoring are crucial elements of the Shell Reports and new reporting schemes of other corporations, which revolve around indicators and means of verification for social and environmental reporting and accounting (Bebbington and Gray, 1993; Gray, R.H. et al., 1993; Power, 1994).<sup>8</sup> At the beginning of the Shell Report 2000, efforts to ensure the accuracy of the data are described under the heading ‘transparency’, and supported by statements of the auditors, KPMG and PricewaterhouseCoopers. It is made clear to what extent the sections on economic, social and environmental criteria can be regarded as independently verified. The crucial challenge is to extend the verification work *beyond* the financial indicators, because the 2000 report merges the general Shell Report for the first time with the ‘Health, Safety & Environment’ (HSE) Report, which has previously been published separately. The focus of verifiable data is on 12 HSE parameters.<sup>9</sup> These parameters are thought to be quantifiable and verifiable, while it is acknowledged that some, and not the least important, areas are still difficult to verify. The verification process rests on certifiable HSE management systems, which are now in place in 95 per cent of Shell companies.

First and foremost, verifiable and ‘auditable’ standards serve to make improvements *visible* for various observers (Power, 1997: 10 f.). The reported developments are relevant for external stakeholders but also for managers and employees (see the distinction between accountability ‘for-itself’ and ‘for-the-other’ in Nilsson, Chapter 7). Within the corporation, the social and environmental accounting and auditing process has its own, intra-organizational audience. Being a ‘microcosm of society at large’, this audience may, however, be split about environmental values.<sup>10</sup> A greening of the corporate culture may thus foster motivation and commitment among employees; but it may also bring into relief latent differences and divisions. At Shell, for instance, several interviewees remarked that not everyone shared the belief in making the company ‘sustainable’ and that radical ‘evangelists’ from the ‘traditional’ and the ‘green’ side clashed time and again over strategic decisions such as Shell’s investments in Nigeria.

The emphasis on monitoring and verification is clearly related to the perceived shift from a ‘trust me’ to a ‘show me’ culture. The information is geared not only towards an internal management audience, but also towards external audiences. Critical observers are to be convinced that,



even if there are problems with *specific* projects, they have to be seen in the context of the corporation's broader efforts to improve its *overall* performance. In the past, campaigning groups were repeatedly able to criticize and challenge particular projects. The availability of more data – and a clearer exposition of what the corporation can and cannot accomplish – could provide arguments to fend off such isolated criticism. With regard to campaigning groups and the wider public, audit schemes seek to establish a basis for a more 'rational' public discourse. According to an interviewee from the Sustainable Development Management Group, the management framework should enable management to achieve 'the right balance' among conflicting objectives.

It is important to note that the general public is not the only and possibly not even the main target audience for environmental audits and reports. One may safely assume that many people are not terribly interested in bottom lines in any case, be they financial, social or environmental. Instead, the intricate 'rituals of verification' (Power, 1997) involved in environmental accounting are aimed at more specialized audiences. On the one hand, green or ethical investment funds base their investment decisions on financial, social and environmental criteria, and are therefore interested in the kind of information provided by such accounting procedures. In order to explain their own decisions, such funds demand more detailed reports from corporations (Gray, R.H. et al., 1993: Chapter 10). On the other hand, NGOs and social movement organizations utilize the information to assess the sincerity and progress of environmental and human rights policies. The latter groups in particular, however, are still wary of possible omissions, and of the 'green-washing' and other window-dressing efforts that those reports may contain.

The types of standardization and quantification that are characteristic of accounting procedures such as those seen in the Shell Reports have one potential drawback: the tendency to neglect those areas that are not easily translated into numbers. These nonfinancial aspects of a company's operation are often difficult to measure. Any effort to provide sound and verified figures, therefore, comes with blind spots of its own – and may ultimately commit what Gray, R.H. et al. (1993: 21) call the 'McNamara fallacy':

The first step is to measure whatever can be easily measured. This is OK as far as it goes. The second step is to disregard that which can't be easily measured or give it an arbitrary quantitative value. This is artificial and misleading. The third step is to presume that what can't be measured easily really isn't important. This is blindness. The fourth step is to say that what can't be easily measured really doesn't exist. This is suicide.

Current methods of accounting are necessarily incomplete if they rely on quantitative measures alone. If that limitation is kept in mind, there does

not seem to be a problem with using such measures. There is the danger, however, that 'the fact of being audited deters public curiosity and inquiry and the users of audits are often just a mythical reference point within expert discourses. Audit is in this respect a substitute for democracy rather than its aid' (Power, 1997: 127).

The routinization of accounting for new criteria such as the 'triple bottom line' is a response to the problem of explaining the motivations behind corporate decisions. By specifying the relevant dimensions of financial, environmental and social performance, the corporation also seeks to determine the extent of its accountability. Auditing and verification institutionalize the constant *self-observation* through reporting – and thus aim at anticipating the viewpoints of *external observers*. Shell's 'sustainable development management framework' is, therefore, a programmatic formulation of 'institutional reflexivity' (Giddens, 1990: 38) based on a set of reporting and monitoring devices. Consequently, accountability is both generalized and specified. More and more criteria are taken into account, and they have become more technical and thus more obscure from the perspective of the public (see Pellizzoni, Chapter 13). Although everyone is capable of – and often interested in – making moral judgements of corporate behaviour along the lines observed in the conflicts of 1995, more specialized knowledge and long-term attention is necessary to evaluate such reports.

Yet who can muster that calibre of knowledge and attention span? In contrast to most individuals and (potential) customers, however, other organizations can and do possess the necessary expertise and tools. Environmental and human rights groups, for instance, are important audiences that critically assess the methods and numbers provided by the Shell reports. Regarding the interaction with such groups, the reporting process not only enables Shell to state clearly where its responsibilities lie; it also enables outside observers to evaluate the progress made, if any. Thus accountability becomes largely a matter of inter-organizational relationships. Organizations that produce reports are reviewed by other organizations that consume, comment on and distribute them. Corporations tend to take stakeholders more seriously if they are organized. Whereas regulators and campaigning groups are recognized as important players, individual customers are perceived as a relatively intransigent mass with differing and not always consistent preferences. Because many environmental issues have already reached a high degree of technicality and expertise, customers are often deemed ignorant (Fineman and Clarke, 1996). The more accountability is subject to pressures for rationalization and standardization, the more it becomes a field of organized activity (cf. Brunsson and Jacobsson, 2000). Organizations tend to be accountable to other organizations, and it

is not easy to see how the general public could have more than a relatively sporadic influence.

## CONCLUSION

Being observed as social actors, corporations are held accountable for their decisions. A great deal of their routine 'accounting' caters to specific audiences such as regulators or investors. Yet some decisions or issues demand more specific and elaborate accounts in the form of explanations, justifications or excuses. This kind of nonfinancial 'accounting' usually occurs as a *reaction* to public criticism and lobbying by social movements, interest groups or political parties. The complaints of those external observers go beyond mere economic performance and are based upon a general and moralized notion of corporate 'actorhood'. Because actorhood comes with a range of desirable attributes, such as identity and reputation, it cannot easily be rejected. Yet if corporations accept their role as actors, they are liable to respond to broad and ultimately moral assessments of their behaviour. Accounting for the motives, effects and side effects of decisions therefore becomes an important dimension of their corporate activities.

Crisis episodes, such as Shell's confrontation with environmental and human rights organizations in 1995, show the risks of merely reacting to public criticism. Anticipating the demand for furnishing accounts, many corporations incorporate 'accountability' into their routine decision making. An extended form of annual reporting has become a popular model, and corporations such as Shell produce annual reports in which they explain their decisions in terms of financial, social and environmental criteria. The rhetoric of the Shell Reports exemplifies how corporations seek to dispel the impression that their pursuit of economic objectives is a case of raw self-interest; although the significance of profitability is not denied altogether, it is put into the context of other performance indicators. Organizations cannot afford to pursue a single objective exclusively, be it financial or otherwise. Accountability acknowledges that corporate decision making affects various, often conflicting, interests and values in society at large, and seeks to specify the criteria for evaluating corporate performance from a broader perspective.

Fixed and verifiable indicators of corporate performance are instruments to reduce the resulting complexity. They are supposed to reflect the spectrum of interests affecting the corporation and help to negotiate the terms of corporate actorhood. The sophistication of the data gathering and presentation methods and the concomitant 'rituals of verification' also

require higher levels of expertise to evaluate them, however. As a result, accountability is less a matter of negotiations between business and society than among various kinds of organizations. An emerging inter-organizational field of routinized accountability comprises organizations that provide accounts, those that audit and verify them and those that evaluate – and occasionally question – the results. International NGOs are vital parts of this constellation. Their success in placing social and environmental issues on the corporate agenda is evidence of the power and legitimacy of these ‘rationalized others’. It is a truism that they can rely only upon ‘soft power’, primarily the mobilization of public opinion. Yet the institutionalization of accountability enables them to enlist corporations in their monitoring endeavours. Accountability implies that corporations take other perspectives into account to evaluate their own operations and decisions about possible objections.

The routinization of accountability inevitably leads corporations to observe themselves as being observed by others – and to adjust their self-presentation accordingly. Impression management plays an important role in corporate accountability, but it should not be misunderstood as mere window dressing. No organization can afford to ignore the impression it makes in the pursuit of its objectives. If an organization cannot take for granted that others agree with its objectives, consideration for a variety of group interests must be demonstrated in order to earn the social ‘license to operate’. Through establishing and publicly stating certain parameters of actorhood, self-presentation results in pressures for consistency – and thereby restricts the possible courses of action. The resulting portrayal of corporate objectives and their effects may sometimes be even *too* consistent. Ideas such as the ‘triple bottom line’ seem to presuppose that not only one goal (such as profitability) but even multiple goals could be amalgamated into a conclusive and universally accepted corporate agenda. Corporations face a complex social environment, however, in which such a form of consensus is difficult to envisage. There is no reason to hope (or fear) that corporate accountability could entirely defuse the conflict between the corporation and its critics.

## NOTES

1. For analyses of those two episodes see Grolin (1998), Neale (1997), Tsoukas (1999), Wätzold (1996) and Frynas (1998, 2000), and Livesey (2001), respectively.
2. *The Guardian*, Agenda benders, 22 June 1995.
3. These groups can, of course, obtain more detailed (and compact) information from the financial annual reports of The ‘Shell’ Transport and Trading Company (2004) and the Royal Dutch Petroleum Company (2004).

4. The annual reports have a distribution of more than 1,00,000 copies; 6,000,000 copies of the shorter 2000 summary report were distributed.
5. Cf. the UNEP review of reporting activities conducted by SustainAbility (SustainAbility, 1996a, 1996b, 1999).
6. Unless otherwise noted, all quotes are taken from interviews with Shell managers, which I conducted between 1999 and 2001. For more details on that study, see Holzer (2001b).
7. This view was echoed by Senior Consultant Seb Beloe, of SustainAbility in an interview: 'in order for Shell to be a truly sustainable company, it clearly has to get out of oil or at least produce oil on a vastly different scale to what it is producing at the moment.'
8. Among the TNCs which pursue similar programmes and publish annual reports are BP Amoco, Procter & Gamble, Unilever and ICI.
9. The verified HSE parameters, some of which are also reported in the annual reports of other TNCs, such as BP Amoco, include the frequency of occupational illnesses, and fatalities; total reportable case frequency in the section on social measures; and emissions of carbon dioxide, methane (CH<sub>4</sub>), volatile organic compounds (VOCs), sulphur dioxide, and nitrogen oxides; as well as a general measure of global warming potential, amounts of flaring unneeded gas, oil spills and fines paid by Shell companies.
10. This was the interpretation of a Shell employee, who maintained that a large company like Shell must be 'a microcosm of society at large, to a greater or lesser extent. I mean we have Greenpeace members within the organization, of course we do. . . . we don't all have our brains extracted when we join the company and get a big stamp on us and that says Shell.'

## REFERENCES

- Bebbington, Jan and Rob Gray (1993), 'Corporate accountability and the physical environment: social responsibility and accounting beyond profit', *Business Strategy and the Environment*, **2** (2), 1–11.
- Blum, Alan F. and Peter McHugh (1971), 'The social ascription of motives', *American Sociological Review*, **36** (1), 98–109.
- Bob, Clifford (2005), *The Marketing of Rebellion: Insurgents, Media and International Activism*, Cambridge: Cambridge University Press.
- Boli, John (1999), 'Conclusion: world authority structures and legitimations', in John Boli and George M. Thomas (eds), *Constructing World Culture: International Nongovernmental Organizations since 1875*, Stanford, CA: Stanford University Press, pp. 267–300.
- Boli, John and George M. Thomas (1999), 'INGOs and the organization of world culture', in John Boli and George M. Thomas (eds), *Constructing World Culture: International Nongovernmental Organizations since 1875*, Stanford, CA: Stanford University Press, pp. 13–49.
- Bond, Michael Shaw (2000), 'The backlash against NGOs', *Prospect*, **51**, 52–5.
- Brunsson, Nils and Bengt Jacobsson (2000), 'The contemporary expansion of standardization', in Nils Brunsson and Bengt Jacobsson (eds), *A World of Standards*, Oxford: Oxford University Press, pp. 1–17.
- Dewey, John (1926), 'The historic background of corporate legal personality', *Yale Law Journal*, **35** (6), 655–73.
- DiMaggio, Paul J. and Walter W. Powell (1983), 'The iron cage revisited: institutional isomorphism and collective rationality in organizational fields', *American Sociological Review*, **48** (2), 147–60.

- Elkington, John (1998), 'The "triple bottom line" for twenty-first-century business', in John V. Mitchell (ed.), *Companies in a World of Conflict: NGOs, Sanctions and Corporate Responsibility*, London: Royal Institute of International Affairs/Earthscan, pp. 32–69.
- Fineman, S. and K. Clarke (1996), 'Green stakeholders: industry interpretations and response', *Journal of Management Studies*, **33** (6), 715–30.
- Frynas, Jędrzej George (1998), 'Political instability and business: focus on Shell in Nigeria', *Third World Quarterly*, **19** (3), 457–78.
- Frynas, Jędrzej George (2000), 'Shell in Nigeria: a further contribution', *Third World Quarterly*, **21** (1), 157–64.
- Garsten, Christina (2003), 'The cosmopolitan organization – an essay on corporate accountability', *Global Networks*, **3** (3), 355–70.
- Giddens, Anthony (1990), *Consequences of Modernity*, Cambridge: Polity Press.
- Goffman, Erving (1956 [1990]), *The Presentation of Self in Everyday Life*, London: Penguin.
- Goodpaster, Kenneth E. (1983), 'The concept of corporate responsibility', in Tom Regan (ed.), *Just Business: New Introductory Essays in Business Ethics*, Philadelphia: Temple University Press, pp. 292–323.
- Gray, Edmund R. and John M.T. Balmer (1998), 'Managing corporate image and corporate reputation', *Long Range Planning*, **31** (5), 695–702.
- Gray, Rob H., Jan Bebbington and Diane Walters (1993), *Accounting for the Environment (The Greening of Accountancy, Part II)*, London: Paul Chapman.
- Grolin, Jesper (1998), 'Corporate legitimacy in risk society: the case of Brent Spar', *Business Strategy and the Environment*, **7** (4), 213–22.
- Holzer, Boris (2001a), 'Transnational protest and the corporate planet – the case of Mitsubishi Corporation vs. the Rainforest Action Network', *Asian Journal of Social Science*, **29** (1), 73–86.
- Holzer, Boris (2001b), 'Transnational subpolitics and corporate discourse: a study of environmental protest and the Royal Dutch/Shell Corporation', PhD thesis: University of London (London School of Economics).
- Holzer, Boris (2007), 'Framing the corporation: Royal Dutch/Shell and human rights woes in Nigeria', *Journal of Consumer Policy*, **30** (3) (Special Issue on Shopping for Human Rights), 281–301.
- Hooghiemstra, Reggy (2000), 'Corporate communication and impression management – new perspectives: why companies engage in corporate social reporting', *Journal of Business Ethics*, **27** (1/2), 55–68.
- Howarth, Stephen (1997), *A Century in Oil: The 'Shell' Transport and Trading Company 1897–1997*, London: Weidenfeld & Nicholson.
- Livesey, Sharon M. (2001), 'Eco-identity as discursive struggle: Royal Dutch/Shell, Brent Spar, and Nigeria', *Journal of Business Communication*, **38** (1), 58–91.
- Luhmann, Niklas (1968), *Zweckbegriff und Systemrationalität: über die Funktion von Zwecken in sozialen Systemen*, Tübingen: J.C.B. Mohr (Paul Siebeck).
- Luhmann, Niklas (1995), *Social Systems*, trans. John Bednarz Jr. with Dirk Baecker, Stanford, CA: Stanford University Press.
- Meyer, John W. (1996), 'Otherhood: the promulgation and transmission of ideas in the modern organizational environment', in Barbara Czarniawska and G. Sevón (eds), *Translating Organizational Change*, Berlin/New York: de Gruyter, pp. 241–52.

- Meyer, John W. and Brian Rowan (1977), 'Institutionalized organizations: formal structure as myth and ceremony', *American Journal of Sociology*, **83** (2), 340–63.
- Meyer, John W., John Boli and George M. Thomas (1994), 'Ontology and rationalization in the Western cultural account', in W. Richard Scott and John W. Meyer (eds), *Institutional Environments and Organizations: Structural Complexity and Individualism*, Thousand Oaks, CA: Sage, pp. 9–27.
- Meyer, John W., John Boli, George M. Thomas and Francisco O. Ramirez (1997), 'World society and the nation-state', *American Journal of Sociology*, **103** (1), 144–81.
- Neale, Alan (1997), 'Organisational learning in contested environments: lessons from Brent Spar', *Business Strategy and the Environment*, **6**, 93–103.
- Oliver, Christine (1992), 'The antecedents of deinstitutionalization', *Organization Studies*, **13** (4), 563–88.
- Paine, Lynn Sharpe and Mihnea Moldoveanu (1999), *Royal Dutch/Shell in Transition (A)*, Boston, MA: Harvard Business School.
- Power, Michael (1994), 'Constructing the responsible organization: accounting and environmental responsibility', in Gunther Teubner, Lindsay Farmer and D. Murphy (eds), *Environmental Law and Ecological Responsibility*, Chichester: John Wiley and Sons, pp. 369–92.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Royal Dutch Petroleum Company (2004), *Annual Report 2004*, The Hague: Royal Dutch Petroleum Company.
- Schlenker, Barry R. (1980), *Impression Management: The Self-concept, Social Identity, and Interpersonal Relations*, Monterey, CA: Brooks/Cole.
- Scott, Marvin B. and Stanford M. Lyman (1968), 'Accounts', *American Sociological Review*, **33** (1), 46–62.
- Sethi, S. Prakash and James E. Post (1979), 'Public consequences of private action: the marketing of infant formula in less developed countries', *California Management Review*, **21** (4), 35–48.
- Shell (1998), *Royal Dutch / Shell Group of Companies: Profits and Principles – Does There Have To Be a Choice? (The Shell Report 1998)*, London: Shell International.
- Shell (1999–2006), *Royal Dutch / Shell Group of Companies: The Shell Report (from 2005: The Shell Sustainability Report)*, London: Shell International.
- Sklair, Leslie (2001), *The Transnational Capitalist Class*, Oxford: Blackwell.
- SustainAbility (1996a), *Engaging Stakeholders, Vol. 1: The Benchmark Survey*, London: SustainAbility Ltd/UNEP.
- SustainAbility (1996b), *Engaging Stakeholders, Vol. 2: The Case Studies*, London: SustainAbility Ltd/UNEP.
- SustainAbility (1999), *The Oil Sector Report: A Review of Environmental Disclosure*, London: SustainAbility Ltd/UNEP.
- Sykes, Gresham M. and David Matza (1957), 'Techniques of neutralization: a theory of delinquency', *American Sociological Review*, **22** (6), 664–70.
- The 'Shell' Transport and Trading Company (2004), *Annual Report 2004*, London: The 'Shell' Transport and Trading Company, plc.
- Tsoukas, Haridimos (1999), 'David and Goliath in the risk society: making sense of the conflict between Shell and Greenpeace in the North Sea', *Organization*, **6** (3), 499–528.

- Watts, Philip (1998), 'The international petroleum industry: economic actor or social activist?', in John V. Mitchell (ed.), *Companies in a World of Conflict: NGOs, Sanctions and Corporate Responsibility*, London: Royal Institute of International Affairs/Earthscan, pp. 23–31.
- Wätzold, F. (1996), 'When environmentalists have power: the case of the Brent Spar', in H. Madsen and J.P. Ulhoi (eds), *Industry and the Environment: Practical Applications of Environmental Management Approaches in Business*, Gylling: Naryana Press, pp. 327–38.



## 6. Watchdogs beyond control? The accountability of accounting standards organizations\*

**Dieter Kerwer**

---

### INTRODUCTION

In recent years, accounting standards have become a controversial issue the world over. The failure of accounting standards organizations to detect accounting frauds in companies such as Enron and WorldCom has given rise to widespread debates on the proper role of accountants as financial sector watchdogs. Furthermore, there is considerable disagreement among various states on how to harmonize their national accounting regimes so as to foster the global integration of financial markets. These conflicts are aggravated by the question of how to reconcile harmonization within trade blocs such as the EU with global harmonization. The organization of accounting standard setting and enforcement has apparently become an open question.

Accounting standards are rules that specify what and how companies must report on their financial condition (Flower, 2002), and it is surprising that such a mundane subject should become as controversial as this one has. Because the dominant view has usually been that this is a technical issue best resolved by experts, accounting standard setting has been and continues to be heavily dominated by professional accountants. This traditional view of accounting as part of the plumbing of financial markets is challenged by perpetual conflicts about accounting standards. Such conflicts have given rise to a political economy perspective, according to which accounting standard setting and enforcement is driven not by the professional ethos of accountants, but by the self-interest of the actors involved (Hopwood and Miller, 1994; Mattli and Büthe, 2005). This image is at the heart of numerous studies on lobbying standard setters.

In contrast to these common perspectives, this chapter takes as its starting point a governance approach to accounting standards developed by the Stockholm School (see, for example, Brunsson and Jacobsson, 2000; Ahrne

and Brunsson, 2004; Tamm Hallström, 2004). The hallmark of the Stockholm School is its perception of standard setting as a mode of regulation that differs from law making. This approach offers a more realistic view of accounting standard setting than either the traditional or the political economy approach, by reconciling the importance of experts in standard setting with the insight that it also leads to political conflict (Brunsson and Jacobsson, 2000; Tamm Hallström, 2004; see also Hjelström, 2005). What is more, a governance approach to standard setting suggests specific hypotheses about the character of political conflicts. One of the major questions raised by the governance approach is how affected parties can actually control standard setting. The major hypothesis is that this mode of governance is likely to lead to an accountability deficit (Brunsson and Jacobsson, 2000; Higgins, 2005; Kerwer, 2005a; Kerwer, 2005b). Standard setting escapes hierarchical control by those who have delegated rule-making authority to standard setters (Slaughter, 2004). Furthermore, because the standard setters' expertise is difficult to challenge, it is difficult to hold standard setters accountable, even for those who are affected by them (Jacobsson, 2000). Whenever other actors enforce standards, responsibility for the consequences becomes blurred, further reducing the accountability of actors. Thus standard setting is a mode of governance likely to be afflicted by an accountability gap – a situation in which the actors' demands for greater control over the standard setter are continually frustrated.

Accounting standards offer a significant challenge to the hypothesis that regulators setting voluntary standards are beyond the control of actors in their environment. The following analysis shows that time and again interested actors have succeeded in holding accountable those organizations involved in setting and auditing standards. This observation suggests that there is no general accountability gap in the case of financial reporting standards. This chapter demonstrates why this is the case, and suggests some possible consequences of this finding for the Stockholm School approach to standard setting.

The empirical analysis of this chapter deals with the recent role of accountants in the financial reporting fraud of Enron, the now-bankrupt US energy giant, and other large companies. These episodes offer an excellent illustration for the possibility of holding accountants accountable – at least sometimes. In fact, blame for accounting scandals has, to a large extent, been placed on auditing firms. What is more, this case has had worldwide repercussions, rendering it significant for accountability games elsewhere. Furthermore, financial reporting in the USA is a crucial case for the accountability of financial reporting actors. Unlike those in other countries, in the US autonomous standard setters have set financial standards

for decades. Furthermore, US auditing firms are well established, resourceful actors that operate worldwide. If it is possible to hold accountants accountable in the USA, therefore, there should be a good chance of this being possible elsewhere – at least in the OECD world.

The structure of this chapter is as follows. First, in the conceptual section, I show why the Stockholm School holds that standard setting is characterized by a low level of accountability. Although most observers are likely to see the reason for low accountability in accounting standard setting as a corruption of the accounting profession, the Stockholm School suggests that this is an inherent feature of a mode of governance based on standards. Second, I demonstrate why it is justified to regard accounting rule making as a case of standard setting. Third, I present empirical evidence that the organizations involved in financial reporting have been held accountable in the past. The focus is on how large multinational auditing firms – despite their reputation as powerful global corporations – have been held accountable for the recent wave of accounting frauds in the USA. Fourth, I suggest some explanatory hypotheses for the ability of political actors to hold financial reporting organizations accountable. I also argue that their vulnerability explains why other watchdogs such as rating agencies managed to escape relatively unscathed. Fifth, I try to draw lessons for the governance approach to standard setting. Briefly, my conclusion is that the governance approach has neglected the exploration of vertical accountability relationships in which actors become supervisors in the sense that they are able to sanction standard setters. Such supervisors do not need to question the expertise-based rules of standard setters in order to hold them accountable.

## THE ACCOUNTABILITY OF ACCOUNTING STANDARDS ORGANIZATIONS<sup>1</sup>

In recent times, there have been widespread demands for greater accountability for accounting standards organizations. Controls seem to be especially deficient for auditing firms operating on a global scale, and general trust in these organizations has declined, especially in the United States (Brewster, 2003). This situation arose because control of auditing firms has become more urgent and more difficult. Increasing auditor accountability has become more urgent because the global auditing firms are no longer the primary professional organizations working for the public good, but have become for-profit firms (Hanlon, 1994), creating a serious conflict of interest. The more firms such as Ernst & Young or Deloitte aggressively compete for auditing work, the more reluctantly they will scrutinize the

way their client firms prepare their accounts. This has been particularly the case since auditing firms have begun using auditing services as a way of gaining access to a company's management in order to sell additional consulting services (Arrunada, 2000). Overall, these developments can motivate auditing firms to act in the interest of the firm they audit rather than in the interests of the outside investor. Furthermore, states are having a difficult time holding auditing firms accountable, as they have become huge global corporations commanding considerable resources (Strange, 1996, Chapter 10).

Although it is certainly true that the commercialization of accounting has contributed to the difficulty of holding auditors accountable, the Stockholm School suggests that this may not be the only reason. It proposes that the lack of accountability for accounting standards organizations is due to the inherent characteristics of a mode of regulation based on standards. Stockholm School theorists conceptualize standards as voluntary rules which are based on expertise. In this sense, standards 'give advice to many' (Brunsson, 1999, p. 114). Accordingly, any organization seeking to regulate other organizations by voluntary rules is a standard setter. Standards thus defined are regulatory standards, that is, universal rules that can address any public policy issue and that can be set by any rule maker. This concept of a regulatory standard differs from the conventional definition of standards as rules that deal primarily with seemingly technical matters such as ensuring technical compatibility or enhancing market transparency.

The concept of regulatory standards better captures the present-day significance of voluntary rule making. In fact, voluntary standards now occupy an increasing area of the regulatory space; they have become an essential mode of global governance (Nadvi and Wältring, 2004; Clark and Tickell, 2005). Next to the classical standard-setting organizations such as the International Organization for Standardization (ISO), there is a host of other standard setters: intergovernmental organizations such as the UN, the OECD and the EU, transnational committees such as the Basel Committee for Banking Supervision, transnational corporations such as credit rating agencies, and international non-governmental organizations (NGOs) such as the Forest Stewardship Council all qualify as standard setters, many of which are analysed in this book.

Standard setters pose an inherent accountability problem in the way they acquire rule-making authority: they can endow their standards with expertise, or third parties may enforce them. Both these alternatives give rise to an accountability problem. In the following section I show why both of these mechanisms make it difficult for users to hold standard setters accountable.

## **Accountability and Expertise**

The basic model of standardization consists of an actor constellation in which a standard setter seeks to influence a standard user, and is based on the assumption that standard setters and users are autonomous organizations. Under these conditions the question arises about when the user actually begins to follow a standard.

Standard setters attain their rule-making authority by acquiring credible expertise (Jacobsson, 2000) – by adopting organizational procedures to ensure that experts from various fields participate in the standard-setting process (Tamm Hallström, 2004). Standards based on experts with a strong reputation among their peers and in other relevant communities can become useful to users. They can serve as guides to problem solving, reducing the search costs that a custom-made solution would generate; or users can use standards to justify their conduct. Following an accepted and widespread standard like a standardized environmental management system will place the user in a strong position if it is held accountable. Both functions of standards for the user are impaired, however, if the standard setter's expertise is in doubt.

But why does expert knowledge or expertise endow standards with authority? The answer is that users easily accept 'expertise' as relevant and correct. First, expertise is, by definition, a type of knowledge that claims to be highly relevant for practical purposes. Like scientific knowledge, expertise is general and abstract, and thus has a wide field of application. Unlike scientific knowledge, expertise embodies sound practical advice (Tamm Hallström, 2004), and not merely knowledge about the world, which often appears contradictory and hypothetical. Second, expertise is a type of knowledge that claims to be correct – a claim that is difficult for the user to challenge. Expertise is knowledge produced and administered by specialists, and can only be challenged by specialists. 'Their competence is considered so advanced . . . that it cannot be evaluated or controlled by persons without the same education and the same access to research' (Jacobsson, 2000, p. 42). Because expertise introduces an asymmetry between the expert who knows and the layperson who does not, the layperson must usually trust the expert. A standard's expertise is thus authoritative, not by fostering argument and persuasion, but by discouraging them.<sup>2</sup>

The way standards acquire rule-making authority also explains the first accountability problem. The asymmetry between expertise and common sense that is essential for organizations to acquire rule-making authority as standard setters is the very reason for the difficulties that users encounter in trying to hold them accountable. This is not to deny that standards are

being challenged. Still, 'expert knowledge is all around us and hard to avoid' (Jacobsson, 2000, p. 41). Furthermore, it is bolstered by societal macro-trends beyond the influence of users: 'the growing importance of standardization is linked to a high degree of legitimacy for those who are presumed to know more than the rest of us' (Jacobsson, 2000, p. 41).

### **Accountability and Third-Party Enforcement**

Expertise-based standards are often enforced by other organizations seeking to promote their use. Therefore the basic model needs to be extended by another category of actor: a third party that enforces standards. Thus the new actor constellation would be that of a standard setter seeking to influence a standard user while a third party endorses the standard.

There are numerous ways in which a standard can be enforced by third parties. *Private firms* can act as deliberately designed monitoring structures by auditing and certifying compliance with a certain standard (Power, 1997). Some *market players* will demand that certain standards be obeyed before they agree to enter into a transaction; institutional investors, for example, consider investing only in firms that obey certain minimal standards of corporate governance. Another important category of actors is *NGOs*. They often play an important role as watchdogs, which, by using various strategies, such as 'naming and shaming' or by provoking consumer boycotts, can force firms and even states to observe social and environmental standards. NGOs may also be engaged in turning a standard launched by another organization into a norm. *States or other public regulators* can also enforce standards: the European Union, for example, enforces standards in order to create uniform rules for its internal market (Joerges, Schepel and Vos, 1999). As an effect of all these types of third-party enforcement, which can add up to complex, unplanned control structures, users find it difficult to escape voluntary standards.

Third-party enforcement further insulates standard setters from demands for accountability (Jacobsson, 2000). Users will find it difficult to blame them for another reason: standard setters can deny any responsibility for the fact that their standards have become compulsory, and enforcers can deny responsibility for the content of standards set by experts. Thus users find it increasingly difficult to escape standards while simultaneously challenging them.

Thus there are several reasons to believe that standards organizations are characterized by low levels of accountability. Governance by standards is characterized by an accountability gap, in which demand for accountability exceeds supply.

## FINANCIAL REPORTING

The goal for this chapter is to advance understanding about the accountability of standard setters. In this section I argue that the field of financial reporting in the USA demonstrates that standard setters are not always immune to external accountability claims, thereby raising a significant question: how could the Stockholm School approach to standard setting be modified to accommodate this fact? But financial reporting amounts to an intriguing challenge only if it is a case of regulation by standards. Is this the case? Are US accounting rules really expertise-based, non-binding standards, possibly enforced by third parties? The literature offers no straightforward answer to this question. There is general agreement that standards have become the central rules that determine how companies the world over must publish information on their financial condition (for example, Achleitner, 1995; Botzem, 2005; Miller et al., 1998, Chapter 2; Perks, 1993). Since most of those national standard setters have a mandate from public regulators, they are seen to be coercive rather than voluntary rule makers (Flower, 2002, p. 82). There are a number of reasons, however, why the US system of accounting regulation should be categorized as a case of standard setting: most of the regulations have been set by a standards board, the standards are based on expertise, and there is third-party enforcement.

For one thing, a specific *standard-setting organization*, the Financial Accounting Standards Board (FASB), has set almost all the Generally Agreed Accounting Principles (GAAP) since the 1930s. Other bodies with formal rule-making authority, such as Congress and the Securities and Exchange Commission (SEC), the financial market watchdog, have delegated rule making entirely to the FASB. Furthermore, US standards are heavily based on *expertise*, and FASB is a true expert body that ‘issues standards on its own authority’ (Flower, 2002, p. 128). The importance of expertise is also shown by the way in which the FASB operates (Miller et al., 1998, pp. 32–58); because FASB Board members are chosen for their expert knowledge, a majority is drawn from the accountancy profession.

Next to the important element of expertise, the US system of financial regulation corresponds to organization theory’s ideal type of standard setting in another way: the element of *third-party enforcement*. FASB’s outputs are the Financial Accounting Standards and concept statements, which specify the general principles of rule development. By themselves, they are voluntary recommendations (Flower, 2002, p. 80). Yet, as is common with standards in general, the formally voluntary US GAAP is enforced by third-party organizations. The main enforcement organizations are the auditing firms. Their task is to check the conformity of financial reports to GAAP standards and to give their seal of approval to

those that do conform (Flower, 2002, p. 134). Another enforcer of FASB rules is the Securities and Exchange Commission (Flower, 2002, p. 127). Companies listed on a US stock exchange that ignore these standards can receive various forms of sanctions, such as fines or delisting from the exchange. This formal enforcement is limited only to listed firms, however, and in the USA they comprise only 12,000 of the 3 million existing firms. As the following section demonstrates, US accounting standards organizations are largely accountable to external actors, a finding that contradicts the expectations of the Stockholm School.

## ACCOUNTING STANDARDS ORGANIZATIONS: HOW THEY ARE HELD ACCOUNTABLE

Contrary to the Stockholm School approach to accounting standard setting, there are numerous examples showing that it is possible to hold accounting standard-setting organizations accountable. This is especially true for auditors, which have often been blamed for false financial reports that they have certified. A good example is the US Congress holding accounting standards organizations to account for recent financial reporting frauds committed by companies such as Enron or WorldCom. Thus standard setters *are* accountable, at least some of the time. Political actors can successfully demand information and justification about the behaviour of standard setters, sanction undesirable behaviour and impose structural changes that will change future accountability relationships.<sup>3</sup> In this section, I have demonstrated that political actors are able to hold accountable those organizations involved in making and checking financial reporting. Why is this so? The next section offers some explanatory hypotheses.

### **Holding Financial Reporting Organizations to Account**

The corporate bankruptcies of 2002 and 2003 – and especially that of Enron, one of the biggest energy companies in the USA – quickly turned into a major political issue. The fact that thousands of employees lost their pension contributions while some managers enriched themselves provoked a widespread feeling of injustice. Furthermore, given the former size and reputation of the firms involved, it seemed to threaten trust in American capitalism as a whole (US Congress, 2002).

It was probably this possibility of a systemic crisis that led the US Congress to become the major player in the political accountability game. In 2002 it passed the ‘Sarbanes-Oxley Act’, which was designed to improve control over corporations, with the aim of preventing such scandals in the



future. A closer look reveals that Congress placed most of the blame for the accounting frauds on the accounting standards organizations. One of the important organizations that the Sarbanes-Oxley Act deals with is the FASB – the national accounting standard setter. Because the standard setter is not identified as a major cause of the financial fraud, however, the changes introduced by the law remain modest. The existence of a private standard setter is not called into question; the SEC may continue to delegate standard setting to a private-sector expert body. The only change is that any standard setter recognized by the SEC must be funded by the issuer of securities rather than the public accounting industry (Cunningham, 2002, p. 34). Furthermore, public oversight has been moderately strengthened. The SEC's watchdog function has been reaffirmed; it now needs to inspect company filings more aggressively. In addition, more rule violations have been criminalized and have become subject to stricter punishment (Cunningham, 2002, pp. 34–5). The law resolves some issues that the FASB has not successfully resolved and contains some material rules regarding financial reporting. In a direct response to Enron, for example, the Sarbanes-Oxley Act states that significant off-balance-sheet transactions must be disclosed. But overall, these Congressional provisions with respect to accounting amount to a modest modification only.

While barely mentioning the accounting standard setter, the Sarbanes-Oxley Act dealt a heavy blow to the other major organizations in the field: the auditors. In fact, the auditors have taken most of the blame for the accounting scandals. The law has severely restricted the scope of professional self-regulation and has significantly strengthened public supervision. Initially, the American Institute of Certified Public Accountants (AICPA), the professional association for chartered accountants, had set the Generally Accepted Auditing Standards (GAAS) and supervised them (Cunningham, 2002, p. 20). More recently, a supervisory structure has been added, consisting of the Public Oversight Board (POB) and ultimately the SEC. Yet because the POB was funded and staffed by the AICPA, self-regulation prevailed. The Sarbanes-Oxley Act established a new standard-setting and supervisory body, the Public Company Accounting Oversight Board (PCAOB), which sets standards for public company audits (Weirich and Rouse, 2003, pp. 55–7). It may also inspect auditing firms to ascertain that they do not violate auditing standards, and impose sanctions on them if they do. Its rule-making and supervisory activity is all subject to SEC revision. A number of organizational changes 'are intended to strengthen the PCAOB independence from the accounting profession' (Cunningham, 2002, p. 20): (1) the PCAOB is a statutory body, and not merely a tolerated organization of professional self-regulation; (2) three of the five board members are not professional accountants, and its chair cannot have

practised as a public accountant in the year before becoming chair; and (3) it is to be funded not by the AICPAs, but by the shareholders of public companies. By strengthening public control, the US Congress has replaced autonomous self-regulation with delegated self-regulation. Furthermore, by extending membership to the financial community at large, it has replaced professional self-regulation with sectoral self-regulation.

The US Congress not only subjected auditing firms to a new type of control; it has also held them directly accountable for their failure to spot reporting frauds. It also forces auditing firms to change their business models to become more independent of the management of their client firms. To boost independence, the law restricts the scope of additional services that accounting firms may offer their clients (Weirich and Rouse, 2003, pp. 58–9). Auditing firms may no longer do the bookkeeping, set up and run financial information systems, or perform management functions for their clients – additional services undermine the independence of auditors from their clients. Over the past few decades, in fact, external accounting firms have come to regard the auditing of their client's accounts merely as a means for establishing a business relationship that will subsequently allow the sale of additional revenue-generating services. Unfortunately this business model creates a disincentive for accounting firms to examine their client's accounts critically and to be outspoken about problems. Offering additional services can create other conflicts of interest. When an accounting firm does the bookkeeping for its clients or installs an information processing system, the firm will check its own work.

Another measure designed to increase the independence of auditors is a periodic change of auditors. The Sarbanes-Oxley Act requires that the main liaison person between the auditor and the client must change every five years. It has also commissioned a study to examine the need for the entire auditing firm to change periodically. The subsequent study of the General Accounting Office (GOA) found that such a change would not improve the quality of audits (US General Accounting Office, 2003, p. 1). To date, Congress and the SEC have heeded this advice, and have shied away from this more radical step.

In summary, to bolster auditor independence, the US Congress relies primarily on the severe limitation of the type of services that audit firms are allowed to provide to their clients. In addition, it requires auditors to change periodically. The issue of auditor independence is 'at the heart of this legislation' (Weirich and Rouse, 2003, p. 58). Thus although the law may have been less revolutionary than its protagonists proclaimed (Cunningham, 2002, p. 42) and some commentators predict its failure (Romana, 2004), there is still ample evidence that political actors, especially Congress, were successful in holding financial reporting standardizers

accountable for their failures. They have not limited themselves to sanctioning individual firms, in fact; rather, the control structure itself has been changed to enhance future accountability. They have also managed to address all actors involved in financial reporting regulation. Thus the overall impression is that, at least in this case, financial reporting regulators were accountable to their political supervisors.

## EXPLAINING ACCOUNTABILITY

In recent years, accounting standards organizations in the USA have not only been held accountable; it is probably no exaggeration to say that they have become scapegoats for the series of bankruptcies and the repercussions that have occurred. This high degree of accountability is a challenge to the Stockholm School approach and raises the question of how it could be modified to accommodate these cases.

### **Limits of the Stockholm School Theory**

To reiterate, the Stockholm School relies on two explanatory hypotheses for why standard setters are not to be held accountable: the difficulty of challenging their expertise-based authority and the difficulty of attributing the consequence of standards if third parties enforce them. Both of these hypotheses are built on specific assumptions about the accountability game – about who tries to hold standardizing organizations accountable and how. One assumption is that the actors demanding accountability are the standard users that are affected by standards. Another assumption is that users will be successful in controlling standard setters only if they can convince the standard setters and/or other users that standards have adverse consequences for which standard setters are to blame. Thus standard setters are held accountable by users entering a process of argument and persuasion (Jacobsson, 2000, pp. 46–8). The accountability gap is a result of the users' difficulty in establishing their claims in this communication process. The more likely outcome of attempts at holding standard setters accountable is an unresolved question: who is to be held to account for what remains unresolved?

Conceptualizing standardization conflicts as a process of communicative interaction in which users resort to the force of the better argument to hold standards organizations accountable is clearly problematic in the case of recent corporate scandals. To be sure, arguing was not irrelevant. In fact, especially with respect to the Enron case, a vigorous debate erupted in the media and in numerous Congressional hearings over the responsibility of

various financial market actors, placing the accounting standards organizations under considerable pressure to justify their actions. These arguments, however, turned out to be merely an important prerequisite for holding the standard setters accountable. The process was driven not only by affected users, but also by state actors with formal supervisory powers over accounting standard-setting organizations, especially the US Congress. Congress not only relied on the better argument; it had the power to conclude the communicative process with the decision on a new law – the Sarbanes-Oxley Act. To resolve the contentious issue of accountability, it resorted to its hierarchically superior status, which comprises information rights as well as the power to sanction standard setters. In doing so, Congress came to a unilateral decision that did not require the consent of those actors affected by them – a type of conflict resolution by power that does not fit into the Stockholm School framework.

### **Towards a Political Model of Standard Setting and Accountability**

Given the shortcoming of the framework, the question arises: how it could be expanded? One possibility is suggested by the principal–agent literature in political science, in which the possibility of an actor or organization (the ‘principal’) holding another organization (the ‘agent’) accountable depends on the type of principal–agent relationship (see Grant and Keohane, 2005). Accountability relationships can be either vertical or horizontal.<sup>4</sup> In vertical accountability relationships, principals are more powerful than agents; they can impose sanctions or withdraw financial support. Principals in a horizontal accountability relationship rely on discursive accountability; they cannot impose sanctions. Only the former have the power to cut through the responsibility maze by simply imposing sanctions, whereas the latter must win an argument. Thus the principal–agent framework acknowledges the structural weakness of standard users; they must struggle within weak horizontal accountability relationships. But political actors controlling standard setters can also establish vertical accountability relationships. They have a much higher probability of success.

In order to include vertical accountability relationships in a theory of standardization, it is probably necessary to introduce a fourth category of organization. Next to standard setters, standard enforcers, and standard users, the framework would have to include *standard supervisors* – organizations with the ability to sanction standard setters. A prime example would be a public organization with the formal authority to regulate standard setters. But private actors funding a standard setter could also act as a supervisor.

Including such an organization may explain why Congress was able to hold financial reporting standard setters, especially auditors, accountable.

In a time of crisis, political actors regulating risks are likely to resort to blame shifting (see Hood, Rothstein and Baldwin, 2001). To avoid blame, it is more important to blame someone else than it is to blame the right person. Political actors will search for scapegoats rather than culprits. In a vertical accountability relationship, the exchange of arguments about who is to blame can be cut short – without consensus on who is to blame. This is possible only because of the superior power of the supervisor. Thus after numerous hearings of representatives of different organizations, it was possible for Congress to decide how to hold them accountable without having to convince the protagonists of their guilt.

The category of ‘supervisor’ is also included because this type of actor can influence horizontal accountability relationships. By prescribing more user participation in the standard-setting process, for example, supervisors can boost their influence significantly. This alternative path to greater accountability through hierarchical intervention seems to have been neglected by students of organizations, who appear to assume that the degree of access to the standard-setting process is regulated exclusively by the standard setter (Tamm Hallström, 2004). This form of indirect ‘accountability management’ by a supervisor, however, has been of less importance in accounting for the way the USA has dealt with financial reporting frauds; it has primarily strengthened direct public supervision.

## CONCLUSION

This chapter is dedicated to the analysis of rule making in the field of accounting. This critical area of corporate governance is dominated by standards – voluntary rules set by experts. The more recent wave of financial reporting frauds committed by US companies such as Enron shows that – contrary to the hypothesis of the Stockholm School – organizations involved in the making and enforcing of accounting standards can be held accountable. I have argued that in order to explain the accountability of accounting organizations, the Stockholm School framework needs to be expanded to include a further category of organizations: supervisors of standard-setting organizations. Such standard supervisors have demonstrated their ability to sanction standard setters. They can cut through the responsibility maze and attribute blame without either having to challenge the underlying expertise or without clearly attributing blame.

It is important to note, however, that the Enron case demonstrates that the accountability of accounting standards organizations is high under exceptional circumstances. The mechanism of top-down interference by public supervisors is not the rule. Thus the Stockholm School framework

is probably adequate for periods of routine operation. Indeed, there are numerous examples from the 1990s demonstrating that accounting standard-setting organizations are insulated from other users, such as preparers or investors.

The extension of the organization theory model of standard setting not only increases its explanatory power, but also raises new questions, one of which is: when are we likely to encounter effective supervisors? The supervision of auditing firms suggests that a more general 'legitimacy deficit' of an organization involved in regulation or enforcement may be an important prerequisite for effective supervisory action. This seems to be especially true for enforcement organizations of financial reporting rules: the auditors. They have been confronted for years with what has been called an expectation gap: public expectations about the effectiveness of audits that auditors themselves cannot meet (Power, 1997, Chapter 2). This could be a decisive weakness in the accountability game. Another hypothesis is that the more consequential standards become, the stronger political supervision will be. As the rules of the International Accounting Standards Board have become more important, for example, so have attempts at political control. These points raise another two questions. What explains the variance in the accountability of different accounting standard organizations? Why have the auditors that have certified false financial reports been blamed, but not the US accounting standard setter – the FASB?

Extending the Stockholm School approach in the way suggested also has normative implications. Whenever supervisors exist, standardization cannot be equated with a technocracy. Although experts rule, political control is possible. Such political control, however, obviously does not guarantee reforms in the sense of the public good. Reforms in the public interest are unlikely if the organizations held accountable are mere political scapegoats. Furthermore, political attempts to strengthen the future accountability of standards organizations may have paradoxical effects: if the political remedy consists of an increase in the number and types of supervisors, responsibility may be further diffused and accountability may become more elusive than before.

## NOTES

- \* A previous version of this chapter was presented at the conference 'Organizing the World – Rules and rule-setting among organizations', Stockholm Centre for Organizational Research, Stockholm, October 2005. I would like to thank Sebastian Botzem, Andrea Mennicken, David Seidl, and the editors for insightful comments. The usual disclaimer applies. The research was supported by a grant from the German Science Foundation (DFG).

1. In this chapter, the phrase ‘accounting standards organizations’ includes standard-setting organizations as well as organizations checking their correct application, that is, auditors.
2. I owe this insight to a discussion with Rainer Hülse (see Hülse and Kerwer, 2007).
3. For this definition of accountability, see Besette (2001).
4. In the same sense, Robert Keohane distinguishes between internal and external accountability (2003).

## REFERENCES

- Achleitner, Ann-Kristin (1995), *Die Normierung der Rechnungslegung: Eine vergleichende Untersuchung unterschiedlicher institutioneller Ausgestaltungen des nationalen und internationalen Standardisierungsprozesses*, Zurich: Treuhandkammer.
- Ahrne, Göran and Nils Brunsson (2004), ‘Soft regulation from an organizational perspective’, in Ulrika Mörth (ed.), *Soft Law in Governance and Regulation: An Interdisciplinary Analysis*, Cheltenham: Edward Elgar, pp. 171–90.
- Arrunada, Benito (2000), ‘The provision of non-audit services by auditors. Let the market evolve and decide’, *International Review of Law and Economics*, **19** (4), 513–31.
- Besette, Joseph M. (2001), ‘Accountability: Political’, in Neil J. Smelser and Paul B. Baltes (eds), *International Encyclopedia of the Social & Behavioral Sciences*, Amsterdam: Elsevier, pp. 38–41.
- Botzem, Sebastian (2005), ‘The other side of the coin – accounting regulation in Britain, France, and Germany in the light of internationalization and Europeanization’, Wissenschaftszentrum Berlin: unpubl. manuscript.
- Brewster, Mike (2003), *Unaccountable: How the Accounting Profession Forfeited a Public Trust*, New York: Wiley.
- Brunsson, Nils (1999), ‘Standardization as Organization’, in Morten Egeberg and Per Laegreid (eds), *Organizing Political Institutions: Essays for Johan P. Olsen*, Oslo: Scandinavian University Press, pp. 109–28.
- Brunsson, Nils and Bengt Jacobsson (eds) (2000), *A World of Standards*, Oxford: Oxford University Press.
- Clark, Gordon L. and Adam Tickell (eds) (2005), *Global Standards: Special Issue of Environment and Planning A, Vol. 37*, London: Pion Press.
- Cunningham, Lawrence A. (2002), ‘The Sarbanes-Oxley yawn: heavy rhetoric, light reform (and it might just work)’, Boston College Law School Research Paper No. 01.
- Flower, John (2002), *Global Financial Reporting*, Houndmills: Palgrave.
- Grant, Ruth W. and Robert O. Keohane (2005), ‘Accountability and abuses of power in world politics’, *American Political Science Review*, **99** (1), 29–43.
- Hanlon, Gerard (1994), *The Commercialisation of Accountancy: Flexible Accumulation and the Transformation of the Service Class*, New York: St. Martin.
- Higgins, Winton (2005), ‘Standardisation, globalisation, and the rationalities of government’, paper presented at the conference Organizing the World – Rules and Rule-setting Among Organizations, Stockholm Centre for Organizational Research, Stockholm, October, unpubl. manuscript.
- Hjelström, Anja (2005), *Understanding International Accounting Standard Setting: A Case Study of the Process of Revising IAS 12 (1996) Income Tax*, Stockholm: Stockholm School of Economics.

- Hood, Christopher, Henry Rothstein and Robert Baldwin (2001), *The Government of Risk. Understanding Risk Regulation Regimes*, Oxford: Oxford University Press.
- Hopwood, Anthony G. and Peter Miller (1994), *Accounting as Social and Institutional Practice*, Cambridge: Cambridge University Press.
- Hülse, Rainer and Dieter Kerwer (2007), 'Global standards in action: insights from anti-money laundering regulation', *Organization*, **14** (5), 625–42.
- Jacobsson, Bengt (2000), 'Standardization and expert knowledge', in Nils Brunsson and Bengt Jacobsson (eds), *A World of Standards*, Oxford: Oxford University Press, pp. 40–49.
- Joerges, Christian, Harm Schepel and Ellen Vos (1999), *The Law's Problem with the Involvement of Non-Governmental Actors in Europe's Legislative Processes: The Case of Standardisation under the 'New Approach'*, Florence: European University Institute.
- Keohane, Robert O. (2003), 'Global governance and democratic accountability', in David Held and Mathias Koenig-Archibugi (eds), *Taming Globalization: Frontiers of Governance*, Cambridge: Polity, pp. 130–59.
- Kerwer, Dieter (2005a), 'Holding global regulators accountable: the case of credit rating agencies', *Governance*, **18** (3), 453–75.
- Kerwer, Dieter (2005b), 'Rules that many use: standards and global regulation', *Governance*, **18** (4), 611–32.
- Mattli, Walther and Tim Büthe (2005), 'Accountability in accounting? The politics of private rule-making in the public interest', *Governance*, **18** (3), 399–429.
- Miller, Paul B.W., Rodney J. Redding, and Paul R. Bahnson (1998), *The FASB: The People, the Process, and the Politics*, Boston, MA: McGraw-Hill.
- Nadvi, Khalid and Frank Wältring (2004), 'Making Sense of Global Standards', in Hubert Schmitz (ed.), *Local Enterprises in the Global Economy: Issues of Governance and Upgrading*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar, pp. 53–94.
- Perks, R.W. (1993), *Accounting and Society*, London: Chapman & Hall.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Romana, Roberta (2004), 'The Sarbanes-Oxley Act and the making of quack corporate governance', European Corporate Governance Institute: Finance Working Paper No. 52/2004.
- Slaughter, Anne-Marie (2004), *A New World Order*, Princeton: Princeton University Press.
- Strange, Susan (1996), *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge: Cambridge University Press.
- Tamm Hallström, Kristina (2004), *Organizing International Standardization: ISO and the IASC in Quest of Authority*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- US Congress (2002), *Financial Oversight of Enron: The SEC and Private-Sector Watchdogs*, Report of the Staff to the Senate Committee on Governmental Affairs, 8 October, Washington, DC.
- US General Accounting Office (2003), *Public Accounting Firms: Required Study on the Potential Effects of Mandatory Audit Firm Rotation*, Washington, DC.
- Weirich, Thomas R. and Robert W. Rouse (2003), 'The Sarbanes-Oxley Bill: new challenges for the financial professional', *Journal of Corporate Accounting & Finance*, **14** (2), 55–61.



## 7. Boundaries of responsible buying: accountability for what and to whom?

**Karin Svedberg Nilsson**

---

### INTRODUCTION

Many are the calls for increased accountability: for better control of business processes, greater transparency, increased ethical standards, a higher degree of sensitivity to the needs of services recipients and so on. Accountability is a sought-after but elusive concept. It appears in many guises and is constructed in a number of ways in local settings (Sinclair, 1995). In this chapter I discuss the construction of accountability in business organizations.

There seems to be one common view of accountability in relation to the world of business: the responsibility of managers, first and foremost, is to ensure that organizations perform in line with the interests of their owners. This framing of accountability is apparent within agency theory, the basic tenets of which have become something of a standard for conceptualizing and designing systems for corporate governance (Roberts, 2005; Lubatkin et al., 2005). Owners have invested money and managers have been hired to run their enterprises. It can be argued, therefore, that managers have a responsibility towards their owners to make the enterprise as profitable as possible, in order for the principals to obtain a return on their investments. And owners, having invested money, have the right to control managers. For when individuals or organizations have assumed the role of agents, they no longer act purely on their own accord; they act on behalf of their principals. Agents are expected to do what their principals want them to do, and principals have the right to hold agents accountable (Woodward et al., 2001). The relationship is skewed, in that one party is designated as superior, having been given the authority to command, or at least the right to expect the other, the subordinate party, to perform certain tasks and fulfill specific obligations. In other words: 'Accountability defined within a managerial model requires those with delegated authority to be answerable for

producing outputs or the use of resources to achieve certain ends' (Sinclair, 1995, p. 222).

Although still predominant, the economic accountability of business has been contested during the past few decades, not least by proponents of the notion of corporate citizenship, who argue the case for increased corporate social responsibility (CSR) (see, for instance, the literature review in Svedberg Nilsson, 2004). The range of responsibility that can be ascribed to business organizations is thus much wider than micro-economic conceptions of the firm hold, as is the range of issues for which organizations can or should be held accountable. Consequently, even when considering accountability in relation to business organizations, it is not self-evident that the business of business is merely to produce profits, although this is an established and theoretically grounded goal (Friedman, 1962). Ethics among organizational members may also need to be accounted for (Gatewood and Carroll, 1991), as well as, for instance, the possible merits of partnerships with NGOs and voluntary organizations (Frithiof and Mossberg, 2006).

A further implication of a wide interpretation of the nature and role of corporate responsibility is that one can question the very idea that governance systems are to be centred around micro-economic conceptions of reality that prioritize the needs of (profit-interested) principals. Although accounting systems do privilege an economic accountability (Shearer, 2002; Young, 2006), and accounting is a driving force for various calculative practices governing enterprises and individuals (Miller and O'Leary, 1987; Power, 1997), these systems have been seen as possible to reform. It has been argued, for instance, that accounting may have a role to play in widening standard conceptions of accountability (Roberts, 1991), as illustrated by the 'social accounting project' that attempts to frame economic accountability as a mere subset within a wider new proposed standard of social accounting (Gray, 2002).

Such proposed redrawing of boundaries and re-conceptualization of the role of the firm serve to emphasize one thing: when constructing accountability, a decision must be made about the principals that are to count as legitimate. If society rather than investors is seen as the main principal, for instance, then demands on companies/agents are widened (see Woodward et al., 2001). The problem of *accountability to whom* is strongly related, therefore, to the problem of *accountability for what* (see Ebrahim, 2005, for a discussion of these problems in the case of voluntary organizations).

In the following sections, I analyse how accountability is constructed in business organizations – more specifically the construction of accountability as it is performed in managers' accounts,<sup>1</sup> focusing on the delineation of accountability for what and to whom. This analysis raises two questions.

To what extent do managers re-enact corporate accountability that is primarily an economic upward accountability affirming the primacy of owner principals? Do managers construct a wider 'social' accountability, including a larger range of principals and issues of responsibility? As the aim of the chapter is to contribute to the discussion on organizational accountability, I do not discuss the accountability of individuals.<sup>2</sup> Rather, my focus is on the way in which accountability is perceived and defined in a few chosen business organizations in Sweden, and how actors in these organizations account for the scope and range of corporate accountability.

Empirically, the chapter is based on an interview study on corporate social responsibility among middle- to top-level managers in three organizations in 2003–04. The managers interviewed worked in three different corporations. *Wines* is a major supplier to the sales monopoly on alcoholic beverages in Sweden, *High-Tech* is a high-technology company that governs the Stockholm Stock Exchange, and *Shoes* sells accessories and shoes to consumers. At the time of the study, two of these organizations, *Wines* and *High-Tech*, had recently joined the Swedish *Globalt Ansvar*, a Swedish CSR initiative administered by the Ministry for Foreign Affairs that draws upon and supports the ideas of the UN Global Compact. Both *Wines* and *High-Tech* had designated managers in charge of CSR on a director/vice-presidential level. The third organization, *Shoes*, was not a member of *Globalt Ansvar*, nor did it have a specific manager or function for CSR. In all, 13 managers were interviewed, six at *Wines*, four at *High-Tech* and three at *Shoes*. Most of the interviewees were involved in procurement, either directly, as purchasing and procurement managers or in some similar role; or indirectly, as higher-level managers or directors with procurement/CSR issues as part of their assigned duties. At *High-Tech*, two of the interviewees were from the personnel department, which was the function most engaged in CSR in that organization.

The remainder of the chapter is structured as follows. First, I sketch a theoretical framework highlighting the importance of boundary setting and processes of inclusion and exclusion for the construction of actors and accountability. Then I turn to the construction of accountability in business organizations, beginning with a brief discussion on boundary setting within procurement. Next I analyse how interviewees went about constructing organizational accountability, and point to the results of these attempts in terms of the form(s) of accountability constructed. Finally, the main conclusions of the chapter are summarized and related to Shearer's (2002) concepts of accountability 'for-itself' and accountability 'for-the-other'. Here, I also comment on managers' perceptions of wider accountability as a more-or-less coercive pressure: as a form of adaptation to perceived pressure from principals, for instance. Depending on the type of

principals, such as owners, that the managers saw as primary, and the interests, such as profit interest, that these principals were believed to represent, a fitting accountability was constructed. But there was also a complementary perception of accountability when the construction of a wider accountability was considered to be more of a voluntary project that one could choose whether or not to undertake. In that case, accountability was defined as more of an achievement and a result of individual and company efforts.

## CONSTRUCTING ACTORS AND ACCOUNTABILITY

It is a basic assumption of this chapter that it is difficult to conceive of accountability unless there are actors to be held accountable (see the discussion in Holzer, Chapter 5). A body ready to assume responsibility and being available to outsiders as an entity that can be held accountable is a core characteristic of modern organizations (Brunsson and Sahlin-Andersson, 2000). Without corporations, corporate social responsibility cannot exist. Likewise, strategies of blaming and shaming within softer forms of regulation presuppose the identification of a culprit actor. Without acting agents, principals have nobody to hold accountable.

On a fundamental level, for actors to be seen as actors, they must first be separated from their surroundings; it is useful, therefore, to have some kind of intermediating 'other' (Cooper, 1983, p. 213) or boundary that can help delineate what is to be part of the organization and what belongs to the outside world. Moreover, and in spite of being an important constitutive prerequisite, boundaries cannot be set once and for all. For organizations and other actors to continue to exist, boundaries must be continuously managed and redrawn. Thus as Llewellyn (1994) has suggested, boundaries can be expected to be highly active areas of organizational life: '... organizational boundaries constitute those areas where the process of organizing occurs. Such processes involve inclusion and exclusion as an organizational identity is maintained and the organization enacts its environment' (p. 10).

Llewellyn emphasizes that work on boundaries is centred on processes of exclusion and inclusion, of deciding what is to be part of the organization and what is not. This means that finding ways to include or exclude a number of activities, issues and problems is an integral part of establishing, maintaining, managing and attempting to move boundaries (see Jacobides and Billinger, 2006). It also implies that the particulars of the where, what and how of boundary setting and boundary maintenance are likely to affect the aims and scope of accountability. In this chapter, arguments aimed at

expanding the boundary of the organization, increasing organizational accountability and taking responsibility for a wider range of issues are interpreted as instances of inclusion. Similarly, attempts to shrink the boundary of the organization, limiting accountability and taking responsibility for a narrower range of issues will be interpreted as exclusion.

### **Boundary Maintenance within Procurement**

Once established, the boundaries of organizations serve the purpose of 'binding structures' (Lewellyn, 1994). They hold organizations together, contributing to the construction of organizational unity and an organizational identity – and an agent to be held accountable. But boundaries not only separate organizations from their environments; they also function as 'thresholds' (Lewellyn, 1994), as entrances into organizations and exits from them, enabling us to track inputs and outputs. Thus people and processes that can be expected to be involved in deciding on the whereabouts of the 'thresholds' of organizations may be particularly relevant to study, given an interest in the local constructions of organizations and accountability. This is one reason for the special emphasis on procurement in this chapter.

Although many areas of organizational life are involved in boundary maintenance, procurement is a corporate function with an explicit boundary-spanning role (Perrone et al., 2003). It is an organizational area in which the borders of organizations are likely to be contested and defended on a regular basis in, for instance, discussions of the relative merits of 'make' versus 'buy': producing internally or purchasing from one or more suppliers. Thus procurement is an area of corporate life that faces recurring issues about who is to be responsible and accountable for what: the company or its suppliers. In addition, it is an area in which it is evident that the management of boundaries may be regarded as the result of choice based on corporate self-interest as well as an adaptation to external pressures.

Deciding on 'make' rather than 'buy' within procurement is an issue of managing the supply chain. This choice also involves the favouring of 'hierarchy' over 'market' (Coase, 1937), appropriating a larger chunk of the environment and bringing it in over the threshold of the organization. Consequently, when applying a make-strategy, the boundaries of the organization are expanded, which usually requires the assuming of greater accountability, not least economic. When making rather than buying, the costs of production no longer stem from a supplier, but have become an internal cost for which the organization is responsible.

Conversely, deciding to buy rather than to make means that part of the organization is pushed out over the threshold, into the environment. By shrinking the boundaries, organizational accountability can be limited

(cf. Sobczak's 2003 discussion of boundaries between buyers and suppliers). What was once an internal production cost is now a supplier's cost (although indirect transaction costs are likely to increase). And what were once employees and members of the organization become part of another organizational actor. This may be one reason for the popularity of outsourcing during the last decade – apart from the cost-cutting possibilities. It tends to look better if the subcontractor lays people off than if the organization itself does it.

In the past, procurement has been centred around responsibilities pertaining to price and total costs (Gadde and Håkansson, 1993) and to costs and quality (Axelsson et al., 2002); apart from an economic accountability, actors have been held accountable for the quality of goods and services. A more recent addition to the context of procurement is the idea that actors, particularly buyers, should assume social responsibility and exhibit 'socially responsible buying' (Maignan et al., 2002), involve ethics in their purchasing decisions (Razzaque and Hwee, 2002), and disclose accounts of their CSR practices (Perrini, 2005). For the single corporation, this means a growing array of responsibilities for which it can be held accountable, and more choices to be made on issues of accountability. If a corporation chooses to buy from suppliers, it can still attempt to remain accountable – for the wellbeing of people working within production, for instance – as illustrated by the contemporary use of voluntary codes of conduct in certain companies:

Whereas codes of conduct in the 70s contained obligations benefiting the employees of a company and possibly of its subsidiaries, current codes most often apply to all workers in the network of companies, including subcontractors, franchisees and other economic partners. Accordingly, these texts are re-establishing the link between economic power, of the network's hub company, and its social responsibility for the activities of all companies in the network. (Sobczak, 2003, p. 225)

Using Llewellyn's (1994) view of boundary maintenance, the Sobczak example can be seen as the result of a process of inclusion, of attempting to construct a wider accountability that included issues previously not associated with focal organizations. In the next section, I discuss other instances of inclusion and exclusion when turning to the accounts of my informants.

## ACCOUNTS OF INCLUSION AND EXCLUSION

The discussion in this section is structured round two interrelated processes of boundary setting and maintenance that affected the constructions. One

---

<b>Focus</b>	Organization ↔ Suppliers
<b>Range</b>	Economic ↔ Social

---

*Figure 7.1 Boundary setting and accountability*

question concerns the delimiting of the focal organization in the supply chain, primarily in relation to suppliers: what is to be inside the organization and what is not to be? The other question more explicitly addresses delimiting of the contents of organizational accountability, and with the main topic of the chapter: did the managers re-enact a corporate accountability that was primarily economic, or did they construct an accountability that includes a wider range of principals and issues of responsibility (see Figure 7.1)?

The question of delimiting the organization can be considered the more basic issue of the two, concerning as it does the shaping of the agent to be held accountable. Therefore I begin by discussing ideas used to manage organizational boundaries. As becomes evident, however, the problem of delimiting the organization and that of delimiting accountability tend to overlap.

### **Delimiting the Organization in the Supply Chain**

One primary way of delimiting the organization in the accounts of managers was through the notion of locus of control. Organizations were described as being in control of themselves. For instance, the manager in charge of CSR at High-Tech stated that it was easier to assume social responsibility for one's own employees than for people and activities situated 'outside the walls of the company'. Although one might have the ambition to promote change in the environment in the direction proposed by Globalt Ansvar, this was described by interviewees as being a more difficult task, due to lack of control of actors in the environment.

This way of delimiting the organizations is, of course, an unsurprising finding. It is a common view of organizations in accordance with the established linking of accountability to a particular juridical person. Traditional make-or-buy discussions are also based on the assumption that there is a distinct difference between organization and environment – that there exists an explicit boundary between the company hierarchy on the one hand and the market on the other. This view of the bounded nature of organizations was enacted among my informants as well. Buyers belonged to one category and suppliers to another. Buyers were constructed as being accountable for

themselves. Suppliers were seen as entities separate from the buying organization, their primary role being responsibility for inputs to the buyer.

The presence of a principal–agent relationship in the accounts of managers not only reinforced the boundary between buyer and seller, however; it served to undermine the division between the two parties as well. So although boundaries to suppliers were taken for granted in the accounts, these same boundaries were being re-established and defined anew by organizational members, at least partially because of the continuous evaluation of suppliers expected by the principals.

Holding suppliers accountable involved having to consider the boundary between principal and agent. Questions had to be answered, questions like: what aspects are to be evaluated and compared when considering the suitability of present and future suppliers? By way of illustration, interviewees at both Wines and High Tech told of being involved, at the time of the study, in ongoing reforms of their systems for evaluating suppliers. At Wines, new indicators for social responsibility were being developed; at High-Tech, a more elaborate Web-based platform for handling suppliers and purchasing was being introduced.

In addition, informants described organizational boundaries as temporary by nature. The boundaries of suppliers were considered to be ‘changeable’ (Brunsson, 1985); they were there to be explicitly managed by the buyer. At Wines, the manager in charge of CSR argued that if one wanted to make a difference to CSR issues in relation to an external actor, purchasing and procurement was the area ‘where you can really do it’, because of the pressure a large buyer could exert on suppliers. According to interviewees, CSR in relation to suppliers – like work conditions at sites and wineries – was an important part of the overall CSR efforts at Wines. This was primarily in relation to lower priced, bulk-wine suppliers, in which cases Wines was in the position of being a major buyer. At High-Tech, the situation was different. At the time of the study, managers said, High-Tech focused on making CSR more important internally, through ethics courses, a revised management handbook and other measures. However, the director in charge of promoting these issues saw suppliers and their CSR as the next step. The boundary for CSR efforts was to be moved. Currently, however, there was a gap or ‘decoupling’ (Meyer and Rowan, 1977) between functional areas. Thus the procurement manager claimed not to be aware of the ideas of the Global Compact, nor of High-Tech being part of Globalt Ansvar.

A different aspect of the fluidity of boundaries between organization and environment was that, in the accounts of interviewees, it was not always clear what was really inside or outside the organization, making it more difficult to define who was accountable for what. Shoes, for example,



bought their higher-priced footwear primarily from Italy, whereas shoes in the lower price range were imported from Asia. The company had a system of using 'partners' as a middle hand when dealing with supplier factories in Asia. These partners were described as 'employees working for Shoes', by the purchasing manager, who added that they were not true employees, as they worked for a commission and were not employed by Shoes. The partners were insiders outside the borders of the organization, making the company less responsible for them and their activities.

Another example of the inside-outside puzzle comes from Wines. As in many other industries and companies, outsourcing had become the more prevalent method of production at Wines during the previous decade. Having once bottled the wine in house, Wines had increasingly outsourced the processes to suppliers. If the boundary between the buyer and supplier had been fixed, this could be interpreted as a means of shifting the responsibility away from the buyer and to the supplier. By contrast however, according to the Director for Procurement, this outsourcing made Wines accountable for the quality of their suppliers, a widening of responsibility they had handled through the introduction of new types of quality control. In other words, a shrinking of formal boundaries expanded rather than limited the scope of local accountability. When bottling was done inside the formal organization of Wines, the organization was expected to be in control of itself; when bottling was outsourced, managers at Wines felt obliged to control and be responsible for another organization as well.<sup>3</sup>

Even if one wanted to draw the line, it was not always easy to do so. Wines had a system for evaluating suppliers, including the overall evaluation to determine if a supplier was good enough to be retained by the company. According to the procurement director, it would be 'strange' for Wines to work with below-standard suppliers. But if a supplier was to fall short, the relationship was not necessarily severed; the preferred course of action was to develop the supplier. Moreover, the company had to consider its aim of being a 'respectable' buyer – a preferred buyer. To 'kick down' the price level and let the suppliers take too much of the blow for increased costs, would not be respectable, the procurement director concluded. In short, buyers evaluated suppliers, but suppliers evaluated buyers as well; the boundaries were managed in both directions.

There was another aspect of supplier evaluation of customers and the occurrence of mutual boundary management: it was not always obvious that buyers played the role of principals or that suppliers played the role of agents. Under certain conditions the roles were literally reversed. This reversal is best illustrated by Wines, which from time to time competed for the opportunity to be an agent for top wine brands from France and other wine countries. Being the agent for an exclusive brand contributed to the

building of the buyer's own brand, and was a sought-after position. As the supply of top brands was relatively scarce, the power tended to shift from buyer to seller. Wines was reduced to an applicant, and the supplier was turned into a principal opting for the best deal. It was exceedingly difficult for Wines to pressure the suppliers on such issues as increased accountability. As noted by a Wines manager working with agency wines, he was not in a position to make additional demands if he wanted to close the deal.

### **Delimiting the Range of Accountability**

In this section I focus on some of the informants' ideas for delimiting the accountability of their companies. How did they go about managing the boundaries of accountability? What issues and problems were placed inside and what were left outside for others to handle? Picking up on the importance of buyers' relationships with suppliers from the previous section, I begin by analysing informants' ideas about customer preferences and pressures, and how they affected managers' constructions of accountability.

In recent years, there has been a great deal of discussion on wages and human rights issues in the clothing and shoe industries. At Shoes, interviewees were well aware of these discussions, but they did not believe that they had affected their business. It was not their impression that their customers demanded accountability for CSR issues; nor that they were expected to be knowledgeable about the specifics of all the parties involved in the production of the shoes sold in their stores. In this respect, the procurement manager in charge of the lower-priced segment did not differ from the manager responsible for buying high-quality, mainly Italian, leather shoes. Yet managers at Shoes were aware that such problems could arise, which caused them some concern. One purchasing manager at Shoes mentioned that she had made an effort to ask about the labourers and their working conditions in Romanian factories known to be used by their Italian suppliers for part of the production process. 'They laughed at us,' she said; the suppliers claimed that it was self-evident that factories in Romania were OK and that the work force was of adult age.

The situation was described differently by the managers at Wines. Although they did not believe that their end customers expected them to work hard with suppliers on CSR issues and to be accountable for their supply chain, they did assume that responsibility to some extent. On the other hand, even if customers were to appreciate a wider accountability, Wines did little to market their CSR efforts on their products at the time; as one of the purchasing managers commented: 'How are they [consumers] to know?'. There was also a feeling at Wines that end customers could be more likely to hold them accountable in the future, as customer expectations for

CSR were both higher and more common in, for example, Great Britain. It was further noted that there was a fear at Wines and among its competitors in the industry that wine and liquor could turn into another tobacco, thereby risking heavy de-legitimization of the industry as a whole.

High-Tech had experienced some pressure, but not completely in line with mainstream notions of CSR. There had been instances in which customers had tried to influence the corporation to be less proactive on, for example, gender issues, expecting them to be doing business only with men. But this was against the internal principles of High-Tech. Here, managers also reported pressure on High-Tech not to be too concerned with CSR issues in relation to other actors – placing extra demands on companies on the exchange, for instance, which could be interpreted as disturbing the mechanisms of the market.

Regarding outside pressure for a wider accountability, one important aspect had to do with the location of the business. Many interviewees agreed that CSR and a wider accountability were primarily issues for developing countries and for companies doing business in those countries. According to my interviewees, CSR at Wines was a larger issue when dealing with suppliers in South Africa than when dealing in Europe.

But place was not confined to geographical location. Place also involved categorization – categorizing the company as similar enough to companies that ‘had to’ be accountable. Managers argued that pressure for a wider accountability differed among types of firms. For some, the pressure for CSR was high; for others it was more voluntary. Although High-Tech was doing business internationally, it was not described as the type of transnational corporation that had to deal with CSR issues in relation to suppliers. Likewise, as mentioned previously, even though Shoes sold footwear and even though a large number of the shoes sold in its stores were produced in Asia, interviewees did not identify Shoes with companies like Nike, and there were no allegations of their utilizing sweatshops in production. It appears that one reason for Shoes having limiting accountability, or at least not expanding it, was a lack of identification with the category of firms that were held accountable for CSR. Returning to the concepts of principals and agents, this suggests that the managers interviewed were indeed aware that there were principals that put pressure on agents to be more accountable for various issues apart from, and in addition, to economic interests. At the same time, however, they saw these principals and pressures as primarily pertaining to firms in a different category. They were not obliged to do CSR – it was merely an option.

Yet the situation was more complicated than this division into ‘hard’ or ‘soft’ calls for a wider accountability may suggest; there is a belief that if the owner principal wants the organization to be more accountable, it

should be more accountable. In this respect, opting to join Globalt Ansvar was interpreted as the principal having a preference for CSR issues that ought to be considered when delimiting organizational accountability. And as the interests of the owner were deemed important, this made the achievement of a wider accountability seem less than optional. This way of reasoning was most evident in the two managers in charge of CSR at Wines and High-Tech. Managers at Wines further commented that as they were state owned, they were expected to behave responsibly when marketing their products.

Still, owners were expected to be interested in profits, and the primacy of an economic accountability was clearly present in the accounts of informants. Price was considered to be an important criterion for supplier selection, for instance, although it was to be complemented by such factors as total cost and quality indicators. Economic accountability already existed and was being re-enacted by informants. One example of the reproduction of economic accountability comes from one of the managers at High-Tech. Referring to Friedman's idea that the business of business is business, she stated that theirs was a company like other companies, and its main goal, therefore, was to make a profit. Placing statements such as hers within the frame of the importance of categorizations for the range of accountability, categorizing an organization as a business makes economic accountability legitimate and primary. It follows that among the majority of interviewees, there was little argument in favour of including economic issues in organizational accountability. Nor was there much complaint that economic accountability was not being considered. One exception was a manager in charge of procuring bulk wines at Wines. Having previously worked outside the wine industry, she considered wine as yet another farm produce that ought to be bought at a good price. However, she had become aware that her colleagues considered wine as more of a speciality good, increasing the salience of aspects other than costs.

Although an ever-present demand for profit could be problematic when working to promote CSR, or constitute a 'dilemma' as the manager in charge of CSR issues at High-Tech put it, the stronghold of economic accountability was not to be interpreted as making a widening of accountability impossible. Ideas of and systems for economic accountability did place certain limits on corporate accountability, but one could argue that it enabled an extension of boundaries of accountability towards a more social one. For instance, Wines had established supplier-evaluation technologies that were under reform at the time of the study. On the one hand, interviewees discussed how an evaluation using CSR criteria meant having to adapt CSR to the existing system. Merging social responsibilities and demands into a common measure for assessing accountability, for example,

demands a single metric that has been shown to be difficult to establish (Székely and Knirsch, 2005). In the case of Wines, an alternative model for working with suppliers to make them better at coping with demands for social responsibility had been rejected, as the structure of that model did not fit the general system of evaluation. Furthermore, managers discussed how CSR considerations could clash with other economic considerations, and that commercial interests were likely to be considered weightier if that were the case. Thus the adaptation of CSR issues to the existing economically accountable system of a corporation could work against a more liberal extension of the range of accountability.

At Wines, on the other hand, it was further argued that the existence of a system for a more traditional supplier evaluation made the introduction of CSR criteria easier, as they could be fitted into the general system of assessment and auditing already in place. By having a system for economic accountability in place, accountability was already visible. This, in turn, enabled the introduction of other issues for which agents could be held accountable. In conclusion, then, economic accountability served as a yardstick against which alternative and wider forms of accountability could be identified and measured. And it could work for as well as against the construction of a wider social accountability.

## **CONCLUSIONS: ACCOUNTABILITY FOR-ITSELF AND FOR-THE-OTHER**

In this chapter I have analysed accounts of accountability by managers in three Swedish business organizations. One conclusion of the discussion in the previous sections is that the corporate accountability constructed was economic as well as social in character, although economic accountability was considered by interviewees to be more self-evident. The organizations were categorized as businesses, and as such they were to be governed by principals with economic interests. This categorization, and the emphasis on economic accountability, was especially pronounced among the managers at Shoes. In this case, an explicit social accountability was virtually excluded from the accounts. There appeared to be greater accountability at Wines and High-Tech, but even that perception varied depending on the interviewees.

In part, this result is likely to be a consequence of social accountability being a more complex issue, involving a higher degree of diversity and uncertainty as compared to economic accountability. It is easier 'to know' what economic accountability is, as its form and content is more institutionalized in society. As Shearer (2002) has argued, for instance, extant accounting systems are being constructed around a micro-economic view of

the firm. They are more or less bound to support the primacy of economic accountability, therefore – what Shearer (2002) defines as accountability ‘for-itself’ rather than a wider social accountability, an accountability ‘for-the-other’. Accountability for-the-other involves a broad range of responsibilities, and incorporates several principals apart from those of the owners: those of workers, suppliers and end consumers, for example. Returning to my study, it seems likely that the boundaries of an economically accountable organization were easier to draw and manage than were those of a truly socially accountable organization; hence, the more consistent view of economic accountability and the perceived primacy of economic interests among principals.

There is another possible contributing factor for aspects of social accountability being less pronounced in the accounts of my informants: there was no strong agreement among interviewees that corporations were required to deal with social accountability. I have shown that, depending on how organizations were categorized, social accountability was defined either as expected or as voluntary. In the cases discussed here, there was a tendency to frame social accountability, or accountability for-the-other, as being optional rather than compulsory. In this respect, Shoes stands out as the extreme case, choosing not to engage in CSR because it was felt that the company was not required to do so. At the other two firms, there was more of an active choice to try to achieve a widened accountability. As there was little perceived pressure, constructing accountability for-the-other could be seen as deviation from the role of agent in the principal–agent relationship between firm and owner. Social accountability was an individual/company achievement more than an adaptation to pressure from a range of principals in the environment. And, although their company’s membership in the Swedish Government initiative *Globalt Ansvar* was noted by some managers at both Wines and High-Tech as committing their company to opt into the category of socially responsible corporations, this membership did not seem to require much action – at least not at the time of the study.

Figure 7.2 is an attempt to summarize the main conclusions of this chapter regarding the construction of accountability in business organizations. As shown in the figure, one dimension of the construction of organizational accountability is the range of accountability – whether it is narrow or wide – about privileging the economic interest of owner principals or emphasizing the existence of multiple principals and a diversity of interests – in sum, whether it is accountable for-itself or accountable for-the-other. The other dimension entails the perceived driving forces for accountability. This dimension has to do with ‘agency’ in a different sense from that implied in a principal–agent discussion: the possibility for exercising actorhood. In Figure 7.2, the questions of how the boundaries of the

	<b>Narrow economic accountability</b>	<b>Wider social accountability</b>
<b>Accountability as an achievement</b>	Want to be accountable for-itself	<i>Want to be accountable for-the-other</i>
<b>Accountability as adaptation</b>	<i>Have to be accountable for-itself</i>	Have to be accountable for-the-other

Figure 7.2 Organizational accountability between the self and the other

entity to be held accountable are to be managed and what issues are to be included or excluded from organizational accountability are considered to be affected by two complementary driving forces. Agency is one of these. With a high degree of agency, accountability is constructed as a result of what managers themselves set out to do. From this perspective, the construction of a wider accountability is an achievement.<sup>4</sup> As a complement, accountability can be constructed reactively, because it is felt that the organization is required to have a certain form of accountability. Then the construction of a wider accountability turns into an adaptation to pressure from future principals in the environment, in order to be accepted or legitimate (Meyer and Rowan, 1977). In conclusion then, using the framework of Figure 7.2, the organizations in the present study tended to be in the lower left-hand corner for economic accountability and in the upper right-hand corner for social accountability.

Finally, this chapter's more tentative conclusion is that systems for making and keeping an organization accountable, even when it is dominated by an economic accountability for-itself, may serve to expand the notion of 'self'. Such systems may actually work in favour of a wider accountability, even if economic accountability is the present yardstick. Supplier evaluation systems, for instance, draw attention to and enable discussions of existing and possible ranges of accountability. By being highly visible and accessible expressions of boundary management, they may not only serve as an instrument for governance purposes; they can also provide an opportunity for actors to affect processes of inclusion and exclusion. Still, the complexity of constructions of accountability for-the-other is likely to increase when multiple demands and responsibilities are considered and when opposing preferences are to be aligned (see the discussion on alignment in Thedvall, 2006).

## NOTES

1. In relation to the field study, the concept of 'account' is used in the more everyday meaning of the word as 'giving an account of' something; see discussions in Czarniawska (1997, p. 41) and Shearer (2002, p. 543).
2. The relationship between individual and organizational accountability is also outside the scope of this chapter, but see Svedberg Nilsson (2002).
3. This reasoning is in line with that of Gadde and Håkansson (1993), who emphasize the importance of control through networks (and not merely hierarchies).
4. That accountability is conceptualized as an achievement may, in turn, have positive implications for the relationship to suppliers. This is due to the tendency among suppliers to consider purchasing managers more trustworthy if they do not only appear to do what they have to do, but exhibit autonomy by acting on their own accord within their formal role (see Perrone et al., 2003, p. 424).

## REFERENCES

- Axelsson, B., J. Laage-Hellman and U. Nilsson (2002), 'Modern management accounting for modern purchasing', *European Journal of Purchasing & Supply Management*, **8**, 53–62.
- Brunsson, N. (1985), *The Irrational Organization*, New York: John Wiley & Sons Ltd.
- Brunsson, N. and K. Sahlin-Andersson (2000), 'Constructing organizations: the example of public sector reform', *Organization Studies*, **4**, 721–46.
- Coase, R.H. (1937), 'The nature of the firm', *Economica*, **4**, 386–405.
- Cooper, R. (1983), 'The other: a model of human structuring', in G. Morgan (ed.), *Beyond Method: Strategies for Social Research*, Newbury Park: Sage, pp. 202–18.
- Czarniawska, B. (1997), *Narrating the Organization: dramas of Institutional Identity*, Chicago: The University of Chicago Press.
- Ebrahim, A. (2005), 'Accountability myopia: losing sight of organizational learning', *Nonprofit and Voluntary Sector Quarterly*, **34** (1) 56–87.
- Friedman, M. (1962), *Capitalism and Freedom*, Chicago: University of Chicago Press.
- Frithiof, M. and A. Mossberg (2006), 'NGO-business partnerships: a strategic way of performing corporate social responsibility?', MSc essay, Stockholm: Stockholm School of Economics.
- Gadde, L.-E. and H. Håkansson (1993), *Professional Purchasing*, London: Routledge.
- Gatewood, R. and A.B. Carroll (1991), 'Assessment of ethical performance of organization members: a conceptual framework', *Academy of Management Review*, **16** (4), 667–90.
- Gray, R. (2002), 'The social accounting project and *Accounting Organizations and Society*: privileging engagement imaginings, new accountings and pragmatism over critique?', *Accounting, Organizations and Society*, **27**, 687–708.
- Jacobides, M.G. and S. Billinger (2006), 'Designing the boundaries of the firm: from "Make, Buy, or Ally" to the dynamic benefits of vertical architecture', *Organization Science*, **17**, 249–61.
- Llewellyn, S. (1994), 'Managing the boundary: how accounting is implicated in maintaining the organization', *Accounting, Auditing & Accountability Journal*, **7**, 4–23.
- Lubatkin, M.H., P.J. Lane, S.-O. Collin and P. Very (2005), 'Origins of corporate governance in the USA, Sweden and France', *Organization Studies*, **26** (6), 867–88.



- Maignan, I., B. Hillebrand and D. McAlister (2002), 'Managing socially-responsible buying: how to integrate non-economic criteria into the purchasing process', *European Management Journal*, **20** (6), 641–8.
- Meyer, John W. and B. Rowan (1977), 'Institutionalized organizations: formal structure as myth and ceremony', *American Journal of Sociology*, **83**, 340–63.
- Miller, P. and T. O'Leary (1987), 'Accounting and the construction of the governable person', *Accounting, Organizations and Society*, **12**, 235–65.
- Perrini, F. (2005), 'Building a European portrait of corporate social responsibility reporting', *European Management Journal*, **23** (6), 611–27.
- Perrone, V., A. Zaheer and B. McEvily (2003), 'Free to be trusted? Organizational constraints on trust in boundary spanners', *Organization Science*, **14**, 422–39.
- Power, M. (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Razzaque, M.A. and T.P. Hwee (2002), 'Ethics and purchasing dilemma: a Singaporean view', *Journal of Business Ethics*, **35**, 307–26.
- Roberts, J. (1991), 'The possibilities of accountability', *Accounting, Organizations and Society*, **16** (4), 355–68.
- Roberts, J. (2005), 'Corporate governance: does any size fit?', *Advances in Public Interest Accounting*, **11**, 249–69.
- Shearer, T. (2002), 'Ethics and accountability: from the for-itself to the for-the-other', *Accounting, Organizations and Society*, **27**, 541–73.
- Sinclair, A. (1995), 'The chameleon of accountability: forms and discourses', *Accounting, Organizations and Society*, **20**, 219–37.
- Sobczak, A. (2003), 'Codes of conduct in subcontracting networks: a labour law perspective', *Journal of Business Ethics*, **44**, 225–34.
- Svedberg Nilsson, K. (2002), 'Powerful accounts: identities, principals and agents', in M. Kelemen and M. Kostera (eds), *Critical Management Research in Eastern Europe*, Basingstoke: Palgrave Macmillan, pp. 128–42.
- Svedberg Nilsson, K. (2004), 'The (ir)responsible organisation – argumentative themes in the literature on corporate social responsibility and corporate citizenship', *Score Report*, No 1, 2004, Stockholm: Score.
- Székely, F. and M. Knirsch (2005), 'Responsible leadership and corporate social responsibility: metrics for sustainable performance', *European Management Journal*, **23** (6), 628–47.
- Thedvall, R. (2006), 'Eurocrats at work: Negotiating transparency in postnational employment policy', *Stockholm Studies in Social Anthropology*, 58, Doctoral Thesis, Stockholm: Stockholm University.
- Woodward, D., P. Edwards and F. Birkin (2001), 'Some evidence on executives' views of corporate social responsibility', *British Accounting Review*, **33**, 357–97. [www.sweden.gov.se](http://www.sweden.gov.se), 13 March 2006.
- Young, J.J. (2006), 'Making up users', *Accounting, Organizations and Society*, **31**, 579–600.

## 8. Rituals of legitimation: organizing accountability in EU employment policy

**Renita Thedvall**

---

### INTRODUCTION

Concepts such as ‘transparency’, ‘benchmarking’, ‘evaluation’, ‘audit’, ‘best practice’, ‘indicators’ and ‘accountability’ are becoming more and more familiar in the Western world. These linguistic and managerial techniques, once the purview of private organizations, have infiltrated the language and practices of state bureaucracies (Sahlin-Andersson 2000a, p. 1) and European Union institutions (McDonald 2000; Harlow 2002) over the past quarter century. In the context of public organizations, these ideas and practices have been labelled New Public Management (Hood 1991; Stewart and Walsh 1992), and have spread around the Western world in a variety of forms, but with roughly the same language (Sahlin-Andersson 2000b, p. 4). New Public Management is based on the conception that goals must be set and must be evaluated by results, preferably in the form of indicators and statistics. These indicators and statistical diagrams are supposed to render policy processes and outcomes transparent, making it possible to hold individuals and organizations accountable for their decisions.

The European Union has recently embraced this trend, as it becomes increasingly important to make member states accountable for such problems as discrimination in the workplace or poor working conditions. Political goals and targets are set for the EU, and member states are held accountable for their (in)abilities to reach these goals through the publications of various EU reports and communications. During the past 15 years, the EU has intensified its creation of such tools as indicators and statistics, designed to make the impact of political decisions measurable. In many policy areas – especially in employment policy – EU citizens and the representatives of member states are now able to follow the statistical data on the performance of their member state relative to that of other member

states. The results of these exercises are often ‘benchmarked’ – compared with each other – to highlight the good and bad examples.

I argue in this chapter that the envisioned future outcomes of these comparisons steer the work of developing indicators in the EU. The use of statistical data to hold member states accountable organizes the effort to produce indicators for the EU, thereby playing a role in the shaping of policy. The individual member states, together with the Commission, are also searching for indicators to evaluate and compare the member states. On the surface, these indicators are seen as objective and politically neutral. The fact that the member states themselves develop the indicators to be used in their own evaluations and comparisons, however, often means that these indicators are based on the policies for which the member states want to be held accountable. Future evaluations and comparisons of the member states’ performance become the focus of their work. Every member state wants to look good and to have its interests represented in future EU diagrams and tables, adding a political dimension to accountability. Thus the major concern of the member states becomes their success at achieving a positive appearance in relation to other nation states, rather than the development of a broad range of more objective and politically neutral indicators.

In this way, the methodology of creating indicators becomes a way of performing politics, where political visions are technified and instrumentalized into seemingly objective indicators that in turn may be used to hold member states accountable for their policies. To the extent that this situation prevails, comparisons among member states in statistical tables and diagrams become mechanisms for organizing accountability rather than fair evaluations and benchmarks. The work of comparing and evaluating member states and suggesting best practices gives the appearance of creating objective and legitimate policies, suggesting that member states are held accountable for their performances. Yet accountability can become a ritual process. Drawing on Power’s (1997 [1999]) idea of ‘rituals of verification’ I suggest, in this context, the term *rituals of legitimation*, implying that *how* accountability is organized is as important for the legitimation of policies as the content of the decision. It is not only the statistical data produced in the EU that makes the indicators legitimate evaluators for holding member states accountable; it is also the fact that the indicators are developed in the right way through such effects as calling a meeting chaired by a president and relying upon decision making by majority. This ritual process makes the policy process trustworthy and justifiable (also see Meyer and Rowan 1977, pp. 343–4); it deals with opposition from the member states and the Commission by disguising the conflicts in ritual compromises, and thereby conferring legality on the decision (Moore and Myerhoff 1977, pp. 3–4; Thedvall 2006).

In this study I have followed a policy-making process in the EU – the developing of ‘quality in work’ indicators with reference to the EU employment policy guidelines. I began this work through an internship in the European Commission during the autumn of 2001; the bulk of these field notes are from EU committee, group and council meetings, particularly the EU Employment Committee. During 2002 I had the opportunity to continue my study as a participant in the Swedish delegation of the Employment Committee<sup>1</sup> (Thedvall 2006). The Employment Committee meetings were particularly important, as most of the negotiations and in-practice decisions on employment policies are made by the bureaucrats (Eurocrats), in these meetings. It is in the Employment Committee meetings that the Eurocrats from the member states and the European Commission negotiate on the indicators that may or may not be used to evaluate, audit and compare employment policies in the member states. The discussions at the meetings reveal a struggle for power and control over the measure that will determine the policies for which the member states will be held accountable. Before elaborating on this struggle, however, I discuss the notion of turning politics into numbers, which is a central element in EU policy making.

## NUMBERS TRANSCENDING BORDERS

The idea that we can know ourselves through numbers is one of the most distinctive features of modernity (Asad 1994, p. 79; Hacking 1990, p. 1). According to this *bureaucratic logic* (Handelman 2004, p. 5), numbers are seen as a guarantee of objectivity. Through statistics and indicators, political decisions become legitimate, based on scientific ‘facts’ rather than political values (Porter 2001, p. 746). This perspective is part of an audit culture (Strathern 2000) or an audit society (Power 1997 [1999]), which implies that both individuals and organizations are subject to increased scrutiny and control. The need for auditing is based on a lack of trust in the outcome of policies and policy decisions (Power 1997 [1999], pp. 2–3) and a tendency to place trust in the seeming objectivity and political neutrality of numbers (Strathern 2000, p. 4). In this way evaluations of politics and policy decisions are understood as being legitimate, because ‘objective’ numbers lay the basis for ‘fair’ and ‘transparent’ conclusions and judgements.

Traditionally, statistics have been developed within the framework of the nation state – for the nation state and about the nation state (see, for example, Scott 1998; De Swaan 1998). Indeed, ‘statistics’ means ‘facts about the state’ (Starr 1987, p. 10). During recent decades, however, more and more statistical data are produced within such international and transnational

organizations as the EU. In the context of the EU, statistics may be seen by their proponents as a *lingua franca*, in which the representatives of member states with different native tongues can share the language of numbers. As Porter (1995, p. ix) and Mallard (1998, p. 573) have noted, numbers and quantification are often assumed to transcend local borders and transform that which is local or time-dependent into something general and universal. The local in the context of the EU, in this case the nation state, can be said to be made culture-free by the use of the numbers that unite the EU member states. Here, Euro-statistics – statistics developed in the context of the EU – play an integral part in the creation of a community beyond the nation state: the building of the EU (Shore 2000, p. 31).

At the same time, statistical data make it possible to compare the EU member states. The process of developing indicators then becomes particularly important to the member states (cf. Salais 2004). The organization of the production of transnational accountability often builds on the national order of things (Malkki 1997 [1999] pp. 53ff.), with the member states representing a ‘national’ position and interest. This national order of things is so rooted and unambiguous in the thinking of the member states’ representatives that the idea of what they call a ‘national’ interest is seen as natural. In fact, organizations such as the EU assume and even reinforce the national order of things (Jacobsson and Mörth 1998, p. 199; also see Ben-Ari and Elron 2001, pp. 275–6). The member states want to protect the perception of their member state in relation to the other member states. Herzfeld’s concept of ‘cultural intimacy’ (1997, p.x, ff.) is useful here. It focuses on the practices of the individual member states in shaping the national display, in this case in the context of the EU, so that the embarrassing and idiosyncratic is kept private, within the borders of the nation state. The representatives of the member states try to act in the best interests of their nation state by arguing for the use of one indicator rather than another, or for the definition of one indicator being changed to another. This is a highly political process in which negotiations over the issues of accountability signify the process.

## ORGANIZING ACCOUNTABILITY IN EU EMPLOYMENT POLICY

In the spring of 1997 the presidents and prime ministers of the EU member states met in Amsterdam to discuss and agree upon a new Treaty for the European Union. A result of this meeting was a new title on employment policy included in the so-called Amsterdam Treaty. The Treaty stipulated that there should be a European Employment Strategy for the EU and that

its development should be in the hands of a newly formed EU committee: the Employment Committee. Furthermore, it was agreed that the European Employment Strategy should be a learning process rather than legally binding labour law. The member states should settle on common EU employment guidelines, the implementation of which should be compared, so that best practices could be suggested and the member states could learn from each other. To make these comparisons and benchmarks possible, it was decided that the member states and the Commission should develop indicators to evaluate progress on the EU employment guidelines.

The following sections scrutinize the work on the negotiation of indicators to enable evaluations and comparisons of labour market and employment policies within the EU. This process is simultaneously signified by member states trying to develop indicators that are comparable among the member states in a statistically robust way and trying to keep what the member states consider to be their cultural intimacy out of view of the other member states. These ambitions sometimes go hand in hand, but more often than not they collide.

### **Negotiating Accountability: Visualizing Best Practice**

At a meeting on 24 September 2001, at 10:15 am, the President rings the bell on the table as a sign that the meeting is about to start; the participants stop talking and begin to focus. Today, the representatives of the member states must begin working on an agreement on common indicators for 'quality in work' (CEC 2001). Ten areas for measuring quality in work are suggested by the European Commission.<sup>2</sup> Area 1, 'intrinsic job quality', is particularly problematic. Most of the representatives regard intrinsic job quality as a 'subjective feeling' and wonder how it will be possible to make these indicators objective and politically neutral? They still have the whole autumn to reach an agreement, however, and there are several meetings scheduled for discussing this issue. The mood in the group is relaxed.

At the meeting on 7–8 November 2001, on the other hand, the mood in the EU Committee is one of intense concentration. The Commission presents its suggestions for a possible indicator for intrinsic job quality based on a table measuring the transitions between different labour market states and types of contracts (see Table 8.1).

The British representative puts his member state sign on its end to signal that he wants to speak. The President gives him the word. He states:

[. . .] We have problems with the transition from permanent employment to temporary. It's not necessarily better quality just because someone goes from temporary employment to permanent.

*Table 8.1 The European Commission's first proposal for a table on transitions between different labour market states and types of employment*

Table 1: Transitions between different labour market states and types of employment

		Status at (t-2)			Total
		Status at (t-1)	Inactive Unemployment Employment	Permanent contracts Fixed-term contracts	
Status at t	Inactive				
	Unemployment				
	Employment				
	Permanent contracts				
	Fixed-term contracts				
	Low wage				
	Non-low wage				

The French representative argues for keeping the transition table variables, but with tables that are easier to read. He vigorously stresses:

[. . .] We have to work out two to three simple transition tables. One table with figures that show that in year N1 we had so many people with low wages, and then compare it with N2. Then one table with figures that show that in year N1 we have that many in permanent contracts, and compare it with year N2. Then one table with figures that show that in year N1 we have that many in temporary contracts and compare it with year N2. None of the tables will say if it is good or bad, but they will be useful for Ministers to think about. It's out of the question not to have tables that give information on intrinsic job quality.

The French delegate suddenly stands up and walks to the flip chart and starts drawing new tables that he thinks are less complicated (see Table 8.2).

The Dutch delegate immediately puts his member state sign on its end:

I'm afraid I've got two problems with the set up. I think I already know the figures. Only in longer terms will you be able to see the movement. Otherwise I see the same numbers: 90 per cent on the one side and 10 per cent on the other. We also have problems with the assumptions behind Tables 2 and 3. It doesn't say anything about quality.

In the following meeting, 15–16 November 2001, a new table – Table 5 – is suggested, to measure transitions between non-employment and employment and within employment by type of contract (see Table 8.3).

*Table 8.2 Tables suggested by the French delegate on the transition between non-employment and employment contracts*

Table 1		
Year	1	2
Employment		
Inactivity		

Table 2		
Year	1	2
Permanent contracts		
Fixed-term contracts		

Table 3		
Year	1	2
Permanent contracts		
Temporary contracts		

Table 4		
Year	1	2
Low pay		
Non-low pay		

*Table 8.3 A new proposal from the European Commission on a table on the transitions between non-employment and employment and within employment by type of contract*

Table 5: Transitions between non-employment and employment and within employment by type of contract				
Situation at (t-1) \ Situation at t	Permanent contract	Fixed-term contract	Non-employment	Total
Permanent contract				100
Fixed-term contract				100
Non-employment				100



The Italian delegate puts his member state sign on its end to show that he is asking for the floor. The President of the Committee gives him the word. He says:

[. . .] We support Table 5 [see Table 8.3], but only with two columns: Employment and Non-employment. It doesn't matter if the contract is permanent or not [. . .].

The Netherlands and Spain agree with the Italian delegate and argue that Table 5 carries a value judgement in preference of permanent contracts. The Belgian representative puts his member state sign on its end. He agrees with the British and the Italians, but thinks that the table should be kept anyway. He says:

[. . .] On Table 5 it could be a value judgement, but I don't have a problem with that. It's a pity not to have the table [. . .].

The French delegate cannot understand why some member states think it is a value judgement to measure transitions between employment contracts. He is a bit upset and states:

[. . .] On Table 5 I don't see that there is a value judgement in the table. We're supposed to see if a person is in a different situation a year later. All sorts of things have to be taken into account when analysing the data. The table doesn't say what it doesn't say! It doesn't make a judgement. I'm speaking at some length because we may be leaving transition tables that are relevant and that's dangerous. We could say that they are relevant, but that we don't have enough data.

The Dutch argument was built on the fact that the Netherlands, with a large number of people working in atypical jobs such as fixed-term contracts and as temporary employees, did not want indicators that would value permanent contracts more positively than fixed-term contracts and temporary employment – a conclusion that one might have drawn from the transitions tables. The French delegate on the other hand, representing a country with a large number of permanent contracts, might have visualized a positive score on the table compared to some of the others, because he believes that a permanent contract is better than a fixed-term or temporary contract. What was to be measured and how it was to be measured, therefore, was extremely important. The cultural and political context in which the indicator was suggested gave political signals that some member states did not want. In the interest of the member state, then, anything that the member state does not want to be accountable for should not be measured.

Policy decisions were to be based on and evaluated by objective facts, but these objective facts were produced in the context of the policy-making

process. The idea behind the work on EU indicators was that when a good definition and the right statistical source were found, the comparisons would be impartial. Member states had difficulties in agreeing on what a good definition and the right source were, however. Finding a robust indicator with a good source clashes with the political problems inherent in the implications of the indicator. An indicator may be viewed as robust and objective from a statistical perspective, but, as seen in the argument between the representatives of the Netherlands and France, the member states had and continue to have problems with what the indicator may point to from a political and cultural perspective. In the views of member states, the indicators may be seen as mere 'attention directing devices' – not representing reality as it really is (Power 2003, p. 14). They are part of an epistemic culture (Knorr-Cetina 1999, pp. 1–2) of numbers, however, in which statistics and indicators are believed to be objective and politically neutral. In this epistemic culture of numbers the transforming of politics into indicators is believed to instrumentalize politics, and appeals to our understanding of statistics not as something created politically in our own culture, but as something beyond reach and uncontaminated by people's values and beliefs.

Furthermore, when a political decision is made on the indicators, and the indicators are put into print, they are ready to be used. The indicators are treated as neutral and easy to read. They are published in EU documents and used as arguments for reviewing policies or as grounds for new policies, and the conflicts and political compromises involved in trying to develop them are forgotten. The indicators become black-boxed; the conflicts and negotiations involved in producing them become invisible (Latour and Woolgar 1979 [1986] p. 242); they become independent factors with their own lives. In this epistemic culture, the actual work of developing the indicators becomes even more important, because the representatives of the member states visualize future best practices and possible 'good' positions in the EU tables – best practices and positions in EU tables that will influence impending policies in the EU and have consequences for whatever the member states are to be held accountable for within the EU.

These discussions, negotiations and deliberations may continue indefinitely; the labour markets and employment policies of the various member states are far from integrated, and they have different ideas about the nature of 'good' employment policies and about what they want to be held accountable for. The member states are able to agree and to reach common decisions, however. Instead of finding the 'one-best-indicator' based on the ideal of political neutrality, the structural processes involved in organizing transnational accountability become particularly important in relation to that for which the member states will be held accountable.

### **The Ritual Process of Forming Accountability**

As seen in the previous section, the development of indicators for the EU is not so much about finding impartial indicators that evaluate member states in an objective manner and make them accountable in a fair and just way according to the bureaucratic logic. Rather, the EU indicators are developed through discussions, negotiations and compromises among member states with different political and ideational interests. The process of organizing accountability, then, is a ritual process whereby the rules and regulations surrounding the decision-making process determine if the indicators are to be viewed, if not as statistically robust, then as politically robust. It is the actual organization of the process – not necessarily the statistical knowledge produced – that makes it legitimate to the member states.

In this way, the performance of rules and regulations, making decisions in the right way, gives the decision legitimacy within the EU. The rules and regulations include when, where, how and in what order decisions must be made: in a hierarchy of formal meetings, scheduled in a sequence during the year, with a meeting agenda influenced by the member state holding the EU presidency. The decision-making process becomes legitimate through the structural processes of following the rules on who may participate in the meetings, who may be President, who sets the agenda, when and where the participants meet, what they will discuss, how they will discuss it, and the correct way to arrive at decisions. These rituals of legitimation are part of an elaborate network of regulation making. The members have an obligation to represent their member states or the Commission in these decision-making processes, in their attempt to negotiate in their own best interests in EU committee meetings.

The move towards decisions on the indicators is pressured by the need to reach conclusions at the end of every EU presidency. The rhythm of the meetings is thus determined by the changes of EU presidencies every half year and the priorities that are established, to be decided on during a member state's presidential period. A policy issue moves among the various EU committees, working groups and councils before a final decision can be endorsed in the European Council at the end of a presidency.

A week later, 20–21 November 2001, the member states meet in Brussels, where they continue to argue their national positions, trying to convince the others that their opinion is the best. It is the last meeting before the end of the Belgian presidency of 2001, however, and the Committee must finish the report and the opinion of the report on the indicators. The Commission has now suggested another table to measure transitions between non-employment and employment and within employment by contract status (see Table 8.4).

*Table 8.4 A new proposal from the European Commission on a table on transitions between non-employment and employment and within employment by contract status*

Table 3: Transitions between non-employment and employment and within employment by contract status

Status at t \ Status at (t-1)	Employment	Non-employment	Total
Permanent contract			100
Fixed-term contract			100

The Spanish delegate is reluctant, and says that the table does not measure quality. The British delegate can go along with the indicator, but is not entirely happy, because it implies that some jobs are better than others. The German delegate also puts his member state sign on its end. He says:

It's difficult to deal with Table 3 [see Table 8.4]. A fixed-term contract may not necessarily be negative. As a table it can be informative, but the analysis should be made by the member states themselves [ . . . ].

The Swedish representative tries to push for the idea of having voluntary and involuntary fixed-term contracts instead of only fixed-term contracts, to solve the issue of interpretation. The Belgian delegate supports this statement and argues that it is not a value judgement to use voluntary and involuntary contracts. Ireland agrees. The Commission representative is against them, however. He thinks that the member states are reading too much into the indicator. He does not want to complicate the matter further. Representatives for the Netherlands and the United Kingdom think that if the table should be kept, it should be included in the Area 5, 'flexibility and security' rather than Area 1, 'intrinsic job quality'. They argue that transitions between permanent and fixed-term contracts under the heading of 'flexibility and security' may be interpreted as both good and bad. The French delegate insists that it should be left in Area 1, 'intrinsic job quality', because it has to do with the permanence of employment. He argues that a permanent contract is more secure than a fixed-term contract, and is therefore of higher quality. The Dutch delegate responds that he does not share that view. There is positional conflict, with neither side backing down. After some discussion, however, the negotiations suddenly make a U-turn. The French delegate suggests that they should return to the original table (see Table 8.5).

Table 8.5 *Returning to the former table suggested by the European Commission on transitions between non-employment and employment and employment by contract status*

Transitions between non-employment and employment and within employment by contract status				
Situation at t Situation at (t-1)	Permanent contract	Fixed-term contract	Non-employment	Total
Permanent contract				100
Fixed-term contract				100
Non-employment				100

Several of the member states, such as the Netherlands and the United Kingdom, that were against this table measuring ‘intrinsic job quality’, are now able to agree on the table. They simply give up their positions because the original proposal is better. This is also the conclusion of the meeting. The positions of the member states can be revised and changed during the course of the process because new information is brought forward or because they are persuaded by the arguments of other member states. What we see is rarely consensus decision making, however, in the sense that the members in a meeting discuss and deliberate until they find the best solution: the ‘one best indicator’. It is more of a *majority consensus decision* (Thedvall 2006), in which some members give up their position if they do not win support or if they fail to find persuasive arguments when it is time to make a decision. And a decision must be made at this last meeting of 2001. The Committee must finish the report and the opinion of the report on the indicators, both of which are sent to the Council of the European Union. There is considerable time pressure here. Because the Ministers have asked the Committee members to agree on an opinion before a certain date, they must do so.

After the meeting, the opinion and the report were re-drafted by the Secretariat and the President and sent to the Council’s working groups – the Social Questions Working Group and the Council of Representatives (Coreper) – before the final decision on the indicators was made in the Council of the European Union. The documents were then sent to the European Council, and duly endorsed by the prime ministers and presidents of the member states as well as the President of the Commission.

It is the actual decision-making apparatus in the EU that forces the member states to come to an agreement: decisions are made in the right way through negotiations and discussions in meetings, with meeting rules

and regulations about who may be president and members and what can be on the agenda, in a hierarchical series of meetings, within the right time span, before the EU half-year presidency ends. Consequently, the legitimacy in the indicators being used to make member states accountable is not in the indicators producing scientifically sound evaluations. Instead, legitimacy is reached through the process of doing it, of organizing transnational accountability by the proper method. When the political decision is made and the indicators are published in EU documents and used for reviewing policies, the conflicts and political compromises involved in trying to develop them are forgotten. Instead they become independent factors with their own life. If the indicators have been decided upon in the right way, they are considered legitimate and ready to be implemented, whether or not they are considered to be statistically robust by the people who have developed them. This process has been referred to as *informed ignorance* by Fernler and Helgesson (2006, p. 321), who suggest that the insecurities in the process of developing knowledge – in this case, the indicators – remain local, whereas the actual indicators take on a life of their own, being used and understood in other contexts as politically neutral knowledge.

## CONCLUSION: LEGITIMACY THROUGH THE PROCESS OF DOING IT

To conclude, the notion of accountability is increasingly connected to measurability and calculability. To be accountable as an individual or an organization is to set goals in relation to which performance may be evaluated and compared – through the use of indicators and statistics, for example. In this way trust is restored and policies and decisions are seen as legitimate. This notion of accountability through calculability is guided by a particular kind of bureaucratic logic, by which numbers and statistics are treated as objective and politically neutral. According to this bureaucratic logic, the evaluations and comparisons among the EU member states in tables and diagrams will be fair and impartial. As I have argued, however, what member states want to make visible and what they want to be accountable for in the EU context is a matter of negotiation. The actual process of producing indicators becomes a matter of visualising best practices and future positions in tables and diagrams in relation to the other member states, as well as what they will be held responsible for within the EU. The member states have no interest in revealing all. On the contrary, they want to keep parts of the ‘nation’ out of sight from the other member states; they want to keep policy areas or results that are sources of embarrassment, or

idiosyncratically culturally intimate, within the borders of their member states. Instead, the member states compete with each other in trying to influence the definition of the indicators in hopes of obtaining what, in their opinion, is a better score than the others. The fact that the member states are benchmarked against each other fuels this competition.

Hence, the notion of accountability through calculability may be harbouring ideas of neutrality; but in reality, organizing transnational accountability by turning politics into numbers is more of a ritual process than about impartiality. What is calculable in the context of the EU is partly determined by the member states' representatives' performance of the proper rules, and by adhering to regulations that make the decision legal within the EU. The structural processes, comprised of rules and regulations about who may take part and when, and where decisions on the indicators may be made, are, in a sense, part of making them understood as politically neutral – both by themselves as their creators and by the politicians who use them for laying the groundwork for new policies. Thus creating policy in the right way – by criteria they have agreed upon – confers legitimacy to the EU indicators, making it possible to account for the achievements of the member state in what the member state considers to be the accepted way (see also Lindvert, Chapter 9).

In this way, organizing transnational accountability through the development of indicators and using them for evaluations becomes a legitimizing process, a ritual of legitimation, in which the national conflicts and the political compromises are made invisible, black-boxed, as soon as decisions are made about the indicators. In this epistemic culture of numbers, these rituals of legitimation give the appearance of holding member states accountable according to the bureaucratic logic. The comparisons and the evaluations in diagrams and tables are treated as if they are just and politically neutral. In this way, these rituals of legitimation create trust in the EU policy-making process, making it appear transparent and legitimate in the eyes of EU citizens.

Nevertheless, doing policy in the 'right' way, performing the rituals of legitimation, is, to a great extent, built on the fact that the member states themselves are the producers of the indicators as well as the evaluators and the judges of their own performances. The notion of transnational accountability, therefore, is a delicate matter.

## NOTES

1. The fieldwork and the empirical material on which the chapter is based were originally used for my dissertation, 'Eurocrats at work, negotiating transparency in postnational employment policy', 2006.

2. The ten areas being: 1. Intrinsic job quality; 2. Skills, life-long learning and career development; 3. Gender equality; 4. Health and safety at work; 5. Flexibility and security; 6. Inclusion and access to the labour market; 7. Work organization and work-life balance; 8. Social dialogue and worker involvement; 9. Diversity and non-discrimination; and 10. Overall economic performance and productivity (CEC 2001).

## REFERENCES

- Asad, Talal (1994), 'Ethnographic representation, statistics and modern power', *Social Research*, **61** (1), 55–87.
- Ben-Ari, Eyal and Efrat Elron (2001), 'Blue helmets and white armor: multi-nationalism and multi-culturalism among UN peacekeeping forces', *City & Society*, **8** (2), 275–306.
- CEC (2001), *Employment and Social Policies: A Framework for Investing in Quality*, COM(2001) 313 final.
- De Swann, Abram (1998), *In Care of the State. Health Care, Education and Welfare in Europe and the USA in the Modern Era*, Cambridge: Polity Press.
- Fernler, Karin and Claes-Fredrik Helgesson (2006), *Kloka Regler? Kunskap i Regelsamhället*, Stockholm: Studentlitteratur.
- Hacking, Ian (1990), *The Taming of Chance*, Cambridge: Cambridge University Press.
- Handelman, Don (2004), *Nationalism and the Israeli State: Bureaucratic Logic in Public Events*, Oxford: Berg.
- Harlow, Carol (2002), *Accountability in the European Union*, Oxford: Oxford University Press.
- Herzfeld, Michel (1997), *Cultural Intimacy: Social Poetics in the Nation-State*, London: Routledge.
- Hood, Christopher (1991), 'A public management for all seasons?', *Public Administration*, **69** (1), 3–19.
- Jacobsson, Bengt and Ulrika Mörth (1998), 'Europeiseringen och den Svenska Staten', in Göran Ahrne (ed.), *Stater som Organisationer*, Stockholm: Nerenius & Santérus Förlag, pp. 179–202.
- Knorr-Cetina, Karin (1999), *Epistemic Cultures. How the Sciences Make Knowledge*, London: Harvard University Press.
- Latour, Bruno and Steven Woolgar (1979 [1986]), *Laboratory Life: The Construction of Scientific Facts*, Princeton, New Jersey: Princeton University Press.
- Malkki, Liisa H. (1997 [1999]), 'National geographic: the rooting of peoples and the territorialization of national identity among scholars and refugees', in Akhil Gupta and James Ferguson (eds), *Culture Power Place: Explorations in Critical Anthropology*, London: Duke University Press, pp. 52–74.
- Mallard, Alexandre (1998), 'Compare, standardize and settle agreement: on some usual metrological problems', *Social Studies of Science*, **28** (4), 571–601.
- McDonald, Maryon (2000), 'Accountability, anthropology and the European Commission', in Marilyn Strathern (ed.), *Audit Culture: Anthropological Studies in Accountability, Ethics and the Academy*, London: Routledge, pp. 106–32.
- Meyer, John W. and Brian Rowan (1977), 'Institutional organizations: formal structure as myth and ceremony', *American Journal of Sociology*, **83** (2), 340–63.
- Moore, Sally F. and Barbara Myerhoff (1977), *Secular Ritual*, Assen/Amsterdam: Van Gorcum.



- Porter, Theodore M. (1995), *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life*, Princeton: Princeton University Press.
- Porter, Theodore M. (2001), 'On the virtues and disadvantage of quantification for democratic life', *Studies in History and Philosophy of Science Part A*, **32** (4), 739–47.
- Power, Michael (1997[1999]), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Power, Michael (2003), *The Invention of Operational Risk*, Discussion paper no. 16, Centre for Analysis of Risk and Regulation (CARR).
- Sahlin-Andersson, Kerstin (2000a), 'Transnationell Reglering och Statens Omvandling: Granskningssamhällets Framväxt', Score working paper series 2000: 14.
- Sahlin-Andersson, Kerstin (2000b), 'National, international and transnational construction of new public management', Score working paper series 2000: 4.
- Salais, Robert (2004), 'La Politique des Indicateurs: du taux de Chômage au taux d'Emploi dans la Stratégie Européenne pour l'Emploi', in Bénédicte Zimmerman (ed.), *Les Sciences Sociales à l'Épreuve de l'Action: Le Savant, le Politique et l'Europe*, Paris: Centre Interdisciplinaire d'Études et de Recherche sur l'Allemagne, pp. 287–331.
- Scott, James C. (1998), *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*, London: Yale University Press.
- Shore, Cris (2000), *Building Europe: The Cultural Politics of European Integration*, London: Routledge.
- Starr, Paul (1987), 'The sociology of official statistics', in William Alonso and Paul Starr (eds), *The Politics of Numbers*, New York: Russell Sage Foundation, pp. 7–57.
- Stewart, John and Kieron Walsh (1992), 'Change in the management of public services', *Public Administration*, **70** (4), 499–518.
- Strathern, Marilyn (2000), *Audit Culture: Anthropological Studies in Accountability, Ethics and the Academy*, London: Routledge.
- Thedvall, Renita (2006), 'Eurocrats at work: negotiating transparency in postnational employment policy', *Stockholm Studies in Social Anthropology*, **58**, Stockholm: Almqvist & Wiksell International.

## 9. The political logics of accountability: from ‘doing the right thing’ to ‘doing the thing right’

Jessica Lindvert

---

### INTRODUCTION

For many years public actors and social scientists in Western nations have been aware of the pressures on public administrations. To tackle this administrative overload or ‘growth to limits’ (as it was put by Flora, ed., 1987), innumerable reforms have been initiated, focusing on public sector efficiency and drawing upon the ideational goods of the New Public Management (NPM) school (Hood et al., 1999; Hughes, 2003; Rhodes, 1996). The dominance of this economic logic of governance has been challenged, however – more recently by new demands for transparency, accountability and stronger control mechanisms (see Power, 1997, for a general discussion of the audit society).

The Swedish public sector is no exception to this general trend. ‘Good goals’ are measurable and controllable goals in which the ‘degree of fulfilment of objectives is not possible to manipulate’. Ranking, indicators and benchmarking are increasingly regarded as key policy instruments (Parliamentary Auditors, 2002, p. 68). Even within a domain such as the labour market – a policy field that has traditionally been assumed to require more flexible directives than the rest of the Swedish administration – this *auditing rationality* has now become the leading regulating principle.<sup>1</sup> Support among Swedish public actors and economists for auditing arrangements is illustrated by a strong emphasis on planning and control, quantified objectives, follow-ups, simplified regulation, and fewer, measurable programmes (Ackum Agell, 1998, p. 38; *Arbetsmarknadspolitik i förändring*, 1998, p. 89; Government Bill [Gov. bill] 1999/2000: 98; National Board of Public Management, 2000; Parliamentary Auditors, 2002; Zetterberg, 1997).

In this chapter I argue that the administrative orientation towards auditing rationalities – a transformation that at first glance may be regarded as

merely technical – has actually had far-reaching *political* effects, as it corresponds better with certain constellations of power and accelerates certain policy paths, while dampening others. In the first part of the chapter I trace the crucial mechanisms in the process of institutionalizing the new auditing arrangements; and, more specifically, discuss why earlier, well established authorities in the Swedish labour market area finally loosened their hold, and how they were eventually superseded by new players. In a second part, the political outcomes of these new regulatory arrangements are discussed in terms of their support of some specific policy paths.

In order to explain how accountability demands could be transformed from peripheral to central issues within a few years, I use a historical institutional approach. By its focus on temporal dynamics and the sequence of events of parallel processes, this approach sheds light on the potential inter-relatedness of regulatory processes that might otherwise have appeared as isolated events (Hall and Taylor, 1996; Hay, 2002, Chapter 4). Also, Peter Berger and Thomas Luckmann's (1966) constructivist approach to the influence of ideas serves as a theoretical point of departure for the analysis. In their modern classic, they depart from the understanding that there are many ideas out there, and in order to be implemented, they must be matched with existing appropriate institutional resources. I discuss the circumstances behind the successful harmonizing of the existing administrative capacities and the discourse on auditing rationality in the labour market, focusing on the timing of the breakthrough and the reason for the current model to hold such a firm position. The analysis is based on a case study of administrative activities in the active labour market policy field in Sweden from the early 1990s until 2005.<sup>2</sup> It builds on interviews with approximately 40 experienced elite actors engaged in labour market issues (representing such bodies as the unions, the employees, political parties and the government), official documents, media archives, governmental records and secondary literature (see Lindvert, 2006).

## WHEN SOME ACTORS LEAVE THE STAGE

In the early 1990s the institutional arrangements dominating Swedish labour market politics were still heavily influenced by corporatist ideals (Olson, 1965; Rothstein, 1992; Swenson, 2002; Öberg, 1994).<sup>3</sup> A central component in these corporatist arrangements was pressure groups that were officially involved in the process of making and administering public policy. Such corporatist arrangements were based on strong commitments, and differ from the 'policy communities' or 'issue networks' frequently discussed in the governance literature. The issue networks lack a strong incentive to

reach agreements; rather, conflicting viewpoints are regarded as healthy pre-conditions for the control of policy issues (Peters, 2001, p. 190; Sabatier, 1988).

For many years the corporatist labour market arrangements were widely accepted in Swedish society. The public has traditionally held strong expectations of these authorities. The arrangements were understood to be making political action more flexible (policy measures could be rapidly fine tuned with economic fluctuations), in order to facilitate exchange of information, spread expert knowledge, promote networks, smooth relations between business and unions, and promote such democratic values as local participation (Rothstein, 1992; Öberg, 1994; see also Pellizzoni, 2004, p. 554 for a more general approach).

The activities and programmes around active labour market policy issues were substantially constructed by the unions, the employers and the government; they were administered within the Labour Market Board (*Arbetsmarknadsstyrelsen* [AMS]), which was and continues to be the central authority of the National Labour Market Administration (*Arbetsmarknadsverket* [AMV]). There was also an inner informal steering unit, the *troika*, consisting of the Minister of Finance, the Minister of Employment and the General Director (Nycander, 1998, p. 110).<sup>4</sup> Once a year the national government presented their directives in so-called appropriation warrants (*regleringsbrev*) for the National Labour Market Administration. For many years they were written in a vague manner, allowing room for manoeuvrability in the interpretation of objectives, tasks and funding. Such benevolent arrangements gave the central players wide discretion over political decisions, standing in marked contrast to the regulatory arrangements in most other areas.

The corporatist arrangements had a strong influence on the Swedish labour market between World War II and the early 1990s – an effect that peaked during the 1950s and 1960s. Although the corporatist machinery remained essentially intact until the early 1990s in the active labour market policy sphere, it was evident that the consensual arrangements had begun to be seized in other parts of the labour market, beginning in the early 1970s with the introduction of national laws rather than collective agreements for employment protection and workplace influence.<sup>5</sup>

## DISSATISFACTION EMERGES

Some policy actors did signal dissatisfaction with the political arrangements of active labour policy making before the 1990s. In the 1980s senior civil servants in the central government repeatedly highlighted the unclear

allocation of responsibility built into the corporatist arrangements. Through governmental reports (SOU) they called attention to the democratic deficits in this self-accounting system; they emphasized the notion that citizens should be able to hold these authorities *accountable* for their actions (cf. SOU, 1983: 39; SOU, 1985: 40; SOU, 1997: 57; see also Premfors et al., 2003, p. 284 ff; Rothstein and Bergström, 1999, Chapter 3) – a concept that had received little attention until then. The well established logic of governance in the active labour market area was implicitly compatible with a high-trust understanding of *responsibility*, building on the political tradition of responsibility as a personal inner sense of obligation. In such an approach, political action was understood to be guided by personal moral values and pragmatic knowledge about the reality of policy making rather than by external control mechanisms. But the demands expressed in the reports signaled a shift towards stronger control mechanisms, towards the alternative low-trust or accountability approach that calls attention to external pressures to show that the public sector does what it should do (for a further discussion of responsibility versus accountability in political administration, see Ahlbäck, 1999, p. 20 ff; Hood et al., 1999, p. 202; Peters, 2001, p. 300 f.). For many years, the accountability demands remained in the periphery of labour market politics, with little practical influence on the regulation. As long as Swedish corporate arrangements were running reasonably smoothly, the auditing rationality played a minor role.

A next important move in the process towards regulatory change was taken by employers in 1991. At that time Svenska Arbetsgivarföreningen (the Swedish Employers' Association) announced that they were about to withdraw their representatives from public boards. They were no longer interested in being part of the corporatist arrangements, using as a reason for their withdrawal arguments that were both pragmatic ('not enough payoff') and ideological ('politics should be run by elected representatives').<sup>6</sup> The step came as a surprise to other societal actors, and many of them regarded it as deceit. The decision led to an adjustment in the regulatory arrangements; individual actors from the employer side and the union side could still be involved in the decision-making processes, which they often were; but they could not act as representatives of either the employers' or the employees' organizations. Within a short time, this regulatory change was officially confirmed by Parliament.

At first the regulatory modification appeared to have only minor effects. But after a few years, it became evident that the absence of a binding regulatory framework had dampened the will to find common solutions. A process of polarization was accelerating, and gradually it became crucial for the actors to make statements rather than reach agreements; eventually

their control over the policy-making process was reduced. The former corporatist arrangements had – at least within the sphere of active labour market politics – ended up in an ‘institutionalized lobbying’ accentuating media exposure rather than informal channels of cooperation (Rothstein and Bergström, 1999, p. 128).

Returning to the conceptual distinction between ‘corporatist arrangements’ and ‘issue networks’, it seems as if this regulatory change, with weakened incentives to reach solutions, gave way to new constellations of authority. Before long it was evident that the central players in active labour market politics had changed. It was now the government and the General Director of AMV that controlled the agenda.

## DECENTRALIZATION – A DEAD END

An alternative suggestion on how to tackle the situation was to decentralize the labour market administration. This demand grew stronger during the economic crisis of the mid-1990s, when leading labour market authorities were being harshly criticized by right-wing opponents, the media, economists and the general public. In spite of enormous public spending, the measures taken to reduce unemployment during these years were not regarded as sufficient; the high-quality standards were not being met. And when no other solutions for beating unemployment were to be found, the labour market authorities (principally the government and the General Director of the Labour Market) became more interested in what could be done in the local arena. As General Director Göte Bernhardsson of the Labour Market Administration remembers it, ‘. . . we were like a hollering voice in the desert. By the mid-1990s we were heavily criticized. There were strong demands to curtail the administration. So we thought that decentralization was better than nothing’ (Bernhardsson and Danielsson, 1998, p. 28; author’s translation).

It was soon declared that a decentralization of the labour market organization was worth a try, and the local labour market administrations and the local administrations were given a stronger influence over politics. More specifically, the local public employment agencies, which are part of the centralist national authority, became formally accountable for their economic results; the local municipalities were given responsibility for unemployed youths under 20 years of age; new local networks were introduced between the labour market administrations and local authorities; and the regional boards were given wider economic responsibility (Lindvert, 2006, p. 111).

Most of these reforms were short ventures, however. It was not long before the government and the General Director of AMV resumed their

initial centralist stance. But this was not primarily because the economic situation had improved or because the authorities had decided on an alternative strategy. Arguably this sudden change was first and foremost a reaction to severe criticisms by auditing authorities such as Riksrevisionsverket (the National Audit Office), Riksdagens revisorer (the Parliamentary Auditors), Statskontoret (Swedish Agency for Public Management) and Ekonomistyrningsverket (the Swedish National Financial Management Authority). By then the auditing authorities had become more visible and influential in the public administration in general, and this was the first time severe organizational problems in the labour market administration received wide public attention. The critics argued that follow-ups and planning were suffering from a lack of administrative routines, an inability to look beyond local priorities, and an unclear division of responsibilities for the levels of authorities.<sup>7</sup> And even more damaging for the government and the AMV, the auditing authorities argued that the problems concerned not only the decentralization attempt; their investigations exposed substantial insufficiencies in AMV's long-standing administrative routines.

The leading authorities accepted the critique, and stated that the labour market administration should thereafter be characterized by order, method and adequate feedback routines, in accordance with the recommendations of the auditing authorities. By installing a Board of Directors, comprising the regional directors and the General Director (appointed by the government) the central governmental officials were given more influence than ever before.<sup>8</sup> Even if the government and the Labour Market Board found the criticism discomfiting, it cannot be overlooked that this critique simultaneously strengthened their relative power towards local authorities and major societal interest. After the process of reorganization was completed, the regulation was more centrally oriented than ever before.

In summary, the decrease in corporatist influence was not an isolated phenomenon (even though it is often treated as such in the literature on corporatism). The decline corresponds to the acceleration of other ideas and alternative forms of regulation. Within a few years, the audit rationality grew from being invisible to becoming the dominating principle. It is true that this reorientation was not unique to the labour market; by the late 1990s, the practices of the auditing rationality were widespread within the Swedish public administration at large. But the fact that the accountability drive followed the government's failure to succeed in an opposing ideational path – the attempt to *decentralize* the bureaucracy (which included strong components of de-bureaucratization), made it highly visible.<sup>9</sup> By the end of the 1990s, the former institutional arrangements that built on tripartite involvement, compromises and shared responsibilities for

active labour market policies had become history. They had been replaced by a centrally allocated power structure, with the government and auditing authorities as leading authorities.

## THE POLITICAL LOGICS OF ACCOUNTABILITY

There is a crucial difference between the old corporatist model and the new auditing model over how objectives and means are understood to correspond with each other. In the auditing model, it is essential to formulate comprehensible and measurable goals. Conflicting sub-objectives are understood to make politics less efficient. In fact, a recent report from the Swedish Parliamentary Auditors states that conflicting objectives are 'one of the more serious problems in labour market policies'. In order to illustrate the problems of a multitude of ambitions, the auditors point to the fact that 'there are at least 4 to 5 levels of objectives and 15 to 20 objectives' and that it is 'not possible to determine the exact number of levels and objectives because there is a number of tasks that are framed in objective-like terms' (Parliamentary Auditors, 2002, p. 36).

The new auditing administration arrangements contain strong incentives to deconstruct policy objectives into measurable sub-goals so they can be easily translated into relevant statistics. The objective that has probably been most central to the public debate was the objective to reduce 'open' unemployment (individuals not in programmes) from 8 per cent to 4 per cent of the population by 2000 (Gov. bill 1995/96: 207; Gov. bill 1995/96: 222). Another quantitative objective has been to increase the proportion of the regularly employed between the ages of 20 and 64 from 74 per cent of the population to 80 per cent by the year 2004.<sup>10</sup> Yet another statistical goal, introduced in 1999, required that at least 70 per cent of the individuals enrolled in labour market training programmes should be employed within three months of the completion of their education (Departmental Services 2000: 38). To take an extreme example of the trust in numbers, in January 2002 the Labour Market Board issued a statement in which they maintained that by November 2001 they had accomplished 62 of the 110 objectives set for that year, and that they had realized three of their five overall goals – which should, on the whole, be regarded as a major improvement (Labour Market Board Statement on the Report of the Parliamentary Auditors, 20 January 2002).

The corporatist arrangements placed less emphasis on depicting the operationalization of general objectives into specific measures. Rather, the multitude of often-contradictory objectives was central to maintaining support from various actors. By the use of general umbrella objectives, the



actors could give weight to the elements that best satisfied the interests of those they represented.<sup>11</sup> The Head of the Labour Market Unit within the Ministry of Industry, Employment and Communication explains that this approach implied some sort of balancing over time. He describes the essence of the model as follows: 'It means that you have to compromise on one objective to make room for the other, but the main belief is that politics as a whole benefits' (personal interview).

It is also important to remember that labour market policy was, for many years, an area of policy making in which unconventional administrative arrangements were legitimized. Within closed communities, authorities had more extensive discretion than did actors in other policy domains – room for manoeuvring that was sometimes referred to as 'secret gardens' (Heclo and Wildawsky, 1974; Rothstein, 1992; Öberg, 1994). In fact, it can even be argued that the lack of clarification or linear correspondence between overall goals and specific measures was regarded as a precondition for policy making, because it provided manoeuvrability. Organizational scholars use the terms 'seal off' or 'closed-system strategies' to describe similar behaviour of organizations in institutionalized environments. Closed cooperation is thus a way of escaping overly detailed regulations and auditing in order to maintain efficiency (Thompson, 1967; Meyer and Rowan, 1977, p. 358; Brunsson, 1989). In such arrangements, it is critical not to bind oneself to *one* solution or *one* political goal, in order to sustain 'the power of decision' (Peters 2001, p. 235).

It is true, however, that the measurable undertakings of the auditing model must be regarded as valuable sources of political legitimacy because they invite external spectators, including citizens, to engage in politics and evaluate the achievements of the authorities in light of their postulated objectives. The politics of *measurable effects*, however, is not necessarily the same as the *politics of desirable effects*. These fixed promises risk limiting the discretion of political actors over time – often for a number of years – and do not necessarily benefit the policy process as a whole. Alternative instruments could later be seen as being more efficient, but may still be rejected due to the political delicacy of abandoning previously set measures. Such concerns are confirmed by an Undersecretary of State of the Ministry of Industry, Employment and Communication who states that

. . . some statistical curves should always decrease and some curves are supposed to be high enough. There is a risk of focusing too much on the statistics, and what may follow is that one easily becomes interested in getting individuals into programmes to show good statistics, when, in fact, it may be more efficient to do something else – put more emphasis on job matching, for example. (Personal interview, spring 2003)

Furthermore there are strong indications that the auditing arrangements provide less room for horizontal initiatives within the public administration (cooperation between units within separate policy sectors), given that the model is based on the assumption that policy objectives should be defined by sector (labour market policy goals as distinct from regional goals, for example) and deconstructed into measurable goals. The stricter, vertical control system is likely to increase anxiety about making mistakes, which means that it discourages initiatives that provide less immediate reward. The weak interest in cooperation is expressed by a head of unit within the Labour Market Administration, who says, 'To us, cooperation is doing what we are best at doing', and continues:

. . . now we have a very explicit regulation what to do and not do . . . and we have had a lot of criticism from the government offices, the Parliamentary Auditors and the National Audit Office, because we have not played strictly by the book. We have slipped a bit. That is why one of our new guidelines is order and method in our internal affairs. (Personal interview, 2003)

The tendencies towards fragmentation and sectoral segmentation are apparent not only within this policy domain, however; they are characteristic of the Swedish public administration generally. Swedish scholars point to the fact that the public agencies' sectoral identity has been strengthened, and that the sectoral organizations 'look after their own house, and forget about the larger organization – "the state"' (Premfors et al., 2003, p. 289).<sup>12</sup>

## MORE ACCOUNTABILITY AND LESS EFFICIENCY?

This study has addressed the political consequences of the rise of accountability demands in labour market politics. One central finding is the chain of reactions created by the new administrative demands. One set of stable regulatory arrangements was substituted with another constellation of power within a few years. There are also indications that the new administrative arrangements stratified the policy process into new manners: it contained incentives for policy makers to focus on the way to do measurable politics, while hampering the actors' discretion to decide on desirable policies. This involved a turn in political focus, away from an output-oriented corporatist logic in which efficiency (or the quality of production of democratic institutions) is at the centre of attention, to an audit-adjusted logic (which gives pre-eminence to the quality of policy development within the democratic institutions). In terms of political responsibilities, the study shows that the new rationalities create political organizations wherein

actors' behaviour is increasingly characterized by reacting; by dampened external critique; by calming/following public opinion; and by initiating measures characterized by passivity, anxiety and short-term horizons. The model restricts the authorities' room for manoeuvrability and their ability to elaborate on multi-faceted and long-term policy making – or what they consider to be *the right policies*. On the other hand, the auditing model encourages citizens to evaluate politics, and stimulates policy makers to focus on the way to do *politics the right way*.

In the pedagogical literature, 'backwash' is a term used to describe how students tend to focus on topics they assume will be assessed in their examinations, rather than focusing on the issues that will be most valuable to them in their working lives (Biggs, 2003, Chapter 8). The concept of backwash can be applied to the contemporary accountability trend discussed in this chapter. The auditing requirements within modern public administrations can become major incentives for political actors to devote their energy to the activities they expect themselves to be assessed on, rather than realizing the ideas and methods they believe will be of greatest relevance to their citizens.

## NOTES

1. The active Swedish labour market policy has traditionally been part of a broad economic policy, as expressed most clearly in the political and economic action programme developed at the end of the 1940s by the LO economists Gösta Rehn and Rudolf Meidner, at the initiative of the Swedish Social Democrats and various parties in the labour market. For more detailed descriptions, see Axelsson et al., 1987; Björklund et al., 1996; Hedborg and Meidner, 1984; Ohlsson and Olofsson, 1998.
2. As opposed to the 'passive' labour market politics in liberal welfare states (mainly cash support). In the 'active' Swedish version, the unemployed should be offered support by job centres, training and job mobility. This active and preventive Swedish stance is often summed up in the term 'workline' (now 'work and skills line').
3. Corporatism can be defined as the legitimate relationship between interest groups and the government. There are many definitions and versions of corporatism: authoritarian corporatism, societal corporatism, state corporatism, mesocorporatism, liberal corporatism, corporate pluralism, and the negotiated economy (for example, Lembruch and Schmitter, 1982; Peters, 2001, p. 187 f.; Öberg, 1994, p. 8).
4. The administration also includes 20 county labour boards and approximately 325 local public employment services. Today the administration has 10,000 employees.
5. Ohlsson and Olofsson, 1998, p. 182; Nycander, 2002, p. 282 f.; Åmark, 1991.
6. There is a discussion among scholars about whether the ideological reasons (Johansson, 2000) or the pragmatic reasons (Rothstein and Bergström, 1999) were the most important.
7. National Audit Office, 1997: 58; National Audit Office, 2000: 3; Swedish Agency for Public Management, 2000: 4; Ds 2000: 38; Swedish National Financial Management Authority, 1999: 7.
8. The trend was supported by the decision for the general director to be no longer under the jurisdiction of the board.
9. It should be stated, however, that this was also compatible with the NPM school. Hood et al. state that the shift towards more oversight forms of regulation is an opposite sign

(or mirror image dynamics) of attempts to de-bureaucratize public-service delivery (Hood et al., 1999, p. 194).

10. The goal was not reached by the end of 2004. This failure, however, was not commented on by the Government in the 2005 governmental budget propositions (Gov. bill 2004/05: 100; Gov. bill 2005/2006: 1). Instead a new employment policy programme was introduced.
11. Similarly, the success of Swedish gender policies benefited from the careful use of the concept of gender equality (*jämställdhet*). The concept was vague enough to be accepted by many actors (Lindvert, 2007).
12. In a report commissioned by the Ministry of Industry, Employment and Communications, it is admitted that quantified objectives tend to be given priority because they are easy to follow up (Ds 2000: 38, p. 97).

## REFERENCES

- Ackum Agell, Susanne (1998), 'Arbetsmarknadspolitik i nygammal tappning', in Berndt Molin (ed.), *Visioner och vardagar: 50 års aktiv arbetsmarknadspolitik*, Stockholm: Ams.
- Ahlbäck, Shirin (1999), *Att kontrollera staten: den statliga revisionens roll i den parlamentariska demokratin*, Uppsala: Uppsala Universitet.
- Åmark, Klas (1991), 'Den svenska modellen: arbetarna, fackföreningsrörelsen och samverkan på svensk arbetsmarknad', in Klaus Misgeld and Klas Åmark (eds), *Arbetsliv och arbetarrörelse: modern historisk forskning i Sverige*, Stockholm: Arbetarrörelsens arkiv och bibliotek.
- Arbetsmarknadspolitik i förändring* (1998), Stockholm: AMV.
- Axelsson, Roger, Karl-Gustaf Löfgren and Lars-Gunnar Nilsson (1987), *Den svenska arbetsmarknadspolitiken under 1900-talet*, Stockholm: Prisma.
- Berger, Peter and Thomas Luckmann (1966), *The Social Construction of Reality*, New York: Anchor Books.
- Bernhardsson, Göte and Anna Danielsson (1998), 'Göte Bernhardsson: AMS-chef under 90-talskrisen', in Berndt Molin (ed.), *Visioner & vardagar: 50 års aktiv arbetsmarknadspolitik*, Stockholm, Sweden: AMS.
- Biggs, John (2003), *Teaching for Quality Learning at University: What the Student Does*, Buckingham: Open University Press.
- Björklund, Anders, Per-Anders Edin, Bertil Holmlund and Eskil Wadensjö (1996), *Arbetsmarknaden*, Stockholm: SNS.
- Brunsson, Nils (1989), *The Organization of Hypocrisy, Talk Decisions and Actions in Organizations*, Chichester: Wiley and Sons.
- Day, Patricia and Rudolf Klein (1990), *Inspecting the Inspectorates*, York: Joseph Rowntree Memorial Trust.
- Ds 2000: 38, *En effektivare arbetsmarknadspolitik*, Stockholm: Fritzes.
- Flora, Peter (ed.) (1987), *Growth to Limits: The Western European States Since World War II*, New York: de Gruyter.
- Gov. bill 1995/96: 207.
- Gov. bill 1995/96: 222.
- Gov. bill 1999/2000: 98.
- Gov. bill 2004/2005: 100.
- Gov. bill 2005/2006: 1.
- Hall, Peter and R. Taylor (1996), 'Political science and the three new institutionalisms', *Political Studies*, **44** (4), 936–56.

- Hay, Colin (2002), *Political Analysis: A Critical Introduction*, Basingstoke: Palgrave.
- Hecló, Hugh and Aaron Wildavsky (1974), *The Private Government of Public Money*, London: Macmillan.
- Hedborg, Anna and Rudolf Meidner (1984), *Folkhemsmodellen*, Stockholm: Rabén & Sjögren.
- Hood, Christopher et al. (1999), *Regulation Inside Government: Waste-Watchers, Quality Police and Sleazebusters*, Oxford: Oxford University Press.
- Hughes, Owen E. (2003), *Public Management & Administration: An Introduction*, New York: Palgrave.
- Johansson, Joakim (2000), *SAF och den svenska modellen: en studie av uppbrottet från förvaltningskorporatismen 1982–91*, Uppsala: Uppsala Universitet.
- ‘Labour Market Board Statement on the Report of the Parliamentary Auditors’, Written Statement, 20 January 2002.
- Lembruch, Gerhard and Philippe Schmitter (1982), *Patterns of Corporatist Policy-Making*, London: Sage.
- Lindvert, Jessica (2006), *Ihålig arbetsmarknadspolitik: organisering och legitimering igår och idag*, Umeå: Boréa Bokförlag.
- Lindvert, Jessica (2007), ‘The rules of the game: organizing gender policies in Australia and Sweden’, *Social Politics*, **14** (2), 238–57.
- Meyer, John W. and Brian Rowan (1977), ‘Institutionalized organizations: formal structure as myth and ceremony’, *American Journal of Sociology*, **83** (2), 340–63.
- National Audit Office (1997), ‘Lokal samverkan i arbetsmarknadspolitiken’, Rapport 1997: 58.
- National Board of Public Management, *Att styra arbetsmarknadsinriktad utbildning*, Rapport 2000: 4.
- Nycander, Svante (1998), ‘Ekonomiska och socialpolitiska mål i arbetsmarknadspolitiken’, in Berndt Molin (ed.), *Visioner & vardagar: 50 års aktiv arbetsmarknadspolitik*, Stockholm: Ams.
- Nycander, Svante (2002), *Makten över arbetsmarknaden: ett perspektiv på Sveriges 1900-tal*, Stockholm: SNS Förlag.
- Öberg, PerOla (1994), *Särintresse och allmänintresse: Korporatismens ansikten*, Stockholm: Almqvist & Wiksell International.
- Ohlsson, Rolf and Jonas Olofsson (1998), *Arbetslöshetens dilemma: motsättningar och samförstånd i svensk arbetslöshetsdebatt under två hundra år*, Stockholm: SNS.
- Olson, Mancur (1965), *The Logic of Collective Action*, Cambridge: Harvard University Press.
- Parliamentary Auditors (2002), ‘Styrningen av Ams och länsarbetsnämnderna’, Rapport 2002/03: 2.
- Pellizzoni, Luigi (2004), ‘Responsibility and environmental governance’, *Environmental Politics*, **13** (3), 541–65.
- Peters, B. Guy (2001), *The Politics of Bureaucracy*, London: Routledge.
- Power, Michael (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Premfors, Rune, Peter Ehn, Eva Halldén and Göran Sundström (2003), *Demokrati & byråkrati*, Lund: Studentlitteratur.
- Rhodes, Roderick A.W. (1996), ‘The new governance: governing without government’, *Political Studies*, **44** (4), 652–67.
- Rothstein, Bo (1992), *Den korporativa staten*, Stockholm: Norstedts.
- Rothstein, Bo and Jonas Bergström (1999), *Korporatismens fall och den svenska modellens kris*, Stockholm: SNS.

- Sabatier, Paul (1988), 'An advocacy coalition model for policy change and the role of policy oriented learning therein', *Policy Science*, **21** (2–3), 129–68.
- SOU (1983: 39) *Politisk styrning: administrativ självständighet*.
- SOU (1985: 40) *Regeringen, myndigheterna och myndigheternas ledning*.
- SOU (1997: 57) *I medborgarnas tjänst. En samlad förvaltningspolitik för staten*, Stockholm: Fritzes.
- Swenson, Peter (2002), *Capitalists against Markets*, Oxford: Oxford University Press.
- Thompson, James D. (1967), *Organizations in Action*, New York: McGraw-Hill.
- Zetterberg, Johnny (1997), 'Behöver målen för arbetsmarknadspolitiken omformuleras?', in Villy Bergström (ed.), *Arbetsmarknad och tillväxt: tio års forskning med facket*, Stockholm: Ekerlids förlag.

## 10. Agenda setting for accountability: the Swedish code of corporate governance

**Susan Marton**

---

### THE ISSUE EMERGES

Why did corporate governance checks and balances that served us reasonably well in the past break down? At root was the rapid enlargement of stock market capitalizations in the latter part of the 1990s that arguably engendered an out-sized increase in opportunities for avarice. An infectious greed seemed to grip much of our business community. (Alan Greenspan, Speech to US Congress, July 2002, quoted in Nofsinger and Kim 2003, p. xix)

Enron in the USA, Parmalat in Italy, Barings Bank and BCCI in England, and Skandia in Sweden – the list of corporate financial scandals is long, the cases are not unique to any single country, and the solutions seem varied. In the USA, tough new laws on accounting oversight have been ratified with the Sarbanes-Oxley Act (also known as the ‘Public Accounting Reform and Investor Protection Act’) of 2002. In Europe, the European Commission is discussing new accounting rules that will be obligatory for all EU companies. At a conference on citizen trust and corporate governance in London, Unilever’s former Chairman, Sir Michael Perry, referred to the combination of corporate greed, abuse of power, short-termism and the erosion of ‘mutuality’ in industrial relations that had harmed public confidence in businesses (Perry 2003). The public outcry has been intense and politicians are responding. In Sweden, the Finance Minister stated, ‘If the business world does not succeed in recreating trust on its own hand, then the Government’s Commission on Business Confidence will have to take action. The State will be forced . . . to actualize the issues of ethics and morals in another way’ (*Göteborgs Posten*, 7 February 2004).

As discussed in the introductory chapter, however, global forces have challenged the ability of the state to rein in the power of transnational capital. Nonetheless, new forms of rule-making authority have arisen, and public policy making is increasingly conducted in diffuse networks and

partnerships. Many companies are voluntarily entering agreements for standard setting and codes of behaviour with partners from new social and environmental movements, phenomena that can be interpreted in various ways. Some observers brush this off as a public relations stunt to help companies look good for their consumers. Others argue that the voluntary agreements are more flexible and easier to implement than is traditional government legislation, and that they exert a more positive influence on corporate behaviour. Regardless of which side is taken, the fact remains that there is increased pressure on businesses to adopt such voluntary agreements (Haufler 2001).

Industry self-regulation is thus at the centre of recent policy debates on the extent of government's role in stemming the more negative effects of globalization. A problem arises from precisely the voluntary nature of these codes: how then are they going to be enforced? Can businesses be trusted to implement higher standards on their own? Not only do these new codes create a credibility debate, a major issue of accountability is generated. Problems arise in defining who is accountable to whom, in what arenas, and under what conditions. How can the public influence an arrangement made in the private sphere, for example? The common response is that these types of codes are based on soft enforcement, and that reputation and transparency will keep the public abreast of what is happening and help to ensure that commitments will be maintained. Yet some would argue that without a public voice, these more private forms of regulation could be seen as undemocratic and illegitimate. Not to be forgotten, however, is the fact that governments could still play a large role in conveying the wishes of the public by threatening to legislate (Haufler 2001).

## UNDERSTANDING THE ENACTMENT OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The purpose of this chapter is to address a major question about the Swedish Code of Corporate Governance. How and why did the Swedish government and the business community try to improve accountability and public confidence with a new set of voluntary rules for corporate governance, as established in the Code Book? This effort for improving accountability is particularly relevant, given that it was a voluntary process of negotiation rather than a forced legislative process. The empirical focus of this chapter is on the policy process that occurred during the early 2000s, whereby the business community, under the framework of a government public investigative committee (known in Swedish as a SOU), created a self-regulating code for corporate governance. The case study actualizes the



difficulties of organizing accountability through a voluntary code, as well as the problems in defining the role of corporations in modern, capital-market based societies. Documentary evidence has been collected from a wide range of publicly available sources such as reports from government commissions, interest group responses to the commissions' proposals (known in Swedish as 'remiss documents') and searches of the media archives for 2001–5.<sup>1</sup>

The theoretical goals of this chapter are twofold. First, normative theories from the corporate governance and corporate social responsibility literature are applied to the Swedish voluntary code. The final Code for Corporate Governance is analysed from two normative positions – the long-term shareholder model and the stakeholder model – in order to understand the type of ideas expressed about the role of corporations in modern society. The second theoretical discussion reviews ways of understanding power in the policy process, so we can better appreciate how this new code came about. By focusing on the agenda-setting process and the role and influence of various actors in that process, it is argued, one can better understand why the final Swedish Code reflected the interests it did.

These discussions are followed by a presentation of the empirical case, including an analysis of the content of the Code Book and the policy process behind it. Tentative conclusions are presented regarding the role of an elite group of policy actors with access to and influence over the policy process, while a broad range of interest groups and civil society actors were neglected early in the policy process.

## **CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN THEORY**

The way corporate governance is structured can be seen as a crucial component in the discussions on corporate social responsibility (CSR) and sustainable economic development. There is great variance on this issue, and the various relationships between corporate governance models and CSR arrangements reflect different normative positions on the role of the company in society. The two major models for corporate governance presented in the literature are the long-term shareholder model and the stakeholder model (Parkinson 1997; Fort 2001; Phillips 2003). These models attempt to answer the question: what is the relevant group when defining the interests of the company? In the shareholder model, 'the aim of management should be to maximise the value of the company on a sustainable basis, with the proviso that the overriding goal is the maximization of the value of the shareholders' investment in it.' In the stakeholder model of the

company, however, ‘interests of the company are not regarded as identical to the interests of the shareholders, even when those interests are construed as long-term ones’ (Parkinson 1997, p. 10). In the stakeholder model, managing the company would require negotiations of varying interests and the development of relationships among all groups involved – given that the success of the firm is dependent upon the success of these relationships with, for example, the employees, management, shareholders, customers, creditors and suppliers. Thus, in this later model, there is a designated role to be played by interest groups such as trade unions and by civil society actors such as consumer awareness groups.

It is argued that discussions of corporate social responsibility should be held against the backdrop of the shareholder model and the stakeholder model. The different values that these theories capture are heavily debated, especially in regard to management spending of ‘corporate funds on anything that does not contribute to generation of profit’ (Munilla and Miles 2005, p. 372). According to Dennis Ray, corporate governance is an issue of who is defining the company’s ‘hierarchy of interests’ (2005, p. 96). When broadening the model of corporate governance to include the socio-economic political context rather than merely the property rights of shareholders, a more democratic corporate process can be discussed.

There is another fundamental reason for reforming corporate governance to include a greater stakeholder-oriented perspective: to strengthen the foundation for corporate ethics. This is all the more important when self-regulation is replacing government legislation. As Ray explains, ‘Self-regulation will only represent the interests of society if the diverse interests of society are represented on a firm’s board of directors’ (2005, p. 99). Thus Ray suggests that a stakeholder ‘ombudsman’ be connected to the board, to enable stakeholders to have an arena for communication with the board.

Yet implementing CSR grounded in a stakeholder model is easier said than done. Relatively few firms are willing to adopt the normative CSR role unless they can also claim business reasons for doing so. It is a precarious balancing act, especially if the interests of the shareholders appear on the surface to be secondary to those of the stakeholders. Yet, if management’s actions are ‘grounded in an accurate assessment of society’s best interests, then the normative case may well also be consistent with the long-term interests of the firm, though there is no guarantee of this’ (Smith 2003, p. 71). Commitments to CSR should be made by assessing the firm’s specific needs and opportunities, which can also help to identify social obligations. Such assessments are related to discussions of the triple bottom line: economic prosperity, environmental quality and social justice. Once again, we are reminded of the challenges of this balancing act, as Elkington notes that:

Only if boards are able to handle their core commercial activities effectively can we begin to have any confidence that they will make business sense of the triple bottom line. And only if growing numbers of sustainability activists adapt to the boardroom environment will we have any real chance of stopping the capitalist juggernaut tearing off down the road to triple bottom line bankruptcy. (1998, p. 283)

## UNDERSTANDING POWER IN A POLICY PROCESS

In Chapter 1, readers were introduced to the complexities of organizing accountability and to the idea that arranging accountability entails definitional conflicts and framing activities that can reflect a power struggle among various interests. In the introduction of this chapter, readers were reminded of the financial scandals that were followed by a public outcry for reform. Such scandals can be classified as ‘focusing events’, effecting the mobilization of various groups who then actively seek to expand or contain the policy issues (Birkland 1998; Kingdon 1995). How this early stage of the policy process can be analysed is suggested in the literature on agenda setting, which includes the study of issue definition, interest group activities and the consequences for policy formulation (Nelson 1978). Agenda setting can thus be defined as the ‘process by which conflicts and concerns gain prominence and exposure so that they come to the public arena for debate and governmental action’ (McClain 1990, p. 263).

The study of agenda setting therefore entails a study of the exercise of power. According to Lukes (1974), there are three dimensions in which power can be exercised: (1) in the political arena, actors are able to get decisions passed which are in line with their own interests; (2) actors keep certain issues off the agenda, thereby helping to maintain the status quo; and (3) actors successfully shape and mould the preferences of others, in order to avoid a conflict of interest. In the case study that follows, we see that Lukes’s second dimension of power is particularly relevant, and is also in line with Crenson’s (1971) work, in which the ‘enforcement of inaction’ was also seen as an expression of power. The first dimension of power is also used by actors who command the resources necessary to gain acceptance for their policy preferences. Kingdon (1995) describes various resources such as subject area expertise, relationships with interest groups, legal authority and publicity. Based on their varying ability to use these resources, actors have different access possibilities to the corridors where agenda setting takes place.

In a recent study of civil society actors<sup>2</sup> and issues of global finance, Scholte and Schnabel discuss the ‘democratic legitimacy’ basis for the

involvement of these actors in the policy arena. It is believed that such involvement could possibly 'enhance public participation and public accountability in global finance governance' (Scholte and Schnabel 2002, p. 5). The precise forms for this involvement remain uncertain, however. The authors find that, on average, actors from business forums and think tanks have easier access and closer contact with corporate and political decision makers than do groups such as trade unions, church organizations and professional NGOs, all of which find it difficult to gain even limited access to policy arenas. Grassroots organizations seemed to be lacking access altogether.

### THE CONTENT OF THE SWEDISH CODE BOOK: ACCOUNTABILITY AND CSR?

The final Code Report (SOU 2004: 130; here referred to as 'the Code Book' or 'the Code') was completed in December 2004.<sup>3</sup> It is beyond the task at hand to review every aspect of the final Code Book, but a general overview is presented, with special attention placed on CSR and corporate democracy aspects, and with the main components discussed in terms of contributions to accountability and transparency.

One goal of the Code has been to increase the effectiveness of the meetings in order to improve shareholder governance of the company. This has been accomplished with rules for notifying shareholders about the meeting; how to facilitate participation by shareholders; how a quorum of the board should be in attendance along with the board chair, the managing director and one of the company's auditors; and how the company's nominating committee is to suggest who should chair the annual shareholders' meeting. Taken as a whole, these rules can be seen as mechanisms for improving openness and transparency.

As for the appointment of the board of directors and the company's auditors, the Code requires that these decisions be based on recommendations from the nominating committee (which shall represent the shareholders). The composition of the nominating committee is also to be regulated, with members of the board not being allowed to comprise the majority. In addition, the nominating committee has been assigned new tasks, such as: (a) assessing the way in which the board is performing, (b) developing profiles outlining future recruitment requirements, and (c) presenting recruitment recommendations on the company website and at shareholders' meetings (which are to include background information regarding their holding of shares and independence from the board and senior management). These rules provide encouragement that the

appointment processes will be transparent and governed by the shareholders. Yet from a CSR perspective, there is no mention of the type of criteria that should be relevant in managing a modern-day company and which could be used in developing recruitment profiles. For example, the type of societal representation of board members is not discussed. Nor is there any discussion of the components (perhaps related to the triple bottom line) that are relevant to board assessment.

The principal task of the board of directors was clearly stated as satisfying the owners that 'their interests in a good long-term return on capital are being met in the best possible way' (SOU 2004: 130, p. 93). To assist in attaining this goal, the Code specifies a long list of board responsibilities, including the board's duty to ensure that the necessary guidelines exist for the company's ethical conduct. In addition, there is mention of the annual assessment of the work of the board; however it is left unclear whether or not the evaluation will include ethical conduct.

The Code includes detailed rules for the composition of the board, with a new independence requirement (meaning that the majority of the directors elected at the shareholders' meeting are to be independent of the company and its management) and with an emphasis on selecting board members with diverse backgrounds and experiences. Furthermore, gender equality should be 'an aim' but not 'a rule' of the board. In encouraging openness and transparency, various procedures were adopted, including the requirement that the chair of the board be elected at the shareholders' meeting and that the board evaluate the work of the managing director on a regular basis. The purpose of these procedures is to improve the division of roles between the board and management. From a CSR perspective, it is promising that employees are already guaranteed representation through regulations in the Swedish Companies Act, but there is no discussion in the Code of promoting the use of ombudsmen to represent the interests of other stakeholders, such as customers, suppliers and consumers.

In discussing the board's relationship to senior management, a great deal of attention is paid to issues of remuneration. Given recent scandals in this area, the Code clearly states that the board should have a formal, transparent process by which members are aware of the remuneration and terms of employment policies, with these policies being approved at the shareholders' meeting. This rule certainly allows for more transparency and accountability than was previously required.

The Code is based on the principle of 'comply or explain', which means that companies with no adequate explanation for their lack of compliance face the risk of being humiliated by negative media attention or through falling stock prices. In a special report attached to each annual report, companies must declare how they are applying the Code and give clear

explanations for any deviations from it. The logic is that the companies will want to gain a 'quality stamp' for their compliance, with oversight of the Code being managed by the new Swedish Corporate Governance Board.<sup>4</sup>

In summary, it is obvious that the Code is heavily anchored in the 'shareholder' model of the company. Working within this model, major improvements in transparency and accountability are achieved in the Code. However, the ambition level of the Code regarding CSR is extremely limited. (The only example of a CSR-related initiative is the suggestion of aiming for gender equality on the board.) An expert in CSR at a major Swedish accounting firm summarized the situation by saying that the Code 'primarily concerns only the companies' relationship with the owners, the board, the accountants and the managing director, but not all the other obligations and other relationships to the outside world' (Ollevik 2005; see also Larsson 2005).

## ESTABLISHING THE SWEDISH CODE OF CORPORATE GOVERNANCE

### **Background**

In this description of the Swedish case, the reader will be introduced to three groups of actors involved directly in the policy process. One group was the government-appointed 'Commission on Business Confidence' mandated with the broad task of restoring confidence in the business community. A second group was the Commission's reference group, appointed in order to provide expert knowledge on specific financial topics. There was also a special working group known as the Code Group, which was allotted the task of writing the code for corporate governance.

In the autumn of 2002, the Swedish government established the Commission on Business Confidence, which was directed to: (a) establish a dialogue with owners and representatives from the business world; (b) examine if there were particular events that weakened confidence in Swedish business; (c) describe the business communities' own confidence-building efforts; (d) analyse the measures that could be used to increase confidence; (e) determine the type of legislation and/or regulation that was needed, especially from the consumers' perspective; and (f) propose the necessary suggestions. Two years later, the Commission's main report was issued, alongside a first proposal for a code of corporate governance written by the Code Group (SOU 2004: 46).

The Code Group worked in the typical Swedish fashion of first publishing a proposal for a new code, and then sending the proposal out on remiss.

The remiss process is a formal procedure for allowing all interested and affected groups and organizations to take part in the policy-making process by submitting their written opinions. The 'send-list' comprises the groups identified by the relevant ministry for automatic mailing of the proposed policy document. Groups or individuals not on the send-list may contact the ministry and submit their own remiss comments. In the traditions of Swedish policy making, if the remiss answers are overwhelmingly negative, then the government may consider new policy options before presenting the final bill to Parliament. The Code Book for corporate governance is somewhat special, however, in that the final Code was not sent to the Swedish Parliament for legal passage after the remiss answers were received. Instead, this was a case of enacting a voluntary agreement with the business world, and thus the Code does not have status as legal statute.<sup>5</sup>

### **Conflicts in Issue Definition**

This section traces the conflicts over the defining of issues surrounding business confidence and corporate governance that were evident in the agenda-setting process before the final Code Book was written. This analysis is based on documentation from the main Commission report, the first proposal to the Code and the remiss answers sent to the Ministry of Justice.

First, before the Code Group had finished with the Code Book, the main Commission report was published, including an appendix, an entire chapter of which was devoted to 'Corporate Governance'. A broader view on corporate governance is presented in this text than appears in the final Code Book. When discussing 'modern' corporate governance, the appendix report mentions two purposes. One emphasizes the company's effectiveness and the other emphasizes confidence, which is described as a good relationship between the company and its surroundings. As noted in the appendix, 'effective corporate governance in a systematic way should contribute to the balance between the goal of effectiveness and the goal of confidence, thus indirectly contributing to society's welfare' (SOU 2004: 47, p. 149).

Although balance is presented as the ideal in the appendix, the focus in the main text of the Commission report is on the company's effectiveness, which is seen as the use of company resources based on the assumption that 'capital is provided to the sectors and companies having the best prospects of meeting the needs of the market and that the capital in each firm is used in the best possible way. Here the share market and the shareholders play a decisive role' (SOU 2004: 47, p. 53). Thus one can conclude that the Commission's main report has already defined the issue for the agenda in terms of a shareholder model of the company. In clarifying what a code for

corporate governance does and does not entail, the main report concentrates on the ‘rules for the organization and working methods of a company’s governance bodies and the interaction between these two functions for the company’s reporting to owners and the capital market in general’ (SOU 2004: 47, p. 52). The report is also clear in noting that there is no discussion of the company’s relations with customers, employees or the general public, but the rationale for why this is so is not provided.

In conjunction with the presentation of the main Commission report, the Code Group’s first proposals (SOU 2004: 46) were publicly presented and sent out on remiss. (The remiss answers filed with the Ministry are used here to trace the viewpoints of various external actors.) First, it is important to note that no responses from civil society actors (environmental groups, human rights activists, fair trade promoters, for example) were received; neither were these groups included on the ‘send-list’. Yet some major interest groups such as the major trade unions did respond, and one can observe that the trade unions raised serious concerns about the narrow definition of corporate governance. The Swedish Trade Union Confederation (known as ‘LO’) was the clearest in this regard, stating that:

The Commission engages in a discussion as to how one should define corporate governance as being limited to the shareholder perspective, and therefore does not need to include that which in the international debate is referred to as ‘stakeholders’. . . . This means that the Commission considers itself able to avoid the importance of labour regulation for a well functioning business environment as well as avoiding all the international regulations that are prepared within the framework for ILO, OECD and the UN to voluntarily regulate the activities of multi-national companies. (Justitiedepartementet, 2004a, p. 19)

The Swedish Confederation of Professional Employees (known as TCO) is also critical about the way in which the role of employees is treated in the report, stating that ‘the Commission has underestimated the confidence problem which arises if companies treat their employees in a morally unacceptable fashion during the down-sizing or closing of profitable operations’ (Justitiedepartementet, 2004a, p. 58). The trade union for public relations officers and the media (DIK) also points out that in order for an organization to maintain relationships of confidence, it needs to understand its surroundings. DIK states that companies should be aware of the importance of CSR as a ‘meaningful contribution when considering long-term, strong, trustful relationships between organizations and companies and the surrounding society, . . . and which can increase the business community’s transparency and legitimacy’ (Justitiedepartementet, 2004a, pp. 31–3).

Many of the other actors in the consultation process were representatives of industry, the financial sector and organizations related to the stock



exchange. Their written remiss responses focused largely on debates about corporate governance which fall within the sphere of the shareholder model, with its two different systems called the European controlling-owner system and the Anglo-Saxon market-based system. The European system is based on strong controlling shareholders who monitor management closely and will intervene in strategic decision making. In the Anglo-Saxon system (which is used in the USA as well), ownership power can be seen as a type of 'tradable good'. There is strong protection for minority shareholders, which encourages a high level of public confidence in the stock market; but the lack of controlling shareholders can provide management with greater power over the company. Sweden is somewhere between the two; its control structure is primarily like that of the European controlling-owner system, even if its stock market has such Anglo-Saxon features as transparency and disclosure. Control can be maintained by owning shares with special voting powers (known also as 'differentiated voting rights') and, for larger companies, by forming what are known as 'pyramids of ownership' or 'Chinese boxes'. Such an ownership scheme can allow for strong voting powers in proportion to the amount of capital actually at risk (Söderström 2003, pp. 10–12).

It is important to note that the Commission report did not directly address the issue of differentiated voting rights, stating instead that it was not seen as 'primarily a matter of confidence in the business sector' (SOU 2004: 47, p. 55). It was evident from the remiss documents, however, that global forces were pressuring Sweden to dismantle the current systems of ownership control structures. Dissatisfaction was also evident from the international pension and investment funds, which demanded stronger disclosure requirements and better protection for minority shareholders. Yet these viewpoints were not incorporated into the final Code Book, and the shareholder model based primarily on the European controlling-owner system was maintained.

### **Access to Agenda Setting: Actors and Interest Groups**

Not only were there conflicts over defining business confidence and corporate governance, but there were also significant disputes over who received access to the corridors of power where the agenda was being set. Given that commissions and special working groups play a particular role in Swedish policy making for outlining and analysing policy alternatives, the composition of these entities is extremely important. In the data reviewed here, disagreements over access are observed both among some of the actors originally appointed to these groups, and among actors on the outside.

The Commission, as first arranged in the autumn of 2002, was relatively small, with five members and a chief secretary (business journalist Olle Rossander). The Chair was Erik Åsbrink, previous Social Democratic Finance Minister. The other members were the former chief economist for the trade union LO; the Managing Director of Telia (the large Swedish telecommunications company, which is partly state-owned); the former head of the Stockholm Stock Exchange; and the former head of the Swedish Royal Academy of Science. The Commission then selected ten members for its 'reference group'; they came primarily from the elite business community.

As mentioned previously, the 'Code Group', with approximately seven members, was established one year later to work on the Code. Three members came from the existing Commission (the Managing Director of Telia; the former head of the Stockholm Stock Exchange; and Erik Åsbrink, who also assumed the position of Chair in this group). The other members represented the Swedish elite businesses and institutions, including various board chairmen and managing directors from some of Sweden's largest firms; a representative from the Department of Industry (responsible for all the state-owned companies); and the Managing Director of the insurance company Alecta (the same company where Erik Åsbrink was currently sitting as Chairman).

The first internal conflict occurred when Marcus Storch (board member in the Ax:son Johnson group of companies) quit after one year as a member of the Commission's reference group to protest at the way in which the composition of the Code Group was determined. He explained that the people selected to the Code Group were the same well-established names, who held the same positions as those for whom they would be writing the rules. As Storch stated, 'It is extremely difficult for the Commission's Reference Group to go against what the Code Group is going to have for conclusions. It seems to be a smart move from the business community in order to get the rules they want. And it seems as if the Commission would rather have them on the inside than on the outside' (Carlsson 2003). Furthermore, Storch was concerned by the way in which the composition of the members limited the topics that were discussed, especially in regards to ownership problems related to differentiated voting rights.

A further disagreement was evidenced one month after the Storch resignation, when the Chief Secretary for the Commission, Olle Rossander, was fired. Rossander had been rather outspoken at an early stage of the Commission work, mentioning that, 'There are many people who do not want to have a Code because they are worried that they will need to pay attention to things in the future which they don't have to pay attention to today' (Olsson 2003a). After his firing, Rossander explained that he had a

different view on what the end results of the Commission's work could have been, and that he had hoped for more debate, openness and insight (Olsson 2003b). Access problems were a main concern for Rossander, who stated that 'the debate and the legitimacy of it [the Commission] would have been improved if the Commission and the Code Group had had more members from the outside, even academics and free debaters' (Carlsson 2004). Others outside the Commission voiced similar concerns, including a Professor of Ethics at the Stockholm School of Economics, who believed that the members of the Commission had made themselves dependent on the business world during the process of writing the code (Gripenberg 2004).

### **Agenda-setting Consequences for Policy Formulation**

The data presented here show that in terms of issue definition, a narrow understanding of corporate governance was adopted in the early stages of the agenda-setting process. The establishment of this narrow perspective was not without its critics. The criticism raised was not used to bring about change in the issue definition, however, but resulted, along the way, in a significant resignation and a dramatic firing of actors on the inside of the policy process. The effect of these issue-definition conflicts cannot be interpreted as enlarging policy alternatives and bringing forth new policy ideas; rather, the narrow definition of corporate governance was maintained throughout the policy process, even in the face of negative remiss comments.

Second, the conflicts over issue definition were related to conflicts over access. The composition of the Commission and working groups was dominantly representing a tightly knit, elite group of business interests. This could be understandable, given the technical nature of the financial markets; but it is difficult to understand from the perspective of democratic legitimacy and the need to restore 'public' confidence in the business world. The lack of a broad range of civil society actors from the start of this process most likely contributed to the fact that stakeholder perspectives supporting CSR were absent in the final formulation of the Code Book.

One is certainly left wondering why these actors on the outside did not try to influence the agenda by more actively using media channels or by sending in their own remiss responses (even though they were not on the original send-list). However, as Kingdon (1985) suggests, the role of resources in agenda-setting processes cannot be denied. It seems unlikely, therefore, that Swedish civil society groups (which lack significant financial and organizational resources) would have been able to steer the agenda in another direction, given the overwhelming, early dominance of the business elite on the inside of this policy process. Because a wider, open, public

debate never materialized on these issues surrounding the Code Book, and as the issue was so narrowly defined, it is likely that many of the Swedish groups interested in CSR issues (Amnesty Business Group, SwedWatch and Fair Trade Centre, for example) did not recognize any appropriate opportunities for participation on this topic.

## CONCLUSIONS: POWER AND AGENDA SETTING

The dynamics of agenda setting surrounding the establishment of the Swedish Code Book for corporate governance are quite a mystery. At the outset, after financial scandals had shocked the Swedish public, the government was intent on restoring public confidence in business, and threatened to legislate in a variety of policy areas. From the government's side, there was an obvious tone of dissatisfaction with the business world. Erik Åsbrink, government-appointed Chairman of the Commission, stated relatively early on that, 'When the business world itself has handled regulation, they have fallen asleep. Only when the pressure from public opinion was strong or when the threat of legislation hovered, did they then move a little' (Gripenberg 2003). Approximately one year later, however, at the press gathering upon delivery of the final Code Book, Åsbrink was clear in pointing out that, 'This is a Code by the business community, for the business community' (Justitiedepartementet, 2004b).

In this chapter I have attempted to shed some light on the question of what changed along the way in the agenda-setting process to move it from a process in which the government was acting as a 'threatening' actor, against the interests of the business community, to one in which the government ended up maintaining the status quo interests of the business community. The government's ability to bring the wishes of the public to the political table seems, in this case, to have been mitigated by the co-optation of elites into the policy process (Crewe 1974; Kogan and Hanney 2000). Thus, a networked government may have been too networked (with the Chairman of the Commission on Business Confidence, for example, also sitting as the Chairman of the Board of Alecta, the largest employee pension asset manager in the Nordic countries). By studying the agenda-setting process surrounding the establishment of the new Code Book, we have seen how Lukes's second dimension of power, of keeping issues off the agenda, has also been particularly relevant. By defining the issue of corporate governance in a narrow way, it was also therefore possible for the elite group of business actors to exclude other actors with conflicting views.

Certainly, the Code Book represents a step in the right direction for increased transparency, which should contribute to greater possibilities for

accountability. However, an issue still remains: ‘accountability to whom?’ Given the narrow definition of corporate governance, along with the self-regulatory nature of the code, we must still ask the question of whether a self-regulatory system will work when the diverse interests of society are not represented on the boards. The answer to this question is not obvious, and we must therefore continue to discuss whether or not organizing accountability by voluntary agreements in a process outside of the parliamentary sphere is beneficial for democratic legitimacy.

## ACKNOWLEDGEMENTS

I would like to thank the Swedish Foundation for International Cooperation in Research and Higher Education (STINT) for a post-doctoral scholarship that allowed me to visit the Political Economy Research Centre (PERC) at the University of Sheffield. Much of this chapter has benefited from the creative and critical reflections of colleagues from PERC, to whom I am grateful. I would also like to thank Ulf Olsson, Andrew Gamble, Urban Strandberg, Michele Micheletti and Renita Thedvall for inspiration and encouraging comments during this research endeavour.

## NOTES

1. All Swedish texts have been translated from the original Swedish to English by the author.
2. The main civil society actors identified in this policy arena included: business forums, developmental NGOs, environmental NGOs, organized labour, policy research institutes, and religious organizations (Scholte and Schnabel 2002).
3. The Code is written primarily with companies listed on the stock market in mind, but it is seen to be relevant for other unlisted public companies and companies with broad ownership and/or public interest. In its current first phase, the Code is required by the Stockholm Stock Exchange for some 80 organizations: all A-listed companies and the largest companies on the O-list.
4. The Swedish Corporate Governance Board consists of twelve members, one appointed by the Swedish government and the others chosen at the annual general meeting of the Swedish Society for Stock Market Issues.
5. One exception was the passing of a new law after the Code Book. This law mandated that the annual shareholders’ meeting should approve the reimbursement levels for board members and senior management (see the Swedish Companies Act of 1 January 2006).

## REFERENCES

- Birkland, Thomas (1998), ‘Focusing events, mobilization, and agenda setting’, *Journal of Public Policy*, **18** (1), 53–74.

- Carlsson, Bengt (2003), 'Avhopp skaker Åsbrinks etikgrupp' ('Resignation shakes up Åsbrink's ethics group'), *Dagens Nyheter*, 6 September.
- Carlsson, Björn (2004), 'Betydande risk att kommissionens förslag blir uddlösa' ('Significant risk that the Commission's proposals will be pointless'), *Göteborgs Posten*, 14 March.
- Crenson, Matthew (1971), *The Un-Politics of Air Pollution: A Study of Non-Decision Making in the Cities*, Baltimore: Johns Hopkins Press.
- Crewe, Ivor (1974), 'Studying elites in Britain', in Ivor Crewe (ed.), *British Sociology Yearbook, Vol.1, Elites in Western Democracy*, London: Croom Helm, pp. 9–55.
- Elkington, John (1998), *Cannibals with Forks: The Triple Bottom Line of 21st-Century Business*, Gabriola Island, Canada: New Society Publishers.
- Fort, Timothy L. (2001), *Ethics and Governance: Business as a Mediating Institution*, Oxford: Oxford University Press.
- Göteborgs Posten* (2004), 'Ringholm efterlyser starkare ledarskap' ('Ringholm would like stronger leadership'), 7 February.
- Gripenberg, Pia (2003), 'En börs ska ha höga etiska krav' ('A stock exchange should have high ethical standards'), *Dagens Nyheter*, 11 November.
- Gripenberg, Pia (2004), 'Kritik mot Förtroendekommission i tidsnöd' ('Critique against the time-pressed Commission on Business Confidence'), *Dagens Nyheter*, 18 February.
- Haufler, Virginia (2001), *A Public Role for the Private Sector*, Washington, DC: Carnegie Endowment for International Peace.
- Justitiedepartementet (2004a), 'Sammanställning av remissyttranden över betänkandet Näringslivet och förtroendet' ('Summary of remiss answers to the Commission on Business Confidence'), Ju2004/4070/L1, Stockholm: Ministry of Justice.
- Justitiedepartementet (2004b), 'Svensk kod för bolagsstyrning – En kod av näringslivet för näringslivet' ('Swedish code of corporate governance – a code by the business community for the business community press release'), 16 December, Stockholm: Ministry of Justice.
- Kingdon, John (1995), *Agendas, Alternatives, and Public Policy*, New York: Longman.
- Kogan, Maurice and Stephen Hanney (2000), *Reforming Higher Education*, London and Philadelphia: Jessica Kingsley Publishers.
- Larsson, Lars-Olle (2005), *Corporate Governance och Hållbar Affärsutveckling*, Stockholm: Ekerlids.
- Lukes, Steven (1974), *Power: A Radical View*, London: Macmillan.
- McClain, Paula (1990), 'Agenda setting, public policy, and minority group influence: an introduction', *Policy Studies Review*, 9 (2), 263–72.
- Munilla, L. and M. Miles (2005), 'The corporate social responsibility continuum as a component of stakeholder theory', *Business and Society Review*, 110 (4), 371–87.
- Nelson, Barbara (1978), 'Setting the public agenda: the case of child abuse', in Aron Wildavsky and Judith May (eds), *The Policy Cycle*, Beverly Hills, CA: Sage Publications, pp. 17–41.
- Nofsinger, John R. and Kenneth A. Kim (2003), *Infectious Greed: Restoring Confidence in America's Companies*, New York: Prentice Hall.
- Ollevik, Nils-Olof (2005), 'Bologskod får kritik i ny bok' ('Corporate Governance Code is criticized in a new book'), *Svenska Dagbladet*, 10 October.
- Olsson, Anders (2003a), 'Direktörer ska stoppa skandaler' ('Directors will stop the scandals'), *Dagens Nyheter*, 25 August.

- Olsson, Anders (2003b), 'Förtroendekommissionen sparkar sekreterare' ('Commission on Business Confidence fires its secretary'), *Dagens Nyheter*, 8 October.
- Parkinson, John E. (1997), 'Company law and stakeholder governance', in Gavin Kelly, Dominic Kelly and Andrew Gamble (eds), *Stakeholder Capitalism*, Basingstoke: Macmillan, pp. 142–54.
- Perry, Michael (2003), 'Corporate governance and shareholder value', [www.templeton.ox.ac.uk/events/docs/CorporateGovernanceSpeech.pdf](http://www.templeton.ox.ac.uk/events/docs/CorporateGovernanceSpeech.pdf), accessed 11 November 2003.
- Phillips, Robert (2003), *Stakeholder Theory and Organizational Ethics*, San Francisco: Berrett-Koehler.
- Ray, Dennis M. (2005), 'Corporate boards and corporate democracy', *Journal of Corporate Citizenship*, Winter, 93–105.
- Scholte, Jan Aart and Albrecht Schnabel (eds) (2002), *Civil Society and Global Finance*, London and New York: Routledge.
- Smith, Craig N. (2003), 'Corporate social responsibility: whether or how?', *California Management Review*, 45 (4), 52–76.
- SOU (2004: 46), *Swedish Code of Corporate Governance: A Proposal by the Code Group*, Stockholm: Fritzes Offentliga Publikationer.
- SOU (2004: 47), *Näringslivet och förtroendet (Business and Confidence)*, Stockholm: Fritzes Offentliga Publikationer.
- SOU (2004: 130), 'Swedish Code of Corporate Governance: report of the Code Group', Stockholm: Fritzes Offentliga Publikationer.
- Söderström, Hans Tson (ed.) (2003), *Corporate Governance and Structural Change: European Challenges*, Stockholm: SNS.

# 11. Making it all publicly available: four challenges to environmental disclosure

**Sander W.K. van den Burg and Arthur P.J. Mol**

---

## ACCOUNTABLE THROUGH DISCLOSURE

Notions of transparency, corporate responsibility, accountability, and availability of information are increasingly popular in the field of environmental governance. In line with these trends, there is increasing demand for information on the environmental performance of producers and the environmental quality of products. In fulfilling this demand, new information flows are established. They are, it is argued, part and parcel of new modes of accountability, in which corporations are held accountable, not merely to the government, but also to other companies (through ISO-14001 certification, for example), investors (through sustainable investments), consumers (through various labels), or citizens (through sustainability reporting, for example).

In this chapter, environmental disclosure is discussed as one mechanism through which accountability can be realized. Although the concept of environmental disclosure can, from a semantic point of view, include very different things, a common definition (and the one used in this chapter) views environmental disclosure as the collection and public dissemination of corporate pollution data through publicly available databases.

The archetype of environmental disclosure is the Toxics Release Inventory (TRI), established in the United States in 1987. The importance of access to information had already been voiced globally at the 1992 Rio Declaration (Art. 10). In the early 1990s, demand for right-to-know and information disclosure grew, and disclosure became codified in the environmental policies of almost all Western industrialized countries. It is now formalized in such national regulations and international agreements as the Aarhus Convention, signed in 1998, which requires member states of the United Nations Economic Commission for Europe (UNECE) to establish publicly accessible databases with information on the environment. In recent years, disclosure



has spread to numerous other countries both within Europe, as part of the ratification of the Aarhus Convention, where the European Pollutant Emission Register (EPER) was developed; and outside Europe (ranging from Australia and Mexico to Indonesia and China). The EU has proven to be an important promoter of disclosure, but civil society organizations have frequently taken the lead in developing user-friendly disclosure schemes – Scorecard (USA), Factory Watch (UK) and *recht-om-te-weten* (Netherlands), for example. Such international organizations and institutions as the WTO and the World Bank have also faced increasing internal and external pressure to disclose environmentally relevant information (see Udall, 1998, on the changing World Bank policies, for instance). Towards the end of the 1990s, these ideas of right-to-know and information disclosure were spreading beyond the OECD countries, towards industrializing countries in Southeast and East Asia, among others. A number of international organizations and treaties actively promote right-to-know, mandatory information disclosure and environmental reporting by private companies.<sup>1</sup>

This rapid spread of disclosure goes hand in hand with an increasing interest in the effects and limits of disclosure as part of the third wave of environmental policy instruments (Gunningham and Sinclair, 2002; Mol, 2004; Pellizzoni, this book). It seems safe to state that the notion of disclosure – as a particular form of accountability – will continue to be a significant issue in debates on environmental governance and accountability. But the question remains: in which direction will the debates on disclosure evolve?

Given these observations, this chapter aims to contribute to the debate on disclosure as an instrument for environmental governance. Rather than offering comprehensive praise for the environmental and social benefits of disclosure as a tool for environmental democratization (see Hamilton, 2005), our primary interest lies in the identification of contemporary and future challenges to the functionality of disclosure as a tool for democratic environmental governance.

This chapter is based on literature study, a review of contemporary debates surrounding disclosure, and interviews with policy makers, NGOs and corporate representatives from the United States and the Netherlands. The chapter analyses contemporary challenges to disclosure in the context of such recent political developments as the war on terrorism and scientific debates – debates on disclosure and equity, for example.

The background to disclosure is briefly discussed in the next section. In it we demonstrate how a new wave of information-based environmental governance and accountability is gaining strength, and how such a form of governance exerts influence. The Toxics Release Inventory is then introduced as the archetype of disclosure; it provides some understanding of

disclosure, which is required to make sense of the four challenges to disclosure as identified and discussed in the following section. The final section contains the concluding remarks and argues that there are significant challenges to disclosure that must be tackled if disclosure is to be an effective, democratic form of accountability.

## DISCLOSURE AS A FORM OF ACCOUNTABILITY

### **A New Wave of Environmental Policy**

Claims for greater accountability and the deployment of new policy instruments often stem from the belief that traditional forms of environmental policy making have reached the limits of their applicability in globalizing societies. One frequently encounters the claim that new policy arrangements should be based on market mechanisms and the power of civil society, rather than being firmly based upon rule setting and enforcement (van Tatenhove et al., 2000; Jordan et al., 2003). Many argue that this change in the style of regulation – and the resulting policy instruments – illustrate that governance becomes the dominant mode of regulating. Thus the role of the nation state changes from a top-down ‘regulator’ to a facilitator of negotiations, whether formal or informal (Oosterveer, 2005; van den Burg, 2006).

It is noteworthy in this context that early pleas for mandatory disclosure were not aimed primarily at the creation of new incentives for or new dynamics of environmental improvements and reform. The main driver was the argument that citizens had the democratic right to be informed; the intrinsic value of informing people about community hazards and potential pollution exposure stood central (Hamilton, 2005).

It was not until the mid-1990s that the benefits of information disclosure, right-to-know and reporting were widely recognized. In the US and international literature, which tends to adopt a more legal and economic approach than this chapter does, the influence of the greater availability of environmental information on environmental policy making and regulatory processes have been brought together under the umbrella of informational regulation (Wheeler and Afsah, 1996; Konar and Cohen, 1997; Kleindorfer and Orts, 1998; Graham and Miller, 2001; Graham, 2002). Following Tietenberg (1998) and Kleindorfer and Orts (1998), Case defines informational regulation as

rules requiring mandatory disclosure of information on environmental operations or performance of regulated entities to third parties. Such regulation

seeks to enlist the aid of such nongovernmental forces as economic markets and public opinion either as complement to, or as a substitute for, traditional regulatory strategies of government standard setting and enforcement (2001, 10775).

With informational regulation, standard conventional regulatory practices of states, such as standard setting and enforcement, are partly replaced or assisted by new informational dynamics in which other non-state actors play a significant role. Although environmental reporting became increasingly popular during the same period, disclosure differs in two ways. It requires companies to report in a strictly prescribed format, and the information is disseminated, not by the companies themselves, but by governmental agencies.

Undoubtedly facilitated by technological developments, which simply made it easier to disseminate information to the general public, the 1990s thus saw the upsurge of disclosure as a policy instrument that was meant to tap the power of citizens in bringing about environmental change. This shift was informed by various studies that identified the mechanisms through which disclosure exerts influences. It is to these mechanisms that we now turn.

### **The Impact of Disclosure**

All forms of accountability serve the purpose of facilitating new dynamics around corporate and political responsibility, resulting in new arrangements for the governance of the public and the political. Disclosure as an instrument for environmental governance is no different in this respect. From the literature on the functioning of informational regulation in general, and the TRI in particular, one learns that there are many different (theoretical) mechanisms through which such dynamics (and change) are realized.

(1) If a company has never been faced with reporting requirements, the process of collecting information to disclose could provide new insights into the company's performance that may lead to improvements (Howes, 2001). (2) Disclosure of environmental information may be of interest to shareholders as well (Lynn and Kartez, 1994). Reported high pollution levels could mean that the company works ineffectively or that the company risks high future cleanup costs, which could result in lower stock value (Hamilton, 2005). (3) The disclosure of environmental information may provide environmental organizations and communities with the means for targeting high pollution levels (Lynn and Kartez, 1994), meaning that they can file lawsuits – but also that they can negotiate with local governments and producers. (4) Transparency about pollution levels can allow for benchmarking

from company to company. Not only can these organizations compare their pollution levels with other similar companies, but there may also be a 'reputation effect' caused by companies not wanting to be the worst performer (Stephan, 2000). (5) A fifth important mechanism through which disclosure works is the least tangible, yet some would argue most important: according to long-term disclosure advocates Bill Pease and David Roe, the success of disclosure as a policy instrument is best explained by the process of anticipation. Companies seek to reduce toxic use because they want to be one step ahead of legal conflicts. As a rough indication, one could argue that for every lawsuit that is filed over high levels of toxic emissions, a hundred potential lawsuits were avoided simply because companies reduced toxic emissions in anticipation (see also van den Burg, 2006).

## THE ARCHETYPE OF DISCLOSURE: THE TOXICS RELEASE INVENTORY

In debates on the pros and cons of disclosure as an instrument for environmental governance, the US Toxics Release Inventory (TRI) is generally taken to be the archetype of disclosure. Not only was it the first disclosure scheme, it has also attracted the greatest attention from NGOs, government agencies and corporations. We now turn to a brief historical description of the process which led to the establishment of the TRI, under the Emergency Planning and Community Right-to-Know Act (EPCRA) of 1986. The aim is not to provide an exhaustive description, but to sketch the background against which current debates on disclosure take place.<sup>2</sup>

In 1986, the decision was made to develop a USA-wide disclosure scheme, the TRI. The tragic Bhopal disaster of 1984 is frequently referred to as the trigger to the development of right-to-know legislation. As Sarokin and Schulkin argue:

The political origins of the EPCRA are very clear cut. The act grew almost directly out of the tragic accident in Bhopal, India in December 1984 . . . The horror of the tragedy, the immediate fear of could-it-happen here, the realization that several plants in the United States handle methyl isocyanate – including a Union Carbide facility with operations similar to those in Bhopal – led to calls for national legislation to insure the safety of industrial operations. EPCRA was created, debated and steered through the legislative process with extraordinary rapidity, and by October 1986 was the law of the land. (Sarokin and Schulkin, 1991, p. 184)

Right-to-know was not a new instrument invented after the Bhopal disaster, however. The 1970 Occupational Safety and Health Act<sup>3</sup> was one of

the first Acts comprising environmental right-to-know legislation and aimed at protecting workers by securing workplace safety. Several US states took this act one step further and developed state-run right-to-know programmes to guarantee that employers were provided with information on chemical fact sheets about the substances with which they were dealing. Thus there was ample experience with right-to-know legislation at the state and local levels before the Bhopal disaster. More than 25 states and numerous local governments had adopted right-to-know legislation prior to the passing of the ECPRA (Hadden, 1989, in Echeverria and Kaplan, 2002). The establishment of the TRI was not a deliberate effort on the part of the federal government to upscale existing regulations, however. The US Environmental Protection Agency (EPA) showed little interest in the TRI as an environmental policy instrument; they expected no beneficial outcomes from it, and considered it to be just another bureaucratic burden (van den Burg, 2004). To understand how disclosure was placed on the agenda, one must take a step back in time. After the disasters at Love Canal and Three Mile Island, environmental risks attracted strong public interest. At the end of the 1970s and in the early 1980s, there was considerable public attention for issues such as toxic waste; concerned citizens became involved in local policy making as toxics were found underneath houses and schools. Disasters proved that large, complex technical systems were not always safe, and environmental advocacy groups were particularly active in placing access-to-information and right-to-know issues on the agenda (Hadden, 1989). The emergence of local activist groups concerned with toxic waste, as described by Szasz (1994), Andrews (1999) and Fortun (2001) changed the scene by arguing that information and knowledge were human rights.

The increasing public concern with toxins rendered this subject one of great political interest as public support for new regulatory measures increased. At the same time, the 1980 election of Ronald Reagan as US President radically changed the nature of political support for environmental legislation. Reagan's policies were based on deregulation and cut-backs on the role of the federal state, and existing environmental legislation proved to be a particularly favourable subject to tackle. However, Reagan's attempts at undermining environmental policies by simply not implementing the existing regulations led to a reaction from concerned citizens, environmental advocacy groups and politicians. For opponents of Reagan's policy of deregulation, the scandals surrounding Superfund – the law that dealt with toxic waste cleanup – proved fertile ground for opposition (for an elaborate description see Szasz, 1994, pp. 125–30). Congressional subcommittees sought to examine what turned out to be a lack of implementation of Superfund by the EPA, and Democratic members of Congress

increased pressure on the Reagan administration. The short-term effect of all this opposition might have been limited, but 'it enhanced the power of those in Washington who were fighting to strengthen the hazardous waste laws when, a few years later, those laws came up for reauthorization' (Szasz, 1994, p. 130).

In 1985, the proponents of Superfund stated that the reauthorization should be used to increase the size of the fund and to add new titles to the law. Although the proponents did not succeed in securing every provision they wanted, 'the new law strengthened citizens' capacity to sue EPA, mandated local public participation in Superfund cleanups, and included a new title, the Emergency Planning and Community Right-to-Know Act of 1986, that significantly increased public access to industry toxic emissions data' (Szasz, 1994, p. 133). President Reagan reluctantly signed the bill on 18 October 1986.

The signing of the bill was only the first step in constructing a nationwide disclosure scheme, however. Because Congress had defined the terms of the TRI in detail – due to a lack of trust in the EPA – important decisions on scope and enforcement had already been taken. The response of corporations and NGOs led to further fine tuning of the TRI. As described in detail by Hamilton (2005), corporate response to the TRI varied. For some companies, the TRI was an eye opener. Others complained about the cost of reporting and questioned whether the general public would find this information useful. On this point, NGOs acted quickly, by providing easy-to-read overviews of the top polluters across states and nation-wide. The TRI remained largely unaltered for a number of years, although debates on the cost versus the benefits of reporting resulted in changes in the reporting requirements.

This brief history of the TRI is illuminating for various reasons. It shows us that the development of disclosure had already been set in motion before Bhopal, that political struggles and (near) accidents sped up this process, and that the failure of conventional politics to deal with environmental problems and risks can lead to pleas for public disclosure of environmental information. Most of all, it shows us that the eventual organization of disclosure is the result of the conscious efforts and influence of state actors, civil society and corporations in the context of political struggles and such external events as Bhopal.

## CHALLENGING DISCLOSURE

As argued previously, the popularity of disclosure as an environmental policy instrument has increased in recent years. Various state and non-state

actors have taken the initiative to develop new disclosure schemes based on the TRI as the archetype. As we have seen with the TRI, organizing disclosure is a political process, shaped by opposing interests and ideas. The argument elaborated upon here is that disclosure as a policy instrument confronts four challenges; and that the response to these challenges will determine the eventual shape and consequently the functionality and effectiveness of disclosure in the future.

### **Post 9/11: What Information to Make Available to Whom?**

The terrorist attacks in New York, Madrid and London have undoubtedly had an impact on debates on disclosure. Immediately after 9/11, EPA officials decided, under time pressure and in the absence of elaborated analyses, to restrict access to sensitive information. The Risk Management Plans were removed from the EPA Website because of the controversial Offsite Consequence Analysis sections. In the aftermath of 9/11, a discussion developed about the merits and dangers of providing potentially sensitive information to the general public. Environmental interest groups and advocates of disclosure such as OMB Watch stressed that the availability of information should not be compromised solely because terrorists could use the information. Instead, they argued, the safety of chemical facilities should be improved. Industries, on the other hand, argued that the disclosure of information could be used by terrorists and should therefore be limited. Others have argued that concerned citizens are also looking for detailed information about such facilities and that the availability of general information like aggregate chemical usage poses no risk. More detailed information could be limited, however, to local community leaders or carefully 'screened' individuals, for example (see Cohen, 2002).

The impact of this debate and the resulting juxtaposition of opponents and proponents of disclosure stretched beyond the TRI. It also hindered the approval of new regulations like the Corzine Bill, which sought to make chemical industries less vulnerable to terrorist attacks by identifying risks, crafting action plans to reduce risks, establishing cooperation between companies and local emergency services, and removing the most sensitive information from the Internet. Such proposals were now dismissed as being 'Stalinesque' and a 'jihad against chemical companies'.<sup>4</sup>

Various researchers have studied the potential usability of the disclosed information for terrorist purposes. In research sponsored by the National Defense Research Institute, Baker et al. (2004) applied a supply-demand approach to the information. Their assessment of the ability of terrorists to acquire usable information for their missions

concluded that they have various means, including direct observation. On the supply side, the information currently available through federal Websites is not considered crucial, because it is often spread across various agencies or because the information is simply not relevant for terrorists. Less than 1 per cent of the 629 federal databases were believed to contain sensitive information, and their accessibility was in most cases already limited. Furthermore, closing the federal databases would have a limited effect, as much of the information was already mirrored on other – privately run – Websites.

The direct consequences of 9/11 for disclosure schemes such as the TRI appear to be limited. After a brief period of heated debate, little had changed. In July 2005, updated information about the Risk Management Plans was suddenly released again, after the civil society organization OMB Watch filed a complaint in court.<sup>5</sup> The long-term consequences are uncertain, however. What we do know is that the threat of terrorism provides an argument for opponents of disclosure, and not only in the United States. Similar debates have taken place in the Netherlands, for example. We also know that the ‘war on terrorism’ revitalizes the role of the national government in a wide range of policy fields. Concerning disclosure, we are witnessing the (re-)involvement of national governments in balancing the need for information with the threat of terrorism.

### **The Call for Information Quality: The Data Quality Act**

A second point of concern for the future of disclosure schemes concerns recent attempts within the United States to limit the availability of environmental information, not for security reasons but because the quality of the information is in doubt. One typical reaction, especially strongly felt in Anglo-American policy cultures, is the quest for further certification of the quality of information used in environmental governance. The US Data Quality Act (DQA) is such an example.

The US Congress passed the DQA in 2001, with a strong push from industry (Noe et al., 2003; Herrick, 2004). The act required agencies to establish procedures to ensure and maximize the quality, objectivity, utility and integrity of the information they disseminate. The Office of Management and Budget was provided with the task of interpreting and operationalizing this one-sentence legislative requirement. No legislative history indicated what Congress actually meant. The OMB interpreted the Act<sup>6</sup> as a response to the emergent Information Age, in which information has become a vast resource of power and governments rely increasingly on information dissemination to accomplish their goals. Reliability and quality of information are essential for the public. OMB has developed



government-wide and agency-specific guidelines for governmental agencies to fulfill the requirements of this Act. Although the Act covers all federal agencies, the focus in much of the discussion is on environmental and health issues, and thus on the EPA. EPA regulations and policies are often based on debated scientific models and can have a major impact on vested interests. A 54-page guideline has been developed for the EPA, defining standards of objectivity, quality, integrity and utility of information. Based on this Act, affected parties can petition against governmental information that does not meet the formulated requirements. The Act requires 'government agencies to ensure the quality of data they use when issuing new rules, regulations and studies. For the first time, anyone will be able to challenge the data used in formulating government regulation, instead of just challenging the rules themselves' (Horvath, 2002, in Herrick, 2004, p. 421).

Although the principle of improving information quality is rarely questioned, the consequences of the DQA and the guidelines installed by the OMB certainly are. Environmental NGOs expect that regulated private sectors will use the Act as a weapon to delay the ability of agencies to install new safeguards and address environmental and health issues.<sup>7</sup> It could also be used to suppress information dissemination essential to informing the public in a democratic process. This state of affairs is aggravated by the fact that petitions and complaints against agencies are dealt with behind closed doors. In addition, environmental advocates wonder how this DQA relates to the precautionary principle. Conservative politicians and corporate representatives usually interpret the application of the precautionary principle as a cover for imperfect information and poor analysis, with the result that the DQA can be framed as an obstruction to the application of the precautionary principle. Finally, there is a risk that this DQA will inhibit information transparency and chill dissemination, as agencies may find it too troublesome to fulfill the DQA guidelines and choose not to publicize information that must be subjected to the process of examining data quality. This would weaken the role of public discourse in policy formulation and regulatory oversight (Herrick, 2004).

Formulated mildly, the DQA can be seen as an attempt to control emerging forms of 'regulation through information', such as disclosure. Formulated differently, acts such as the DQA can be seen as an attempt by industry and business to 'regulate information' by raising questions about the validity and legitimacy of the information itself. Many scholars would argue that demands for hard, undisputable scientific evidence about the quality of information are part of a phase of modernity that has passed; in times of increasing reflexivity and the increased demystification of science, such requirements are impossible to fulfill. As such, the DQA can

be framed as a deliberate attempt to control and restrict or even to create a setback in informational regulation.

### **National Variation: How Disclosure is Shaped**

The extent and applicability of contemporary disclosure schemes varies across countries. Apart from the difference between democratic and authoritarian states, there are also important differences between individual UNECE countries, even though they have all signed the Aarhus Convention. Such national differences are apparent in the discussions on the European disclosure scheme, or in a simple examination of the information available. Traditions, legal culture and the historical relationships between the nation state and civil society groups are just some of the factors underlying national differences.

The case of the Netherlands is illustrative. By signing the Aarhus Convention in June 1998, the Dutch government agreed to make its environmental databases – the Emission Registration<sup>8</sup> – digitally accessible. Technically speaking, this was not a large challenge for the Dutch government because all the information required was readily available. Yet, although the database will be publicly accessible, citizen access has low priority (van den Burg, 2004).<sup>9</sup> The primary purpose is to measure the progress made by, and effectiveness of, environmental policy. Policy makers argue that because the Dutch Ministry of Environment has its own inspection network and the means to enforce environmental legislation, there is no need to leave inspection and enforcement to citizens and civil society organizations. Because of the cultural differences between the Netherlands and the USA, they argue, the translation of the TRI into the Dutch context will not work. Dutch companies, involved in the design of the database, have not been enthusiastic about disclosure either. Further arguments against disclosure were provided by 9/11, to the effect that the wrong actors could use the information for the wrong purposes. Furthermore, industry representatives argued that most companies already have regular contact with their neighbouring communities and/or disclose information voluntarily (through annual sustainability reports, for example). In most cases, affected citizens can already gather the most relevant information and the additional value of nation-wide disclosure is therefore questioned.

Incorporation of data on individual companies was originally foreseen only in the long run. However, the European Directive on Integrated Pollution Prevention and Control (IPPC) forced the Dutch government to change its plans. One of the IPPC's objectives is the development of the European Pollutant Emission Register (EPER), which contains

information about large European polluters.<sup>10</sup> The Dutch government decided to include information from approximately 250 companies in the Netherlands that have been forced to produce an annual sustainability report for the Emission Registration. Formally the Dutch government does not yet comply with the European rules (more companies than the 250 fall under the IPPC), but retrieving detailed information on the others will require a great deal of work. Apart from these approximately 250 companies, the Emission Registration will contain information on the general quality of the environment within each square of a grid. The model is built on a grid 500m square, but the information will be presented to the public on a grid 5km square, making it difficult, if not impossible, for citizens to know how much an individual source (be it a facility or traffic) has contributed. Furthermore, it does not allow comparisons and rankings of various companies, which severely limits the actions of the civil society and the working mechanisms of disclosure.

This example illustrates that particular standpoints of government officials are extremely influential in determining the eventual nature of these disclosure schemes. They influence the extent to which concerned citizens can use the information provided. The eventual shape that disclosure schemes take, and thus the ways in which they contribute to new forms of democratic environmental governance, is largely dependent on political cultures and regulatory traditions, therefore.<sup>11</sup>

At the same time, regulatory traditions are not fixed in stone, and particularly in reaction to disaster, disclosure becomes the political flavour of the day. The challenge for proponents of disclosure, be they international organizations or civil society groups, is to facilitate the successful embedding of disclosure in national regulations. Policy makers, NGOs and companies must (be made to) think beyond what is ordinary and common practice, rethinking roles of responsibilities of the various actors involved.

### **Disclosure and Equity**

A critical view on disclosure also requires one to look at the distributional effects of disclosure, questioning how the environmental 'goods' and 'bads' are distributed. We are discussing disclosure from this equity perspective because the provision of information is – albeit implicitly – connected to a certain choice of action, which may not be distributed evenly. One meaningful way of acting upon (disturbing) information is, for example, to move to another location. This 'application' of environmental information is one possible choice of action. In this example, it is obvious that the possibilities for acting are correlated to economic welfare, as well as to one's ability to leave established social networks. Similarly, there is an element of equity in

the capacity to become politically involved. Failing to address these issues of equity introduces the risk that, in time, the justness of disclosure will be contested.

Recognizing that it is not possible in this chapter to address the issue of equity from an empirical perspective, we wish to elaborate upon two points of concern. One logical approach would be to discuss disclosure in the context of usage and access to information and communication technologies (ICT), the notion of the 'digital divide' being a key term. Early formulations of the digital divide were based predominantly on the observation that the upper and middle classes had much easier access to ICT than did the lower classes. Although this could still be a point of concern in a great number of countries, the penetration of ICT and Internet access in countries such as the Netherlands and the United Kingdom requires us to rethink the existence and nature of a digital divide. Access entails more than an Internet connection; in refining the notion of access in relation to ICT-based forms of political participation, Hague and Loader (1999) have argued that the notion of access also involves access to valuable content and access to meaningful networks in which the acquired information can be put to use. The importance of access is also recognized in research on public participation, which shows that the different availability of resources – including time, skill and money – largely explains who engages in civic and political life (Verba et al. in Wilhelm, 1999, p. 158).<sup>12</sup>

A second point of concern refers again to the discussion of equity. We should not limit ourselves to discussing socio-economic aspects such as income and available time or more technical issues such as the availability of Internet connections. The important (and sociologically interesting) questions are the extent to which the information provided is meaningful, and meaningfully applicable in social and political networks. To answer such questions, one must look at the role of governments (see also the previous point on national variation) but also at the role of civil society groups. Current examples of disclosure, such as Factory Watch and Scorecard, illustrate that public action alternatives are opened (or at least facilitated) by the provision of environmental information.

By looking at the USA, one easily sees that disclosure can make an important contribution to debates on equity and environmental justice (see, for example, Scorecard). But this contribution is brought about in a setting in which the environmental justice movement has made significant progress in placing the issue of equity on the environmental agenda (see, for example, Szasz, 1994; Fortun, 2001). It remains to be seen if this issue will gain similar importance in Europe.

## CONCLUSIONS: SAFEGUARDING THE FUTURE OF DISCLOSURE

This chapter has introduced disclosure as a particular form of accountability. As is the case with all forms of accountability, there are numerous relevant questions concerning the functionality, impact, and intended and unintended consequences of disclosure. On the one hand, it can be concluded that disclosure promises – and, as numerous studies exemplify, delivers – a new form of democratic environmental governance. The rise of disclosure can be placed in the process of societies becoming more reflexive and turning towards informational governance arrangements. How disclosure works was another topic of discussion: disclosure sets in motion a variety of predictable and unpredictable processes, which together can lead polluters to change their behaviour.

At the same time, and here this chapter moves beyond the bulk of existing studies, we presented four important challenges to disclosure that require attention if it is to be an effective part of democratic environmental governance in the future. Demands for greater public availability of information will be scrutinized intensively after 9/11 and the Madrid and London bombings. The recurrent question will be: does more information help make societies safer places? Of a different order are questions about the validity and accuracy of the information, but the effect is the same: they provide opponents of disclosure with new arguments against its further spread. National political traditions and histories also influence disclosure and determine its eventual usefulness and effects. Finally, it was argued that debates on disclosure should also consider the issue of equity, raising questions about who is empowered and who is not.

If we believe in disclosure as a useful, effective instrument for democratic environmental governance that makes corporations and governments accountable to the general public, we should not limit ourselves to analysing and praising the benefits of disclosure. Under the increasing popularity of disclosure lie various discussions and concerns that challenge its future. In this chapter, we have discussed four concerns that must be answered if disclosure is to be an instrument for democratic environmental governance. These concerns are not exclusive to disclosure; other forms of accountability will be confronted with comparable debates. If not dealt with properly, they may become major obstructions to the successful functioning of accountability.

## NOTES

1. For example, the 1992 CERES Principles of the Coalition of Environmentally Responsible Economies; the 1993 PERI guidelines of the Public Environmental Reporting Initiative; the 1999 Sustainability Reporting Guidelines by the Global Reporting Initiative; the EU Directive 2003/4/EC on public access to information. Privately supported and initiated guidelines and initiatives include Goldman Sachs Best Practices; Malcolm Baldrige National Quality; Social Accountability 8000; The Business Council for Sustainable Development Corporate Government Principles; Global Sullivan Principles; and AA1000.
2. For a detailed description of the establishment of the TRI, we recommend Hamilton (2005).
3. See the OSHA Workers' page for more info: [www.osha.gov/as/opa/worker](http://www.osha.gov/as/opa/worker)
4. See <http://www.commoncause.org> for more information.
5. <http://www.ombwatch.org/article/articleview/2915/1/97?TopicID=1>
6. OMB prefers to refer to this Act as the Information Quality Act. It covers more than data; it also covers regulatory, statistical, research, financial, risk assessment and other governmental information, as well as third-party information 'initiated' or 'sponsored' by governmental agencies. Distinctions are made between ordinary information and influential information, with different quality regimes. A major discussion is whether or not the Act applies to rule making as well (cf. Noe et al., 2003).
7. See the comments of the US environmental NGO Natural Resources Defense Council on the DQA in Noe et al. (2003).
8. [www.emissieregistratie.nl](http://www.emissieregistratie.nl)
9. It was supposed to be publicly accessible in 2002, but was delayed because of technical problems.
10. <http://www.eper.cec.eu.int>
11. We should stress that NGOs are also embedded within such a political culture. A group of Dutch NGOs developed a site ([www.rechtomteweten.nl](http://www.rechtomteweten.nl)) similar to the US Scorecard, yet had no intention of keeping it running. It was introduced merely to show the government that it could be built.
12. An interesting note in this respect is that in the Dutch context, the upcoming retirement of an educated and still healthy and active generation – a generation that is also increasingly familiar with the possibilities offered by contemporary ICT – is expected to lead to an upsurge of information-seeking citizens.

## REFERENCES

- Andrews, R.N.L. (1999), *Managing the Environment, Managing Ourselves: a History of American Environmental Policy*, New Haven: Yale University Press.
- Baker, J.C., B.E. Lachman, D.R. Frelinger, K.M. O'Connell, A.C. Hou, M.S. Tseng, D. Orletsky and C. Yost (2004), *Mapping the Risks: Assessing the Homeland Security Implications of Publicly Available Geospatial Information*, Santa Monica: Rand Corporation.
- Burg, S.W.K. van den (2004), 'Informing or empowering? Disclosure in the United States and the Netherlands', *Local Environment*, **9**, 367–81.
- Burg, S.W.K. van den (2006), 'Governance through information: environmental monitoring from a citizen-consumer perspective', PhD thesis, Wageningen University, Wageningen.
- Case, D.W. (2001), 'The law and economics of environmental information as regulation', *Environmental Law Reporter*, **31**, 10773–89.

- Cohen, M.A. (2002), 'Transparency after 9/11: balancing the "right-to-know" with the need for security', *Corporate Environmental Strategy*, **9**, 368–74.
- Echeverria, J.D. and J.B. Kaplan (2002), *Poisonous Procedural "Reform": In Defense of Environmental Right to Know*, Georgetown Environmental Law and Policy Institute, Georgetown University Law Center, Washington, DC.
- Fortun, K. (2001), *Advocacy after Bhopal: Environmentalism, Disaster, New Global Orders*, Chicago: University of Chicago Press.
- Graham, M. (2002), *Democracy by Disclosure: The Rise of Technopopulism*, Washington, DC: The Brookings Institution.
- Graham, M. and C. Miller (2001), 'Disclosure of toxic releases in the United States', *Environment*, **43**, 8–20.
- Gunningham, N. and D. Sinclair (2002), *Leaders & Laggards, Next Generation Environmental Regulation*, Sheffield: Greenleaf Publishing.
- Hadden, S. (1989), *A Citizen's Right to Know: Risk Communication and Public Policy*, Boulder, CO: Westview.
- Hague, B.N. and B.D. Loader (eds) (1999), *Digital Democracy: Discourse and Decision Making in the Information Age*, London: Routledge.
- Hamilton, J.T. (2005), *Regulation through Revelation: The Origin, Politics, and Impacts of the Toxics Release Inventory Program*, Cambridge: Cambridge University Press.
- Herrick, C.N. (2004), 'Objectivity versus narrative coherence: science, environmental policy and the U.S. Data Quality Act', *Environmental Science and Policy*, **7**, 419–33.
- Howes, M. (2001), 'Digital disclosures: environmental governance and the internet', paper presented at New Natures, New Cultures, New Technologies, Fitzwilliam College, Cambridge, United Kingdom, 5–7 July.
- Jordan, A., R.K.W. Wurzel and A.R. Zito (2003), '"New" environmental policy instruments: an evolution or a revolution in environmental policy?' *Environmental Politics*, **12**, 201–24.
- Karkkainen, B.C. (2001), 'Information as environmental regulation: TRI and performance benchmarking, precursors to a new paradigm?', *Georgetown Law Journal*, **89**, 259–370.
- Kleindorfer, P.R. and E.W. Orts (1998), 'Informational regulation of environmental risks', *Risk Analysis*, **18**, 155–70.
- Konar, S. and M.A. Cohen (1997), 'Information as regulation: the effect of community right to know laws on toxic emissions', *Journal of Environmental Economics and Management*, **32**, 109–24.
- Lynn, F.M. and J.D. Kartez (1994), 'Environmental democracy in action: the toxics release inventory', *Environmental Management*, **18**, 511–21.
- Mol, A.P.J. (2004), 'Environmental governance in the Information Age: the emergence of informational governance', *Environment and Planning C: Government and Policy*, **24**, 497–514.
- Noe, P., F. Anderson, S. Shapiro, J. Tozzi, D. Hawkins and W. Wagner (2003), 'Learning to live with the Data Quality Act', *Environmental Law Review*, **33**, 10224–36.
- Oosterveer, P. (2005), 'Global food governance', PhD thesis, Wageningen University, Wageningen.
- Sarokin, D. and J. Schulkin (1991), 'Environmentalism and the right-to-know: expanding the practice of democracy', *Ecological Economics*, **4**, 175–89.
- Stephan, M. (2000), 'Information disclosure programs: a theoretical analysis', in paper presented at the Annual Meeting of the Midwest Political Science Association, Chicago, Illinois, 27–30 April.

- Szasz, A. (1994), *Ecopopulism: Toxic Waste and the Movement for Environmental Justice*, Minneapolis: University of Minnesota Press.
- Tatenhove, J. van, B. Arts and P. Leroy (2000), *Political Modernisation and the Environment: The Renewal of Environmental Policy Arrangements*, Dordrecht: Kluwer Academic Publishers.
- Tietenberg, T. (1998), 'Disclosure strategies for pollution control', *Environmental and Resource Economics*, **11**, 587–602.
- Udall, L. (1998), 'The World Bank and public accountability; has anything changed?', in J. Fox and L. David Brown (eds), *The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements*, Cambridge: MIT Press, pp. 391–436.
- Wheeler, D. and S. Afsah (1996), 'Going public on polluters in Indonesia: Bedepal's proper prokasih program', East Asian Executive Reports, Washington, DC.
- Wilhelm, A.G. (1999), 'Virtual sounding boards: how deliberative is online political discussion', in B.N. Hague and B.D. Loader (eds), *Digital Democracy: Discourse and Decision Making in the Information Age*, London: Routledge, pp. 154–78.



## 12. Accountability, public involvement and (ir)reversibility

**Linda Soneryd and Rolf Lidskog**

---

### ACCOUNTABILITY AND (IR)REVERSIBILITY

The deep repository [for spent high level radio-active fuel] is designed in such a way that it is possible for future generations to retrieve the fuel if they want to do something else with it. (SKB Website)<sup>1</sup>

When the hazard level of planned physical enterprises is high and something goes wrong, traditional forms of political accountability fall short of the mark. To replace the government after general elections or to force discredited politicians to leave during their mandated period seem to be inadequate measures for acting on decisions that could result in an irreversible impact on the environment – decisions such as the granting of large infrastructure investments or the establishment of nuclear power plants.

Similarly, when there are many uncertainties about the implications of technological developments and when adequate evidence of their negative impact can be seen only after the applications have been in use for a long time, traditional mechanisms such as supervision, monitoring or inspection seem inadequate. For example, biotechnological developments have caused public debates about long-term, cumulative and irreversible effects on humans and the environment – effects that could occur in spite of many control mechanisms.

As the opening quote of this chapter indicates, there is always one intricate question involved in thinking about technologies with long-term and uncertain impact: how to take future generations into consideration. This issue is particularly important in discussions over the planned final disposal of spent nuclear fuel. The quote could also be seen, however, as an effort to render the irreversible reversible: future generations need not be hampered by previous nuclear waste management because they can ‘do something else with it’, if they want. Images of the future will affect how (ir)reversibility and responsibility are discussed.

In Sweden, spent nuclear fuel is presently collected in a central interim storage facility. The Swedish Nuclear Fuel and Waste Management Co. (SKB), owned by the nuclear power industry, is tasked, according to law, with the planning and building of a final repository that requires no monitoring by future generations and which should be sufficient for the elevated level of activity for spent nuclear fuel: approximately 100,000 years. How can we think about accountability when we are dealing with decision-making power that spans such long time horizons?

Public consultations on the siting of nuclear waste are currently under way in two Swedish municipalities, subject to site investigations. Thus a national issue – how to manage the spent nuclear fuel from Swedish nuclear power plants – is first discussed at a local level among the SKB, local politicians and citizens. National actors, as well as officials from national authorities and representatives of national environmental organizations, are constantly present in the process. The lack of a national debate has been raised by several actors, however, as being a problematic issue. Thus the nuclear waste disposal issue raises the question of relevant geographical scale.

When facing the issue of a final repository, in what ways and to what extent are the various geographical scales (international, national, regional, and local) involved? What environmental considerations and potentially irreversible effects are discussed in public consultations – from the issue of local influence of a repository (threats to local habitats, for example) to the borderless consequences of radioactive leakages? Can participants involved in consultations be said to represent categories defined by territorial belongings and identities such as a locality, a national population or a global citizenship?

Nuclear waste management involves a potential tension between technical expertise and public involvement. The issue has a long history of being elaborated upon within a close circle of experts, yet it is still framed in a technocratic way. What role does the public play in relation to technical expertise? Are members of the public seen as passive receivers of information with limited cognitive capacity or as knowledgeable actors able to deliberate over complex risks? What are the implications for different views of the role of the public for the wider question of accountability?

In this chapter our empirical focus is on public consultations on Swedish nuclear waste siting, which leads us to several questions. Do actors involved in this process explicitly raise the question of irreversible impact, and if so, how is it related to images of the future? How are questions about geographical scale raised? How is ‘the public’ constructed and what are the implications for accountability and responsible decision making?

The study reported in this chapter is based on observations of public consultations conducted in 2005 and 2006 among SKB, local people in the

two municipalities, environmental organizations and authorities (Soneryd 2007). These consultations occur primarily in two arenas: public consultation meetings and regional consultation meetings. The empirical material is based mainly upon observations of nine consultation meetings – five public consultation meetings and four regional consultation meetings. In addition to Soneryd's empirical material, we had access to first-hand notes from an additional public consultation meeting held on a local level.

The chapter is organized into four sections after this introduction. In the following section, we discuss the notion of accountability and its meaning in the area of nuclear waste management. In the next section, we provide a background to the planning of a final repository of nuclear waste in Sweden. We then discuss various meanings of time and geographical scale as they are examined among actors in our empirical example. In the concluding section, we return to the general question of irreversibility, responsible decision making and accountability. At a time when public deliberations are invested with great enthusiasm, especially and perhaps paradoxically in areas dominated by technical expertise, we argue that it is important to explore models of the 'public' or the 'citizen' that are construed in processes explicitly designed to be participatory and inclusive. By way of conclusion, we argue that public participation may sometimes improve accountability, but that it may also obscure fundamental aspects of accountability.

## ENVIRONMENTAL DECISION MAKING AND ACCOUNTABILITY

Modern technology has changed the meaning of responsible decision making (Jonas 1984); human agency has become potentially disastrous, which means that responsibility is, in many cases, extended in time and space. Responsibility relationships can therefore be rephrased partly as a consequence of an extended capacity to intervene in the environment and, because of the uncertainties connected to many interventions, partly as a simultaneously decreased ability to foresee the consequences of our actions.

There are consequences for future generations of a number of political decisions, taken at different levels – the levels of intergenerational justice, interregional justice and knowledge. The question of *intergenerational justice* is central (Bell 2004; Barry 1999; Rawls 2001; Visser 't Hooft 1999). Closely related is the question of managing accountability over long periods. In cases of delayed consequences, there may be no responsible actor left from which to claim accountability; for example, a company that once produced a substance and an agency or legislative body that

permitted it may have ceased to exist. Equally central is the more practical question of how to represent future generations in the political system without endangering other basic democratic values.

Ecological consequences of local, regional and national decisions are increasingly transgressing the territorial borders of the decision-making bodies, bringing the question of *interregional justice* into focus (Bullard 2005; Lidskog 2005; Ruchi 2004). National governments, regional parliaments or local boards are usually insufficient centres of power when it comes to managing trans-boundary environmental issues.

Questions related to the role of *knowledge* and to the identity of the expert are central to environmental issues (Fischer 2005; Lidskog and Elander 2007). There is increasing public distrust of scientific and technocratic decision making, resulting in pressures to open for public evaluation and influence closed-risk management practices that had been established earlier. Public deliberations are frequently proposed as an alternative to technocratic decision making that could improve the knowledge base and improve accountability (COM 2000; Nowotny et al. 2001). On the other hand, public participation, which can make processes appear transparent and inclusive without necessarily changing much in practice, should not be overemphasized as a way to improve accountability (Irwin and Michael 2003).

Public consultations are based on specific, and often implicit, views of what is seen as an appropriate science–public relationship – views that can be negotiated and redefined, but often taken for granted and thereby reproduced. According to the so-called ‘deficit model’, knowledge is first produced in a closed circle of scientists, and should then be disseminated to the public (Irwin and Michael 2003; Wynne 1995). According to another view, which could be labelled the ‘dialogue model’, the public is expected to be included and integrated into the process as an active and knowledgeable partner (Irwin 2001; Yearley 2005, Chapter 8). In statements about the dialogue model, substantial influence and effective inputs are expected to emerge from diverse groups.

Although the dialogue model is currently seen as being more attractive than the deficit model, there is a need to investigate how the model is practised, how issues for public debate are framed and how legitimate publics are constructed. By framing issues according to a predefined technical discourse, for example, the public is given a limited role. According to Brian Wynne (2005: 67), there is a widely deployed assumption that the public is concerned with the *impact* of new technologies more than with the human purposes that are actually driving science and innovation. Moreover, the dialogue model, when referred to and used by actors in policy processes, may mask the idea that ‘public meanings, or issue definitions, are naturally

and properly the sovereign domain of authoritative expert institutions' (Wynne 2005: 67). Certainly, the idea that public participation is restricted through established agendas and predefined roles is not new, but this does not mean that we should abandon investigations of the impact of rhetoric and practices for involving the public.

We would like to suggest a definition of accountability that considers a tension between enthusiasm over public deliberations and the risk of imbuing the public with instrumental values only. This notion is related to what Wynne (2005) refers to as a 'standard model' of the citizen – a citizen responding merely to established framings of an issue and in settings in which the assumptions behind this framing are not explicated.

One aspect of accountability is to be 'subject to an obligation to report, explain or justify something', that is, to be '*answerable* for something and to that make something explicable'; another aspect is the capacity to be *responsive* towards the 'demands', 'needs' or 'voices' of others (Boström and Garsten, Chapter 1). Although responsiveness could, in theory, mitigate the dominant role of experts in technocratic decision making, we know that, in practice, public deliberation exercises always run the risk of being used in instrumental ways. If this critique is taken seriously, the obligation to report and to be 'answerable' should involve not only reports on potential environmental impact, but also an obligation to make explicit the framing of the public debate, and the model of the citizen that such framing implies.

This approach would also imply that answerability cannot be restricted to reporting, explaining and justifying how the impact of a certain technology is managed, but should include equally important reflections on the need for, development of and justification of the technology that generates risk. In the following sections we turn to our empirical case: public consultations on nuclear waste siting in Sweden.

## BACKGROUND TO SWEDISH NUCLEAR WASTE MANAGEMENT

Compared to many other countries with nuclear power, Sweden has come a long way in the process of finding a suitable place and method for a final repository. Two municipalities in Sweden – Oskarshamn and Östhammar – are now subject to site investigations. These two municipalities were chosen by the SKB, after a selection process based on geological considerations and the willingness of municipalities to host further investigations (Sundqvist 2002, 2005).

Through SKB's programme on Research, Development and Demonstration (RDD programme) and its public consultations, the company

continuously receives critical comments and support for its chosen strategies from government, regulating authorities, local residents and environmental organizations. Compared to many other industry-driven technology developments, the Swedish process of nuclear waste management is often considered to be well founded, as it is based on largely agreed-upon ethical principles (concern for future generations, for example, and the ideal that the decision-making process should be open and participatory) and is backed by law and relatively clear roles and responsibilities among the actors involved. Nonetheless, this process raises serious issues concerning responsibility and accountability.

The citizens in Oskarshamn and Östhammar are generally positive towards the idea of hosting a final repository in their home town (SKB 2005). Representatives of environmental organizations are, on the other hand, critical of what they see as an insufficient way of investigating and discussing alternatives to the suggested sites as well as the suggested method for storing the nuclear waste. SKB is responsible for public consultations and has a formal obligation to report, explain and justify its own strategy for handling nuclear waste and its consideration of arguments from other parties. Accountability and responsiveness are both connected to the extent to which public consultations are documented, disseminated to and used by decision makers, and organized to include a sufficiently responsive attitude and openness towards all actors and arguments. Finally, decisions will be taken by the environmental court, the municipalities and, in the end, the government. The following sections are based on the ongoing discussions, and explain the ways in which actors make connections among responsibilities, time, geographical scale and expertise.

## TIME AND GEOGRAPHICAL SCALE

### **Accountability, Responsiveness and Images of the Future**

Reasoning about the future can be interpreted as a way of *justifying* ('giving an account for', which is related to answerability) one's own actions in relation to a specific image of the future; but it could also be seen as a way of *acting upon the future*, by asserting certain values, interests or needs as important for guiding the actions of succeeding generations. To the extent to which there is an open attitude towards different images of the future and towards the various values, interests and needs expressed through such images, one could speak of a *responsive* attitude.

At the beginning of this chapter, we quoted SKB's statement about the possibility of retrieving radioactive waste after the repository has been

sealed. A final repository for spent nuclear waste should, according to Swedish law, require no monitoring. The law refers to *final* disposal, reflecting the idea that generations now living should tend to the problems they have caused. The question of retrieval, however, is connected to the idea that action possibilities for future generations ought to be as open as possible and, according to the principles of the Swedish National Council for Nuclear Waste, future generations should not be *deprived* of the possibility of retrieving the waste (SKN 1988).

There are different meanings attached to the concept of ‘unburdening’ future generations from responsibilities and, at the same time, ‘not depriving’ them of any possible routes of action. These different meanings are also related to different time frames and images of the future.

We now examine how actors involved in the Swedish nuclear waste process issue frame responsibility in relation to time. To put it briefly, one contrast exists between SKB’s argument that measures must be taken *now*, using *the KBS3* (meaning Nuclear Fuel Safety (KBS) method 3) – versus the argument of representatives of environmental organizations that measures should be taken *later*, after a more thorough investigation of *alternative methods*.<sup>2</sup>

SKB bases its argument on images of the future as unstable, and argues that there are great risks connected to the storing of nuclear waste in interim storage any longer than necessary. According to a report commissioned by SKB, these risks are conceptualized as threats of future terrorist attacks or other events that could overrule established societal institutions for control. When the consultant (C) responsible for the report presented these results in public, there was an exchange with a man in the audience (A) (Public consultation meeting 2006a):<sup>3</sup>

A: Are you in all seriousness claiming that we have to hurry up and build a final disposal before society collapses? That is a very dystopian image.

C: [. . .] this is an analysis of future threats. You can make analogies to the precautionary principle. It is not possible to *exclude* this kind of future development.

Later in the meeting, an elderly man from the audience provided an alternative way to think in situations of uncertainty, suggesting that the process be slowed down rather than sped up. After a long monologue over worldwide and revolutionary events that have happened during his lifetime, the man ended by saying ‘the world is spinning fast; when you are old you have had the time to experience that. We better think both once and twice before we take action’ (Public consultation meeting 2006a).

A similar kind of reasoning seems to be favoured by representatives of environmental organizations. They base their reasoning on uncertainties connected to the long-term effects of using the KBS3 method – uncertainty

about whether or not it will have the capacity to handle an ice age and an unstable political climate in the future, for example. The environmental organizations connect this reasoning to the risks of damage to a final disposal, however, rather than to the current interim storage.

The image of an unstable society is used by both SKB and environmental organizations, but for different reasons and with different arguments. Furthermore, environmental organizations emphasize uncertainties connected to the potentially irreversible effects on the environment, framing their arguments within a time horizon that goes beyond the human time horizon (after an ice age there will be no humans left in the area). In contrast, SKB frames its argument around the present interim storage of the nuclear waste material and the risks of stalling the building of a final repository. The talk is of uncertainties: will more investigations of other methods really lead to knowledge gains and an improved solution to today's waste problem?

Tightly connected to this reasoning is the idea of not depriving future generations of possible action routes. The talk about retrievability can be seen as an effort to render irreversible something that is reversible. For example, the Nuclear Energy Agency within the OECD argues that 'Retrievability is an important ethical consideration since deep geological disposal should not necessarily be looked at as a totally irreversible process, completely foreclosing possible future changes in policy' (NEA 1995: 13).

Retrievability is also thought to increase confidence and trust in the process, especially if unexpected safety problems occur that would invoke a need to retrieve the waste (NEA 2001). In summary, several arguments have been advanced *for* retrievability: technical safety problems, the possibility that future generations will regard the spent nuclear fuel as a resource, the possibility that alternative (and better) methods for a final disposal are developed in the future, and the chance that there may be changes in policy or the 'general acceptability of risk in society' that could demand flexibility. Yet there are arguments *against* retrievability as well: uncertainties about the negative and positive effects of the extra handling of the waste during retrieval, potentially insufficient sealing of the disposal when retrieval must be considered, irresponsible and undesirable ways of retrieving the waste in the event of societal and political turbulence (that is, economic collapse, war, terrorism), and potential safeguarding measures that may be needed if retrievability is made an option (NEA 2001: 23–27).

Arguments for or against retrievability both reflect ethical considerations, suggesting that responsible decision making should be a balance between them in a way that ignores neither the pros nor the cons. The pros and cons are also connected to different images about the future, however. Yet there is some inconsistency in the nuclear waste debates over the way



the future is used in different contexts; for instance, SKB has not insisted on the 'unstable' future scenario in discussions on retrievability.

The responsibility of decision making in this case could be improved if an open discussion over different scenarios of the future occurred, including the futures we want as well as the ethical considerations that relate to various imagined futures. At the public consultations to date, there has been no such comprehensive comparison between images of the future; rather fragmented discussions have occurred in which actors draw upon images of the future to support their own reasoning around specific issues. Potential inconsistencies are never spelled out and a coherent discussion of diverging futures, and thereby a discussion of how to take responsibilities that reach far into the future, are not taking place at the public consultations. If such norms and images were spelled out and open for criticism by a heterogeneous group of actors, it could increase the possibility for responsiveness and the ability to give an account for decisions by making explicit the images of the future that underpin the reasons for choices made and by revealing those who are seen as legitimate actors to give input to such images.

### **Geographical Scale, Voices and Environmental Considerations**

Environmental impact assessment (EIA) is a legislative tool for requiring that greater consideration be given to the environment and for involving environmental organizations, local people and the general public in environmental decision making. The EIA process results in a document which should give a thorough and comprehensive account for the potential environmental impact of a planned enterprise or activity; and it is one basis on which a decision is made about allowing the planned activity. In the following section we describe the actors involved in public consultations and how these actors frame environmental considerations at varying geographical scales. Furthermore, geographical scale and the time dimension are often related, because actors involved in the process often relate 'local' issues to short-term impact and long-term issues to interests that go beyond the local.

According to definitions in the Aarhus Convention (1998) and the EIA Directive 85/337/EEC (EIA Directive 1985), the 'concerned public' embraces individuals or organizations that are concerned or interested in environmental decision making. Residents who live near the proposed activity as well as organizations that support environmental protection are assumed to have such an interest. When the directive speaks of 'the public' it refers to a larger group which, in principle, involves *all* the people who want to express their opinions (Government 2004). Swedish law has integrated the requirements in the directive and in the Aarhus Convention.

Because 'the public' and 'concerned public' are vague and abstract terms, it is difficult to claim that the EIA tool provides a straightforward way of paving the way for public involvement. SKB is responsible for the EIA process, and the ways in which it arranges that process will, to a great extent, decide which other actors are involved and what they are expected to contribute. On the one hand, SKB has stated that 'there aren't any "lay people" considering this issue. Everybody can contribute as experts on their part of the problem' (SKB 2004: 2). On the other hand, SKB is explicit about who is an expert on what topic:

SKB are experts when it comes to questions concerning technology, safety and environmental impact, whereas each individual is an expert on the conditions and needs for good quality of life in the municipality. All this combined knowledge is necessary in order to conduct and perform the work according to the requirements of the Environmental Code for establishing enterprises with the least possible impact and disturbance to humans and the environment. The public is an important resource in this context. (SKB 2004: 2)

This quote suggests that there are two competing sets of knowledge operating here: the knowledge about nuclear safety provided by hard science and the local population's knowledge about quality of life and local nuisance. In addition to the substantial contribution of local people on local issues, other values espoused by the SKB and connected to a more open process are improved transparency and the building of trust in relationships with people in the two municipalities. The division of expertise has been challenged, however, primarily by representatives of the environmental organizations, who have emphasized other values connected to broadened participation.

At the regional consultation meetings in the spring of 2006, SKB presented its investigations on affected values in nature. The investigations in the regions of Oskarshamn and Östhammar were ecological inventories which included the area of localization (the area in which the shafts and storage facilities would be located) and the area of influence (the area which SKB demarcated for expected noise disturbances). The area of investigation, however, is larger than both these more narrowly defined areas; according to SKB, about 100 hectares have been inventoried, and the area of localization is about 30 hectares.

At the meeting, the consultant employed by SKB presented inventories of valuable environments such as high-grade woods, which could be habitats for rare species; and water environments for spawning and sea mussels. For example, some old pine trees and a lime tree were identified as precious, and a reason for not building a road too close. After this presentation, an exchange occurred between a representative of one of the environmental

organizations, Milkas (*Miljörelsens kärnavfallssektariat*), and an SKB representative:

Milkas: What about radiation and nature values?

SKB: What do you mean?

Milkas: If there is a leakage, how is that going to affect nature values?

SKB: This is not what we are making an account of here. This is an account of the types of nature that are valuable. If something goes wrong, we need a safety analysis, which is a central document that goes through different scenarios. Your question is going to be answered in detail, but not by this investigation.

The thorough investigations of the local ecology presented by SKB are viewed by the environmental organizations in relation to long-term environmental impact, and on a potentially different geographical scale. The EIA process provides a potential arena for discussions on balancing the irreversibility of lost species in the area with other irreversibility effects associated with building a nuclear waste storage site. In effect, SKB separates these issues, and a discussion of how to balance issues on various geographical scales has not yet been the focus of public consultations. Long-term safety is treated in special consultations between SKB and the authorities, the Swedish Nuclear Power Inspectorate (SKI) and the Swedish Radiation Protection Authority (SSI). The safety analysis is to be presented to the public, although in a form and at a time that SKB itself chooses.

It is reasonable to conclude that SKB conducts the public consultation process in line with its statement about a work division between various types of expertise. Local people are experts on local nuisances such as noise and roads, and presumably also on local environmental values. According to SKB, the primary values connected to the long-term issues are not a question for the public consultations, but are ultimately issues to be decided elsewhere, in vague terms by 'society'.

When issues that transcend local environmental issues, such as alternatives to KBS3 and alternative sites to Oskarshamn and Östhammar, have been discussed at public consultations, SKB makes repeated references to 'society':

Our research is presented in the RD&D (Research, Development and Demonstration) program, and it is open to the entire *society*.

We have looked very broadly at alternatives and our point of reference is what *society* wants . . . the government has given us permission to continue with Oskarshamn, Östhammar and KBS3. We haven't come up with this on our own; *society* has been able to give an opinion during the entire process. [emphasis added] (Public consultation meeting 2006b)

When representatives of environmental organizations ask for a different division of labour than that suggested by SKB, they are met by the response from SKB that safety issues are not part of the EIA process – at least not yet (Public consultation meeting 2006b):

Milkas: [You are making] a separation of safety and environmental considerations. Safety issues are discussed in consultations between SKB and authorities. Here [at the public consultations] there is a focus on local issues. We want to see a comprehensive picture and *not* one in which environmental issues are discussed at meetings where we are not allowed . . . What do you think, for instance about radioactivity in the Baltic Sea?

. . .

SKB: [The meetings between us and authorities] are not consultations according to the Environmental Code. There will be consultations on safety issues. The protocols from the meetings you are referring to are publicly available, but we want to safeguard the working form [i.e. the meetings with authorities]. We encourage you to meet us and ask whatever questions you like about what is discussed at these meetings.

Milkas: And the comment on the Baltic Sea?

SKB: . . . nothing illegal or inappropriate is taking place. It is up to *society* to judge what is acceptable or not.

It is a matter for dispute if something should be open for discussion at the public consultations, as a basis for influencing how to conduct the environmental impact assessment, whether it is strictly a legal matter, or whether it is up to ‘society’ – in the hands of decision makers outside the EIA process. Another representative of Milkas raised the issue again in relation to a preferred view of the EIA process: ‘Investigations should be unbiased by prestige or history; the main focus should not be on showing the excellence of the main alternative; and resources should be given to investigating alternatives.’ This outline of a preferred handling of alternative methods was followed by a direct question regarding how SKB sees the process.

The SKB representative responded, ‘we are working completely in compliance with demands from society and according to what society wants’. Repeated references to ‘society’, especially in response to suggestions for greater focus on long-term issues and alternatives, indicates that important values concerning alternatives are decided upon outside the EIA process and that SKB discourages further discussion on these values at the public consultations. The question remains: what role does this leave for participants involved in public consultations? Other actors have ideas about the right forum for long-term scenarios. When asked about the scenarios SKB

uses as bases for safety analysis, the SSI spokesperson answered that ‘they are very technical and should be popularized by, for example, the big news magazines’ (Public consultation meeting 2005). This response may be understood as a reference to both an ‘arena’ and a ‘public’ outside the EIA, and a wish to broaden the awareness and engagement over the nuclear waste issue; it also suggests that the EIA process is not the only arena, and may not even be the primary one, for discussing responsibilities that go beyond short-term local environmental impact.

Does this mean that there is a consensus over this division of labour among all actors involved in the public consultations, with the exception of environmental organizations? How do the municipalities interpret their role in the work division between local expertise and issues that transcend local considerations? It is clear that representatives of both Oskarshamn and Östhammar see themselves as capable of representing national interests or interests that extend beyond local issues in other respects. Oskarshamn has, for instance, a group within its LKO organization for the nuclear waste project (LKO stands for ‘local competence building in Oskarshamn’) that has the special task of attending to issues of national interest (LKO 2006).

On the basis of this case study, we have strong rationale for raising and discussing issues regarding the role of various publics and the type of citizen who is constructed in public consultation processes. The concluding section contains a summary of the main points raised in relation to this empirical case and provides a discussion of ‘legitimate citizens’ and accountability.

## CONCLUSION: ACCOUNTABILITY AND THE CONSTRUCTION OF THE LEGITIMATE CITIZEN

In approaching public participation and accountability, an important question arises on the constraining of discussions: what is *not* discussed or made explicit in public? Or, relating this question to the answerability dimension of accountability that we highlighted in an earlier section of this chapter, the question becomes: which dimensions of an issue are explicated, reported and justified and which are not? Through such mechanisms of inclusion and exclusion, the legitimate participants and topics for discussion take shape. What type of citizen is implied in discussions about Swedish nuclear waste management at the public consultations and, in particular, in the discussions over long-term horizons and diffused geographical boundaries?

In discussions about considerations for future generations and nuclear waste management, there is the potential to make explicit the values

connected to various methods, future scenarios and consequences. On the basis of our empirical study, we argue that this potential has not been used within the arrangements of ongoing public consultation. Rather than clearly connecting imagined futures to values, actors support their arguments in a fragmented way by making reference to future impact and to images of future societies.

The nuclear waste issue in Sweden is framed as an impact issue and as a driving force of technological development, but the related issue of continued production of nuclear waste is clearly missing from discussions. A strict separation between nuclear waste management and nuclear power may provide an explanation. At least in the Swedish debate, the nuclear waste issue is separated from issues concerning further nuclear power investments and distinguished as an issue of 'taking responsibility' for a damage that we ourselves have created.

In our case, local citizens are presented as 'experts' on their own life quality, whereas safety issues are explicitly said to be best handled by experts. This is merely another way of phrasing the divide between public concerns and scientific knowledge as a basis for risk assessment. In some instances SKB has used input from local citizens as a basis for initiating further investigations of local impact (a study of nuisance and vibrations from the construction phase of the repository was initiated by SKB after receiving comments from local citizens). When trans-boundary impact is discussed, SKB makes references to 'society', that is, the national government and sometimes the international community of nuclear waste management (by references to international conventions, for example).

The issues of potential irreversible impact have never been an explicit theme for public deliberations. To a great extent, policy issues around nuclear waste management are decided through the RD&D process in which the authorities and the government play an important role. This means that public involvement in the parallel process of public consultations could very well be described as a substitute for accountability rather than as a way of strengthening it.

## ACKNOWLEDGEMENTS

This project was funded by SKB's social scientific research programme. We would like to thank Ebba Lisberg Jensen, Lund University, for generously providing her first-hand notes from a public consultation meeting we could not attend.

## NOTES

1. Original quote in English.
2. These issues have been discussed throughout the public consultations. A recent and explicit discussion took place at the meetings in the spring of 2006, at which time the reasoning of both the SKB and the environmental organization were made clear.
3. This and all other quotes in this chapter have been translated by the authors.

## REFERENCES

- Aarhus (1998), 'Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters', signed in Aarhus, June 1998, entry into force October 2001, available at United Nations Economic Commission for Europe, Environment and Settlements Division, Palais des Nations, 1211 Geneva 10, Switzerland.
- Barry, B. (1999), 'Sustainability and intergenerational justice', in A. Dobson (ed.), *Fairness and Futurity: Essays on Environmental Sustainability and Social Justice*, Oxford: Oxford University Press, pp. 93–117.
- Bell, D.R. (2004), 'Creating green citizens? Political liberalism and environmental education', *Journal of Philosophy of Education*, **38** (1), 37–53.
- Bullard, Robert D. (ed.) (2005), *The Quest For Environmental Justice*, Berkeley: University of California Press.
- COM (2000), 'Commission of the European Communities Proposal for a Directive of the European Parliament and of the Council providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment and amending council directives 85/337/EEC and 96/61/EC', Brussels 18.01.2001, COM 2000: 839, 2000.
- EIA Directive (1985), 'Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment', *Official Journal L175*, 05/07/1985.
- Fischer, F. (2005), *Citizens, Experts, and the Environment*, Durham and London: Duke University Press.
- Government (2004), 'Regeringens proposition 2004/05:65', available from the Swedish Government, Stockholm.
- Irwin, A. (2001), 'Constructing the scientific citizen: science and democracy in the biosciences', *Public Understanding of Science*, **10** (1), 1–18.
- Irwin, A. and M. Michael (2003), *Science, Social Theory and Public Knowledge*, Maidenhead: Open University Press.
- Jonas, H. (1984), *The Imperative of Responsibility*, Chicago: The University of Chicago Press.
- Lidskog, R. (2005), 'Siting conflicts : democratic perspectives and political implications', *Journal of Risk Research*, **8** (3), 187–207.
- Lidskog, R. and I. Elander (2007), 'Representation, participation or deliberation? Democratic responses to the environmental challenge', *Space and Polity*, **11** (1), 75–94.
- LKO (2006), Lokal kompetensuppbyggnad i Oskarshamn – projekt kärnavfall. Ändrad projektorganisation: Underlag upprättat av LKO:s utvecklingsgrupp, 24 April.

- NEA (1995), 'The environmental and ethical basis of geological disposal of long-lived radioactive wastes: A collective opinion of the Radioactive Waste Management Committee of the OECD Nuclear Energy Agency', OECD/NEA policy paper, Paris.
- NEA (2001), 'På väg mot geologisk slutförvaring av radioaktivt avfall: Omvändbarhet och återtagbarhet. En internationell diskussion om möjligheterna att gå tillbaka ett eller flera steg i processen', NEA/OECD 2001, Swedish translation 2002, Ministry of the Environment, Stockholm.
- Nowotny, H., P. Scott and M. Gibbons (2001), *Re-thinking Science, Knowledge and the Public in an Age of Uncertainty*, Cambridge: Polity Press.
- Public consultation meeting (2005), 'Notes from observation of public consultation meeting', Börstil, Spring 2005.
- Public consultation meeting (2006a), 'Observation of information meeting, taking place before the public consultation meeting', Oskarshamn, Spring 2006.
- Public consultation meeting (2006b), 'Observation of public consultation meeting', Figeholm, Spring 2006.
- Rawls, J. (2001), *Justice as Fairness: A Restatement*, Cambridge, MA: Harvard University Press.
- Ruchi, A. (2004), *International Environmental Justice: A North South Dimension*, Aldershot: Ashgate Publishing.
- SKB (2004), 'SKB Utökad samråd enligt miljöbalken. Sammanställning 2003', SKB, April.
- SKB (2005), 'Pressmeddelande. Svenska folket vill se kärnavfallsfrågan löst', 18 May.
- SKB website, [http://www.skb.se/default2\\_\\_\\_\\_\\_16778.aspx](http://www.skb.se/default2_____16778.aspx), last visited 23 May 2008.
- SKN (1988), 'Ethical aspects of nuclear waste, some salient points discussed at a seminar on ethical action in the face of uncertainty, Stockholm, Sweden, 8–9 September 1987', SKN Report 29, a short summary in English of 'Etik och Kärnavfall', SKN Report No. 28, 1988, available from KASAM, Stockholm.
- Sonerud, L. (2007), 'Allmänhet, expertis och deliberation. Samråd om slutförvar av kärnavfall', Score Working Paper 2007:1, available at [www.score.su.se](http://www.score.su.se), also published as an SKB report R-06-118, Stockholm: Swedish Nuclear Fuel and Waste Management Co.
- Sundqvist, G. (2002), *The Bedrock of Opinion: Science, Technology and Society in the Siting of High-Level Nuclear Waste*, Dordrecht: Kluwer Academic Publishers.
- Sundqvist, G. (2005), 'Expertisens gränser och samhälleliga utbredning. Exemplet slutförvaring av kärnavfall', Score Working Paper 2005: 2.
- Visser 't Hooft, H. (1999), *Justice to Future Generations and the Environment*, Dordrecht: Kluwer Academic.
- Wynne, B. (1995), 'Public understanding of science', in S. Jasanoff, G.E. Markle, J.C. Peterson and T. Pinch (eds), *Handbook of Science and Technology Studies*, London: Sage, pp. 361–88.
- Wynne, B. (2005), 'Risk as globalizing "democratic" discourse? Framing subjects and citizens', in M. Leach, I. Scoones and B. Wynne (eds), *Science and Citizens*, London: ZED Books, pp. 66–82.
- Yearley, S. (2005), *Making Sense of Science: Understanding the Social Study of Science*, London: Sage.



## 13. The antinomy of accountability

**Luigi Pellizzoni**

---

### INTRODUCTION

I have in my hands the Environmental Report of an Italian chemical firm,<sup>1</sup> drawn up according to the Responsible Care programme. The programme is described as a voluntary initiative aimed at overcoming mere compliance with regulations in favour of ‘an ongoing improvement of performance and dialogue and transparency towards all components of society’. Upon skimming the text and tables of this report, the typical lay citizen’s questions spring out. How should I evaluate the tasks specified in the company’s action plan? Did they actually deserve to be prioritized? How should I consider financial investments, technology improvements and performance records (regarding emissions into the atmosphere and water, for example) contained in the report? Do they represent major commitments and achievements or negligible ones? To assist in interpreting the report, it would be helpful to have some training in chemical engineering and financial accounting and to be able to draw comparisons with the records of other firms. Yet these aids could hardly solve a problem. If, as the report states, the company is committed to combining corporate profit and sustainable development, what is missing is precisely this information: how the two goals have been balanced by the subject that retains an unquestioned right to do it – the company itself. A proper scrutiny of the scope of its environmental commitment would require a detailed analysis of the entire corporate policy; access to confidential information would likely be needed. Ironically, the exact meaning of the report can be understood only by people like the corporation’s top managers who already possess all the relevant information.

There seems to be a core antinomy in accountability – a paradox, a contradiction. Complete fulfilment of the aims of accountability corresponds to its emptying. Full accountability is possible only between identical subjects; but then it is a circular, self-referential exercise with no actual purpose and content. I can tell you everything and you can grasp everything I say if you are just like me; but then you have nothing to learn from me and I have nothing to learn from you. Complete disclosure verges on closure and

silence. This classic political problem becomes particularly troublesome in current governance arrangements, of which environmental reporting represents a typical example. To be fruitful, accountability must circumvent self-reference and address alterity; it must be opened up to unexpected questions and unforeseen claims.

This is the argument I develop in this chapter.<sup>2</sup> As described by systems theory (Luhmann, 1984), different forms of circularity are relevant to accountability. Elements of a system, for example clauses of a contract, may account for each other. Processes such as accounting operations may apply to themselves. Systems may refer to themselves; for example, accounting procedures may appeal to general principles of accounting. Systems may self-reproduce, being at the same time open and closed to their environment; for example, accounting rules may specify when they should be amended, so that any event can be classified as relevant or irrelevant in this respect.

From a historical viewpoint, the antinomy of accountability has characterized political modernity from its beginning and has been described in many ways. Hobbes's *Leviathan* expresses the will of individuals who submitted themselves to his own will. Being subjected to him, they are subjected to themselves; thus he is fully accountable to them, yet an account is neither necessary nor due. For Schmitt (1922), sovereignty consists of the ability to decide upon the exception to the rule. A sovereign is at the same time within and outside the legal order, allowed to adjudicate a case by disregarding any existing rule. Sovereigns are rulers unto themselves, thus at the same time accountable and unaccountable to anyone. Similarly, for Benjamin (1977), law originates from an act of violence that cannot be legally justified. Attempts to make legal systems fully accountable inevitably result in paradoxes. On what grounds, for example, can a constitutional rule be self-entrenched, implying that its own change is not allowed? Can an amendment clause be applied to amend itself (Suber, 1990)?

For centuries this antinomy remained hidden within political and legal systems, springing out only in dramatic historical passages – revolutions, totalitarian rule (Agamben, 1998). Liberal democracies kept the antinomy at bay by extending citizenship rights in increasingly differentiated and secularized societies while preserving a reference to ‘the people’ as the source of power to which its exercise must be accounted. This normative ideal has been questioned, however, by the growing individualization and privatization of social relations and the increasing focus on personal autonomy understood as ownership of oneself and the outcome of one's labour. Freedom of will has been increasingly conceived of as the possibility of fully expressing one's own subjectivity and individuality in order

to immunize oneself from onerous communal belongings and duties (Esposito, 2002). The means by which this can be obtained is contract. As a form of social regulation, contract differs from both reciprocity and covenant; a contract entails the making or renewal of a social tie, whereas reciprocity and covenant entail a forward-oriented pledge. Contract entails a strict definition of the terms of exchange and a permanent liquidation of obligations. It allows for the obtaining of one's desires without engaging in personal, enduring relationships with others (Godbout, 1998).

Accountability is stressed as being a core element of new forms of governance (EC, 2001). It should help preserve what keeps society together, as state or community-centred relationships of responsibility lose relevance. Yet this purpose may be hindered by the contractualization of social relations. Trust, legitimacy, solidarity and other social goods increasingly depend on the ability of contractual arrangements to replace traditional forms of vertical and horizontal answerability. The problem is, however, that the logic of contract is intrinsically self-referential, preventing any account to and for whatever lies outside the world produced by the contract itself.

A thorough elaboration of this argument would extend far beyond the limits of this chapter. In the following discussion, I use a few concepts drawn from governance studies, political philosophy and social theory, and my empirical references focus primarily on the environmental field. I do not pretend to advance any definitive statement, therefore – merely to outline what seems to me a major issue. The first section addresses the problem of self-reference by examining the last wave of contractual arrangements in environmental governance. I then elaborate on the notion of the public as a core element of accountability and discuss in greater detail the self-referential structure of contract and its implications. Finally I compare two ways of coping with the antinomy of accountability: celebrating self-reference and dealing with alterity.

## ACCOUNTABILITY AND SELF-REFERENCE IN ENVIRONMENTAL GOVERNANCE

Accountability is an intrinsic feature of reciprocity in human relations and a core feature of democratic systems. Why is it attracting such interest? Answers usually point to the current transformation of governance from a state-centred hierarchical steering system to decentralized horizontal networks of public and private actors that have resulted from neoliberal reforms or, as an unforeseen effect, from the combination of these reforms with a self-steering globalization of economies (Strange, 1996). The expanding public roles of private actors – their growing explicit engagement in the

policy process – combined with the consequent blurring of the distinction between public and private, call for an increase in controls (Power, 1997). Interactions between interdependent actors, supposedly equipped with the best knowledge of the state of affairs in their fields, may be expected to improve policy effectiveness and efficiency; this cannot be taken for granted, however, and must be accounted for. In its turn, legal liability increasingly depends on compliance with contractual or single-handed obligations rather than the rule of law.

The rise of accountability has also been linked to the growing salience of the semantics of risk, the latter being a consequence of the detraditionalization and individualization of society (Giddens, 1990). These processes increase social complexity and entail a decline of authority and the traditional ties of solidarity. The weaker the perceived legitimacy of power (that is, the weaker the authority), the stronger the requirement of justification; the weaker the sense of belonging, the weaker the grounds for the division of labour and for the distribution of burdens and benefits (for example, the right to hold social positions, to manage public questions, to define collective goals and to obtain valuable resources), the feebler the shared assumption of responsibility for the consequences of decisions and the higher the requirement of justifications and accounts (Pellizzoni, 2005). Trust investments are not replaced by accountability arrangements, however. They are simply shifted from actors to controllers – controllers who are often depersonalized into expert systems and procedures of verification, of which the supposed beneficiary has little knowledge. Organizational artefacts replace interpersonal relations.

An example of this trend can be found in environmental policy. A third generation of approaches (after command-and-control and market-based regulation) has emerged since the 1990s and includes three main categories of instruments (Prakash and Kollman, 2004): mandatory information disclosure through labels or emission registers such as the US Toxic Release Inventory Program (TRI); business–government partnerships such as the US 33/50 and Project XL programmes or the Dutch covenants; and government- and non-government-sourced management systems, such as ISO 14001, EMAS, the chemical industry's Responsible Care initiative or the certification system of the Forest Stewardship Council (FSC). These instruments can be regarded as part of a broader family of corporate social responsibility (CSR) approaches aimed at contributing to sustainable development and enhancing quality of life, the common feature of which is to be found in their voluntariness (Bendell and Kearins, 2005). In its turn, CSR is part of a broader growth of 'civil regulation' (Vogel, 2006) or 'private governments' that include, for example, the so-called *lex mercatoria*, the corpus of trade usages developed outside national legislation that

resembles, to some extent, the 'merchant law' of the Middle Ages (Teubner, 2002).

According to their supporters, third-generation environmental policies (and, more generally, CSR initiatives and private governments) effectively address the problems of command-and-control and market-based regulation (Prakash and Kollman, 2004). Command-and-control mechanisms – consisting basically of a target, like an emission limit for a pollutant, and a penalty to be applied if such target is not met – result in (1) over-legalization; (2) inflexibility regarding the dynamics of technology and economy; (3) prevention of 'fine tuning' to specific social or environmental conditions; (4) knowledge gaps in the environmental and health impacts of human activities and people's willingness to bear cost schedules for regulations; (5) money being spent on relatively insignificant risks; and (6) requirements for effective and costly monitoring and sanctioning systems.

Rather than requiring compliance with a legal obligation, market-based instruments seek to exert influence on their addressees, a typical example being fiscal charges on emission units of pollutants. These instruments provide more operational flexibility. They also require effective monitoring and sanctioning, however, together with well specified property rights; that is, they require effective state-centred institutions and regulations. Moreover, approaches such as tradable permits legitimize arbitrarily settled levels of pollution and may promote relocation of polluting activities to less expensive neighbourhoods inhabited by disadvantaged groups.

Against these drawbacks, stronger environmental protection or higher economic efficiency with an equivalent environmental performance are ensured – so the argument goes – by promoting 'beyond compliance' corporate behaviour and building on the direct interaction of private actors. Even information disclosure (van den Burg and Mol, Chapter 11) is not 'mandatory' in the traditional sense of command-and-control regulation: it does not specify required outcomes, but leaves firms free to self-regulate on the grounds that it is in their interest to present themselves as 'green' to their contractual stakeholders (customers, suppliers, bondholders) and non-contractual stakeholders (from neighbouring communities to the public at large). Thus all third-generation instruments follow a contractual logic. If no formal deals are made they basically consist of single-handed obligations towards specified or unspecified 'counterparts'.

An impressive bulk of literature has grown up around third-generation environmental instruments, yet their evaluation remains controversial (Gunningham and Grabosky, 1998; Steinzor, 1998; Prakash, 2005). In part, the controversy may be due to the lack of sufficient empirical data and the necessity of using counterfactual reasoning to compare voluntary and self-regulation mechanisms with command-and-control and market-based

mechanisms (EEA, 1997). Major criticisms seem to refer, however, to accountability, whether directly or indirectly. Corporate ecological commitments cannot be taken for granted (which brings us back to the issue of controls and sanctions); such commitments may be mere ‘greenwashing’ (Laufer, 2003). Sectoral targets may encourage free riding, whereby polluters take advantage of the improved performance of other firms (Börkey and Lévêque, 2000). Agreements may be used to postpone or forgo stricter command-and-control regulation (EC, 1997). Inadequate monitoring and sanctioning weakens the impact of many voluntary commitments (Bressers and de Bruijn, 2005). Thus accountability is crucial.

Reliability of decision making, and of subsequent verification, is a matter of hindsight, insight (access to and selection of information), foresight (ability to process information), and independence from the accountable actor. These qualities are not easily achieved and may be conflicting. ‘Third-party’ verification performed by independent organizations should be more reliable than ‘second-party’ verification conducted by trade associations or other industry groups. As many scandals testify, however, even independent auditors may be tempted to accommodate the businesses they certify (Kerwer, Chapter 6). Moreover, auditors may suffer from informational asymmetries (Power, 1997) – gathering and interpreting data may be exceedingly difficult or time-consuming if the accountable actor is reluctant to cooperate – which may press them to concentrate on documents rather than on facts and to respect formal requirements rather than substantive outcomes (Kimerling, 2001).

There is another, possibly crucial, point arising from some criticisms (Ost, 1994; Steinzor, 1998; Pellizzoni, 2004). Voluntary regulation and self-regulation should, ideally, combine particular interests with general ones. Such a combination does not necessarily result in state-of-the-art environmental performance, however. Verification usually focuses on how a given goal has been pursued or achieved rather than on how and why such a goal has been set. This situation arises not so much because of faulty accountability designs but because of the logic of voluntary regulation. The alleged efficiency of such regulation in the face of growing difficulties in setting reliable output standards depends precisely on the fact that goals and means are negotiated or defined by the firms themselves. As economic actors with the autonomy to do so, they retain the right and duty to ‘use their resources and engage in activities designed to increase their profits’ (Friedman, 1962, p. 133). Stakeholders and auditors have no way of knowing the breadth of more ambitious environmental goals that the firm may have rejected because of cost. Accountable actors set the frame of their accountability, therefore, and there is little possibility for stakeholders and auditors to question their choices.

These considerations are not limited to environmental issues, but resonate with broader discussions about CSR. 'Partnerships can develop only where the company is interested in achieving the goal concerned . . . [and] the range and level of obligations [firms] are expected to fulfil are largely left to their discretion' (Newell, 2005, pp. 545–46). For example, 'crucial economic issues tend to be excluded from the contents of CSR standards' (Frynas, 2005, p. 587). Such issues include the impact of industrial infrastructure on the subsistence of local people, firms' freedom to invest and divest at will, and the drawbacks for national economies of a heavy reliance on the export of natural resources. Thus usable, fruitful accountability seems to demand more than information, competence and independence. It requires access to the framing of issues. The accountable actor's self-definition of issues and goals dramatically narrows the scope of deliberation about choices or verification of their implementation. Involvement of contractual and non-contractual stakeholders is not an automatic answer. Such involvement may even worsen the problem, to the extent that the good of someone is misleadingly taken for the good of all. The issue of participant selection and equal stance is intensively debated both in the literature on public deliberation (Parkinson, 2003) and in the CSR literature. Stakeholders' representatives are often bound to accept the issue-framing done by the accountable actor. Or, in questioning it, these representatives usually defend their own interests and viewpoints, taking stances that do not necessarily coincide with the views of unrepresented stakeholders. Because NGOs, government representatives and academics have their own agendas, it is possible for them to be captured by the answerable interests (Bendell and Kearins, 2005). There are also problems of 'intra-community accountability' (Newell, 2005), whereby women and younger people, particularly in developing countries, are often left outside deliberative settings. On the whole, the most resourceful participants may override the others (Boström, 2006). Entrusting selection to the accountable actors increases the risk of a narrow representation of concerns, of course. On the contrary, suitable procedural rules may lower the risk of imbalances. For example, FSC seeks to balance the decision-making power of social, environmental and economic interests (Gulbrandsen, Chapter 4). The basic problem, however, is that broadening inclusion does not by itself ward off self-reference in issue framing, but simply broadens it. As a consequence, residual externalities of decisions may become difficult to recognize.

Accountability can be enlarged beyond formal settings of deliberation or verification by providing information to 'extended peer communities' (Funtowicz and Ravetz, 1993) composed of various categories of stakeholders, as happens with mandatory information disclosure. This step

alone, however, does not provide a solution to the problem of accountability framing.

On the one hand, such communities have even less opportunity than do those taking part in proper deliberative settings to bring such framing into question, for they must rely on the information spontaneously provided by the answerable actor. Although accessible and comprehensible, such information may say nothing about the reasons for a technical or commercial choice – about other possible options and why they were discarded. Moreover, extended communities are able to express their dissatisfaction only indirectly, through the market or the public sphere.

On the other hand, we are confronted again with the problem of self-definition of the terms by which an assessment is conducted. Consider so-called ‘political consumerism’. Consumers increasingly choose ‘producers and products with the goal of changing objectionable institutional or market practices’ (Micheletti et al., 2004, p. xiv), according to considerations of justice, fairness, personal and family wellbeing, animal welfare, or environmental protection. Through boycotts and ‘buycotts’ they conduct ethical or political assessments of business and government practices. Although sometimes ‘unreliable and capricious’ (Micheletti et al., 2004, p. xv) and exposed to ‘greenwashing’ and other forms of manipulation, ‘political consumerists argue that citizen concern for their private lives can be used in a beneficial way for society at large. Privately oriented virtues have, thus, a public role to play’ (Micheletti, 2003, pp. 159–60).

This is the crucial point, because it mirrors on the demand side what CSR and third-generation environmental instruments assume on the supply side. Actually, when consumers ‘engage in collective action in very concrete, problem-oriented local networks’ (Micheletti, 2003, p. 20), they are engaging in what is to be considered traditional forms of social mobilization. The novelty of political consumerism lies in its reliance on *individual* specifications of a firm’s answerability, personal assessments of the public good, and the effects of one’s own shopping behaviour.<sup>3</sup> Research suggests, however, that decisions are affected by their setting: political consumers are more likely to be agenda takers than agenda setters, tending to accept government or corporate issue framings more easily than do organized groups (Tovey, 2005). As with corporate self-regulation, therefore, the question is: can any public interest be privately, self-reflexively defined?

## ACCOUNTABILITY AND PUBLICNESS

Being accountable or answerable means being required to justify one’s own conduct by providing reasons and explanations for such action (Pellizzoni,



2004). Accountability is usually described in terms of a dual relationship between principal and agent. This description is likely to be inadequate, however. As we have seen, the transformation of governance is said to blur the distinction between the public and the private. But what is public and what is private? Without turning to the endless literature on this issue, one can observe that agents may be confronted with seemingly different types of principals. The preceding section showed that the adoption of CSR initiatives is expected to be economically viable yet also ecologically and socially viable. Such initiatives should be able to combine private and public interests effectively by means of agreements rather than through a ruling authority or through market mechanisms, and should be justified by shareholder and stakeholder interests. Regarding the relationship between corporate managers and owners, the latter represent a third party. This is not a novel situation. Traditional financial accounts address both shareholder and stakeholder concerns.<sup>4</sup> Stakeholder concerns are assuming increasing weight, however, with new actors and claims coming to the fore, to the point that 'corporate self-regulation [may] reflect not so much a desire by corporations to govern themselves but a need to respond to public pressure' (Falkner, 2003, p. 79) in a context of growing independence from the state.

This trend draws attention to a theoretical point: the notion of answerability refers to a justification of one's own conduct in front of a judge (Pellizzoni, 2004) – towards a third party. This relationship is also at the core of the notion of publicness (as opposed to privacy). Public discourse has been related to three different codes (Ku, 2000): inclusion/exclusion (*who* is able to speak), openness/secretcy (*what* it is possible to talk about), and accountability/unaccountability (*how* one is allowed to talk). The latter probably represents the key element. According to Dewey, 'a public consists of all those who are affected by the indirect consequences of transactions to such an extent that it is deemed necessary to have those consequences systematically cared for' (1927, pp. 245–6). Publicness thus entails acknowledgement that someone is entitled to meddle in our own business, to have a say, to judge it. Transactions are private when their consequences are deemed to affect only those actors who are directly involved; they are public when participants (whoever they are and whatever they are talking about) discuss and act (also) by considering external interests and viewpoints. As a consequence, what is public and what is private cannot be specified in substantive terms, once and for all.

Thus if inclusion is a matter of democracy and openness is a matter of transparency, accountability is a matter of publicness. It involves a third party (the public). There is no 'private accountability' as such: any account requires a reference to independent viewpoints and criteria. To judge means

to confront the object of judgement with a (cognitive, normative, affective) term of reference that lies outside the relationship between agent and principal. Such a term – the third party, the public – must be specified. The third party is not ‘one of us’, a mirror of us, or a total alien. Confrontation requires a benchmark, some entitlement and ability to look at, question, evaluate. The third party looks like a ‘stranger’ (Simmel, 1908): close and distant, member and nonmember, an involved but detached observer. The third party belongs to a broader ‘us’ that we grasp but have to qualify. Being accountable *to* somebody implies saying *who* the latter is, for *what* we have to account and *how*, by using what language and what factual or principled references.

Providing an account therefore means first acknowledging a difference between ‘us’ and ‘them’ and then searching for those elements that single out such a difference and that may provide terms for inclusion. Inclusion is always tentative and contingent. It can be more or less adequate, according to our ability and willingness to grasp and address difference. Many factors affect our understanding of this third party, the public: our awareness of possible consequences of our actions; how we define such consequences; our normative judgements about the consequences we deem to be requiring control; and who we regard as being directly and indirectly involved (Geuss, 2003). Defining the public is a difficult task, particularly if it is a counterfactual, self-reflective endeavour, as with future generations or interests not represented at a deliberative table. The risk is failing to ‘make the other strange’ (Gurevitch, 1988), that is producing a mirror of oneself, *starting* from an ‘us’ rather than *reaching* it, or finding ‘thirdness’ within sameness and identity rather than the opposite. If this happens, accountability becomes pure self-reference and publicness becomes privacy. Typical indications of private, self-referential, fictitious accountability are a lack of friction between answerable subjects and their public, statements about third-party concerns as being ‘entirely our own’, and disappearance of conflict or unaddressed questions.

This is the antinomy of accountability. The latter requires publicness, thirdness, alterity. But then its task can never be entirely fulfilled. Should this happen, it would contradict itself; if agent, principal and public overlap, everything can be said, but nothing needs to be said. Everything the accountable subject does is just what everyone would have done or asked for. Full accountability is possible only between identical subjects as a self-reflexive, empty exercise, a mirror that mirrors itself. Accountability is a fruitful endeavour, therefore, only when it acknowledges otherness as something that cannot be returned to sameness (Shearer, 2002) and engages with it in a never-ending dialogue in which reciprocal understanding is always partial and contingent.

## RE-ENTERING THE PUBLIC: ACCOUNTABILITY AND SELF-REFERENCE IN CONTRACTUAL ARRANGEMENTS

To whom and for what may one be required to account? Situations vary widely. Yet, at a basic level, any account refers to a community and a solidarity framework according to which a division of labour – a particular distribution of roles, burdens and benefits – is legitimized. As noted, justifications appeal, though often indirectly, to acknowledged rights to hold social positions, manage questions of common interest, define collective goals, take communal responsibilities, and obtain valuable resources. Such a distribution of social goods is maintained as ultimately being in the interest of ‘all’ – agents, principals and acknowledged third parties.<sup>5</sup>

Accountability spreads today in a context of declining state and community-centred institutions in which a growing number of public goods become common goods, with consequent problems of under-maintenance and over-exploitation and need of regulation.<sup>6</sup> This is due to an increase in the number of users and their ability to exploit goods as a result of scientific and technical advancement and other intertwined reasons: demographic, economic, political, legal, cultural, and ‘natural’ (not ascribed to human action). When one breathes air polluted by industries and traffic; when access to a beach is hampered by crowds of tourists; when a town council transforms a park into a building site; when new biotechnologies select and transfer genetic traits from one living being to another – in these, as in many other cases, air, sunshine, land and genes are perceived as common goods rather than as public goods.

Weakened state authority and weakened communal ties, in combination with an increased need for regulation, lead to fully privatized accountability arrangements. Traditionally, limits are set on the owners’ freedom to decide about their use of goods and about non-owners’ access to such goods. Property rights and contract capabilities are subject to the rules of law, aimed at protecting nonuser, public interests. The scope of this endeavour is narrowed by the decline of command and control regulation, however, and by the spread of private governments, with major implications for accountability. The more the freedom of private actors is confronted with a ruling authority, the more their accountability can ultimately be returned to the political forum where the regulatory frame has been established.<sup>7</sup> The weaker such a frame, the greater the actors’ freedom to find balance between various interests – their own and those of the public – as specified by themselves. Third parties no longer impinge on the contract as a transcending principle (the people’s will, the common good) that finds concrete inflection in the mediation of competing

interests within political institutions; they become a fictitious entity produced by the contract itself.

Environmental policies offer ample evidence of that. Many third-generation instruments create clubs of users that share a non-rival interest in their use and maintenance (Prakash, 2005). Firms that subscribe to voluntary agreements or adopt ISO 14000 or EMAS are expected to take them seriously, bearing the related costs, because the expected benefits depend on the effectiveness and credibility of their application. The alleged strength of the approach lies precisely in this squaring of the circle: firms act in their own interest, improving market competitiveness and attractiveness, while simultaneously acting in the interest of the public, improving economic efficiency and environmental protection. Yet, as noted, they cannot be made accountable for anything more than those commitments that they have negotiated or freely established with a single-handed obligation. The same happens with any CSR or consumer initiative, to the extent that accountability is framed by the answerable actor or its principal.<sup>8</sup> Accountability, therefore, ultimately depends on how the parties to a formal or implicit deal define the public. Such parties are sovereign precisely in Schmitt's (1922) sense. They decide on a state of exception. No overriding rule may be applied to define and balance private and public interests. They are rulers of themselves.

Systems theory provides what is perhaps the most stringent description of this issue. According to Luhmann, 'in a fully individualized, functionally differentiated society, any individual system can perceive external inputs only in terms of "perturbations" or "irritations" that to become meaningful need to be interpreted according to its own code' (Luhmann, 1993, p. 494).<sup>9</sup> That is why political steering becomes increasingly problematic. If politics operate through the exercise of power and economy is sensitive only to money, the former cannot drive the latter, but can aspire only to promote its self-steering, a self-amendment in the desired direction (Luhmann, 1997). As citizens, persons may be committed to reducing environmental damage or promoting development. As entrepreneurs, they cannot but look at the cost effectiveness of their business, if they are to survive.

If a proper translation is impossible because any individual system works according to its own code, however, how do 'irritations' operate? According to Luhmann, they work through *re-entries*. 'A distinction re-enters itself if it is copied into itself. It then reappears as part of its own space, as part of what it distinguishes' (1993, p. 485). Re-entry thus designates a process by which an observation – the distinction of something from something else (an act of sovereignty in Schmitt's terms) – is reproduced within one of the poles of the distinction; 'It is the "internalization" of the external/internal distinction' (Teubner, 2002, p. 205).

The public thus becomes a distinction internal to the private pole of the distinction between private and public. What is public and what is private is privately established. The external becomes a category of the internal. The third party is included only in the sense that it re-enters as a codified description. The differentiation between the inner and outer side is internalized and so becomes 'visible' and 'meaningful'. For example, cost-benefit analyses or insurance programmes re-enter the difference between monetary and non-monetary values by fixing a monetary value to the latter, as with the loss of a human life. Firms re-enter the distinction between profit and environmental protection or community development by assessing the profitability of ecological or development programmes. Consumers re-enter the difference between tastes and ethical or political issues in their own buying behaviours – that is, through their choices of taste.

Thus if in principle nothing prevents self-regulating actors from looking for and listening to third-party claims, in an increasingly individualized and differentiated society there are fundamental obstacles to this endeavour. Consider what the structure of contract implies. (1) Actors are understood to be fully rational and autonomous individuals – literally 'non-divided'; that is, they are viewed as self-sustaining, cohesive units. (2) They are only contingently tied and definitively released after completion of the exchange. (3) Any power asymmetry disappears behind the formal equivalence of counterparts. (4) Exchange is symmetrical because it is so defined by the counterparts' will; thus goods are perfectly substitutable, among themselves and with money. (5) No other concern is relevant unless specified and accepted by the contracting parties. (6) To be considered, third-party interests must be made to fit in the deal; the contracting parties are, by definition, the only stake- and goal-setters. Thus the public is tailor-made, framed within the issue as defined in the deal.

Regarding the contracting parties, their formal equality is apparently similar to the one typical of political fora. To ensure substantial equality means to limit or ban restrictive covenants favouring the more powerful parties. The weaker the weight of political and legal institutions, however, the lower the probability of enforcing suitable rules. Moreover, even the most sensitive, well meaning parties may find it difficult to consider public interests. Voluntary regulation and self-regulation do not provide fora for dissecting and discussing issue framings that are comparable to those of political institutions, with their broadness, transparency and democratic stance. Admittedly this is, in part, a matter of designing appropriate deliberative procedures. The literature on CSR and private governments show, however, that profitability provides a meta-frame overarching any other issue and concern. By their very nature, 'companies are not development agencies' (Frynas, 2005, p. 593), which means that even the most publicly

oriented initiatives are likely to be framed by self-regarding aims (for example, improving corporate image, maintaining a stable working environment). When substantial benefits are provided, they are usually ‘philanthropic gestures’ (Frynas, 2005; Newell, 2005) rather than proper responses to stakeholder needs and claims – they are sovereign decisions by which the good of others is self-referentially defined.<sup>10</sup>

In summary, within political institutions, the antinomy of accountability – the community as accountable to itself for itself – was somehow circumvented by providing suitable fora for the confrontation of concrete interests, the public one resulting from contingent agreements, the scope and fairness of which was related to the effectiveness of rules enforced under the assumption of a reciprocal political obligation. Such fora, adjusted and refined by trial and error over a number of centuries, are now increasingly replaced by or reproduced within and according to contracts or single-handed obligations, with the sovereignty to decide about public interest taken by private actors. The narrower the scope of such sovereignty (for example, profitability as a meta-frame, self-organization of deliberative fora, limited acquaintance with issues reaching beyond the scope of organizational activity), the narrower the sovereigns’ view (their willingness and ability to conceive) of third parties, and the more self-reference shines through. If social, economic and political change threatens the traditional bases of trust, legitimacy and solidarity, contractualization seems to be an insufficient response. Rid of old institutional constraints, the antinomy of accountability spreads like a worm in the networks of governance, possibly further eroding the social ties.

## **COPING WITH ANTINOMY: CELEBRATING SELF-REFERENCE OR ADDRESSING ALTERITY?**

The problem outlined in this chapter has the structure of a deadlock. The crisis of state-centred political institutions reveals the antinomic core of their relationship with citizens. Efforts to make institutions more transparent and accountable are confronted with growing dissatisfaction with their unaccountable and inefficient self-referential logic. Governance as an answer to the weakening of traditional bonds of trust, legitimacy and solidarity tries to thrust back the problem by transferring powers to horizontal networks while simultaneously strengthening their accountability. The contractual structure of networks, however, reproduces and spreads the antinomy. Governance may promote reflexivity in regulation, but not necessarily in the positive sense usually stressed. The ambivalence of the term – reflexivity as extrovert learning or introvert mirroring of oneself – is indicative of the ambiguity of the entire process.

Indeed it is possible to acknowledge this issue without drawing negative conclusions about its social effects. Again, systems theory provides the cleverest version of this argument. If individualization and differentiation of society entail a growing 'collision of discourses' (Teubner, 1996), what are the results of a 'link-up' that operates through 're-entries'? If Luhmann is ambivalent on this point, Teubner is explicit, maintaining that the spread of autonomous private governments is capable of effectively replacing the old social order, and that the interaction among these governments produces a spontaneous harmony by means of 'productive misunderstandings' (Teubner, 2002). From this viewpoint, accountability works because it is misleading, not in spite of its being misleading. Accountability provides misunderstood answers to misunderstood questions. So, for example, many development initiatives exist because firms interpret community needs in terms of philanthropic gestures to 'calm down' their social environment, while local people read their own deprivation as an 'entitlement' to receive gifts (Frynas, 2005). Similarly, companies respond to consumers' political or ethical questions because they interpret them as economic questions (shifts in product demand) – the only ones that make sense for them – whereas consumers welcome modifications in product provision because such changes meet their concerns. One could argue that consumers may understand firms, but simply do not expect firms to exhibit sincere ethical commitment. Yet consumers' concerns are *not* economic, as are the concerns of firms: a fundamental mismatch of meanings remains, and the bet is that non-economic aims can be re-entered in full as economic aims. Actually there are some basic questions. What (there is no possible who!) ensures that any desired outcome will be achieved? Why should misunderstandings be productive rather than destructive? Above all, in a context of reciprocally unaccountable actors, who is entitled to decide that an outcome is positive or negative – in what respect and for whom? Can agreements be considered positive, independent of which sovereigns make the crucial distinction between private and public interests and between sameness and otherness?

Indeed the very notion of a productive misunderstanding is contradictory because, by definition, a process with no drivers can have no purpose. On closer examination, one grasps that the systems perspective on governance suggests a new version of the invisible hand: a mysterious, quasi-magical meshing of fully independent and reciprocally insensitive spheres of action. Such reformulation, however, is even more problematic than the original. On the one side, the invisible hand rested on a network of broader social ties (Sen, 1987), now remarkably weakened. On the other side, the invisible hand was supposed to work, as it were, 'automatically': individuals contributed to the common good by simply looking after their own

interests; whereas, in its 'governance' version, they decide at the same time upon their own good and the common good. Win-win outcomes, however, can hardly be taken for granted. In developing countries there are plenty of 'non-functioning white elephants' (Frynas, 2005, p. 587) – unfinished buildings, unused machines, broken devices – testifying to the failure of dialogues of the deaf, misunderstood misunderstandings between companies and local people. And consumers' ecological concerns often create new market segments, with a consequent increase in resource depletion and waste production. The sovereigns of the distinction between private and public are expected to gain, first and foremost, merely because they re-enter the public interest in their own private interest. Whether or not benefits will reach the environment, disadvantaged groups and other stakeholders, and what those benefits will be, are questions that a self-referential accountability is ill equipped to address.

The idea of productive misunderstanding, like that of 'structural coupling' or 'resonance' (preferred by Luhmann, 1993), is indicative of the difficulty of conceiving of something – a bridge or a tie between functionally differentiated spheres – that is still needed if society is to survive, but is extraneous to a logic of separation, immunization and unaccountability. This logic lies deep inside modernity, the contractualization of governance representing its full-fledged expression.<sup>11</sup>

Modernization is an encompassing process centred on rationality, universal rights of individual freedom and equality, and a dynamic and forward-oriented vision of life. Everyone is now or will become a citizen, accountable to fellow citizens – that is, to oneself. There is no one outside the modern city – no one worthy of consideration. If there are people 'out there', they look like barbarians; I use the word in its original meaning, to be found in Plato or Aristotle (Berti, 2003). Barbarians are people who talk a totally different language, so it is impossible to dialogue with them, to grasp and consider their claims. There is no way for the two parties to understand each other. There is no dialogue and no reciprocal accountability. The only possible relationship with barbarians is war – unless they begin speaking our language, unless they apply for the status of citizens.

We can recognize here a typical stakeholder dilemma that is involved in CSR. Stakeholders can enter into 'community-based accountability strategies'; that is, they can pursue informal, sometimes illegal, 'micro-strategies of resistance' like petty sabotage and blockades or 'popular and worker epidemiology', aimed at 'registering dissent rather than expecting to bring about change in the behaviour of the company' (Newell, 2005, p. 547). Or stakeholders can attempt to gain weight in private governance at the cost of leaving unpacked its underlying premises (overall benefit of profit-seeking initiatives and market as a driving force, for example), leading to



forms of interdependence or cooptation that automatically legitimize corporations and entail a loss of cognitive, normative and financial autonomy (Falkner, 2003; Klintman and Boström, 2004).

Although a major part, this is only part of the story. Self-reference dominates, but it does not totally bar a dialogue between identity and alterity. The literature on environmental governance and CSR reports cases of successful dialogue and constructive relationships of accountability; and this in a variety of contexts ranging from Swedish eco-labelling (Boström, 2006) to Nigerian community development initiatives (Frynas, 2005). These cases usually entail time- and energy-consuming efforts to provide fair and broad representation of concerns, promote community empowerment, and establish appropriate fora for confrontation and reciprocal learning.

Insight from case studies is valuable. It may help us to understand the extent to which corporate commitments in a context of competition and growing stakeholder awareness and expectations promote a snowball effect, for example. It may also help us to grasp the role of unconditional cooperation, the unconstrained assumption of responsibility, retreat from the exercise of a power and intentional payment of avoidable costs, which seem to lie at the core of some successful experiences (Frey, 1997). Such features share a resemblance with a particular form of gift: the nonreciprocal, open, 'first' gift (Simmel, 1908) with which, as with blood donation or a mother feeding her baby, one 'gives something for nothing' (Gouldner, 1973), renewing the social tie beyond the symmetrical relationship of contract and formal reciprocity (including modern citizenship) and beyond the closed, self-referential asymmetry of corporate philanthropy, humanitarian aid and any other gesture of sovereign benevolence.

If, as has been argued (Esposito, 2002), what we have in common is what is not our own, it is an absence rather than a presence, a deficiency rather than a good, an original gift that can never be fully reciprocated, then the best clue to how we can circumvent the antinomy of accountability is perhaps provided by the distinction between barbarians and strangers. To grasp this concept we can look again at ancient Greece. Strangers, as opposed to barbarians, were recognized as part of a deal by which reciprocal rights and duties were defined (Derrida, 1997). Strangers did not become citizens; they retained their status. Being provided with a recognizable identity, however, they could build stable relationships with the city. As we have seen, publicness in accountability means just that: the acknowledgement of strangers – people who are not and will not become part of us, principals and agents – with whom we can, however, talk and find contingent, revisable agreements; the acknowledgement that, in our turn, we are strangers to others who have to account for whatever they are indebted to us.

## NOTES

1. *Rapporto Ambientale 2003*, Caffaro SPA, [www.caffarochem.com](http://www.caffarochem.com)
2. I am grateful to the editors for their helpful comments on earlier versions of this chapter. Many thanks also to Nina Colwill for her patient and sympathetic revision of the text. Some parts have been discussed at the 7th ESA Conference, Torun, September 2005; the ECPR Conference 'Frontiers of regulation: assessing scholarly debates and policy challenges', Bath, September 2006; and the Conference 'Civil society and environmental conflict: public participation and regulation', Helsinki, SYKE, November 2006.
3. This holds also for joint shopping, as practised by some consumer groups. Its public relevance rests on the symbolic value it may have for third parties – its ability to exceed the boundaries of a particular consumer–producer (or retailer) relationship.
4. This double function is related to the economic actors' recognized social role as producers of individual, yet at the same time of collective wealth. See Friedman's statement reported above and, behind it, the powerful metaphor of the invisible hand to which I return later.
5. Justificatory arguments are of two basic types, according to an instrumental or principled definition of interests. Either my control over a material or immaterial good (from soil to knowledge) yields more than you would obtain by managing it yourself, or it follows on a moral or religious rule: if you accept it you will be rewarded in this or another life; if you disregard it you are bound to be swept away by the consequent disorder of the world.
6. As usually defined, commons, like rivers or open grazing lands, entail easy subtractability and difficult excludability. Their users have equal access and competing interests. Public goods are instead characterized by difficult excludability and subtractability. Everyone has access to them without affecting anyone else's use. Paradoxically, therefore, public goods have no proper public! This is easily explained. In the expression 'public goods', the term 'public' is used to mean 'pertaining to all of us' rather than 'pertaining (also) to third parties'. Note, however, that although some public goods, like sunshine, are available without social labour, others, like the security provided by police, need it and are regulated accordingly. Then such rules are accounted for by referring to some transcendent point of reference. God, human nature, fairness, the people, the common good, the national interest: these and other notions provide a fictitious third party, the purpose of which is to hide the basic political antinomy.
7. For example, anyone who regards the way I legally use my property as being detrimental to the public interest will have to appeal to legislative powers to modify the corresponding rules.
8. Command-and-control regulation is not disappearing, but enters an ambiguous relationship with third-generation approaches and, more generally, with CSR. Voluntary regulation or self-regulation replaces state regulation, yet its role is strengthened if legitimized by government authorities. It improves compliance with state regulation, but at the same time replaces government responsibility-taking (Falkner 2003; Prakash 2005).
9. Codes are binary oppositions by which systems elaborate information from the environment, producing their own elements of meaning. Codes, in other words, allow the self-reproduction of systems. For example, science applies the true/false code, whereas law applies the right/wrong code.
10. Oversensitivity to stakeholder concerns may represent no lesser problem than lack of sensitivity, however. As Vogel (2006) has remarked, for example, if developing countries applied the same restrictions to the employment of young workers as Western countries do, families living in developing countries would probably suffer far more by finding their income substantially reduced. This means, however, that listening to stakeholder preferences may sometimes protract social injustice. Preferences are context-dependent. Yet to change the context is hardly a goal to be privately pursued by means of civil regulation. It is a matter of proper political action aimed at strengthening citizen rights and promoting democratization.

11. Current communitarian revivals, from religious fundamentalisms to the plea for cultural rights in liberal democracies, seem to offer a (not necessarily desirable) alternative. However they follow the very logic of immunization they pretend to counter. Community is invariably understood in substantial terms, as provided with a proper essence: a blood, a soil, a language, a tradition, a religion, a core value system. Any of these instances reproduces the antinomy of accountability: as a member of the community, I am accountable only to those who are just like me and for what is our own.

## REFERENCES

- Agamben, G. (1998), *Homo Sacer: Sovereign Power and Bare Life*, Stanford: Stanford University Press.
- Bendell, J. and K. Kearins (2005), 'The political bottom line: the emerging dimension to corporate responsibility for sustainable development', *Business Strategy and the Environment*, **14**, 372–83.
- Benjamin, W. (1977), *Zür Kritik der Gewalt*, in *Gesammelte Schriften*, vol. II, 1, Frankfurt a.M.: Suhrkamp.
- Berti, E. (2003), 'I "Barbari" di Platone e Aristotele', *Filosofia Politica*, **17** (3), 365–81.
- Börkey, P. and F. Lévêque (2000), 'Voluntary approaches for environmental protection in the European Union: a survey', *European Environment*, **10** (1), 35–54.
- Boström, M. (2006), 'Regulatory credibility and authority through inclusiveness: standardization organizations in cases of eco-labelling', *Organization*, **13** (3), 345–67.
- Bressers, H. and T. de Bruijn (2005), 'Conditions for success of negotiated agreements: partnerships for environmental improvement in the Netherlands', *Business Strategy and the Environment*, **14**, 241–54.
- Derrida, J. (1997), *De l'hospitalité*, Paris: Calmann-Levy.
- Dewey, J. (1927), *The Public and its Problems*, reprinted in J. Bodyston (ed.) (1984), *John Dewey: The Later Works*, vol. 2: 1925–27, Carbondale: Southern Illinois Press.
- EC (1997), *Study on Voluntary Agreements Concluded between Industry and Public Authorities in the Field of the Environment*, final report, Brussels: European Commission.
- EC (2001), *European Governance: A White Paper*, European Commission, COM(2001) 428.
- EEA (1997), *Environmental Agreements: Environmental Effectiveness*, Copenhagen: European Environment Agency.
- Esposito, R. (2002), *Immunitas: protezione e negazione della vita*, Torino: Einaudi.
- Falkner, R. (2003), 'Private environmental governance and international relations: exploring the links', *Global Environmental Politics*, **3** (2), 72–87.
- Frey, B. (1997), *Not Just for the Money*, Cheltenham, UK and Lyme, USA: Edward Elgar Publishing.
- Friedman, M. (1962), *Capitalism and Freedom*, Chicago: University of Chicago Press.
- Frynas, J. (2005), 'The false developmental promise of corporate social responsibility: evidence from multinational oil companies', *International Affairs*, **81** (3), 581–98.
- Funtowicz, S. and J. Ravetz (1993), 'Science for the post-normal age', *Futures*, **25** (7), 739–55.

- Geuss, R. (2003), *Public Goods, Private Goods*, Princeton: Princeton University Press.
- Giddens, A. (1990), *The Consequences of Modernity*, Cambridge: Polity Press.
- Godbout, J. (1998), 'Homo donator versus homo economicus', *La Revue du MAUSS*, **2**, 261–82.
- Gouldner, A. (1973), 'The importance of something for nothing', in *For Sociology. Renewal and Critique in Sociology Today*, New York: Basic Books.
- Gunningham, N. and P. Grabosky (1998), *Smart Regulation. Designing Environmental Policy*, Oxford: Oxford University Press.
- Gurevitch, Z. (1988), 'The other side of dialogue: on making the other strange and the experience of otherness', *American Journal of Sociology*, **93** (5), 1179–99.
- Kimerling, J. (2001), 'Corporate ethics in the era of globalization: the promise and peril of international environmental standards', *Journal of Agricultural and Environmental Ethics*, **14** (4), 425–55.
- Klintman, M. and M. Boström (2004), 'Framings of science and ideology: organic food labelling in the US and Sweden', *Environmental Politics*, **13**, 612–634.
- Ku, A. (2000), 'Revisiting the notion of "public" in Habermas's theory – toward a theory of politics of public credibility', *Sociological Theory*, **18** (2), 216–40.
- Laufer, W. (2003), 'Social accountability and corporate greenwashing', *Journal of Business Ethics*, **43** (3), 253–61.
- Luhmann, N. (1984), *Soziale Systeme*, Frankfurt a.M.: Suhrkamp.
- Luhmann, N. (1993), 'Observing re-entries', *Graduate Faculty Philosophy Journal*, **16**, 485–98.
- Luhmann, N. (1997), 'Limits of steering', *Theory, Culture and Society*, **14** (1), 41–57.
- Micheletti, M. (2003), *Political Virtue and Shopping*, New York: Palgrave Macmillan.
- Micheletti, M., A. Follesdal and D. Stolle (2004), 'Introduction', in M. Micheletti, A. Follesdal and D. Stolle (eds), *Politics, Products, and Markets*, New Brunswick: Transaction Publishers, pp. ix–xxvi.
- Newell, P. (2005), 'Citizenship, accountability and community: the limits of the CSR agenda', *International Affairs*, **81** (3), 541–57.
- Ost, F. (1994), 'A game without rules? The ecological self-organization of firms', in G. Teubner, L. Farmer and D. Murphy (eds), *Environmental Law and Ecological Responsibility*, Chichester: Wiley, pp. 337–61.
- Parkinson, J. (2003), 'Legitimacy problems in deliberative democracy', *Political Studies*, **51**, 180–96.
- Pellizzoni, L. (2004), 'Responsibility and environmental governance', *Environmental Politics*, **13** (3), 541–65.
- Pellizzoni, L. (2005), 'Trust, responsibility and environmental policy', *European Societies*, **7** (3), 515–42.
- Power, M. (1997), *The Audit Society: Rituals of Verification*, Oxford: Oxford University Press.
- Prakash, A. (2000), 'Responsible care: an assessment', *Business and Society*, **39**, 183–209.
- Prakash, A. (2005), 'Green clubs and voluntary governance: ISO 14001 and firms' regulatory compliance', *American Journal of Political Science*, **49** (2), 235–48.
- Prakash, A. and K. Kollman (2004), 'Policy modes, firms and the natural environment', *Business Strategy and the Environment*, **13**, 107–28.
- Schmitt, C. (1922), *Politische Theologie. Vier Kapitel zur Lehre von der Souveränität*, Leipzig: Duncker & Humblot.

- Sen, A. (1987), *On Ethics and Economics*, Oxford: Blackwell.
- Shearer, T. (2002), 'Ethics and accountability: from the for-itself to the for-the-other', *Accounting, Organizations and Society*, **27**, 541–73.
- Simmel, G. (1908), *Soziologie. Untersuchungen über die Formen der Vergesellschaftung*, Leipzig: Duncker & Humblot.
- Steinzor, R. (1998), 'Reinventing environmental regulation: the dangerous journey from command to self-control', *Harvard Environmental Law Review*, **22** (1), 103–202.
- Strange, S. (1996), *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge: Cambridge University Press.
- Suber, P. (1990), *The Paradox of Self-Amendment. A Study of Logic, Law, Omnipotence, and Change*, New York: Lang.
- Teubner, G. (1996), 'De collisione discorsuum: communicative rationalities in law, morality and politics', *Cardozo Law Review*, **17** (4–5), 901–18.
- Teubner, G. (2002), 'Breaking frames. Economic globalization and the emergence of *lex mercatoria*', *European Journal of Social Theory*, **5** (2), 199–217.
- Tovey, H. (2005), '“Civic privatism” or “personal environmentalism”? Implications for democracy of the greening of citizenship', paper presented at the ISA RC24 Conference 'Environment, knowledge and democracy', Marseilles, 6–7 July.
- Vogel, D. (2006), *The Market for Virtue*, Washington: Brookings Institution Press.

## 14. The treadmill of accountability

**Magnus Boström and Christina Garsten**

---

As discussed in the introductory chapter, intensifying pressures for accountability are visible everywhere. There is a demand for more and greater accountability and many actors are willing to supply accountability tools. As calls for accountability have become transnational, they invoke challenges and solutions that are often at odds with the established territorial boundaries of state regulation. Organizations must now address accountability at a transnational level, and share and negotiate authority with other organizations. The transnational dimension also requires them to move beyond the territorially defined norms of accountability (cf. Mason 2005), which impose certain challenges in the organizing of accountability.

In this concluding chapter, we introduce the notion of a treadmill of accountability, so called because accountability is often seen as turning and turning, yet remaining stationary – never getting to the root of the problem. The previous chapters in this book present various accountability tools and arrangements. Actors exercise these either because they are trying to make themselves accountable or they are trying to hold other actors accountable. Ambitions run high, but the performances aimed at meeting these expectations rarely do so. Accountability deficits and gaps appear. Disappointments lead to new attempts to fine-tune or establish tools or arrangements that are either competing or complementary. New formalizations lead to new imperfections, deficits and gaps – which in turn lead to even more new formalizations. The treadmill of accountability continues to turn and the literature on accountability develops its own treadmill. There is a vast and growing literature on how to be accountable (for example, Considine 2002; Grey 1997; Gregory 2003; Held and Koenig-Archibugi 2005; Kearns 2003; Keohane 2003; Koppel 2005; Mason 2005; Newell 2005; Power 2007; Romzek 1998; see also Chapter 1, this book). The emerging web of accountabilities creates increasing fuzziness; scholars provide increasingly sophisticated typologies and definitions, and they aim to clarify the true nature of accountability (Chapter 1). Yet, such moves merely create greater complexity and fuzziness.

This chapter develops these ideas, with the treadmill as a guiding metaphor. By using such a metaphor, however, we do not want to claim that accountability cannot work. Indeed, it can work. The question is *how* it works and whether or not there is broad public reflection around its workings.

This concluding chapter is divided into three sections following this introduction. In the first section, we use findings from the other chapters in this book as a springboard for discussions about, promises of, troubles with and challenges to accountability. In the following section, we elaborate on the notion of a treadmill. And in the final section, we aim to move beyond the question of ‘more or less’ accountability to suggest a different focus: a focus on the critical role of reflexivity.

## SHOULD WE BELIEVE IN ACCOUNTABILITY?

### **Promises**

As mentioned in Chapter 1 and elaborated upon later in this chapter, the literature on accountability addresses many obstacles that emerge when actors (sometimes seen as principals) try to hold other actors (sometimes seen as agents) accountable for their actions and consequences. Yet a number of chapters in this volume suggest the possibility of a widening scope for accountability. What are the hopes for and promises of the accountability tools and arrangements in this book?

We see clear evidence for our overall argument: the organizing of accountability matters. The effectiveness and democratizing potentials of accountability tools seem to have much to do with organizational arrangements. Some of the chapters in this book have focused on tools and arrangements generally seen as success stories within the accountability industry. One good example is the case study on the Forest Stewardship Council (FSC), which describes how the FSC created a model for transnational governance and accountability. Although stakeholders struggle and compete over how best to establish accountability arrangements (Gulbrandsen addresses two models: accountability as control versus accountability as responsiveness), it is clear that pressures from social movements can lead the standard-setting body to invest in the organizational capacity to respond to a broad group of stakeholders. In FSC, a broad group of stakeholders, including social and environmental non-governmental organizations (NGOs), have decision-making power, and they take part in the issue-framing of standard-setting goals and concerns. This inclusiveness also concerns consultation in certification proceedings,

opportunities for addressing complaints, and procedures for dispute resolution. There is no doubt that such a programme and standard could provide weak actors with tools for voicing their concerns about big forest businesses, and forcing these businesses to reform their doubtful practices.

Keohane maintains that asymmetries of power attenuate accountability (see Chapter 1). Yet, we see several examples in this book of weak actors mobilizing campaigns and demanding external accountability from powerful actors. Large transnational corporations (TNCs) such as Shell are not immune to quests for external accountability. Because of their high global visibility, in fact, they can easily become suitable targets for social movement protesting. By investigating how the global corporation Royal Dutch/Shell responded to the aftermaths of two famous scandals in 1995, Holzer shows in Chapter 5 that public-relations disasters can force even resourceful organizations to change certain decisions and practices. It is fascinating to note that a corporation such as Shell, that was so recently the subject of strong criticism, has now become somewhat of a benchmark in the field of environmental reporting. If confronted by such 'moral observers' as environmental NGOs, corporations may have great difficulty in dispelling the impression of acting based on narrow economic motives and self-interest. Shell learned that the company had to control its image and reputation by conscious impression management. An anticipatory style of dealing with outside expectations was created, demonstrating that accountability is an *ex ante* activity as much as an *ex post* activity (see Chapter 1 on the temporal dimension of accountability).

When actors become engaged in efforts to formalize accountability tools and arrangements, their very engagement in this work may boomerang. They may face new expectations that they should 'walk the talk', as shown in the case study on the International Organization for Standardization (ISO) entering the field of social responsibility (SR). In Chapter 3, Tamm Hallström shows that the legitimacy of ISO was questioned during the process, and in its struggle to re-establish its legitimacy, ISO raised serious questions about its own accountability. It could no longer rely on its old tactics such as claiming superior expertise or addressing the voluntary character of its standards. The emphasis switched from *what* to *how* the standards are developed, implying that procedural issues increased in importance. ISO faced pressures to organize a more transparent and inclusive standard setting, with clear representation for various stakeholder categories.

Introducing accountability in the standard-setting process can introduce sensibility to new values and concerns. Although Svedberg Nilsson has observed a strong emphasis on (narrow) economic accountability in her study of corporate social responsibility (CSR) introduction in the sectors of Wine, High-Tech and Shoe industries, she also found that models of eco-



conomic accountability could work as a platform for developing wider accountability. Some informants expressed such willingness despite the fact that they did not perceive strong pressures from actors in their environment, including authorities and customers.

A related topic is the role of inclusiveness in stimulating responsiveness. Forcing actors that represent various interest groups to engage in a continuous dialogue and make compromises within an inclusive policy-making arrangement may have the unintended positive consequences of gradually developing mutual trust, mutual learning and changed viewpoints (cf. Cutler et al. 1999; Sabatier and Jenkins-Smith 1999; Rhodes 2000; Lovan et al. 2004; Wälti et al. 2004; Boström 2006a, 2006b). Such a process may foster an 'interorganizational culture of accountability', in which stakeholders 'must make a commitment to a higher level of civic discourse about accountability, with the ultimate goal of collectively creating an interorganizational system that continuously learns about its accountability environment and adapts accordingly' (Kearns 2003: 588). The standard-setting organization itself develops a shared culture and language with goals, principles, criteria, concepts and perspectives. Participants share this background, learn about various frames and subjects, and not the least about each other, even as they become cognitively equipped to check each other's performance. Seen together, the case studies on the SR work of FSC and ISO demonstrate good opportunities for broad stakeholder involvement, supporting the fact that organizational arrangement and procedures are central to improving accountability, although, as discussed in the next section of this chapter, many troubles remain.

It is also necessary to focus on the cognitive and organizational autonomy of the actors involved (as well as on the roles of outsiders). Can critical actors prevent themselves from being co-opted, captured, or dependent upon other established actors in the accountability arrangement? Some degree of autonomy is necessary to be able to expose hidden assumptions and to recognize wrongdoings. Although many of the accountability arrangements addressed in this book require a certain degree of cooperation among, for example, environmental organizations and business actors, such cooperation need not lead to co-optation or lack of cognitive autonomy (Boström 2004; Boström and Klintman 2006). The *organizational* and *cognitive* powers of external stakeholders are instrumental in their ability to maintain an autonomous and an influential position simultaneously. An independent organizational platform incorporates the resource capacity to engage in various activities permanently by following one's own priorities rather than the priorities of others. An independent cognitive platform with well developed framings and a firm collective identity implies the systematic and reflexive awareness of one's own priorities rather than the

priorities of others. By consciously trying to maintain their cognitive and organizational autonomy, external stakeholders may be continuously engaged in regulatory innovations, without completely compromising their ideals and priorities. But there are risks, problems and dilemmas, to which we return.

Scandals, social movement protesting and issue framing had a positive effect on Shell's changed view on accountability. Likewise, the growth of environmental disclosure, analysed by van den Burg and Mol in Chapter 11, was triggered by accidents and scandals such as those in Bhopal and Three Mile Island. It is now an indisputable norm that citizens have the democratic right to be informed about community hazards and potential pollution exposure – a norm that is formalized in national regulations and international agreements such as the Aarhus Convention. According to van den Burg and Mol, an additional benefit to this type of informational governance is its ability to set in motion a variety of processes that, in concert, can lead polluters to change their behaviour (see Chapter 11). New insights can be gained as information is collected within companies. Shareholders, environmental NGOs and communities can use the information to pressure local governments and producers. Transparency about pollution levels can allow for benchmarking among companies, and companies may get incentives to develop anticipatory strategies.

Marton (Chapter 10) and Kerwer (Chapter 6) have highlighted the role of scandals in their call for improved accountability. Kerwer demonstrates how, as a reaction to a series of financial reporting frauds in the USA, including the Enron scandal, Congress imposed far-reaching changes on the way auditing firms conduct their business and how they are supervised. As a result of these restrictions, auditors now appear to be much more accountable. The accounting profession had been subject to commercialization; rather than being primarily oriented towards a furthering of the public good, it was increasingly oriented towards profit generation for client firms. As the big auditing firms competed for auditing work, they were reluctant to conduct effective scrutinizing of their clients. Since the scandals, however, and through new legislation, political actors have established greater auditor independence (for example, rotation of auditors and restrictions on the type of services that auditors may provide to their clients). In this way, Kerwer argues, political actors successfully held financial reporting firms and standard setters accountable for their failures, and even managed to reform the entire control structure.

Finally, one positive development is the democratizing potential of accountability tools and arrangements from the viewpoint of both representative and deliberative democracy. The FSC case is such an example.

Likewise, the growth and spread of various accountability tools allow citizens and social movements to obtain more means and frames to check and compare policy making and the performance of a great number of powerful organizations. In sum, the chapters in the book show that a widened, non-territorially grounded accountability can work, at least to some degree, and that organizational design has a great deal to do with its success.

## Troubles

To no one's surprise, problems do appear in the implementation of accountability arrangements, some of which are critical. Actors involved in formalizing accountability encounter obstacles. In Chapter 1, based on our literature review, we addressed four perspectives on accountability challenges, relating to (1) governance and horizontal policy-making; (2) complexity, indeterminacy and uncertainty; (3) power asymmetry; and (4) the inner logic of accountability. The obstacles and dilemmas addressed in the various chapters of this book relate to all these perspectives or types of challenges. Our aim in this section is to use insights from these four perspectives in combination with a systematic look at findings from various chapters in order to comprehend fully the difficulties involved in achieving a widened, non-territorial – transnational – accountability. In doing so, we address six such obstacles in this section, each of which relates to some degree to all four of these perspectives. All accountability arrangements studied in this book resemble a governance-oriented way of organizing, for instance, which consequently draws attention to the issues surrounding unclear roles, mandates and responsibilities. The first two of these six obstacles (*challenging the desirability of accountability tools* and *hypocrisy*) relate directly to the uncertainty theme; the third and the fourth (*marginalizing the public* and *questioning the accountability and autonomy of NGOs*) to issues of power asymmetry in relation to public and NGO involvement, and the last two (*obsessions with measurability and doing the things in the right way*, as well as *circularity*) to the inner logic of accountability. In the next section, following an elaboration of these six obstacles, we systematize the analysis by expanding on the notion of a treadmill of accountability.

### (1) Challenging the Desirability of Accountability Tools

In the introductory chapter, we noted that there is a broad, firm consensus about the desirability and importance of accountability. The other chapters broadly support the existence of such consensus. Actors in modern organizational life generally do not question the notion of accountability, and

big actors such as the UN and ISO contribute to the spread of such views. Accountability appears everywhere as something intrinsically good, something for which to strive. Although actors criticize one tool, they do not contest accountability as such, but choose to develop or use another tool, as seen in the forest case presented in Chapter 4. An important exception is discussed in the chapter on environmental disclosure. Although we see a growing global consensus around the positive value of disclosure, van den Burg and Mol note a few current fundamental challenges to this type of informational governance. One is the threat of terrorism. In the aftermath of 9/11, Madrid and London provide an argument for powerful opponents of disclosure: disclosing sensitive environmental information may be of potential value to terrorists. Although it is disputable if that really is the case, recent debates show that pleas for making information publicly available will be scrutinized intensively. Likewise, and closely related to the uncertainty theme, a new focus on the strict validity and accuracy of information provided can severely restrict disclosure. There are recent attempts among US authorities to limit the availability of (environmental) information because they believe that the quality of the information is in doubt. Thus, insistence on data quality may provide the opponents of disclosure with new arguments against the further spread of disclosure. Insisting on data quality in situations of complexity, indeterminacy and uncertainty could be an effective means of undermining accountability (cf. Pellizzoni 2004).

## **(2) Hypocrisy**

There is a common concern in the literature on accountability that is repeated in several chapters in this volume – a concern related to the uncertainty theme. How can we know that the accountable and answerable actor does not cheat on performance (in relation to the problem with informational asymmetry, for example)? Are accountability tools and arrangements established merely as an attempt to legitimize business as usual and to conceal bad behaviour? Several chapters in this book address this issue. Holzer discusses ‘techniques of neutralization’ in Chapter 5. Marton shows in Chapter 10 how the government’s attempt to establish a Swedish code for good corporate governance ended up in an arrangement that would achieve little more than maintaining the status quo interests of the business community. Gulbrandsen argues in Chapter 4 that the steps that were taken by the industry-dominated schemes – the FSC competitors – to increase the level of transparency and stakeholder participation should be seen as strategic adaptations to popular expectations about appropriate ways of organizing for accountability. Companies may use tools such as codes of

conduct, principles and management systems merely to frame their own goodness (see Chapter 1). In Chapter 3, Tamm Hallström shows that ISO and the business lobby were accused of a ‘staggering lack of transparency’. It was shocking to certain stakeholders and commentators how even the ISO could fail to be transparent, even about its work on SR standard setting, because the notions of transparency and accessibility seemed to be fundamental to all discussions about SR. Soneryd and Lidskog (Chapter 12) show how policy actors used images of the future in an inconsistent and fragmented way to further their separate arguments on various topics. The organization responsible for site investigations of nuclear waste disposal, for instance, insisted on using a particular technology now, and based its argument on images of an unstable future. But it did not insist on this image for another issue regarding retrievability.

Hence, different images appear to be used in strategic ways to support various arguments. Hypocrisy is at play when the organization is boasting about CSR commitments while doing something less honourable in the field. The lack of commitment to stringent social or environmental standards in practice need not necessarily be interpreted as mere hypocrisy, however, even in cases in which the organization has committed itself to CSR principles. Other factors may be at play here: lack of resources, lack of knowledge about CSR principles among the staff, or inability to perceive urgency and pressure from external stakeholders, for example. In Svedberg Nilsson’s study of CSR introduction in three sectors (Wine, High-Tech, Shoes), discussed in Chapter 7, she found commitment to CSR in principle, but mixed evidence among the sectors regarding their willingness to commit to extended responsibilities. Several informants in her study did not appear to be strongly committed to CSR ideas, either rhetorically or in practice, and they reported that customers did not ask about such issues. Addressing CSR issues to subcontractors was not high on the agenda; and if it were relevant, it would apply only in relation to distant countries.

### **(3) Marginalizing the public**

We previously discussed inclusiveness and democratizing potentials as two of the promises made by several new accountability arrangements. The process of organizing accountability is apt to become an elite endeavour, however: see Marton, Chapter 10, on establishing a Swedish code for corporate governance. Such elitist tendencies are understandable, given the technical nature of financial markets, but, as Marton argues, they are more difficult to understand from the perspective of democratic legitimacy and the need to restore public confidence in the business world. Even in cases in which inclusiveness and public involvement are more pronounced, such

involvement fulfils no constructive role if participating actors lack the power to affect arguments, frames and decisions. In their empirical investigation on public consultations on Swedish nuclear waste siting, as Soneryd and Lidskog report in Chapter 12, public deliberation exercises were used in instrumental ways during technocratic decision making. Traditional divisions between experts and the public were created, in which local citizens were presented as experts, merely on the basis of their own quality of life; whereas safety issues were explicitly said to be best handled by experts and in other forums. As discussed by Pellizzoni (see Chapter 13), one can say that members representing the public were not allowed to be treated as ‘Strangers’, in Simmel’s sense of the word, meaning they could provide no meaningful input (see the discussion in the later subsection on circularity). In Chapter 12, Soneryd and Lidskog conclude that public participations were used as a substitute for accountability rather than as a way of improving accountability. The role of the public was also discussed by Holzer in his discussion of Shell in Chapter 5. Shell invented an extended annual reporting, including the triple bottom line (reflecting financial, environmental and social criteria), which were accessible on the Web. Yet, did this report really improve public monitoring of Shell’s conduct? On the one hand, Holzer shows that this reporting enabled the organization to improve and rationalize the financial and non-financial objectives of its operations, to internal and external audiences. Yet, accountability largely became a matter of an interorganizational relationship, he claims, of no relevance for broad public deliberation. The extended report was chiefly addressed to specialized audiences – experts who could read and understand the reports. The information received from such a corporate report may indeed be utilized by NGOs and small- and medium-sized organizations (SMOs), which can assess the sincerity and progress of environmental and human-rights policies. However, these groups are wary of possible omissions and of the green-washing and other window-dressing efforts that those reports may contain.

#### **(4) Questioning the Accountability and Autonomy of NGOs**

If accountability becomes largely a matter of interorganizational relationships, it is relevant to address the role of NGOs and SMOs in relation to accountability. Some questions concern the types of actors that are represented as a consequence of categorization and inequalities regarding access to financial, organizational and cognitive resources (Tamm Hallström, Chapter 3). Other questions concern the accountability of the NGOs and SMOs themselves. On the one hand, TNCs face larger legitimacy problems; they are accused of behaving according to pure economic self-interest,

whereas NGOs speak on behalf of highly legitimate values (Holzer, Chapter 5). On the other hand, NGOs are increasingly targets for scrutiny. For whose values are they pressing? Who do they claim to represent? Is there a Northern-Western bias? How can they claim to represent those they claim to represent? How should we judge their own lack of transparency and diffuse governance structures? How do they use scientific and other information? And so on . . . (see, for example, Mason 2005; Jordan and van Tuijl 2007).

Other questions concern what NGOs and SMOs can or cannot do within their arrangements and partnerships. Here, we wish to emphasize three issues. (1) An accountability arrangement may be extraordinarily open and inclusive in its early development. Yet during institutionalization, the definitions and framings underpinning it may become rigidly tied to existing rules, preventing the inclusion of new viewpoints and other framings (cf. Boström and Klintman 2006). Such institutionalization may negatively affect both responsiveness and cognitive autonomy, and hamper the visionary thinking of improved corporate practices that initially spurred the introduction of the arrangement. (2) External stakeholders may face difficulties in striking a balance between the preservation of critical distance and loyalty to cooperating partners in the arrangement. Let us take the FSC case as an example. How should an organization such as WWF react if and when it observes that an FSC-certified company does not act in accordance with the standard criteria? It is not in the best interests of WWF to blacken the name of the company. Extensive public criticism may threaten the ongoing dialogue within the arrangement, yet silence from WWF would threaten its own legitimacy and autonomy. (3) Should participating stakeholders use their weapon to threaten the withdrawal of their cooperation, membership or participation in the organizational arrangement? To threaten withdrawal is a basic resource of SMOs, because the symbolic capital (credibility, legitimacy) of the arrangement or partnership is derived from the inclusion of precisely these members/participants (Boström 2006a). SMOs as well as NGOs such as WWF may invest time, money, prestige and symbolic capital in an arrangement, so withdrawal may have negative consequences for them as well. There is always a risk that such participating stakeholders become tied to an arrangement and lose their critical strengths.

### **(5) Obsessions with Measurability and Doing Things in the Right Way**

Many obstacles arise from the inner logic of accountability arrangements (Chapter 1). Ideals such as measurability and auditability may threaten to become obsessions and rituals, which can marginalize other ideals and

values, and draw attention where it is unwarranted, to minimizing the worst outcomes rather than achieving the best ones. Such obsessions are demonstrated most clearly by Thedvall (Chapter 8) and Lindvert (Chapter 9), who argue that strong insistence on procedures (doing things in the right way) eclipses attention on substance (doing things right). (Yet some actors stress the very importance of procedures if a particular goal is to be achieved; cf. Tamm Hallström, Chapter 3 and Gulbrandsen, Chapter 4.)

In Chapter 9, Lindvert discusses obsessions with numbers and measurability in her study of administrative changes in the field of Swedish labour policy since the early 1990s. On the one hand, the change from a corporatist model to an auditing model implies fewer behind-closed-doors negotiations among powerful interest groups, more external control, and invitations to external spectators (for example citizens) to participate in politics. On the other hand, as Lindvert emphasizes, the politics of measurable effects is not necessarily the same as the politics of desirable effects. There is a danger of focusing too much on good statistics and the quantification of policy objectives, increasing anxiety about making mistakes, and a risk of short-term thinking.

Likewise, in her study of accountability in current EU employment politics, reported in Chapter 8, Thedvall shows how the methodology of indicators becomes a way of performing politics. Political visions are technified and instrumentalized into seemingly objective indicators. Whereas such indicators enable citizens and other actors to hold member states accountable for their employment policies, the political dimension of the negotiation is concealed. The topics for which member states want to be accountable in the EU context are matters of choice, negotiation and compromise. The states are concerned about how they appear in relation to other nation states. In pushing this point, Thedvall refers to the notion of cultural intimacy – a notion close to that of circularity or self-reference, which Pellizzoni elaborates upon. Thedvall also discusses the significance of an epistemic culture of numbers in this context. Accountability is connected to measurability and calculability, where numbers and statistics are believed to be objective and politically neutral. Measurability, she argues, often overshadows political ideas and visions.

## **(6) Circularity (Self Reference)**

Pellizzoni offers the most thorough critical assessment of accountability arrangements (Chapter 13). His chapter clearly shows that widespread ideals around broad inclusion and independence do not automatically lead to improved accountability. Even ‘independent’ auditors may be tempted to accommodate the business they certify, as Kerwer notes. They may have



to concentrate on documents rather than facts and to respect formal requirements rather than substantive outcomes. It is often the case, according to Pellizzoni, that industries control the issue-framing in arrangements such as ISO 14000 and Responsible Care. That is, they define for what and for whom they should be accountable – an observation that appears in several other chapters (for example, Thedvall, Chapter 8; Svedberg-Nilsson, Chapter 7; Gulbrandsen, Chapter 4; and Marton, Chapter 10). Inclusiveness can imply that NGOs, political consumers or other external actors merely accept a given frame. Crucial economic issues are often excluded from the contents of CSR standards – issues like the impact of industrial infrastructures on local people's subsistence or the firms' freedom to invest and disinvest at will.

The problems have less to do with faulty accountability designs than with the very logic of voluntary regulation, Pellizzoni argues. He maintains that accountability tends to be self-referential. It tends to become circular and empty of content, as the accountable actor defines for itself what to be accountable for and to whom to be accountable. To be fruitful, Pellizzoni argues, accountability must circumvent self-reference and open itself to unexpected questions and unforeseen claims – what Michael Power called 'the audit implosion' (2007). A third party must enter the communication. It is in this discussion that Pellizzoni refers to Simmel's idea of the Stranger. The Stranger is someone who, unlike the Barbarian, is similar enough to oneself to engage in communication, yet differs enough from oneself to add something meaningful to the communication. The third party must stick with such qualities or accountability becomes purely self-referential. Accountability arrangements based on contractual relationships have a difficult time avoiding such tendencies. Pellizzoni's notion of self-reference and circularity evokes notions of something that keeps turning – like a treadmill.

## THE TREADMILL

Hopes, ambitions and expectations are often high among actors that want to hold themselves or others accountable. Hopes turn to disappointments. Disappointments lead to new attempts at fine-tuning or establishing new (competing or complementary) tools or arrangements. Layers of standards are added to existing ones. The complexity level increases. New formalizations lead to new imperfections, new disappointments, leading, in turn, to other new formalizations. Complexity creates good conditions for framing struggles, the constant reframing of problems and solutions. The treadmill of accountability continues to turn, fuelled by definitional

struggles: to whom, for what, and in what ways should actors be accountable?

Our literature review led us to identify four perspectives on accountability challenges, and our systematic look at the findings presented in this book enabled us to highlight the six obstacles: (1) challenging of the desirability of accountability tools; (2) hypocrisy; (3) marginalizing the public; (4) questioning the accountability and autonomy of NGOs; (5) obsession with measurability and to do things in the right way; and (6) circularity. As we see it, the challenges are often dealt with but never entirely solved in concrete accountability practices. The challenges will always be there. The challenges drive the treadmill, incessantly providing new incentives to improve accountability arrangements and relationships and to frame solutions and problems. The challenges are themselves part of the framing struggles.

The governance school of thought presents accountability deficits in relation to fluid horizontal relationships (Chapter 1). In the first instance, however, horizontal relationships such as policy networks are created because of failures with traditional government-oriented policy making and rule making. *Government* is seen to be poorly adjusted to big trends such as globalization. *Governance* could therefore be seen as responding to accountability deficits resulting from vertical relationships. However governance theorists tend to concentrate on accountability deficits that result from precisely these horizontal governance arrangements (that is, exclusive and non-transparent networks are seen as illegitimate). Thus, any type of arrangement – traditional or new, vertical or horizontal – has its own type of deficits, and what is defined as a deficit depends on the assessor's yardstick. As we see it, the trend 'from government to governance' feeds the treadmill because of the new 'deficits' that are created (and framed) in the new governance structures and networks.

Complexities are amplified when we examine governance at the transnational level. We see in various chapters, for example, that traditional ways of thinking about politics and accountability are intertwined with new ones. Hence, it is evidently not the case that governance replaces government. Territorial ways of thinking and organizing become entwined with non-territorial ways of thinking and organizing. Thedvall, in her example of EU policy making, observes that the organization and production of transnational accountability builds on the national order of things. Likewise, Tamm Hallström notes that ISO mixes different principles of representation (national belonging, particular expertise, stakeholder categorization) leading to unclear roles for the actors. Consequently, the governance school has a point when insisting that new complex governance arrangements make it difficult to attribute blame. From this point of view,

no one actor is responsible for anything because the actors do not know their own roles or the roles of others. Yet, the governance school fails to account for the fact that the definition and practice of accountability itself is subject to widening as well. Governance theorists imply that society moves 'from government to governance', but tend to use yardsticks derived from the 'old' society (referring to liberal, representative democracy) in order to assess new patterns (cf. Pierre and Peters 2000). They fail to see that the yardsticks themselves are changing as a result of continuous framing and definitional struggles.

In a similar way, complexity, indeterminacy and uncertainty create accountability deficits and stimulate the introduction of novel forms, frames, conceptions, definitions and models of accountability (see Power 2007). Soneryd and Lidskog ask how we can think about accountability when we are dealing with decision-making power, the consequences of which span over 100,000 years. How could we render the irreversible reversible? Who is expected to give voice to the interests of future generations? They provide no final answer for the design of accountability arrangements that adequately tackle such complex issues; it would be impossible for them to do so. Yet, they suggest that public participation and public deliberation could be ways of addressing accountability in cases like these. Scholars need to focus on the different ways in which the role of the public and the citizen are viewed. In their example (Soneryd and Lidskog, Chapter 12), the public was seen as the passive receiver of information with limited cognitive capacity – not as knowledgeable actors able to deliberate over complex risks.

Lidskog and Soneryd's discussion fits the treadmill metaphor because complex risk issues appear not merely as a challenge to traditional accountability but also as an argument for new, widening forms of accountability. The growing accountability industry is not there *despite* uncertainties in a complex (governance-oriented and risky) world, but *because* of these uncertainties and complexity. Complexity and uncertainty feed regulatory innovation, which in turn create even greater complexity and uncertainty. Given this level of uncertainty and complexity, the design of accountability tools and arrangements will always be incomplete. It will always be possible to develop new framings for the various ways in which existing tools and arrangements fail, and consequently there will always be a fertile ground for developing new initiatives and solution packages.

There are also forces driving the treadmill from the supply side. There are vested interests in supplying accountability tools. Perhaps the cases of ISO and the UN are the most apparent in this regard. As Garsten demonstrates in Chapter 2 and Tamm Hallström in Chapter 3, CSR has become a huge market, with businesses focusing on offering standards, consultation,

implementation and verification services. The UN Global Compact indirectly supports this market, by encouraging a voluntaristic approach to regulation, in which a number of players may engage. Such actors may be more or less convinced about and committed to the importance of continuing the regulating efforts towards a better world. The abundance of tools even creates a demand for meta-standards that develop synergies, the search for harmonization and ‘mutual recognition’ among standards. Just as a meta-organization is an organization with organizations rather than individuals as its members, the members of meta-meta organizations are meta-organizations. Meta-meta-organizations have been established transnationally: the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance and the Global Ecolabelling Network within the area of green labelling carve out their regulatory space for ‘credible’ standard-setting, in a partly conflicting relationship with other global players such as the World Trade Organization, International Organization for Standardization, International Labour Organization, and the United Nations (Boström and Klintman 2008). They create their own standards for good standard-setting, because members within such organizations (for example, the meta-organization FSC is a member of ISEAL) face similar problems and challenges. For example, any flaw or scandal among any certification organization could harm the entire movement of certification standards. So, by following a joint template for standardization, ISEAL members try to communicate that they all have highly credible systems. In this era of transnational accountability and standard setting, many types of policy makers desperately require a ‘navigational competence’ (Considine 2002: 22). And citizens and social movement players require navigational competence even more. But there is a gigantic educational problem here. Is it possible for everyday citizens, worldwide, to gain some insight in this jungle of accountability standards, including insight into the varied framings underpinning the various tools and arrangements? Those ‘affected publics’ (Mason 2005) that may potentially raise the strongest criticism are likely not those with the greatest insight into this fabric of accountability tools and arrangements. There is an irony here: although there are moves to close the accountability gaps through novel accountability arrangements (cf. Chapter 1), they run the risk of actually increasing the gap because the arrangements require too much expertise and resources merely to be understood.

Perhaps the most fundamental driving engine of accountability is the strong consensus around its desirability. There is an aura of voluntariness around many new accountability tools and arrangements, and it is difficult to say no to something that appears to be so good, a priori, and something that is voluntary. As Jacobsson et al. (2004) have asked, why should we say no to something that in any case is not binding – what is there to fear? There

is a 'benign power' at work in the push for accountability. Actors tackle problems and imperfections through new formalizations rather than through questioning the ideal and Utopia of accountability. Many standards are formulated in a sufficiently vague manner to allow for interpretative flexibility and adjustment to local conditions. As Garsten shows in Chapter 2, it was easier to mobilize support for the Global Compact than for the UN Norms. In contrast to the Norms, the Global Compact is dressed in a completely different language – the language of 'dialogue', 'partnership' and 'voluntarism' (Garsten 2004; cf. Boström et al. 2004). As Garsten says in Chapter 2:

This particular lingo connects with little difficulty to the dominant contemporary discourse of the corporate world, and thus hooks more easily on to business than does the terminology of the Norms. The Global Compact is understood by company leaders to respect the integrity and challenge of international operations, and expresses a willingness to engage in dialogue without threats of punishment.

Such an ideological platform feeds the treadmill of accountability.

## BEYOND MORE ACCOUNTABILITY OR LESS ACCOUNTABILITY: POWER AND REFLEXIVITY

Practitioners and academics continue to look for more and greater accountability. However, as a final note, we suggest a movement beyond that limited discussion. We are not uninterested in such normative issues, but we see other ways to approach the theme. It seems difficult to define 'more' in the light of the power struggles and variety of framings and aspirations in the accountability game. It is not our goal to suggest better tools or more thorough definitions of accountability. In any case, it is not self-evident for whom and for what any actor should be accountable, so it is difficult to define a yardstick with which to assess 'more' or 'less' – although variants of democratic theory should be useful. Our goal is modest, yet we believe it to be significant. Throughout this book we have tried to disclose the framings and power struggles in accountability games, which can hopefully *improve the reflexivity* of accountability tools and arrangements.

Such reflexivity would incorporate the notion that accountability is always a matter of politics – never a purely technical matter. Power is always involved. New gaps and deficits appear. Reflexivity includes continuous awareness of these facts. We believe that the chapters in this book have contributed by disclosing some of the power struggles. Consequently it

should help to improve reflexivity in accountability games – among citizens, practitioners and scholars.

Reflexivity would involve accountability being a target for scrutinizing, discussion and debate – not least public debate. It would include the unmasking of rhetoric around political neutrality and objectivity (cf. Garsten and Lindh de Montoya 2008). Accountability would not be seen a priori as unquestionably good. Reflexivity would involve a reflection upon the frames underlying the accountability games and debates; it would involve frame reflection. Frame reflection may, in turn, improve our understanding of the intricacies involved and help us to visualize topics that have fallen outside the debate as a result of a particular framing (cf. Schön and Rein 1994; Boström and Klintman 2008). As Soneryd and Lidskog maintain in their study of time frames and (ir)reversibility (Chapter 12), it could ‘increase the possibility for responsiveness and the ability to give an account for decisions, by making explicit the images of the future that underpin the reasons for choices made’.

Broad public and academic reflexivity would include a number of questions being asked within the accountability games. Who is likely to be better off if a responsible actor is pinpointed? Are there scapegoats involved? Do actors use or develop accountability tools to stimulate or avoid debate and dialogue? Must imperfections lead to ever more fine-tuning and layers of standard criteria, or could we live with the imperfections? Are actors involved in this accountability practice using words such as ‘expertise’, ‘objectivity’, ‘technicality’ and ‘neutrality’? Should we believe that someone is trying to conceal the political dimension? Are the actors conscious of the frames underlying accountability games, or do they take the general frames for granted? Do policy actors apply their frames in an arbitrary manner? And as for those likely to raise the strongest criticism, are they involved? Is someone listening to them? Are their voices and frames taken into account?

To say that there is a treadmill of accountability is not to say that accountability is impossible. It is not unimportant, but we are less interested in the actual outcomes of accountability arrangements than in the organizing process itself. The relevant question is *how* it works and if there is reflection on how it works. Accountability is, by definition, never completed; if it were, it would, as Pellizzoni reminds us, be emptied of content. But the call for accountability has the power to set organizing processes into motion and to put technological measures and tools to work – indeed to spread the gospel of responsibility, measurability and transparency. As such, it is a powerful force to be reckoned with – a force that helps to turn the wheels of organization.

## REFERENCES

- Boström, Magnus (2004), 'Cognitive practices and collective identities within a heterogeneous social movement: the Swedish Environmental Movement', *Social Movement Studies*, **3**, 73–88.
- Boström, Magnus (2006a), 'Regulatory credibility and authority through inclusiveness: standardization organizations in cases of eco-labelling', *Organization*, **13**, 345–67.
- Boström, Magnus (2006b), 'Establishing credibility: practising standard-setting ideals in a Swedish seafood-labelling case', *Journal of Environmental Policy & Planning*, **8** (2), 135–58.
- Boström, Magnus and Mikael Klintman (2006), 'State-centred versus non-state-driven organic food standardization: a comparison of the US and Sweden', *Agriculture and Human Values*, **23**, 163–80.
- Boström, Magnus and Mikael Klintman (2008), *Eco-standards, Product Labelling, and Green Consumerism*, Basingstoke: Palgrave Macmillan.
- Boström, Magnus, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds) (2004), *Den Organiserade Frivilligheten*, Malmö: Liber.
- Considine, Mark (2002), 'The end of the line? Accountable governance in the age of networks, partnerships, and joined-up services', *Governance: An International Journal of Policy, Administrations, and Institutions*, **15**, 21–40.
- Cutler, Claire, Virginia Haufler and Tony Porter (eds) (1999), *Private Authority and International Affairs*, Albany: State University of New York Press.
- Garsten, Christina (2004), 'Market missions: negotiating bottom line and social responsibility', in C. Garsten and M. Lindh de Montoya (eds), *Market Matters: Exploring Cultural Processes in the Global Marketplace*, Basingstoke: Palgrave Macmillan, pp. 69–90.
- Garsten, Christina and Monica Lindh de Montoya (eds) (2008), *Transparency in a New Global Order: Unveiling Organizational Visions*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Gregory, R. (2003), 'Accountability in modern government', in J. Pierre and G. Peters (eds), *Handbook of Public Administration*, London: Sage.
- Grey, Christopher (1997), 'Management as a technical practice: professionalization or responsabilization?', *Systems Practice*, **10** (6), 703–25.
- Held, David and Mathias Koenig-Archibugi (eds) (2005), *Global Governance and Public Accountability*, Oxford: Blackwell Publishing.
- Jacobsson, Kerstin, Ulrika Mörth and Kerstin Sahlin-Andersson (2004), 'Den frivilliga styrningens attraktionskraft', in Magnus Boström, Anders Forssell, Kerstin Jacobsson and Kristina Tamm Hallström (eds), *Den Organiserade Frivilligheten*, Malmö: Liber.
- Jordan, Lisa and Peter van Tuijl (eds) (2007), *NGO Accountability: Politics, Principles and Innovations*, London: Earthscan.
- Kearns, K.P. (2003), 'Accountability in a seamless economy', in J. Pierre and G. Peters (eds), *Handbook of Public Administration*, London: Sage.
- Keohane, Robert (2003), 'Global governance and democratic accountability', in D. Held and M. Koenig-Archibugi (eds), *Taming Globalization: Frontiers of Governance*, Cambridge: Polity, pp. 130–59.
- Koppell, Jonathan (2005), 'Pathologies of accountability: ICANN and the challenge of "Multiple Accountabilities Disorder"', *Public Administration Review*, **65** (1), 94–108.

- Lovan, W. Robert, Michael Murray and Ron Shaffer (eds) (2004), *Participatory Governance: Planning, Conflict Mediation and Public Decision-Making in Civil Society*, Aldershot: Ashgate.
- Mason, Michael (2005), *The New Accountability. Environmental Responsibility Across Borders*, London: Earthscan.
- Newell, Peter (2005), 'Citizenship, accountability and community: the limits of the CSR agenda', *International Affairs*, **81**, 541–57.
- Pellizzoni, Luigi (2004), 'Responsibility and environmental governance', *Environmental Politics*, **13**, 541–65.
- Pierre, Jon and Guy Peters (2000), *Governance, Politics and the State*, London: Macmillan Press.
- Power, Michael (2007), *Organized Uncertainty: Designing a World of Risk Management*, Oxford: Oxford University Press.
- Rhodes, R.A.W. (2000), 'Governance and public administration', in J. Pierre (ed.), *Debating Governance: Authority, Steering, and Democracy*, Oxford: Oxford University Press, pp. 54–90.
- Romzek, B. (1998), 'Where the buck stops: accountability in reformed public organizations', in P. Ingraham, J. Thompson and R. Sanders (eds), *Transforming Government*, San Francisco: Jossey-Bass Publ.
- Sabatier, Paul and Hank Jenkins-Smith (1999), 'The advocacy coalition framework: an assessment', in P. Sabatier (ed.), *Theories of the Policy Process*, Boulder: Westview Press, pp. 117–66.
- Schön, Donald A. and Martin Rein (1994), *Frame Reflection*, New York: Basic Books.
- Steinberg, Marc W. (1998), 'Tilting the frame: considerations on collective action framing from a discursive turn', *Theory and Society*, **27**, 845–72.
- Wälti, Sonja, Daniel Kübler and Yannis Papadopoulos (2004), 'How democratic is "governance"? Lessons from Swiss drug policy', *Governance: An International Journal of Policy, Administrations, and Institutions*, **17**, 83–113.



# Afterword: organizing transnational accountability

**John W. Meyer**

---

Recent decades have seen an extraordinary array of efforts to define criteria to assess organizational performance, and to hold organizations accountable for their performance according to these standards. Magnus Boström and Christina Garsten have pulled together a most valuable collection of studies of these ventures across a wide range of locales and social fields. In this book, we find studies of the rise of standards of nuclear safety, corporate governance, national employment policies, responsible purchasing, accounting, responsible forestry and fishery, social accountability and responsibility, and still other issues.

Accountability, as described and analysed here, is a broad social movement more than any specific regime. First, it is worldwide, and cannot be seen as reflecting specific local pressures. The cases discussed here are sometimes explicitly worldwide (as in the United Nations and the International Organization for Standardization). But when they are not, they report events remarkably translatable from country to country. So with modest variations the studies can discuss Sweden, the Netherlands, or Canada, and the accountability standards themselves are supposed to apply in the furthest Third World peripheries.

Second, the accountability movement occurs in every organized social sector, and cannot be seen as reflecting problems particular to certain institutions such as government or the chemical industry. Accountability standards are commonly put forward explicitly to apply equally across what used to be major chasms (for instance, the polluters and the public and non-profit organizations trying to tame them).

Third, the discourses and organizational structures forwarded by the accountability movement have global and homogeneous qualities. Similar sentences, and similar organizational rules, can be promoted in very different locales. The participants are clearly sampling from the same broad modern or post-modern vocabulary. Common ideas and themes move among the chapters with little necessary translation, and without great disturbance.

The focus of this book is on the broad accountability movement itself, the organizational and discursive properties it has, and on the problems and inconsistencies in its rise, construction, formulation, and operation in various locales and sectors. The studies here are utterly convincing in depicting these matters – in describing and analysing the accountability regime – and the book is a most valuable addition to a growing literature.

Following the studies here, and to keep some perspective, it is useful to keep in mind two broad questions that are not themselves the foci of this book, though they frequently come up as secondary matters. First, what are the implications of the broad global accountability movement for the organized actors it is to regulate? Second, what is the nature of the global social world that can generate and sustain the accountability regime?

## IMPLICATIONS OF THE ACCOUNTABILITY MOVEMENT FOR THE ORGANIZED ACTOR

Most of the structures of the accountability movement are not themselves actors, in the full sense of the term as it is ordinarily used in the social sciences. They are not mainly producers or consumers of goods and services. Rather, they are observers and inspectors and analysts of the actors that actually do things in the world. They create rules for schools and firms and hospitals and government agencies providing goods and services in the mundane world of action. What does the accountability movement do to, or require of, these actors?

Put this way, the answer is obvious. The modern organized actor, in the accountability regime, must be vastly more rationalized, differentiated, and articulate than in the past. It should have a highly schooled staff, and officers educated in a wide array of fields relevant to the different dimensions of the accountability regime to which it is subject. There should be some MBAs to respond to demands for accountable governance, and people with advanced degrees in engineering, customer relations, safety, the environment, and so on, to respond to other dimensions of accountability.

A great deal of differentiation is called for, as the modern organized actor must be accountable to its environments on many fronts. And these environments are not themselves hierarchically organized, so simple forms of vertical differentiation and authority are unlikely to work. If old-style organizational authority is weakened, there must be elaborate systems of coordination – even more governance, as it is now called, than the accountability regime itself insists on.

In order to respond to the increasingly rationalized and demanding environment, and at the same time coordinate an internal structure differentiated

in response to that environment, an enormous amount of information and communication is called for. These sorts of systems must, for legitimacy, go far beyond any specific requirements for purposes of action and decision. They have rhetorical significance both inside and outside the organized actor itself. Information and communication displays are central ways of showing legitimate accountability. Empirically, we should find them expanding dramatically in the current period. In the same way that Weber's old Protestants engaged in orgies of accountable self-reflection, the modern organization is to be characterized by overloads of functionally gratuitous information.

In reading the studies in this book, one is impressed again and again by the extent to which the modern organized actor must be very highly educated, and very much inclined to displays of self-reflexive (and perhaps self-absorbed) information and communication. And this actor must be schooled and articulate, it seems, far beyond any requirements of the actual tasks at hand. The actor, that is, must be a public creature in many more senses than in the past. And the actor must be highly and elaborately organized.

Both the expanded educational requirements for the modern accountable actor, and the expanded organization required of this actor, take on rather standardized forms. Accountability is a general and universalistic set of claims, and the studies in this book make very clear that accountability rules are standardized and standardizing (often very procedural, and often at the cost of immediate substance). It thus makes sense that their impact is to construct and control actors that are schooled and organized in very standardized ways.

## THE NATURE OF THE WORLD THAT PRODUCES THE ACCOUNTABILITY REGIME

It is clear that the accountability regime under inspection in this book is a very contemporary social movement that has dramatically expanded in the last few decades. The chapters of this book do not make it their main business to account for the rise of the regime. Sometimes they imply that particular local or situational or functional problems create a 'demand' for accountability. But this is half-hearted as an explanatory model, since demands for accountability would have made sense at any point in the modern era, and since evidence for the increase in actual demands from constituents (for example, the renowned stakeholders who seem mainly to be invented by the regime itself) is conspicuous by its absence.

The convincing account, put forward casually in the studies here, starts with the cryptic idea that an actual or perceived 'globalization' is at hand. That is, the modern organized actor must be responsible – or be imagined to

be responsible – to a network of other parties that is vastly expanded across space, function and polity. The explanation continues, further, with the obvious point that supra-national regulation cannot rest with a serious supra-national state – not even in Europe, with a centre-less European Union.

If regulation is seen as needed, and if a super-state cannot provide it, we have the beginnings of an explanation for the rise of the accountability regime. A question, though, is why regulation is culturally seen as needed and as plausible. What, in such a diverse and unequal world, makes it seem possible to impose common standards across continents and cultures and functions? Thus, in addition to rapid modern globalization and the awareness of massive interdependencies not under any state-like regulation, an additional (and cultural) condition for the rise of the accountability movement must be specified.

The studies in this book suggest a clear interpretation that much cultural universalism is in the background of the accountability regime. Sometimes it is simply assumed, but sometimes it is spelled out. The idea is that the world is very much a unified place operating under common laws of nature and rationality, with common human participants. Thus a good is a good anywhere, and its production and qualities can be assessed by common principles. And a service – from government to health to safety – is a service anywhere, and can be assessed on that basis. People are at bottom alike, and so are the goods and services they produce and consume.

These basic cultural assumptions run up, of course, against the diversity of the modern globalizing world. People, products and services cannot in fact be so completely homogenous. A solution, stressed in the studies of this book, is proceduralism or meta-standardization. If goods and services, and the people that produce and use them, are in fact very diverse, we must avoid close substantive assessment. So the accountability movement is stronger on procedures – at one or two steps removed from substance – than on touching directly on the contents of organized action.

An aggressive modern universalism, in conceptions of people and their rights, and in conceptions of social goods and activities, lies behind the accountability movement. It also accounts for the extraordinarily transcendental quality of this movement – the strong abstract faith in general standards and criteria that sustains its sweeping claims to applicability everywhere and about everything.

## REFLEXIVE EFFECTS

The accountability movement, as the studies in this book make clear, is a highly professional enterprise. Many participants are not really actors

within the modern social system or agents of interests within this system, so much as professionalized agents of the system and its culture. Thus their transcendental standing and claims. And, as noted above, they put extraordinary demands for competence and effectiveness on the organized actors of the modern system. As accountability pressures expand, it seems clear that organized actors generally fail to meet them adequately. The success of the accounting movement is, in principle, that it can turn the actors it regulates into failed actors. This is especially the case, given that actors may be held accountable in the future for things they cannot take into account in the present.

To meet the standards of the accountability movement, actors have to be schooled and well organized and well informed. But these qualities are rarely sufficient. Organized actors are thus under pressure to get external assistance in maintaining their accountability. And for this reason, they frequently employ external consultants – often people and organizations clearly linked to the accountability movement itself. Whole arrays of professionals, professors and consulting organizations get involved, not only creating standards but helping organized actors meet them. The studies in this book thus describe a professionalized world that could be analysed as exploitative (as is the case with many religious enterprises) – they construct threats, and offer expensive assistance to meet those threats. Of course, if one believes in the reality of the threats (the uncertainties, information asymmetries, and so on), the game is one of progress, not exploitation.

# Index

---

- accountability
  - antinomy of 210–12
    - coping with 223–6
    - publicness 217–19
    - self-reference 212–17, 220–23
  - concept 5–10
  - inner logic of 21–2
  - intensifying pressures for 1–3
  - internal and external distinction 8–9
  - rules for transboundary world and 32
  - temporal distinction 9–10
- accounting standards
  - organizations 98–101, 110–11
    - ensuring accountability of 105–8
    - expertise 102–3
    - explaining accountability 108–10
    - financial reporting 104–5
    - third-party enforcement and 103
  - see also* organizations; standards
- accounts
  - accountability and, corporate self-presentation 84–6
  - inclusion and exclusion, constructing actors and responsible buying boundaries 119–26
- Ackum Agell, Susanne 147
- actorhood, demand for accountability and 4
- actors
  - agenda-setting access by interest groups and, Swedish corporate governance code 170–72
  - constructing, responsible buying boundaries and 117–18
  - inclusion and exclusion accounts 119–26
  - procurement, boundary maintenance within 118–19
  - leaving stage, political logics and 148–9
  - motivated, corporations as, self-presentation 81–84
  - political, standard setting and
    - accountability model and 110
    - private, international standardization and 47
  - see also* organizations
- AF&PA (American Forest and Paper Association) 72
- Afsah, S. 179
- Agamben, G. 211
- agency theory
  - concept of accountability and 7–8
  - principal–agent relationship, model of standard setting and accountability and 109
  - responsible buying boundaries and 114
- agenda setting, Swedish corporate governance code and 164, 168–74
- Ahrne, Göran 41, 61
- AICPA (American Institute of Certified Public Accountants) 106, 107
- Albrow, Martin 32
- Amnesty International 33, 35, 36, 42
- AMS (Arbetsmarknadsstyrelsen) (Sweden) 149, 152, 153
- AMV (Arbetsmarknadsverket) (Sweden) 149, 151–2, 155
- Andrews, R.N.L. 182
- Annan, Kofi A. 37–8
- ANSI (American National Standards Institute) 28
- answerability, *see* accountability; responsibility
- anticipation, environmental disclosure and 181
- Arbetsmarknadspolitik i förändring* (Sweden) 147
- arrangements, *see* contractual arrangements; organizations
- Arrunada, Benito 101
- Asad, Talal 133
- Åsbrink, Erik 171, 173
- ASEA Brown Boveri 2

- Asia 122, 124, 178  
 asymmetry, *see* power, asymmetry  
 auditing  
   accounting standards organizations  
     and 100–101  
   numbers transcending borders and, EU  
     employment policy 133  
   political logics and 147–8, 152–3,  
     154–5  
   Swedish code of governance and 165  
 Australia 178  
 autonomy  
   NGOs, questioning accountability and,  
     treadmill troubles 239–40  
   transnational standards organizations  
     and 69–71, 72, 73–4, 76  
 Axelsson, B. 119
- Baker, J.C. 184–5  
 Barings Bank 160  
 Barry, B. 196  
 Basel Committee for Banking  
   Supervision 101  
 Bauman, Zygmunt 28  
 BCCI (Bank of Commerce and Credit  
   International) 160  
 Bebbington, Jan 89  
 Beck, Ulrich 28  
 Beisheim, Marianne 47  
 Belgium 141; *see also* EU  
 Bell, D.R. 196  
 Bendell, J. 213, 216  
 Benjamin, W. 211  
 Berger, Peter 148  
 Bergström, Jonas 151  
 Bernhardsson, Göte 151  
 Bernstein, S. 65  
 Berti, E. 225  
 best practice visualization, EU  
   employment policy and 135–9  
 Bexell, Magdalena 9  
 Bhopal, *see* Union Carbide  
 Bierstecker, Thomas 7, 21  
 Biggs, John 156  
 Birkland, Thomas 164  
 Blum, Alan F. 83  
 boards of directors, Swedish code of  
   governance and 165, 166  
 Bob, Clifford 82  
 Boli, John 47, 56, 84
- Bond, Michael Shaw 84  
 Bonanno, A. 70  
 borders, EU employment policy and  
   133–4  
 Börkey, P. 215  
 Boström, Magnus  
   antinomy of accountability and 216,  
     226  
   ISO and social responsibility and 47,  
     56, 57  
   new organizational arrangements and  
     13  
   power asymmetry and 21  
   public involvement and  
     (ir)reversibility and 198  
   tools, techniques and definitions and  
     15, 16  
   transnational standards organizations  
     and 65  
   treadmill and 234, 240, 245  
 boundaries, *see* borders; responsible  
   buying boundaries  
 Bradbury, Jonathan 63  
 Brent Spar, *see* Shell  
 Bressers, H. 215  
 Brewster, Mike 100  
 Britain, *see* UK  
 Brunsson, Nils  
   accountability webs and 41, 42  
   accounting standards organizations  
     and 99  
   globalization and 28  
   political logics and 154  
   responsible buying boundaries and  
     117, 121  
   tools, techniques and definitions and  
     17  
   transnational standards organizations  
     and 61, 75  
 Bullard, Robert D. 197  
 Burg, S.W.K. van den  
   antinomy of accountability and 214  
   contribution summarized 24  
   environmental disclosure and 179,  
     181, 182, 187  
   limits and challenges and 20  
   tools, techniques and definitions and  
     17  
   treadmill and 235, 237  
 business organizations, *see* corporations

- Canada 69
- Carlsson, Bengt 171
- Carlsson, Björn 172
- Carroll, A.B. 115
- Case, D.W. 179–80
- Cashore, Benjamin 64, 68, 69, 71, 72
- CEC, *see* EC
- certification
- accountability as control and 63–4
  - forest schemes, landowner- and industry-dominated 68–9
  - non-state schemes, 63–6
  - rules, setup and 66–9
- challenges
- desirability of tools, treadmill troubles 236–7
  - environmental disclosure, *see* environmental disclosure, challenges
  - limits and 17–22
  - treadmill 236–42
  - see also* limits
- change, transnational standards
- organizations and 69–73
- China 178
- CI (Consumers International) 51, 52, 54, 55, 58
- circularity, *see* self-reference
- citizens
- accountability as responsiveness and 64
  - demand for accountability and 2, 3
  - legitimate, construction of, public involvement and (ir)reversibility 206–7
  - new organizational arrangements and 14
  - rules for transboundary world and 31
  - see also* actors, private
- Clark, Gordon L. 101
- Clarke, K. 91
- Coase, R.H. 118
- Code Group (Sweden) 167–8, 169, 171
- Cohen, M.A. 179
- Coleman, Gill 12
- COM, *see* EC
- Commission on Business Confidence (Sweden) 167, 168, 169, 171, 172
- companies, *see* corporations
- complexity
- ISO 26000 and 59
  - limits and challenges and 19–20
- concepts
- accountability 5–10
  - New Public Management 131
  - social responsibility 49–50
  - see also* definitions
- conflict of interest, power asymmetry and 20–21
- Considine, Mark 22, 245
- Constance, D.H. 70
- consumer, ISO 26000 and 51–2, 54, 56
- contractual arrangements, antinomy of
- accountability and 220–23
- control, accountability as 63–4, 65–6
- Cooper, R. 117
- Coopers & Lybrand 70
- corporate governance theory, Swedish
- corporate governance code 162–4;
  - see also* governance
- Corporate Governance Board (Sweden) 167
- corporate governance code (Sweden)
- content, accountability and corporate social responsibility and 165–7
  - corporate governance and corporate social responsibility (CSR) in theory 162–4
  - enactment, understanding 161–2
  - establishing 167–74
  - issue emerging 160–61
  - power in policy process, understanding 164–5
  - treadmill and 238
- corporations
- accountability as control and 63
  - accountability as responsiveness and 64–5
  - globalization and, regulatory aspirations 27–30
  - responsible buying and 115, 116
  - transnational standards organizations and 61
  - see also* organizations; public criticism; TNCs
- corruption, UN Global Compact and 38, 39
- Crenson, Matthew 164
- Crewe, Ivor 173



- criticism, *see* public criticism
- CSR (corporate social responsibility)  
 accountability and, Swedish corporate  
 governance code 165–7  
 corporate self-presentation and 80  
 ISO and 23  
 new organizational arrangements and  
 11, 12  
 responsible buying boundaries and  
 115, 116, 120, 121, 123–6, 127  
 rules for transboundary world and 30  
 theory, in, Swedish corporate  
 governance code 162–4  
 UN Global Compact and 39–40  
*see also* responsibility; social  
 responsibility
- Cunningham, Lawrence A. 106
- Dagens Nyheter* 2
- Dahl, Robert A. 63
- Danielsson, Anna 151
- de Bruijn, T. 215
- De Oliveira, Miguel Darcy 12
- decentralization, political logics and  
 151–3
- decision making  
 environmental, public involvement  
 and (ir)reversibility and 196–8  
 political, EU employment policy and  
 131–2, 142–3
- deficit  
 accountability and third-party  
 enforcement and 103  
 accountability as control and 63  
 globalization and responsibilities  
 reshuffling and 5  
 governance approach to standard  
 setting and 99  
 power asymmetry and 21  
 tools, techniques and definitions and  
 16
- definitions  
 actorhood 4  
 expertise 102  
 framing 15  
 informational regulation 179–80  
 issue, conflicts in, establishing  
 corporate governance code in  
 Sweden and 168–70  
 social responsibility 46  
 standards 101  
 tools and techniques and 14–17  
 transnational 2  
*see also* concepts
- Deloitte 100
- democracy, *see* politics
- Departmental Services (Sweden) 153
- Derrida, Jacques 226
- developing countries (DCs) 50, 57
- Dewey, J. 218
- DIK (Union for Documentation,  
 Information & Cultural Employees)  
 169
- DiMaggio, Paul J. 39, 81
- Dinwert, Klaus 47
- directives, *see* legislation
- disclosure, *see* environmental disclosure
- dissatisfaction, political logics and  
 149–51
- Djelic, Marie-Laure 2, 47
- Dunér, Bertil 30, 31, 32, 33
- EC (European Commission)  
 antinomy of accountability and 212,  
 215  
 EU employment policy and 132,  
 133  
 negotiating accountability 135, 136,  
 137  
 ritual process of forming  
 accountability 140, 141, 142  
 public involvement and  
 (ir)reversibility and 197  
 Swedish code of corporate governance  
 and 160  
*see also* EU
- Echeverria, J.D. 182
- EEA (European Environment Agency)  
 215; *see also* EU
- effects, *see* impact; reflexivity
- efficiency, political logics and 155–6
- Elander, A. 197
- Elkington, John 87, 88, 163–4
- EMAS 213, 221
- Employment Committee (EU) 133,  
 135
- employment policy  
 EU 131–3, 134–5, 143–4  
 accountability forming, ritual  
 process of 140–43

- accountability negotiating, best practice visualization and 135–9
  - borders, numbers transcending 133–4
  - see also* policy
- enforcement, *see* third-party enforcement
- England, *see* UK
- Enron
  - accounting standards and 98, 99, 105, 106, 108–9, 110
  - agenda setting and 160
  - demand for accountability and 1, 2, 23
  - treadmill and 235
- environment
  - decision making, public involvement and (ir)reversibility and 196–8
  - social responsibility and 46
  - transnational standards organizations, *see* transnational standards, organizations
  - UN Global Compact and 38
  - voices and considerations of, public involvement and (ir)reversibility and 202–6
- environmental disclosure
  - challenges 177–9, 183–9
  - form of accountability, disclosure as 179–81
  - future, safeguarding 190
  - Toxics Release Inventory (TRI) (USA) 181–3
- environmental governance, self-reference in, antinomy of accountability and 212–17; *see also* governance
- environmental sociology, complexity, indeterminacy and uncertainty and 19
- EPA (Environmental Protection Agency) (USA) 182, 183, 184, 186
- EPER (European Pollutant Emissions Register) 178, 187
- equity, environmental disclosure and 188–9
- Ernst & Young 100
- Esposito, R. 212, 226
- EU (European Union)
  - accounting standards and 98, 101, 103
  - demand for accountability and 1, 23
  - employment policy, *see* employment policy, EU
  - environmental disclosure and 178, 189
  - limits and challenges and 22
  - New Public Management and 131
  - treadmill and 241, 243
  - see also* individually named Member States; directives; EC
- European Council 140, 142
- excuses, *see* justification
- expertise, accounting standards organizations 99, 101, 102–3, 104
- fair representation, ISO 26000 and 50–53
- Falkner, R. 218, 226
- FASB (Financial Accounting Standards Board) 104, 105, 106, 111
- Fernler, Karin 143
- financial reporting, *see* reporting
- Fineman, S. 91
- Fischer, Frank 16, 197
- Flora, Peter 147
- Flower, John 98, 104, 105
- forest certification schemes, *see* certification
- Fort, Timothy L. 162
- Fortun, K. 182
- Fowler, Penny 68, 70
- frame analysis, tools, techniques and definitions and 15–16
- France 122, 136, 137, 138, 139, 141; *see also* EU
- Frey, B. 226
- Friedman, M. 115, 125, 215
- Frithiof, M. 115
- Frynas, J. 216, 222, 223, 224, 225, 226
- FSC (Forest Stewardship Council)
  - accounting standards and 101
  - defining accountability and 8
  - environmental disclosure and 213, 216
  - investigation summarized 23
  - new organizational arrangements and 12, 13
  - organizational change and 70, 71, 72, 73
  - organizational mimicry and hypocrisy and 74, 75
  - organizational setup and certification rules 66–7

- transnational standards organizations
  - and 62, 76
  - treadmill and 232, 234, 235, 240
- Funtowicz, S. 216
- future
  - images of, responsiveness and, public involvement and (ir)reversibility 199–202
  - safeguarding, environmental disclosure and 190
- GAAP (Generally Agreed Accounting Principles) 104
- GAAS (Generally Accepted Auditing Standards) 106
- Gadde, L.-E. 119
- gap, *see* deficit
- Garsten, Christina
  - contribution summarized 23
  - corporate self-presentation and 86
  - globalization and 30
  - new organizational arrangements and 12
  - public involvement and (ir)reversibility and 198
  - tools, techniques and definitions and 17
  - treadmill and 244, 246
  - UN Global Compact and 39
- Gaewood, R. 115
- geographical scale, public involvement and (ir)reversibility 202–6
- Germany 81, 82, 85, 141; *see also* EU
- Geuss, R. 219
- Gibbons, Michael 20
- Giddens, Anthony 91, 213
- Global Ecolabelling Network 245
- globalization
  - accountability as social movement and 251–2, 252–3
  - accountability webs 40–43
  - accounting standards organizations and 98, 100
  - concept of accountability and 10
  - corporate, regulatory aspirations and 27–30
  - demand for accountability and 2–3
  - governance and responsibilities reshuffling and 3–5
  - rules for 30–32
  - Swedish code of corporate governance and 160–61
  - UN Global Compact 37–40
  - UN Norms 32–7
  - Globalt Ansvar (Sweden) 116, 120, 121, 125, 127
  - Godbout, J. 212
  - Goodpaster, Kenneth E. 83
  - Göteborgs Posten* 160
  - Gouldner, A. 226
  - governance
    - globalization and responsibilities reshuffling and 3–5
    - horizontal policy networks and, limits and challenges 17–19
    - see also* corporate governance; environmental governance
  - government
    - accountability as responsiveness and 64
    - global, UN Norms and 32–7
    - international standardization and 47
    - ISO 26000 and 51, 52, 56
    - Sweden, implementation of Aarhus Convention and EIA Directive 202
    - see also* states
  - Grabosky, P. 214
  - Graham, M. 179
  - Gray E.R. 85
  - Gray, Rob H. 89, 90, 115
  - Greece (ancient) 226; *see also* EU
  - Greenpeace 73, 81, 80, 82, 85
  - Greenspan, Alan 160
  - Gregory, Robert 22, 66
  - Grey, Christopher 2
  - GRI (Global Reporting Initiative) 46, 51
  - Gripenberg, Pia 172, 173
  - The Guardian* 82
  - Guillet de Monthoux, Pierre 47
  - Gulbrandsen, Lars H.
    - antinomy of accountability and 216
    - contribution summarized 23
    - new organizational arrangements and 11, 12, 13
    - transnational standards organization and 64, 68, 73
    - treadmill and 232, 237
  - Gunningham, N. 178, 214
  - Gurevitch, Z. 219

- Hacking, Ian 133  
 Hadden, S. 182  
 Hague, B.N. 189  
 Håkansson, H. 119  
 Hall, Peter, 148  
 Hall, Rodney Bruce 7, 21  
 Hamilton, J.T. 179, 180, 183  
 Handelman, Don 133  
 Hanlon, Gerard 100  
 Hanney, Stephen 173  
 Harlow, Carol 131  
 Harmon, Michael M. 65  
 harmonization, accounting standards  
     organizations and 98  
 Hauffer, Virginia 161  
 Hay, Colin 148  
 Heap, Simon 68, 70  
 Hecló, Hugh 154  
 Held, David 4  
 Helgesson, Claes-Fredrik 143  
 Herrick, C.N. 185, 186  
 Herzfeld, Michel 134  
 Higgins, Winton 99  
 high-tech sector  
     responsible buying boundaries and  
       116, 120, 121, 124, 125, 126,  
       127  
     treadmill and 233, 238  
 Hirst, Paul 19  
 Hobbes, Thomas 211  
 Hodgson, Damina 2  
 Holmes, Douglas R. 30  
 Holzer, Boris  
     corporate self-presentation and 83, 86  
     limits and challenges and 21  
     new organizational arrangements and  
       11  
     treadmill and 233, 237, 239, 240  
     trends and 4  
 Hood, Christopher 131, 147  
 Hooghiemstra, Reggy 85  
 Hopwood, Anthony G. 98  
 Howarth, Stephen 88  
 Howes, M. 180  
 Huckel, Carmen 47  
 Hughes, Owen E. 147  
 human rights  
     rules for transboundary world and  
       31–2  
     social responsibility and 46  
     UN Global Compact and 38  
     UN Norms and 33, 34–7  
 Hwee, T.P. 119  
 hypocrisy  
     mimicry and, transnational standards  
       organizations 73–6  
     treadmill troubles 237–8  
 ICC (International Chamber of  
 Commerce) 51  
 ICT (information and communication  
 technologies), environmental  
 disclosure and 189  
 IGOs (intergovernmental organizations)  
 1, 5, 21, 28–9, 32, 50, 101; *see also*  
 organizations  
 IKEA 4  
 ILO (International Labour Organization)  
 globalization rules and 31, 32, 33  
 ISO 26000 and 48, 51, 55, 58  
 treadmill and 245  
 UN Global Compact and 37, 38  
 UN Norms and 35  
 impact, environmental disclosure 180–81  
 implications, accountability as social  
 movement 251–2  
 impression management, corporate self-  
 presentation and 85–6, 93  
 inclusiveness  
     exclusion and, constructing actors and  
       responsible buying boundaries  
       119–26  
     ISO 26000 and 57, 58–9  
     new organizational arrangements and  
       11, 13  
     transnational standards organizations  
       and 71, 73, 76  
 indeterminacy, limits and challenges and  
 19–20  
 India 30, 31  
 indicators, *see* policy indicators  
 individuals, *see* actors, private; citizens  
 Indonesia 178  
 industry  
     ISO 26000 and 51, 52, 54  
     transnational standards organizations  
       and 61, 71–2  
 initiative, ISO 26000 48–50  
 International Accounting Standards  
 Board 111

- International Council on Human Rights  
Policy 30, 31, 33
- IOE (International Organization of  
Employers) 51
- Irwin, A. 197
- ISEAL (International Social and  
Environmental Accreditation and  
Labelling) Alliance 245
- ISO (International Organization for  
Standardization)  
accounting standards and 101  
CSR and 23  
defining accountability and 8  
demand for accountability and 1  
environmental disclosure and 221  
globalization and 28  
investigation summarized 23  
new organizational arrangements and  
12, 13  
social responsibility and 58–9  
international standardization in  
transition 46–8  
ISO 26000 48–55  
legitimacy and accountability in the  
making 55–8  
treadmill and 242, 243, 244, 245  
treadmill promises and 233, 234  
treadmill troubles and 237, 238  
UN Norms and 42  
*see also* standardization
- issues, Swedish corporate governance  
code and 160–61, 168–70
- Italy 122, 123, 138; *see also* EU
- ITUC (International Trade Union  
Confederation) 52
- Jacobsson, Bengt 28, 99, 102, 103, 108,  
134
- Jacobsson, Kerstin 56, 245
- Jepperson, Ronald L. 4
- Joerges, Christian 103
- Jonas, H. 196
- Jordan, A. 179
- justification, excuses distinguished,  
corporate self-presentation and 85
- Justitiedepartementet (Ministry of  
Justice, Sweden) 169, 173
- Kaplan, J.B. 182
- Kartez, J.D. 180
- Kearins, K. 213, 216
- Kearns, K.P. 7, 13, 234
- Keohane, Robert 5, 7–8, 18, 20, 22,  
233
- Kerwer, Dieter 11, 23, 99, 215, 235, 241
- Kim, Kenneth A. 160
- Kimerling, J. 215
- Kingdon, John 164, 172
- Kleindorfer, P.R. 179
- Klintman, Mikael 16, 226, 234, 245
- Knirsch, M. 126
- Knorr-Cetina, Karin 139
- Koenig-Archibugi, Mathias 4
- Kogan, Maurice 173
- Kollman, K. 213, 214
- Konar, S. 179
- Koppell, Jonathan G.S. 6, 9, 22, 64
- Korten, David C. 12
- KPMG 89
- Ku, A. 218
- labour  
ISO 26000 and 51, 52, 56, 57  
social responsibility and 46  
UN Global Compact and 38, 39  
*see also* political logics
- Labour Market Administration (Sweden),  
*see* AMV
- Labour Market Board (Sweden), *see*  
AMS
- Latour, Bruno 139
- Laufer, W. 215
- legislation  
Aarhus Convention 177, 178, 187,  
202, 235  
Amsterdam Treaty 134  
Companies Act (Sweden) 166  
Corzine Bill (USA) 184  
Data Quality Act (DQA) (USA) 185–7  
EIA (Environmental Impact  
Assessment) Directive 202  
Emergency Planning and Community  
Right-to-Know Act (ECPRA)  
(USA) 181, 182, 183  
Government Bill 1995/96 (Sweden)  
153  
Government Bill 1999/2000 (Sweden)  
147  
IPPC (Integrated Pollution Prevention  
and Control) Directive 187

- Occupational Safety and Health Act (USA) 181–2
- Rio Declaration 177
- Rio Principles on environment and development 38
- Sarbanes-Oxley Act (USA) 105–6, 107, 109, 160
- UN Convention against Corruption 38
- Universal Declaration of Human Rights 29, 33, 38
- legitimacy
- accountability and in the making, ISO and social responsibility 55–8
  - corporate self-presentation and 81–2, 84
  - expertise and, accounting standards organizations 103
  - international standardization in transition and 47–8
  - ISO 26000 and 49
  - rituals, EU employment policy and 132, 143–4
- Leipziger, Deborah 35, 37, 40
- Lévêque, F. 215
- Lidskog, Rolf 19, 24, 197, 238, 239, 244, 247
- limits
- accountability range, responsible buying boundaries and 123–6
  - Stockholm School Theory 108–9
  - supply chain organization, responsible buying boundaries and 120–23
  - see also* challenges
- Lindvert, Jessica 17, 23, 151, 241
- LKO (Lokal kompetensuppbyggnad i Oskarshamn) 206
- Llewellyn, S. 117, 118, 119
- LO (Swedish Trade Union Confederation) 169
- Loader, B.D. 189
- logic, inner 21–2; *see also* political logics
- Lovan, W. Robert 14, 21
- Love Canal 182
- Lubatkin, M.H. 114
- Luckmann, Thomas 148
- Luhmann, Niklas 83, 211, 221, 224, 225
- Lukes, Steven 164, 173
- Lyman, Stanford M. 83, 85
- Lynn, F.M. 180
- MAD (Multiple Accountabilities Disorder) 22
- Maignan, I. 119
- Malkki, Liisa H. 134
- Mallard, Alexandre 134
- March, James G. 40, 64
- Marcus, George E. 29, 30
- Marton, Susan 11, 17, 23, 235, 237, 238
- Mason, Michael R. 2, 10, 21, 28, 32, 245
- Matza, David 85
- McClain, Paula 164
- McDonald, Maryon 131
- McHugh, Peter 83
- McNamara fallacy 90
- measurability, treadmill troubles 240–41
- media
- accountability as responsiveness and 64
  - globalization and responsibilities reshuffling and 4
  - ISO 26000 and 54–5
- Mexico 178
- Meyer, John W.
- contribution summarized 24
  - corporate self-presentation and 81, 83, 84
  - globalization and 28
  - political logics and 154
  - responsible buying boundaries and 121, 128
  - rules for transboundary world and 31
  - trends and 4
- Michael, M. 197
- Micheletti, M.A. 217
- Miles, M. 163
- Milkas (Miljörörelsens kårnavfallssekreteriat) 204, 205
- Miller, C. 179
- Miller, Paul B.W. 104
- Miller, Peter 98, 115
- mimicry, *see* hypocrisy
- Ministry of Industry, Employment and Communication (Sweden) 154
- Mitsubishi 86
- models
- standard setting and accountability, accounting standards organizations and 109–10
  - Swedish code of corporate governance and 162–3, 167, 170

- Mol, Arthur P.J. 17, 20, 24, 178, 214, 235, 237
- Moldoveanu, Mihnea 82
- Moore, Sally 132
- moralization, corporate self-presentation and 80, 81, 83
- Mörth, Ulrika 134
- Mossberg, A. 115
- motives, corporate self-presentation and 83–4
- Motorola 51
- MSC (Marine Stewardship Council)
  - organizational change 70, 71
  - standard setting and 62, 76
  - transnational standards organizations and 67–8
- Mulgan, R. 64
- Munilla, L. 163
- Murphy, David F. 12
- Myerhof, Barbara 132
- Nadvi, Khalid 101
- National Board of Public Management (Sweden) 147
- National Defense Research Institute (USA) 184–5
- NEA (Nuclear Energy Agency) (OECD) 201
- negotiating
  - best practice visualization and, EU employment policy 135–9
  - environmental disclosure and 180
- Nelson, Barbara 164
- Nestlé 86
- Netherlands
  - environmental disclosure and 178, 187–8, 213
  - EU employment policy and 136, 138, 139, 141, 142
  - Shell and 82
  - see also* EU
- networks, *see* organizations, networks of; policy networks
- New Public Management 131, 147
- Newell, P. 216, 223, 225
- NGOs (non-governmental organizations)
  - accountability as responsiveness and 64
  - accounting standards and 101, 103
  - autonomy and accountability, questioning, treadmill troubles 239–40
  - corporate self-presentation and 84, 90, 93
  - defining accountability and 7
  - demand for accountability and 2
  - environmental disclosure and 183, 186, 188, 213
  - fixed stakeholder categories and fair representation and 51, 52, 53
  - international standardization and 47
  - ISO 26000 initiative and 50
  - legitimacy and 56, 58
  - limits and challenges and 17, 18, 21
  - new organizational arrangements and 12, 14
  - responsible buying and 115
  - standard setting and 61, 64, 65, 68, 71
  - Swedish code of corporate governance and 165
  - transnational standards organizations and 61, 68
  - transparency issues and 54, 55
  - treadmill and 232, 233, 235, 236, 239, 240
  - UN Global Compact and 39, 40
  - see also* organizations
- Nigeria 81, 82, 85, 89, 226
- Nike 4, 80, 124
- Noe, P. 185
- Nofsinger, John R. 160
- Norway 62
- Nowotny, Helga 20, 197
- nuclear waste management, Sweden, public involvement and (ir)reversibility and 198–9
- numbers, *see* statistics
- Nussbaum, Ruth 72
- Nycander, Svante 140
- Öberg, PerOla 148, 149, 154
- OECD (Organisation for Economic Co-operation and Development) 33, 35, 51, 101, 178
- O’Leary, T. 115
- Oliver, Christine 88
- Ollevik, Nils-Olof 167
- Olsen, Johan P. 64
- Olson, Mancur 148
- Olsson, Anders 171, 172

- OMB (Office of Management and Budget) (USA) 184, 185, 186
- Oosterveer, P. 179
- organization
- limits and challenges 17–22
  - new arrangements 11–14
  - supply chain, delimiting, responsible buying boundaries and 120–23
  - themes 10–11, 22–4
  - tools, techniques and definitions 14–17
- organizations
- church, Swedish code of corporate governance and 165
  - grassroots, Swedish code of corporate governance and 165
  - networks of, UN Global Compact and 39
  - new arrangements for 11–14
  - voluntary, responsible buying and 115
  - see also* accounting standards, organizations; actors; corporations; IGOs; NGOs; SMOs; transnational standards, organizations
- Orts, E.W. 179
- Ost, F. 215
- Ozinga, Saskia 72, 73
- Paine, Lynne Sharpe 82
- Parkinson, John E. 162, 163, 216
- Parliamentary Auditors (Sweden) 147, 153
- Parmalat 160
- participation authenticity, new organizational arrangements and 14
- partnership, new organizational arrangements and 12
- PCAOB (Public Company Accounting Oversight Board) 106–7
- Pease, Bill 181
- PEFC (Programme for the Endorsement of Forest Certification Schemes) 69, 73
- Pellizzoni, Luigi
- antinomy of accountability and 213, 215, 217, 218
  - concept of accountability and 9
  - contribution summarized 24
  - environmental disclosure and 178
  - limits and challenges and 20, 22
  - new organizational arrangements and 11
  - tools, techniques and definitions and 17
  - transnational standards organizations and 74
  - treadmill and 239, 241, 242, 247
- Perrini, F. 119
- Perrone, V. 118
- Perry, Sir Michael 160
- Peters, B. Guy 18, 149, 154
- Phillips, Robert 162
- Pierre, Jon 18
- POB (Public Oversight Board) 106
- policy
- environmental disclosure and 179–80
  - formulation consequences, agenda-setting and, Swedish corporate governance code 172–3
  - horizontal networks, governance approach and, limits and challenges 17–19
  - process, power in, Swedish corporate governance code 164–5
  - see also* employment policy; political logics
- policy indicators
- EU employment policy and 132, 134, 138–9
  - political logics and 147
- political logics
- Sweden 147–8, 153–5
  - actors leaving stage 148–9
  - decentralization 151–3
  - dissatisfaction emerging 149–51
  - efficiency 155–6
  - see also* logic
- politics
- decision-making, EU employment policy and 131–2
  - demand for accountability and 2–3
  - globalization and responsibilities reshuffling and 4
  - horizontal policy network problems and 17–19
  - model of standards setting and accountability, accounting standards organizations and 109–10
- Porter, Theodore M. 133, 134



- Post, James E. 86
- Powell, Walter W. 39, 81
- Power, Michael
- accounting standards organizations and 103, 111
  - antinomy of accountability and 213, 215
  - concept of accountability and 7
  - corporate self-presentation and 89, 90, 91
  - EU employment policy and 132, 133, 139
  - globalization and 28
  - responsible buying boundaries and 115
  - transnational standards organizations and 65
  - treadmill and 242
  - UN Global Compact and 39
- power
- agenda-setting and, Swedish corporate governance code 173–4
  - asymmetry, limits and challenges and 20–21
  - policy process, in, Swedish corporate governance code 164–5
  - reflexivity and, treadmill 246–7
- Prakash, A. 213, 214, 221
- Premfors, Rune 155
- press, *see* media
- PricewaterhouseCoopers 89
- principal–agent, *see* agency theory
- procurement, responsible buying boundaries and 118–19
- Project XL programmes (USA) 213
- promises, treadmill 232–6
- public
- involvement and (ir)reversibility 194–6
  - environmental decision making 196–8
  - geographical scale, voices and environmental considerations 202–6
  - legitimate citizen, accountability and construction of 206–7
  - Swedish nuclear waste management 198–9
  - time, responsiveness and images of future 199–202
  - marginalizing, treadmill troubles 238–9
- public criticism
- corporate self-presentation in response to 80–81, 92–3
  - accounts and accountability 84–6
  - motivated actors, as 81–84
  - Shell, making it accountable 86–8
  - verification rituals and their audiences 89–92
  - see also* corporations
- publicness, antinomy of accountability and 217–19
- Ravetz, J. 216
- Rawls, J. 196
- Ray, Dennis, 163
- Razzaque, M.A. 119
- Reagan, Ronald 182, 183
- reflexivity
- accountability as social movement and 253–4
  - power and, treadmill 246–7
- regulation
- aspirations, corporate globalization and 27–30
  - informational, defined 179–80
  - modification, political logics and 150–51
- Rein, Martin 15
- relationships, concept of accountability and 5–7
- reporting
- environmental disclosure and 180
  - financial, accounting standards organizations and 104–5
  - Shell, corporate self-presentation and 86–8, 89
  - Swedish code of governance and 166–7
- representation, *see* fair representation
- responsibility
- answerability as, complexity, indeterminacy and uncertainty and 20
  - corporate self-presentation and 82–3
  - demand for accountability and 2
  - ex ante and ex post dimensions, concept of accountability and 9–10

- inner logic of accountability and 22
- political logics and 150
- reshuffling, globalization and
  - governance and 3–5
- TNC, international law and 31
- see also* CSR; social responsibility
- responsible buying boundaries
  - Sweden 114–17, 126–30
    - actors, constructing 117–18
    - inclusion and exclusion accounts 119–26
    - procurement, boundary maintenance within 118–19
- responsiveness
  - accountability as 64–5
  - images of future, public involvement and (ir)reversibility 199–202
  - transnational standards organizations and 71, 75
- Rhodes, Roderick A.W. 17–18, 63, 147
- risk 3, 12, 16, 20, 28, 32, 50, 57, 86, 92, 110, 182–5, 195, 197–8, 200–201, 213–14, 216, 235, 240–41, 244
- risk assessment 191, 207
- ritual
  - accountability forming process, EU employment policy and 140–43
  - legitimation, *see* legitimacy
  - verification, *see* transparency
- Roberts, J. 114, 115
- Robinson, Mary 33
- Roe, David 181
- Romana, Roberta 107
- Romania 123
- Rosenau, James N. 2, 63
- Rossander, Olle 171–2
- Rothstein, Bo 148, 149, 151, 154
- Rouse, Robert W. 106, 107
- Rowan, Brian 81, 121, 128, 154
- Royal Dutch/Shell, *see* Shell
- Ruchi, A. 197
- Ruggie, J.G. 38
- rules
  - globalization 30–32
  - setup and certification, transnational standards organizations 66–9
- Sabatier, Paul 149
- Sahlin-Andersson, Kerstin 2, 47, 117, 131
- Saro-Wiwa, Ken 82
- Sarokin, D. 181
- Sassen, Saskia 4, 28
- Schepel, Harm 103
- Schmidt, Susanne 47
- Schmitt, C. 211, 221
- Schnabel, Albrecht 164–5
- Scholte, Jan Aart 21, 164–5
- Schön, Donald A. 15
- Schulkin, J. 181
- Scott, Marvin B. 83, 85
- Scott, Peter 20
- SEC (Securities and Exchange Commission) 104, 105, 106, 107
- self-reference
  - contractual arrangements, in, antinomy of accountability and 220–23
  - environmental governance, in, antinomy of accountability and 212–17
  - treadmill troubles 241–2
- Sen, A. 224
- Sethi, S. Prakash 86
- SFI (Sustainable Forestry Initiative) 72, 73
- shareholder model, Swedish code of corporate governance and 162, 163, 167, 170; *see also* models
- shareholders
  - environmental disclosure and 180
  - meetings, Swedish code of corporate governance and 165, 166
- Shearer, R. 219
- Shearer, T. 115, 116, 126, 127
- Shell
  - corporate self-presentation and 80–81, 86–8
  - globalization and 4
  - investigation summarized 23
  - new organizational arrangements and 11
  - power asymmetry and 21
  - treadmill and 233, 235
- shoe sector 116, 121–2, 123, 124, 127, 233, 238
- Shore, Cris 134
- Siemens 51
- Simmel, G. 219, 226, 239
- Simula, Markku 72
- Sinclair, A. 114, 115

- Sinclair, D. 178
- sites of normativity, corporate globality and regulatory aspirations and 28;  
*see also* UN
- Skandia 1, 2, 160
- SKB (Swedish Nuclear Fuel and Waste Management Co.) 194, 195, 199, 200, 203–6, 207
- SKI (Swedish Nuclear Power Inspectorate) 204
- Sklair, Leslie 87
- SKN (Swedish National Council for Nuclear Waste) 200
- Slaughter, Anne-Marie 99
- Smith, Craig N. 163
- SMOs (social movement organizations)  
corporate self-presentation and 90  
defining accountability and 7, 8  
limits and challenges and 21  
new organizational arrangements and 12, 14  
treadmill and 239, 240
- Sobczak, A. 119
- social movement  
global, accountability as 250–51  
implications 251–2  
reflexive effects 253–4  
world producing, nature of 252–3  
*see also* SMOs
- social responsibility (SR)  
international standardization in transition and 46  
ISO and, *see* ISO  
*see also* CSR; responsibility
- sociology, *see* environmental sociology
- Söderström, Hans Tson 170
- Soneryd, Linda 19, 24, 196, 238, 239, 244, 247
- SOU (Swedish Government Official Reports) 150, 165, 166, 167, 168, 169, 170
- South Africa 124, 184, 190
- Spain 138, 141, 237; *see also* EU
- SSI (Swedish Radiation Protection Authority) 204
- SSRO (Service, Support, Research and Others) 51, 52
- stakeholder, fixed, ISO 26000 and 50–53
- stakeholder model, Swedish code of corporate governance and 162–3;  
*see also* models
- standardization, international, in transition 46–8; *see also* ISO
- standards  
setting, political model of  
accountability and, accounting standards organizations 109–10  
*see also* accounting standards; transnational standards
- Starr, Paul 133
- states  
accounting standards and 103  
demand for accountability and 1  
globalization and 5  
limits and challenges and 21  
rules for transboundary world and 31  
*see also* government
- statistics  
EU employment policy and 132, 133–4  
political logics and 153–4
- Steinzor, R. 214, 215
- Stephan, M. 181
- Stewart, John 131
- Stockholm School 98–9, 100, 101, 104, 108–9, 110–11; *see also* Sweden
- Stockholm Stock Exchange 116
- Stone, B. 64
- Storch, Marcus 171
- Strange, Susan 101, 212
- Strathern, Marilyn 133
- Suber, P. 211
- Sundqvist, G. 198
- Superfund 182–3
- supervisors, accounting standards organizations and 109–10
- supply chain, delimiting organization of, responsible buying boundaries and 120–23
- Svedberg Nilsson, Karin 8, 11, 23, 115, 233–4, 238
- Svenska Arbetsgivarföreningen (Swedish Employers' Association) 150
- Sweden  
Aarhus Convention and EIA Directive implementation 202  
demand for accountability and 1, 23  
environmental disclosure and 226  
EU employment policy and 141

- New Public Management and 147  
 nuclear waste management 198–9  
 standard setting and 62  
*see also* corporate governance code  
 (Sweden); EU; political logics;  
 responsible buying boundaries;  
 Stockholm School
- Swenson, Peter 148
- Sykes, Gresham M. 85
- Szasz, A. 182, 183
- Székely, F. 126
- Tamm Hallström, Kristina  
 accountability webs and 42  
 accounting standards organizations  
 and 99, 102, 110  
 contribution summarized 23  
 ISO and social responsibility and 47,  
 49, 55, 56, 57  
 new organization arrangements and  
 11, 12, 13  
 treadmill and 233, 238, 239, 243, 244
- Tandon, Rajesh 12
- Tatenhove, J. van 179
- Taylor, R. 148
- TCO (Swedish Confederation of  
 Professional Employees) 169
- techniques, tools and definitions and  
 14–17
- terrorism, environmental disclosure and  
 184–5, 190
- Taubner, G. 214, 221, 224
- Thevall, Renita 17, 23, 132, 133, 142,  
 241
- third-party enforcement, accounting  
 standards organizations and 103,  
 104–5
- Thomas, Paul G. 6, 18, 65
- Thompson, J.D. 154
- Three Mile Island 182, 235
- Tickell, Adam 101
- Tietenberg, T. 179
- time, public involvement and  
 (ir)reversibility and 199–202
- TNCs (transnational corporations)  
 accounting standards and 101  
 corporate self-presentation and 84, 87  
 defining accountability and 8–9  
 demand for accountability and 1  
 globalization and 5  
 globalization rules and 30  
 limits and challenges and 20, 21, 22  
 new organizational arrangements and  
 12  
 rules for transboundary world and 30,  
 31  
 treadmill and 233, 239  
 UN Global Compact and 37  
 UN Norms and 33  
*see also* corporations
- tools  
 challenging desirability of, treadmill  
 troubles 236–7  
 techniques and definitions and 14–17
- Tovey, H. 217
- trade unions, Swedish code of corporate  
 governance and 165, 169
- transnational 1–6, 10–11, 13, 19, 21, 23,  
 27–37, 40–41, 43, 61–4, 69, 73, 76,  
 80, 83–4, 101, 124, 133–4, 139,  
 143–4, 160, 231–3, 236, 245, 250
- transnational standards  
 organizations 61–3, 76–7  
 change 69–73  
 mimicry and hypocrisy 73–6  
 non-state certification schemes  
 63–6  
 setup and certification rules 66–9  
*see also* organizations; standards
- transparency  
 corporate self-presentation and 89–92,  
 92–3  
 environmental disclosure and 180–81  
 ISO 26000 and 53–5, 58  
 transnational standards organizational  
 change and 71, 73
- treadmill  
 metaphor of 213–2  
 nature of 242–6  
 power and reflexivity 246–7  
 promises 232–6  
 troubles 236–42
- TRI (Toxics Release Inventory) (USA)  
 177, 178–9, 180, 181–3, 184, 213
- troubles, *see* challenges
- Tsoukas, Haridimos 82
- UK (United Kingdom)  
 environmental disclosure and 178,  
 184, 190

- EU employment policy and 135–6, 141, 142
- Shell and 81, 82
- treadmill and 237
- see also* EU
- UN (United Nations)
  - accounting standards and 101
  - demand for accountability and 1
  - Global Compact 29, 37–40, 51, 116, 121, 245, 246
  - globalization and 28
  - international standardization and 46–7
  - investigation summarized 23
  - ISO 26000 and 48, 49
  - limits and challenges and 22
  - new organizational arrangements and 12
  - Norms 29, 32–7, 246
  - treadmill and 237, 244, 245
  - uncertainty, limits and challenges and 19–20
- UNCHR (United Nations Commission on Human Rights) 34, 35–6, 37, 41
- UNDP (United Nations Development Programme) 37
- UNECE (United Nations Economic Commission for Europe) 177, 187
- UNEP (United Nations Environment Programme) 37
- UNIDO (United Nations Industrial Development Organization) 37
- Unilever 4, 70, 71, 160
- Union Carbide 30, 31, 181, 182, 183
- US33/50 213
- USA (United States of America)
  - accounting standards organizations 108
  - Congress 104, 105–6, 107, 109, 100
  - environmental disclosure and 178, 189
  - financial reporting standards 99–100, 104
  - forest certification scheme 69, 71–3
  - General Accounting Office 107
  - treadmill and 237
  - see also* TRI
- variation, national, environmental disclosure and 187–8
- verification rituals, *see* transparency
- Visser 't Hooft, H. 196
- Vogel, D. 213
- voluntary organizations, *see* organizations, voluntary
- Vos, Ellen 103
- Waddell, S. 12
- Wallenberg, Peter 2
- Walsh, Kieron 131
- Wältring, Frank 101
- Watts, Philip 87
- webs
  - accountability as responsiveness and 64
  - UN Global Compact and 39, 40–43
  - UN Norms and 40–43
- Weick, Karl 42
- Weirich, Thomas R. 106, 107
- Weissbrodt, David 35
- Werle, Raymund 47
- Wheeler, D. 179
- Wildawsky, Aaron 154
- Wilhelm, A.G. 189
- wine sector
  - responsible buying boundaries and 116, 121, 122–3, 123–4, 125, 126, 127
  - treadmill and 233, 238
- Woodward, D. 114
- Woolgar, Steven 139
- World Bank 22
- WorldCom 98, 105
- WTO (World Trade Organization) 22, 32, 245
- WWF (World Wide Fund for Nature)
  - ISO 26000 and 51
  - standard setting and 62, 66, 68, 70–71, 73, 74
  - treadmill and 240
- Wynne, Brian 197–8
- Yearley, S. 197
- Young, J.J. 115
- Zetterberg, Johnny 147