Working Paper

No. 2004.15

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or Heterogeneous Networks:
The Emergence of
Environmental Management Accounting**

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Institutional entrepreneurs or heterogeneous networks: the emergence of environmental management accounting

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Position paper to be presented at the workshop on 'Institutional Entrepreneurship'
December 15-18 2004 at the University of Melbourne

Abstract

Based on a study of the emergence of EMA as a new managerial domain and of how EMA costs the environment, the paper examines the institutionalisation of EMA. This is accomplished by linking EMA to the broader discourse of economic efficiency. Moreover, the paper contends that the institutionalisation of EMA is supported through the legitimacy it produces for individuals (notably environmental managers) and organizations. Through the use of different metrics, EMA frames the environment in terms of the well known – money – and establishes equivalence between the actions to protect the environment and changes in the bottom line.

Informed by actor network theory, the paper suggests that non-human actors such as the calculative devices and the material artefacts necessary for providing the inputs for these devices not only construct the environmental costs and benefits but also the institutional entrepreneur. The human and non-human actors emerge by virtue of their relations to one another. The institutional entrepreneur is part of a heterogeneous network encompassing both human and non-human actors. The durability/stability of these networks is precarious, i.e. subject to contestation. Against this backdrop, the paper suggests that introducing the institutional entrepreneur – alone – as the 'champion of change' does not capture the complexity, instability, and unpredictability of institutional change. The paper concludes that the notion of institutional entrepreneurship may even be somewhat misleading.

Introduction

What to do when seeking to explain institutional change? Bring in the institutional entrepreneur! After all, there has to be someone to make the changes. This seems to be what DiMaggio (1988:14) is saying in the often cited quote: “New institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interest that they value highly.” In unpacking this quote, it appears that institutional entrepreneurs are presumed to have a clear idea of their interests and that they can rank them highly (or lowly). Moreover, they also have the strategic intent and ability to mobilize others to act in accordance with their interests. Actors do, undoubtedly, precipitate changes, but, nevertheless, it appears as if this conceptualization of the institutional entrepreneur has quite a rationalistic ring to it. One is left with the impression that institutional change can be planned and brought about by individuals or groups of actors that are persuasive and perhaps even powerful. Intentionality presides, back-grounding the un-intended and unanticipated consequences. Although new institutional theory has been criticized for offering too much attention to stability and structure (isomorphism), attributing institutional change to institutional entrepreneurs, the way that DiMaggio (1988) does, appears to go to the other extreme in privileging the purposefulness of these entrepreneurs.

This paper seeks to develop a third position,[1] one that some would say seeks to do away with this (and other) dichotomies. Rather than explaining institutional change in terms of institutional entrepreneurial agency, the paper offers an account of how new institutions may emerge as the network effect of assemblages of human and non-human actors. This introduces not only more complexity and uncertainty into the explanation it also introduces instability. Indeed, one implication of taking this perspective is that the concept of institutional entrepreneurship may be misleading.

The empirical grounding of the paper is a case study of the institutionalization of a new management practice within the domain of environmental management, namely environmental management accounting. This is a relatively new management tool that entails “the management of environmental and economic performance through the development and implementation of appropriate environment-related accounting systems and practices. While this may include reporting and auditing in some companies, EMA typically involves life-cycle costing, full-cost accounting, benefits assessment, and strategic planning for environmental management (International Federation of Accountants (1998:xx). There are many different groups and

[1] There is a fourth position focusing on field level changes, but here it seems as if changes in structures and logics come about by themselves; as if “there are ghosts in the machine.”

organizations involved in making a call for EMA: Among the more prolific are the accountants and management consultants seeking to peddle their wares (accounting, managerial assistance and auditing), but the call is also being made by policy makers nationally and internationally as well as by representatives from some NGOs.[2] Businesses, government agencies and NGOs in over 25 countries are involved in promoting EMA, and there appears to be a growing consensus among these professionals that 'something must be done' to make the costs and benefits of environmental management visible and *to demonstrate the value of environmental management*.

There is, as Marilyn Strathern observes (2000:xx) 'nothing innocent about making the invisible visible,' and one can, by analogy, contend that there is nothing innocent about demonstrating the value of environmental management. The aim of this study/paper is to demonstrate *how* the value of environmental management is constructed in different con*texts* by analysing who uses what language, calculative devices (formulas) and arguments in seeking to promote and institutionalise EMA. The case study will look at the 'work' of those seeking to promote EMA – the 'institutional entrepreneurs' as it were – and of a selected number of companies seeking to implement/use EMA. The case study is thus an account of the discursive construction of EMA and of how managers make sense of this new tool.

The paper offers a theoretical understanding of institutional change that draws on discourse analysis and actor network theory but challenges much of the literature on institutional entrepreneurs by providing a perspective that emphasizes the ways in which actors promoting change justify it, and highlights the importance of inscriptions and material artefacts in the making of these arguments. The institutional entrepreneurs do not bring about change single-handedly, but enrol, marshal and arrange different resources to form a network that stabilizes their claims as 'facts'. EMA is a network effect, and it offers a timely site for delving into not only the material and discursive complexity of institutional change but also into the construction of profits and costs, opportunities and risks – into the construction of the economics.

Reconfiguring the institutional entrepreneurs

Admittedly there are many perspectives on the issue of institutional change, and this paper takes only one to task, i.e. NIT. After a very brief re-cap of the main lines of argument in NIT, the paper

[2] The US Environmental Protection Agency has, for instance, funded the establishment of the EMA Research Information Center (200x); the United Nations Division for Sustainable Development convenes meetings of an expert group on EMA; and some of these experts – representatives from national governments, professional accounting organizations, NGOs – have formed an EMA-network, EMAN.

sets out to unpack the three key notions institutions, change and entrepreneurs, arguing that the former regulates behaviour, but comes in many ‘shapes, forms, and sizes.’ The notion of change is tricky, and begs the question of how do we know change when we see it? Although there are various nomenclatures for change to help us – incremental versus radical, small versus systemic, micro versus macro level changes, etc. – the paper suggests an evolutionary, emergent approach to understanding change.

The third concept to be discussed in this section is that of the entrepreneur, the purposeful actor that seizes opportunities to make things happen. It appears as if there is almost an echoing of Mancur Olson’s rational choice arguments regarding collective action (1971/65) in parts of the literature on institutional entrepreneurialism – the institutional entrepreneur’s success depends on the resources at his/her/their disposal, their abilities to ‘sway’ others, the number of people involved and the power that they have, etc. Not that resources, skills and power aren’t important, but if we want to understand the way these things work, then, following Law (1992), we shouldn’t start out by assuming what it is that is to be explained. They ways in which resources become resources, skills become skills and power is played out is not something that is given – it is an effect of negotiations between heterogeneous actors. Rather than focussing on characteristics of the institutional entrepreneur, the paper looks more closely at all the things – the heterogeneity of the actors – involved in making the institutional entrepreneur perform and, perhaps, bringing about institutional change.

Drawing on actor network theory institutional change is considered in terms of actors enrolling, mobilizing and translating heterogeneous resources – texts, other people, technologies, nature – to form networks. These networks encompass both humans and non-humans actors that emerge by virtue of their relationship to each other. The temporal ordering of a field, usually associated with the actions of an institutional entrepreneur, is according to this perspective an effect generated by such networks of heterogeneous actors. The institutional entrepreneur is engulfed or entangled in webs of relations that can facilitate or hinder purposeful action in often unpredictable ways. Institutional change is about changes in translation and the reconfiguring of the relations between actors as these are continuously contested, negotiated and re-negotiated. The perspective that this offers on change is a temporal one; one in which past actions incrementally influence present actions (the workings of the networks); weaving the past and the present together in a complex fabric of interrelationships; and one in which change in one area can have far reaching effects in other areas thus rendering the effect of change quite unpredictable.

EMA – “at the margins of accounting”

EMA is very much, as Peter Miller (1998:175) notes, at “the margins of accounting”, but “…it is, at the margins that we see new calculative practices added to the repertoire of accounting.” It is this adding to the repertoire that is of interest: How is it done?

The answer to this question will be provided by (1) a discursive analysis of key texts produced by the proponents of EMA, the ‘institutional entrepreneurs’, (2) case studies of how companies are seeking to implement/use this managerial practice.

The first part of the study will demonstrate how EMA is discursively constructed as a managerial domain. Emphasis will particularly be given to identifying the calculative devices that constitute EMA. As Callon (1998:24) notes: “Not only do accounting tools constitutes spaces of calculability and define the way the calculation is made up, but also, through the reactions they provoke, new calculative strategies emerge which lead to changing goals. An analysis that fails to take these tools into account would be unable to understand the emergence and logic of calculative agencies, for all decisions are the outcomes of this [accounting, sg] complex calculating system.” The calculative devices, like other practices of writing, contribute to the construction of the object – in this case the environment and environmental costs. EMA is not a ‘neutral’ technical practice that simply describes the economics of environmental performance. Rather, it shapes the forms of visibility given to the environment and the environmental costs, and in doing so works in specific ways to shape behaviour.

This is taken up in the second part of the study that focuses on EMA practices in specific companies. This allows for a situated account of the discourse, techniques, metrics and practices that demonstrate the value of environmental management – the costs and benefits, the opportunities and risks. This part of the study will investigate the calculative practices of key actors and address the seemingly straightforward question of ‘what counts’ in EMA and ‘what doesn’t count’ as ‘internal costs’ to the company? What counts and doesn’t count as costs to society for which the company is (usually) not held responsible? How is the future factored in? Moreover, how does the framing of environmental costs influence the ways decision makers ‘see’ environmental management activities – are they business opportunities or a matter of minimizing risks? This is in part a matter of framing, but it is also a matter of sense-making, and begs the question of the link between the two.

The discussion of the case ‘findings’ will draw on Callon’s (1998) re-conceptualization of externalities as overflows, the notion of environmental costs will always be open to contestation, and that the ways in which they are discursive constituted or framed (in formulas and accompanying texts) can only be stabilized temporarily. Framing is fragile and involves a number of ‘things’: a delineation of rights (who has to the right to do what – an issue which in itself is highly contestable); establishing a metrology to measure changes in the environment and in the companies environmental performance and impacts so as to establish the causal relations between cause and effect (emission/damage); and establishing a common currency for measuring things, i.e. money. It appears as if EMA gets its legitimacy by establishing equivalence between actions and monetary gains/losses and through references to well-known disciplines – accounting and environmental economics. Accounting offers the tools and economics the mode of justification (Thèvenot, et al., 2003). It is a justification based on the market. “These justifications consider the worth of things only in terms of price, and support a very short-term construction of time in which the market competition ‘test’ is the basis for evaluation” (Thévenot, et al., 2003:240). My hunch is that EMA will only be stabilized as a new managerial practice (or institution) by drawing on market-justifications or economically grounded discourses to increase the number of actors – allies – making a case for EMA. Conventional environmental economics thinking appears to be quite instrumental in this regard, particularly in light of the stronger emphasis given to efficiency in the policy discourse over the last few years. One could, perhaps, contend that the discourse of environmentalism or the ‘green’ mode of justification is loosing terrain relative to the efficiency discourse or the market mode of justifying action. This is an open question.

In way of concluding, EMA will be used as an example to shed light on the discursive and material dimensions of the institutionalisation. Discourses evolve in disparate and geographically dispersed communities (of different types of environmental professionals), but need to have material forms – conference presentations, reports, and formulas – in order to circulate. These materials are grounded in yet other forms of materiality, namely all the technologies, substances, and practices involved in providing ‘input’ to the presentations, reports, and calculations. The accounts made in the reports etc. may or may not provide for convincing reading. If so, they can help build allies that can take action. So, there is a mess of actors involved. To picture the institutional entrepreneurs as the ones bringing about change without taking all these other things into consideration tells only part of the story and is therefore too simplistic and perhaps even misleading.

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