CSR - THE NEO-INSTITUTIONAL PERSPECTIVE

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ABSTRACT

There are two basic issues that are considered in the presented multiple-case study research. Firstly: the dynamics of the interrelations between business, local communities, public administration and NGOs. Secondly: the process of defining and institutionalizing corporate responsibility. Power and institutions are the two core categories of this analysis. The research results revealed various rules and dynamics of the interplay between institutions and social actors. It is illustrated how, on the one hand, institutions constrain and enable actions and, on the other hand, how actors undertake purposive actions and use key resources or other forms of power to create, maintain or disrupt institutions related to social responsibility. The research reconstructs the framework facilitating the understanding of how the institutional and social context shapes organizational behavior in the field of responsibility. The perspective outlined here is complementary to the theoretical concept, which is already presented in the institutional analysis of CSR, highlighting the influence of the institutional and social context on CSR implementation on a macro level. It recognizes micro-politics (power and interests) as a significant factor in the process of CSR institutionalization.

INTRODUCTION

In the last decade one could observe a growing number of publications utilizing the institutional theory to analyze the CSR phenomenon. One of the reasons for this phenomenon is the fact that the business-centered approach to CSR proved to be unable to explain why corporations engage in CSR practices (Brammer Jackson, Matten 2012, Orlitzky 2008, Campbell 2007). There was a need for a broader theoretical approach relating to the business-society relationship (Campbell 2007, Crouch 2006). The institutional perspective provides helpful instruments for explaining the CSR phenomenon in two crucial aspects: the diversity of CSR and CSR dynamics (Brammer Jackson, Matten 2012). The first one encompasses the work of institutionalists focusing on comparative studies of CSR in different institutional contexts (Matten, Moon 2008, Kinderman 2008, Aguilera, Williams 2008, Gjolberg 2009, Blasco, Zolner, 2010; Jackson and Apostolakou, 2010). The main theoretical concepts here are: the variety of capitalism; the culture of capitalism; and national business systems. They help explore the diffusion of CSR and its interactions within the institutional and social context resulting in different cognitive concepts and practices related to CSR. Another, dynamic approach uses the neo-institutional concept of isomorphism – organizational change taking place as an effect of coercive, normative and mimetic pressures from the organizational field (NGOs, business associations, cooperants, etc.). They force companies to adopt the norms and values or at least the rhetoric and ceremonies of CSR (Bluhm, Trappmann 2012).

So far, the theoretical analysis and research in both aspects have concentrated on the macro level, and have answered the question of diversity - its manifestations and determinants. The goal of the research presented below is to describe and explain CSR dynamics and diversity on a micro level. The main research questions proved to be: What are the characteristics of the process shaping the mutual relations between a company and its social environment, as far as corporate responsibility is concerned? What does the process of the social definition of corporate responsibility look like? What is the role of power in these processes? A multiple-case study of environmental conflict between enterprises and their local communities was used to answer the above questions.

THEORY

The starting point of the theoretical analysis was the assumption that the institutional and social conditions that are present in post-communist emerging market economies do not deliver a supportive context for the implementation of the idea of CSR. The goal was to explore how the idea of CSR and associated actions are shaped in conditions where public expectations towards business are limited to paying taxes and job-delivery, and the constraints imposed by governments and civil society are weak and ineffective. Institutional weakness was supposed to provide a convenient environment to observe the role of power in the implementation of the CSR idea.

Although the issue of power is strongly present in the institutional perspective, it rarely becomes the object of direct investigation in the institutional analysis of CSR, which is mainly concentrated on macro-level comparative studies of CSR in different institutional contexts (Kang, Moon 2012, Brammer, Jackson, Matten, 2012, Aguilera, Williams 2008, Campbell 2007, Crouch 2006). However, social actors and organizations among them may not only adapt to institutional pressures but also seek to manipulate them (Oliver 1991), or strive to influence institutional contexts in order to achieve their own interests (DiMaggio 1988, Elsbach and Sutton 1992; Kitchener 2002, Lawrence, Suddaby 2006). An active attitude towards institutions is highlighted in the later works of neo-institutionalists, who use concepts like "institutional entrepreneurship" (DiMaggio 1988) or "institutional strategy" (Lawrence and Suddaby 2006). They ask the question: how do people maintain, transform, destroy institutions through purposive and non-purposive actions?; as opposed to the question: how are the actions of people/organizations shaped by institutions? In their influential article Tolbert and Zucker point out that successful institutionalization depends on the activity and power of interests groups opposing or supporting given innovation (Tolbert, Zucker 1996). In this approach institutions **reflect particular power relationships at a particular point in time** (Jackson 2010, Bremner Jackson, Matten 2012).

So if we define CSR as an institution regulating organizational behavior, the questions to ask would be: How is CSR shaped by the actions of social actors? What role in the process of institutionalization is played by their power and (symbolic and material) resources? This article puts forward an answer to this question, being at the same time a theoretical contribution to CSR analysis.

Power in CSR literature

The power phenomenon is rarely present not only in the institutional analysis of CSR, but also in literature on CSR in general (Bondy 2008: 308). This is a direct accusation made by its critics (Hanlon 2008, Kuhn, Deetz 2008) – CSR literature tends to omit the political perspective based on issues like interests, conflict and power. Those few articles that can be found are usually written from a political perspective, i.e. in the literal sense of "politicization of the corporation" (Palazzo, Scherer 2006: 72), based on the normative argument that corporations due to their significance and power influence the public sphere and because of that are **obliged** to function in a more democratic (deliberative) way. Others deal with power in a more general sense without any in-depth theoretical or empirical analysis on how it works, but indicating the importance of CSR analysis when the relationships between firms and their stakeholders are concerned (Calvano 2008, Campbell 2007, Crouch 2006). An exception is Bondy's article on the role of power in CSR implementation, considering micro-politics within an organization. Her in-depth case study shows how social actors are using CSR to improve their own position within organizations. This approach is close to the interpretation proposed by the neo-institutional theory, perceiving social actors as institutional agents, actively shaping their institutional environment (institutional entrepreneurs, DiMaggio 1988).

The theoretical perspective considers only one side of the relationship between actors and institutions, which focuses on the actors' accommodation to social expectations and does not answer the question on how organizations choose whose expectations to take into consideration. Palazzo and Scherer are right to assume that in postmodern societies value systems are extremely diversified (2006). Whereas authors like Habermas (1996, 2001) and Dryzek (1999) argue that this situation requires a new type of legitimization based on dialog in the course of which common solutions and decisions will be developed (communicative legitimacy, Palazzo, Scherer 2008: 79). So the core of legitimacy will be a deliberative procedure as opposed to a solution based on a norm. The question remains, however, how do organizations select groups and organizations to start a dialog with? (Crouch 2006). Social actors are not equal in terms of power constituted by material and symbolic resources. If corporations are so strong that their actions result in major external impacts on the public sphere, even on a global level, who or what will force them to even start a dialog? In CSR literature focusing on the stakeholder theory one can find at least one example of analyses referring to the influence that particular stakeholder groups have on corporate decision-making. The Stakeholder Salience Model developed by Mitchell (Mitchell et al., 1997) identifies three attributes that increase the probability of effective claims. These are: power, legitimacy and urgency. Lidia Calvano, who gives a theoretical analysis of the conflict between the business and local community states the following: “When applying this model to MNC and community conflict, these criteria are particularly troublesome for communities, because historically they have possessed little or no power relative to other stakeholders. In addition, managers have not perceived their claims as legitimate even though conflicts can create a sense of urgency, especially when the battle is played out in the media. As a result, the ability of communities to influence MNC decision-making in their favor has been slight to non-existent” (Calvano 2008: 796). Power, and not legitimacy, remains the primary concept explaining the behavior of companies. However, this can be easily overlooked, since analyses of the relationships between business and civil society mainly focus on the MNC-NGO relationship, especially when there is a conflict involved. For example, one of best known and most comprehensive studies (Yazji, Doh 2009) is being criticized for ignoring local movements and spontaneous mobilization incidences of neighborhood groups. This is the area where power imbalance is most extreme and therefore the role of power can be best observed (Weber 2009).

The aim of the below presented research is to fill the mentioned gaps. It concentrates on the micro level, uses the political perspective highlighting power, conflict and interest issues, it describes the dynamics of the agency and structure relationship in shaping the responsibilities of companies, and it refers to the relationship with local communities.

METHODOLOGY OF THE RESEARCH

Design of the research followed an analytical strategy relaying on theoretical propositions (Yin 2003:111). Original objectives and research questions, choosing cases and sampling within cases, development of research tools were based on theoretical propositions. The beginning of the presented analysis is rooted in the “traditional” adaptive perspective. The initial question was: How is corporate responsibility shaped by specific institutional contexts? The elements identified as relevant were: weak state institutions, especially in the field of law enforcement; the underdevelopment of civil society depicted in the scarcity of NGOs and their limited human and material capital; limited expectations with respect to business activity in the social and environmental field expressed by the public opinion (Lewicka-Strzałecka 2007, UNDP 2007). Those conditions allowed to construct the following hypothesis: in conditions of weak constraints imposed on business activity by the state and/or civil society, business organizations will act in an opportunistic (irresponsible) way, having fewer incentives to adopt CSR and/or respond to stakeholders' demands/expectations and even fewer incentives to obey the law (due to low risk of being caught) (Campbell 2007). This approach focuses on CSR conceptualizations that encompass responsibility for both positive and negative external effects (Crouch 2006, Campbell 2007, Daudigeos, Valiorgue 2011) as well as obeying the law (Campbell 2007, Strike, Gao, Bansal 2006). The environmental conflict between corporations and local communities was chosen as the subject of the analysis. It served as a natural experiment revealing institutional and social mechanisms hidden behind day-to-day practices associated with the relationships between organizations and their environment. The conflict is sometimes described as a “suddenly imposed grievance” (Guenter, Kroll-Smith 2007), forcing to act, focusing on the interplay of interests, power and related actions. The research itself was designed as a multiple-case study (Stake 2005, Creswell 2007, Yin 2003), aiming at describing and explaining the mechanisms and variables that determine the phenomenon under research. Cases were chosen using quasi-experimental logic (Yin 2003), in order to diversify the value of the main variable of the research, i.e. stakeholders’ power understood as a resource, such as social, economic and cultural capital and as a relationship of dependability. The initial definition of power was a simple and general one, because it was the aim of the research to fill it with relevant, empirically embedded content. It was important to explore how power is exercised, what “strategies and tactics” reveal power (Flyvberg 1997: 5). Furthermore, it was necessary to choose a definition with easily identifiable indicators. The decision of selecting a case was taken a priori, without any exploratory research. The environmental conflict was found to be appropriate for the research goals if it took place in one of following two situations. Either it had to occur in a big city or nearby, where all indicators associated with social exclusion are relatively low, or it had to occur in rural areas where the situation is the opposite. High rates of social exclusion most probably indicate low values of economic, material and cultural capital. Additionally, the labor market as well as the goods and services market are smaller and less diversified in rural areas, which could potentially create dependability on a given entrepreneur as a job supplier and/or recipient of locally produced goods and services. Eventually, two conflicts with weak stakeholders and five conflicts with relatively powerful stakeholders were selected for the purpose of the research. In all cases qualitative methods were applied, such as in-depth interviews, documentary analyses, content analyses and observation. In all cases purposive sampling was used: interviewees were selected among the parties that were involved in the conflict (62 interviews), all the relevant documents (formal correspondence, fines, open letters, meeting protocols) and other sources of information (posts on internet forums, websites, press articles and media coverage on TV) were collected. Observation was conducted in two cases and was limited to an administrative trial and a confrontation of parties that took place during a municipality council meeting.

A few techniques for data analysis were used (Yin 2003), among them time-series analysis (detailed description of changes over time), cross case synthesis (displaying the data from the individual cases according to the uniform framework) and explanation building (iterative process of examining case study evidence and revising theoretical propositions) In each case, chronological description of events opens the report. Prefigured categories, were used for data analysis. For each case, those were: power, interests, actions/strategies, rules of the game/institutions, history/process, responsibility, social definition of external effects. Research report from each case was patterned under following scheme: institutional and social environment, power, interests, strategies/actions and responsibility. Iterative process of comparing data with theoretical propositions resulted in the significant shift in theoretical perspective (form institutions centered to actors centered analysis).

For the purpose of this article two cases were chosen for illustration. Each case represents one of the two groups, i.e. one conflict with weak stakeholders and one conflict with powerful stakeholders. Aforementioned categories were integrated into four general themes: history, institutional environment, power, process of establishing mutual relations.Quotation from an interview accompanies specification of stakeholder to whom it belongs (LG; Local Government Representative, LA: Local Administration Official; LC local: community representative) and the interview number within the case. Quotation of documents contains reference to the source.

CASE DETAILS

Case 1. Weak stakeholders. Chipboard factory vs. local government and community

History

The history of the enterprise dates back to the mid-1960s when a chipboard factory was opened in a town that today has 40 thousand inhabitants. The location was chosen because of the abundance of raw materials necessary for the production. After 1989 the enterprise underwent a series of ownership changes and experienced a dynamic development. The local authorities actively participated in the search for an investor, bearing in mind the workplaces provided by the company. Finally, in 1992 the factory became a limited company – the daughter company of an international group owned by a foreign investor.

A brief description of the mutual relations between the town (local community, municipality) and the factory, which went through several stages, is presented below.

During the initial "incubation stage" the local authorities, for the sake of economic development and job security, defended the company from inhabitants that were influenced by the increasing detrimental effects of the operations of the company. These effects included: dust emissions (both fine dust – inhaled with air, and less fine – forming deposits and destroying surfaces, from window panes, car bodies, all the way through to laundry), odor emissions, waste emissions to the lake and soil, noise caused by the machines and transport of materials to and from the factory.

The second stage was initiated by local elections (1994), which saw a significant increase of the local authorities' sensitivity to the opinions of the inhabitants. Ever since then, the issue of the detrimental effects caused by the factory became an indispensable part of the political life of the town. The authorities started to pressure the factory to minimize the detrimental effects, while the factory completely ignored the increasing social discontent. This stage of mutual relations is characterized by a more or less open conflict. The conflict was not publicized outside the local media and the main defense strategy of the town was to notify supervisory institutions . These proved to be ineffective, in turns imposing and revoking imposed fines for the infringement of environmental protection and construction laws, ordering to remove the detrimental effects and never enforcing these orders, and they were unable to prove the reported damages to the offender.

The first symptoms that the third stage began – a thaw of relations due to the company undertaking actions to minimize the detrimental effects on the environment – occurred in the years preceding the Polish access to the EU. At the same time, the town gained new means to exert pressure on the company, as it planned to establish a special economic area. Within a few years the company improved their water and waste management, modernized its machinery (after the old machines[1] were damaged in a fire), installed electro-filters and started to cooperate with the authorities to rehabilitate the lake in the vicinity of the town. Most of these actions, particularly those associates with water and waste management, resulted from the need to comply with the regulations in force and orders imposed by the supervisory institutions. What is more, these actions did not completely remove the detrimental effects on the environment and health.

The institutional environment

Institutions enforcing the law are the ones that have the most significant influence on company behavior and the perception of responsibility on all sides of a conflict. However, as already mentioned, they proved to be ineffective. In the years 1991-2004 various supervisory institutions like the Regional Environmental Inspectorate (WIOŚ)[2] and construction supervision authorities[3] found multiple irregularities regarding the storage of waste wood and of hazardous waste (chemicals), waste water management, air pollution (excessive dusting), including exceeding pollution limits and the absence of relevant licenses. Fines were imposed, some of them revoked and some of them were even considered to be part of the investment. In many cases fines were imposed for the same irregularities over many years (the highest fine found in the documentation was 5000 PLN[4], the average was about 700 PLN[5]). In other cases, the company was ordered to eliminate the negative effects, e.g. by securing the waste stockpile. Despite the repeated controls from the WIOŚ and complaints from the local community and the local authorities, the company continued to ignore all pressures.

Judicial and administrative institutions also failed. Although many complaints were filed for prosecution, none of them was adjudicated in court. The cases were dismissed or opening of inquiry was denied. **Institutions of public administration** failed as well. The local authorities would send appeals against the judgment of the supervisory institutions to the Ministry of the Environment, but these were dismissed. They tried to participate in the administrative proceedings, but they were denied the right to be a party.

One of the respondents recollecting the conflict from the 1990s ironically depicts "the spirit of the age": "*Without using robbery methods of development they would have never even come into existence. For example, the then director would build a steal construction and say that within two months people would be working there. At the same time he would be arranging the necessary permits. It was a real mess at that time. If they would have actually waited for all the necessary permits, they would not have been able to build a thing. The sanitary services did not intervene, the police was locked in their offices. The local government made light of it, maybe people simply did not have the knowledge…"* (LG11)

[1] "but very well insured", as sarcastically pointed out by the representatives of the local community and municipality in interviews.
[2] *Wojewódzki Inspektorat Ochrony Środowiska (WIOŚ)*

[4] Approximately: 1,200 EUR / 1,500 USD
[5] Approximately: 170 EUR / 220 USD

The helplessness of the local community and the failure of institutions to enforce the law contributed to a general sense of lack of control, which resulted in the impunity of the company and a lack of trust of the local community towards government institutions, supervisory institutions and other formal institutions, such as the law regulating pollution norms. One of the respondents summarizes the situation of the time of the most severe conflict (1991-2004) in the following way: "*the only rule was that there were no rules*" (LG 9).

In the end, the institutions were not able to fulfill one of their main functions, which is combining and reconciling opposite interests. They were also unable to perform their socialization function, which is making social actions coherent with the norms present in the institutions themselves and therefore predictable.

The Polish accession to the EU slightly changed the described relationships. The previously mentioned socialization function became stronger. This is due to the fact that the representatives of local authorities and communities seem to be convinced that what used to be ignored by Polish regulatory and supervisory institutions, would no longer escape the eye of corresponding EU institutions[6]. The fact that measures that were supposed to regulate the environmental impacts of the company were implemented only approximately one year prior to the accession indicates a similar attitude of the company management.

Power

In the town of 40 thousand inhabitants the company employs approximately 1000 people, while each of those jobs generates about 7 other jobs in the industry and services related to the production activities of the said company. This gives a total of approximately 7000 jobs that are dependent on this company. According to the initial expectations of the local authorities, the factory ensured jobs, attracted other investors from the industry, but at the same time formed a characteristic economic monoculture, which took the town as a hostage. This dependency caused both the authorities and the inhabitants to avoid a full confrontation, as they feared that the company might move production to other, cheaper locations, such as Belarus or the Ukraine. Actually, the company management representatives enforced these fears whenever the conflict exacerbated. Lay-offs remained the main threat used by the company, e.g. in order to reduce transportation and real estate taxes. In a complaint lodged against a negative decision to the Local Government Appeals Court (SKO), the company claimed that remission is in the interest of the taxpayer as well as an important public interest[7], because it is the largest employer in the community and if it will reduce its employment due to the inability to develop, this "*would affect the increase of an already high unemployment rate*"[8].

In the local community (including both the inhabitants and the government representatives) there is a common opinion that the existence of the factory is a form of necessary evil, which is proved by the following statement: "*either you have no job, or you have a little stench*" (LG 4), or in a more blunt form "*getting rid of this factory would be worse than any environmental disaster*" (LG 3). In other words, the inhabitants accept the environmental and health risks for the sake of minimizing the economic risk, they are willing to sacrifice their quality of life (recreation, living in an unpolluted environment) for the sake of material security.

Thus, the first source of power of the company was a dependency relationship. The second was capital. In the discussed conflict, access to capital was strategic in several areas. I will focus on only two. The first is the area of expertise. Access to expert services guaranteed the company a significant input in the process of creating and imposing social definitions of situations regarding the legality of certain actions, especially in the field of the impact of the emitted pollutants on the environment and health. Neither the local community nor its authorities had access to adequate means to present their own expertise

[6] One of the respondents, when asked about how a responsible company should act, said that a responsible company should act in accordance with the law and comply with all standards, "*however not our standards, but EU standards*".
[7] These are valid reason based on which a competent authority may decide on remission. It should be mentioned here that in this case the value of remission came down to PLN 4,653.10.
[8] Quote of the company's response to the decision of the SKO of 14/07/2002.

knowledge as a response to what the company presented. This is what a representative of the local media stated: "*when we said that the waste, this wood dust, is harmful, after some time a professor from Bydgoszcz appeared, from the University of Agriculture and Technology, who was hired by them, and conducted a technical assessment according to which this wood dust is used to fertilize the soil. So what can we do, when every time we claim that something is harmful some authorities claim the opposite and we look like idiots" (LM 3).* The second strategic importance of capital is of a political nature. With the availability of capital, the company was able to win over local politicians - whether through funding of election campaigns or by including them in their charity activities, of which the main target group were children (funding school kits, festivities, etc.). The company skillfully exploited a severe, long-term conflict between two parties of the local political scene. As noted by a representative of the district authorities: *"The relationships with the company varied depending on who handed out the schoolbags."*[9](LG 11).

The power on the side of the local actors focused on areas associated with the exercise of (at least partial) control in the following areas: **planning andresolution-passing**. In the first case the authorities had the power to make decisions regarding building permits, the sale of land belonging to the municipality, road infrastructure projects, the specific shape of which was in the interest of the company. Quoting one of the officials: "*A building permit can be issued within a week, but it may just as well take 60 days or even longer...*" (LA 1). The local and district authorities having the control in the area of resolution-passing made it possible for them to create certain conditions for business activities in their region. In the discussed case, the matter of passing a resolution to establish a special economic zone in the municipality (late 2004 and early 2005) proved to be particularly significant. The following quote emphasizes how big the change really was resulting from the fact that the town gained a resource strengthening its negotiating position: *"It turned out at some point that it isn't so, as it had been for many years, that a company is completely independent from the city (...). It turned out that some things require showing up and asking for the permission of those who, truth be told, have been **ignored and humiliated** for years ...* "(LG 8). A significant factor in the course of this conflict was the fact that the local authorities practically had no tools to control the factory. Such power can only be exercised at provincial level.

Theoretically, the only source of power of the local community is legitimization. The inhabitants have the opportunity to have an impact on the company image through, for example, social and media mobilization or with the help of politicians, using the mechanism of representative democracy. The negative impacts associated with the functioning of the company become the central topic of public discourse, and the image of the company becomes extremely negative. Years of ineffective struggles resulted in the company becoming "*a local whipping boy*" (LG 11). It was and still is being blamed for everything associated with negative environmental and health effects, despite the fact that there were certainly also other candidates in town, such as the dairy plant, the military unit, the hospital, the local farmers and the inhabitants themselves[10].

The process of establishing mutual relations

The ineffectiveness of the local authorities as well as the supervisory and judicial institutions has contributed to the shaping of the relations between actors, mainly through a game based on power, which, given the significant advantage of the company when it comes to power, almost always ended in victory for the company. The relationship that was ultimately formed between the company and the community and its authorities was characterized by mistrust and low levels of expectations from the public. This basically gave the company a free hand in deciding whether, and if so, how to make possible commitments within the scope of corporate social responsibility. The dependency of the city on the company made the actions of local authorities lack consistency and determination.

The change of the highly confrontational attitude of the company management was in conformity with the assumptions made in the hypothesis. It occurred, first of all, as a result of the change in the institutional setting (EU) and, second of all, as a result of the stakeholders gaining control over new instruments of

[9] Schoolbags were part of the previously mentioned school kits.
[10] The level of formaldehyde in the air rises in the winter when "*people burn whatever they can in order to keep their houses warm, such as rags, plastic, etc.*" (LG 4).

pressure[11] in the form of decision-making powers regarding the establishment of a special economic zone. The mentioned changes affected the power relations. The company, on account of new investments, became dependent on the official legitimization powers of the local and district authorities, i.e. on obtaining all formal permits to perform particular types of investments and on the provisions regarding the economic zone. The change of the political system in the local government abolished the specific relationships between the parties to the conflict, making it easier to make decisions regarding changes of strategy and the use of the previously mentioned legitimization powers by local authorities.

Current notions of corporate social responsibility are marked by experiences of the past. Experiencing this conflict with the company created a high degree of alertness among the local governments as well as the inhabitants. Respondents, when describing a responsible company, always stipulate that "*now we are entering into the realm of dreams*" (LG 10), or "*now we will have a bit of science fiction*" (LG 8). Another distinctive observation that could be made was that, **having gone through the experience of having to deal with this factory, made their notion of corporate social responsibility rather modest**: a responsible company must meet all the standards required by the law (here it was often emphasized that they meant EU standards, which can be interpreted as a sign of a lack of confidence in Polish standards). The modest nature of expectations can be classified as one of the effects of the conflict, one that is very advantageous to the company. After years of ignoring any restrictions, the company presented measures minimizing the negative impacts of its activities not as something that it has to do (compliance with regulations), but as something that it does out of the goodness of heart. Tormented by all the nuisances that they had to go through, the inhabitants do not dare to have any bigger expectations. "*We have to remain realistic about this, such a factory simply has to pollute*" (LG 8). Moreover, the interpretation of the statements of some of the respondents leads to the conclusion that the ideas voiced by the institutional design of CSR, involving the implementation of social and pro-environmental actions in business activities, are generally considered to be unfounded: "*it is the task of the entrepreneur to produce and the task of supervisory institutions is to compel him to obey the law*" (LM 3). Thus, the company becomes the subject as opposed to the object of responsibility.

Case 2. Powerful stakeholders. Local community vs. energy enterprise

History

The subject of the conflict was the construction of a four-wire, dual-voltage power line of 400 kV. It took place near a large city, in one of the towns situated on the trajectory of the power line. This conflict can be divided into three main phases. During the **first** phase, the company that was in charge of the supervision of the investment, a company of the Treasury, carried out the planning works in consultation with the local authorities. Under the agreement signed with the company, the municipal authorities issued the necessary permits and introduced the necessary changes in the documentation regarding spatial planning (the years 1998-2003). After obtaining a building permit from the district governor, the first stage of the investment was completed (2004) and a request for a permit for the second stage was filed. By then the power line became visible to the inhabitants of the newly built housing development. From that moment the conflict entered into the **second "development" phase**. This phase was characterized by a significant increase in the protests, the diversity of their forms and negotiations regarding possible solutions. In June 2005 the district governor issued a permit for building the second segment of the power line, which was located in the areas under protest. Due to the existing conflicts, the company excluded the segment of the line that would run straight through the housing development that was the heart of the protests from the request for the permit (creating the possibility for a "small detour"). However, it was still possible to make a "large detour", which would mean running most of the power line completely outside of the town. This phase of the conflict ended with a narrowing of the field of negotiations by the company in July 2006. This involved carrying out disassembly - construction works on the entire segment covered by the contested building permit. The realization of the works was preceded by a hearing before the Voivodship Administrative Court (WSA), the subject of which was the annulment of the second building permit issued by the district governor (this claim was filed by the inhabitants). The permit was repealed a

[11] *In fact*, these resources were also of an institutional nature.

few days after completion of the works by the investor[12]. The only issue still to be negotiated was the trajectory of the power line that was not covered by the said permit.

During the **third phase** of the conflict a regrouping of forces took place. As a result of the local elections in the year 2006 three representatives of the protesting housing development got into the City and Municipal Council. The new Council formed an Ad Hoc Commission Responsible for the High-Voltage Lines, of which the aim was to solve this conflict. At the same time, legal proceedings were pending. As a result of one of them, the Voivodship Administrative Court (WSA) held that the resolutions from 2003 of the Municipal Council regarding planning were invalid, which meant that the municipality had to start the planning procedure all over again and the company had to apply for new permits, which would be issued only based on valid planning resolutions (which also meant waiting until the municipality would adopt the plans).

Two months later, at the initiative of the mayor, another meeting took place, during which it was concluded that the investor would soon file for the implementation of a trajectory of the line along the 220 kV line (the so-called old route) to the local development plan. Whereas the municipality would start the planning procedure. These arrangements would not restrict the local authorities from preparing their own alternative trajectory for the power line running through the area of the municipality.[13]

The institutional environment

The roots of the conflict can be traced back to the institutional conditions associated with the functioning of local authorities. The decision-making mechanisms underlying realized investments draw particular attention. **These mechanisms are characterized by a lack of a systematic approach, including the lack of in-depth examination of the long-term effects of certain decisions.** In the late1990s and at the beginning of the 21st century, the municipality issued permits for investments that were potentially on the "collision course". These were housing investments, which entailed a mass reclassification of agricultural land into building plots. The expansion of the high-voltage lines continued, which are characterized by white-red 70 meter poles hung with lights on a base of 20 by 20 m[14]. The town councilors that approved these decisions emphasized that what mattered most to them at the time was the economic effect[15], "*rather than the social impact*" (LG 5). The statements describing the beginnings of the contacts with the investor all emphasize that the town councilors agreed to the modernization/building of the power line along the old route, because they believed it was not going to cost them anything. The investor was supposed to come to an agreement with the locals that owned the land under the power line and pay the municipal authorities money for infrastructure development and repairs. At the same time, reclassifying land for housing development by the Council of the same term was supposed to provide additional income for the community. Some of the decision-makers even admitted that "*they did not quite know what exactly they were approving (with respect to the modernization of the power line - author's note)*" (LG 4). One of the decision-makers, when discussing the then made decisions and the already incurred costs by all the parties as a result of the conflict, even said "*but who would even analyze it that far, or who knew*" (LG 4).This statement seems to reflect the way in which decisions were made, without considering other alternatives and possible future consequences. On the other hand, the town councilors did have to make decisions being in a difficult budgetary situation. One of the new councilors remarks that "*backthen every penny was worth a sin*" (LG 1).

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[12] As explained by the investor on his website, in contrast to an annulment, this does not have any material effects, i.e. there is no need to dismantle the construction that was executed under the repealed permit.

[13] This was when the research was aborted. Eventually, there was no agreement reached between the municipality, the locals and the company. The power line was built according to the original plans, along the old route. The investor made use of the so-called "Special Purpose Act for Investments", which gave the project a special status (strategic in terms of public good). This act restricts the rights of land owners in pursuing their interests.

[14] The safety area on both sides of the power line was, according to the environmental impact assessment report, 20 meters, and in the local development plan a strip of 40 meters on each side of the power line was left free from development.

[15] Economic analyses commissioned by the Council of the next term (2006-2010) showed that this effect was unfortunately of a short-lived character. The existence of the power line limits the development possibilities of the municipality, including the possibility of increasing income tax revenues on account of a growing population. This is because the presence of the power line obviously decreases the attractiveness of that region for new housing development.

The problem of the lack of a systematic approach and substantive support of municipal decision-making processes was accompanied by the **lack of an information policy regarding the made decisions** and the policy-makers not taking into account the possibility and the right of the citizens to participate in the decision-making process[16].Buyers of plots and houses in the community area would receive conflicting information about the future of the power line, and the owners of land located on the trajectory the power line did not receive any information about the changes implemented in the local development plan (this became one of the reasons for the subsequent annulment of the resolution regarding the local development plan by the Voivodship Administrative Court). The company was the only entity at the time that seemed willing to provide information. For example, the only available information about the new power line from before the year 2003 is a sponsored article in the local newspaper, from the company itself. However, the initiative was left to the local authorities, i.e. the entity that was legally obligated to undertake actions regarding these issues. Based on laws, the local authorities were obligated to pass on information regarding the investment that was protested against. An example is the Act on Town and Country Planning[17] and the Environmental Protection Law. As shown in the judgment of 03/09/2007, even though the draft of the resolution concerning the local development plan for 2002 and 2003 was open for public inspection, no active measures to provide information were undertaken. As a result, most people found out about the modernization of the power line when they saw the flashing lights of the 70 meter tall poles on the horizon, steadily approaching the town.

Overall, **the lack of institutionalization of the issue of access to information at the level of social practice**, both on the side of the authorities and on the side of the inhabitants, who appeared to be satisfied with incomplete information or never even asked for any information, contributed to a situation in which a conflict broke out in such a stage of the investment and construction of the new housing developments, that the possibilities of finding a solution that would be satisfactory to all parties were very limited.

The entry of representatives of the protesters into the local power structure led to changes in the institutional decision-making processes, leading to a more systematic and participatory approach. "The old town councilors" from the period 1998-2006 describe the observed sequence of events in an externally deterministic manner, which is characteristic of a weak sense of agency. This style of narration detracts from the importance of and responsibility for making decisions and their consequences, making external factors responsible, such as the regulatory environment or the decisions of other entities, such as the company or farmers demanding a reclassification of land. The actions of the new town councilors and representatives of associations of protesters - on the contrary - present a strong sense of agency. This is reflected in both rhetoric and actions, such as the specific approach to the decision-making process consisting in the conviction of the need to consider achievable alternatives and their multifaceted implications.

The discussed institutional change and the aforementioned differences in the sense of agency stem from varying perceptions of the town councilors on the institution of local government. One of the new town councilors, when describing the functioning of local authorities, stated the following: *"People always used to say that **power cannot be overthrown***, (...) - and ***the representatives have the power, right?" The locals in the local government are people selected by us***, *and if they start being treated as those who have the power and if people start thinking that they are infallible because they have power, well, then things won't work very well*" (LG 1).The new town councilors (as well as the citizens they represent) are recruited from a totally different social environment. They are representatives of the middle class intelligentsia, professionals, executives, entrepreneurs. The former town councilors represented the "old" citizens, representatives of small artisans, former and current farmers..

Another important institutional factor within the scope of the local government are the **administrative procedures and the manner in which they are implemented.** The municipality was not able to meet any of the deadlines, which were agreed upon by the mayor, on behalf of the municipality. The prepared

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[16] In 2002 and 2003, when amendments were passed in the local development plan, not only were the owners of the land located below the line not informed, but the process did not at all take into account the protests of people with land in the neighborhood, not recognizing them as a party, claiming they should not at all be involved in this case.

[17] Journal of Laws from 1999, No. 15, item 139, as amended.

resolutions were full of errors, both in terms of procedures and substance, including the most important resolution of the investment, which was drawn up in the year 2003 and eventually annulled by the court. The increased interest of the citizens regarding the contents of the resolutions facilitated revealing these errors.

When discussing local governments that influence the course of the described social process, it is worth mentioning not only what these governments entail, but also what they are lacking. In this case, the course of the conflict was determined by the lack of **institutionalized practices that allow for this type of conflict to be resolved outside the court system.** There are no such institutions, neither at the level of local governments nor at provincial level.

Power

The conflict revolved around two issues that translated into the economic welfare of the citizens (i.e. the value of land and the apartment buildings and houses standing on them): the health and aesthetic impacts of the power line. Thus, technical knowledge became a strategic asset. The company, being practically a monopoly in the energy market of the country, was the primary ordering party in the market of expert knowledge. Moreover, according to the Polish law, it is the investor who is responsible for providing a report on the environmental impacts, which then becomes the basis for determining which parties have the right to participate in judicial or administrative proceedings. Thus, on account of the access to knowledge resources and the mentioned legal regulation, the company is a party that virtually fully controls the situation. The dependency between the experts and the company causes a **lack of confidence** with respect to the presented data and leads to attempts to seek knowledge independently. However, the knowledge that is acquired independently by a layperson can easily be undermined by the investor. The proposal for a new trajectory of the power line, which was elaborated by the community side of the conflict in response to a "goodwill gesture" by the company, suffered a similar fate. This was supposed to demonstrate openness to compromise. However, yet another solution was rejected, stating it was not "technically feasible" or too expensive.

The local society did have access to important resources in this conflict, such as material, social and cultural capital. The new inhabitants represented the middle class and small entrepreneurs - well educated, with high aspirations and possibilities of their fulfillment. In the language of the Agency Theory (or Principal-Agent Problem) it can be said that these people are characterized by a strong sense of agency, both on account of having access to certain material resources and on account of the ability to use knowledge - their own and others'. Proactive attitudes led to a compilation of social capital - networks of interpersonal collaborations, based on which it was possible to carry out joint actions aimed at the realization of a common interest. As a result, a resource was created giving the community side of the conflict the possibility to effectively fight the company and the possibility to use the resource activated by collective social actions, i.e. **legitimization**.

Access to these resources gave the locals the option of litigation and the possibility to successfully run their own candidates in local elections. Both cases entailed obtaining access to power based on institutional sources. In the first case - legal proceedings - the protesters were able to indirectly acquire the rights of a party. Only the owners of land that was affected by the investment (within 20 meters on both sides of the power line) had such rights. These plots had not been reclassified from agricultural land to building plots on account of certain provisions in the spatial planning, according to which these grounds were designated for the extension of the power line. The company signed agreements regarding easements and compensation with the owners of these plots, which included a confidentiality clause. As the conflict and the debate regarding the value of the lands and compensation progressed, the farmers started to feel betrayed, but they did not have the means to start legal proceedings. However, the new citizens provided these means. As a result, they won two major cases in court: the first one against the company (the building permit was withdrawn), and the second one against the municipality (annulment of the local spatial plans as a result of breaches of the regulations on information and social participation). Placing their own representatives among the local authorities made it possible for the protesters to have access to power in the field of planning. In the face of the annulment by the court of the plans of 2003, the company had to file another request to the local authorities for the designation of areas for the planned investment. The representative of the Residents' Association stated that "*(the new town councilors) are not hiding and they know who makes the decisions here and who is asking whom*" (LC 3).

The diversity of the social groups and the aforementioned contrasts between them highlighted the less obvious aspects of **social inequalities** associated with secondary exclusion. Poor material conditions merge with lower social competence, such as the ability to use information, to know one's way around a given institutional system, etc. The absence of the latter aggravates the phenomenon of economic exclusion and consequently reduces the possibility of exerting pressure to a minimum.

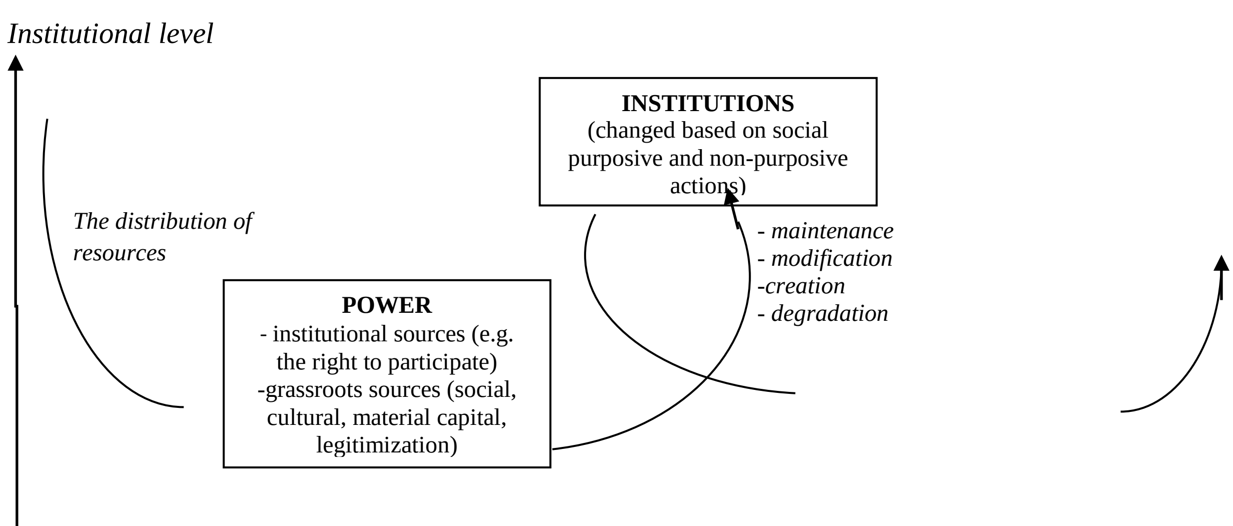
The process of establishing mutual relations

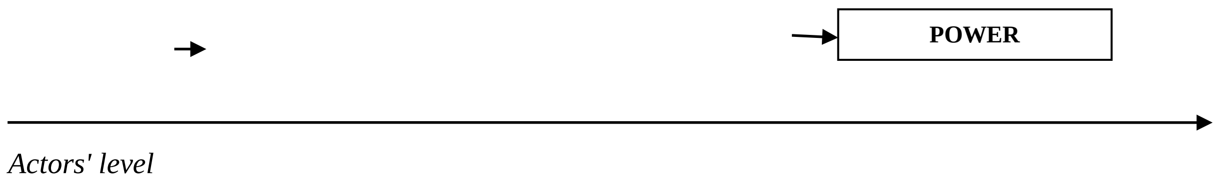
In short, it can be said that this case illustrates **the impact of power on the effectiveness of the functioning of social actors and their ability to make changes in the institutional system.Thus, the variable of "stakeholders' power" worked along the lines of the expectations contained in the hypothesis - its high value made it possible for the "community side of the conflict" to achieve some successes.** In response to the pressure, the company demonstrated a cooperative attitude, expressing willingness to negotiate. In addition to pressure from the protesters, an important causative factor in shaping this attitude seems to be the state form of ownership. Regardless of the issue of ownership, the fact remains that the pressures - especially those related to starting legal proceedings – were, from the very beginning, considered by the company as a real threat for the (timely) completion of the investment. Consequently, these pressures became the cause of the implemented changes in the company policy. The significance of the threats of lawsuits is evidenced by the fact that the first condition for entering the negotiations that the company had given was the withdrawal of all legal actions undertaken by the representatives of the local community regarding the investment. Another aspect that seems to confirm the hypothesis is the observation that one of the effects of the conflict was the company adopting the socially imposed definition of responsibility in the further realization of the investment activities. The costs of any information and consultation activities are currently included in the cost estimates of newly planned investment projects. Unfortunately for the protesting residents, they will not get the chance anymore to benefit from these changes. As one of the town councilors observed "*the milk is already spilled, now all we can do is clean up*" (LG 6).

<u>POWER AND RESPONSIBILITY – theoretical implication of the analysis</u>

The first shift in the theoretical perspective was taken at the beginning of the field research, when it appeared that the static question regarding the determinants of responsibility should be changed to a more dynamic question about the process of interactions that shape responsibility. The significance and meaning of different factors changed over time. It then became clear that one cannot completely separate power from institutions, which was done implicitly in the original approach. Even small amounts of power would increase significantly when actors would use institutions as tools in the conflict. The inability to start up relevant institutions resulted in a decrease of the original power stemming from sources like knowledge, money, social connections (see Figure 1.). Eventually it was discovered that it is impossible to talk about a bilateral relation, because it actually was at least trilateral - apart from the company and the local community, it inevitably also included the local government. The “responsibility systems” (Matten and Moon 2008) appeared to be wider and more interactive than it was initially assumed.

Figure 1. Interrelations between actors and institutions





Companies have the control over the definition of responsibility unless social actors are able to undermine their formal license to operate. So their ability to force enterprises to act in line with socially constructed definitions of responsibility is dependent on the formal institutional system. Until that happens, the company management undermines the legitimization of protesters representing the community, undermining their claims saying they are based on false evidence, legitimating their own actions and status with valid legal documents or with CSR activities undertaken irrespective of community expectations. However, one exception of this rule was observed: institutional form of ownership (partial or total public ownership) seems to make companies more sensitive to the claims of stakeholders, e.g. they are more willing to internalize chosen aspects of externally defined responsibility. In both cases the influence of stakeholders on the actions of companies is mediated by institutions. Figure 1. illustrates the process of constant interaction in the form of feedback loops between institutions and actors.

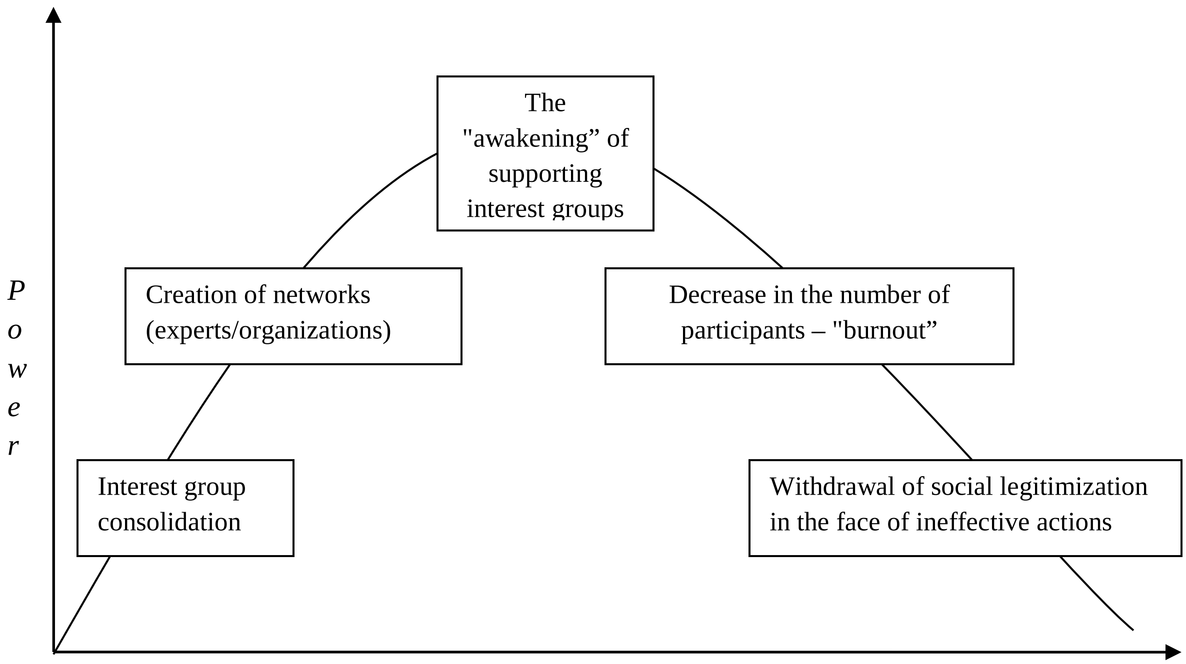
The lack of institutional support for local community actions results in a process of power distraction. The beginning of the conflict triggers social mobilization. Individuals begin to cooperate in order to generate pressure on companies. They usually apply three types of actions: publicity, aimed at destroying the company's image through critical media coverage; direct demonstrations; legal actions aimed at questioning the legal aspect of the activities of the company and administrative actions aimed at starting up procedures of control. Based on research findings one can state that the last two are the most effective and least accessible for local communities.

The first strategy is based on and creates social capital. It leads to networking and to the creation of alliances, contacts with other communities, NGOs and the media. It also leads to a diffusion of knowledge and practices, including technical and legal knowledge on environmental issues and know-how on the organization of protests.

The second strategy requires financial capital and access to legal and technical knowledge in a more institutionalized form. Access to the first kind of capital often conditions access to the latter two. In some important aspects the legal system privileges companies – e.g. by ordering them to prepare environmental reports, which are the basis for recognizing parties. Actors interested in claiming their rights need to prove that they are being affected, e.g. they need to prepare a counter report. Everything included in the report needs to be covered by the law, otherwise there is no ground for a legal claim. Loopholes in the law concerning odor regulations, for example, make it impossible to use legal tools against the company.

The third type of action allows for a very clear presentation of how institutional ineffectiveness influences the context of responsibility. Actions using administrative procedures, particularly control, are often doomed to fail. The lack of transparency in responsibilities, dilatoriness, not conforming to existing regulations, especially those associated with public participation and information, leave the representatives of local communities with a feeling of helplessness and frustration. Along with time passing and multiplying failures in the legal and administrative field, the legitimization of the local movement begins to break down. The following graph depicts the process of the rise and fall of the power of communities.

Figure 2. Stakeholders' power trajectory



Time (filled with attempts to start up regulatory institutions)

The inability of institutions to empower stakeholders has more important consequences. Legal institutions and institutions of control are not trustworthy in the eyes of local communities. Thus, their legitimization with respect to company operations is worthless. Questioning the very same license to operate for companies significantly hinders the possibilities of CSR implementation.

The research cases allowed observing how the specificity of the situation shapes definitions of corporate social responsibility. In the described conflict situations one of the main features of corporate responsibility turned out to be transparency, understood as access to information, as well as a participatory approach, understood as having influence on the decision-making process in issues concerning external stakeholders. Also here there are public institutions mediating the performance in those areas. According to the Aarhus convention (…) citizens have certain rights in both areas. In the case of the Polish legal system, as in many others, the obligation to inform and consult lies on the side of the local government and its administration. Their function is to reconcile the interests of different social actors. Not complying to those regulations determined, to different extends, the course of the conflict in five out of the seven cases under research. The costs are to be borne by the local community as well as the company. In the second described case, the fact the local authorities decided to conceal the information about the planned modernization of the power line contributed to the escalation of the conflict. In the case of the conflict regarding the construction of a battery farm, the permit issued by the municipality was directed to the Local Government Appeals Court (SKO). It was annulled on account of breach of the obligation to inform the local community. In the case of the conflict regarding the expansion of the farm, the district administration classified the modernization of the buildings in such a way that did not require sharing any information with the local community. In the case of the wastewater treatment plant, the city administration office did not implement any information policy regarding the project at the beginning and at a later stage this policy lacked transparency. In the case of the bitumen mixing plant, at first the local authorities did not provide any information regarding the changes in the local development plan that were implemented at the request of the entrepreneur. Subsequently, they did not provide any information to the public regarding the issued permits associated with the preparation of the investment. Finally, the district authorities did not make the effort to actively inform the community and merely posted information on the official district website about the administrative proceedings related to the issuance of a building permit. In each of the above-mentioned cases a question arises, which was asked directly by one of the respondents, representing a company conflicted with the local community: "*Who bears the obligation to inform the local community?*" (Interview 11, Case 3).

Companies that for some reason want to be viewed as socially responsible, respond to social expectations by providing information, which *in fact* is **taking over the responsibilities that are legally assigned to public administration.** An example of adopting such a strategy is the company from Case 3. However, this is not a desirable situation due to the fact that the functions of coordinator, provider of information and organizer of social participation are taken over by an interest group, which at the same time is a party to the proceedings. It is enough to mention that in all the discussed cases the fact alone of the potential reliance of providers of expert knowledge on the company was the main axis of the conflict. **Therefore, increasing the scope of responsible behaviors of companies will not solve the problem arising from the ineffectiveness of public institutions.**

CONCLUSIONS

The most significant conclusions of the study form following propositions:

- Perceptions and actions related to corporate responsibility are the end effect of the constant interactions between the institutional (macro) and actors' (micro) level. Institutions are empowering actors equipping them with specific resources and actors use power stemming from institutions and from different forms of capital/resources to influence institutions, including the institution of CSR.

- In a conflict situation the institutional ineffectiveness (manifested e.g. in their inability to empower stakeholders) makes them unable to force enterprises to adopt socially constructed responsibility. In other words, power exercised over legitimization is useless as a tool of pressure on companies.

- Institutional ineffectiveness deepens the lack of trust and causes a minimalist attitude towards CSR. Corporate responsibilities are limited to those required by law, whereas public administration is perceived as responsible for the execution of law and public goods delivery.

- There is a significant dependency relationship between corporate responsibility and the effectiveness of public governance. The lack of transparency, mistakes made in administrative procedures (e.g. not conforming to existing regulations, especially those regarding public participation and information), non-transparent responsibilities, limited accessibility for citizens and dilatoriness bring consequences both for the offender and the entrepreneur.

- Power over legitimization supported by power stemming from, among others, cultural resources (e.g. knowledge of the institutional system) is effective as a tool of pressure on public organizations (e.g. local governments and administration). In this case the side effect of the conflict is an improvement of the functioning of public institutions. It creates a more transparent, consensual and participative environment, which is a potential support system for further CSR implementation.

The presented research showed institutionalization of corporate social responsibility. Under the term “institution” we understand typifications, where under certain conditions (Y), a particular type of actor (A) is expected to do (Z) (Berger and Luckman 1966). The way of doing things, e.g. conducting business activities, is institutionalized when they are taken for granted and when there are some enforcement mechanisms resulting in facing social sanctions and the loss of legitimacy (Offe 1998, Streeck, Thelen 2005). This perspective may suggest a static picture, whereas the micro perspective adopted here allows seeing constant change and movement. Responsibility is created by a chain of actions activating institutions. Their effect, depending on their power, results in the creation, maintenance, transformation or disrupt of institutions. The key issue here is enforcement. In the case of corporate social responsibility, the inability to enforce regulatory institutions (DiMaggio, Powell 1983) allows for irresponsibility and deprives the social environment of companies from the possibility to force these companies to comply with the normative and cognitive institutions associated with responsibility.

The conclusions of this research stress institutional influences on the cognitive concepts and strategies of business responsibility. It is argued that a liberal concept of CSR, as something voluntary and subordinate to shareholder interests, reflects the institutional arrangements of Anglo-Saxon capitalism and is in fact a consequence of a defeat of corporatism (Marens 2012). Its goal is to substitute binding state regulations empowering stakeholders (rights) with self-limitations of companies (responsibilities). Concepts like business ethics, corporate citizenship and CSR become a new way to legitimate company actions. Matten and Moon argue that this is a reason for developing a so-called explicit CSR – conscious, labeled activities associated with ethics and responsibility. In continental and Scandinavian capitalism, where the social responsibilities of business are more strongly defined by the law or subject to binding negotiations, voluntary and explicit CSR measures may be limited, and therefore CSR will have a more implicit form. This is called the substitution hypothesis and suggests that "CSR and institutionalized social solidarity may act as imperfect substitutes for each other" (Brammer, Jackson, Matten, 2012: 13). A contradictory hypothesis (the so-called complementary or mirror hypothesis) assumes that "to the extent that institutions empower stakeholders, corporations may face greater relational pressures to adopt CSR measures and legitimate their activity" (Brammer Jackson, Matten, 2012: 13).

The evidence for both hypotheses is mixed. The research presented here indirectly supports the second one, suggesting that without institutional empowerment stakeholders are not only unable to pressure for CSR implementation, but they are also unable to pressure for law enforcement. An in-depth qualitative research makes it possible to observe a large scope of practices embedded in specific social and institutional environments. A holistic approach allows identifying institutions supporting responsible and irresponsible actions (Brammer, Jackson, Matten, 2012). It then allows to explain how it is possible that some research indicates that the implementation of CSR measures is highly correlated with simultaneous engagement in irresponsible behavior (Mattingly and Berman, 2006; Chatterji et al. , 2009). Basing on the presented research findings, the following statement could explain this phenomenon: there is little responsibility without counter-power. Companies functioning in a pressure-free environment are free to define CSR activities as they please, ignoring social expectations.

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