Starting a new conversation: constituting institutions in communicative practices of shareholder engagement on environmental and social issues

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2 Abstract

Increasingly, corporations are expected to create impact, in addition to financial profits. Sustainable investments, and among them especially shareholder engagement, are supposed to support and contribute to corporate impact creation by starting a new conversation about sustainability between shareholders and management of engaged firms. I approach this challenge of starting a new conversation by paying attention to different communication practices in shareholder engagement to examine the earliest moments of change towards environmental and social sustainability in the institutionalized context of traditional shareholders. I start out with a theoretical paper about the fluidity of listening and speaking that constitute the earliest moments of constituting institutions in communication. The empirical context of shareholder engagement provided data for the other two papers of this thesis. I used data from ethnographic observations collected over two years, as well as interviews, reports, an engagement database, and supporting documents. In the first empirical paper I looked at how a new logic is activated in the meetings between the shareholder and firm management and therefore a new conversation is started in an already established context. In the second empirical paper, I examined how the need to report the additional value created in engagement activities, as well as need for collective resources for engagement meetings ultimately affected the shareholder's ability to perform impact creating practices. In short, this thesis contributes to a better understanding of the earliest moments of institutional constitution in communication, and the earliest moments of institutional change. By better understanding this, it also helps to better understand the obstacles of impact creation for mainstream economic

actors, as well as the mechanisms of how financial actors can contribute to a transformation towards more sustainability of the wider economy.

3 Introduction to the thesis

Increasingly, corporations are expected to have a positive impact on society. For example, many corporations have adopted the UN Sustainable Development Goals (SDGs) as goals of their own, which they hope to contribute to. Yet, to achieve this impact is difficult for corporations, and despite an increasing number of public disclosures of sustainability goals and targets by the world's largest firms, we still face regular news about the dire state the world is in. For example, the Intergovernmental Panel on Climate Change (IPCC) regularly assesses the state of the climate system and reports that global warming continues to intensify (IPCC, 2021) and the WHO's World Inequality Report states that inequalities in economic situation and income has significantly increased over the last 40 years (Alvaredo et al., 2021).

More recently, attention has turned to the financial market actors and their influence on firms in their portfolios. Corporate stewardship codes and principles of responsible investment have become more and more prevalent in financial markets and at least try to encourage financial actors to ensure that firms in their portfolio are well run in the long term. Under the UK stewardship code, for example, investors commit to "engage with issuers" in order to hold managers accountable for good corporate governance (Financial Reporting Council, 2020). Simultaneously, investors are increasingly expected to use their influence to create positive impact, especially for ESG (environmental, social and governance) issues. For example, the EU Green Deal considers financial market participants such as institutional investors and asset managers a key element for the achievement of the EU climate goals and has brought a series of legislation under way[1]to incentivise this. While some research considers shareholder engagements as the most promising mechanism for impact creation (Busch et al., 2021) others

[1] See, for example, the EU Taxonomy: Directive (EU) 2020/852 v. 18.6.2020, ABlEU L 198/13.

are more doubtful that investors approach this with the right motivation to actually create impact (Bebchuk et al., 2017). Thus, financial firms are widely expected to influence the firms in their portfolio to have a positive impact on society, yet we know little about how they approach this responsibility because it happens in private. However, in order to utilize financial firms as leverage for more impact and in order to transition to more environmental and social sustainability, we need to better understand the mechanisms of influence and impact creation by investors.

In this thesis, I approach this by paying attention to the communicative practices in shareholder engagement, specifically in the earliest moments of change and the constitution of institutions in these communicative practices. Shareholder engagement is an inherently communicative practice. Shareholder engagement is defined here as collaborative interactions, especially collaborative dialogue, between shareholders and corporations with the goal of achieving changes in business practices that contribute to more social and environmental sustainability. Past research has called it the "voice" response of investors, in contrast to "exit", which refers to the sale of shares when shareholders disagree with corporate behaviours and practices (Broccardo et al., 2020, Hirschman, 1970). In shareholder engagement, instead of selling shares when unhappy, shareholder engagement is supposed to use dialogue to overcome conflictual views and change undesirable practices (Beccarini et al., 2022, Ferraro and Beunza, 2018). Thus, communication plays a major role for shareholder engagement. It seems easy to understand, and fairly straightforward, that communication and dialogue between the shareholder and firm should create impact, yet we still don't understand enough about how the change is stimulated, and especially how the earliest moments of this dialogue and thus the change plays out, especially when it introduces new topics such as environmental and social sustainability into conversations that are usually about profits. For example, we don't understand very well how these communicative engagement practices and private meetings are

drawing on elements of institutionalized logics or introduce new elements in the interaction between speaking and listening, and how this then constitutes the earliest moments of institutional change. We also don't understand the interrelatedness of the communicative practices of creating impact in these meetings with the communication about the impact created in the shareholder's reporting. Thus, my primary aim of this thesis is to examine how different elements of communication affect the private influence of engaged shareholders on the firms in their portfolio and therefore the earliest moments of the constitution of new institutional expectations and understandings.

I conducted the research for this thesis through ethnographic observations at an asset manager that uses shareholder engagement. Large investors such as asset managers regularly have public and private conversations and meetings with top management teams of portfolio firms, but to my knowledge, this is the first time that researchers were allowed to observe the conversations and meetings as well as the preparations for them. The shareholder engagement meetings observed for this thesis were a special form of these meetings, since they aimed to achieve changes at the firms that would result in more social and environmental sustainability. During the data collection I noticed that the engaged shareholder predominantly listened in the meetings, despite their explicit goal of influencing the firms, which led to a conceptual paper that provides a theoretical foundation about the role of the listener and of the fluid interaction of listening and speaking in the communicative constitution of institutions.

In terms of terminology, I use the term "investor" for a wide group of those holding or managing stock through public markets, with an orientation towards financial profits, which might sometimes include engaged shareholders. I refer to those who also engage in shareholder engagement as "(engaged) shareholders" or "the shareholder" in terms of the main asset manager that I worked with. I sometimes specify by calling them "engaged shareholder". I use the term "firm" for corporations in the engagement portfolio, although I acknowledge that the

engagers also called them “company” and others also have used the terms “corporation” or “investee”.

This thesis contributes to a better understanding of the communicative constitution of institutions and of how shareholder engagement creates impact on social and environmental sustainability in several ways. First, my conceptual paper highlights the need to reconsider the role of the listener in relation to the speaker as less sequential and more fluid in theories on the earliest moments of institutional change. My model contributes to theory on taken-for-granted typifications and explains the fluidity of speaking and listening in the earliest moments of change, and therefore creates a model of constituting institutions in communication. It also contributes to a better theorization of the listener in the constitution of institutions. While institutional theory often has treated the listener as mere recipient of a message, or as evaluator of the actions of the speaker, my model contributes to an understanding of the active role of the listener as equally important as the speaker. Third, this ongoing constitution happens as a repair of oddities, which are small interruptions in intelligibility in the practices of speaking and listening. In order to seamlessly repair oddities in interactions, the interactants need to find a viable alternative typification of a situation and my model explains the importance of a multiplicity of logics on the individual level in order to accomplish to find an alternative typification.

In my second paper, an empirical one, I looked at how mainstream actors are able to start a new conversation about sustainability within a typical, economic conversation. Theoretically, this means that I explored the activating of an additional logic and script within the context of a dominant logic and an institutionalized script. This empirical paper is based on the observations of shareholder engagement meetings as well as the proprietary engagement database I had access to. My findings showed how different interaction dynamics of the logic activation contributed to different outcomes, and how the additional logic was deactivated

deliberately after the activation of the logic. This paper contributes to an understanding of the use of institutional logics by individuals in interactions by highlighting how different interaction dynamics emerge when an additional logic is activated, and how the activation of the additional logic is an indicator for the earliest moment of change in the longer term. This paper also contributes to a better understanding of the earliest moments of logic activation and shows that in the earliest moments of change of a dominant logic, the additionally activated logic remains separate, and the dominant logic remains active. Another contribution of this paper is that it shows that the additional logic regularly got deactivated at the end of the interactions, and that practices and artifacts of the dominant logic are foregrounded again. However, our longer-term outcomes indicated that it becomes easier to re-activate the additional logic through repetition of the activation. This paper also contributes to literature on shareholder engagement by highlighting that engagement between actors that already have an established relationship don't need to build common ground, but that they need to overcome the common ground to then interact in a new conversation.

Finally, in the third paper of this thesis, which is also an empirical one, I looked at how the need to use collective resources for impact creation and the expectations to report about impact in a way that shows the additional value created by the actions of the bilateral engagement impacted the ability to perform engagement practices. This research explains how the focus on individual additionality can undermine impact creation and is based on interviews and engagement reports by the shareholder, as well as the ethnographic observations about the engagement process. The paper contributes to research on CSR reporting by highlighting that reporting can not only be meaningless but can cause harm to the ability and opportunity to create impact. It also contributes to literature on impact creation by showing that the bilateral impact conversations depend on collective resources that stem from collaborative practices. Third, the paper contributes to our understanding of shareholder engagement by showing that

whereas the practice might look like bilateral conversations, a focus on the bilateral conversation alone undermines the ability to do the bilateral engagement because this focus harms the "zooming in" on issues to understand the underlying tensions and processes, and at the same time it undermines the "zooming out" to see relationships and through that, pursue engagement issues that require a broader view and wider scale.

3.1 Background and context on shareholder engagement

I conducted an ethnographic study in the context of shareholder engagement. I conducted my study together with an asset manager, which I here call "Trustco", a pseudonym. Trustco is located in London and is recognized for its expertise in investment management of different investment funds in different asset classes such as equity, fixed income, credit, and others, but my research was focused on a specific equity fund and their engagement activities. Trustco offers these engagement activities in addition to the usual portfolio management activities, both for their own investment funds, but also on behalf of investments by clients. For this, Trustco offers to engage with firms on behalf of the clients, which range from institutional investors to government entities, foundations, insurance companies, or banks. The clients thus have underlying beneficiaries of the investments, who range from high-net-worth individuals to regular employees who have their pensions invested in a share-based product.

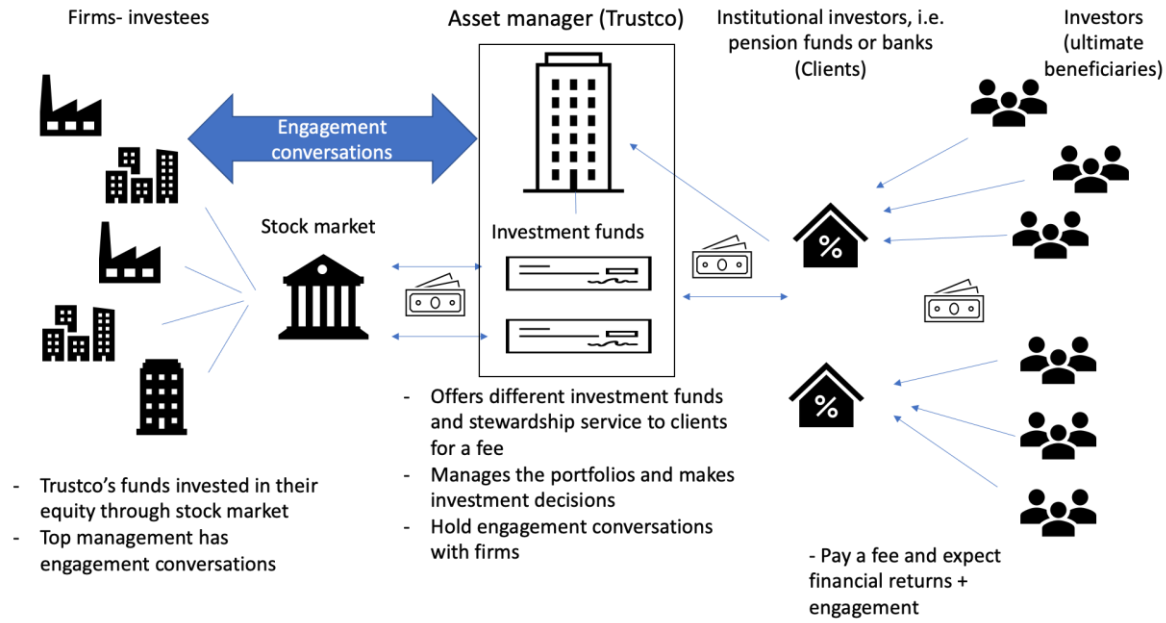


Figure 1- Research context overview

The majority of our research was conducted with a newly established fund, which we call the "SDG Fund" since the goal of the fund was to influence firms so that their behaviour contributed towards the UN Sustainable Development Goals (SDGs). For the SDG fund, Trustco selected global small and mid-cap firms that had not been part of any shareholder engagement in the past, and therefore were not used to having conversations beyond the typical investor meetings about financial topics, thus, engagement on social and environmental topics were a "new conversation" for them. This matched my research interest, since I started my research with the goal to explore whether and how shareholder engagement could contribute to improved social and environmental business practices in the wider economy.

Trustco had engagement experience at the start of our data collection through its offering of 'stewardship services', which include voting recommendations and shareholder engagement meetings, since 2005. However, before the start of our research and the SDG fund in 2017, Trustco's engagement conversations were conducted with the world's biggest and/or most well-known firms, the majority from the US or Europe. In addition, the focus of the

conversation was not on environmental or social topics in the past. The internal database, to which I had access, showed that around 40% of the engagements since 2005 were on governance issues, which traditionally has been of interest to investors as part of the agency problem (Jensen and Meckling, 1976) Environmental issues, and social issues, only made up about 20% of engagements in the past.

Engagement happened by "engagers" who had firms assigned to them. These firms were usually assigned by geographic region of the firm. Engagers also were expected to be part of internal "theme teams" where they, together with a group of other engagers, developed expertise on specific issues and topics. Engagement success was measured in four 'milestones', which mark (1)raising the issue by the engager, (2)acknowledging the issue by the firm, (3)establishing an action plan, and (4)completing an action plan. Based on all engagements in the database, it took on average six months to reach milestone 2 and 35 months to reach milestone 4, with only about a 31% success rate overall. The decision, whether a milestone was reached, was usually done by the main engager for a firm together with at least one other senior engager. The final milestone was often acknowledged and signed off on by the firm, sometimes even in a public statement. I used these milestones as indicators for longer-term institutional changes in one of my papers but am conscious that achieving a milestone was an internal decision by the engagers and that the achievement of a milestone was potentially influenced by factors beyond the control of Trustco.

3.2 Method

My goal of this thesis was to understand the shareholder engagement process better, and especially how the earliest moments of change and a new conversation were playing out. In order to do that, my main method of data collection was an intermittent ethnography and I

collected data together with Emilio Marti from December 2017 till early March 2020, which was the onset of the Covid pandemic. We discussed whether data collection could continue further, since we had planned to use three years of data collection, but that quickly proved to be impossible. Three years of data collection were originally suggested by the engagers because, according to the engagers, in ideal cases, firms would need one year to start the engagement and acknowledge the issue, one year for planning and incorporating plans into budget cycles, and one year to implement. Since the investment horizon of the fund that I focused on, the SDG fund, was 5-7 years, my research focused on the early stages of introducing change.

The SDG fund at the heart of my data collection invested in equity of global small to mid-cap publicly listed firms. The investment horizon of 5-7 years meant that the portfolio would, on average, turn over completely during this time, with the firms selected for this fund chosen with the assumption that engagement is possible (i.e., not majority-owned by autocratic governments). Due to this long-term investment horizon, in the years during which I observed meetings and calls, there was no exit due to failed or completed engagement, but some firms left the fund due to mergers and acquisitions. Trustco usually held a very small percentage of the shares of the firms in the fund, often only between 0.5 and under 3 percent of voting rights, which makes us sure that engagement outcomes were not due to majority shareholdings. Because the firms all were relatively small, the firms in the fund had no prior engagement experience with engagers from Trustco or other engagers, thus making engagement conversations really "new conversations". However, prior to investment, Trustco usually conducted a "typical investor meeting" with the firms in the fund, and they were used to having these meetings with other investors.

We knew at the outset of data collection that the goal of the fund was to contribute to financial returns as well as to the SDGs, which would require engagement conversations that

include both a financial logic and an "SDG logic". The fund emphasized the use of shareholder engagement in order to change business strategy and practices at the firms that the fund invested in. The objectives of these engagements were oriented towards the UN SDGs. It was not the goal to invest in companies that already contributed to achieving the SDGs; the goal of the fund was to invest in companies that could contribute towards achieving the SDGs by changing strategically and improving business practices. Since the fund is an investment product, it naturally also had the goal to earn a financial return for the clients. This also meant that the goal was to have both portfolio managers and engagers in the room for engagement conversations.

The financial side of the fund was run by a main portfolio manager, who made investment decisions such as when to buy, when to sell, and how much weight a stock should have. He worked closely with a team of other portfolio managers and the main engagement manager or main engager. The main engager was also the main liaison, similar to a project manager, between the portfolio managers and the engagers, though the two groups also collaborated without the main engager. The engagement manager conducted some engagements himself, and otherwise coordinated the engagements between different engagers. While the focus of our data collection was on the SDG fund, the engagers also all worked on engagements with firms outside of the SDG fund. Whenever possible, meetings and calls with firms were attended by representatives of both the portfolio team and the engagement team. We soon started to witness that both financial and ESG topics were not separated by portfolio managers and engagers in meetings, but that both asked questions relating to both topics.

In addition to the ethnographic observations in the meetings and the daily conduct of engagers and portfolio managers, we also conducted 116 interviews that were all recorded and professionally transcribed. In addition, we had access to an internal, proprietary database of engagements where the interactions with firms and outcomes of the interactions were recorded

by the engagers. We also had access to some documents about the engagements and engagement plans for the SDG fund, such as a major spreadsheet that was regularly updated and expanded, mainly by the main engager. I provide more details about how I used this additional data in the specific methods sections of the individual papers.

3.3 Summary of the three papers and contributions

3.3.1 The fluid role of the listener in the constitution of institutions

In this conceptual, single-authored paper, I address the separation of speaker and listener in writing on institutions and communication. This separation tends to limit our understanding of the earliest moments of institutional change and the co-constitution of institutions in communication. Institutions are constituted in communication (Meyer and Vaara, 2020, Cornelissen et al., 2015), yet the roles of listener and speaker have so far been considered as structurally distinct. In order to address this by building on Jancsary et al. (2017)'s structural concept of role-practice-counter-role, in which the role and counter-role are constituted in the connecting practice. This allows me to focus on the practice of listening and speaking and therefore theorize more fluidly between the speaker and the listener. I combine this with Steele (2021b)'s oddities in taken-for-granted typifications in order to build a model of how differences in finding an alternative viable typification after an oddity occurs can lead to different outcomes and therefore to different types of constituting institutions. In this model, I establish that the fluidity between speaking and listening is crucial for finding an alternative typification of the situation if an oddity occurs. Speaking and listening are connected to specific expectations of a situation, depending on the active typifications, which often depend on available logics. When an oddity occurs, the attempt to repair intelligibility can trigger the search for an alternative typification that is acceptable for all parties in the communication.

Whether and how this succeeds influences future expectations for speaking and listening, and what is being taken-for-granted, in similar situations, thus it constitutes the earliest moment of institutional change. My model therefore introduces more fluidity of speaking and listening into institutional theory and explains how this contributes to institutional stability and change. It also highlights the role of the listener and audience not as passive recipients of messages or evaluators of actions but contributes to a theoretical model of listeners actively co-constituting institutions. It also stresses the importance of a multiplicity of logics not as transitory but as consistent but latent in institutional change.

3.3.2 Starting a new conversation: Activating an additional institutional logic in Shareholder Engagement

In this empirical paper I start from the observation that if sustainability is expected to go mainstream instead of being championed by fringe actors such as NGOs and social movements, these traditional, mainstream actors need to start talking about sustainability in situations where existing, financial conversations are taken for granted. In theoretical terms, my co-authors Michael Smets and Emilio Marti and I pose the theoretical research question of how an additional logic can be introduced and activated through interactions into a situation with a dominant logic that is enacted by an institutionalized script.

We examine this question in the context of shareholder engagement meetings of a traditional shareholder. Whereas shareholder engagement started from religious investors, thus fringe actors, more and more institutional investors have started to pursue shareholder engagement in recent years. These institutional investors are embedded into the traditional financial logic and are used to a certain way of communicating with firms. Thus, they need to activate an additional logic in order to start talking about sustainability in order to achieve the change they promised

through engagements. We specifically were able to observe engagement meetings between an engaged institutional asset manager, Trustco, and firms that had not received engagement attention before whose shares were in the portfolio of a special engagement fund, the "SDG fund".

Our findings show, first, that there is indeed an activation of a dominant script for financial topics and for sustainability topics in which there is not much pursuit of change. There is an additional script enacted for the pursuit of engagement objectives and therefore of change. While the staging of the meetings activated the dominant logic, the activation of the additional logic served as situational cue. Further, our data also showed that engagements were more likely to succeed in the long term when both the engagers and the firms activated the additional logic, and therefore talked about sustainability in a new way, whereas a one-sided activation was an indication that change was less likely to be achieved in the long term. In addition, our findings showed that the additional logic was purposefully deactivated during or at the end of the meeting.

This paper contributes to research on the creative enactment of logics on the individual level and extends work by McPherson and Sauder (2013). So far, only very few studies have looked at how individuals use and enact logics creatively (Zilber, 2016) and our research highlights the interaction dynamics of enacting an additional logic in order to pursue a different conversation. Our paper provides insights how this activation happens, and how the activation is connected to short-term and long-term change.

We also contribute to literature on the activation of logics where situational cues can make available logics more accessible and actors can activate them (Thornton et al., 2012). In addition, we show that if multiple logics are available and accessible, the earliest moments of change see the activation of an additional logic, and that this logic is not stable. Instead, the dominant logic remains active, and the additional logic gets deactivated at the end of a scripted

situation. Our long-term outcomes suggest that it becomes easier to re-activate the additional logic in future interactions once the logic was successfully activated.

Finally, this paper contributes to research on shareholder engagement since it explains that if impact creation is supposed to be "mainstreamed", typical actors first have to overcome the "common ground" (Ferraro and Beunza, 2018) of their typical conversations. We further highlight that this creation of new ground, or a new conversation, has to happen from the earliest moments of impact creation, instead of the slow creation of common ground between actors that are not embedded into a dominant logic.

3.3.3 Does impact reporting undermine impact? A case study at an engaged shareholder

In this empirical paper, my co-authors and I start from the observation that sustainable financial investors are increasingly asked to report on the additionality that is created through the activities of that firm or investment whereas significant impact often happens at a systemic level, instead of at the level of an individual organisation or even project (Eccles et al., 2014, Hahn and Tampe, 2021, Bhattacharya and Polman, 2017). Additionality means showcasing that impact would not have happened without the investment or activities. Thus, the expectation to report additionality means an expectation to report the impact created due to the activities of the individual investor and investment. However, impact creation often requires changes on a systemic level and therefore collective resources and actions (Schad and Bansal, 2018, Howard-Grenville and Lahneman, 2021, Dittrich, 2022). Thus, in this paper, which I wrote together with Emilio Marti and Michael Smets, we looked at the tension between the need to create impact collectively and the need to report additionality at the individual investor level. We thus ask the question: How do the requirements for collective impact resources and the reporting expectations affect the impact creation practices? We explore this in the context of shareholder engagement, which is an instructive case of collective impact creation

requirements and expectations for additionality in the reporting, and we base this paper predominantly on the interviews we collected during our ethnography, supported by field notes and documents. Our findings show that collective resources enabled impact creation practices by increasing the ability to zoom in and use a detailed understanding of the underlying processes of significant and systemic engagement issues, and the collective resources brought greater opportunities for impact creation to the fore by zooming out and broadening the view on issues. The expectations for additionality in the reporting and the resulting reporting practices undermined the impact creation practices by reducing the ability for impact through the demand for time-intensive and detailed reporting, which took away time from engagement practices, and by reducing the opportunities for impact by lowering ambitions for impact. Our findings contribute to the literature on CSR reporting by showing that the current expectations for reporting of additionality might not only not contribute much to more sustainability, but they might be harmful to the creation of impact. Our second main contribution is to the literature on impact creation in shareholder engagement, which has focused on a model of bilateral communication (Ferraro and Beunza, 2018, Dimson et al., 2018). We found a somewhat more complex relationship between the role of collective resources and pressures as the key enabler of the bilateral engagement communication. Finally, this paper also contributes to our understanding of sustainable investing by showing that a focus on bilateral interactions for impact creation curtails both the ability and the opportunity for impact.

4 Survey of the literature

4.1 Institutional theory and institutional logics

Institutional theory is one of the most widely used theories in organisation studies (Scott, 2014, Greenwood et al., 2017, Alvesson and Spicer, 2019). New institutional theory is based on social constructionism (Berger and Luckmann, 1967) and a rejection of a reflective rationality that exists independent of socially constructed assumptions and typification (Meyer and Rowan, 1977, Zucker, 1977, DiMaggio and Powell, 1991). New institutional theory was originally based on concepts such as isomorphism, (DiMaggio and Powell, 1983), legitimacy (Suchman, 1995) and rational myths (Meyer and Rowan, 1977) to explore the question of why organisations seem to become very similar and institutions are stable. Institutional theory posited that only if an organization complies with societal expectations in terms of formal structures and the taken-for-granted rules in its external environment, it gained legitimacy and thus access to resources (Meyer and Rowan, 1977). Isomorphism was considered a main mechanism by which this compliance and stability happened and how institutional norms were stabilized, with societal norms being transmitted onto organisations through coercive, normative and mimetic pressures (DiMaggio and Powell, 1983).

Institutions were therefore both shaping and constraining behaviour (Scott, 2014). This originally put a focus on mimetic isomorphism and mindless following of the cultural norms. This also meant that, originally, institutional change was theorized to originate from external shocks or jolts (Meyer et al., 1990). The underlying assumption here was that institutions were so overbearing that they could only be changed from the outside (Scott and Davis, 2007). Minimal adjustments were theorized to happen when behaviours were stretching norms and paradigms from the inside. However, these minimal adjustments still happened within the

legitimated institutionalized norms, and only when these paradigms were stretched too far, a paradigm shift and therefore a significant change occurred (Kuhn, 1970, Brown, 1978).

A shift in these assumptions in institutional theory occurred in and after 1991 with the publication of the "orange book" and the seminal paper of Friedland and Alford (1991). There, the authors argued against the self-interested individual or power-oriented organisation that determine and shape behaviour and instead not only call for a renewed location of individuals and organisations in society, but also introduced a new interinstitutional conceptualization consisting of institutional orders and institutional logics. These institutional orders and logics, they argued, would help explain institutional dynamics including the constitution and change of institutions (Friedland and Alford, 1991). These logics were based on Western societies (they argued that Japan, for example, was ordered differently) that consisted of different institutional orders such as the capital market, family or religion, and institutional logics that were potentially incompatible, out of which change could result. These logics are "a set of material practices and symbolic constructions - which constitute its organizing principles and which is available to the organisation and individuals to elaborate" (Friedland and Alford, 1991, p. 248). The focus shifted from isomorphism onto the effects of different logics and how they both shaped and constrained individual behaviour, but also how individual behaviour could shape and change logics (Thornton, 2004, Thornton and Ocasio, 2008)

Institutional logics quickly became a popular concept in research on organisations and institutions, together with concerns that the concept was used inflationary and without a clear definition (Thornton and Ocasio, 2008). One of the most commonly used definitions of institutional logics today is that logics are:

> the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.
> (Thornton and Ocasio, 1999, p. 804)

Institutional logics, according to the definition, combine structure and agency as well as material and symbolic elements that society, organisations and individuals can use to express their goals and identities, and can use to manipulate and shape their environment. In this, they constitute and constrain actors at the different levels, but they also provide the means and agency for change. The definition therefore integrates structural, normative, and symbolic dimensions instead of separating the structural and cognitive (Thornton and Ocasio, 2008)

The book by Thornton et al. (2012) has influenced a flood of research by providing a systematic theoretical framework for a comprehensive research agenda. In this book, the authors made it explicit that logics span macro-, meso-, and micro-social perspectives and can be decomposed and recomposed in different ways, allowing individuals and organisations creativity in the use of logics (Thornton et al., 2012). This means that logics are not prescriptive, but allows for many different instantiations of logics, and that there is variation in the enactment of even a single logic, i.e., within the market logic, and not just in between different logics like the market logic and family logic.

In the beginning, studies drawing on the institutional logics perspective focused on how actors could overcome the problem of embedded agency and achieve change in institutional orders and institutional logics through institutional entrepreneurship, structural overlap, event sequencing and competing institutional logics (Thornton and Ocasio, 2008, Greenwood et al., 2017). Embedded agency is the assumption that the resources of individuals to pursue their self- interests are enabled and constrained by the institutional logics that are prevailing in a situation, and it is a key distinction from rational choice perspectives (Seo and Creed, 2002, Greenwood et al., 2002). In order to overcome the embeddedness, theories on institutional entrepreneurs theorize agents that can shape an environment and creatively manipulate cultural symbols, practices and relationships through the resources they have available to shape and change institutional orders (DiMaggio, 1988, Hardy and Maguire, 2008). Change in

institutional orders and logics can also occur when logics and structures are forced into association (Thornton, 2004). Event sequencing refers to unique events that unfold over time and change the interpretation of cultural symbols and structures in a situation and therefore change the logic of a situation (Sewell, 1996, Thornton, 2004). Closely connected to these mechanisms for change is the research on competing logics, which can be an antecedent or consequence of change (Thornton and Ocasio, 2008, Reay and Hinings, 2005).

Competing logics have played a significant role in theories on institutional change. Thornton et al. (2012) have highlighted that the institutional logics perspective assumes historical contingency that nevertheless is not static but adapts and evolves over time. They explained different dynamics and forms of change, such as replacement of one logic with another, blending of logics, or segregating logics through assimilation of elements of a logic into another, elaboration of new elements or conditions, expansion or contraction of jurisdiction of a logic (Lounsbury et al., 2021). While competing logics were originally considered to be a problem (D'Aunno et al., 1991), logic plurality and hybridity is now considered normal and even beneficial in some situations. (Greenwood et al., 2011, Battilana and Dorado, 2010). The research on multiple logics both uses actors as carriers and defenders of logics (Battilana and Lee, 2014, Battilana and Besharov, 2017), others use multiple logics as toolkits (Swidler, 1986) and they draw on these multiple available logics for different outcomes (McPherson and Sauder, 2013, Voronov et al., 2013).

Despite the significant interest in institutional change, there is more to do, as Micelotta et al. (2017) as well as Smets et al. (2017) explained. We still don't have a good understanding of unobtrusive change, which is the change that emerges in everyday practices, without drama. Theories on institutional logics would especially benefit from a better understanding of how actors experience new complexities and develop and experiment around new solutions (Smets

et al., 2017). The papers in my thesis contribute to this understanding of the earliest moments of change.

On the one hand, I build on theories of how logics are used as toolkits and thus answer calls for more attention to the individual enactment of logics in a situation "on the ground" (Zilber, 2016) and the co-constitution of logics in interaction. Institutional theory has recently been criticised for using logics as overly objectified and unproblematically realist (Lounsbury et al., 2021). This also answers concerns that institutional logics have mainly been studied on the macro level, the organisation or institutional field and how organisations respond to multiple available logics (eg. Kodeih and Greenwood, 2014, Besharov and Smith, 2014, Smets et al., 2015b, Lok, 2010, Toubiana and Zietsma, 2017) and that the shaping and reshaping of institutions and institutional logics in the individual's everyday doings in organisations is still largely missing from research on institutional logics (Cloutier and Langley, 2013, Zilber, 2016). This thesis aims to contribute to knowledge that helps to fill in these gaps.

4.2 Communication

I address the gaps above by using communication, specifically by answering calls for a more communicative institutionalism (Cornelissen et al., 2015, Meyer and Vaara, 2020). Institutional theory is based on the assumption that institutions are constituted in interactions and communication, with Berger and Luckmann (1967) calling language "the most important sign system of human society" (p. 51). Communication, language and discourse have been important in research on institutions and institutional logics. Cognitive structures as systems of beliefs are expressed in institutional myths and therefore in communication (Meyer and Rowan, 1977, Meyer, 1986). Language and rhetoric are important for legitimation processes (Green Jr and Li, 2011, Suddaby and Greenwood, 2005) where the rhetorical use of language

helps explain legitimacy and goal-orientation of action. Finally, the discursive turn has focused on the production, dissemination and consumption of text to explain institutionalization (Grant et al., 2004) as well as legitimation and therefore the connection of cognition and action (Vaara and Tienar, 2008).

The focus on institutions constituted in communication is an answer to research that assumed a "scaling up" of individual cognitive structures and legitimations and was criticised for methodological individualism (Jepperson and Meyer, 2011). Communication and interaction should be taken serious as formative (Searle, 1968, Cornelissen et al., 2015) instead of seeing language as a simple conduit for the transport of information and cognition (Suddaby, 2011), or as a performance of cognitive frames (Fiss and Zajac, 2006), tropes (Etzion and Ferraro, 2010), or discourse (Phillips et al., 2004) and rhetoric (Green Jr, 2004). While the constitution does not play a strong role in the conduit models at all, the speaker and the speaker's intention are still asymmetrically in focus in the performative approaches. Instead, when institutions are constituted in communication, institutions come to life in the interaction between speaker and listener, and the meanings and assumptions are communicatively negotiated and emerging. Since this interactive communicative model of co-constitution of institutions has only been touched upon and outlined as a desirable model (Cornelissen et al., 2015, Meyer and Vaara, 2020), I explore it further and build on it with the papers in this thesis.

By focusing on communicative constitution, I can draw attention to how logics and cognition are socially constructed, and how this links to patterns of practices and action. This means that meaning, actors, and practices are constituted and therefore packaged together, and that the communication of these packages which individuals produce and reproduce in interactions also are maintained and stabilized and therefore shape and constrain attention and meaning of social reality. Therefore, the focus on communicative constitution allows me to further explore the emergence, maintenance and change of logics.

While the focus of communication differs in my three papers, they all have in common that I focus on communicative practices. Practices have been important in the conceptualization of institutional logics from the beginning (Friedland and Alford, 1991, Thornton et al., 2012). This focus on practices allows me to focus on the situated emergence of logics in these communicative practices, and thus to answer to the calls for bringing the approaches of institutional logics and practices closer together to explore the dynamics of how logics adhere and endure (Lounsbury et al., 2021). Furthermore, the focus on practices allows me to pay attention to the earliest moments of emergent institutional change (Smets et al., 2017) and gain insights into the "lived experiences" (Lawrence and Suddaby, 2006) of individuals in their improvisations and experimentations with logics in a situation. This then allows me to avoid logics as given and instead can pay attention to the social construction in a situation and therefore complement the focus on the macro and meso level of previous studies of institutional logics (Zilber, 2016).

4.3 Shareholder engagement

My empirical context for this thesis is shareholder engagement because it is an important setting for communicative practices that start a new conversation in the context of established conversations, goals, identities and therefore symbolic artefacts and material practices. Shareholder engagement is a special form of the normal meetings and communication that shareholders have with firm management. Those meetings are well established and highly regulated. Management research has established that the topics during these typical meetings are about governance and operational and financial matters, thus that these are established conversations and focus mainly on the goal of profit maximization (Briscoe and Gupta, 2016, Krishnan et al., 2016). In addition, while both the shareholder and top management know

exactly how to act in these normal meetings, research has shown that shareholders hardly ever influence managerial decision making or corporate business practices related to these established topics in these meetings (Solak, 2018). Thus, meetings and the conversations in them are institutionalized, but they are not introducing change or new ways of communicating. Thus, while shareholder engagement resembles these meetings, the topics and the goals in shareholder engagement meetings are different, thus they introduce change into these institutionalized meetings, which means the communicative practices in and around these meetings are ideal settings to study the earliest moments of negotiations of new meanings and practices in communicative interactions.

Shareholder engagement is a practice that has gained in importance in recent years and while it is often considered similar to shareholder activism, there are some important differences. While activism is usually about financial goals such as dividend, share buybacks, or about mergers and divestitures (Activist Investor database) and activists often seek a board seat to influence strategies from the inside, shareholder engagement usually is a more collaborative process and often introduces objectives related to environmental, social or corporate governance topics (ESG), but aims to create change from a more outside position than activists. Research has established that engagement for social or environmental factors has usually been done by religious groups or social movements as new entrants into financial conversations (Goodman et al., 2014)

In the management literature, research on social movements and socially oriented investors has shown that those historically engaging in shareholder engagement have a different logic to traditional investors (Lee and Lounsbury, 2011) and have a different perspective with different goals and different identities to traditional shareholders (Proffitt Jr and Spicer, 2006). Shareholder engagement is based on the assumption that investors make use of "voice", as precursor to "exit" as alternative option (Hirschman, 1970), to address the

agency problem between shareholders and managers (Gillan and Starks, 2007, Withey and Cooper, 1989). Management research into shareholder engagement and the voice approach has so far focused on engaged shareholders that were not the "typical" financial investors (Goodman et al., 2014), and it has focused on small aspects of the voice approach, such as resolutions (Clark et al., 2009), public campaigning and shaming (De Bakker and Den Hond, 2008, De Bakker et al., 2013), the salience of issues (Gifford, 2012) and on the dialogue between religious investors and corporations, all based on document data (Logsdon and Van Buren, 2009, Ferraro and Beunza, 2018). What is missing is an account of the entire engagement process, including preparations and meetings, using not archival and document data, but actual data from the meetings and work of investors.

The origins of the "voice" approach can be traced back over millennia, but it has only recently seen a surge in popularity with large, traditional institutional investors. Aligning investments with religious belief systems reach back over 3500 years (Louche et al., 2012) and were a key component of the protests against slavery and slave trade in the 18th century (Brown, 1988, Camilleri, 2017). Modern day voice approaches grew in popularity with the UK's Cadbury Code in 1992 about best practice of a firm's senior management remuneration, and the introduction of the UK's stewardship code in 2009, which was followed by further stewardship codes around the world. This also triggered research interest in the voice approach, especially in the finance literature and with a focus on financial benefits for investors. For example, Becht et al. (2010) studied an activist investment fund, Dimson et al. (2015) study financial benefits from shareholder engagement, and more recently, Becht et al. (2021) relate private meetings to trading patterns, and Broccardo et al. (2020) make an argument for voice over exit for socially desirable outcomes.

While this interest in the voice approach as bilateral interaction between the investor and corporate management represents one communicative practice of shareholder engagement,

it does leave out the constitutive communication in the environment in which these bilateral interactions are embedded. Another important communicative practice for typical institutional shareholders is the reporting of additional impact created through sustainable investment activities such as shareholder engagement. Corporate non-financial disclosure has been increasingly regulated over the last decade, for example as part of the EU Non-Financial Disclosure Regulation (Directive 2014/95/EU) and as part of the EU Green Deal and therefore has become increasingly institutionalized (Scherer and Palazzo, 2011, Jackson et al., 2020). While some firms go beyond the mandatory requirements (McWilliams and Siegel, 2001) and research has found that reporting and communication of CSR efforts can actually lead to more ambition in CSR practices (Christensen et al., 2013) others have criticised that firms might only symbolically adopt it and engage in greenwashing (Crilly and Sloan, 2012, Banerjee, 2008), for example using practices such as decoupling (Fiss and Zajac, 2006, Bromley and Powell, 2012).

Therefore, shareholder engagement is a predominantly communicative way of influencing firms in order to achieve changes that are more sustainable for the environment and for society. However, we need to better understand the mechanisms of how these changes can be achieved, and the reasons why the recent trend towards more sustainability reporting and claims of increased shareholder engagement have so far created little real-world impact.

5 The fluid role of the listener in the constitution of institutions

Tanja Ohlson

5.1 Abstract

Research on institutions and communication tends to separate the roles of speaker and listener and has considered their actions as sequential. This separation is problematic because it might not be warranted for the earliest moments of co-constituting institutions and institutional change. I address this problem by looking at institutionalized triads of roles, practices and counter-roles, as well as oddities, in order to overcome the structural separation and sequencing of speaking and listening. I explore this problem in the context of institutional theory and literature on listening from communication theory. In brief, I establish that speaking and listening are more fluid than has previously been established, and that this fluidity is crucial for finding alternative typifications of a situation when an oddity occurs. Oddities require a renegotiation of the typification of a situation, which influences the expected behaviours for speaking and listening and therefore roles and practices. While typifications usually are taken-for-granted, these renegotiations of typifications can lead to a breakdown in communication, an active maintenance and confirmation of the taken-for-granted typification, or incremental changes of expectations in future situations. My model therefore introduces more fluidity of roles and practices into the earliest moments of co-constituting institutions. Whereas we previously considered the audience as structurally and sequentially separate from the speaker, my paper theorizes the listener as an active participant in the constitution of institutional typifications, and it argues that the constitution depends on an agreement on a viable alternative typification, for which the availability of multiple logics is beneficial.

Keywords: institutional logics, taken-for-grantedness, communicative institutionalism, listening

5.2 Introduction

Academic writing on institutions and communication has so far structurally separated the speaker and the listener and considered speaking and listening as sequential. This separation limits our understanding of the earliest moments of the constitution and change of institutions where the roles are much more fluid. Institutions are constituted in communication, also highlighted by communicative institutionalism (Meyer and Vaara, 2020, Cornelissen et al., 2015). The beginnings of new institutionalism already see communication not just as a message that is being transported from speaker to audience, or a vessel to make cognitive processes visible, but that institutions and institutional actors are constituted *in* communication (Berger and Luckmann, 1967). This means that institutions come into existence in and through communication. Even though institutional theory has long accepted this, the institutionalized roles of speaker and listener have so far been considered as structurally distinct. Despite the assumption that institutions are constituted in a collective understanding and shared interpretations (Suddaby, 2010) and that institutional theory is "a theory of communication" (Suddaby, 2011, p. 188), speakers are often at the centre of attention as actors that produce a text, which then can get evaluated by the listener or the audience. If the evaluation is at the core of theoretical explorations, it often happens for the purpose of sensemaking or to determine the legitimacy of the text or the speaker (Zuckerman, 1999, Zuckerman, 2017). Beyond the transmission of messages, communication has also been considered as expression of cognitive structures in institutional theory. Contrary to the transmission view on communication or the focus on expressing cognitive, institutionalized structures, communication theory has shown that listening and the audience play a much more active role in communication (Cooren et al., 2011), and communicative institutionalism has called for more attention to this interactive

character of communication in theories on the constitution of institutions (Cornelissen et al., 2015). Thus, if we take seriously that institutions are constituted in communication, we need to pay attention to the role of the audience and the fluidity of speaking and listening.

In order to develop a deeper understanding of the role of the audience in the constitution of institutions, I build on Jancsary's structural model of role-practice-counter-role (Jancsary et al., 2017), and on Steele's oddities (Steele, 2021b) in order to develop a model of how alternative typifications of a situation are found when an oddity occurs and therefore how incremental change, a breakdown of communication, or active maintenance of institutional typifications are produced in interaction. The triplet of role- practice- counter-role (Jancsary et al., 2017) allows me to switch more fluidly between speaker and audience and to focus on the practices of speaking and listening. Both are needed for communication to occur, and in face-to-face communication happen simultaneously. Still, communication does not only depend on what the role does *to* the counter role (speaking or listening), but on the common understanding or mutual intelligibility, as Steele (2021b) showed. This mutual understanding depends on the unconscious typifications actors apply in a situation, with a typification "the ways in which people unconsciously make sense of idiosyncratic happenings through references to types of people, things, and objects" (Steele, 2021b, p. 342, referring to Berger & Luckman, 1967) Oddities then are small interruptions to this intelligibility that bring institutional typifications to the attention of actors. In Steele's model, the oddities stimulate a repair response, and I add to this by theorizing that interruptions can also lead to the earliest moments of unobtrusive change (Micelotta et al., 2017) as well as an active maintenance of a typification. I theorize a more fluid constitution of institutional typifications in the interactions between role and counter-role, based on the availability of alternative typifications for role and counter-role.

The structural construct of role – practice – counter-role is based on the notion that most environments are pluralistic in that there is a constellation of institutional logics and potential

typifications of a situation available (Greenwood et al., 2011). The institutional logics and typifications are instantiated in a role and the practice of what the role does to the counter-role, as well as in the expectations of how the counter-role is supposed to behave, according to the typification of the situation. The interrelatedness of speaking and listening leads to co-constitution of institutions in communication. As Steele (2021b) explained, even small interruptions or oddities in speaking and listening can put the prevailing typification of a situation into question, but also bring attention to the usually taken-for-granted typifications. When the viability of a typification is called into question, a search for an alternative typification of the interrupted situation is triggered. Finding a viable alternative depends on fluid switching between speaking and listening. This search for a viable alternative can either cause a breakdown of the conversation, can lead to a repair of the prevailing typification, which constitutes active maintenance of the typification, or it can lead to incremental changes in a typification and therefore in an update of the expectations for the role or counter-role or both in a future, similar situation. Thus, this constitutes the earliest moment of institutional change. The availability of potential alternatives depends on the availability and accessibility of multiple logics and situational typifications.

My research contributes to institutional theory by introducing more fluidity between speaking and listening. I argue that this fluidity helps select alternative typifications when intelligibility is interrupted. This theorizes the earliest moments of institutional change and stability.

My model also draws attention to the listener and audience. Whereas the focus on communication in institutional theory used to be on the agency expressed in communication, or on communication as transmitting institutions and socializing actors(Glaser et al., 2016, Hirsch and Lounsbury, 1997), my model theorizes listening and the listener as an active and interactive role in the constitution of institutional typifications.

Third, my model stresses the importance of institutional pluralism in the earliest moments of change and stability of institutions. Previous research on evolutionary, developmental change has considered logics plurality as a transitory stage and often considered it as problematic (Micelotta et al., 2017). My model shows that the plurality of viable typifications is crucial to overcome interruptions and oddities, which then leads to unobtrusive, incremental changes in the institutionalized expectations for behaviour and typifications of situations.

5.3 Theoretical background

5.3.1 How communication co-constitutes institutions

Writing on communication and institutions has long stressed the importance of communication for the constitution of institutions (Berger and Luckmann, 1967), which happens in interactions between the speaker and the listener. The basis of institutional theory is the repetition of certain actions, which form shared typified meaning structures or typifications that are then taken for granted. This also means that they often are not consciously activated in situations but instead are background assumptions and beliefs (Cardinale, 2018, Harmon, 2019). The process of developing and transmitting these typifications is mainly discursive (Meyer, 2008). Suddaby (2011, p.188) has even stated that "institutional theory is a theory of communication". While communication is therefore considered very important in institutional research, institutional researchers have also explicitly acknowledged that communication should go beyond a transmission function and beyond the simple reflection of cognition through communication. Instead, it should be seen as a "process through which collective forms such as institutions are constructed in and through interaction, instead of being merely a conduit for enacting discourses" (Cornelissen et al., 2015). This means that communication is seen as an ongoing and dynamic process that creates, maintains and destroys

or changes shared meanings that are central to the existence of institutions. This does not mean that communication does not also transport information or that institutions are expressed through communication (Lammers, 2011, Cooren et al., 2011), but it means that communicative constitution of institutions goes beyond institutions as outcome of communication or manifestation of institutional processes due to communication, but institutions are talked into existence in communicating. However, this constitutive process is still poorly theorized.

Communicative institutionalism has acknowledged that a central feature of constituting institutions is the joint and simultaneous activity of speaker and audience. Cornelissen et al. (2015, p.14) describe it as "speaker and addressees coproduce, moment by moment, an understanding of their social relationship and joint understanding". They acknowledge that the joint understanding of a situation and of what is being said is hardly ever exactly the same as what the listener understands, and that speaking and listening happen simultaneously. This theorizing is rooted in the interactionist approach by Goffman (1974), which has impacted thinking on taken-for-grantedness as well as framing and sensemaking (Weber and Glynn, 2006, Sandhu, 2017). The interactions and communication are both based on and develop a mutual understanding such as meanings, belief systems and cognitive frameworks and therefore constitute typifications such as institutional logics, and also positions and boundaries in institutional fields. Institutional logics span analytical levels from society to organisations and the individual and are relevant for imposing cognitive constraints as well as alternative options for action or sensemaking. The sensemaking process is based on interactions and narratives (Suddaby et al., 2010), which are embedded in social contexts (Taylor and Robichaud, 2004). The typifications manifest in the communication and communicative artifacts and these are then also used to enable and constrain agency for institutional maintenance and change (Green Jr and Li, 2011).

5.3.2 How institutional theory separates and sequences speaking and listening

Even though institutional theory has paid great attention to language, rhetoric and discourse and is rooted in communication, the communicative turn in institutional theory has still focused predominantly on the speaker as actor (Voronov and Weber, 2020, Meyer, 2008), or on the effects of previously existing text (Phillips et al., 2004, Grant et al., 2004, Lawrence and Phillips, 2004), but not on the fluid co-construction of speaking and listening in the moment. This means that research has focused on the speaker as producer of text, without considering that speakers also listen and receive and decode text. Most research so far has focused on the speaker, for example by theorizing the relationship between speaker and institutions, for example for legitimacy (Phillips et al., 2004, Green et al., 2009, Harmon, 2019), the production and use of text through non-verbal communication (Meyer et al., 2018) and even on non-production of text by potential speakers (Gehman and Grimes, 2017, Carlos and Lewis, 2018). Even if the main topic is the reaction to public opinion, as in Clemente and Roulet (2015), the focus remained on the expression of voice, though here the fluidity of speaking and listening is implicitly included in their model

The audience often only plays a role when text is already produced, either as passive recipients of it (Rao, 1994, Suddaby and Greenwood, 2005, Suchman, 1995) or as evaluators, (Bitektine, 2011, Bitektine and Haack, 2015, Hoefer and Green Jr, 2016). For this, empirical studies use communication products, such as annual reports or strategy plans in order to evaluate different aspects of institutional theory, for example diffusion of institutions (Green Jr, 2004), legitimation (Suddaby and Greenwood, 2005, Vaara and Tienar, 2008), or institutional change (Brown et al., 2012) This is especially true for research on more mediated communication like that on social media (Couldry and Hepp, 2018). Research on new forms

of interaction through, for example, social media, which allow faster reactions, only add further to the separation of text production and text reception or evaluation by an audience (Etter et al., 2019). Here, even when the audience is considered as active evaluator, research has considered this sequentially separated from the production of text. Meyer and Vaara (2020) call the mediated form of communication 'there and then' instead of 'here and now', in reference to Berger and Luckman (1967). Meyer and Vaara stress the importance of future research on the difference in location and the difference of immediacy in mediated communication. This is undoubtedly true, yet I would take this one step further: there is currently a general lack of theory on the immediacy and fluidity of speaking and listening in communication that constitutes institutions, be it mediated or face-to-face. Institutional theory therefore does not have a good explanation of how institutions spread from one actor to another in interactions (Zucker, 1991) and how the interactions, in turn, affect and constitute institutions.

Considering the emphasis of co-constitution of institutions by the speaker and the audience in communicative institutionalism, we lack an understanding and theoretical model of how speaking and listening co-constitute institutions. In order to co-constitute, it is important to pay attention to the fluidity of speaking and of listening, especially in the earliest moments of change. When communication is seen as more than a transaction, listening is more than the consumption of the intended message. Instead, listening is an active part of the meaning creation process. The sender might have an intention, but the way the receiver perceives the message is itself influenced by different factors and it, simultaneously, has a significant impact on the communication and meaning creation itself. Listening is part of how the communication draws attention to an issue or event and constitutes this event as something meaningful, worthy of attention, (Cooren et al., 2011). This meaning-creation of communication can only be achieved through both speaking and listening. Communicative institutionalism stresses the

importance of the audience in jointly shaping meaning with the speaker as a "package", as Meyer and Vaara (2020) call it. The process of joint meaning making and cognitive understanding that is emerging through speaking and listening is more dynamic than the current separation of speaking and listening permits us to see. This is especially true in the earliest moments of institutionalization or of change. However, so far, we lack theorization on how the audience co-constitutes institutions in the moment of text production together with the speaker. This leads me to my central research question: How does the fluidity of speaking and listening co-constitute institutions?

5.3.3 How listening affects communication

Research in communication theory has found that the audience or listener in a face-to-face communication actively shapes the communication, relationship between the speaker and listener, and the expectations for the unfolding of the situation. The listener therefore does more than evaluate the text or legitimacy of the speaker or the text. Listening and the listener were found to have a direct effect on the production of text in what was called co-narrating. Bavelas et al. (2000) found that the type of different listener reactions has an impact on how a speaker narrates a story. The authors showed in a series of experiments that more or less specific reactions to the narrative affected how the telling of the narrative unfolded. These signs of listening, such as nods and smiles, or verbal reactions like 'mhm', gasps, laughs etc, happened simultaneously to the speaking, which they therefore called co-narrating. This affected how the speaker presented the story. The listening for example could lead to an embellishing of certain parts of the story when a listener performed listening in a way that was specific to what was being said, or by coming to a brief conclusion when listening happened in more generic ways, such as when the listener was distracted and simply 'nodded along'.

Beyond the immediate effect on speaking, listening was found to also have longer-term effects, especially on relationships and expectations (Bodie, 2012). This research shares with institutional theory that it is interested in how the "organized thoughts" people hold – similar to institutionalized cognitive structures - affect action (eg. Roskos-Ewoldsen and Monahan, 2009). Communication research showed that the practice of listening was confirming or conflicting with the expectations of what listening should look like in a situation, which then affected longer-term outcomes. For example, someone who made eye contact at appropriate times and reacted appropriately to what was being said was perceived as a good listener since they conformed with expectations of good listening (Bodie, 2012). This perceived quality of listening was found to correspond to longer term outcomes such as higher profitability of organisations where members perceived others to be good listeners (Johnston and Reed, 2017) or that different treatment success in healthcare related to how patients perceived the quality of listening by health care providers (Gonzalez, 2009). While communication research found that listening had an influence on communication, this line of research also found that listening behaviour was only noticed when it went against the expectations of how listening should look like in a situation (Spitzberg and Cupach, 2011).

Those expectations for how listening should look like in a situation relates to institutional theory and the legitimation of actions, except that Berger and Luckmann (1967), who were not communication scholars, stressed the importance of language and discourse (Meyer, 2008), without paying attention to the expectations for "good" listening.

5.3.4 First steps towards more dynamic interactions

A valuable tool to soften the separation of speaker and listener is the use of the triplet of role identity, practice and counter-role (Jancsary et al., 2017, Franzosi, 2010). The role and counter-role are constituted in the action or practice between the actors. In terms of

communication, the speaker is constituted in the speaking to the listener, and therefore can't communicate without a listener or audience that listens simultaneously to the speaking. Using the triplet of role – practice – counter-role. This allows me to soften the separation between speaker and listener in two ways: first, we create a "package" or unit of communication that includes both the speaker and the listener as well as the action that connects them. Thus, the focus shifts from the speaker and the text that is produced to also include the reception as part of the communication. Second, since the role and counter-role are constituted in the practices that connect them, it allows me to focus on the practices of speaking and listening. This focus allows for a more dynamic interaction, since this focus on the practices makes the roles more fluid: the practices of speaking and listening connect the roles, and both sides can become the speaker and the listener at a moment's notice, especially in face-to-face communication, where speaking and listening happens simultaneously. This allows, for example, that someone assumes both roles simultaneously: while speaking about an issue, it is possible to also listen for reactions to the speaking. Speaking and listening therefore become fluid between those in the 'package' of communication, constituted by the practices of speaking and listening.

A second tool to soften the structural separation are "oddities" that Steele (2021b's) defined as slippages in interactions which he theorized are repaired in interactions in order to maintain taken-for-grantedness of institutionalized typifications. The goal of these repairs is to maintain mutual intelligibility, and Steele theorizes that oddities occur regularly and can result from either of three reasons: a reaction does not conform to expectations by a) not being in accordance with any logic the speaker has available, b) by being ambiguous and therefore potentially belonging to elements of several alternative logic, or c) by being elements of a logic that seems inappropriate for the situation. Steele describes that these activities can be as small as the roll of an eye, and can happen accidentally, but they nevertheless have the effect that a previously taken-for-granted interpretation of a situation is called into question.

The taken-for-grantedness of expectations and behaviours in a situation is based on typifications of different situations. Typifications are mutual and institutionalized understandings and expectations of a situation based on people, things, and objects (Berger and Luckmann, 1967) and can be more or less flexible and more or less overlapping for the interactants in the triplet, thus providing the actors more or less freedom to repair an oddity (Steele, 2021b). Thus, Steele's model helps introduce a fluidity of expected behaviours to keep communication intelligible. As explained, expected behaviours depend on the typifications, and the accessible and activated typifications depend on the local context, and the flexibility of the typification of that local context (Thornton et al., 2012, Steele, 2021b). This means that there might be multiple acceptable typifications, and also multiple viable behaviours for a role or counter-role in a single situation. Thus, Steele's use of oddities and typifications introduce a fluidity of roles to the triplet that depends on the localized context. This is important because the occurrence of oddities depends on behaviour that is misaligned with expectations, and in Steele's model, institutional change can be triggered when intelligibility cannot be repaired and a breach (Garfinkel, 1967, in Steele, 2021) occurs, or oddities mount to a level where shifts are inevitable (Kuhn, 1970).

However, I argue that there is further to go:

In his model, Steele (2021b) argues that an interactive choreography and corrective sensemaking leads to the accomplishment and repair of taken-for-granted typifications, which then help maintain the prevailing typification. In my model, I argue that the maintenance of the prevailing typology is only one out of four potential outcomes when an oddity occurs. Instead, I develop a model that uses oddities to help us theorize a more dynamic view of speaking and listening and explain the earliest moments of change, by actively considering the role of the listener. We know that the speaker and the listener hardly ever perceive an interaction in the exact same way, and that their interpretations and perceptions are guided by institutionalized

typifications. In order to understand both the maintenance of a typification and the earliest moments of change, it is therefore necessary to theorize how the interplay of speaking and listening affect the negotiations of these constant differences in interpretation and therefore lead to the constitution of institutional typifications.

My theorizing builds on four premises derived from research on communication, communicative constitution of organisations (CCO), specifically Luhmann's theory of radical constructivism (Luhmann, 1987), and institutional logics.

First, I premise that the roles of speaker and of listener are institutionally embedded. The speaker and the listener not only hold roles like teacher and student, but these roles also mean that there are institutionally embedded role expectations for speaking and listening connected with these roles. Roles, otherwise also called role identities, therefore are specific forms of membership in social categories (Greenwood et al., 2011, Glynn, 2008, Glynn and Navis, 2013), instantiated in practices within the role- practice- counter-role triplet (Jancsary et al., 2017). This might mean, for example, that a teacher is expected to speak in ways that educate or examine, and the student to listen to the educating, and when speaking to answer to questions.

These expectations for roles are interrelated with institutional logics and scripts (Thornton et al., 2012). Depending on how actors are embedded in different institutional logics, they might interpret and react differently in the same situation. For example, some situations are governed by institutional scripts, which are "observable, recurrent activities and patterns of interactions characteristic of a particular setting" (Barley and Tolbert, 1997, p. 98) and they have an even narrower application than institutional logics, but only encompass a subset of the elements of an institutional logic (Thornton et al., 2012). Both logics and, even more so, scripts, help actors reduce complexity and focus attention and are activated by the situational context

(Thornton et al., 2012). In case of the shareholders I observed for this thesis, they entered scripted situations when they met with management of firms: the meetings were highly regulated, and both sides knew what was expected of their role in the situation. (I explain this further in the paper "Starting a new conversation" of this thesis). Therefore, by being embedded in logics and scripts, actors hold certain expectations for role behaviours, practices and counter-roles in a situation. Therefore, the embeddedness of speaker and listener has a strong influence on the typifications that the role and counter-role have available and accessible in a situation (Thornton and Ocasio, 1999, Thornton and Ocasio, 2008, Thornton et al., 2012).

The expectations that emerge from the embedding into a specific logic or script facilitate intelligibility of the practice between the speaker and the listener, since the logic or script enables a situated understanding of utterances and texts. The embeddedness of speakers and listeners influence the how the speaker or listener understand their own role and the counter-role, the choice of words as well as the combination of words they should or should not use in a situation. For example, when someone at an IT help desk uses technical language in a context when speaking with a colleague from the IT help desk but chooses a different terminology when speaking to a client or even a colleague from a different department because these counter-roles might not understand all the technical terms. Thus, the embeddedness of the actors determines not only their own behaviour, but also the expectations for the counter-role and the expected behaviours.

Second, I premise that while they are institutionally embedded, the enactment of speaking and listening can diverge from these institutional expectations in the situation. Institutional theory has now long established that actors can have multiple logics available simultaneously (Emirbayer and Mische, 1998) and that most people routinely navigate multiple institutional logics in their everyday life, including in organisations that have multiple logics

present (McPherson and Sauder, 2013, Greenwood et al., 2011, Reay et al., 2017). While logics are not independent from each other, they are decomposable and actors with access to multiple logics can recombine different logics or elements of logics (Jancsary et al., 2017, Goodrick and Reay, 2011, Bévort and Suddaby, 2016). These combinations can happen temporarily, while still keeping logics separate (Smets et al., 2015b), or can be more permanent (Battilana and Lee, 2014). This means that both speakers and listeners can have multiple logics available and therefore can enact the role and counter-role in their speaking or listening in different ways, thus in a way that might not be expected in a situation. For example, a shareholder can bring up a personal connection to a specific topic and thus introduce elements from a more personal logic such as the family logic into the professional or market logic.

When the situated enactment differs from what is expected, this might or might not be very noticeable, depending on the expectations of the role and counter-role. These interruptions from expectations can be caused by either speaking or listening and can be noticed by either the one causing it, or the other in the role-triplet, or both. I will theorize that the alternative logics or elements of alternative logics available and accessible to the interactants, and therefore alternatives for typifications of the situation, play a key role in whether a violation of expectations and therefore an interruption in intelligibility leads to different outcomes.

Third, I borrow an idea from Luhmann's theory of social systems by premising that it is not the embeddedness into different logics alone or the availability or accessibility by one of the actors in the role triplet, but the finding of a viable alternative typification for both the role and the counter-role that allows for the repair of intelligibility. The concept of viable alternatives stems from what Luhmann calls "double contingency": the speaker and listener have multiple viable options for speaking or listening in a situation and therefore also viable alternative understandings of the communication situation (Luhmann, 1987, Seidl and

Mormann, 2014). Therefore, the intelligibility of speaking and listening for both depends on finding a viable alternative typification that is available and accessible for both. A situation that is interpreted in the same way by both speaker and listener does not require an explanation, and both have similar expectations of how speaking and listening should be performed in the situation. However, if a selected typification was not perceived with the same level of viability by both interactants, the intelligibility of speaking and listening suffers. A viable alternative typification might be found by, for example, explaining what is going on, by slight adjustments of speaking or listening once the loss of intelligibility is noticed, or by actively discussing and searching for an alternative typification that is viable for both speaker and listener. Examples of this finding of an alternative can be explicit like asking the other to clarify, defending and explaining one's own view, with or without being asked to do this, but also less explicit like a student paying closer attention when a teacher noticeably pauses. Further, if a situation allows for several equally viable alternatives, this might in itself cause an interruption in intelligibility because of the need to choose and to make the choice explicit.

My fourth premise is that oddities as small interruptions of expectations are noticed in speaking and listening, even though they are based on cognitive mutual understandings. Based on the role triplet of Jancsary et al. (2017) and Franzosi (2010), speaker and listener are role and counter-role, connected through the simultaneous practices of speaking and listening. Thus, speaking is something that is being done TO the listener, and listening is something that is being done TO the speaker. In addition, the role of speaker and listener switch between role and counter-role. That's because communication both depends on and builds on previous communication in an interaction. That's true even if two individual actors meet for the first time, since both interactants build on typifications that were constituted in previous, similar situations and therefore in previous communications. Oddities occur when speaking or

listening violate or interrupt expectations based on these typifications and previous communications.

While typifications are cognitive understandings of a situation, oddities occur in the behaviour that goes against what would be expected. Thus, oddities might be noticed on a cognitive level, but they occur in speaking or listening. Therefore, oddities can be caused by the speaker or the listener. Since speaking and listening happen simultaneously in a face-to-face communication, it is therefore difficult to fully disentangle the two. The speaker and the listener, as explained above, both can take on the "role" and therefore the seemingly more agentic position in the triplet of doing something to the counter-role, since the speaker, in the role, speaks *to* the listener, and the listener, in the role, listens *to* the speaker. In fact, as Jancsary et al. (2017) argued, actors often describe themselves by stating what they do to others, without explicitly referring to their own role. Thus, by using role and counter-role that are connected in speaking and listening, instead of using speaker and listener in my model, it is easier to do the dynamic process justice and still analytically disentangle the fluidity and simultaneity of the process of co-construction of institutions in conversations. This also helps to theorize the influence of listening on the co-creation of institutions within a fluid situation of a conversation, since this focus on role and counter-role considers the listener to be equally important as the speaker.

5.4 Constituting institutionalized typifications in communication

In this section, I set out a model of how the fluidity of listening and speaking influences the constitution of institutionalized typifications in finding viable alternatives when an oddity occurs. I base my theory on the starting point of an oddity, caused by the counter-role and noticed by the role. This oddity can occur in speaking or in listening, based on research on co-

narrating in communication theory (Bavelas et al., 2000). The starting oddity does not correspond with the expectations that the role holds for the counter role, based on the role's typification of the situation. This triggers the search for an alternative viable typification of the situation. In order to find an alternative that is viable for both role and counter-role, a fluid switching between speaking and helps to understand the viable alternatives of the other side. I theorize that this fluidity in the interaction can lead to four outcomes: a) if the counter-role notices the oddity and self-corrects it immediately, there is no more need to explore alternatives and there is no change in typification; b) if no alternative typification is available, a breakdown of the communication occurs; c) if the prevailing, interrupted typification is found to be the most suitable and is repaired, an active maintenance of the typification occurs, but there is no obvious change, and d) role and counter-role find a viable alternative typification that is available and accessible for both in the situation, incremental change happens. Going forward, I will first explain how finding a new alternative happens and then introduce and explain these four possible outcomes of an oddity.

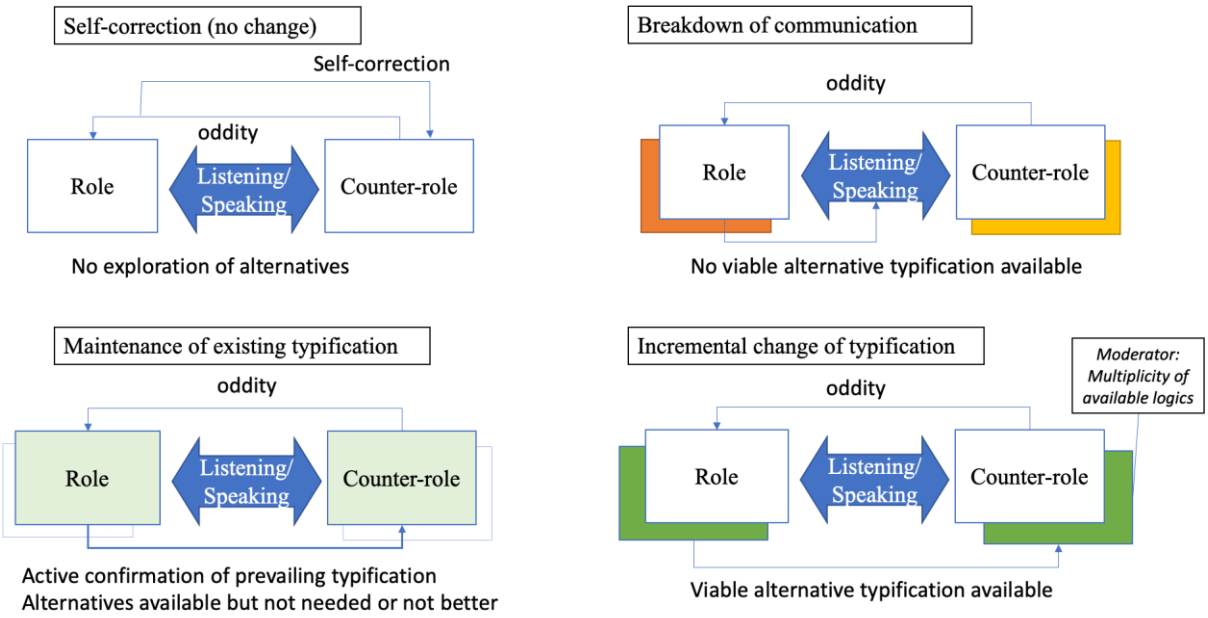


Figure 2 - Constituting institutional typifications in communication

5.4.1 How oddities lead to a search for alternative typifications

Activated typifications of a situation are constituted in the performance of speaking and listening of the role and counter-role in a situation. Speaking and listening themselves come with institutionalized expectations for the role and counter-role in an interaction. A speaker knows what is expected not only of their speaking, but they also have specific expectations for how listening should look like in a situation. These expectations are based on the activated typification of a situation, often based on institutional logics or scripts, and the typification depends on situational cues (Thornton et al., 2012). With the simultaneity of speaking and listening, the role has clear expectations of how the counter-role should be performed in a situation. The performance or enactment of the practices of speaking and listening constitute these expectations because they are the expression of the role's activated typification, and therefore implicitly of the expectations for the counter-role. For example, a CEO in a meeting with a shareholder might expect that the shareholder as listener has an interest in corporate profits so that the shareholder can decide whether to hold or sell shares. If both sides have a similar logic and script activated, the shareholder might expect the CEO to paint a "marketing-like" rosy picture of the company's situation since the shareholder expects that the CEO wants the shareholder to hold on to their shares.

An oddity occurs when the role notices a behaviour by the counter-role that interrupts the expectations for how the counter-role is supposed to behave. According to Steele (2021b), oddities are input stimuli to repair the interaction in light of a prevailing typification (Weber and Glynn, 2006). Since the expectations are based on that prevailing typification, and since actors have agency despite their embeddedness, oddities are possible because actors can divert from the behaviours that a typification would suggest for a situation. In addition, while prevailing typifications of role and counter-role usually overlap, they are hardly ever the exact same. In my model, this divergence from expected behaviour is done by the counter-role and

noticed by the role, but this is an artificial starting point to explain a fluid process. The oddity could also be caused by the role and noticed by the counter-role and the oddity can occur in the speaking or in the listening. This means that the listener and speaker are of equal importance in my model, as was confirmed by research into listening. As communication theory found, the perceived quality of listening and the actions of the listener influence how a story is told, for example how and where a speaker embellishes, and thus now a story is co-narrated, especially in face-to-face situations (Bavelas et al., 2000) but also in other communications (Doyle and Phillips, 2001).

In response to the oddity that the role notices, the role and counter-role need to engage in communication that allows them to understand how they each selected the prevailing but now questioned typification of the situation, whether they have alternative typifications available and why and if they dismissed other typifications in favour of the prevailing one. These alternatives don't need to be full typifications, but they can also mean the introduction or dismissal of elements of typifications. These alternatives then can be introduced into the prevailing typification or replace the prevailing typification to explain the oddity and therefore repair intelligibility. The alternative typification or the changes made by introducing different elements into a typification mean that role and counter-role now understand a situation in a slightly different way. This different understanding by the role and counter-role is now similar enough so that the behaviour that was considered odd before now does not appear odd anymore. As Steele (2021) laid out, there are existing theories of interaction sequences of corrective sensemaking that conversation analysts have established (Steele, 2021b), ranging from apologies, questioning the other's intentions, to explicit sensemaking including extended discussions, which show how exactly speaker and listener can go about finding this alternative typification, but the details of these are not a central focus of my model. What's important, though, is that all of these repair techniques require a fluid switching of speaking and listening

between role and counter-role. Depending on whether and how quickly these repair techniques lead to a viable alternative typification, there are different outcomes of how oddities constitute institutional typifications.

5.4.2 Self-repair and no change

If an oddity occurs and is immediately noticed by the one causing the oddity and immediately repaired, a search for a viable alternative might not be triggered and no change in the prevailing typification occurs, but the prevailing typification is also not actively maintained. That's because the even if the role also notices the oddity at the same time as the counter-role, the immediate repair stops the role from calling the prevailing typification into question. Steele starts his explanation of corrective sensemaking with those who notice an oddity in their own behaviour and immediately attempt to self-correct, for example by clarifying, correcting or even joking about it. Steele states that this form of correcting is "likely to focus on making sense of the interaction *in light of* prevailing typifications" (highlight in original) (Steele, 2021b, citing Weber & Glynn, 2006). This means that the typification of the situation remains intact and the expectations for interactants within the triplet and their behaviour is not called into question. Even if the elements of the institutionalized typification might be noticed, they remain untouched.

5.4.3 Oddities that lead to a breakdown in communication

As both Steele (2021b) and Goffman (1959) already showed, sometimes odd behaviour by one participant in an interaction result in breakdowns of the communication. These breakdowns cause interruptions in intelligibility that are so severe that they can't be ignored and can't be repaired. The role and counter-role are not able to repair the communication because they are

not able to find a typification of the situation that is viable for both. For example, in the breaching experiments, participants were asked to deliberately go against social norms without explanations (Garfinkel, 1967), thus making it impossible to find a different typification for the situation that was viable for both, at least temporarily while the experiment was going on. Thus, a repair of the intelligibility was not possible, at least for the moment. In terms of constituting typifications, these breaches can be like shocks or jolts to the system. As, for example Glynn and Lounsbury (2005) showed, shocks make different ideas and practices visible, which can lead to change but also resistance, yet to restore intelligibility, significant work might be required (Hampel and Tracey, 2017, Lok and De Rond, 2013).

5.4.4 Oddities that lead to maintenance of a typification

Active maintenance of the prevailing typification occurs if an oddity occurs that requires the search for a viable alternative typification, as described above. However, when the role and counter-role explain their choice of typification and reveal potential alternatives, this interaction can lead to a dismissal of all alternatives and in favour of the prevailing typification. This means that although the prevailing typification was called into question due to the oddity, the search for an alternative typification might reveal that the prevailing typification was the best possible fit or the only viable alternative for both role and counter-role. In order to avoid a breakdown of communication as a consequence of the oddity, both might decide to active and deliberate repair the prevailing typification therefore perform maintenance of it. This active decision to repair the typification after its fit was called into question and the search for a viable alternative happened, the alternatives were deliberately dismissed. Therefore, the prevailing typification is strengthened for future, similar situations. The active dismissal of other typifications that were thought of as alternatives but dismissed also reduces complexity in future, similar situations since fewer alternative typifications will be available.

5.4.5 Oddities as triggers for incremental change

When the oddity is noticed and the prevailing typification can't easily be restored by the actor who caused the oddity, there is a need to find a viable alternative typification of the situation and therefore alternative expectations for speaking and listening. The prevailing typification is now being questioned, or at least elements of it that were made visible by the oddity. In order to find a viable alternative typification, the decision for a viable typification and the alternatives that were dismissed are reconsidered and might now be chosen. The selection of an alternative typification that is viable for both role and counter-role then repairs intelligibility.

Incremental change happens if an alternative typification is found and the expectations for speaking and listening are updated for future, similar situations. The repair of intelligibility means that a different typification could be found. This alternative typification then causes small shifts in how the role engages in speaking and listening, and simultaneously in the expectations for the counter-role and their enactment of speaking or listening. Thus, for a speaker, it becomes necessary that the speaking towards the listener changes, since the expectations of listening have changed slightly. This can happen in relatively subtle ways, for example by choosing a different language style, but it can also mean a substantial change in content. For example, a CEO might originally expect a shareholder to be interested in topics that are relevant for corporate profits. This includes the expectation that speaking would be interrupted if the topic is too far from profits. If the shareholder then listened intently when the CEO briefly brings up sustainability considerations that are not directly related to profits, the CEO might adjust the expectations of the shareholder and also adjust how they speak about sustainability, while at the same time adjusting the expectations about when that particular shareholder will interrupt them.

These updates of expectations constitute the earliest moments of incremental institutional change. The expectations for role and counter-role as well as the practices that constitute them are connected to elements of institutional logics that are activated in a situation. Therefore, an update in expectations for a situation also means an update in the activated elements of a logic (Thornton et al., 2012). Thus, in future, similar situations, the available typification will be adjusted. Therefore, the repair of intelligibility after an oddity and finding a viable alternative typification can constitute incremental institutional change.

5.5 Logic availability and the constellation of viable alternatives

The model's different outcomes depend on the availability of viable alternatives to both the role and counter-role, which determines their ability to repair intelligibility after an oddity is noticed. This includes two critical points: the noticing of the oddity, and the alternatives and their availability as viable options for both. I will explore both points in relation to institutional logics and explain how logics both enable and constrain the constitution of a viable typification, while being constituted in this search for a viable alternative at the same time.

As I explained above, noticing an oddity depends on the behaviour conforming with expectations that are based on the available logics in a situation. Oddities are noticed because a practice does not conform with the prevailing typology, as Steele (2021b) explained, and these typologies are often based on an institutional logic. In Steele's model, one potential cause for an oddity is ambiguity: if an action fits more than one logic and therefore the meaning can't be clearly identified, intelligibility might suffer. While ambiguity might be harmful in some situations, it might also prevent the noticing of an oddity. However, if there is a multiplicity of logics available and accessible in a situation for both role and counter-role, different typifications can prevail simultaneously and therefore ambiguous behaviour can be acceptable

as part of each of the typifications. This means that role and counter-role might have slightly different expectations but can interpret speaking and listening in different ways so that it remains intelligible, despite their different typifications. As Meyer and Vaara (2020) explain, building on Berger and Luckmann (1967), it's the legitimation or de-legitimation of ambiguity that causes problems and thus results in oddities. Thus, there might be a variety of behaviours deemed acceptable and multiple institutionalized enactments of roles and counter-roles that don't cause oddities. Thus, even if the actors in the situation use different typifications that can be based on different logics, as long as the ambiguous behaviour is not considered de-legitimate, they might notice the ambiguity, but it does not interrupt intelligibility.

If an oddity occurs and is noticed as an interruption of intelligibility, finding an alternative for the prevailing typification depends on the availability and accessibility of alternative logics (Thornton et al., 2012). Past research highlights that with different logics present and therefore potentially available, these logics are not independent (eg. Goodrick and Reay, 2011, Meyer and Höllerer, 2010, Raynard, 2016, Besharov and Smith, 2014) and that despite actors possessing agency to creatively use and combine elements of logics (McPherson and Sauder, 2013, Voronov et al., 2013), research has also found that logics can't be randomly activated and combined at random (Malhotra et al., 2021). While this research also found that the accessibility of a logic depends on situational cues, this also leads to different evaluations of opportunities for logic accessibility and activation, since logics both present guiding principles for actions, but also provide evaluative criteria for the viability of an alternative. Gümüsay (2018) established that the evaluative criteria used by entrepreneurs to judge opportunities depend on the actor's institutional logics constellation. Therefore, this also influences the evaluation of potentially alternative typifications of a situation when faced with an oddity: the constellations of logics available to the role and to the counter-role generally increases the

number of potentially viable alternatives for a typification of a situation and therefore the repair of an intelligibility after an oddity.

At the same time, a multiplicity of institutional logics can also increase the risk for conflict and therefore the noticing of oddities. When actors have multiple logics available, there are also conflicting demands (Battilana and Dorado, 2010, Pache and Santos, 2010) and depending on how these conflicting demands are reconciled, for example by compartmentalizing or blending (Greenwood et al., 2011), the multiplicity of available logics might not only provide several viable alternative typifications, but might also make tensions between different available elements more visible, and therefore rule them out as alternatives. Thus, speaking and listening might be scrutinized more heavily since the actors are aware of the conflicting elements of different logics (Besharov and Smith, 2014), and it might be more difficult to find a viable alternative since the role and counter-role are more aware of potential tensions. Therefore, the outcomes of my model are moderated by the availability and accessibility of logics, as well as the interrelations and connections or conflicting demands of the available and accessible logics in a situation. At the same time, the need to find viable alternatives influence the availability and accessibility of logics in future interactions and therefore influence their enabling and constraining effects. Therefore, my model goes beyond a simple transmission function of institutions in communication and also goes beyond communication as the means to produce institutions as outcomes. Instead, the model shows the constitution of institutions in communication while at the same time acknowledging the influence of existing institutional enablers and constraints.

5.6 Discussion

Communication is at the root of institutional theory (Berger and Luckmann, 1967), and institutional theory has influenced writing and research on communicative processes. This paper started out from the observation that while there was the communicative turn in institutionalism and institutional theory offers communication-based explanations (Lammers, 2011, Sandhu, 2017), institutional theory is lacking a more sophisticated model of how communication is constitutive (Sandhu, 2017, Cornelissen et al., 2015). The current conceptualization of communication in institutional theory focuses on the speaker and text production, without fully acknowledging or theorizing the fluidity between speaking and listening.

In my model, I build theory on how the fluid interactions between the speaker and the listener led to institutional stability or change, which constitutes the earliest moments of institutional stability or change in the fluidity of speaking and listening. When communicating, the typification of a situation, which usually is taken-for-granted (Zucker, 1977, Smets et al., 2012, Lounsbury, 2008, Ocasio et al., 2015), my model explains that this means that a speaker understands the expectations for both speaking and also for listening to be performed in the situation, and vice versa for the listener. The occurrence of even small interruptions to intelligibility, what Steele (2021b) oddities, then leads to a desire to repair intelligibility. In my model, intelligibility is restored if both role and counter role were able to find a typification that is viable for both, and therefore restores that expectations for speaking and listening in the situation are clear for both again. I explain that it is necessary to fluidly switch between speaking and listening, and to engage in both at the same time, in order to understand which other typifications could be viable in the situation. This process of finding an alternative typification that is viable for both role and counter-role is based on the assumption that there

usually are several different typifications available in a situation (Greenwood et al., 2011), and the selection of a viable alternative typification, or the restoration of the prevailing and interrupted typification, then constitutes the earliest moment of institutional change. That's because the viable alternative typification can be triggered and used again in a future, similar situation.

This is adding to what Micelotta et al. (2017) called evolutionary, developmental change, or what they call institutional alignment. However, while they found that this type of change stems from purposeful institutional entrepreneurs or from changes in the macro environment of the institution, my model explains that this kind of change can happen from non-purposeful micro-changes in the immediate environment of a practice and actor. The change results from an attempt to adjust and align to these changes, together with the counter-role in the situation. Oddities are not major interruptions from the macro environment, but stem from the behaviour of the interactants that don't match the expectations that are based on an activated typification. The adjustment of expectations is an alignment to the changed situation or microenvironment, and the fluidity of speaking and listening and the constitution of both role and counter-role in these practices usually requires an adjustment of the alignment by both actors.

My model also contributes to communicative institutionalism by drawing attention to the role of the listener and the audience in the co-constituting of institutions. Therefore, my model takes communication beyond the agentic, goal orientation or simple transmission function that communication has occupied in institutional theory so far, despite calls for more constitutive theorizing (Cornelissen et al., 2015, Meyer and Vaara, 2020). However, these calls have merely mentioned the co-constitution of institutions in communication and have stated that the listener is important, but we so far lack theory that explains the role of the listener or the audience.

My model explains how the co-constitution in communicative interactions happens through the shaping and renegotiating of institutional typifications of situations, and listening plays an integral part of this. That's because in order to have communication, both the practices of speaking and of listening are required, and in interpersonal communication they happen at the same time and are constituted through each other. Therefore, in my model I theorize that a prevailing typification does not only include expectations about how to speak, but at the same time, how listening is supposed to look for the speaking. The same is true for listening in communication, which includes an expectation for the speaking. If one of these practices causes an oddity, The expectations for both speaking and listening and therefore the role of speaker and of listener need to be readjusted, which happens by finding a new viable typification for both speaker and listener. Communication only is intelligible if both speaking as well as listening are done according to the expectations that are created by a typification. Both speaking and listening therefore can also create an oddity or even a breakdown of communication, and intelligibility can only happen when both speaking and listening are in accordance with the typification.

This means that the listener or audience in my model are not just the recipient of a message but becomes an integral participant in making and keeping communication intelligible. The listener needs to also activate a typification, which then enables the listener to understand what is expected in the situation. This also means that the listener can cause oddities and therefore stimulate potential institutional change or maintenance, or even cause breakdowns in communication. Therefore, my model makes the listener a much more active participant in the communicative constitution of institutions than what previously has been theorized.

My third contribution is to the research on evolutionary, developmental change in institutional theory (Micelotta et al., 2017). My model stresses the importance of institutional pluralism in order to have multiple typifications available in case of an oddity, which can then

be used to find a viable alternative and therefore create micro-changes. Prior research on evolutionary, developmental change has so far focused on the micro-level practices, organisational positions, or field characteristics and their connection to the diffusion of change (Ansari and Phillips, 2011, Smets et al., 2012), as well as the interplay of agency and structure (Cardinale, 2018, Bitektine et al., 2020, Meyer and Vaara, 2020), but in this has considered institutional pluralism only as a transitory condition. Contrary to this, in my model the availability of a plurality of logics and therefore the ability to change the typology of a situation, and with it the expectation for the social positions and behaviours of role and counter-role are critical to find a viable alternative typification. While research about logics expanding so far explain a much more radical change, (Greenwood et al., 2011, Thornton and Ocasio, 1999, Micelotta et al., 2017), in my model, the multiple available logics allow a new combination of elements in a situation with an interruption to intelligibility, or a negotiation about the suitability of the prevailing typification and its elements. Thus, they provide an opportunity for the earliest moments of a potential expansion, shift, blending or other hybrid combinations (Greenwood et al., 2011). However, more research is needed to explore the development of these earliest moments of new typifications, and whether they expand, blend, or shift over time.

This explanation of the role of logic multiplicity in the earliest moments of unobtrusive change, my model also answers to calls for a different way of studying institutions, with a focus on more micro-level interactions in day-to-day situations (Zilber, 2016). Within these micro-level everyday interactions that aim to restore intelligibility and find a viable alternative typification, the influence of institutional logics restrains which typifications could be considered viable with the agency of individuals to stimulate change and to actively shape the typifications by introducing elements of other logics and convincingly make a case for the viability of this alternative typification once an oddity was introduced. Therefore, the model highlights the balancing act of institutional logics restraining and enabling within

communication, and in this, actors are “muddling through” (Smets et al., 2012, p. 1280, Smets and Jarzabkowski, 2013) and thus not allowing interruptions to get in the way of communicating and progressing. Therefore, the effects of the institutional constitution are incremental, which means that change often only becomes visible after a considerable time (Powell and Colyvas, 2008).

Since my model is a theoretical one, the implications for future empirical research remain the same as outlined by Zilber (2016): paying attention to the speaker and the listener requires new methods and context-sensitive theorizing. My model further highlights this and I suggest that in order to go beyond simple dichotomies of logics, institutional theory can borrow from communication research, for example work on the formative view of communication to build theory from the bottom up (Sandhu, 2017, Cloutier and Langley, 2013).

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6 Starting a new conversation: Activating an additional institutional logic in Shareholder Engagement

Tanja Ohlson, Emilio Marti, Michael Smets

6.1 Abstract

An important problem for mainstream actors in institutionalized conversations is how to start a new conversation about environmental or social sustainability while also keeping a focus on their traditional conversations. In theoretical terms, the problem is how to activate a new logic into an institutionalized conversation with a strong dominant logic. I address this problem by looking at institutional scripts. I explore this problem in the context of shareholder engagement with an ethnographic study of the meetings between an asset manager and corporate management. In brief, I find different interaction dynamics of the activation of the additional logic and thus a new script in interactions. If both sides are able to activate the new script, longer term engagement progress is more likely. At the end of an interaction, the additional logic was deactivated, and the actors naturally fell back into the institutionalized dominant logic. My findings help us see the earliest moments of institutional change and the creative use of logics by individuals in interactions. It also shows that logics, in the earliest moments of change, can remain separate, and be deactivate again, but the long-term observations indicate that it becomes easier to activate an additional logic with repetition.

Keywords: institutional logics; complexity; institutional change; sustainability, engagement

6.2 Introduction

Businesses are increasingly expected to take sustainability concerns into consideration and conversations about sustainability are becoming a mainstream activity for many organisations. Whereas earlier on, sustainability conversations were pushed by NGOs and fringe actors whose dominant goal has been to impact social and environmental issues, nowadays, sustainable impact and conversations about sustainability are expected to also be held by mainstream actors such as large consulting firms, financial shareholders, or big corporations. These actors are deeply embedded in a traditional, economic way of thinking and communicating. In addition to these traditional economic concerns, they now are expected to also take sustainability into consideration alongside their main business goals, which requires a different kind of conversation. The puzzle is: how do mainstream actors start this new conversation in light of their existing commercial conversations and relationships?

This question is best theorized within institutional theory insofar as the institutionalized expectations are typically thought of as the rules of the game (Thornton et al., 2012, Thornton and Ocasio, 1999, Friedland and Alford, 1991) and these conversations are structured through established scripts (Barley and Tolbert, 1997). In order to start a new conversation, mainstream actors need to inject and activate a new logic into an existing relationship (Thornton et al., 2012). To do so, they also need to transform the established script of the situation they are in. Both of this form the earliest moments of institutional change, in format as well as in content.

In order to analyse how an additional logic is introduced, we focus on the use of institutional scripts that we observed in the meetings between an engaged shareholder and its portfolio firms (Barley and Tolbert, 1997, Voronov et al., 2013, Glaser et al., 2016). Scripts are observable in conversations and can be analysed. Thus, analysing the scripted conversations is useful to understand whether and how new logics and scripts can be introduced in a situation

with a dominant logic in order to trigger change, but without losing legitimacy, creating conflict or using coercion. By looking at the use of scripts, we shed light on how individuals can activate an additional logic in an established conversation and thus how the earliest moments of institutional change occur.

We conduct this research in the context of shareholder engagement, where an asset manager aims to achieve changes in firm practices through communication. Shareholders and their portfolio firms are used to having investor meetings and conversations about profit maximization or corporate governance (Denes et al., 2016, McCahery et al., 2016) but are increasingly expected to use shareholder engagement to stimulate corporate impact on social and environmental sustainability (Busch et al., 2021). Our analysis is primarily based on ethnographic observations of the private meetings between the asset manager "Trustco" which is an engaged shareholder, and portfolio firms' top management, and on access to a proprietary engagement database at the asset manager, complemented by interviews and supporting documents we had access to.

Our findings highlight the scripted communication practices of engagement meetings, and the new script for the activated additional logic. In a second step, our findings show the interaction dynamics of the additional logic activation and the corresponding engagement outcomes. In short, activating the additional logic both by the shareholder and firm simultaneously was associated with a higher level of engagement success later, whereas a lack of activating the additional logic by one or both was associated with a lack of "new conversation". In addition, our findings show that the additional logic was not often used when goals related to the dominant logic were supposed to be pursued, and that the additional logic did not remain activated permanently but was deactivated again at the end of the interaction. However, our long-term outcomes indicate that it became easier, over time, to activate the additional logic.

We contribute to research on the creative activation of logics and extend the work of McPherson and Sauder (2013) as well as Voronov et al. (2013) and Glaser et al. (2016). Our focus on the micro level of interactions helps explain the activation of an additional logic in an interaction with a dominant logic and the implications for longer-term outcomes. So far, very few studies have explored how logics are used in interactions on the individual level and how this contributes to institutional change (Zilber, 2016), and we add to knowledge on how the activation of an additional logic to the dominant logic constitutes the earliest moments of institutional change. We further argue that in the earliest moments of change, the dominant logic and the additionally activated logic remain separate, and both are active at the same time, with the additional logic more precarious than the dominant logic.

Second, this paper contributes to an understanding of logic activation and deactivation for a strategic use of logics as enabling and constraining in interactions. Past research has theorized that a situational cue can have actors activate a specific logic that then is active in this and similar situations based on the assumption that it is most appropriate in the situational context (Thornton et al., 2012), and down the line can be blended, segregated, or segmented (Pache and Santos, 2010, Smets et al., 2015b), we show that the additional logic was deactivated again at the end of the interaction or for strategic reasons. Thus, the next conversation started in the dominant logic. Our long-term outcomes indicate that the activation of a new logic became easier over time if a logic was activated and deactivated repeatedly, but in combination with the different outcomes of the interaction dynamics, our data also suggests that the activation and deactivation can be used to strategically enable and constrain the activation of logics of the other actor in an interaction. Thus, our findings suggest that logics are not only activated when useful, but that they are also actively deactivated when a dominant logic is available and more useful, and this can be trained and strategically be incorporated in interactions.

We also contribute to literature on shareholder engagement and show that in order to pursue change, typical financial shareholders first have to overcome the 'common ground' (Ferraro and Beunza, 2018) of the dominant financial logic, and that this activation of an additional logic needs to happen from the earliest moments of impact creation. That's in contrast with the existing model of shareholder engagement between non-mainstream actors such as social movements and corporations where a new relationship and common ground was established slowly as part of the engagement process. Yet, mainstream actors with an established relationship need to start a new conversation differently to fringe actors that don't have a prior relationship.

6.3 Literature review

6.3.1 The need to introduce a new conversation into a dominant logic

Institutional logics are socially shared material practices, assumptions, values, beliefs, and rules that define a particular social world and can coordinate actions and outcomes (Friedland and Alford, 1991, Thornton et al., 2012). For example, conversations and meetings between investors or asset managers and portfolio firms are well established and highly regulated, and both parties usually have the goal of profit maximization. Management and finance research has established that the topics during these meetings usually are about firm governance and operational and financial matters, thus that these are established, institutionalized conversations (Briscoe and Gupta, 2016, Krishnan et al., 2016).

At the same time, institutional theory knows that logics can be used in creative ways and that actors can invoke different logics in order to influence the outcome of a situation (McPherson and Sauder, 2013) since most organisations and actors have more than one institutional logic available to them (Greenwood et al., 2011, p. 98). Contrary to the original

assumption that logic multiplicity and complexity is problematic, more recent research has shown that complexity can be beneficial and sustained (eg. Gümüsay et al., 2020, Smets et al., 2015a, Battilana and Dorado, 2010). In the example of shareholder engagement, research has shown that it has been possible, at times, to have conversations about issues of environmental, social or corporate governance topics (ESG) (Serafeim, 2017) to generate change. Historically, these conversations were started by actors at the periphery that were not embedded in the financial logic of the investors such as religious groups, NGOs or social movements (Goodman et al., 2014). These shareholder engagements could be traced back millennia to investments that aligned with the Jewish belief system (Louche et al., 2012) or principles for investments against slave trade in the 18th century (Camilleri, 2017). Thus, as we explained in the introduction, these new conversations were introduce by actors at the periphery who built a new relationship or 'common ground' (Ferraro and Beunza, 2018) around these value-laden issues with the more mainstream actors.

Yet, in recent years, there has been more and more interest in scaling these sustainability conversations in order to achieve the needed transformation towards a more environmentally and socially minded economy (Eccles and Klimenko, 2019, Dimson et al., 2015, Busch et al., 2021). While most organisations and individuals have more than one logic available to them, there are situations that are dominated by one primary logic (Fan and Zietsma, 2017). In order to be able to reap the benefits of sustainability conversations not just from fringe actors but at scale, we need to better understand how mainstream actors that are embedded in a dominant conversation and therefore a dominant logic can introduce these value-based conversations into their relationships with a dominant logic. That's what we focus on in this paper.

6.3.2 Microfoundations of institutional logics

Scholars interested in institutional logics have increasingly noted that the study of institutional logics has largely remained on the macro level (field or organisational) or meso level (intra-organisational), to the detriment of following logics in interactions (Zilber, 2016, Hallett and Hawbaker, 2021). For example, research on institutional logics so far has focused on how logics affect macro-level outcomes such as the diffusion of practices (Goodrick and Reay, 2011), new industry associations (Lounsbury, 2002) and shifts in practices and identities (Rao et al., 2003) or meso-level organisational effects such as how organisations deal with multiple logics by blending, compartmentalizing or segregating them (Greenwood et al., 2011, Pache and Santos, 2010, Smets et al., 2015b)

On the micro level, logics become available and accessible due to socialization and familiarity with a cultural context as well as situational factors that focus the attention during interactions (Thornton et al., 2012, Ocasio, 1997). This attention can lead to the activation of a logic, which refers to the actual use of a logic in a situation, if the situational cues make an available and accessible logic seem appropriate and relevant (Thornton et al., 2012). The resulting practices and identities, in turn, then reinforce the focus of attention in future, similar situations and thus contribute to the maintenance as well as the evolution of a logic.

Research has only begun to explore how individuals in their daily lives and interactions use and re-shape logics (Zilber, 2016, Lounsbury et al., 2021). Research has shown that logics can serve as tools that are used to influence decision making (McPherson and Sauder, 2013), that actors engage with multiple logics available in a field in a creative manner and chose which logic to use as well as how to use it (Voronov et al., 2013), that they use these logics to create a new logic (Fan and Zietsma, 2017) and that the activation of logics through unconscious situational cues provides actors with ways to explain past and future actions (Glaser et al., 2016). Thus, logics don't predetermine actions, but provide psychological guidelines while

they, at the same time, allow actors to creatively choose to enact and recombine elements from different logics, if they are available and accessible and deemed appropriate for the situation.

In all the situations when studies analysed the activation of different logics, there were multiple logics already available, accessible and deemed appropriate for the situation, which is usually not the case in situations with a dominant logic. In situations where actors are less central in a field, or a field is still young (Pache and Santos, 2010, Wry et al., 2011, Weber et al., 2008), or where multiple logics are available in a situation (Meyer, 2008), actors have a lot of leeway to choose between different logics or manage them in different ways (Smets et al., 2015b). Research on institutional logics has long assumed that most people have multiple logics available and therefore can choose which logic to invoke to guide their thinking or actions (Friedland and Alford, 1991, Thornton et al., 2012). However, if the activation of a specific logic is taken for granted in a specific situation and therefore the logic is considered dominant, actors don't usually have that freedom to choose. Dominant logics then create a widely understood social reality, with actors complying with the expected sequences of practices (Steele, 2021a). Both the dominance and the multiplicity of logics is both providing actors with a set of options to comply with, and at the same time, this compliance also constitutes the logics and their availability. As I explained above, we know that actors choose to activate elements of different logics in situations where a plurality of logics is readily available, but we know little about how the activation of a new logic into a situation with a dominant logic happens in and through interactions (Lounsbury et al., 2021, Voronov et al., 2013).

6.3.3 Institutional scripts

To observe how actors activate an additional logic in a situation that is dominated by an institutionalized logic, we draw on the notion of scripts. Scripts are the "observable,

recurrent activities and patterns of interaction characteristic of a particular setting" (Barley and Tolbert, 1997, p. 98). Scripts are sometimes used as equivalent to what Thornton et al. (2012) call schemas (Glaser et al., 2016, Polletta, 2022), which, together with goals and identity, are mechanisms through which logics shape how actors understand and act upon complex information in their environment. Thornton et al. (2012), building on Barley and Tolbert (1997), specify that scripts describe the sequence of routinized interactions (Lawrence and Phillips, 2004) that is accomplished and observable through behaviour and speech (Barley, 1986), similar to how grammar can be observed in language. While Barley and Tolbert defined scripts at the societal level, Thornton et al. (2012) as well as others that have used scripts to analyse how individual actors enact logics (Voronov et al., 2013) or how individuals psychologically represent logics (Glaser et al., 2016). This research has argued that scripts are enacted through interactional behaviours that are constrained but not predetermined by logics (Hallett, 2010, Barley, 1986). A script therefore is a meso-level construct that links macro-level institutional logics to the micro-level practices of actors and interactions.

Changes in scripts are generally assumed to be introduced by an external influence such as a shock or jolt, the entrance of a new actor, or a change in the environment, such as a new technology (Bévort and Suddaby, 2016, Barley, 2015). If actors enact the script of a competing or alternative logic, it can hurt not only their understanding of their identity or the image they portray on others (Barley, 1986, Hallett, 2010), but it can also violate audience expectations and might render interactions inauthentic or even incomprehensible (Ravasi and Schultz, 2006, Hallett, 2010). At the same time, actors constitute the logics that are available and deemed appropriate in interactions. Scripts are a bridge between the institutional logic and the actors' interpretation (Zilber, 2016) of the logic and allows us to show that while logics are taken for granted, they are also interpreted creatively on the ground and reconstructed by real actors in interaction (Zilber, 2016, Voronov et al., 2013). Thus, focusing on the enactment of scripts

allows us to examine how dominant logics influence the interaction of actors (Suddaby, 2010) and how, at the same time, actors manage to activate and use a new logic (Goodrick and Reay, 2011) and how that then shapes future interactions. Thus, scripts help us answer to calls for more attention to how individual-level actors constitute scripts and logics through their day-to-day practices (McPherson and Sauder, 2013, Lawrence et al., 2011, Zilber, 2016)

In this paper, we extend the approach of McPherson and Sauder (2013) and Voronov et al. (2013) with the goal to explore how mainstream actors can start a new conversation within their existing relationships, we examine how actors are able to inject and activate a new institutional logic through the use of institutional scripts in interactions.

6.4 Method

6.4.1 Research setting and data collection

In order to be able to observe how a new conversation is started within an ongoing and institutionalized interaction, we conducted an ethnography at a London-based asset manager which we call Trustco, a pseudonym. Trustco is an asset manager that engages in shareholder engagement, which we here understand as collaborative interactions, especially collaborative dialogue, between shareholders and their portfolio firms with the goal of achieving changes in business practices, especially changes contributing towards social and environmental sustainability. To explore the introduction and activation of new conversations, we focused on one of Trustco's investment funds that was started at the beginning of our research in late 2017, which we here call the "SDG fund". This fund invested in public equity of small and mid-sized global firms with the explicit goal to introduce social and/or environmental issues that contributed towards the UN Sustainable Development Goals (SDGs). The portfolio firms in the fund were selected because they had not received any engagement attention prior to being

included in the fund, since most of the firms were too small to be targeted by social movements and most of them were neither laggards nor leaders in terms of environmental or social sustainability efforts. Since this was a commercial fund, it also had the goal of financial returns. This research setting guaranteed that we could observe the start of a "new conversation" and the activation of a new logic within the conversations that were usually dominated by the financial logic. It does not mean that the top management of these portfolio firms had never heard of the environmental or social issues that the engagers brought up, but that the managers were not used to talking about those issues in meetings with investors, and especially not in ways that required the activation of a logic different to the financial logic during investor meetings.

While engagement is an intricate process that includes a lot of preparation and reflective work, in this paper we focus on the collaborative interactions in calls and meetings between Trustco and the portfolio firms of the SDG fund. The engagement was conducted by "engagers" that worked closely with "portfolio managers" whose main responsibility was the selection and management of the fund and who, historically, were predominantly concerned with profits. In most meetings, someone from the portfolio management team and someone from the engagement team were present. While the engagers were responsible for proxy voting and research around engagement issues, the portfolio managers were responsible for buying and selling stocks and managing the portfolio. Both engagers and portfolio managers were familiar with the financial logic and the related script, as we will show below.

The data used for this paper was collected in ethnographic observations on 92 days at Trustco that were distributed between December 2017 and February 2020 and were conducted by the first two authors. Both researchers got an official title of "Research Fellow" at the asset manager, signed non-disclosure agreements, underwent the regular onboarding procedures, and received a company email address. These positions were created in order to facilitate the

sharing of information from inside the company, and to build trust. The positions were not paid, and throughout the data collection phase we introduced ourselves as researchers from our respective academic institutions, usually in combination with handing over our academic business cards.

This paper is based predominantly on ethnographic field notes from the meetings and calls Trustco had with the portfolio firms in the SDG fund, data from Trustco's proprietary engagement database to which we had access during our ethnography, semi-structured interviews, supporting documents from Trustco, and other ethnographic observations at Trustco.

Field notes of engagement meetings and calls: This paper focused on field notes from 31 meetings or calls with 22 companies. Due to concerns about recordings influencing the meetings, Trustco asked us not to record the meetings, but instead to take detailed notes. Our notes were therefore taken during the meeting, similar to meeting minutes. They reflect turns of speaking and we paid attention to conversational markers, such as "that's what we had hoped to hear" and, whenever possible, noted the course and content of conversations down almost verbatim. We also took notes of descriptions of meeting rooms, appearances of people, the surprisingly little amount of small talk at the beginning or end of the meetings, as well as any behaviour that felt surprising or unusual. This means the field notes of engagement meetings look very similar to a transcript of the meeting, each usually several pages in length, to which we added detailed notes of the situation, as well as notes about immediate reactions by Trustco's engagers that happened right after the end of the meeting, usually on the way to the desks or by the desks.

Table 1 - Overview of observed engagement meetings and calls

Date	Meeting type	Company cod	Country	Industry
12/03/2018	Meeting	A1	NED	Machinery/ Capital goods
18/04/2018	Call	A2	USA	Electric utilities
14/09/2018	Call	A2	USA	Electric utilities
16/05/2018	Meeting	A3	UK	Oil, gas, energy
11/09/2018	Meeting	A3	UK	Oil, gas, energy
11/02/2019	meeting	A3	UK	Oil, gas, energy
05/10/2018	Call	A4	USA	health care supply and service
11/01/2019	Call	A4	USA	health care supply and service
10/04/2018	Call	A5	USA	Packaging/ material
16/04/2018	call	A6	UAE	Banks
22/05/2018	Meeting	B1	AUS	Chemicals/ Materials
12/03/2018	Meeting	B2	USA	Leisure product/ consumer durables and apparel
26/09/2018	Meeting	C1	USA	Health care supply and service
15/05/2018	Call	C2	PER	Banks
08/01/2019	Call	D1	IRL	Industrial conglomerates/ capital goods
24/05/2018	Call	D2	AUS	Chemicals/ Materials
19/09/2018	Meeting	E1	USA	Materials
07/06/2018	Call	E2	BRA	Oil, gas, energy
24/05/2019	Call	E3	USA	Chemicals/ Materials
16/05/2018	Meeting	F1	USA	Building Products/ capital goods
31/05/2018	Call	G1	USA	Technology
19/09/2018	Meeting	G2	IRL	Real Estate
11/04/2019	Meeting	H1	JPN	Technology
16/05/2018	Call	M1	FRA	Machinery/ capital goods
13/06/2019	Meeting	M2	BRA	Road & rail/ transportation
22/07/2019	Meeting	M2	BRA	Road & rail/ transportation
18/09/2018	Meeting	P1	SAF	Metal & Mining
14/06/2019	Call	R1	JPN	Real Estate
27/09/2018	Meeting	S1	HKG	Textiles, Apparel, durable goods
12/10/2018	Call	S1	HKG	Textiles, Apparel, durable goods
10/04/2018	Meeting	S2	UK	Medical products
19/04/2018	Call	S3	UK	Hotel & Restaurant
30/01/2019	Call	T1	TWN	Auto components
12/02/2019	meeting	T2	SWE	Machinery/ capital goods

Field notes of internal meetings and other observations. In addition to the engagement meetings within the fund, we also attended internal meetings, which helped us understand what was taken-for-granted, scripted behaviour, and to understand background considerations of engagers. We observed meetings that were predominantly concerned with financial topics, meetings that reviewed the fund overall and were meant to both reflect on past work as well as provide advice for the overall strategy of the fund, as well as meetings that were focused on reviewing and planning specific engagement objectives. These meetings were especially helpful to gain insights into the sentiment for each of the engagement cases. All these meetings were with different combinations of Trustco's internal staff. In addition, we observed the day-to-day work of the engagers including their preparation for meetings with portfolio firms.

Interviews. In addition to the field notes, we conducted a total of 116 interviews with members of the engagement and portfolio management teams at Trustco, as well as internal

advisers for the fund and members of the business development and marketing team, and one interview with a main client. All interviewees were directly related to the SDG fund, with most of them also working for other products offered by Trustco. The responsibility for specific engagements was usually determined by their region of expertise, which is why we named them for example "Engager USA" for someone who predominantly did engagements with US firms. These interviews complemented the observational data and provided a deeper understanding of assumptions, goals, and generally the investment and engagement process, and it provided insights into what was (or used to be) considered normal, thus scripted, and what was unusual and therefore non-scripted or belonging to a new logic. The interviews were semi-structured or unstructured and each lasted between 30 minutes and 1 hour. All interviews were recorded and professionally transcribed. We had access to all members of the engagement and of the portfolio management team and talked to most of them multiple times. We conducted more interviews with those engagers and portfolio managers that focused more heavily on the SDG fund or were in leading positions for the fund.

Table 2 – Overview interviewees

Interviews		
Interviewee	**Number of interviews (by July 2019)**	
Main engagement contact	21	WP
Main portfolio management contact	16	HG
Engager USA 1	7	KL
Engager USA 2	4	KF
Engager USA 3 (hired mid 2018)	2	AH
Engager USA 4	2	TG
Engager Asia	8	CC
Engager South America	10	JG
Engager Europe and USA (hired mid 2018)	1	MW
Engager Europe 1	1	ET
Engager Europe 2	1	EB
Engager Eastern Europe and Middle East	1	ND
Engager Europe and Asia	1	NF
Engager Europe and Asia 2	1	FB
Head of Stewardship arm	1	HH
Member of Trustco management	1	BD
Marketing	2	
Main client liaison	6	KK
Asset manager 1	4	RL
Asset manager 2	1	SM
Asset manager 3	1	DS
Asset manager 4	1	ALG
Asset manager 5	2	HB
Asset manager 6	1	MS
Advisors	12	
Others	8	
	116	

Proprietary engagement database. In addition to being in the meetings, we also had access to the engagers' proprietary database about interactions between Trustco and portfolio firms. This database allowed us to triangulate information in the database with data from our meeting notes and interviews, and it helped us fill the gaps between the observations. In this database, the shareholder created "objectives" as goals for the engagement. The shareholder then evaluated the progress of engagements in four "milestones". These milestones were reached when an objective was raised with the firm (1), when the firm acknowledged the validity of the issue or objective (2), when the firm established a plan to address the issue (3), and when the objective was considered completed (4). From interviews and conversations with the engagement team we know that objectives were supposed to have measurable goals, which were usually stated in the database when objectives were set up , and the milestones were usually recorded as complete when two of Trustco's participants of a meeting or call with a portfolio firm, or a senior member of the engagement team, signed off that the desired progress was achieved, sometimes supported by firm documents or firms acknowledging the completion of the objective. Objectives were usually set up in the database at the beginning of an engagement by giving the objectives a short, descriptive title, briefly describing the objective (usually 1-2 sentences), plus linking to the relevant SDGs.

During the course of the engagement, the engagers recorded the date of each meeting or interaction with a firm and provided a descriptive summary and evaluation of the interaction. These summaries also were available to the clients, but not to the portfolio firms. In addition, engagers also often created private notes about the interactions which were only available to Trustco internally. These private notes included a selection of whether the engager perceived the meeting as "positive" "neutral" or "disappointing", and they differed significantly in length and detail depending on the person creating the note, the progress made during the meeting, or on how busy the engager was around the time of the meeting. The notes often contained copies

of emails sent between the engager and the firm, scans or records of private notetaking, and often some frank comments or reflections on the meeting and progress by the firm. Thus, the database was an important resource to understand how the conversations progressed when we were not present, to explain the sentiment of the asset manager about the meetings and even email exchanges, and to inform about progress in engagements.

Internal/ archival documents. We also had access to some preparation material used before and after the meetings, such as notes that were shared within Trustco's team before attending a meeting, or meeting agendas that were sent to the firms ahead of meetings. In addition, we had access to an "engagement summary" document for each firm, in which key characteristics of the firm as well as description for potential engagement ideas were summarized. These documents were kept up by the main engager for the SDG fund. In addition, engagements were summarized on a large spreadsheet, which we were able to access and save at regular intervals in order to record progress, as well as changes in the engagement process. This summary spreadsheet mainly contained qualitative data and listed some key facts about each of the companies and the principal engagement focus for each company, as well as notes about when to contact firms again, as well as the "engagement intensity" for each firm and, towards the end of our observations, the engagers' perception of "engageability" of the firm.

The multitude of data paired with our observations enabled us to develop a solid understanding of the engagement process. It also enabled us to understand how the investor thought about behaviours of the firms and to notice and interpret underlying assumptions during the meetings. Regular conversations with the engagers, and the multitude of documents provided us with a good understanding of what had happened when the engagers travelled to meetings at industry conferences or at the firm's offices, or in interactions we were not able to observe.

6.4.2 Data Analysis

6.4.2.1 Establishing scripted behaviour

When we started our observations, we noticed that Trustco had engagement objectives, but instead of telling the firms about these objectives or goals, the engagers predominantly asked questions during the meetings. We also realized that there were recurring patterns of behaviours in the meetings and that these patterns sometimes changed. While we initially assumed that a change in behaviour was associated with a change in conversation topic, we quickly noticed that this was not necessarily the case. Thus, we decided to first focus on establishing what the practices in the dominant script looked like and how and when these changed with the introduction of a different logic, before we looked further into the dynamics of activating an additional logic.

We coded the data abductively, using NVivo, where the researchers have an initial "hunch" before it is then coded and categorized to a more abstract theoretical level (Gioia et al., 2013). In addition, results were reviewed and discussed among all authors. While coding was done by the first author, weekly calls with the second researcher during the data collection period provided important reflections. In addition, the third author served as an outsider for further reflections. Whenever disagreements occurred, team discussions and this mix of insider/outsider perspective led to consistency in interpretations. To check the robustness of our findings, we tested and compared them to the finance and accounting literature (eg. Gaved, 1997, Hill and Jones, 1992, Jensen and Meckling, 1976), triangulated the behaviours we had identified in the field notes with interview data and archival documents, and used conversations with academic colleagues to check for robustness of the financial script.

In the first step, in order to establish the finance logic script, the coding focused on meetings that were about 'typical' financial topics between shareholders and firms, such as profit margins, investment risk, but also corporate governance and future plans on how to

increase revenue and profits. The first author then coded all meetings against the patterns that had emerged in order to identify patterns of behaviour that were not in accordance with the financial script. In a second step, we aggregated the different patterned behaviours into second-order themes, which were the practices of the two different scripts we established. We acknowledge that engagers probably drew on more than two logics but decided to aggregate the patterned behaviours into practices we related to two scripts in order to reduce complexity in our argument. We then assigned the different practices either to the firms' representatives in the meetings, or to Trustco's team as aggregate dimensions. This resulted in a data structure that highlights the practices of the financial logic and of the SDG logic each for the firms and for the engagers.

We quickly noticed that scripts were only partially related to topics: both the financial logic script and what we called the SDG logic script were enacted in conversations about ESG topics, but the SDG logic was not enacted in conversations about established financial topics such as growth, profit, or corporate governance, which led us to evaluate the interaction dynamics in the second part of the data analysis.

6.4.2.2 Interaction dynamics and outcomes

In order to evaluate how the activation of an additional logic is achieved in interaction, and ultimately affects engagement outcomes, we split the meeting notes of the SDG fund into "sequences" in order to take both content and scripted behaviour seriously (Cornelissen et al., 2015). These sequences are chunks of dialogue, which means that we split the meetings according to issues, but since we were interested in the interaction, each sequence had to include at least one speaking turn by a representative of Trustco and by the firm. This means that, in some cases, one sequence only included one turn of speaking by Trustco and one by the firm but went across several topics, for example if one of the speakers talked about more

than one issue in somewhat of a monologue. In the majority of cases, a sequence included more than one turn by each speaker about the same issue. The selection of sequence as the unit of analysis is based on content analysis methodology (Krippendorff, 2012), but is used here in a simplified way since we did not work with recordings and verbatim transcriptions.

Since our primary interest was the activation of a new logic in interaction, we excluded all sequences that were about topics that were only associated with the financial script such as profit and governance, and we focused on sequences that were about ESG issues, as we had shown that they were associated with both the financial and with the SDG script. That way, we identified 74 sequences for our analysis of interaction dynamics for the activation of a new script. We found all possible combinations of scripts: both sides used the financial script, both used the SDG script, or one side used the financial script while the other used the SDG script.

For our analysis, we circled between data and different theoretical explanations, iteratively generating new insights. We were interested in the puzzle that the use of logics was not determined by topics, but that the ESG content could be used with both logics. Since the first author was most familiar with the meetings, she wrote a "thick description" as an illustrative narrative of an engagement meeting, which was then evaluated by the second author as he was also familiar with typical engagement meeting procedures. Our goal was to illustrate in rich detail the different practices of each script, while at the same time protecting the anonymity of the engagers as firms, as is required by the NDA of the first and second author. The narrative is a combination of different scenarios, anonymised and accumulated into one meeting for illustrative purposes. The narrative serves both as an illustration of the different scripts and of the different interaction dynamics.

In order to highlight the constituting effect of the logic activation, in a final step, we followed McPherson and Sauder (2013) and compared the identified sequences with the development of the engagements as recorded in the engagement database of the shareholder.

First, we identified which sequences related to objectives in the database, then we identified whether milestone progress was recorded directly after the meeting, as well as in the long term, at the end of our data collection. We recognize that long-term milestone progress was potentially affected by many other factors such as changes by the CEO, industry or firm crises, and also the intensity of the engagement. In addition, since the engagers themselves record milestone progress, this is not an objective measure. However, the goal here was not to prove causality, but to highlight that the activation of an additional logic constituted the earliest moment of change and that long-term outcomes were associated with the activation. The activation of an additional logic would become visible in firm practices over time and thus lead to long-term outcomes.

6.5 Scripts and interaction dynamics

6.5.1 Scripted behaviour

In this section of the findings, we present the data. In this section, we explain how the financial logic and the SDG logic were enacted, and we present an illustrative narrative. Finally, we briefly present the long-term outcomes of the data. In the next section, we then explain the findings and the interactions. While we used direct quotes as much as possible, we often had to summarize situations that played out over a page of our notes, and we had to describe certain situations in ways that would guarantee anonymity of the firms. When we refer to data from or about a meeting or call, we marked these and provided the code for the firms that can be found in table 1 whereas interview quotes are generally in citations or indented and in single spacing and we provided the interviewee code, which can be found in table 2.

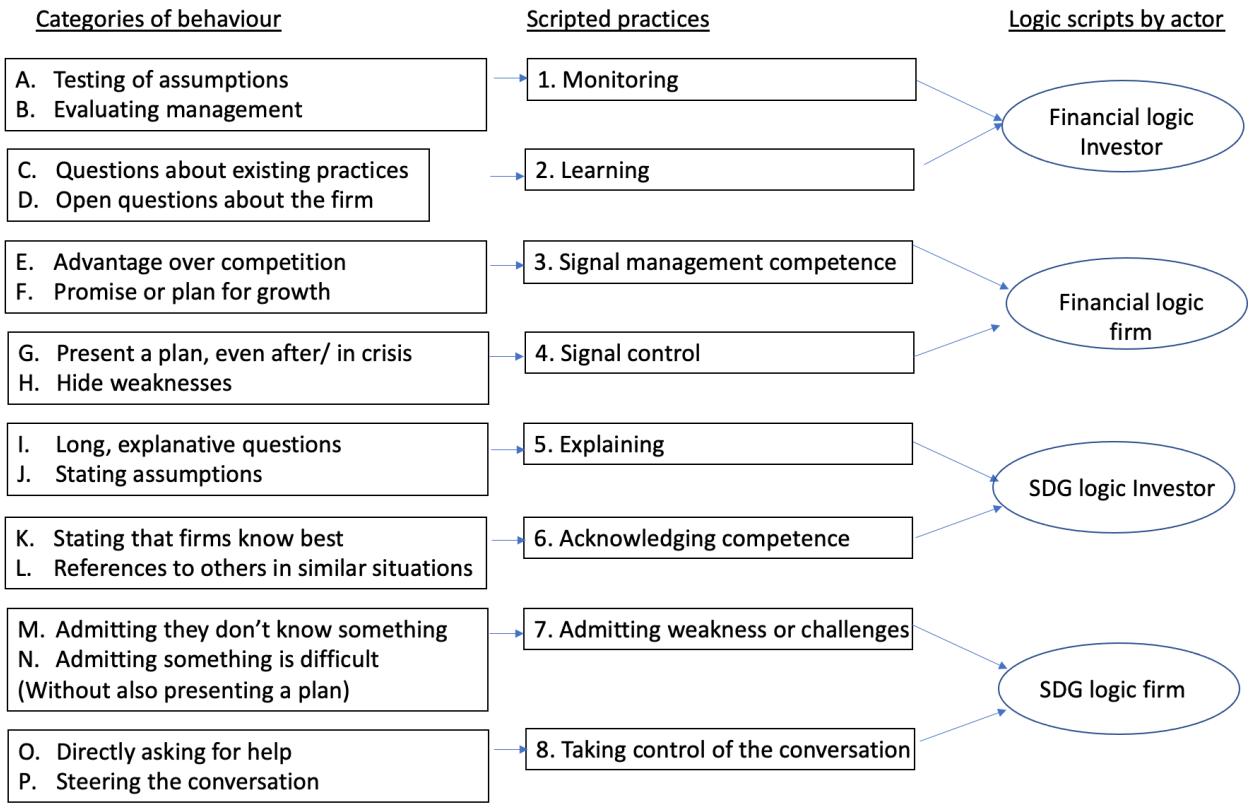


Figure 3- Coding scheme of scripted behaviour

6.5.1.1 Financial logic script

In a situation of a typical financial meeting, the goal of the shareholder could be described as that of checking up on the firm, and goals of firm management were to sell the firm's stocks as a good investment and themselves as capable leaders. The practices of both sides when enacting the script of the financial logic reflected these respective goals. Ultimately, the common goal in the financial logic was to ensure the highest possible future returns. The financial logic was the dominant logic, as became clear during some of our interviews, since both sides knew exactly how to behave and what to expect from the other side when the financial logic was being enacted. We also found the financial logic present at the beginning of every meeting, and, as we will explain below, the staging at the beginning of the meeting, and the formalities at the end served as material reminders or cues for this taken-for-granted logic. That the financial logic and the practices we will describe below were taken for granted

was stated several times by engagers. For example, one of the engagers explained that the conversations that top management of a firm held were usually "policed" and that "they know how to hide or look their best" (ND 1/18). Another engager stated,

> Management teams and board of directors know how to play the game. They know the conversations, they know the concerns (…) same the CFOs, they can tour around the city. People sceptically ask what value a portfolio manager could have from those meetings because both sides are able to know what's going to be said before the meeting. They know the performance or game that's going to be played (WP 2/19)

This shows that the financial script was indeed like a script for a play and all actors understood how to play their part in the meetings. This included the expectations of how to behave, what to expect of the other, and what the appropriate practices in a conversation looked like.

When enacting the financial logic, the scripted practices of Trustco were that of monitoring and of learning. In the meetings, the portfolio managers and engagers – we found both were equally capable to enact the script - mainly asked questions. The questions when enacting the financial script often were short and generally probing. One goal of the questioning by Trustco was to monitor what was going on in the firm. Questions often were fired rapidly, they were short and pointed, and the underlying assumptions or objectives for a question were not explained, but there still was an expectation that the firm's executives understood and provided extensive details, often about issues that were not stated in the question. This desire for more detailed answers was, if achieved, then met with comments like "this is what I wanted to hear" (meeting, F1). The questions often were asked in an assertive manner and replies were interrupted, especially if the engagers wanted to signal scepticism or criticism. For example, in the middle of a conversation about board activities with a buildings firm, Trustco asked, "What about succession management?" (Meeting, G2) Alternatively, the engagers or portfolio managers were interested in learning about a business aspect they did not know much about, but the style of the questions did not change, but there usually were no

interruptions in the replies. For example, in a call with a manufacturing firm, when the firm explained a "desk review" practice to ensure decent working conditions in the supply chain, Trustco's engager asked "Can you explain how this desk review works? And is that audited?" (Call, M1).

The scripted behaviour of the firm representatives in the meetings signalled competence by management and showed that management had full control over the firm's future fate. The signalling of competence often meant praising the firm whereas the signalling of control meant that even if something had gone wrong, like a missed sales target or profits that disappointed analysts, the executives tried to signal that they were aware but had already put counter-measures in place that would remedy the problem and would lead to future profit growth. Again, the replies sometimes were barely related to the questions by Trustco. For example, when the engagers asked about how a medical business affected an underserved part of society, to signal competence, the CEO pointed to the growth that he expected to come from the business plan for the next years (meeting, C1). In addition, the firms generally positioned themselves as better than the competition. For example, a medical supply firm explained in a discussion about the performance of one of their products, "We did some analysis, comparison as with customers also with our peers. We fared well, in the higher end of the spectrum. We could do better, but we are already at the higher end." (Meeting, S2). If there was a weakness or the firm representatives were unsure about a fact, they would signal control and hide the weakness to demonstrate that this was something that should not concern shareholders. While it is difficult to show the hiding of weaknesses in quotes, we noticed it in the notes that engagers wrote after the meeting. For example, after a call with a packaging firm, the engager wrote that he was "disappointed" with the firm's defensive tone and them blaming regulation for the lack of more recyclable packaging (Note about call, A5). In short, the practices used to enact the financial logic signalled that the executives were the best possible choices for their jobs, and

the best possible agents for the shareholders, and that the shareholder should continue to trust them. In addition, the shareholder should expect future profits and therefore should not sell the shares.

6.5.1.2 SDG logic script

When the SDG logic was activated, both the firms and Trustco displayed different practices in conversations about environmental and social topics and with the common overarching goal of contributing to the SDGs. The SDG logic was not automatically activated when the topic was about an ESG topic, but we did observe the pattern we describe here only in conversations about social or environmental sustainability, whereas the financial logic could be observed in conversations both about financial topics and about ESG topics.

Trustco signalled the SDG script by explaining the purpose of a question or underlying assumptions, and by complimenting the firm. For example, in a call with an electric utilities firm, the engager preluded a question about their workforce with, “I would like to keep the topic on your partnerships and learn more about them and your activities within them. We think it's poorly understood that companies do themselves a disservice if they discriminate (based on sex or race)” (call, A2). Especially the explanation of assumptions was a reversal of the practices of monitoring where questions were asked rapidly and without an explanation. In the enactment of the financial logic script, long explanations might not have been needed because both sides understood the underlying assumptions. When activating the SDG script, these assumptions needed to be made more explicit, which happened through the longer explanations for the questions. Trustco also explicitly acknowledged the competence of management and clearly stated that the managers were the experts and would know best what to do about the issue. This also included praise for example by calling a leisure product manufacturing firm “pioneers” several times during a meeting for the practices that they had piloted in a part of their business that all contributed towards the SDGs (meeting, B2). In addition, Trustco also

acknowledged competence by openly referring to competitors, not to compare and evaluate, but instead to explicitly use competitors as examples, still leaving the decision about what to adopt to firm management. For example, during a call with a chemicals firm, Trustco confirmed that they had heard of a certain problem from others in the industry already: “I heard from others in the industry that there is complacency around (this topic).” (Call, D2)

When the firms signalled the activation of the SDG script, they admitted weaknesses or took control of the meetings. Firms admitted a challenge or weakness instead of signalling competence and control. For example, a materials firm wrote in an email exchange that was recorded in the database: “We still have homework to do on TCFD and are not ready to implement the framework as of yet, or to commit to a timeline” (Database, A5). The firm did not follow this immediately with a plan or a defence. Trustco then could offer a suggestion or help based on their knowledge of other cases, thus giving Trustco the chance to become a collaborative partner instead of the monitoring owner of the firm. A further enactment of the SDG script was for the firms to take control and steer the topic to something where they would benefit from input by the shareholder. This could mean that the firm asked questions, but also that the firms asked Trustco for their opinion on the content of sustainability reports or feedback on planned initiatives. For example, when a materials firm issued their first sustainability report, Trustco urged them to also undertake a materiality assessment to understand better which issues were most important, and the firm then emailed them and asked for further advice (database, E1) Thus, when a firm took control, they pushed the conversation into a direction where Trustco could be helpful as a collaborative partner and provide useful input and information. Specifically asking for the information clearly showed that firms considered Trustco more as a partner and source for information than a supervisor who they reported to.

Table 3 - Illustrative quotes of script enactment

Examples of logic enactment		
Financial logic		
Financial logic shareholder		
1. Monitoring	A: Testing of assumptions	A1)"Tell me about the Australian market" (Trustco was concerned about slowing growth due to competitor activities) (call, D2)
		A2) "You seem to always pre-empt what I wanted to ask next" (meeting, A5)
	B: Evaluating management	B1) After an initial meeting, the engager calls the firm "ideal and very engageable" (meeting, F1)
		B2) "Why did you decide to prioritize this segment?" after a firm revealed they were going against a competitor that was dominating this segment. (Meeting, M2)
2. Learning	C: Short questions about existing practices	C1) "It is helpful for us to know how much talking is done with those on the ground" (Call, E3).
		C2) The engager noted that the Colombian government wants to reduce carbon emissions by 30% by 2030 and asked "What does this implied for you" (Meeting, A3)
	D: Open, short questions about the firm and its market position/ competitors	D1) "What other options do you see?" regarding energy supply (call, A2)
		D2) "Can you tell us more how you went about this, since we often hear from others that this is really difficult" (meeting, C1)
Financial logic firm		
3. Signalling management competence	E: Stressing advantage over competition	E1) "We are the most popular with the young drivers. For a long time we were the only ones renting to 17-21 year olds, and we still have a very good recognition and reputation in that segment." (Meeting, M2)
		E2) "Everyone wants to have this standardized but every company has something slightly different, what matters to us is not the same as what matters to the next company" (implying that their standards were better than that of others) (Meeting, A6)
	F: Promising growth	F1) The firm described how the saw growth opportunities in their parts business, both organically and through M&A (Meeting, B2)
		F2) The firm stressed several times and in reply to various questions that they had a long term plan and that the growth forecast was for 5 years (Meeting, P1)
4. Signalling control	G. Presenting a plan	G1) (The firm) stressed that for all the projects they have road maps and plans, simple rules and one challenge they face is to "try to find out where is the growth of the future" (Call, R1)
		G2) "Last time we talked we had that strategic plan for some time. We continue to execute that. We also look into the future and plan for a cleaner future. Our output reflects that plan and what we are likely to be doing in the future." (Meeting, A1)
	H: Hiding weaknesses	H1) (When the firm did not have a satisfactory reply): "There are principles that guide us and we will give some feedback on this at one of our next conversations". (call, A6)
		H2) Trustco: "Do you see yourself be able to set targets for emissions and waste water?" Firm: "That is very difficult because the business is growing. If the production is still growing, it is hard to control." (Call, T1)
SDG logic script		
SDG logic shareholder		
5. Explaining	I: Long, explanative questions	I1) Trustco: "Your update was a lot about this year and last year but we want to look in the medium and longer term and talk about your global trade and economic activity. (Outlook for several years) We think that geopolitics will have an impact. What did you do to look at cost control?... More generally, how can you cope with slower growth in the economy?" (Meeting, H1)
		I2) Trustco: "I reviewed a lot of sustainability reports and the SDGs give a taxonomy to explain. There are 2 things we see that we think are not positive: some companies try to map themselves to all SDGs. It is good to consider them as a framework but when you name all of them as relevant that does not seem too considerate. So we would encourage you to think about the most material ones. We are not looking to invest into existing impact but instead to think what else can be done. The second thing we see that is not good is that how goals are measured. The way you measure, the approach differentiates companies. The indicators need to tie in with the strategy, for example instead of providing jobs to shift to sustainability, we encourage you to think about employment and decent work. (continues in this way, then ties this into a question about how an initiative fits into the strategy of the firm) (call, S1)
	J: Stating assumptions	J1) The assumptions are recorded in the preparation documents and thus there are no direct quotes illustrating this, but this became obvious through data triangulation. Eg. the preparation document noted that there was an opportunity for the firm to create impact through the value chain. Trustco then asked: "What when you operate under someone else's brand? Can you influence them and to what degree do you have an ability for input? Presuming the brand you are operating for wants to create their own sustainable reputation?" (call, S3)
		J2) Only after Trustco had explained what they had heard from another company did they start talking about how an issue might affect the firm in the meeting (call, S1)
6. Acknowledging competence	K: Stating that firm knows best	K1) (When starting the engagement about employee relations) Trustco: "I am sure that's an area you have focused on from the outset." (call, S3)
		K2) "We already made the point when we spoke with you and (the CEO): you as a firm have a great reputation." (meeting, A4)
	L: Reference to others in similar situation	L1) "Some of your peers are looking to alternatives (in terms of energy supply)" (call,E2)
		L2) "How can you as the largest (firm in that sector), how do you leverage that position?" (call, M1)
SDG logic firm		
7. Admitting weaknesses or challenges	M: Admitting they don't know something	M1) Firm: information is very local, trickling in of information, ... So we have no numbers and targets yet … " (meeting, A5)
		M2) Firm: "That's a question that is impossible to answer, but I appreciate it (…). I think it's an exciting question, but this is my personal opinion" (call, A2)
	N: Admitting difficulties	N1) "Although we knew that there was (this problem), this was still shocking and surprising, maybe because there is this bias, and these biases need to be broken." (call, A4)
		N2) "I have no in-depth knowledge, we are evaluating for efficiency, we are in the process of evaluating the carbon footprint, we are starting with scope 1 and 2, scope 3 is more complex" (call, S1)
8. Taking control over conversation	O: Directly asking for help	O1) "How much do you rely on MSCI score and how much on your own due diligence?" (Bank's question to Trustco, about how much sustainability ratings matter to investors, A6)
		O2) "So what companies are doing is measuring what they are doing against the SDG, instead of tomorrow's strategy creation?" (call, S1)
	P: Steering the conversation	P1) One chairman started the meeting by asking the portfolio manager and engager about the topics and the order in which Trustco would like to address them during the meeting. The chairman then started talking about the first topic without waiting for an actual question. Later, at the end of a reply to a question, he led into the next topic: "So, what's next, the (named topic)?" (Meeting, B1)
		P2) We can go even a step further. Female nurses think about their path into leadership positions… We can help them understand how to get into positions and prepare them… (as reaction gender balance issue, A4)

6.5.2 Illustrative narrative of an engagement meeting

We were interested in the interactions in which logics were activated, and in order to illustrate these interactions while still maintaining anonymity of our sources, we summarized the interactions in an illustrative narrative, which is an exemplified ideal-typical meeting between Trustco and a firm. This description is a composite narrative of how the scripted logics were activated in interaction dynamics. This composite narrative compresses and represents our full ethnographic data in a single narrative and follows examples by Smets et al. (2015b) and Van Maanen (2011). It is not a description of an actual meeting, but an illustrative "thick description" of how an engagement meeting could look like for 'Howard', the portfolio manager, and 'Walter', the engagement manager, from Trustco, who are meeting with 'Tom', a CEO of manufacturing firm "Makers". All events of this narrative can be found in our data but did not happen in a single meeting and not with a single firm or to a single person within Trustco, and they are narrated in a way that secures anonymity of all participants, as is required by the NDA we signed.

6.5.2.1 Staging

After Howard came into the office, he switched his jeans and sneakers for suit pants and dress shoes that he stored in the wardrobe near his desk, like most of his colleagues, and went to the free breakfast bar. He helped himself to a coffee in his own, reusable, cup and some fruit, and discarded of the newspaper he had read during his commute in the bins that were marked "paper". While he ate at his desk, he flipped through the presentation that "Makers" had just sent over in an email, then focused on the engagement notes that had been prepared by his colleague Walter. He knew that these notes were based on research about industry standards, on a materiality mapping of the SDGs Walter had done, and on corporate reports by Makers and by analysts or sustainability rating agencies, as well as on conversations with

others in the team. All in all, it had taken him and Walter about 8 hours of work to prepare for the meeting.

Right before the meeting, both Howard and Walter further formalized their dress code and added a tie that they stored in their desk drawers and the suit jackets hanging on the back of their chairs on special jacket hangers. While their desks were in an open-floor area, similar to an investment bank trading floor, the suite of formal meeting rooms was in a separated wing one floor up. Once the receptionist called to let him know that Tom had arrived, Howard notified Walter and they used the internal staircase, both with tablet computers in hand, to make their way up to the meeting room. While they were walking, Howard mentioned that he would like to start the conversation with some questions about a new product line at Makers before getting into the engagement questions.

6.5.2.2 Enacting the financial logic

When Howard and Walter entered the room, they shook hands with Tom and Nicole, the Communications Manager at Makers, and exchanged some pleasantries about the weather while they helped themselves to some coffee or water. They had met Tom when they tried to evaluate whether Makers was a good fit for the fund and therefore only exchanged business cards with Nicole, who they met for the first time. They sat down on opposite sides of a large square table and Nicole provided a printed version of the presentation that Howard had looked at earlier.

All of this took less than three minutes and as soon as they were seated, Howard opened by explaining that he would first like to talk about the new product line and then they would like to talk about some sustainability topics. Howard then immediately asked “Can you tell us more about the new product line, N-line, is it?” Tom went into an explanation of Makers’ current market position, segments where they saw the biggest growth potential and where the N-line fit in. He explained how the new line enabled them to capture market share at an

attractive margin and why this was difficult to replicate for competitors since it takes time to build capacities. This took about 10 minutes of uninterrupted explanation. When Tom mentioned the predicted increase in market share as a percentage, Howard commented "Interesting" and scribbled a note on his tablet, which he also used as note pad. Throughout his reply, Tom used only a few numbers such as the current market share and some statistics about the market for the product and flipped to one of the slides in the presentation to illustrate his point. The slides were not used for anything else at that point, and there was no actual presentation given during the meeting.

Howard then asked: "How are your business units incentivised?" Tom replied in a very factual tone, continuously using terms like 'creating business value', 'growth', 'solid cash flow' and 'margins'. He again talked uninterrupted for several minutes and explained that Makers had quite some pricing power and while business units had some freedom, certain things were controlled by central management. He stressed that this was why they were in a better position than the competition.

At this point, Walter interrupted: "You usually have some numbers about that" and Tom replied: "Yes, of course. We can send you something by email, if you want." While Nicole made a quick note, Tom pointed to some high-level growth forecasts that were also in the presentation, which was noted down by both Walter and Howard.

6.5.2.3 Activating the SDG logic

Walter then started talking about the workers on the production line for the new N-line. At this point, a little under half an hour had passed. Walter stressed: "We know that you have very good policies for your production line workers in your main factory and we think it is excellent that you have a gender-balanced staff. I applaud you for your hiring processes, they are at a very high standard. That is really unusual for a manufacturing company, and we want to stress that we acknowledge and highly value that. We also know from your sustainability

report that this is a key concern for you. I think others can really learn from you, and we assume that you plan to communicate this more widely in the future. Please let us know if we should expect to be asked for feedback at some point. Also, I was wondering how the situation is in your other production facilities?"

Tom started his reply by thanking them for the compliment and then explained that they knew that they could do more, but they were still figuring out their next steps in how to roll out their new policy to other factories. He argued that the challenge was based on cultural concerns, and that the rollout was further complicated by the different nature of the work in other locations. He stressed that solving this issue was not only relevant for equality but proved also to reduce turnover and therefore was good to lower cost, to which Walter agreed.

Howard asked whether they were also considering including their supply chain in this? Tom commented that this was a great idea, since they were already working on a campaign for workers' rights together with an industry association. He then asked Nicole to explain this initiative further. Nicole then took over and explained the campaign for several minutes since she was more directly involved in it. She was enthusiastic about the idea of advertising more equal hiring practices through it and asked if Trustco knew of examples where this had been done. Walter replied that he knew of a company that had done something similar. The firm he was referring to was not in the same industry and in a different part of the world. Walter suggested that he would send some material to her after the meeting and would be happy to talk more in a separate call, and Nicole agreed and thanked them. Other than in the first half of the meeting, this was the second time in the meeting, after the introduction of the topic, that someone from Trustco had talked for several minutes, compared to one-sentence question in the first half of the meeting.

6.5.2.4 One-sided logic activation and activation failure

Tom then stated that there was another topic he wanted to talk about, which was CO2-emissions and waste. He stressed that they were still a small company, even though they had a strong market position in their special product category, and they were expecting continued solid growth. Tom then asked how Trustco thought about reporting carbon and waste, to which Walter said that Makers needed to "play this game". Just as Tom started to agree, Walter asked: "How much do you think you can save in terms of waste?" Tom replied that, in terms of their cost structure, waste was at an average level for the industry, but that they were working on plans that could cut that further down, though he could not yet talk about exact numbers. He did mention that this was related to a research project with a university.

Walter jumped in again and said that his last question was about the expected legal changes in the country of the university and whether that would affect their plans for the waste reduction and recycling program, since Makers' production was in a different country. Tom quickly brushed this off with a "No, I expect no effects there", to which Howard just said, "Oh really. Ok." He then looked at the clock and noticed that the hour that the meeting was scheduled for was over.

6.5.2.5 End of the meeting, and milestone recording

All meetings were usually scheduled for one hour. Thus, Howard thanked them for their time, and Howard and Walter accompanied Tom and Nicole to the elevators and stressed again that they would send over the material that they had promised. When the elevator doors opened, they shook hands and wished them a good rest of the day. Tom and Nicole took the elevator down, and Howard and Walter walked back down the internal stairs to their desks, instead of taking the elevators with their visitors. They did not talk much on the way other than a quick remark that Tom clearly was a good guy who wanted to lead a "good" company. Once they got to their desks, they took off jackets and ties to store them for the next meeting.

Later, Walter updated the database with a short summary of the meeting in which he stated that they had a positive meeting in which they made progress in their objective to spread the hiring practices of the firm to different locations. He recorded the completion of milestone 2 in their objective of "Better hiring practices across the firm", which meant that the firm had acknowledged that this was an issue where they could do better – this meant that the engagement now moved on to milestone 3, which was to make a plan on how the hiring practices could be spread to different areas of the firm and thus how to overcome the current challenges. Since there was no objective about including hiring practices in the initiative with the supply chain, Walter could not update progress there. Walter also noted down that they talked about carbon emissions and waste. There was an objective for "connecting science-based carbon emissions and waste reduction targets", but Walter did not record any milestone progress there. Later, Walter would find more information about the hiring practices of another firm, and would also seek more information from another engager, which he related to Nicole a few weeks later in a more informal call, which he took at his desk.

6.5.3 Long-term outcomes associated with different interaction dynamics

As could be seen in the illustrative narrative, logic activation happened in different interaction dynamics: both parties simultaneously used the financial logic, both simultaneously used the SDG logic, or there was a one-sided activation, with only one party activating the SDG logic while the other continued to use the financial logic. In order to demonstrate that these activations of an additional logic marked the earliest moments of change, we used the development of milestone progress as an indication for longer-term engagement outcomes associated with different types of interaction dynamics.

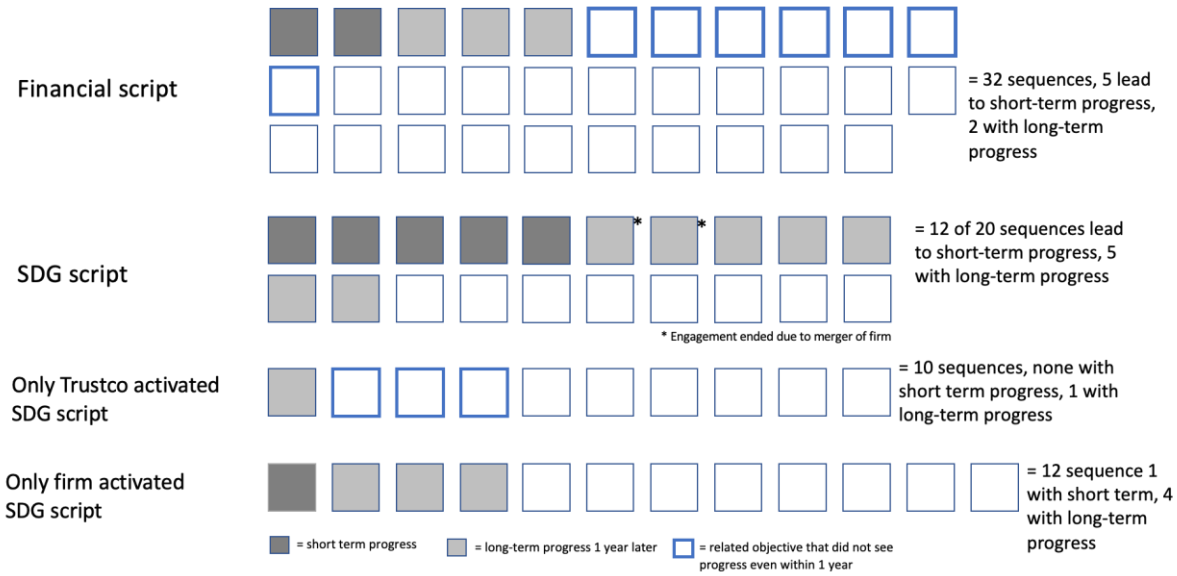


Figure 4 - Outcomes of interaction dynamics

We had a total of 74 sequences of interaction identified, and in 33 of these sequences both Trustco and the firm enacted only the financial logic, which therefore was in the clear majority of the sequences. This was independent of the issue discussed. In terms of long-term results, the financial logic script was used predominantly about issues that were not connected to an engagement objective. Out of the 33 sequences with the financial logic, only 12 were connected to an objective on the database. This connection to an objective is a prerequisite to be able to record progress. Out of these 12, five had progress recorded on the database as a success right after the meeting, and two of these milestones progressed further within one year after the meeting we observed.

In 20 of the 74 sequences, both the firms and Trustco had the SDG logic activated simultaneously. Out of these 20 sequences, 12 sequences were connected to objectives on the database, and Trustco explained that the other eight had no objectives because the issues were considered “too insignificant” to create an objective. These sequences were, for example, about improving sustainability reporting of a firm that already had what Trustco considered relatively advanced reporting practices. All 12 objectives that were connected to an objective had milestone progress recorded immediately after the meeting we observed, and six of the

objectives had further progressed in the long term, with an additional two objectives out of the 12 disappearing because the firm had been bought and was no longer in the fund.

In 11 sequences we found the firms activating the SDG script but Trustco only enacting the financial script. Four of them had an objective and one of them progressed immediately after the meeting. When we talked to Trustco about these one-sided attempts by firms to activate the SDG logic, they explained that they were aware of several of these cases, but that there were circumstances that reduced their motivation to start a new conversation. For example, one firm had already announced that the CEO would step down, so Trustco decided to wait with the start of a new conversation until the new CEO had taken over (Field notes 11/04/19). Similarly, the engager explained in the database after a meeting with a textiles firm that they noticed a willingness to engage, but that they considered the firm not in a position to take on a significant project at that moment (Meeting note S1) and therefore also had not created an objective. The reason for that was the fact that engagement involves making plans on how to implement a different practice at the firm. Still, they also took note of the willingness to activate the additional logic on the engagement database. For another firm they considered selling the shares for portfolio management reasons and were not willing to start a new engagement conversation at that point. However, Trustco took up the firms that were willing to activate the SDG logic at a later stage if they had an objective for engagement, and then started a new conversation: within one year after the meeting we had observed, a further two of the four objectives had progressed.

We also found Trustco activating the SDG logic but the firms enacting the financial logic. These failed attempts at starting a new conversation happened in 10 sequences we observed. While 4 of the 10 sequences were connected to objectives in the database, none of these had progress recorded immediately after the meeting, and only one of the objectives made any progress in the longer term.

6.6 Explaining logic activation in interaction dynamics

In this section, we explain the activation or failure of activation of the SDG logic in the illustrative narrative above and connect that to the long-term outcomes of the engagement. We first highlight the material situational cues of the financial logic and its use by both parties, and then demonstrate how the SDG logic was activated by both, as well as by only one party. Finally, we will explain how the SDG logic was deactivated at the end of a sequence or meeting.

6.6.1 Staging as cue for the dominant logic

All the meetings we observed began with the "staging" we describe in the illustrative narrative. As explained above, both parties knew exactly what to expect and how to behave in these meetings with the institutionalized financial logic, and the formalities of the staging served as a series of material cues. The formal tone, work environment, and the attire and surroundings during the meetings served as material cues for the typical financial logic, the suits that engagers put on once they enter the office, as well as ties and jackets for meetings and changing the location from desks to formal meeting rooms serve as reminder of the professional situation. The lush work environment, including the free breakfast and the tablets that were used in the meetings showed that there were significant expenses and profits made in their line of business- though we never witnessed that this was openly discussed. Research has shown that this type of scene-setting reminds the actors that certain behaviours are now expected (Barley and Tolbert, 1997). For Trustco and the firms, there were material markers of the financial logic all around, including material reminders of the staging of the script. That the financial logic was taken-for-granted could also be seen in the slightly fewer formal calls, which still always began with the financial logic activated. Calls took place in less formal

meeting rooms and engagers did not put on ties and jackets. However, the preparations for calls were the same as for meetings, and the tone at the beginning was just as formal. There was even less small talk and often just a quick explanation of who was in the room before the first question was asked.

In our narrative of the staging of the financial script, we also highlighted that the SDG logic was part of the preparations for Trustco and therefore available to the engagers since "Walter" had prepared some engagement notes, which was considered normal for every meeting. These material cues for the SDG logic were not as institutionalized as the cues for the dominant financial logic script. We observed that the format and content of these notes changed and were adjusted several times over the two years of our observations, whereas the staging of the financial script was very consistent. For example, in the supporting documents we had access to, we saw that the engagement notes were initially a one-page summary, then grew to multi-page structured documents with a fully formulated "engagement thesis", which were condensed to an extensive and constantly updated large spreadsheet that, shortly before the end of our observations, had links to the engagers' Bloomberg terminals integrated, to make the latest information about each firm easily accessible. Thus, the engagement notes were not nearly as institutionalized and taken-for-granted as the material artefacts and cues for the financial logic, but engagers were exposed to the SDG logic. While we don't know anything about the meeting preparations of the firms, we were provided with a standardized letter that the engagers had sent to each firm when they were first included into the SDG fund. This was often months before the first in-person meeting or call, but all firms should have been aware of the SDG logic and therefore could have had it available when going into the meeting, even though the situational cues served to activate the taken-for-granted financial logic.

6.6.2 Both sides keeping only the financial logic active

The financial logic was always activated at the beginning of a meeting, so the enactment of the financial script meant no change in logic, and therefore was an indicator for no long-term change. We reflected that in the narrative: both sides jumped straight into the financial topics, with both sides understanding what was expected without explanation. Thus, even a relatively vague and short question like "Can you tell us more about the new product line?" was understood by both to require an explanation of how this would contribute to profits and a competitive advantage to help the shareholder learn, and to signal that the management team had a plan that they were implementing. That both sides knew exactly what was expected is also illustrated in our narrative by the brief interrupting questions. These were not asked aggressively, but still made sure that both sides understood that Trustco monitored and evaluated whether the firm's management really had created a reasonable plan and were in control.

The financial logic was dominant in the meetings we observed, independent of the issue discussed. For example, in a conversation with a US healthcare product provider, Trustco asked about the environmental impact from packaging, since their growth strategy included selling more heavily packaged products over those with less packaging waste. Despite the ESG topic, cues like a short questions and context of growth meant that the conversation remained in the financial script. In their reply, the healthcare provider tried to cover up the weakness of the higher environmental impact that resulted from their growth and product strategy, arguing that they had control over expected profits that would result from the product line (meeting, C1).

In terms of long-term results, the financial logic script was used predominantly about issues that were not connected to an engagement objective, and even if there was an objective, the use of the financial logic rarely led to milestone progress. That the financial logic was used in the majority of the sequences but was not often associated with long term change suggests

that both parties understood the purpose of the financial script and enacted in in relation to the institutionalized expectations of shareholders and firm management, and that they understood that the purpose of the financial logic was not necessarily related to engagement progress. Not surprisingly, a continuation of the enactment of a taken-for-granted script did not lead to the earliest moments of change.

6.6.3 Additional activation of the SDG logic

When the SDG logic was activated, the cues for the activation were within the additional script that one of the actors started to enact. In the narrative, we illustrate that the SDG logic was additionally activated when Trustco's Walter started talking in a way that was not part of the financial logic script by praising Makers for their gender balance in their production. This praise was also a longer lead-in to the eventual question, whereas before, in the financial logic script, the questions were short and had no explanation. He clearly acknowledged the competence of the firm. Thus, the cues for the SDG script were within the enactment of the additional script. This created the opportunity for Tom and the firm to activate the SDG logic. In our narrative, Tom could admit that they wanted to roll out the practices but that there were some challenges, without presenting a solution or a plan of how to overcome the challenges.

Tom's reply in the narrative also highlights that the SDG logic was activated in addition to the financial logic. His brief reference to lowering cost showed that both the financial and the SDG logic were activated, and he was still aware that he had to think of creating profits, even though he was still admitting that he was not sure how to implement an idea yet which was only possible in the SDG logic. These brief references to the financial logic within the enactment of the SDG logic were common occurrences in the meetings we observed, and happened by both the firms and the engagers. For example, after discussing how the impact of

an environmental initiative by a Japanese technology firm in a developing country could be measured more effectively, the engager pointed out that being able to document impact would also be well received by other investors, thus briefly hinting that the executives still needed to think about institutionalized concerns (call, R1).

The activation of the SDG logic was associated with engagement progress and collaborative impact creation. In the next part of our narrative, the activation of the SDG logic opened an opportunity to collaboratively create an idea for impact, by also incorporating the hiring practices into an initiative with an industry body. In addition, this was a sequence where the firm initiated a new conversation by directly asking for advice about an issue that did not have an objective connected, but where the firm had an interest in creating change. The outcomes, both in the short and in the long term, of both sides activating the SDG logic in addition to the financial logic showed that the SDG logic was associated with change and change objectives, both in the short term and in the long term. The sequences with objectives and activation of the additional logic all had immediate engagement progress recorded after the meetings, and they tended to progress more frequently in the long term. This shows that the activation of the additional logic was used when the engagers or the firms were seeking to achieve change, and that the activation of the additional logic marked the earliest moment of change and of constituting a new conversation.

6.6.4 One-sided activation of the SDG logic and activation failure

Whereas existing theory suggests that a one-sided activation would result in a potentially odd situation or endanger the legitimacy of the speaker (Steele, 2020, Thornton et al., 2012), the additional activation instead of a full switch of logics might have prevented this loss of legitimacy, but it also prevented engagement progress. In our narrative, the final part of the meeting displayed one-sided activations of the SDG logic, first by the firm and then by

Trustco. We put them at the end of the meeting in the narrative, even though we observed these one-sided activations more frequently earlier in the conversations, but we felt that it was important to first understand how the activation by both looked in order to understand these one-sided activations. First, the narrative showed Tom take control by explaining that he wanted to talk about a specific topic, which was a cue for the SDG logic. Yet, he then used cues for the financial logic, like talking about growth and their market position. The reply then was short and just stated that it was necessary to "play the game", which showed that when the cue was difficult to understand, instead of creating an oddity, the continued activation of the financial logic provided an easy fallback option. This became more obvious in short, probing question about "savings in terms of waste" in our narrative, and there was no explanation whether the question related to financial savings, or savings in waste and potentially carbon emissions. Thus, the additional SDG logic was deactivated, as we will explain in more detail below. While our narrative showed the one-sided activation by the firm and the lack of additional logic activation by Trustco, our data showed that this could happen either way round.

A one-sided activation of logic was associated with barely any change in the short term. As we explained above, when firms activated the SDG logic and Trustco did not activate it, this often happened consciously since Trustco was not interested in starting a new conversation at that moment for various reasons. In the second part of the one-sided logic activation in the narrative, we illustrated how Trustco's Walter activated the SDG logic again but without the firm also activating it. Walter asked a question that he explained in terms of a regulatory change that could clearly cause difficulties for a project at Makers, thus providing a cue for the activation of the SDG logic script. However, in our narrative Tom did not activate the SDG script and his statement that he did not expect difficulties signalled control and therefore enacted the financial logic. Here, Trustco was interested in creating progress, thus they used

the SDG logic, but this attempt was not successful, which means no short-term progress was recorded on the database after the end of the meeting.

As our long-term results show, when Trustco was the party that did not activate the SDG logic, they still recorded progress in the long term, whereas there was barely any long-term progress of objectives where the firms did not activate the additional logic, even if Trustco had objectives. This suggests that the activation of the additional logic becomes easier if it has been done before, even if that instance was one-sided and did not lead to the desired progress. In addition, the lack of progress on objectives where the firm did not activate the additional logic also suggests that the ability of the firm to activate the SDG logic is crucial for engagement success.

6.6.5 Deactivation of the additional logic

In the material practices at the end of the meeting, and in some cases even at the end of a sequence, the additional SDG logic was deactivated and the institutionalized, dominant financial logic prevailed. The institutional cues for the prevailing logic included the strict time limit of one hour, as well as the ritual of accompanying the visiting members of the firm's management to the elevator and instead of riding down one floor with them, taking the internal stairs, thus clearly separating the formal, institutionalized meeting from the more informal everyday work of the engagers. The cue of the time was crucial for both parties, since meeting rooms were booked, and we witnessed several meetings where others were already waiting to take over the room once the hour was up. It was also crucial for the firms, since the executives often were on a "tour" from one investor or analyst to the next, with all meetings very much the same, thus the financial script was well rehearsed. However, several CEOs or chairmen commented at the end of a meeting with Trustco that the meeting stood out because the questions and conversations were different to the standardized meetings and questions from

other investors. The engagers also confirmed this, and one stated about a CEO, “he was very candid that he hasn’t had these detailed conversations with any other investor previously, so it was novel in so far as most [investors] still do just take this through surveys and tick boxes.” (HG 12/17). This was especially true in emerging markets: “Often we, particularly in emerging markets, we’re the only entity to talk to companies about ESG matters in this way” (TG 1/18). Thus, activating the additional logic made the engagements of Trustco stand out, and deactivating it then prepared everyone for the next meetings (with other firms or investors), which would start in the financial logic again.

In addition to the cues at the end of the meeting, there were also deliberate cues for the deactivation of the additional logic at the end of some sequences. In these sequences, it was usually Trustco that deactivated the SDG logic with a clear statement that the engagement objective was also important for profit or to stay competitive. For example, in a meeting with a healthcare provider at the end of a constructive dialogue where an idea was collaboratively developed, the engager closed with “This makes clear long-term business sense, there is payback in the long term” (meeting, A4). In another meeting with an energy firm, the engager deactivated SDG logic by pointing out that “some of your peers are looking at alternatives” for energy sources, and then implying that they were now evaluating the firm against their peers again (call, A2). The meeting then ended with a final sequence in which Trustco enacted the script and asked when the firm would be ready to speak again so that they could present progress on the issue they had just discussed in the SDG logic.

Even though the SDG logic got deactivated and all meetings started in the financial logic, our findings also indicate that it became easier to activate the SDG logic once both sides had done it and achieved progress. Most of the milestone progress was recorded after the sequences in which both sides activated the additional logic. In addition, long-term progress of the objectives often happened in those objectives in which both sides had activated the SDG

logic, as well as in the objectives where Trustco deliberately did not activate the SDG logic when the firm did activate it in the meetings we had observed, but had noticed the activation by the firm. With most of the immediate progress right after the activation of the SDG logic, this indicates that the activation at least facilitates progress. The long-term progress shows that the activation was no fluke and that activating the logic again in a future meeting would facilitate further progress. That this progress happened in the same cases where the logic had already been activated suggests that a repetition of the activation is easier than to activate the additional logic for the first time. Since it was easier to activate the SDG logic again, these objectives saw more long-term progress. In the few cases where we were able to observe more than one meeting or call, we did notice that the additional logic did get activated again, though not necessarily for the same issue if Trustco had the goal of monitoring progress instead of collaboratively creating more progress. Therefore, the activation of an additional logic is not only the earliest moment of change and used creatively in the moment but is strategically used and becomes easier over time.

6.7 Discussion

6.7.1 Activation and deactivation of an additional logic in interaction

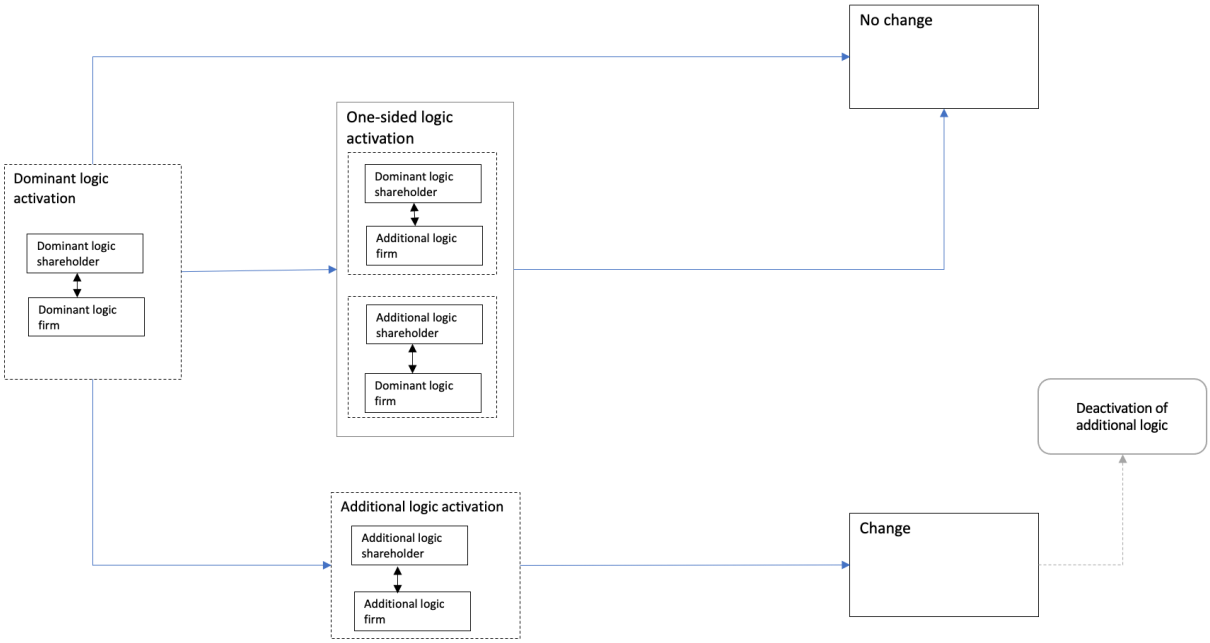


Figure 5 - Activation and deactivation of logics in interaction

With this paper we aimed to understand the puzzle of how mainstream actors that have established commercial conversations can introduce a new conversation about sustainability. In theoretical terms, we asked how actors embedded in a dominant logic can activate a new logic in interaction. Below, we argue that our findings contribute to a better understanding of how institutional logics are used by individuals in interaction, that they contribute to the microfoundations of logic activation by adding deactivation, and to literature on shareholder engagement.

Our first contribution is an extension of research by McPherson and Sauder (2013) and others that have begun to show how logics are used by individuals (Voronov et al., 2013, Glaser et al., 2016) So far, we have understood that logics can be used to influence decision making and pursue different goals, and that logics direct attention. Our work adds to this by showing that this is not only possible when mechanisms to adhere to a specific logic are absent (Voronov et

al., 2013) or when there are several logics available in a situation (McPherson and Sauder, 2013). Instead, our research shows that logics can be creatively used in interactions by adding an additional logic in interactions. Our findings show that the activation of an additional logic by both interactants while the dominant logic remains present allowed actors to creatively use the additional logic as the earliest moment of change. These earliest moments of change also were associated with practice changes in the long term, whereas a lack of activation of the additional logic by at least one of the actors was associated with a lower likelihood of long-term change in organisational level practices.

Our findings also show that the logic was activated in addition to the dominant logic in these early moments of change. Research has so far has established that people draw creatively on different logics (McPherson and Sauder, 2013), and that it is effortful to determine which logic is most relevant in a specific situation (Voronov et al., 2013), but we have so far not understood well how these different logics in a situation relate to each other (Zilber, 2016) or whether and how this use of different logics is possible in the earliest moments when one logic is dominant (Greenwood et al., 2017, Lounsbury et al., 2021, Meyer, 2008). Our findings show that in the earliest moments of an additional logic being activated in a situation with a dominant logic, the dominant logic remained active in the interactions. When actors were in doubt about an ambiguous cue, the default was to fall back onto the dominant logic script. Even when there was no doubt and the additional logic was active, the dominant logic was sometimes hinted at in passing during the enactment of the additional logic. These references happened without causing any loss of legitimacy or without causing "oddities", as would be expected if an actor deviates from a script that is considered to be the most appropriate in a situation (Steele, 2020). The common goal of profits that was associated with the dominant logic could always be referred to without causing any interruption in the conversation, which shows that the dominant financial logic always remained active and appropriate to use.

Our second contributes to our understanding of how logics are activated and deactivated in interactions and therefore contributes to theories on the microfoundations of institutional logics (Thornton et al., 2012). So far, research on institutional logics and scripts has shown that the activation of a logic focuses attention (Glaser et al., 2016), that dominant field logics that seem to be dead or replaced still can be rediscovered much later (Kroezen and Heugens, 2019), and that the enactment of scripts can lead to a hesitance in letting go of the identity that is connected to enacting a specific script (Polletta, 2022, Bévort and Suddaby, 2016). Our findings add to this understanding of the use of logics in interactions by showing that logics don't remain active once activated, but that they can be deliberately deactivated if they have served their purpose. This is especially true for the additional logic that was not taken-for-granted in the situation. It was only activated to serve the purpose of creating engagement progress that was different to the typical purpose of the meetings of ensuring profit maximization. While the activation of the additional logic depended on clear cues that an additional logic was activated, the deactivation could happen by situational material cues such as formalities, but also by clear communicative signals in the interaction. Deactivation also happened when a cue was ambiguous, since the dominant logic was taken-for-granted the situation could always be interpreted through the lens of the dominant logic.

Past research has also shown that actors are not free to use any logic strategically (Malhotra et al., 2021). Our research further adds to this, and our results show that logic activation and deactivation can be used to strategically constrain the activation of logics by others. Trustco strategically chose not to activate the additional logic in specific situation, and therefore the one-sided activation of the additional logic by the firms resulted in no new conversation and therefore no earliest moments of change, at least in that moment. Thus, they constrained the firms in their use of the additional logic. Similarly, by deactivating the additional logic in the sequences, the other side was constrained in its use. Thus, we argue that

the constraint in the use of a logic as described in past research (Pache and Santos, 2010, Toubiana and Zietsma, 2017, Battilana and Dorado, 2010) can also be created strategically in the interaction dynamics and the strategic deactivation of a logic. The one-sided activation of a logic was not associated with long-term change and therefore constrains the other actor in an interaction at least in that moment from creating the earliest moment of what might end up leading to significant practice change later.

6.7.2 Shareholder engagement – overcoming the typical conversation for change

Finally, our research also contributes to literature on shareholder engagement by explaining that change happens when the dominant logic can be overcome. So far, we have a limited understanding of the mechanisms of how shareholder engagement contributes to change in business practices and therefore creates impact. Research has mostly focused on shareholder proposals (Goranova and Ryan, 2014) or financial outcomes of engagement (Hoepner et al., 2018), or on "non-mainstream" actors such as religious organisations and social movement organisations, which need to establish common ground as part of the engagement process in order to achieve change (Ferraro and Beunza, 2018). Contrary to this, our research shows that shareholders that are used to the typical, mainstream conversations and way of thinking as the firms, thus are embedded in the financial logic, first need to overcome this mainstream, typical conversation in order to create change. We show that engagement is more likely to be successful in situations when both firms and engagers can activate an additional logic script, and therefore start a new conversation. Using the terminology of Ferraro and Beunza (2018), they have to overcome their established common ground and find new common ground. By activating the additional script, they can introduce new or different elements into the conversation and assumptions from the primary logic can be questioned or are changed (Thornton et al., 2012).

Our findings also show that it is important that both parties activate the new logic more or less simultaneously, and that it is not enough to introduce, question or change elements of a logic on one side of an interaction. Further, contrary to the establishment of common ground during the engagement process in Ferraro and Beunza's model, our findings show that the new conversation is not slowly developing over time, but is necessary as the earliest moment of change, such as for raising and acknowledging an issue. In addition, our findings show that the new conversation does not need to remain active for the entirety of the engagement, since the established logic and thus "old common ground" still serves a purpose.

6.8 Conclusion

Typical financial shareholders have a set of tools for the use in conversations with firms, but in order to use their position and insights and make good on their promise to create change and be a catalyst for the sustainable transition of firms, they need to be able to put a new tool on the table, together with the firms they hold these engagement conversations with. In our findings, we saw some indication that this could happen at different "dosages" and that the additional activation of the logic is not a "switching on" or "switching off", but that the stability of the activation can be precarious. However, more research and different methods are needed to further evaluate these dynamics.

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7 Does impact reporting undermine impact? A case study at an engaged shareholder

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7.1 Abstract

Firms are increasingly expected to create impact, and they are issuing more and more sustainability reporting. These reports are expected to show the additionality or additional value created through each individual firm's activities. Given that impact creation may be much more systemic and depends on collaborative efforts, how does reporting interplay with impact creation? We explore this in the context of shareholder engagement, which is an instructive case of collective impact creation requirements and expectations of additionality reporting. In brief, we found that collective resources enabled impact creation practices by increasing the ability for impact creation through zooming in and understanding underlying processes, and by increasing the opportunity for impact creation through zooming out and broadening the view on issues. Contrary to that, the expectations for additionality in the reporting practices undermined the impact creation practices by reducing the ability for impact through taking up time to focus on the shareholder's additionality, and by reducing the opportunities for impact by lowering ambitions. Our findings contribute to literature on sustainability reporting by showing that reporting can be harmful, and the paper contributes to literature in impact creation by highlighting how bilateral impact creation depends on collective resources that depend on collaboration, as well as the connection between bilateral impact creation and collective resources.

Keywords: shareholder engagement, impact, sustainability, sustainability reporting

7.2 Introduction

Businesses are increasingly expected to create social and environmental impact, and they are expected to report this impact. The trend towards increased reporting resonates with the broader trend toward an "audit society" (Power, 1997), according to which organisations are required to give account of more and more of their activities, beyond financial performance (Bromley and Powell, 2012). Reporting is supposed to show the additionality created, which is the impact that would not have happened without the individual organisation's sustainability activities. By reporting impact as an output of an individual company, sustainability reporting is then supposed to go hand in hand with financial reporting (Herzig and Schaltegger, 2006, Adams and Simnett, 2011).

Yet, sustainability research has long acknowledged that the creation of impact on sustainability issues often needs to happen collaboratively and at the collective level so that systems-level dynamics are taken into consideration. For example, some issues are on such a large scale or related to practices far removed from a firm's core business that it is easy to miss these issue due to limitations in time or capabilities (Howard-Grenville and Lahneman, 2021, Hansen and Haas, 2001, Bansal et al., 2018). Despite this, sustainability reporting still focuses on additionality of the individual organisation (Traxler et al., 2020). There thus seems to exist a tension between the institutionalized expectation that organizations report additionality of their individual activities, and the reality of impact creation requiring actions at a collective level. This leads us to ask the following question: *How do the expectations to report additionality by the individual organisation and the need for collective level impact creation affect the practices of impact creation?*

We address this question by looking at shareholder engagement. Shareholder engagement is considered one of the most effective mechanisms for the creation of impact on sustainability issues as a financial investor (Kölbel et al., 2020), thus being subject to expectations for significant impact on sustainable development, while at the same time being deeply embedded in institutionalized expectations for financial reporting practices. The majority of engaged shareholders are managing assets on behalf of investment clients. Therefore, they are required to create impact on societal-level problems in collaborative engagements and, like many other organizations such as social movements or NGOs, are expected to report the additionality from their actions both for accountability and an ability to compare them against their competitors. In fact, in shareholder engagement, the tension between the need to report additionality and expectations to create impact is especially pronounced.

We conducted ethnographic observations, used documents and reports and interviewed engagers at an asset manager in London in order to examine the relationship between collective resources for impact creation practices and influences from reporting expectations on the impact creation practices. We don't evaluate the quality of impact creation itself but on how the performance of the practices necessary to create impact are affected. We do this because we acknowledge that sustainable impact is not a well-defined concept. Thus, we base our analysis on Busch et al. (2021) and consider impact as effects that trigger real-world changes in terms of solving social or environmental challenges, or mitigating further degradation. We established the impact creation practices through our data, as well as the collective resources needed to create impact, and the reporting expectations. This means that our focus was not on judging real-world outcomes, but on how the performance of impact creation practices was enhanced or undermined by the tension between the expectations to report additionality and the need for collective action.

Our findings first explain how exactly collective resources increased the ability and opportunity to perform impact creation practices. The collective resources and collaborations increased the ability to "zoom in" on underlying processes of issues and increased the opportunities to see and create new relationships around an issue through "zooming out". Second, our findings showed that at the same time, expectations for reporting decreased the ability and opportunity for impact creation. The engagers prioritized client requests for frequent updates about the additionality of engagements, and they were rushed to consistently present impact, which took time away from impact creation because engagers felt the need to get quick, easy wins over systemic results, and it took away time for engagement preparation, thus reducing the ability to create impact. In addition, the reporting expectations reflected the assumption that impact was created linearly and in bilateral dialogue, which resulted in a portrayal of engagements in simplified ways to satisfy expectations. This discouraged engagers from pursuing ambitious engagement objectives for which a broad view on issues was needed, and instead to pursue engagements that conformed with expected engagement practices, in turn reducing the opportunities to see connections and create new relationships around issues and therefore to create more ambitious impact.

Our research contributes to literature on sustainability reporting by showing that reporting practices not only might be meaningless if reporting is decoupled from the underlying practices (Bromley and Powell, 2012, Winkler et al., 2020), but that they can be harmful for impact creation. They can undermine the practices necessary to create impact and therefore potentially reduce impact.

Our research also contributes to literature on impact creation. Whereas shareholder engagement has been portrayed as a bilateral interaction (Goodman et al., 2014, Ferraro and Beunza, 2018), our paper shows that the bilateral conversations depend strongly on collective resources that are gained through collaborations and collective actions.

Finally, we contribute to a better understanding of the mechanisms of investor' impact creation (Kölbel et al., 2020) since our findings show that a focus on the bilateral conversations in shareholder engagement to the detriment of the collective actions undermines the ability to "zoom in" and understand an issue in a fine-grained way, and it also undermines the opportunity to zoom out for a broader view to notice and create potential relationships that could create impact at a larger scale. Therefore, focusing too much on the bilateral interactions for impact creation can curtail these bilateral interactions.

7.3 Theoretical framework

7.3.1 Impact creation

Corporate sustainability has become an increasingly important goal for businesses. More than 90% of managers have stated that they consider corporate sustainability important for their business (Kiron et al., 2017). Recent years have seen an increased awareness of global environmental and social problems such as pollution, climate change, or poor working conditions in supply chains, and corporations are increasingly expected to adjust their behaviours. (UN Global Compact & Accenture, 2013). Together with academic research, interest on the subject has increased significantly (Eccles et al., 2014, Hahn et al., 2014), with the number of articles directed at managers going up, explaining how management can embed sustainability into their firms and how this might be beneficial to the firm's financial performance (Porter and Kramer, 2011, Bhattacharya and Polman, 2017).

While corporate sustainability originally was based on systems thinking and the limits of the natural resources (Purser et al., 1995), it soon only focused on individual organisations and the connections between sustainability and profits. The first accounts of sustainability in management research posited that firms and research should take systems connections as well

as the embeddedness of companies in the ecological environment (Marcus et al., 2010) into consideration. However, the focus has quickly shifted away from the connections of companies with the natural environment and has so far been predominantly on the business case, and on the organisational level, as a review of the literature has highlighted (Bansal and Song, 2017). Thus, both research and sustainability activities of firms have strongly been focused on improving sustainability activities at the organisational level, or the connection of impact creation with profits (Whiteman et al., 2013). For example, research explained that impact creation requires a cultural change at the organisation (Linnenluecke and Griffiths, 2010), how firms can measure impact (Angelakoglou and Gaidajis, 2015), or on the relation between corporate profits and sustainability activities (Friede et al., 2015)

It was only recently that management research has called for a reorientation back towards systems thinking to create impact on sustainability issues (Grewatsch et al., 2021, Schad and Bansal, 2018). This call includes an assumption of open boundaries of organisations with a focus on interactions and relationships with other elements in the system, and instead of a reduction of complexity, an increase and focus on complex interrelations and underlying tensions. This recent research has pointed out that organisational sustainability activities need to be interconnected with the biophysical and therefore have to affect stakeholders well beyond an individual firm (Howard-Grenville and Lahneman, 2021) and have called to turn away from a focus on the business case for sustainability in favour of a social-ecological systems approach in order to "restore and regenerate" the ecosystem (Hahn and Tampe, 2021).

While this is not the norm yet, some research has already demonstrated that collaboration might be better suited to actually create impact. While these are only few examples, this research has shown that in order to tackle complex societal challenges such as climate change or human rights violations in global supply chains, some firms already have started to collaborate with organisations such as with social movement organisations (SMOs).

This helped firms to tackle certain projects at a more ambitious level, and it helped create more attention for certain issues (Den Hond and De Bakker, 2007, Briscoe et al., 2015, Odziemkowska, 2021).

7.3.2 Sustainability reporting

Hand in hand with the expectation that companies engage in sustainability activities, the expectations for sustainability reporting have increased. These expectations to not simply do sustainability, but to report on it, goes hand in hand with the trend towards an audit society (Power, 1997). This refers to expectations that firms increasingly report on different organisational issues, in order to hold organisations accountable. This means both the practices as well as outcomes are increasingly codified and quantified (Campbell, 2007, Shabana et al., 2017). This demand for ever more numbers and accounts provides a sense of objectivity, sense of comparability, and trust that issues are managed in the best possible way (Porter, 2020)

Thus it is not surprising that over 95% of the world's largest businesses now issue sustainability reports (King et al., 2015), which have developed out of financial reporting (Gibassier et al., 2016). Even though some very selective and occasional disclosures about social activities by companies can be traced back for over 100 years (Maltby, 2004), the origins of sustainability reporting are commonly associated with the first 'social reports' that were issued by companies in the 1970ies alongside financial reports (Hahn and Kühnen, 2013). Environmental sustainability issues became more prominent in the 1980ies, with both social and environmental sustainability being combined in reports once the Global Reporting Initiative (GRI) was founded in 1997 (Kolk, 2010). This led to attempts to fully integrate sustainability reporting with financial reporting (Adams and Simnett, 2011), therefore adopting traditional accounting methods in the sustainability reporting space as well (Agrawal and Hockerts, 2019).

Sustainability reporting now can be mandatory or voluntary (Jackson et al., 2020), and while the issuing of a sustainability report is increasingly institutionalized, form and content of sustainability reports vary widely. Even though more and more countries now have made sustainability reporting mandatory in some form, which has resulted in increased reporting activities in these countries (Ioannou and Serafeim, 2017), most still offer a "report or explain" option so that reporting is far from equal. Even where it is not mandatory to report, businesses are now increasingly expected to issue some form of report (King et al., 2015) which increasingly leads to the fact that firms issue some material about sustainability, and therefore the expectations that firms report is increasingly institutionalized (Shabana et al., 2017). Yet, the same time, contents of reports, format of the data, and the underlying mechanisms of reporting, and therefore the quality of reporting, is not yet institutionalized (Busch et al., 2020). That's despite several frameworks and assumptions about what should be reported. For example, issuers of impact investment products are expected to demonstrate that a sustainable investment created an effect in the economy that would not have happened without the activities of the impact investor, which is also called additionality (Findlay and Moran, 2019, Brest and Born, 2013).

Research on sustainability communication and reporting has found that communicating sustainability activities can fulfil different purposes for an organisation, such as legitimizing the organisation and its practices (Sen et al., 2006), managing the organisation's reputation or marketing the organisation (Crane and Glozer, 2016), but also to provide management with more controls (Traxler et al., 2020) as well as other instrumental, political or normative purposes (Hansen and Schaltegger, 2016). The majority of studies on the connection between "action" and "talk" in CSR communication has used a transmission or conduit model, where it is assumed that communication can accurately represent an object and thus the focus is on how

accurately firms portray their activities. Therefore, this stream of research focuses on how accurately the disclosures represent the activities of the reporting firm, or whether reporting and practices are decoupled (Bromley and Powell, 2012, Fiss and Zajac, 2006, Wijen, 2014) or even provide a false impression of compliance while greenwashing (Banerjee, 2008).

Underlying this is the notion that when organisations have to provide the "talk" about their performance on sustainability, they will adjust their "walk" and therefore improve their performance of corporate sustainability (Jackson et al., 2020). The expectation is that firms stick to what they report, and that they report truthfully what they have actually done in order to sustain legitimacy (Suchman, 1995) and social license to operate (Scherer and Palazzo, 2011).

7.3.3 Tension between impact creation and reporting

Despite the increased interest in corporate sustainability, we currently don't see a significantly improved state of our planet, as organisations like the World Bank or the IPCC's report regularly state. Academic research has started to explore this discrepancy and focused on reasons such as the lack of integration of findings from natural sciences (Howard-Grenville and Lahneman, 2021), a gap between research and practice integration (Bansal et al., 2012, Dyllick and Muff, 2016) and even a lack of clarity on what key concepts such as sustainable development and sustainable impact actually mean (Busch et al., 2021, Meuer et al., 2020).

In this paper, we focus on effects from the focus on an individual organisation's additionality in reporting of sustainability, in contrast with the need to create impact on a collective or systems level. As we have shown, reporting is widely expected to represent the activities of individual firms, but research has shown that reporting is more than simply communicating a message about past activities. Reporting also has a performative effect (Schoeneborn et al., 2020). Work in this area showed how different forms of communication

can lead to different sustainability practices (Morsing and Schultz, 2006, Christensen et al., 2013) or drive, as well as interfere with sustainability and impact (Haack et al., 2012, Winkler et al., 2020). Thus, reporting and the expectations and practices around it are not only representing the individual firm's activities unless they are decoupled from these activities, reporting also influences the impact creating practices it talks about. Similarly, the need to create impact on a collective level means that impact creation practices depend on collective resources. Thus, both the need to create impact collectively and the expectation to report an individual organisation's additionality have an effect on the impact creation practices, and in this paper, we explore how the need for individual additionality reporting and for collective resources affect impact creation.

7.4 Method

7.4.1 Research context

We explore this question in the context of shareholder engagement, which is a form of impact investment where shareholders seek to produce not only financial returns, but also to actively generate real-world impact on environmental and social problems (Busch et al., 2021). Research on the mechanisms of how investments can create impact consider shareholder engagement one of the most promising routes for the generation of real-world impact (Kölbel et al., 2020). Research defines shareholder engagement predominantly as collaborative interactions with the engaged firms (Ferraro and Beunza, 2018), though we still don't understand the details and influences on impact creating practices in the bilateral dialogue because engagement conversations and meetings usually happen behind closed doors (Goodman et al., 2014, Becht et al., 2021). At the same time, shareholder engagement can only

create real-world impact in collaboration with the firms, since it's these engaged firms' behaviour that creates real-world change.

Since shareholder engagement is deeply embedded in the financial investment space, it is subjected to expectations about individual additionality reporting as well as frameworks and standards for sustainable reporting. This corresponds with the trend towards an audit society and the assumption that reporting and transparency will ensure the best possible management of an issue and an ability to compare and assign resources to where they are used best. In addition, transparency about the additionality of an impact investment product will allow investors to compare and provide capital for the most impactful projects. Thus, shareholder engagement is an extreme case of impact creation that is affected by the tension between the need for collaborative actions and the expectations for individual additionality reporting.

We conducted this study together with an asset management firm, which I here call "Trustco", a pseudonym. At Trustco, shareholder engagement has been done since 2005 and they have earned a reputation of successfully engaging on environmental, social and governance (ESG) issues. The engagements happen in two different ways: on the one hand, as part of a stewardship service, Trustco engages on behalf of other institutional investor clients, such as insurance companies or pension funds. This means that Trustco is only responsible for the engagement activities and impact creation on behalf of their underlying clients, but not for the portfolio management of the investments. On the other hand, Trustco has developed their own set of financial investment products, such as funds of different investment classes, and for those products they offer both engagement and portfolio management to institutional investment clients, for example large banks or insurances. In all cases, Trustco's clients for shareholder engagement are institutional investors that then sell the investment product on to the asset owners. While we think it's important to be transparent about these different client structures, they don't make any difference during engagement conversations, don't influence

engagement behaviour, and have never been brought up by engagers in any of our observations or in the reporting. In fact, engagers were surprised when we asked whether this made a difference, and quickly denied. Still, even though Trustco combined all the voting rights they had an engagement mandate for over their different products into one voice when they spoke with engaged firms, they usually represented below 3% of shareholders of an engaged firm.

7.4.2 Data collection

While this paper is based predominantly on interviews as well as published reports and case studies, two researchers spent intermittent periods of ethnographic observations at the asset manager from 2018 to 2020, during which time the interviews were also conducted, plus some pre-observational interviews at the end of 2017. We triangulated the observations with internal documents from the company, as well as data from a proprietary database, to which we had access during our data collection. An overview of the data sources can be found in table

Table 4 - Main data sources

Main data sources		
Interviews		
Interviewee	**Number of interviews (by July 2019)**	
Main engagement contact	21	WP
Main portfolio management contact	16	HG
Engager USA 1	7	KL
Engager USA 2	4	KF
Engager USA 3 (hired mid 2018)	2	AH
Engager USA 4	2	TG
Engager Asia	8	CC
Engager South America	10	JG
Engager Europe and USA (hired mid 2018)	1	MW
Engager Europe 1	1	ET
Engager Europe 2	1	EB
Engager Eastern Europe and Middle East	1	ND
Engager Europe and Asia	1	NF
Engager Europe and Asia 2	1	FB
Head of Stewardship arm	1	HH
Member of Trustco management	1	BD
Marketing	2	
Main client liaison	6	KK
Asset manager 1	4	RL
Asset manager 2	1	SM
Asset manager 3	1	DS
Asset manager 4	1	ALG
Asset manager 5	2	HB
Asset manager 6	1	MS
Advisors	12	
Others	8	
	116	
Reports		
Annual reports	3	2017-2019
Quarterly reports	10	Q2 2017 - Q3 2019
Standalone case studies	43	2018-2019

Interviews: Between late 2017 and early 2020, we conducted 116 open-ended interviews at Trustco with different people related to engagement activities, such as engagers and portfolio managers, but also those in client-facing roles. The majority of these interviews were done with engagers and portfolio managers, with some interviews with people responsible for product development and marketing or communication. The interviews usually took between 20 minutes and 1 hour. All interviews were recorded and professionally transcribed. Interviewees were chosen based on our ethnographic observations, as well as based on recommendations by interviewees. All but one were employees of Trustco at the time of their interviews, with one a client of Trustco. The interview questions focused predominantly on the process and approach to engagements, their day-to-day work, as well as some details about engagement progress at specific firms in between the observation periods.

Case studies and engagement reporting: Trustco reported impact from engagements through case studies that were published on Trustco's website and also sent to the clients, of which we collected a total of 43 that were issued during the time we observed. It is important to stress that not all engagements were reported in case studies, in part because impact creation is a multi-year process. These engagement case studies were reports on completed objectives that were usually verified or endorsed by the engaged firms, which would make full reports on every objective not possible. The case studies were usually 2 pages in length, which included some visuals and summary boxes. Trustco also published a summary of the long case studies in a short version in an overview document every year. In addition, engagement was reported in engagement reports that were issued 4 times per year. In these reports, impact from engagement was reported in mini case studies, with some descriptive statistics about engagement activities as part of the report, as well as some high-level texts of key issues, which explained assumptions and approaches to engagement, but did not include any reporting of output or outcomes. Overall, Trustco conducted engagements on almost 3000 issues and objectives per year, and with over 1000 firms during the time of our study.

Engagement observations and engagement database: Between early 2018 and early 2020, we wrote 92 field notes, each field note corresponding to one day of observations. These observations happened intermittently over the course of the 2+ years and during these observations, we had access to internal meetings about business development and marketing, as well as engagement preparations and reviews, and the actual engagement meetings or engagement calls with firms' top management. We also observed the day-to-day behaviour and work of engagers and portfolio managers and had access to their internal engagement database, in which engagers recorded actions related to engagement activities like meeting notes and email notes for each firm and objective. This enabled us to triangulate the interview and observational data, as well as fill in any gaps between the observations. These observations and

the access to documents and the database enabled us to develop an in-depth understanding of the engagement process and impact creation practices.

7.4.3 Data analysis

Given that we had limited understanding of the process of shareholder engagement when we started our ethnographic data collection, we used methods of grounded theory to inductively analyse the data. Our initial goal for the ethnographic data collection was to better understand the process of shareholder engagement. Our findings emerged from the data, in a gradual process of abstraction and through constant comparison of the fit between the analytical categories and the data (Glaser and Strauss, 1967, Strauss and Corbin, 1997, Suddaby, 2006). Coding was done using NVivo and our data was coded in an open way. It quickly emerged that in addition to impact creation practices through engagement, the engagers were busy with reporting activities, as well as with collective work, and that this affected impact creation practices. Therefore, our data analysis shifted from a focus on impact creation practices alone to include the influences on these practices. These formed our first-order categories.

We then looked for relationships between the first-order categories to order them into second-order themes. Here, we named the resources, practices, and the dynamics and mechanisms of how the collective actions and the reporting affected impact creation practices, cycling iteratively between data, our emerging themes, and the literature. We then connected and sorted the themes into aggregate dimensions. We also realized that while the collective resources had a direct influence on impact creation practices, the expectations for reporting first influenced reporting practices, which then created the effect on impact creation. Thus, overall, we summarized the second-order themes into six aggregate theoretical dimensions,

which we used to create our theoretical model through several iterations of comparing data with literature.

7.5 Findings

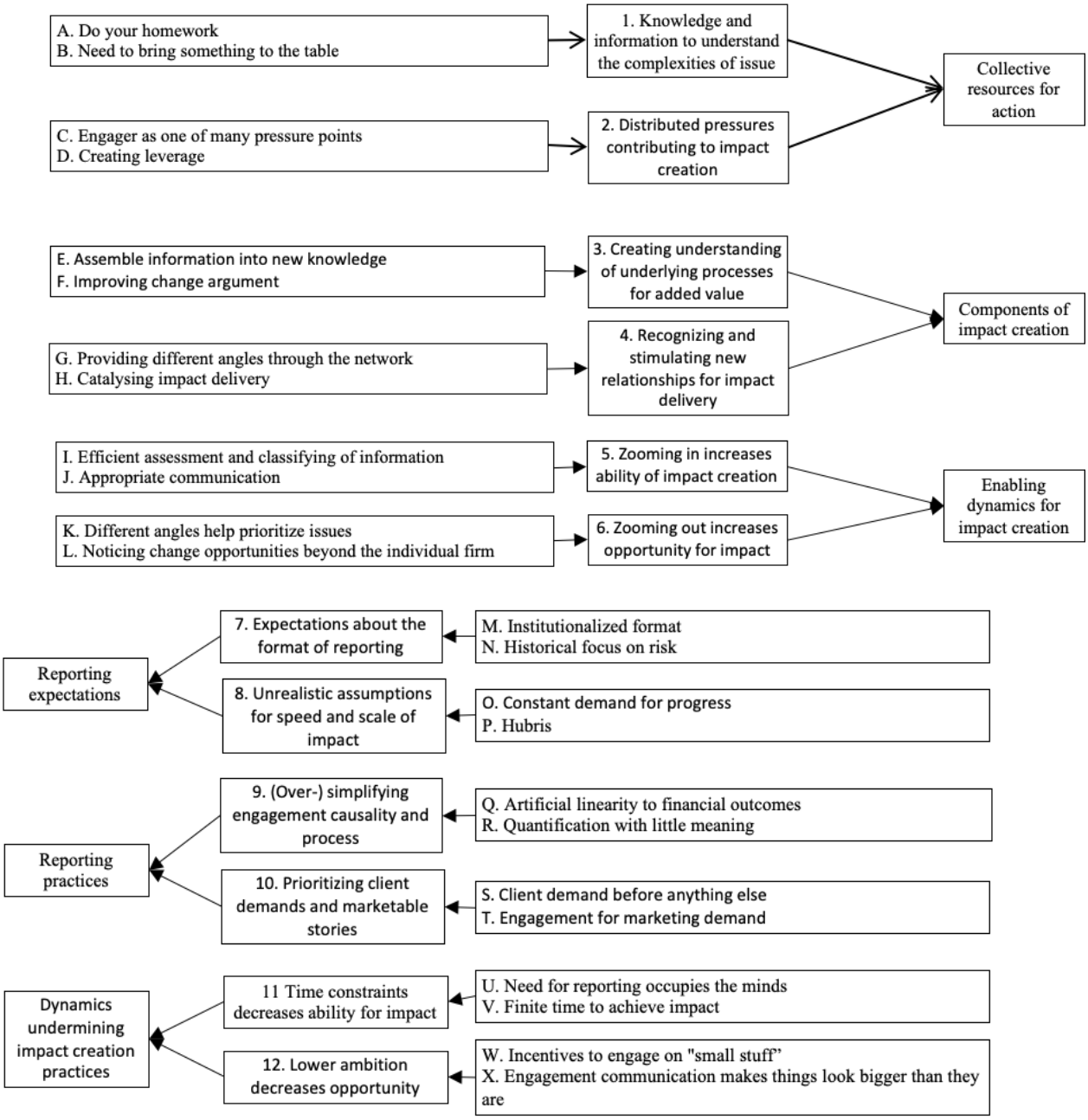


Figure 6 - Data structure of influences on impact practices

The findings show first how the collective resources for action provide actors with the ability and opportunity to perform the impact creation practices, and second how the requirements for individual reporting undermine the impact creation practices. We found that collective resources for action consisted of the information and knowledge about the complexity of an issue and the distributed pressures that contributed to impact creation. In order to create impact through engagement, we found that Trustco was creating an understanding of processes underlying an issue, which added value for firms. The information and knowledge they had gained from different engagements, thus the collective resource, provided the opportunity to "zoom in" (Schad and Bansal, 2018) on underlying processes and compare and contrast across different firms. We found that the second impact creation practice was that engagers saw and stimulated potential new relationships around issues which provided the opportunity for more ambitious impact creation. For this, the engagers needed the distributed pressures in their network.

In terms of reporting, we found that the format was influenced by institutionalized norms and that the content was impacted by client expectations that were perceived as unrealistic by engagers. These expectations led to reporting of linear and consistent progress, which overly simplified impact creation, plus the expectations made engagers focus and prioritize client demands. Finally, we found that the reporting practices took time away from engagement practices, especially the time-consuming search for additionality, and the constant need to assemble information into reports, and that the anticipated need to report led engagers to pursue less ambitious engagement opportunities in favour of low hanging fruit.

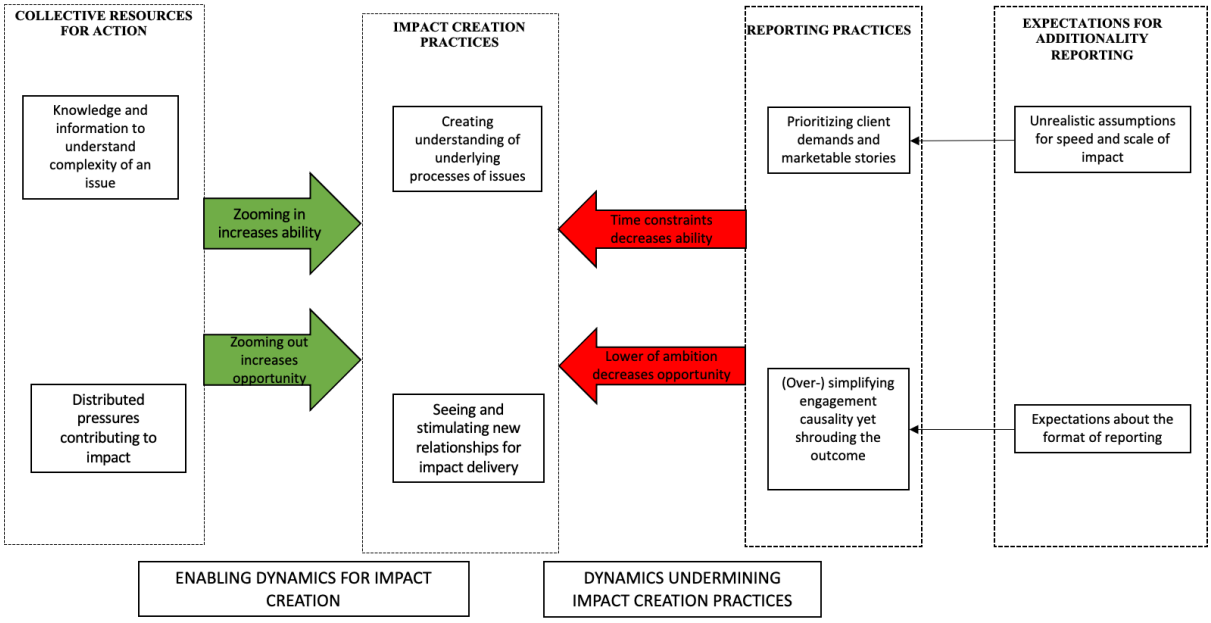


Figure 7 - Effects on impact creation practices

7.5.1 Collective resources for action

During the ethnographic observations of the engagement process, we found that engagement practices depended on collective resources in the environment of the engager and engaged firm. The engaged firms required the engagers to speak about an issue with knowledge and have information that showed an understanding of the complexity of the issue, and the engaged shareholder needed to recognize and use the distributed pressures around an issue and understand how these distributed pressures could contribute towards real-world impact. These collective resources of knowledge and information as well as pressure were provided by organisations in the environment of the engager and the engaged firm, and stemmed from engaged firms, other stakeholders, asset owners, or regulators.

Table 5 - Impact creation practices and influences on them

Overarching theme: Collective resources for action	
1. Knowledge and information to understand complexities of issues	
A. Do your homework	A1) JG 1/18: Have you ever been completely wrong about a firm when you started an engagement? - No, I can't remember that...Because I mean we-we spend a lot of time kind of researching and-and-and getting kind of kind of enough knowledge about the-the-the company, the country, the sector... It's exactly to avoid- you know you're getting-- come into the country and to the company and raising a subject that kind of it's irrelevant or because also that's an issue of credibility and trust
	A2) RB 5/18 (Field note 23/05/18) In his opinion, 'power' in engagements comes from "intelligent discussions". That means that they make different views heard, as in different to the one held by management. They don't do this alone, they also work with other investors, for example through the Investor Association or the Investor Forum. Especially with the Investor Forum he said: "We work with them, but they are also competition. But they only engage on five or six things at a time right now, so they are not too much competition". The Investor Forum was important because they meant they could share resources, have meetings among different investors and they are a tool to increase collaboration among investors.
B. Need to bring something to the table	B1) JG 1/18: Um, but also sharing best practice in-- again, in emerging markets is-- often companies they- they value the fact that we have like a global coverage and we talk about similar subjects with companies in different markets and we're able to kind of cross-pollinate experiences
	B2) JG 1/18: I think we first need a deep understanding and show that. (...) So kind of showing it's the risk for the (business), but also the benefit for society in general that ultimately would result in more longer-term results in kind of more business in terms of green (projects) (...) So I think presenting not just risk mitigation but also opportunity for new business in other areas.
2. Distributed pressures contributing to impact	

C. Engager as one of many pressure points	C1) TG 1/19: We could sort of demonstrate, I think, that we were having an effect. But we were one of many influences
	C2) CC 1/19: So, you're working on the initiative with other investors? - Yes, it's peer learning.
D. Creating leverage	D1) ND 1/18: We really hope that's, kind of where the biggest leverage will be out to get is, is that kind of learned network and creating network we have, for learnings we have from the good companies and the portfolio that we then have transfer to the- the- laggard companies
	D2) CC 2/19: NGO, it also depends, some good ones, I would say, like (example)...we've worked with them before. Industry associations, I think that's a good pressure point as well as stakeholders because they set the standards and expectations and practices. We also work with (large international organisations). (These large organisations) are also close on governmental issues. We work a lot with them too.
Impact creation practices	
3. Creating understanding of underlying processes for added value	
E. Assemble information into new knowledge	E1) CC 2/19: (on how emerging policies are used in engagements) Singapore has published something and the European Commission has published a consultation. We're seeing the commonalities of these different frameworks. Once you have that as a reference document then we can take it to the company and say, "How are you applying to these sectors?"
	E2) TG: So, people who are kind of responsible for in addition to engagement but gather information, best practices and building kind of a repository of-of the best practice information, what's going on in the market that we can uh, all share.
F. Being a "critical friend"	F1) MW 10/19: That perspective or engagement and taking a long-term view and trying to be a critical friend, if you will, it really resonated.
	F2) ND 1/18 So, it's rooting that into uh, more of a business case, not something like an NGO, not being aggressive, and, like, making the change, um, in the perception: saying it's not bad that you see that you can improve
4. Recognizing and stimulating new relationships for impact delivery	

G. Providing different angles through the network	G1) WP 10/19: They [the engaged firms] will in almost all cases know more than us (…). We hope to build up that network, but we are not pitching ourselves certainly as being the experts.... They will be more plugged in to the topic we're talking about than we are. Hopefully, we can see different angles that they might not be able to see and be able to support them [with this].
	G2) KL 5/19: From an SDG perspective, the most valuable thing is having experience, knowing contacts and that's just an intangible. It's just not something about a (financial) value, something that's associated with a qualification.
H. Catalysing impact delivery	H1) WP 10/19: the strategy is to bring together companies, investors, NGOs, other partners that help them to catalyse activity that wouldn't otherwise happen
	H2) CC 2/18: We are facilitating the win-win situation. An example is to use blockchain technology to help enhance supply chain transparency and we have been playing a very active role, not just a facilitator…we've been pushing that with the electronics industry and now the car industry and there is a pilot project and that is going well. So, by breaking down the mining, um, manufacturing, consumer process, the whole end to end process, we can help address some of the human rights issues.
Enabling dynamics for impact creation	
5. Zooming in increases ability of impact creation	
I. Efficient assessment and classifying of information	I1) FB 1/18: After a while, you know the company and sector. I mean, theoretically, the amount of themes you can engage on is unlimited but then they all, you know, fall in certain categories and this is where the themes and sectors come in useful because once you engage two automobile companies, then the third one is probably, you know, go to work in similar ways.
	I2) KL 10/19: It's an interesting challenge: I don't know what the solution is...I want to see more data about that, I want to talk to friends (about the product use), I want to go back and read studies again, and then have a think about what additional data I need, then I can make a decision... I find the more I learn about a situation and how it works, then you just get more ideas and test them and think 'Ok, what are the negative consequences for this, what are the additional opportunities or potential'

J. Appropriate communication	J1) KL 2/19: I go to the company and I read their stuff and I have a think and look at their products and develop a series of 'Hm I wonder if we can do x. I wonder what that would look like'.
	J2) ND 1/18: ...we have maybe less expertise but we also do not come with a model that isn't appropriate uh, because we can see it how it's unfolding differently in different companies basically
6. Zooming out increases opportunity for impact	
K. Broader view helps reflect and connect	K1) MW 10/19: When we talk to each and every one of them, and then we zoomed out a little bit and say, "Okay, so how does this fit in?" Not saying that they were ignorant to this but maybe it also reinforced the self-discovery a little bit of the fact that there wasn't really a holistic strategy behind it [from the company]. There were some good initiatives here and there, but it didn't seem to really connect properly (...) It goes back to my theory in a way of change as being more a seed that would grow within local environment, as opposed to a more fully formed idea.
	K2) WP 4/19: I've talked about [the company] before, which is about their kind of ability to support the broader international [specific] profession. They're entirely US-focused but that doesn't mean they don't have any interest and ability to support networks of [those professionals] internationally, both in terms of establishing pragmatic partnerships in low- and middle income-countries but also just about facilitating exchange of knowledge et cetera.
L. Noticing change opportunities beyond the individual firm	L1) RH 06/19: That's why I mentioned yesterday about the manipulation of financials that pulling apart financials to understand their relationship with social value. That's my innovative response to it. You have other people thinking of different ways and different discourses hovering around as they are connected. There's like a discourse on financialization for instance, which is for some reason still separate from ESG. Even though for me, socially economic value, social value intimately related with the discourse of power, corporate financialization, that's just me
	L2) CC 2/18: One of my plans in terms of impact is that in order to help the company to scale up, to improve their climate change resilience is to work with the (country's) government and Greenpeace to encourage a more rapid shift of renewable energy access on the grid which is also a constraint of some other companies (in that country).

Reporting Expectations	
7. Expectations about the format of reporting	
M. Institutionalized format	M1) GISA 2020 definition of impact investing: Impact investing Investing to achieve positive, social and environmental impacts - requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution
	M2) KK: (Clients) are used to a lot of values, loads of numbers, lots of statistical analysis
N. Historical focus on risk	N1) HG 12/17: Historically, (the stewardship side), they'd be more about risk mitigation and dealing with potential downside risk.
	N2) WP 9/18: Interviewer: (in these engagements, they) focus on risk and the individual company. - WP: Yes, I think they definitely recognize they do exactly what you describe
8. Unrealistic assumptions about speed and scale of impact	
O. Constant demand for progress	O1) KL 2/19: What I think has been my biggest general observation: there's a lot of this issue of the pressure from clients to show impact and to show results. On the one hand, we say, and they say actually making a change in the company is a three-to-five-year process. 100% the clients know that it is a long-term thing, but then we are just getting these pressures every month. Produce more case studies, show us more work of what you're doing and the impact you've had on companies and how they're changing, new partnerships that have been found.
	O2) KK: The case studies are still the most important to (the client), with some other reporting (i.e., the descriptive statistics)
P. Hubris	P1) KL 2/19: Part of the challenge will be figuring out exactly what additionality we can add on what (the companies) do and really demonstrate [it]. I found it very difficult (…) It's like coming up with something they hadn't thought of, it's unlikely
	P2) SM 3/18: So, what are the opportunities provided by the SDGs for investors? The narrative there was that the SDGs indicate areas of demand in the economy, which are not being met at the moment. So if your company can produce an innovative solution to meet this huge demand then that is a good foundation for long-term success, because there is such a

	huge growth opportunity. It's a great story, the difficulty is in delivering that.
Reporting practices	
9. (Over-) simplifying engagement causality and process	
Q. Artificial linearity to financial outcomes	Q1) SM 3/18: The USP is that we're investing in companies where the case for engagement will meaningfully improve the financial return... Interviewer: So you think the financial returns are central for the message? - SM: Yes, people want a return, you need a return, but people are also interested in the impact...helping create a better world while earning a good return. They don't see why one should be the expense of the other.
	Q2) WP 9/18: Interviewer: Do you focus too much on the business case if your outcome measure (for impact creation) is actually revenue? - WP: It gets a bit cloudier when the easiest stories are (those). The story is straightforward and it's a strategic point and you can measure revenues and therefore you have a nice, linear relationship when you're talking about the good and the profit. You are right, if we focus too much in the narrative on revenue oriented KPIs we fall into the same trap as most impact funds... it does not mean much.
R. Quantification with little meaning	R1) WP 1/20: The question from the salespeople is the same: You've got money for two years now, can you not point to a metric that shows that you made an impact? Why not? You must have metrics where you can say you've saved this million tons of carbon'
	R2) Case Study AR 18: We took the lead or co-lead engager for 27 companies...
10. Prioritizing client demands and marketable stories	
S. Client demands before anything	S1) HG 12/17: The sort of quantifying stuff comes (ahead) of the engagement. We need to be able to report to our underlying clients and disclosure is an important part of that
	S2) NS 1/18: There's a little too much tick-box and then not enough judgement on quality of what we do. And I don't know how cyclical this is, in terms of that's what the clients want to

	see and then we're just trying to fulfil that or, um, whether that helps our processes.
T. Engagement for marketing demand	T1) WP 1/20: (On being asked by clients to engage on a trending topic:) I think it's clear it's becoming quite high profile. I'm just hoping we've got enough relevant touch points through the companies that we hold to actually be able to make a meaningful contribution. We'd have to go out of our way to find holdings that could provide us the opportunity to speak to that a little bit more...But we might (...) just raise it up a bit.
	T2) JG 01/18: If you look at our reporting, what we have done for a long time, we classify the engagements according to engagement themes. And what we have done recently is that we mapped our traditional engagement themes into the SDGs (...) That's what our clients are doing.
Dynamics undermining impact creation	
11. Taking up time decreases ability of impact creation	
U. Reporting occupies the mind	U1) WP 4/19: There's still demand for endless amounts of (marketing) materials being produced, same with company reporting. Clearly the need for us to produce reporting obviously focuses minds and keeps you from thinking where gaps are, more focus is needed. Obviously, it's time that could be spent actually making some progress.
	U2) CC 1/19: If we spend too much time trying to push and say that I want to create evidence that I am good and I am impactful, (then) we won't be delivering what we set out to do in the first place.
V. Finite time to achieve impact	V1) WP 2/19: We know there is this campaign. We've seen it and we heard from people. Do we say that that objective then has been completed at this point? Or do we leave it open until 12 months on, 6 months on, whatever time period we set at which point there's a KPI that's disclosable
	V2) WP 9/18: Engagers got a finite amount of time to prioritize certain issues (Explains that there is a 3-year engagement plan that is communicated to clients in which prioritized issues are highlighted). (When) things like (a popular topic at that moment) crop up that have not been prioritized, they (the topics) find it difficult to rise up through the proliferation of other issues they've already committed to putting on the agenda.

12. Lower ambition decreases opportunity for impact	
W. Incentives to engage on "small stuff"	W1) CC 2/18: (provides an example of a company where she immediately wanted to talk about a difficult issue but chose to first engage on corporate communication because it was "easier to address". This change in communication led to an increase in share price and she wrote a case study, praising the company for their receptivity)
	W2) KL 2/19: What that (the pressure to show impact and fast) creates is this incentive to just pull small stuff together because the clients (asks for it).
X. Engagement communication makes things bigger than they are	X1) WP 4/19 (2): That's where I am saying it's a commercial service selling something that has to look bigger than it is.
	X2) KL 2/19: They are not micromanaging, but they do get really involved and say, 'I want to see this, now we want to see this metric, now I want to see that reporting, now I want anything' Interviewer: Are you saying that the (demands from the clients) also encourage the incremental objectives? - KL: Yes, I do.

7.5.1.1 Knowledge and information to understand the complexity of issues

We observed that Trustco prepared meticulously for engagements by acquiring information from a multitude of sources with the goal to understand an engagement issue to then have knowledge and information to offer to the engaged firm. The engagers explained that being prepared for the meetings with firms ensured that they were taken seriously and could have a substantial conversation. Their research and preparation were considered more important than the size of the financial investment, since the preparation led to a deep understanding of the complexities of the issue, and how it affected the engaged firm. When asked whether the power of Trustco came from the votes they were representing in engagement conversations with CEOs, one engager replied: “No. I think it comes from a reputation and the thoroughness and depth of engagements that we do.” (AH, 9/18). By conducting thorough

research, the engagers leaned on the collective information from many engagements and sources:

> It means that I have to read up on a lot of sectors that I'm not familiar with, a lot of companies that I'm not familiar with and demonstrate to them that I care enough to do my homework instead of just coming with some demands. (MW 10/19)

This information from many different sources and from different firms or sectors were the basis for the engagers' ability to bring a deeper understanding of how issues affected the nested elements of a system.

The information and knowledge from the research and thus the insights into the complexity of issues was something that provided the ability to talk to firms:

> You have to bring something valuable for the companies... Are you learning from one company and using the knowledge for another? (…) I always used examples, relevant examples. That's very powerful and also makes it clear to the company that they are getting something out of it. (HH 6/18)

By relating information from one firm to another across sectors or industries, engagers showed that they held information that went beyond basic research about the engaged firm and the issue. Being able to use other firms as examples depended on the engagers' collective resources, including research, but also conversations with other firms or even with other engaged investors. The choice of examples then demonstrated a deep understanding of the situation of the engaged firm, the issue at hand, cultural sensitivities or other factors that might influence a situation. Thus, the depth of knowledge and information that the engagers gained from "doing their homework" was a resource to enable engagement and impact creation.

7.5.1.2 Distributed pressures contributing to impact creation

We also observed that Trustco recognized and leveraged the distributed pressures in the environment of engaged firms as a resource for their impact creation. The pressure in engagements was not usually something that was individually created by Trustco. While it

would have been possible to individually and actively create pressure, this would have been a more aggressive, activist approach, which was not what Trustco used. Instead, Trustco used the different pressures that already existed in the environment of a firm. Trustco was fully aware that most of the changes in industries or engaged companies were not solely caused by them and their collaborative conversations with firms. Instead, Trustco thought of themselves as one part among several reasons for change that provided the engagers the opportunity to contribute to real-world impact creation. One engager explained how he perceived a significant industry-wide improvement of safety standards:

> I think we helped spread some of that best practice. Clearly, industry organizations were helping people moving from companies, companies talking to each other, the service companies [did their part]. (...) So, there was a lot of things, but I think we were one of the-the many moving parts. (JG 2/18)

This kind of distributed pressure as a resource depended on a variety of actors and included the underlying investment clients as well as other investors, all supporting the move towards a similar direction. For example, one engager said, "I think our client base is hugely important" (TG 1/18) and then went on to explain that the long-term investment orientation of their clients, among them insurance companies and pension funds, played an important role in backing up the engagements. Thus, the distributed pressure was not necessarily a threat to a firm, it was also the existence of favourable circumstances which supported the actions of the engagers.

The engagers further explained that distributed pressures in the environment of engaged firms helped to trigger connections and ideas, such as when the engagers came across the research from non-government organisations (NGOs) and the positions NGOs took in environmental or social issues. These pressures could inspire the general direction of an engagement, since the engagers often felt that especially NGOs had good arguments, even if the NGO's solution might not be a good fit for the engaged firm. This means that while the

NGOs had an ability to create attention and provide arguments for an issue, they sometimes ignored the complexities and business realities.

> They [the NGO] may also come with uh, in-depth research but with a model that's-that's one size fits all and therefore misinterpret or not see what-what the companies are... (ND 1/18)

Still, the logical connections in the argument stemming from an NGO were a resource to Trustco that could be used during their own engagement. The distributed pressure then was a resource for leverage, especially when impact was desired at a level that went beyond an individual firm. This leverage came usually from official, coordinated collaborations. For those, Trustco was a member of several joint investor initiatives, such as ClimateAction 100+ or the UN PRI, but Trustco also had some less formal collaborations that helped them realize and direct distributed pressures. For example, the engagers regularly participated and organised a series of online workshops for others in the financial industry to talk more generally about how to approach issues as investors, or they hosted events at industry or large sustainability conferences:

> We would be a rare exception [as an investor] to be seen around [the summit] and obviously hosting our own event... (The engager then explained about one of the companies invited:) We've been able to network and introduce them to some other parties they have not been introduced to before, so I think there are broader benefits coming out of it (WP 10/19)

This, as well as their conversations with regulators and other standard setters led to the engagers exchanging ideas and approaches on how to think about topics and issues from different angles. Through these conversations, Trustco's engagers were able to become aware of potential connections that provided them with opportunities to pursue more ambitious impact creation:

> I certainly think that leveraging off of that (...) is where we can actually achieve stuff. (...) We should be bringing that together as quite powerful collective force rather than lots of isolated individual conversations (WP 1/20).

These distributed pressures about the same issue could become a "powerful force" for impact creation only because the recognition that there were potentially beneficial connections instead of potentially divergent individual conversations with firms.

7.5.2 Impact creation practices

Even though shareholder engagement is usually considered to consist of collaborative communication between a shareholder (or group of shareholders in a coordinated initiative) and an individual firm (Ferraro and Beunza, 2018, Goodman et al., 2014), we found that the engagement practices at Trustco went beyond these bilateral conversations. Specifically, we found that Trustco used the information and knowledge they had gained as collective resources in the practice of creating a deep understanding of the underlying processes of issues, which was adding value for the engaged firms. We also found that Trustco used the distributed pressures and the network from which these pressures stemmed in their practice of stimulating new relationships and connections for impact delivery.

7.5.2.1 Creating an understanding of the underlying processes for added value

In order to do engagements, the engagers needed something to "bring to the table", which their understanding of the underlying processes provided. The information and knowledge were used by Trustco to create that understanding, since the engagers assembled their information into new and valuable knowledge to bring to future engagements, and they used the understanding of the processes for being a "critical friend" in engagement conversations.

The information collected for engagements as well as in past engagements allowed the engagers to learn about different issues, how these affected sectors, countries and industries differently, or how firms applied practices to tackle the challenges connected with these issues. This allowed Trustco to first understand the underlying processes and tensions of an issue, and

then to assemble the information into knowledge that was useful for future engagements. Therefore, the practice of shareholders was to create valuable new knowledge for the firms they were having engagement conversations with, which could then be used by firms to consider issues differently – thereby stimulating impact creation. In order to develop this deep understanding and create the new knowledge, the engagers internally worked in "theme teams" and shared information or worked on how to combine the information and apply their knowledge in engagements. One engager, for example, described:

> We're working on a heat map on what we think would be the issues on different sectors on different criteria so that we can take it to different markets and say, 'What are you doing?' Take it to different sectors, 'What are you doing?' Then we can compare and contrast. (CC 2/19)

The comparing and contrasting was important because it helped determine best practices and created a deep understanding of similarities and differences as well as insights into what worked when. It was then possible to utilize and assemble the information into valuable knowledge due to the multitude of information sources as well as the knowledge of the different pressure points across different sectors, countries, and firms. It allowed the engagers and consequently firms to see an issue in different ways and therefore apply it to varying contexts, which was highly valued by engaged firms:

> So we-we have an engagement in the US and (…) so I did one in Australia and something different happened. So that's very good because um, often we're able to share with companies and-and companies they value that. (JG 1/18)

The quote also shows it was the engagers' understanding of processes beyond one firm that was valuable. The comparing created an understanding of the complexities and how they unfolded in different circumstances, or how the complexities were met. Having this valuable information created the ability for engagement and for impact creation, since the engagers then held something to "bring to the table".

The knowledge and information about complexities of issues also provided the engagers with the ability for being a "critical friend" that could point firms to the most salient underlying processes to address. The understanding of underlying processes then helped the engagers be more convincing to firms, as one engager stated:

> I think (…) this comes down to the quality of your arguments and the quality of your argument has to be backed by the quality of your research and your knowledge of the company, the industries and the realities of what a company can and can't do. (AP 6/19)

The knowledge about the underlying processes helped the firms understand what a firm should or should not do, which helped the engagers create the knowledge in firms about the most crucial elements of an issue and how the issue was affecting a firm or could be affected by the firm. This was something that firms valued, since it allowed engagers to behave like a "critical friend", as one engager explained: "we have to try to be a critical-- a critical friend. Um, and it's-- I think it's, um, finding how-how best to do that." (TG 1/18). Being that critical friend was explained as: "You know, you can be critical, but also positive best friends will expect you to-- you would expect your best friend to say, "Come on, you need to do X, Y, and Z a bit differently" (TG 1/18). Thus, Trustco was creating an understanding of the underlying processes of an issue together with the firms, which created value for the engaged firms.

7.5.2.2 Recognizing and stimulating new relationships for impact delivery

Trustco recognized where connections to other issues and other actors would be useful to provide new angles on an issue, and where new relationships were helpful to catalyse the delivery of impact, and they used their network of distributed pressures to stimulate these connections. The engaged firms often looked at an engagement issues from their specific angle and were very well-informed from this specific angle. However, because the engagers leaned on the distributed pressures from many sources and held the information and knowledge from many sources and engagements, they had the opportunity to recognize new angles and

stimulate firms to see the different angles and connections that the firms did not have access to:

> They ask, 'Can you share best practice examples of who's doing it well with us?'.... I would say that investors, our team in particular, has a much broader insight as to what best practice looks like across a range of sectors and geographies, as opposed to internally a company might just be quasi benchmarking against their direct competitors. (KF 10/19)

Their network of distributed pressures and the different information in conversations helped Trustco notice and point out different angles to firms, thus stimulating new mental connections, as well as relationships to other firms, often in very different industries or countries, in order to address an issue.

Trustco used their network not only to provide new angles and ideas, but also created new relationships between some organisation and the engaged firms, which then opened up opportunities for the creation of real-world changes for the engaged firms. Trustco stressed that the impact on environmental and social issues was not delivered by the asset manager or engagement itself, but ultimately by the engaged firms. For this creation of impact, the contacts in Trustco's network were an intangible value that they then could bring to their engagement practice of stimulating new relationships. Therefore, Trustco relied on their own network in order to catalyse changes at engaged firms that would then lead to real-world impact. Trustco created connections between firms and other organisations that could then bloom into impact-delivering relationships. For example:

> If you want to have impact through the engagement, you need people to deliver that. Remember, when we talk to companies, we are trying to get them to change behaviours, we are not doing the work ourselves. [We can't tell them] 'go hire people from Unilever'. [We can] say 'Unilever worked with this woman. So these people can help you create programs if you're interested in doing what Unilever does'. (AP 12/17)

Stimulating relationships was not necessarily happening because big players worked with certain organisations, or because firms signalled a need for help. Sometimes, introductions

were made because the engager realized that the engaged firm and an organisation in their network had some overlapping interest, and the engagers left it up to the firm and the organisation to create an impactful relationship:

> That was a 'wow' moment. First, we stumbled upon this [non-profit] organisation, right?... We've also got this (engaged) company and we still were, at first, we did not know, like, what do we want them to do together, but [we said] let's just probe. (...) [Now,] they are actually going to partner to figure out what they can do [to create impact]. (KL 5/19)

In summary, Trustco created impact because they created knowledge of the underlying processes and tensions of an issue for themselves, as well as within firms, and they created relationships in the shape of mental connections and different angles of an issue that were important for real-world impact, as well as new relationships between engaged firms and others in their network through which impact could be delivered.

7.5.3 Enabling dynamics for impact creation

The collective resources Trustco used for impact creation in form of information and knowledge and distributed pressures created dynamics that increased the ability and the opportunity for impact creation. The use of the knowledge and information from the engagement environment allowed the engagers to zoom in on issues, which increased the ability to create understanding of issues and processes. The distributed pressures allowed Trustco to zoom out, which increased the opportunity to look at issues from a broader perspective, and therefore to recognize and stimulate connections and relationships that allowed to pursue more ambitious impact creation.

7.5.3.1 Zooming in increases ability of impact creation

We found that the collective resources for action, and particularly the information and knowledge increased the ability "zoom in" to see where tensions and risks were interwoven

and what the underlying processes of these tensions were, and then to bring them to the attention of firms for added value.

The knowledge and information needed to research different firms, sectors and industries while still addressing a single issue, for example plastic waste, made tensions visible to the engagers along the entire value chain. This information helped engagers be more efficient when evaluating and reassembling information and knowledge in ways that was valuable for firms. Therefore, the resource of understanding the complexities of issues at different firms, in different sectors, or in different countries increased the ability to create an understanding of the underlying processes of an issue with firms. Generally, collecting information, assembling it in useful ways, and understanding issues took a lot of time. Therefore, it was necessary to assess and classify information in a time-efficient manner. The multitude of collaborative engagement interactions with different firms and in multiple sectors increased the efficiency with which engagers were able to evaluate information they gathered, in order to then utilize that information in their engagement practice:

> I mean, we also have our special interest areas, so I mean, I can also be a little bit quicker when you pick things up and (...) so for me, making that decision whether or not something is bad or good, it goes very quickly because I know the topic very well. And other people will have other things that they are interested in, and that's a huge time saver. (EB 1/18)

Having experience, and the insight from different sectors and industries also made engagement conversations more efficient during the individual meetings with firms, since Trustco's engagers had learned how an issue unfolded differently in different circumstances and understood the complexities, and the processes underlying an issue, and could therefore adjust the way they spoke with firms to an appropriate level. This improved their argument and avoided conflictual conversations that they otherwise would have had to overcome:

> They [=the engaged firm] had some questions on how they could organize (around an issue). So, I got some information from my colleagues. And then from [the firm's] responses, you know, I could tell that I had proven to them that, you know, our motivation for the engagement was not aggressive but really a collaboration where we

> were trying to help, and our aim was for the company to improve (on that issue). (FB 1/18)

By collaborating around an issue, the engagers were able to understand the complexities the firms faced, which increased the ability to find an appropriate way of how to create understanding about the issue with a firm from the start. One engager explained how the knowledge and information increased the ability for him to create an understanding and therefore value when talking about human rights in the supply chain:

> I remember myself referring to the law and international norms and things like that. It was just like, it didn't go through at all because that's not the reality necessarily for an apparel manufacturer in China. The law is not properly enforced. In many cases, it's seen as a bit of a joke or maybe very unrealistic. International norms are debatable from a Chinese perspective very often. I had to continuously try to understand, "Okay, if I talk about this in this way, that might get a bit of interest. If I talk about in this way, nothing happens." I continuously have to do that and having dealt with suppliers in, I don't know, I'd say 35, 40 countries, something like that, across my career. Also being very operative and out in the supply chains. Sitting in those factories, going to those fabric mills, going to those processing sites, whatever it is and being on their turf sensitized me, to an extent, to how other people would see it. (MW 10/19)

Thus, by zooming in on the issue, through collecting information and knowledge from a variety of sources, the engager increased the ability to see ways of how to make appropriate arguments and what information would be valued for impact creation.

7.5.3.2 Zooming out increase opportunity for impact

The distributed pressure and Trustco's network increased the opportunity to engage because it allowed engagers to "zoom out" and to see different relationships and connections of the issue with others and therefore to stimulate that these relationships would be used for impact implementation and for ambitious engagement goals.

Being one of many pressure points and therefore receiving perspectives from many different points of views increased the engagers' opportunities to see things in a broader or more holistic way and therefore to recognize new relationships and stimulate opportunities for impact creation:

> If you see recent developments in the regulatory framework, if you see there might be a campaign by organisations, there might be, I don't know, some consumer sentiment that is shifting, there might be new data on say resource scarcity or anything like that. If you can put that together in some way and just say, 'Hey, we're looking holistically at this and here is an example that I just saw the other week'. (MW 10/19)

The engagers used this holistic view in their engagement conversations to help top management recognize these connections and relationships around an issue for their firm that otherwise would not have gained attention. Therefore, the distributed pressures increased opportunities for Trustco to create impact that went beyond what firms would usually expect:

> We are sharing our insights, things that will help them. We're sharing the networks to the extent we have them, but our principal role and value add is in the catalytic bucket. It's being a long-term investor, getting management teams to think about issues that are beyond the typical time horizon of the management investor dialogue (WP 10/19)

The broader view, for example the broader time-horizon, enabled the engagers to consider issues on a level larger than individual firms and therefore increased opportunities to recognize and stimulate relationships. Similarly, looking beyond an individual firm could create the opportunity for more ambitious engagement impact:

> That opens up the opportunity for greater potential for change. (...)I think for some companies, we will be looking for that individual impact, and then for many others, we will be looking for a much greater external impact. (AH 10/19)

That's because the distributed pressures enabled them to see that a focus on individual firms could lead to stagnation of a sector or industry regarding a specific issue, which was not their goal:

> Interviewer: Would you say that your goal is to achieve industry wide change, or is it really company change that just happens to build up? – TG: It's a good question, because the risk with focusing on companies is that instead of creating a leader, you create just one in the middle of the pack (…) but I think probably, yes, we are trying to implement systemic change. (TG 1/18)

Thus, the distributed pressures increased the engagers opportunities to see tensions within an issue as well as connections to other issues, which became visible through the broader view

that were provided because of the distributed pressures. This then increased the ambition for impact that was larger and more systemic than changes at or created by an individual firm.

7.5.4 Reporting expectations

Engagement practices were not only influenced by the collective resources for action in the environment of engagements, engagement practices were also influenced by expectations for reporting and the resulting reporting practices. From our observations and interviews, we found that the reporting expectations were set by institutionalized norms and client demands, that these expectations were translated into reporting practices within Trustco, and that the reporting practices then influenced the impact creation practices. The impact creation practices were undermined because the reporting practices reduced the ability to perform impact creation practices due to reporting reducing the time for impact creation practices, and due to reporting practices reducing the ambitions of engagements and therefore reducing the opportunities to create connections.

7.5.4.1 Expectations about the format of reporting

We found that reporting of engagement at Trustco was shaped by institutionalized reporting standards and reporting habits, and a historical focus on risk in engagements. Reporting expectations were institutionalized through frameworks that stressed proof of additionality. For example, in their definition of impact investing, the Global Impact Investing Network (GIIN), a leading body on creating social or environmental impact through sustainable financial impact investing, stresses the importance for measuring and reporting: “A hallmark of impact investing is the commitment on the part of investment managers to measure and report the social and environmental impact of underlying investments.” (GIIN, 2021). The

International Finance Corporation by the World Bank published a “Harmonized Framework for Additionality” in 2018.

In addition to these frameworks, the focus on reporting and even regulation around sustainability reporting is not focused on impact, but on risk reduction for investors. In terms of disclosure and reporting, recent years have seen a variety of suggested regulation as well as suggestions around sustainability reporting by firms as well as financial investors or investment managers. While reporting and measuring can increase transparency and help against greenwashing, most of these suggestions focused on disclosing risk for investors or the exposure of individual firms or products to social or environmental risk factors. Examples are the suggested regulation by the EU (Corporate Sustainability Reporting Directive CSRD) alongside the EU Taxonomy, which state that they aim to reduce the risk of greenwashing but also the risk from environmental impact on investments (Directive EU 2020/852).

These institutionalized expectations about reporting have been addressed at an audience that saw financial reporting as a standard to lower information asymmetry and therefore to lower risk. It is therefore not surprising that standard reporting at Trustco revolved around investor risk, which was connected to more standard financial reporting and then was translated to engagement reporting:

> We are taking the standard reporting format and revolving it... It's a slightly different reporting format in reporting outcomes rather than risk mitigation, but still the same sort of thing will apply. (HG 12/17)

Since both those creating reporting standards and those consuming standard reporting are deeply embedded in the financial world, they are used to numerical reporting, even if the underlying client (i.e., those owning insurance policies or pension funds) liked qualitative reporting. Trustco explained that their direct client base of institutional investors and financial analysts asked for numerical reporting of engagement success: “The underlying clients want stories, but the investment analysts, they're interested in numbers.” (KK 2/19). Another engager

stated in a personal conversation that he felt that the quantified measurement of engagement outcomes happened solely for the benefit of clients and did nothing to improve the engagements (Field note 09/18). Thus, the format of reporting was based on expectations for numerical, financial reporting and a focus on risk reduction.

7.5.4.2 Unrealistic assumptions about the speed and scale of impact

In addition to reporting standards, we found that Trustco's reporting was influenced by their clients' expectations that were based on unrealistic assumptions about the speed and scale of engagement progress and impact. These expectations included an assumption of fast and steady progress in engagements, even though the clients were repeatedly told that engagement is a multi-year process and that no real progress could be expected in the first two to three years of engagement conversations. Still, clients wanted constant updates about progress: "If you believe in it, then you want the next (step). You are hungry for the next update. As an investor, that's what you want, that's why you are buying." (SM 3/18). However, this was an unrealistic expectation, as one engager explained:

> People have to buy into the fact that you're going to have a better business out of this in five to seven years' time (...) you're not going to talk to management one month and see something happen the next month', it's just not like that. (HG 5/19).

The clients wanted to see this consistent progress reporting in the specific format of individual case studies: "They want case studies... A company case study is the most well received. (KK 2/19). These case studies were narratives in which engagers explained how Trustco's engagement led to influence at each company, and in which numerical impact data was embedded, as we will explain in more detail below.

In addition, engagers expressed a frustration about some assumptions by the institutional clients about the impact of engagement, and especially expectations of what changes Trustco as an individual engager could claim to have created. While the engagers were proud to have a broader overview over sectors and best practices related to ESG than many of

the engaged firms, they also knew that most management teams knew their own firms and sectors well, and potentially had very good insights into their immediate competitive environment, albeit seeing them from a different angle than the engagers.

However, we found that Trustco felt that clients expected engagers to constantly discover that management had overlooked large gaps that presented both business and environmental or social impact opportunities to an individual firm, and that the firms would not be able to find these gaps without the engagement:

> A lot of the companies, even though they are small or mid-cap, they still have market access people and so on. And so, I try to be humble about this. (...) So to think like 'Oh, we can come up with this brilliant idea that nobody there has thought of', that's a bit presumptuous! (KL 5/19)

Another engager said, "(The client) might be at risk of underestimating the company's own knowledge base and overestimating our knowledge base." (WP 09/18).

In sum, the institutionalized clients had expectations for the format of reporting based on institutionalized reporting frameworks and the financial reporting standards, as well as based on a historic focus on risk. In addition to institutionalized expectations about reporting formats and risk-focused disclosures, clients expected engagement to lead to fast progress and for the engagers to find large gaps or demands in the economy that would lead to both business and environmental or social benefits, which the engagers thought was unrealistic.

7.5.5 Reporting Practices

The reporting of impact from shareholder engagement happened predominantly in what Trustco called 'case studies' that were roughly 2-page narratives which were continuously published throughout the year. The case study format was also used for the majority of impact reporting in the quarterly and annual reports, although the case studies there were usually shorter. The majority of these reports and case studies were qualitative narratives and had some

numerical data woven into it, and they used case studies because it allowed the engagers to report on individual firms:

> Because they want stories, they want to see specific reporting on impact that's company specific and we have managed to convey the story and message to them that is very company-specific. We're writing what happened to the company, what is our engagement, how is it bearing fruit and how it is progressing, where we are with that company. (KK 10/19)

The quarterly and annual reports also had some descriptive statistics about engagements. This numerical data often was about activities, for example "We met with the firm x times". We found that the practices around the production of these case studies were heavily influenced by the reporting expectations, which led engagers to simplify the engagement process in their storytelling and to prioritize client demands over many of their other tasks.

7.5.5.1 (Over-) Simplifying engagement causality yet shrouding the outcomes

In order to satisfy the expectations of the shareholder, we found that the engagers simplified the stories about the engagement process by implying causality between engagement activities and financial developments at the firm while knowing that this was difficult to prove, and by quantifying engagements in simple ways that still had very little meaning for the impact created by the engagements.

The underlying theory of Trustco's engagement product was that engagement on social and environmental issues would not only reduce the risk of the investment, but that it would help create businesses that were better prepared for long-term success – and that this would generate stock returns above the benchmark (alpha). The engagers knew that causality between Trustco's individual engagement activities and financial success of a firm or share price development was difficult to prove, since there were many factors that influenced financial outcomes. Yet, they still had to deal with expectations about this causality:

> The clients want to see the link between engagement and alpha generation. But that's very blurred... There's a multitude of reasons behind the share price changes...- Interviewer: The end customers of your client want to know this? (…) They really want

> to see evidence about that link between… - Interviewee: Yes, but (this link) is unproven (KK 4/19)

Trustco knew that this link was hard to prove, and they were very careful in their reporting when it came to this causality. Instead of pointing to better financial outcomes such as improved share prices or increased profitability, Trustco usually highlighted a business risk that the engagement targeted. For example, they explained that in their engagement they focused on concerns about "brand value and long-term sustainable operations" (Case study B 20) which the engagement would reduce, or they said that their engagement was driven to reduce the risk of a current asset "becoming a stranded asset" and then "severely affecting the balance sheet" (Case study P20). In order to stress their additionality, the case studies usually stressed that engagement was based on a concern by Trustco, using phrases such as, "We wrote to the chair to raise our concern about…" or "This value creation should not come at the expense of strong risk of [named the risk]", followed by Trustco stressing their engagement activities, stating, for example, "We have engaged with the company through multiple channels, including meetings, calls, and letters…" or "In our engagement with the directors, we have repeatedly challenged the board on its risk oversight…" (Case studies AR 18)

Thus, they highlighted additionality created by their own activities by pointing towards a concern about risk, alluding that the engagement had reduced this risk. This was deliberately done, since they knew that they had to avoid directly stating causality between engagement and financial outcomes, but they still had to satisfy the desire by clients to better understand how engagement created additionality.

Further to reducing concerns about investment risk, the process of engagement itself was told in a reductionist way, for example by focusing the reporting on only the activities within Trustco and interactions with a top management team of an individual firm, thus not mentioning any outside influences or actual outcomes of engagement. The engager admitted:

“A lot of (…) reporting was activity based... It's clear, it's much easier to report activity than it is to describe outcomes and impact.” (WP 4/19). In reporting, focus on activity meant that engagers counted how often they had interactions with a firm, or listed everyone they had met with during the engagement process, such as “At a meeting with the CEO and other executives, we spoke about… (…) then we spoke with the general counsel (…). We had an extensive discussion with…” (Case study T 20). This reduction to interactions and activities by Trustco also meant that complex stories and developments that had required a lot of work of collecting information, creating an understanding of an issue and using different distributed pressure points were reduced to a short and simple story. Case study writing was approached with the question of “What are the messages that I want investors to take away? ... You get pages and pages of information and from there you go 'ok, how can I express this in a tone or phrase or paragraph or even in a sentence?'” (SM 3/18).

In order to produce the material in a quantified yet simplistic way, we observed that engagers spent significant energy and thought on how to produce quantified reporting that sometimes led to curious considerations around the reports. For example, in an engagement with a car manufacturer, the increase in sales of sustainable vehicles was provided by stating the goal percentage for 2025, but without providing any baseline or explanation for market trends (case study Q3-19). In a meeting about the contents for the annual engagement report, which we observed, the engagers were pushed by those responsible for client relations, who were regularly interacting with clients, to provide quantitative reporting about the engagements of the past year. This triggered some brainstorming about the numerical data that could be provided, and the engagers agreed on descriptive statistics such as the number of objectives created, the number of meetings with firms, the number of milestones reached. Some numerical data discussed were shut down by the engagers since they pointed out that some numbers would be meaningless, such as the percentage of firms in their engagement portfolio that they had

done engagement interactions within the past year, to which one pointed out that this should be 100% by default (field note 07/01/19). Similarly, we observed a discussion among engagers to provide statistics about how many firms were sorted into different categories for engagement intensity (tiers). These tiers were a signal to engagers about how intense their engagement should be, which usually meant more meetings with firms in higher-intensity tiers. However, this tiering was adjusted on a regular basis, usually balancing out tiering and therefore workload for the engagers. Thus, the tiering was a useful indicator about the current engagement status for an individual firm but had little cumulative meaning as the total number of firms in each tiering was kept fairly stable in order to keep workload stable (field note TO 29/10/18).

Thus, instead of telling the complex stories about how engagement unfolded, or instead of highlighting the comparisons, moves, and outcomes the engagers did in engagements, the engagers were pushed to think about what could be quantified, to report on activity, and spent time on considerations about how to artificially increase these simplified, numerical ways of reporting.

7.5.5.2 Prioritizing client demands and marketable stories

The expectations for reporting not only affected the content of reports, but it also affected practices that were related to producing case study reports because reporting demands were prioritized and therefore caused other work to fall to the wayside, and engagements themselves to be adjusted to fit expectations by marketing and to produce stories that fit the current marketing demand.

During the production of reports, client expectations and direct demands by clients were often a driving force. For example, when preparing a report, we observed that the engagers were pushed to produce “at least 3 case studies, but that’s a minimum”, which was presented as a compromise only after the engagers pushed back against the idea of having one case study

for each of the 17 UN Sustainable Development Goals in the report (Field note, TO 29/10/18). The constant demand for proof that engagement was making progress took a toll on engagers:

> Sometimes, (the client) would require quite a, um, you know, document that required some work in quite a short time. So, I said we've got to drop everything else and focus on that, which meant that other parts, other obligations were left. That presented some challenges. (SM 3/18)

Thus, the constant demand for case studies and the prioritization of client demands presented a heavy workload for engagers, which meant time not spent on engagement practices.

The constant client demands also impacted the content of case studies because the clients demanded faster or more frequent updates than the actual progress that happened in engagements. Since clients expected to get stories about steady progress, a lot of the reporting was about mere plans for engagements.

> We are talking about aspirations... We are over-committing to things... We are setting ourselves up as the hostage of fortune with most of the kind of case studies we're putting up. (WP 9/18)

Thus, it was not actual impact that was reported, but in order to satisfy client demand, aspirations to do something were presented as progress of engagements.

In addition, engagers openly considered which issues were better for case studies, instead of considerations about the impact from issues they engaged on. For example, we observed that engagers weighed environmental vs social objectives based on their opportunities for reporting, since environmental issues were “easier” because there was a lot of pressure on firms from all directions to pay attention to environmental concerns, thus achieving progress on environmental issues was a “low hanging fruit”. Objectives on social issues were not as easy to achieve because there was not as much general pressure for them, but due to the lower general attention the engagers felt that it was easier to demonstrate additionality on social issues (Field note TO 01/07/19), and these concerns entered internal conversations at Trustco about

which issues to pursue. This engagement based on 'trending' issues did not always go over well with engagers:

> I'm upset that they [=the marketing department of Trustco] don't want us focusing too much on social issues anymore (…) despite them being the ones that decided [social issues] should be our thing we should be focusing on for so long. (WP 10/19)

Thus, the demands and expectations by clients had an influence on the engagement objectives, which was closely linked to the ability to report the engagement outcomes in a format and in a way that met the expectations.

7.5.6 Dynamics undermining impact creation practices

Impact creation practices require collective resources of action in order to produce impact. Reporting is focused on the additionality of Trustco's activities, based on institutionalized expectations as well as client demands. Our analysis found that these expectations for individual reporting and the reporting practices undermined Trustco's engagement practices because it took away time from engagement both by requiring fast updates, and by occupying time that could then not be used for engagements, which decreased the ability to perform engagement practices such as the time-consuming research and creation of the understanding of issues. It also undermined impact creation because the anticipation that engagers had to report about engagements led to lower ambitions for impact, which impacted opportunity to recognize and stimulate relationships because engagements were reduced to more narrow issues.

7.5.6.1 Taking up time decreased ability for impact creation

When asked what kept them busy, Trustco's engagers often told us that they were busy writing and editing reporting documents such as case studies and reports, which implied that they did not spend their time on impact creation practices. As explained above, we witnessed

regular considerations of how to portray engagement in numerical forms and in ways to satisfy client demands. These reporting practices took time away from engagements in two ways: producing reporting occupied time, for example when engagers needed to participate in internal discussions about which statistics to include in a report. This time could not be spent on the time-consuming work to create an understanding of the tensions and processes underlying an issue that often happened in conversations with others, or on activities that would broaden the engagers' perspectives and therefore would help them recognize and stimulate new connections and relationships. In addition, the reporting practices and the client expectations took time away from the ability to let the engagement process unfold, since the demand for reports required constant success stories, produced as quickly as possible.

As we showed, clients demanded regular and progressive updates about engagements and the progress that was happening. At the same time, engagers were pushed to prioritize client demands for updates and reports, since more clients and more engagement mandates increased Trustco's profits. Yet, the preparation of reporting documents and case studies was time intensive and, in some phases, took up the majority of the engagers' time, which meant that this time could not be spent on preparing or conducting engagement practices:

> I think (the pressure to report more) is not pushing us to do anything we would not have done. On the contrary, I think it's just making us put more thought into how we frame that, how we make it look, how we make them happy. That's important time that could be spent on actually just doing it. (...) On the portfolio management side (...) I don't get the sense they micromanage in terms of how do you choose this company, bla, bla, bla, but they do with us. (KL 2/19)

Since engagement practices and preparations for engagement meetings were time intensive, Trustco's engagers faced a trade-off between producing case studies or reports and conducting impact creation practices. The push to prioritize client demands as part of the reporting practices therefore meant that they were also pushed to spend less time on engagement activities and therefore it undermined the impact that could be created through engagements.

The demand for continuous reporting and the constant demand to prove impact also meant that engagers not only chose goals dependent on what the clients wanted them to pick, as we explained above, but engagers reported that objectives were met and therefore engagement cases ready for reporting at the earliest possible point – often when there was only a promise of impact, and no real impact yet:

> WP: (The impact from a collaborative initiative) will take many years to show...We will not wait for (the system-level problem) to come down by, I don't know, pick a percentage. The objective will probably end when they've initiated the initiatives and are committing to measuring the impact. - Interviewer: Has that changed? I think last time you said that ultimately you should be able to measure the outcomes. Now you sound more sceptical - WP: Yes, I think I'm more sceptical, actually. (WP 4/19)

The engager admitted that it was not possible to show system-level impact because the push for more reporting meant that they did not have the time to wait till impact outcomes were really created. Other engagers expressed similar concerns in meetings, including concerns about the practice of reporting on company plans, which they felt opened the door for "gaming the system" by deliberately choosing engagements and objectives where firms were close to announcing future goals and targets (Field note TO 09/05/19). Instead of reporting outcomes and impact, engagers felt forced to present promises as outcomes of engagement. This reporting of plans also meant that Trustco closed the objective in their database and marked it as "completed" once a firm had set and published a goal, which meant the engagers were expected to move on to other objectives, thus decreasing the engagers' ability to perform impact creation practices.

7.5.6.2 Lower ambition decreases opportunity for impact creation

Even though the engagers at Trustco wanted to create ambitious real-world impact, the expected client demands for continuous reporting on engagements decreased the opportunity for impact creation because it led to engagers pursuing less ambitious engagement goals. This

decreased the opportunity for engagement because the engagers were pushed to engage on "small stuff", which means there were fewer opportunities to recognize and create relationships. The reporting practices also reduced impact creation because the engagers and marketing department had learned to make small outcomes look bigger than they were, and thus reduced the need for a broader picture, and therefore reduced the opportunity to create relationships.

Trustco's engagers generally saw purpose in their work and were motivated to achieve meaningful change on a systemic level. Engagers clearly stated, "We are doing this because we want to create some more sustainable resilient and equitable system and engagement is one of the ways of delivering that" (AP 12/17). The engagement practices were also geared towards impact at a systems level. We observed that engagers zoomed into details of issues to provide firms with an in-depth understanding of an issue and then also zoomed out and thought through issues at a systemic level or laid out necessary changes along an entire value chain. However, since reporting practices simplified the process and in order to prioritize reporting and marketable stories, the engagers focused on the "small stuff" at a single firm that could easily be shown to have produced additionality from their own engagement since it could be achieved faster, thus undermining the opportunity to create relationships to more ambitious, systems-level issues. For example, one engager explained that she felt that the clients' demands for more and more reporting pushed engagers to focus on less ambitious objectives, to a point where they had to consciously decide that they wanted to be more ambitious:

> We made a conscious decision that we want to make our objectives bold. The easiest thing to do is to make small ones. (...)Previously, like last year, probably about half the (fund's) objectives were incredibly incremental. (...) (The client) was like: you need more stuff (...) I just generally get the sense that they want more and more and more. (...) Interviewer: Do you think, from a sustainability perspective, that they are pushing you in the right direction? KL: No, I don't think it's helpful at all! It just incentivises that type of thing, well, this 'get some, but don't take any risks, grab some low-hanging fruit' (KL 2/19)

Instead of risking failure or working on more complex issues, the engagers focused their attention on engagements where outcomes were achieved quickly, which meant reduced ambition in engagements and therefore undermining the opportunity for systems-level impact.

Reporting practices also undermined impact creation because the marketable stories about engagement often made impact look bigger than it was, thus reducing the need for engagers to pursue ambitious objectives that were full of complexity and connections to other issues and actors. One example was the focus on mitigating risk in case studies, which added to the undermining of impact, especially when the driver for engagement was predominantly reputational risk mitigation:

> Take supply chain and the engagement focus is and probably continues to be on risk mitigation, making sure that companies are using (database x) or whatever other database to make sure they are doing their due diligence (...) No one likes human rights abuses or child slavery or whatever else. It's largely a box-ticking exercise to make sure that your reputation is managed (...) [Engagement then] is not seeing a company with a large progressive supply chain spending 10s of millions a year [and asking] 'What can you do that's more active? Have you thought of directing more towards local entrepreneurs and local suppliers? Have you thought about the local economy, the place where you are operating and creating a positive environment where when you support the local economy you get more people buying, more skilled professionals, et cetera? Are you directing more of the procurement towards female business owners, towards minority owners, other diverse businesses?' (...) Why would you, as a normal investor, a normal engager, go and have that sort of conversation? (These things are) not a risk they are facing, so it's not an obvious engagement agenda. (WP 9/18)

The engagers focus on reducing the risk that a firm is involved or caught up in a scandal around human rights abuse or child slavery, even if the engagement objective is then working towards "box-ticking" in a database. The impact could potentially be bigger if an engagement helped a company think through how they could actively create changes through their supply chain management practices and created an objective around such an issue. However, for reporting purposes, it is enough to show that engagement led to reduced risk through box-ticking, taking away from the opportunity to create impact through stimulating relationships through the supply chain. Similarly, a focus on the additionality that Trustco could prove they delivered

through engagement motivated an objective of better sustainability reporting at a firm in a sector with generally very high emissions. The engager admitted that real emissions reductions would only be possible with a significant restructuring of the entire sector or significantly reduced use of the product. Still, the engagers chose to pursue the objective to improve the firm's sustainability reporting, which is significantly less ambitious and does not provide an opportunity to create new relationships but would be easy to trace to the engagers' activities and therefore would show additionality. The engagers knew fully that this would not lead to impact creation practices that were ambitious, as engager explained: "We tell a very good story but clearly, ultimately, are less efficient." (WP 09/18). Thus, since telling a great story was sufficient to satisfy client demand, lowering the objective undermined the creation of impact.

7.6 Discussion

The purpose of this paper was to explore the question of how the requirement to create impact collectively and the expectations to report the additionality of sustainability activities affect the impact creation practices. This study contributes a model, grounded in practice, that contributes to explanations why and how adopting sustainability reporting can be harmful to the purpose of sustainability activities of decreasing harmful social and environmental externalities and of creating positive impact. From our analysis, we created a model about the dynamics between the two influencing factors and the impact creation practices and showed that while the collective resources enhance the ability and opportunity to create impact, the expectations for reporting and the resulting reporting practices undermine the ability and opportunity to perform impact creation practices. These findings contribute to literature on sustainability reporting because they show that reporting might not just be meaningless because it does not accurately reflect activities, but it might harm the creation of impact. We also

contribute to literature on impact creation because we show that what has so far been portrayed as a bilateral dialogue strongly depends on collective resources and multilateral activities in the preparation of the bilateral conversations. Finally, we contribute to literature on shareholder engagement by explaining that a strong focus on the bilateral interactions in shareholder engagement is harmful to the actual impact creation practices of "zooming in" and "zooming out".

7.6.1 Potentially harmful effects of additionality reporting

Our main contribution is to the literature on sustainability reporting in which we explain how reporting with a focus on the additionality of an individual organisation's sustainability activities undermine impact creation. Literature on sustainability reporting has assumed that reporting leads to an increase in transparency and can therefore help to allocate resources in the best possible way, usually considering sustainability reporting in the context of financial performance (Friede et al., 2015, Busch et al., 2020, Angelakoglou and Gaidajis, 2015, Herzig and Schaltegger, 2006). So far, this literature on reporting has not been connected to the literature on systems-level thinking on sustainability issues (Schad and Bansal, 2018, Grewatsch et al., 2021). This means that the focus of sustainability reporting has been on the activities and additionality of an individual organisation, and therefore is what Grewatsch et al. (2021) call reductionist thinking. We observed this in our data in both the expectations for reporting and in the reporting practices. The clients expected numerical data that explained the impact created by the activities of the individual shareholder's engagements, and they expected quick, linear progress. The reporting practices reflected these expectations and simplified the complex, collective process of impact creation into a fairly linear narrative that hinted at linear causalities. This type of reporting corresponds with criticism about some strands of strategy research about explanations for sustainability measures at firms, which often are based in

economic explanations and ignore connections to the wider system (Whiteman et al., 2013, DesJardine and Bansal, 2019).

By showing that the reporting practices reflect this reductionist thinking, we combine the reporting literature with the criticism in the literature that suggests impact creation requires complex systems thinking. Further, we empirically demonstrate how reporting undermines impact. By focusing reporting on individual organisations' additionality or additionality of single activities, reporting needs to be overly simplified, and it prioritizes the demands of clients over the portrayal of the actual impact creation practices. Both activities take time away and reduce ambitions for impact, in order to satisfy the expectations for simplistic and causal explanations. The expectations for simple and linear progress takes up time because it is necessary to reduce the complexity of impact creation that requires collective resources and a systemic view into a narrative with a simple process, and it reduces the time for actual impact to occur because consistent and linear updates are expected. The linear and simplistic expectations about reporting also lead to reduced ambitions for impact. Our data showed that the engagers anticipate the need to report impact creation in ways that are linear and focused on the additionality of their own engagement, and therefore selected impact creation. Because of the anticipation to report in this way, they knew that they could report simple ambitions in ways that sounded more impactful than they were, and they selected issues to impact that were "low hanging fruit" instead of more complex and interrelated issues that would require more collective actions.

These findings also extend explanations of why firms have not actually created more impact on sustainability issues, despite the increase in reporting that suggests that activities of impact creation have significantly increased. While one explanation for this disconnect has focused on effects of decoupling, which means that reporting does not accurately portray the practices of an organisation (Bromley and Powell, 2012, Winkler et al., 2020) which would

make reporting ambitious at best and meaningless at worst, we show that reporting in a way that reduces activities and disconnects practices from the wider systemic influences, resources and causalities can actually be harmful to the very practices these reports are supposed to portray and make transparent.

7.6.2 Bilateral impact creation depends on collective and collaborative groundwork

Second, we contribute to the literature on mechanisms for sustainable impact by extending the traditional bilateral model to show how effective impact creation depends on collective resources. We found a somewhat more complex relationship between the role of collective resources such as distributed pressures and information and knowledge from previous collaborations that provide the groundwork for bilateral impact mechanisms. So far, impact creation has been portrayed as bilateral interactions between an investor and a firm (Ferraro and Beunza, 2018), or an organized group of shareholders creating dialogue with a firm (Gond et al., 2018), going back to the "voice" approach of how shareholders can respond to activities of firms (Hirschman, 1970, Becht et al., 2021) Our research shows that the impact creation through bilateral conversations in shareholder engagement depends on collective resources from other collaborations or distributed sources, such as the pressures around an engagement issue and information and in-depth knowledge of the underlying tensions of an issue, in order to have the ability and opportunity to create impact in the bilateral interactions.

The collaborative and distributed resources increase the ability and opportunity of shareholders to provide something valuable during the bilateral interactions and therefore to stimulate change. The information and knowledge from collaborations enhance the ability to understand how the issue's tensions and complexities affect the other organisation in a bilateral impact creating activity, and therefore enhances the ability to create an understanding of the

complex underlying processes of an issue. The distributed pressures allow to utilize more extreme positions to look at an issue from different angles and therefore recognize the "big picture". This then enhances the opportunity in the bilateral interactions to recognize connections of an issue and then to stimulate new relationships and (mental) connections in the bilateral interactions. These new connections and relationships can potentially help to implement impact creating activities and plans. The collective resources therefore provide the groundwork behind the impact creation in bilateral interactions.

7.6.3 Improved understanding of impact investment

Finally, we contribute to a better understanding of the mechanisms of investor' impact creation (Kölbel et al., 2020) since our findings show that a focus on the bilateral conversations in shareholder engagement to the detriment of the collective actions undermines the ability to "zoom in" and understand an issue in a fine-grained way, and it also undermines the opportunity to zoom out for a broader view to notice and create potential relationships that could create impact at a larger scale. The current focus of impact creation on the bilateral impact creation practices is based on the reductionist thinking in past research that focused on simple causalities between an individual firm's practices and outcomes for impact creation (Grewatsch et al., 2021, DesJardine and Bansal, 2019). Further, by focusing so much on the additionality created in bilateral interactions, reporting misses the collective mechanisms that are behind the creation of impact. At the same time, as Kölbel et al. (2020) explained, the mechanisms of how impact is created are still poorly understood. Our findings show that current reporting further disguise the underlying impact mechanisms.

Our findings show that it is necessary to have collective resources available to "zoom in" or "zoom out". Past research on complexity of sustainability issues has explained why this

zooming in and zooming out is necessary to notice important issues and to not miss an issue's true scale and scope (Schad and Bansal, 2018, Bansal et al., 2018). In our data, we found that impact creation practices were adjusted to focus on the additionality from the bilateral interactions, often due to reporting requirements. This, together with the assumption that reporting should help direct resources to where they can be used in the best possible way for impact creation (Traxler et al., 2020) means that a focus on bilateral impact creation practices to the detriment of the collective resources might lead to a misalignment between resource allocation towards bilateral interactions, to the detriment of the development of the collective resources needed that enable the bilateral interactions. The focus in bilateral interactions both in the literature on impact investing and in impact reporting further obscure the need that impact creation practices require work that obtains these collective resources.

7.7 Conclusion

We originally wanted to find out more about how shareholder engagement can create impact on large societal problems and developed a model that explains how the interconnectedness of tensions can contribute to a lack of impact despite an increase in reporting. We also showed that the motivation for impact creation is a key element to make impact happen that extends beyond the "small stuff". Future research should therefore look more closely at the motivation for impact creation and the origins for this motivation.

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8 Conclusion

In this thesis, I examined how financial firms can contribute to impact on social and environmental sustainability by influencing corporations through conversations, so-called shareholder engagement. Since the meetings between shareholders and firm management usually happen in private, we did not know much about the mechanisms of impact creation by shareholders, and the way this influencing happens in the meetings. At the same time, more and more governments create regulation that aims at financial firms as levers for the transformation towards more environmental and social sustainability, thus making similar mechanisms mandatory.

This thesis started out with a theoretical paper that outlined a model of the constitution of the earliest moments institutional change in speaking and listening. While institutional research on communication has so far separated the speaker and the listener structurally and sequentially, I instead used speaking and listening more fluidly. By focusing on the triplet of role- practice- counter-role (Jancsary et al., 2017) and the fluidity between speaking and listening in the repair of small interruptions or oddities (Steele, 2021b), my model explains how the search for alternative viable typifications of a situation can trigger small changes in expectations for speaking and listening, or it can result in an active maintenance of the prevailing typification. Thus, the model contributes to theory on taken-for-granted typifications and explains how the fluidity of speaking and listening in the earliest moments of change can support small changes in what is expected in a situation. The model also contributes to a better theorization of the listener in the constitution of institutions. Instead of the role of the recipient of a message, or the evaluator of the actions of the speaker, in my model, the listener plays an active role in the constitution of an alternative typification and therefore in the constitution and change of institutions. Third, my model stresses the importance of institutional pluralism in the

earliest moments of change. In order to seamlessly repair oddities in interactions, the interactants need to find a viable alternative typification of a situation and the availability of a plurality of institutional typifications helps overcome the oddity and to create seamless and unobtrusive change.

This paper sets the scene for the empirical papers and contributes to the overall question of the thesis by bringing attention to new aspects of communication in institutional theory. The change that investors are expected to influence in communication is based on speaking and listening. It is therefore necessary to pay attention to different communicative practices and to the availability of multiple logics that can be activated for change.

In my second paper, I explore how a new conversation can be introduced into an institutionalized conversation, as this is needed if mainstream actors that have established interactions and scripted conversations in their everyday work are expected to introduce sustainability in their everyday work, which constitutes a new conversation for them. Conceptually, the introduction of a new conversation equals the activation of a new logic in an institutionalized and highly scripted situation with a dominant logic. This is the case in typical meetings between investors and corporate management. I therefore study this question in the context of engagement meetings between an engaged shareholder in London and portfolio firms. The engaged shareholder and the management of the portfolio firms are embedded in the financial logic and used to the scripted conversations of typical investor meetings. My findings show that a new conversation starts with the activation of an additional script. In order to activate that new script, situational cues and the activation of the new script went hand in hand, so that the other could either follow and also activate the additional script, or not follow, in which case the cues were interpreted in the dominant logic, which therefore remained active. The activation of an additional logic produced different interaction dynamics, and whether both sides activated the additional script was an indicator for whether the engagement would

produce change at the firm. At the end, the additional logic was deactivated in these early moments of starting a new conversation, and only the dominant logic remained active. The paper contributes to our understanding of the earliest moments of institutional change and the activation of a logic in interaction by individuals. So far, research on logics has focused more on the macro and meso level (Zilber, 2016, Lounsbury et al., 2021), and our paper contributes to a better understanding of how logics are creatively used "in situ". This paper also contributes to a better understanding of the availability, accessibility and activation of logics (Thornton et al., 2012). We show that in the earliest moments of activating an additional logic in situations with multiple logics, the logics remain separate, and the dominant logic remains active. We also show that the additional logic got deactivated again, but our long-term outcomes indicate that once a logic was activated in addition to a dominant logic, it becomes easier to activate it again. Finally, this paper contributes to our understanding of the mechanisms of shareholder engagement. Whereas engagers that are not embedded in a joint dominant logic and don't have an established conversation need to first find common ground (Ferraro and Beunza, 2018), it is necessary to first overcome the common ground of a dominant logic to start a new conversation when both sides are embedded in a joint dominant logic.

This paper contributes to our overarching research question of the thesis by explaining the start of a new conversation. This research is important because institutional theory has so far lacked a good understanding of the earliest moments of change and of the use and enactment of logics on the individual level and in interactions. It shows how difficult it is to start this new conversation and therefore provides important knowledge for how and when investors can contribute to the creation of impact and influence firms. Our paper provides an indication that this influencing is not possible if investors switch the topic to sustainability but talk about them in the same way as they usually talk about financial matters.

The third paper of this thesis is about the shareholder's reporting of the impact from engagements. The institutionalized expectations for impact reporting are for investors to show the additionality of their actions, thus how engagement created additional impact value that would otherwise not have happened because of the activities of the shareholder. On the other hand, impact creation requires collective resources and collaborations and needs to take systems-level dynamics into consideration. Thus, our paper explores how the need to report the additionality of a shareholder's actions affect the ability to create impact. We again explored this question in the context of shareholder engagement and looked at its reporting of impact together with interviews with the engagers we collected during the ethnographic data collection. Our findings first highlight the expectations for the reporting of additionality created specifically by the engagement activities of the shareholder, and the need for collective resources that provide the ability to "zoom in" on engagement issues, and "zoom out" to understand the relationships to a broader picture. Second, our findings show that these collective resources are enabling, while the reporting expectations potentially undermine impact creation practices by taking up time to stress the additionality, and by reducing the opportunities for engagement projects that go beyond impact that can be traced to the shareholder's additionality. Thus, this paper contributes to research on CSR reporting by showing that reporting can not only be meaningless in certain situations, but cause harm to impact creation. Second, we contribute to research on impact creation by showing that the bilateral impact conversations are driven and enabled by collective resources. Third, we show that engagement might look like a bilateral activity but is a collective activity. The focus on the bilateral activity harms the ability and the opportunity to "zoom in" and "zoom out" and therefore to achieve actual impact at different scales through engagement.

This third paper contributes to the overarching theme of this thesis by focusing on the impact creation of financial institutions and their ability to act as levers for a transformation

towards more social and environmental sustainability. We show that the embeddedness in institutionalized financial expectations and practices not only might be meaningless for the transformation but can cause harm and interfere with the mechanisms that are required to achieve more socially and environmentally sustainable business practices.

Taken together, the papers highlight the meaning of different communication practices and their effects on the influence of financial firms' impact on corporate sustainability. Financial shareholders need to listen in order to be able to overcome the already existing norms and expectations. If they succeed to introduce a new type of conversation, that's when they have the potential to successfully stimulate changes in corporate business practices. However, financial firms are also affected by the institutionalized expectations, and impact creation is a collective process. This helps us better understand why it is so difficult to create the necessary changes that are required for more sustainability, and how these earliest moments of institutional change without drama can happen. Future research now needs to look at how these earliest moments of change develop further down the line, for example whether the additionally activated logics in conversations and the new typifications remain alongside existing institutionalized logics and practices, and whether, when and how these earliest moments of change lead to blending or replacement of dominant institutional logics and typifications.

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10 Glossary

Asset manager (Trustco): the research was conducted at one asset management firm, which we here call Trustco, a pseudonym. An asset manager makes buy and sell decisions about stocks and manages portfolios on behalf of clients for a fee. The fee usually depends on the size of the investment managed, and often includes a share of the profits. While fees and fee structures are an important topic for academic research, this was not the focus of my thesis. Instead, I focused on the work that went into managing the portfolio and the interactions with the corporations that Trustco invested in.

Clients/ Investors: Engagement is a fees-based business, and clients are both those that entrust their voting rights and stewardship to Trustco to engage on their behalf, without also entrusting portfolio management responsibility to Trustco (thus without an investment in one of Trustco's investment portfolios), as well as those that invested into an investment product that was managed by Trustco. Thus, clients can be investors in financial products such as mutual funds offered by Trustco, or they can manage their own portfolio and only pay for engagement. Usually, clients are institutional investors such as pension funds or banks, which then use their own investment advisors to sell the product on to the underlying investors, which can be high-net-worth individuals or other investors.

Engagers: At the asset manager, engagers are those that conduct the engagement activities, such as create objectives, conduct meetings with engaged firms, create networks and work jointly with other shareholders. This engagement happens both for firms in Trustco's investment funds, and as part of the stewardship service. Engagers are also usually the ones writing the initial drafts of case studies or reports, in close cooperation with the business

development staff. They also work closely with the portfolio managers to coordinate conversations around engagement objectives and investment issues.

(Engaged) Firms: We call those companies that are targets of engagement "engaged firms", or sometimes just the "firm". Trustco also referred to them as "corporations" or "companies", which is reflected in direct quotes.

ESG: Environmental, social and good corporate governance concerns

Portfolio managers: For Trustco's own investment products, portfolio managers conduct the investment part of fund management, i.e., investment analysis, developing an investment strategy, allocating funds invested by clients, making buy and sell decisions, and other portfolio management duties. Their goal is to create an investment return with ESG integrated into their approach. They often work closely with the engagers and even conduct conversations with firms about engagement topics or integrate insights from engagements into their portfolio management strategies.

Shareholders: Shareholders here reflect a corporation's view: I refer to shareholders as those that appear on a shareholder register. This includes Trustco, and I refer to them often as "the shareholder". Shareholders that appear on the shareholder register of a corporation, if significant enough, usually have regular meetings with the firm's management and attend the annual general meeting.