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CONSEQUENCES OF CRITICAL EVENTS FOR THE SOCIAL CONSTRUCTION OF CORPORATE SOCIAL RESPONSIBILITY: THE CASE OF OIL AND GAS COMPANIES IN NORWAY[1]

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Abstract

Applying a social constructivist approach, this paper examines the extent to which critical events in the oil and gas industry influence knowledge and knowledge transfer of corporate social responsibility (CSR). Public archive data and semi-structured interviews with key informants in the companies as well as with outside actors were applied to trace the critical events, influencing actors and consequences. Our findings reveal that types of events and influencing actors changed over the years, as has the content of CSR. Social dialogues and partnerships became tools for knowledge creation and new perspectives on "secondary" risk management as much as for tools to improve the environmental and social impact of the companies' activities. An implication of this situation seems to be that CSR is seen as a secondary risk assignment and as a competitive advantage with a knowledge spillover risk to other companies.

Keywords: Corporate social responsibility, critical events, oil and gas industry, stakeholders, social dialogue, partnerships

Critical events are responses from stakeholders on unexpected events that attract the attention of corporate management and influence their strategic decisions and corporate activities (Flanagan, 1954, Dutton & Dukerich 1991, Hoffman & Ocasio 2001). If these events become the sustained focus of public attention they may be critical triggers of institutional transformation and industry development as well as collective definition or redefinition of social problems (Pride, 1995). By an attention-based view of the firm (Hoffman & Ocasio, 2001; Ocasio, 1997), strategic issue diagnosis perspective (Dutton & Ashford, 1993; Dutton & Dukerich, 1991) and, social constructive theory on reputation (Rindova & Fombrun, 1999) this paper gives a systematic descriptive inquiry into how oil and gas companies established at the Norwegian continental shelf responds to critical events and calls for corporate social responsibility (CSR).

There are several reasons for this problem focus. To day public attention to the actions of the companies is easily spread worldwide. Directly or indirectly companies are linked to miseries like corruption, pollution, accidents, risk for life and abolishment of human rights, HIV virus, health and living conditions for the poor in countries and regions where the companies operate. At a society level some economies develop, others have become marginalized, resulting in an uneven distribution of wealth and opportunities both within and between countries. An increasing international focus on the extent to which multinational companies may influence the economic and political development path of their host countries has accompanied this development. The demand to be socially responsible has become pressing, in particular for large and influential companies such as the oil and gas companies.

The empirical context for this paper is selected Western oil and gas companies operating on the Norwegian Continental Shelf – Shell, Hydro and Statoil. To reach their economic goals

huge investments are needed – not only in production but also in developing competence, security and the working environment for employees. An important observation is that the large and influential oil and gas companies have always responded to new social and political issues along with financial demands. One explanation of the companies' way of responding is the perceived pressure to be accountable to their various stakeholders, e.g. customers, investors, governmental authorities, suppliers, NGOs and the media.

Based on Ocasio's attention based view of the firm (Ocasio, 1997), this paper investigate: 1) how the (social responsive) actions of the companies are dependent on what issues have got their attention through critical events (focus of attention), 2) what kind of stakeholders and what kind of situation and context that are involved in the critical incident (situated attention), and 3) how the particular context or situation the companies find themselves in, and how they attend to it, depends on how the firm's rules, resources, and social relationships regulate and control the distribution and allocation of issues, answers, and decision-makers into specific activities, communications, and procedures (structural distribution of attention). In particular we examine to what extent knowledge about corporate social responsibility (CSR) is distributed by social dialogue and negotiations on identifying CSR issues and through partnerships between the stakeholders and companies. The paper contains a story on how the companies navigate the competing social and financial performance objectives in response to the critical events that get public attention. A basic premise underlying this paper is that individuals (and groups) are socially constructed through interactions in their actual context, influencing their judgments, attitudes and behaviours.

In seeking to answer the research questions this paper makes three contributions. First, we show how the regulatory regime in Norway was decisive for the development of the oil and

gas industry's social responsiveness in Norway, a finding that is supported by other recent studies (Haman, 2004;+++). Second, we see how the companies' attention to CSR issues is amplified through critical events in the international setting and are shared by all the three companies in this study. Third, we show how the institutionalisation of CSR departments in the companies for the mid 1990s was manifested in reputation risk management where social engagement and partnerships were used as tools.

The remaining part of the paper is organized as follows: in the next section we define and clarify the idea of a pragmatic approach to corporate social responsibility (CSR) (Margolis & Walsh, 2003). Thereafter we describe the attention-based view of the firm (Hoffman & Ocasio, 2001; Ocasio, 1997), and clarify our social constructivist perspective. After reporting our research methodology and findings, the sections of discussion, conclusions and implications finalise the paper.

The development of corporate social responsibility

In this section we first summaries the development of corporate social responsibility and the attention-based view of the firm, before we present research model (perspective). Within the business in society field Waddock (2004) document how corporate social have evolved from Frederick's typology (Frederick, 1998) of corporate responsibility (CSR1) in the 1960s and 1970s via social responsiveness (CSR2) in the late 1970s and 1980s, and ultimately to what he called corporate social rectitude (CSR3) from mid-1980 onward, into corporate citizenship, responsibility, reputation, and relationships in the present era. CSR1 rested on two foundational principles, charity and stewardship and some fundamental precepts like voluntarism and an attitude of enlightened self-interest. CSR3 reflects the growth of the interest in business ethics, and by the mid-1980s, companies had begun to realize the importance of incorporating codes of conduct/ethics into their operational activities, in part

because of a plague of scandals (Waddock, 2004). The driving force was legal compliance, and in many companies, compliance still appears to be the dominant driving force for having and implementing a code of conduct.

Since 1984 there has been two major streams of development. Corporate social responsibility (CSR) and corporate social performance has developed into corporate citizenship, and the development of stakeholder theory after Freeman's seminal book in 1984 (Freeman, 1984). Both streams underline the growing emphasis on business ethics. The term "corporate citizenship" as a progression from CSR, involves corporations becoming more informed and enlightened members of society and understanding that they are both public and private entities (McIntosh et al., 2003). At the same time companies need to be able to articulate the role of *business* in society as well as to understand their full social and environmental impacts and responsibilities. CSR also requires the companies to take into account the interest of stakeholders other than customers and governmental agencies, for example NGOs and the media (Freeman, 1984). Stakeholder theory basically argues that because corporate activities affect and are affected by the activities of internal and external stakeholders, the relationships and practices that a company develops with respect to its stakeholders are central to the company's long-term effectiveness and have implicit moral weight.

From this it follows that CSR restricts companies' activities and behaviour. For example, companies may be forced to make heavy investments to reduce pollution or may sustain extra costs to compensate for destroyed living conditions for vulnerable groups, or they may perceive pressure to influence human rights in countries they are established in. Such actions are usually believed to reduce the profitability of the company (Friedman, 1970), and have

initiated the question on how to balance the requirements for being efficient and social responsible (Porter, 2004).

In the mid 1990s a new terminology and thinking on corporate social responsibility emerged. Donaldson (1992) published a book where he linked international business, the forces of globalisation, and business ethics. The terms corporate responsibility and corporate (business) citizenship integrate stakeholder relationships into their operalisation for the first time, uniting the two dominant streams in the business in society field, because in addition to focusing on the social implications of business activities, they also incorporate issues related to companies' performance to specific stakeholders and the natural environment (Waddock, 2004, p. 27).

Haman (2004) reports that the *business case* for the mining industry in South Africa is circumscribed by companies' institutional context. In the past, mining companies' dominant interpretation of CSR has been in terms of charitable donations and support to the common good. These efforts have not alleviated the contribution of mining companies to growing social problems around the mines, primarily because they have not impacted on core business practices and not contributed to necessary cross- sectoral collaboration. Recently there has been an important transition involving the broadening of the interpretation of CSR where the key driver has been the State's legislated transformation programme. The business case for CSR cannot be taken for granted. Empirical studies on the relationship between companies' social and financial performance are not conclusive (Griffin and Mahon, 1997; Margolis and Walsh, 2003).

Margolis and Walsh (2003) report that between 1972 and 2002, 127 published studies empirically examined the relationship between companies' social responsible conduct and their financial performance. In half of the 109 studies that treated corporate social performance as an independent variable, the results pointed to a positive relationship between corporate social performance and financial performance. In the 22 studies that treated corporate social performance as a dependent variable, 16 studies pointed to a positive relationship between corporate financial performance and corporate social performance.

During the 1990s and early 2000s, two other CSR related trends became popular: Corporate reputation and corporate relationships (including notions of stakeholder engagement) (Waddock, 2004). Fombrun and Shanley 1990 argue that firms compete for reputational status in institutional fields. Managers attempt to influence other stakeholders' assessments by signalling companies' salient advantages. A study of 292 large US firms supported a general hypothesis that publics construct reputations on the basis of information about firms' relative structural positions within organizational fields, specifically using market and accounting signals indicating performance, institutional signals indicating conformity to social norms, and strategy signals indicating strategic postures.

Stakeholder engagement processes partially grew out of attention to public-private partnerships, which evolved into multi-stakeholder collaboration and dialogue (Calton & Payne, 2003) to bring multiple interests together around important social, political, and economic development issues. The United Nation's Global Compact's learning forum and other interest organizations take part in this development.

Corporate social responsibility and the attention-based view of the firm

The central argument in the attention-based view of the firm is that firm behaviour is the result of how firms channel and distribute the attention of their decision-makers (Ocasio, 1997). Simon's (1947) theory of the firm emphasized that firm behaviour is both a cognitive and a structural process, as decision-making in organizations is the result of both the limited attentional capacity of humans and the structural influences of organizations on an individual's attention. Ocasio links structure and cognition into the attention based view of the firm. Individual information processing and behaviour are explicitly linked to information processing and behaviour to the organizational structure through the concepts of procedural and communications channels and attention structure.

Ocasio differs form and extends Simon's original formulation by providing an explicit treatment of attentional processing as a multilevel process shaped by individuals, organizations, and the environment. What decision-makers do depends on what issues and answers they focus their attention on (focus of attention). Dutton & Dukerich (1991) describe issues as events, developments, and trends that an organization's members collectively recognize as having consequence to the organization. Ocasio (1997:189) defines attention to encompass the noticing, encoding, interpreting, and focusing of time and effort by organizational decision-makers on both issues (the available repertoire of categories for making sense of the environment: problems, opportunities, and threats), and answers (the available repertoire of action alternatives: proposals, routines, projects, program and procedures).

The definition of an issue by a collectivity is a "social construction" (Hilgartner & Bosk, 1988). Issue definitions often emerge and evolve over time, and can be contested (Dutton,

1988a). Some issues fit existing categories and organizational patterns of routinized behaviours. Issues may however, also be problematic because they are non-traditional: They have not been encountered in the past and thus do not easily fit well-used categorization schemes (Dutton and Dukerich, 1991:519). Dutton and Dukerich show how organizational context contributes to how and when issue interpretive changes occur. According to their perspective an organization's image and identity guide and activate individual's interpretations of an issue and motivations for action on it, and those interpretations affect patterns of organizational action over time.

Decision-makers will be selective in the issues and answers they attempt to at any one time, and what they do depends on what issues and answers they focus on. The principle of situated attention operates at the level of social cognition (Fiske & Taylor, 1991) and provides a link between how individuals think and decide in any particular situation, and how the organization and it s environment shape the situations that individuals find themselves in. The attention of the decision-makers is situated in the firm's procedural and communication channels. The situational context of these channels includes environmental stimuli, cultural symbols and interactions among participants in the channel. By the term structural distribution of attention, Ocasio (1997) shows how the organization distributes and controls the allocation of issues, answers and decision makers. Each local activity within the firm involves a set of procedures and communications, and these procedures and communications focus the attention of decision-makers on a selected set of issues and answers.

Hoffman (1999) takes Ocasio's perspective a step further. A firm's action is seen not as a choice among an unlimited array of possibilities determined by purely internal arrangements, but rather as a choice among a narrowly defined set of legitimate options determined by the

groups of actors composing the firm's organizational field (Scott, 1991). Hoffman (1999) argues that fields form around issues, nor markets or technologies. Organizational fields become "arenas of power relations" (Brint & Karabel, 1991:355) where multiple field constituents compete over the definition of issues and the form of institutions that will guide organizational behavior. In a study of environmentalism in the period 1963 –1993, Hoffman shows how the constituency of *organizational fields* concerning corporate environmentalism develops in the interaction between cognitive, normative and regulatory aspects. His conclusion is that environmental problems must be solved through institutions that govern organisations and social actions. Whether this implies stronger regulatory systems as well remains unclear, but it seems that the attention based theory (Ocasio 1997) and environmentalism accept regulatory regimes as strong impetus to change organizations.

Similarly reputational rankings constitute a potentially significant form of normative control that channels firm's actions by conferring relative competitive advantage and disadvantage upon conforming organizations within an organizational field (Shapiro, 1987). Rindova and Fombrun (1999) focus on how competitive advantages of the firm are not merely constituted by economic factors, but also socio-cognitive factors. This calls the attention of "the fact that industry paradigms emerge from interaction between firms and constituents and reflects the legitimacy technologies, individual firms and even strategic groups" (Rindova & Fombrun 1997, p. 707). When the industry paradigm changes for instance due to certain critical events, it may undermine the legitimacy of established firms. Such situations may call for a re-orientation of the firms – a re-re-orientation that demands issue selling inside the organisation (Dutton & Ashford 1993), reconstruction of the organisational identity (Dutton & Ashford 1991) and a re-building of reputation in the organisational field (Fombrun & Shanley 1990).

Institutional identity builds on anticipations that institutional adaptation and behaviour are dependent on earlier decisions, experience, institutional identity and history **(ref).** This means that institutional adaptation and actual behaviour will be *path-dependent*. Each institution has a special history that includes critical events and that results in a unique identity and a standardized action pattern and image. The institutionalized routines and standard action programmes function as a buffer or counterbalance against influence from the environment and from the institutional members' self interest (Olsen, 1988). From this it follows that institutions do not adapt perfectly to changes in the environment.

Towards an integrated research model

Figure 1 outlines our integrated perspective on the development and dissemination of CSR.

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Insert Figure 1 about here

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The figure should be read as follows: To get licence to operate the oil and gas companies have to adapt to the regulatory regime (law) of the country and live up to targeted economic expectations. Usually this also implies adapting minimum business ethics standards. When critical incidents occur, they can have a direct impact on the regulatory regime through issue-selling by media, NGOs and the public. For our research purposes, the steps from the left to the right of the model, and the feedback-loops back again, are to be investigated.

Critical incidents as a result of externalities create issue-selling activities by stakeholders of the company to grasp the companies' attention. How easily this will happen, will depend on

issue characteristics and the organizational context of each company. In our study we follow Shell which is an old company with experiences in many countries all over the world, and Statoil that was not established before 1970 and Hydro that started their oil and gas division in 19xx. Due to different experience, size, culture and organizational design, we expected variations across companies on their attention to CSR issues and on their organizational behaviour after having accepted an issue. During and after attention to an issue is given a social construction and interpretation process takes place and CSR actions are prepared and implemented.

In a social constructivist perspective a company's attention to and action on critical events is a relational process between different stakeholders of the company and actors committed to the organizational reputation. The constructivist processes thus take place in the interception between the organization and its environment (Rindova & Fombrun 1999). In line with earlier research we expect social engagement by social dialogue and partnerships to be preferred methods in these processes. Since oil and gas companies operate in the same areas, share licences and collaborate in drilling and exploring operations, we expect that CSR issues develop into an organizational field paradigm. This is also in line with earlier research. Through issue-selling and networking this paradigm is presented to the authorities.

METHOD[2]

This section reports the research methodology underlying the present study. Our derived research questions presented above indicate that an explorative approach is appropriate. Because secondary information – although useful – was not sufficient, primary information collected through personal interviews was considered necessary. Both secondary and primary data were collected. The actual study addresses oil and gas companies on the Norwegian continental shelf and most of the informants were restricted to the following companies: Statoil, Hydro and Shell. However, actors outside the oil companies we believed to be important such as NGO's were included as well. Key informants that were considered adequate were thus selected based on prior insights about their knowledge and involvement in CSR.

In the first phase of the data collection these persons were interviewed by means of a semi-structured interview guide**.** The interviews lasted one and a half to two hours, and most of them were recorded. Two researchers conducted all the interviews, one taking notes and the other asking the questions. The notes and tapes were then transcribed and the transcription was checked and if necessary supplemented by the interviewer.

In order to map the social construction process in the companies, the viewpoint of managers and employees at different levels and departments of the organization were sought. Persons interviewed included line managers, employees and staff members. Since top managers have key interpretational roles, the participation of the manager responsible for CSR issues in each of the three oil companies was included in the group of informants (Bennis & Nanus, 1985).

[2] The study reported here was part of the "Knowledge flows and organisational dynamics: Identifying the factors that enable or inhibit knowledge spillovers from the Norwegian oil and gas Industry" funded by the Norwegian Research Council as part of the Petropol programme. The study was designed to identify how knowledge about corporate social responsibility is developed and distributed to and from oil and gas companies.

Table 1 provides an overview of the informants in each of the oil companies and NGOs. In total 18 interviews were carried out in the three companies, ten interviews in different NGOs and three interviews in different accountancy firms. Each informant in the oil and gas companies was asked to describe how and when the company started to work on corporate social responsibility, and then to explain whether critical events were directly or indirectly related to this process. The interviewees were further asked about the key partners and external contacts in their work on corporate social responsibility.

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Table 1 about here

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Methodological considerations

This approach allowed the informants to describe and discuss the specific organizational processes and events they found most important for the decisions of the company in the development and implementation of a corporate social responsibility policy, and follows directly from Schein's (1985) notion that events are critical when participants perceive them as such. The events selected signal "common breakpoints" as defined by the organization's members. This means that each oil and gas company selected different events and processes to describe the development and spill-over of CSR knowledge. The informants were asked to list the events of the previous years that they considered organizationally critical (to the company's reputation or decisions).

The specific purpose of the key events described in the interviews was to learn as much as possible about the employees' and managers' concerns, perception, reactions, observations and thoughts in connection with the specific events and their meaning for knowledge transfer.

The interview was seen as a "concerted project" for producing meaning, and the interviewees as a productive source of knowledge (Miller & Glassner, 1997). A detailed set of open-ended questions that each participant was asked in approximately the same order guided these interviews. The goal of the data collection was to understand the perspectives of participating managers and employees and how they saw events through their own eyes. Rather than probe for information or suggest ideas, the interviewers tried to understand and clarify the opinions and interpretations set forth.

Some of the interviewees held "powerful positions".[3] They were regularly interviewed and had deliberate relations to media. "Communication experts" had even trained some managers. It is obvious that this kind of knowledge influenced how they acted during the data collection of this project and what kind of information they were willing to share.

Our interviewees may have had strategic motives. It is likely that "manipulative" and "organizationally shaped strategies" have been dominating factors biasing data. We will, however, warn against a conspiratorial understanding, and rather consider conscious information strategies as a factor when evaluating the validity of our interviews. The positions and roles of the interviewees affect how they process and hand over information. Their beliefs are socially constructed both by the fact that they are actors within a particular context and because their main task is to maintain and further develop the belief systems of the same context (Berger & Luckman, 1966). A key methodological challenge was therefore to compensate for the dilemma that arises through the fact that qualities that make our interviewees relevant as objects of this survey simultaneously make them insecure as valid data. In order to control for this we have systematised and crosschecked all interviews and

[3] By "powerful positions" we mean executive managers, top bureaucrats, politicians and NGO leaders – in other words persons with the formal ability to influence decisions.

relevant available documents and compared information and interpretations. Secondly, we have systematised the interviews with reference to organisational belongings and compared them with other relevant documents produced in their organisations.[4]

FINDINGS

In order to describe the evolvement of CSR on the Norwegian continental shelf we have chosen to divide this findings section into two parts. First, we present early phases of the history of CSR on the shelf, while in the second part we show how contemporary critical events both illustrate the institutional path dependency and affect relational processes between the organization and its stakeholders. The reason for this relatively thorough historical description is first to underline how the concept of CSR in the oil industry to a large extent has developed through a long historical process. Second to visualize the importance of the regulative role of the government and thereby highlight regulatory actors significance as stakeholders towards the oil industry – both through direct ownership and as licensors towards private companies.

The history of CSR on the Norwegian continental shelf

When Phillips in 1962 and Shell in 1964 first made requests to acquire licences to drill on the Norwegian shelf, the Norwegian authorities already possessed knowledge on how to control exploitation of natural resources. From the beginning of the nineteenth century they had developed an advanced regulatory system connected to the electric power industry and the exploitation of the Norwegian waterfalls. In 1965 the Norwegian government implemented a similar regulatory regime consisting of concession laws and tax regulations on the Norwegian shelf. Licences for drilling, field development and oil and gas production were thus influenced by governmental objectives. This implied that the oil companies were obliged to

[4] ”Relevant available documents” include annual reports of the actual companies, public reports on CSR policy of the actual companies and public documents on CSR issues.

comply with formal rules concerning the assignment of blocks, reversionary rights and working plans (Engen 1997).

The governmental role as an external stakeholder towards the international companies changed during the seventies and early eighties. The Norwegian State Oil company Statoil was established in 1972, and the government encouraged largest Norwegian industrial company Norsk Hydro to develop its oil and gas division. The Norwegian government thus acquired multiple roles: granting licence to drill and operate, as a regulatory function and owner, and as a competitor to the other oil and gas companies. The Norwegian government represented a regulatory regime that in several areas was close to the definition of corporate social responsibility used today – namely combining economic responsibility with a responsibility for developing the industry for the public wealth. The knowledge of this regulatory regime was transferred both to the Norwegian and the foreign oil and gas companies and was a precondition for the further development of the Norwegian continental shelf.

In 1979 the regulatory regime was further developed when the international oil companies established in Norway were confronted with a new type of regulatory arrangement: the "Technology Agreements". The main objective was to get the oil companies to take some responsibility in the development of technical competence among the rest of Norwegian industry and build up advanced scientific knowledge at the universities and research institutions in Norway. These agreements implicitly defined a new set of stakeholders in the oil and gas companies – among others the universities and relevant R&D institutions**.** To some extent we may say that the Technology Agreements were a further extension of the governmental CSR project and may according to Hoffman (1999) be considered as a new

organisational field in which responsibility for knowledge transfer to Norway should be a part of the oil companies strategy. In order to be granted concessions for upstream activities in Norway, the international oil companies were also obliged to develop specific Norwegian petroleum competence and serve public interests in building a research system.

The institutional set-up concerning the regulation of the oil companies was also intensified in 1972 with the establishment of the Norwegian Petroleum Directorate (NPD) and regulatory instruments in order to increase social responsiveness and attention of the oil companies were implemented. The main responsibilities of the NPD were resource allocation and health, environment and safety (HES) – or the primary risks connected to the upstream activities. In order to enforce its role as an administrative authority, it was decided that every serious incident in the drilling and upstream activity should be reported to the NPD. Most of these reports were public and implied that the media and NGOs gained access to the same information as the authorities.

This enforcement mechanism had two effects: firstly it made the oil companies focus on HES and adjust their production system towards the formal requirements of the Norwegian government, and secondly it contributed to transferring knowledge from the oil companies to the NPD and civil society. Both effects implied an increasing CSR profile in both the Norwegian and international oil companies. This development was enforced by the accident on the drilling platform, Alpha on Ekofisk field in1976, the DPI (Drilling Platform) casualty on the Frigg field in 1976 when the rig tipped over, the Bravo blow-out on the Ekofisk field in 1977, and not least by the Alexander Kielland (a drilling platform on the Ekofisk field) catastrophe in 1980 when 123 people lost their lives. These critical events and other environmental disasters, such as the Exxon Valdez oil spill in Alaska in 1989, strengthened

the role of the NPD and increased the focus on CSR issues in the companies, particularly on risk-based regulation and internal control systems connected to safety. Informants from the oil and gas companies reported a proliferation of voluntary codes of conduct and "above-compliance" initiatives on safety for the employees, equipment, work tasks, operational procedures and environmental management as a consequence of these accidents and the threatened reputation of the industry. However, the oil and gas companies also used the "above-compliance behaviour" as an argument for keeping the CSR activities of the companies unregulated by the authorities and for retaining the opportunity to self-manage many risks. They further argued that regulation would reduce flexibility and freeze the environmental and social effort at a too low level.

The emerging science of ecology in the 1960s and the environment movement from the 1970s when the oil industry was in its establishing phase on the Norwegian continental shelf supported and intensified the demands from the Norwegian government. In Norway there was an intense environmental debate connected to the publication "Limit to Growth" (Thurow, 1972), deep concern about the fisheries along the west coast and the consequences of heavy blow-outs – which actually proved to be a fulfilled prophecy with the Bravo blow-out in 1977. The organized environmental movement against the oil industry was intensified during the 1980s. Statoil met the environmentalists in the planning of the Europipe pipeline for gas from the North Sea to the Ruhr district in 1989. Statoil pursued negotiations with the German authorities over the Europipe, and final approval for the landfall part of the project was given in late 1993 by German authorities after detailed discussions and a thorough evaluation of several pipeline routes, construction alternatives, and comprehensive environmental impact assessments (Gran, 1997).

The Brundtland Report, "Our Common Future", which was produced in 1987 by the World Commission on Environment and Development, was an important catalyst for environmental principles. This landmark document highlighted the fact that people either needed to change the way they lived and did business or face unacceptable levels of human suffering and environmental damage. The term "sustainable development" was put on the agenda. Economic growth has to be consistent with opportunities for future generations. In this period the oil and gas industry in Norway was in its expansion phase, and the companies had the economic freedom not to object to or focus too strongly on the restrictions on their activity that the government imposed.

The World Summit in Rio de Janeiro in 1992 was another watershed in the business response to sustainable development. Despite different definitions of the concept, there was a general acceptance that sustainable development challenges us to understand and act upon ecological, social, economic and political issues in an integrated manner (Aina & Salau, 1992). As a consequence of the World Summit, the World Business Council for Sustainable Development (WBCSD) was established in 2003. WBCSD is an international business network developing links between business, government and non-governmental organizations on sustainable development issues.

The companies are part of the same international networks (WBCSD; UN Global Compact) and strive to be noted in the same "green indexes" (DJSD[5], FTSE4Good[6]). As a result of these

[5] Dow Jones Sustainability Index screens the companies by their social and environmental performance as well as the equivalent unscreened portfolio indexes. www.dowjones.com

[6] FTSE4Good is a set of four tradable indices for the UK, Europe, the United States and the world. The index screens companies against a range of indicators that are focused on the areas of environment, human rights and stakeholder relations. www.ftse4good.com

activities, the companies developed knowledge and business principles in line with the accepted "codes of conduct" of these networks and institutions.

The Global Compact has four processes of engagement: learning, dialogue, partnerships and outreach. The Learning Forum helps participants to share information, derive new insights and develop innovative approaches on the basis of various company experiences. It has a growing information bank, providing examples of how different companies worked to implement the tenprinciples of the Global Compact.[7] Shell and Statoil, but not Hydro, have contributed with cases to the Learning Forum.

In 2000, the Norwegian government initiated a network called KOMpakt. The network is a consultative body assessing human rights and economic interests for Norwegian companies operating abroad, and it has defined corporate social responsibility as the impact and contribution of companies to the environment, society and the general public. A Statoil representative underlined the importance of this network as a learning forum for the whole industry. Similarly, a Shell representative says that they actively use a web- based tool set up by the WBCSD for updating their knowledge. Representatives of Statoil were proud of the fact that in 2002 the company became a member of the Business Leaders Initiative on Human Rights (BLIHR). The aim of the BLIHR is that member companies shall share experiences related to drafts from UN to norms on Human Rights concerning project development and operational management. Statoil represents the energy sector in this organization.

As a temporarily conclusion we may say that the development of modern CSR concepts in Norway partly confirms Hoffmans analysis of corporate environmentalism as an institutional

[7] The tenth principle on the promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery, was accepted at the top meeting on June 24, 2004.

movement. (Hoffmann 1999) However in the oil business in Norway, the governmental regulations have been stronger and ensured that the organizational attention and response to critical events have been followed up by the regulatory management. Still, however, oil and gas companies resist a more formalized regulatory regime towards CSR. An informant from Hydro says:

" Our company is against the regulation of CSR by law. It is impossible to know what factors should be regulated. We should have best practice. The CSR area is not mature yet. We have laws against corruption and that is good. The competence is not good enough to allow regulation by law to be recommended. Regulation by law would have criminalized a lot of companies overnight".

Thus the discussion is about whether CSR is going to be a part of the governmental regulatory regime or continue to be self-managed and only regulated through pressure from civil society. Some of the main critical events that have brought CSR issues onto the agenda in many multinationals inside the oil and gas industry illustrate arguments for both possibilities.

The companies' reactions to critical events

During the 1990s Hydro and Shell experienced critical events that were decisive for the implementation of CSR in many companies. Not only Shell representatives, but also representatives from Hydro and Statoil referred to the Nigerian military government's execution of Ken Saro-Wiwa, a vociferous opponent of oil exploitation in Nigeria in 1995. In addition they emphasize the Brent Spar oil platform issue in 1995. For Hydro the Utkal project in India was critical. Similarly, the Iran corruption scandal seems to have had an impact on the entire Norwegian oil system. To illustrate this we report four mini-cases.

Case A. In 1995, Shell's operating company in the United Kingdom, Shell UK, had decided to dispose of a North Sea oil storage tank, the Brent Spar, in the ocean. The company's decommissioning plan was approved by all the required United Kingdom and European governmental agencies. Greenpeace, however, did not like the plan and wanted to set an example against using the ocean as a disposal place for old equipment. The organization landed a group of activists on the Brent Spar. After several days with intense media coverage, including shots of a water cannon being used to try to dislodge the protesters, the company finally reversed its decision and agreed to explore other strategies. The Brent Spar was towed to Norway and the installation decommissioned at Mekjarvik outside Stavanger, the oil capital of Norway.

Case B. Ken Saro-Wiwa was a well-known writer and opponent of the Nigerian military regime. After several confrontations between the Nigerian police regarding environmental concerns of their Ogani region, the River, Saro-Wiwa and several other Ogani people were arrested for murder. Saro-Wiwa and eight other Oganis were sentenced to death in a trial that violated international standards of due process**.** International organizations called upon Shell to intervene. Shell refused, considering the incident an internal Nigerian affair. Widespread consumer boycotts of Shell in Europe followed Brent Spar and the Saro-Wiwa case in Nigeria. In November 1995, the Shell President Herkströter pleaded for mercy on humanitarian grounds, but to no avail. Saro-Wiwa and eight other Ogani leaders were hung.

Case C. Utkal Alumnia is one of the largest foreign-owned projects in India.[8] At the starting point Hydro entered into a joint venture with a Canadian and Indian company.

[8] The project included in addition bauxite mining, an alumina refinery, the construction of a railway, waste deposits, construction of roads and housing for workers moving in, and a coal power station and harbour facilities in the neighbour state of Andra Pradesh.

According to Hydro, both had lower thresholds concerning CSR than Hydro. After a riot among the local citizens, Hydro's engagement in Utkal was investigated by several NGOs, two of which – the Norwegian Strømme Foundation and Church Aid – addressed the issues both to the Norwegian government and Hydro. Core personnel in Hydro were increasingly concerned about the situation. To open a communication channel with the company, Church Aid bought Hydro B-shares, and at the General Meeting of 2001 representatives from Church Aid asked whether the company had any plans for a general strategy concerning human rights. According to our informant in Church Aid this was a well planned action. The president immediately refused any interference in internal affairs, but nine months later Hydro withdrew from Utkal and started to develop an official strategy on CSR.

Case D. In June 2002 Statoil entered into a contract with the London-based consultancy Horton Investments Ltd. The contract covered general advisory services related to Statoil's commercial interests in Iran. The actual Horton contractee was Mehdi Hashemi, the son of the former Iranian president. An internal Statoil assessment of the Horton contract concluded that it did not comply with the ethical standards of the company, and that the company procurement directives were not catered for as the contract could be deemed not sufficiently transparent. Mr. Heshemi could not be identified in the contract document, and the contract signee was a company located in a tax haven. The top management of Statoil was informed by the internal auditors of these shortcomings, but did not seek to abort the Horton contract prior to the issues breaking into the public domain. As a consequence of these transgressions, the managing director of the International Division of Statoil, the chairman of the board and the CEO were removed – voluntarily or involuntarily – by the autumn of 2003 (Keiserud, 2004). After the Iran scandal, each of consultancy contracts Statoil had were analyzed with new perspectives.

Figure 2 summarizes the above description by applying a line that join up key stakeholders to the critical events. In some cases we suggest that the events are driving the involvement of the stakeholders eg. unions and government driving lisens to operate which sparks Technology Aggreements etc. while in other cases the critical events are independent of each other. This is indicated by switching between a dotted and intact line.

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Insert Figure 2 about here

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Despite institutional inertia, none of the companies could neglect media and NGO pressure. The long-term effects of the events can be seen in the institutionalization and refinement of risk management systems and changes in corporate governance. Each of the three companies developed separate organizational units for CSR, including issue management and country analysis by internal and external country experts. National and international networking were intensified, as also were the systematic development and implementation of "codes of conduct". Informants from Shell reflected over the fact that "*they both were hit by the media storm, and the fact that they had not been able to foresee or predict the events or protests*". They carried out a series of high-level negotiations with a range of NGOs. In Statoil they had early warning signals within their own company in the Iran issue, but the top management suppressed the implications of these.

After a period of damage control, in the reaction phase the critical events of Utkal, Brent Spar and the Nigeria case seem to have speeded up the number of forms of exchange through which CSR ideas and solutions were mediated. These include corporate citizenship initiatives such as UN Global Compact[9], AccountAbility 1000S[10] and the Sullivan Principles[11].

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Insert Table 2 about here

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[9] In an address to the World Economic Forum on 31 January 1999, the United Nation Secretary-General Kofi Annan challenged business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labour and civil society to support nine (now ten) principles in the areas of human rights, labour, the environment, and anti-corruption. www.unglobalcompact.org/

[10] Accountability 1000S (AA1000S) is a standard and integrated management system intended to improve the accountability and overall performance of business firms by enhancing the quality of social and ethical accounting, auditing and reporting. The Institute of Social and Ethical Accountability facilitated the development of the standard. www.AccountAbility.org.uk

[11] The Global Sullivan Principles of Social Responsibility is a "code of conduct" and provides a framework by which socially responsible companies can be aligned. Companies sign up to the principles and then report annually on their progress. www.globalsullivanprinicples.org/

Table 2 shows that the three oil and gas companies are actively supporting and participating in corporate citizenship initiatives. The support is given through membership, written support in “codes of conduct” and management principles, and through participating in meetings and learning forums. The informants in the companies report that the shareholders as stakeholders are increasingly considering the social and environmental performance of companies alongside financial returns, and that there is evidence that social and environmental risk can bring substantial costs. They argue that reputation and value captured by brands increasingly require companies to be transparent in their activities and to demonstrate a commitment to good practice across human rights, labour and environmental issues. Having trustworthiness and being a good company is reported as intertwined with having a good risk management system. On this basis the companies became active members in the Global Compact and other corporate citizenship initiatives where knowledge transfer between companies and branches was a main goal.

A Statoil informant reflected on how the oil and gas companies caused environmental and social injustice and how worldwide attention to these facts was largely a result of campaigning from NGOs on activities that the companies, and often the authorities in the host countries and in the mother country of the company as well, accepted as legitimate. This was the case of the Brent Spar incident where the oil and gas companies for the first time faced sustained organized and international protests. The protests created a communication channel between the NGOs and the companies that earlier had only occasionally been used, and that from the 1990s developed into partnerships between some of the oil and gas companies and NGOs. The Internet was used from the 1990s in risk management as an important tool for mapping issues (issue management), for communication on the issues, and for finding best practice on the issues. However, the Brent Spar incident also encouraged the media to dig

more deeply into the activities of the companies. It also led into the Nigerian case, and these events together intensified the need for international networks and actions in the field of CSR.

The informants were, however, ambiguous with regard to the companies' need for new knowledge to deal with CSR. On the one hand the informants reported that the companies used specialized consultants and consultancy companies like SustainAbility in developing, measuring and reporting CSR. The consultancies were used for writing speeches for top managers, for competence broking country specialists, for developing social performance measurement indicators and for contributing to developing CSR reports. The researchers, however, did not succeed in acquiring figures for the size of this service delivery to the oil and gas companies. On the other hand, the companies emphasized that they had the CSR competence they needed themselves. Several informants reported that they had hired consultancies that had learnt more from the oil and gas companies than the other way round, and that the consultancies now sold their new competence to other companies.

The development of solutions - stakeholder dialogues and partnerships

The companies give high priority to being represented in each of the initiatives they have attended. In each case the hierarchical level at which the company shall be represented is discussed. On some occasions – such as top meetings of the WBCSD – the CEO is expected to attend. The informants emphasize, however, that general principles and issues are discussed at meeting places like the WBCSD and other global network meetings. Specific issues at operational level and company specific actions to implement the principles in the organizations are left to informal talks between the participants or are not discussed across companies at all. Concrete information and sensitive issues are communicated with the stakeholders directly, not with competitive organizations.

Social dialogue. The critical events that Shell and other companies experienced in the 1990s taught the companies that their risk communication had been insufficient and that the traditions for social dialogues should be developed further. Shell, for example, put together a Nigeria panel consisting of operating units and experts from abroad. The company receives external comments from this panel and communicates with locals on risk perceptions and the environmental and social impacts of the activities. For example, US refineries have huge environmental problems with massive protests from the local population. A Shell informant said that they used independent experts and participants from the local community, including representatives from local government and Shell. The panels have an advisory function. Other examples of such panels are the Pandacan health risk assessment panel in Manila, Port Arthur's Community Panel in Durban in South Africa, and Sapriff in South Africa where Shell have had problems with leakages. All these panels deal with primary risks of the oil and gas activities on health, education, poverty and pollution to prevent a more or less pronounced risk for the companies' reputation.

Informants at the Shell international main office in London presented these examples of social dialogue as new work procedures and tools. The informants in Norway, however, reported how hard it was to convince colleagues in both the Netherlands and London that the social dialogue has actually been part of work routines as long as Shell had been established in Norway. This practice was partly due to the Norwegian regulatory regime, but also because Shell recruited personnel with experience in Norwegian traditions of corporate democracy. In Norway the principle of corporate democracy requires the accomplishment of compulsory information, and meetings and negotiations between the parties before final organizational decisions are taken. The trade unions are also represented on the board of the companies. In

the seventies, the Dutch Shell group actually hired the Norwegian social scientist Einar Thorsrud – known from his corporate democracy experiments in Norway and UK – to assist in developing the company. A Shell representative from the London office said: *"The aim of the social dialogue is to understand business cases with a sustainable development lance to decision making"*. Informants in all the three oil and gas companies emphasized the long traditions of the social dialogue in Norway. To some extent this may be understood as an argument in favour of regulative power as an impetus for CSR and not signals from the market encouraging strategig issues or mangament attention (Dutton & Ashford 1993, Ocasio 1997). CSR is therefore a part of the social contract of the host country and the organisations where the relative strength of the institutional set up determine the to what extent CRS is an internalised part of the companies governance structure (Ustad 2003).

An NGO informant commented that the attention induced by the critical events was that the oil and gas companies finally understood that they needed to communicate with stakeholders outside the companies. To Hydro, Statoil and Shell the critical events threatened the companies' identity as a "trustworthy partner" (a Shell statement) and as "We in Statoil" based on openness and trust (Statoil business values) and "a passion for social commerce" (stated in Hydro's business values). The companies needed a more proactive approach to social issues and an important tool in the process of bridging the gap between the companies and its stakeholders is social dialogue.

The companies saw good social dialogue as a competitive advantage. A Shell representative said that among the lessons learnt from the critical events in the 1990s was that "*there are no local issues*". Due to communication technology and national and international NGOs, any local issues have the potential to unexpectedly be given national or international focus. Some

of the corporate citizenship initiatives have taken the oil and gas companies into entirely new areas of activity and have given rise to operational and procedural innovations. For example, Statoil and its major Norwegian trade union have established an agreement on a range of human rights and environmental concerns, defining a common vision and agenda**.** Accordingly Statoil works together with researchers on Russia, researchers on the Middle East, Sera, ECON and local institutions.Building institutional framework encouraging knowledge dissemination is apprehended as an important part of social dialogue.

Social dialogue is used actively as part of risk management in the companies. Statoil illustrates this by the expansion of the upstream activity in the industry from the North Sea to include the Northern areas of the country. This environment is vulnerable due to the spawning season of the cod, and the local community have traditionally been dependent on fishing. Similar aspects have been further highlighted in connection with the opening of the Barent Sea. Consideration for environmental aspects and the Sami people intensified the social dialogue from Statoil and the local government. These efforts, however, did not prevent a pronounced resistance from the environmental movement connected to upstream activity in Northern Norway and the Barent Sea.

In spite of the emphasis that the companies give to social dialogue, NGO informants reported that not all stakeholders are invited by the oil and gas companies to take part in the discussions at the various meeting forums. After substantial protests about a critical incident, the NGOs of two of our informants were not invited to the hearing seminars where the events were discussed.

Dilemmas

Many of the dilemmas of the oil and gas companies still exist. An informant said: *"The basic dilemmas are still there: how to deal with partners, like some of our host governments, that reject our business principles and use our oil revenues as a major source of financial support for undemocratic regimes. We are still in these African countries, and we should not have been there. However, if any company should have an activity there, it may as well be us."*

Informants reported that the companies have finally accepted that legal decisions on licence to operate are not enough to (re)build a good reputation. This knowledge and the increasing "green" consumer awareness among the population and media made it possible for the NGOs to come on "speaking terms" with the oil and gas companies. Critical events created new knowledge in the companies about the impact the multinational corporations have on the environment and on the living conditions of vulnerable groups in many less developed countries in the world. The development of this knowledge was interactive – until the various stakeholders had to accept diverse perspectives on each of the issues at stake. The critical events of the 1990s, encouraged the Global Compact on the convening power of the UN a diverse range of governmental and non-governmental groups to meet and develop practical projects that addressed human rights, labour and environmental issues. In the 1990s the first *partnership* between NGOs and oil and gas companies were negotiated and agreed upon on CSR issues. The NGO representatives said that it seems that the oil and gas companies are competing in showing the world who is the best and who comes first to make an agreement with the leading NGO opponents. The companies confirmed that they turn to NGOs and external networks when they need help to solve an issue and most of the time the initiative lay with the oil and gas companies.

Informants emphasized that the road to partnership had begun through conflicts, as with the relationship between Shell, Bellona[12] and Greenpeace. The conflicts between Greenpeace and Shell constituted one of the main reasons for a series of European-wide "Dialogue Forums" being carried out between the company and a wide range of NGOs and other stakeholders. The informants describe the activity of the NGOs as that of a catalyst for new kinds of cooperation and communication. At the same time the global approach of the NGOs as a communication channel for groups of people in less developed countries was more accepted by the companies.

Both Hydro and Statoil have signed an agreement with Amnesty International Norway to strengthen their future efforts to promote human rights. Hydro and Statoil make a financial contribution to Amnesty, and Amnesty is to provide expertise when the companies step up their in-house training of managers and employees on how to deal with human rights with regard to the companies' business activities in different countries. One goal is to develop training programmes aimed at selected countries and problem areas. In addition, Amnesty will assist the companies in specific cases. Otherwise the parties work completely independently of each other. The Amnesty representative emphasized that the Hydro and Statoil are using the partnership agreements very differently, the first being the most active in their approach to Amnesty. In both cases the full potential of the partnership was not utilized. The Amnesty informant thus reflected over the possibility that the partnership has a legitimizing function for the companies rather than a function related to knowledge development and knowledge diffusion on human rights.

[12] A Norwegian environmental NGO

Statoil and Shell established a partnership agreement with the environmental organization Bellona in 2002**.** The aim was to improve the co-operation between Statoil and Bellona concerning environmental issues. From Bellona's point of view the reason for entering such an agreement was to get closer to the decision systems of the company and thus influence the outcome. In November 2004 the public was informed that Statoil did not intend to prolong the agreement for another period. The company denied that this had anything to do with protest actions from Bellona (particularly on the Erik Raude oil rig) concerning the activities in the Barents Sea in Northern Norway.

DISCUSSION

The first CSR issue developed when new stakeholders were introduced into the oil and gas companies in the process of gaining and maintaining concessions to drill and operate. The key stakeholder in the development of CSR in the oil and gas companies on the Norwegian continental Shelf was the government through its regulatory regime. The governmental regime ensured the creation of organisational fields where corporate social environmentalism and responsibility emerged. In addition, several critical events, such as Brent Spar and the Nigerian issue, revealed the power of external groups, assisted by media, to threaten the legitimacy and value of the oil and gas companies. Social and institutional forces amplified the critical events beyond the control of individuals and organizations. This further triggered the attention by the companies and thus the institutionalization of CSR within the companies. This change came from the middle of the 1990s and manifested itself in the development of reputational risk management where social dialogue and partnerships were important tools. Separate organizational CSR units, social reporting and membership in global CSR networks were also developed. Risk became an organizing concept for the companies' activities. The critical events affected business decisions related to the companies' reputation and profit. Scandals were seen as risks to brand reputation, shareholder value and licence to operate. The

companies therefore also seemed to protect their specific CSR strategy by avoiding discussing it in detail with competitors and by avoiding collaborating or developing a joint strategy in the countries where they operate.

Institutional theory explains change and resistance in the behavioural patterns of organizations. In our investigation, resistance seemed to dominate the early phases of each of the critical events. A similarity between the four mini-cases presented here, the Brent Spar, the Nigerian case, the Utkal case and the Iran corruption case, was that the oil and gas companies defined the relevant stakeholders involved in the events in a too limited manner. The reason was that relatively strength of the NGO's and stakeholders initially was to low. In the Brent Spar case Shell had received approval for the disposal of the oilrig from the United Kingdom and European governmental agencies, but the environmental NGOs were not defined as stakeholders. In the Nigerian case Shell did not regard their own company as a stakeholder in the conflict between the Ogani people and the Nigerian government. In the Utkal case, Hydro and the other partners understood after some time that the local people constituted a stakeholder but were accused of using unacceptable methods to convince these people to accept the compensations offered. Human rights NGOs and aid organizations were not included as stakeholders and they protested. In the Iran case, the warnings from the internal accountancy personnel were ignored, and the decision makers in Statoil did thus not regard the Norwegian court of law that sentenced the company in 2004 and these employees as relevant stakeholders. Brent spar was an environmental issue, the Nigerian case was a human rights issue, the Utkal was a combined environmental and human rights issue, and the Iran case concerned corruption. In spite of these differences in CSR content, the critical events had several other similarities.

Nevertheless, the development of CSR concepts in the Norwegian oil industry are good examples of how new sets legitimate options determined by the groups of actors composing an organisational field (Ocasio 1997). In all cases the NGOs and the media had an active role and used The Internet communication between the involved actors and stakeholders. Knowledge of the issue and the construction of the reality of the different stakeholders were transferred between companies, NGOs and civil society. In all cases the planned results of the decisions taken by the companies were changed. In the Brent Spar case, a new disposal strategy had to be developed; the Nigerian case led to a quite new CSR policy in all oil and gas companies; in the Utkal case Hydro decided to withdraw from the project, and in the Iran corruption scandal the responsible managers were dismissed.

The critical events showed that risk could be connected to diverse functional areas within the companies. The scandals can thus be seen as a catalyst for the emergence of a conception of CSR with a wide scope unifying traditionally separate areas – such as health and safety, insurance and project management – in a single model of CSR. This is also seen in the diverse social networks, partnerships and learning forums the companies participated in. The CSR behaviour is thus socially constructed in the interaction between NGOs, media, business networks and companies, with the activity of the NGOs as drivers. According to Power (2004) the most significant impact of the rise of reputation as a management category has been its role in aligning various CSR agendas with risk management, namely by making a wide variety of social issues which might ordinarily be externalized and forgotten by organizations imaginable as having potentially significant internal impact.

CSR embodies significant ethical values and ideas such as responsibility, sustainability, trustworthiness and transparency. However, being “good” seems to be synonymous with

avoiding threatening protests from campaigning NGOs. Internally in the organizations the main target was to deal with uncertainty and to demonstrate that the company is doing what would reasonably be expected to prevent negative environmental and social impacts. This dealing with uncertainty was organized as a communication process within internal and external networks and in collaboration with NGOs. Contrary to an ethical responsibility, the companies seemed to deal with ethical risks.

Due to the institutional elements mentioned above, the critical events described seemed to take the companies by surprise. Most critical events had early warning signals. This was the case for Utkal and the corruption scandal of Statoil, and also for Brent Spar and Nigeria. Both the Hydro employees working in India and internal accountancies in Statoil reacted at an early stage. Amnesty and Greenpeace also issued early warnings. What can explain this kind of inertia?

One significant explanation is that the traditional risk management techniques revolving around efficiency failed to predict all the critical events. Such situations may cause single-track thinking, for example concerning shareholders' revenue only. In the situations that led up to the different critical events, the top managers may have believed that they were carrying out legal and morally justifiable operations and underestimated the risks connected to the actions. The alternative interpretations available through the warning signals were not strong enough to constrain the behaviour of the responsible persons. Furthermore, low local competence and weak understanding of the cultural and political movements of the host countries may also have enforced the lack of awareness. In the oil and gas industry, the companies had operated for decades in, for example, Nigeria without devastating international protest campaigns against the upstream activities. The early warning signals revealed that the

receiving team in the company did not have the absorptive capacity, experience, technical knowledge or the shared language to implement what the source of the warnings had developed. The knowledge transfer system did not function well enough. The surprise element of the crisis and the conviction that "we are doing the right thing" seem to reduce the importance of new tools within the companies such as ethical helplines or informative written materials. When a Statoil representative said that *"since the responsible persons of the Iran corruption scandal have been removed, we no longer have a problem"*, this may be interpreted as full confidence in Statoil's competence to handle any new situation and that the CSR principles are fully implemented in the organization. The question to be discussed in the companies and a subject for future research is thus how far it is reasonable to rely on written "codes of conduct" and the formal structure's ability to govern and give direction to the employees' behaviour in operations, or if informal norms, procedures and insufficient interpretative competence that are not in accordance with the CSR principles are still widespread or exist in the companies.

When analysing CRS alongside the perspectives of institutional and attention based theories, it underlines both the political and social aspects of the phenomenon. To provide the shareholders with a return on investments a bad reputation should be avoided, and to avoid it the companies have to balance the demands made to financial results with the impact the company has on the environment and the society where it operates. In operative work, contractors and clients negotiate and renegotiate descriptions of tasks and commitments to actions. In the same way as health, environment and safety has been integrated in the decision processes in business in Norway during the last thirty years, goals and mission statements on

CSR are now being implemented. The ambitions are constrained by real world complexities, but they also create new knowledge, expectations and new demands from the public.

Institutional development is a continuing process. Whilst statements of intent may be more or less precise, it is never possible to spell out the nature of the arrangement completely and unambiguously (Hosking & Morley, 1991). However, institutions develop as the situation changes. This may be due to the political context of the companies' home countries or to changes in the international context in which the company operates. More company specific factors may be related to leadership, the financial situation and shareholders' value and organizational structure, particularly routines and practices for organizational learning. Each negotiation may be regarded as a historical narrative to be decomposed in open-ended stages, but during the process knowledge is distributed between people and between organizations.

Conclusion

Many companies today are involved in identifying, developing or disseminating knowledge on CSR. Models of the future on CSR may, however, not be a linear prolongation of the models of today. There may be institutional weaknesses that require reform if our society is to deal with the challenges of sustainable development. There may be unanticipated damage to our personal and collective ecosystems and parallel changes in the public's risk, and therefore what public opinion considers a crisis. Although the informants in this study tell a longer story of how business ethics have been implemented in the companies' "code of conduct" and how the development of national and international regulations on the environment have had a great impact on the role and identities of the companies, major critical events have been decisive for the development of knowledge of CSR.

From new institutional theory we may, however, say that our worlds are well designed when they help us to find efficient strategies, matching our capacities to the demands of the task, and when they help us to see what is happening and why. The CSR concept is developed at the intersection between the public and private sectors and is based on the historical and political experience of the different industries, but it may help us to make a difference and contribute to the common good. Nevertheless it seems clear that CSR emerge in the interceptions between market demands, legitimate influence from the stakeholders and regulative pressure. The latter have to some extent been undercommunicated in the literature. Our cases indicates how institutional set ups where the relative strength are balanced between regulatory authorities and the companies give CSR as a governance mechanisms rather than the free market.

Nevertheless, only a small sample of events and companies has been investigated in this study. This makes it difficult to draw general conclusions. Furthermore we have not been able to fully cover the entire decision processes connected to the events, which implies that relevant explanatory factors concerning the outcomes may have been omitted. Accordingly, future research is needed on how legislation and government regulations affect a broader scale of different companies and how complex organizations manage individual and organizational challenges concerning all aspects of CSR. The latter indicates an intensified focus on different concepts of risk management. Distinguishing between technical, financial and reputational risks and how organizations handle different concept of risks when critical events occur will widen our understanding of how CSR develops and how it may explain organizational behaviour.

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Table 1

Overview of informants in each of the oil and gas companies and NGOs.

Company, NGO	Informants	Position of informants
Hydro	4	Head of CSR; adviser CSR; adviser CSR, Oil and gas division; vice president
Shell Norway	3	Vice president information and communication; adviser, communication; former line manager
Shell International, London	6	CSR adviser; manager, training/organizational learning; scenario adviser; social reporting responsible; development economist; social performance adviser
Shell International, NL	1	CSR responsible
Statoil	4	CSR responsible; senior CSR adviser; internal control adviser; CSR adviser
Confederation of Norwegian Business and Industry	1	Chief adviser, ethics and CSR
Strømme Foundation	1	CEO
Norwegian Church Aid	1	Advocacy Campaigner
Amnesty Norway	1	Manager, partnerships
Red Cross	2	Key account managers
World Wildlife Fund	1	Adviser
Humanistic Academy	1	Chief Adviser
Sustainability, London	1	Consultant
	1	Adviser
Accountancy firms	3	Deloitte & Touche, KPMG, Ernst & Young

Table 2

An overview of the initiatives supported by the three oil and gas companies

	Hydro	Shell	Statoil
Global Compact	x	x	x
AccountAbility 1000			
Explicit support to the ILO Conventions		x	x
ISO14000 Series	x		
The Global Reporting Initiative	x	x	x
The Global Sullivan Principles		x	
Social Accountability 8000	x	x	
BLIHR			x
WBCSD	x	x	x
Kompakt (Norway)	x		x
Transparency International			x

Figure 1
The social construction of CSR

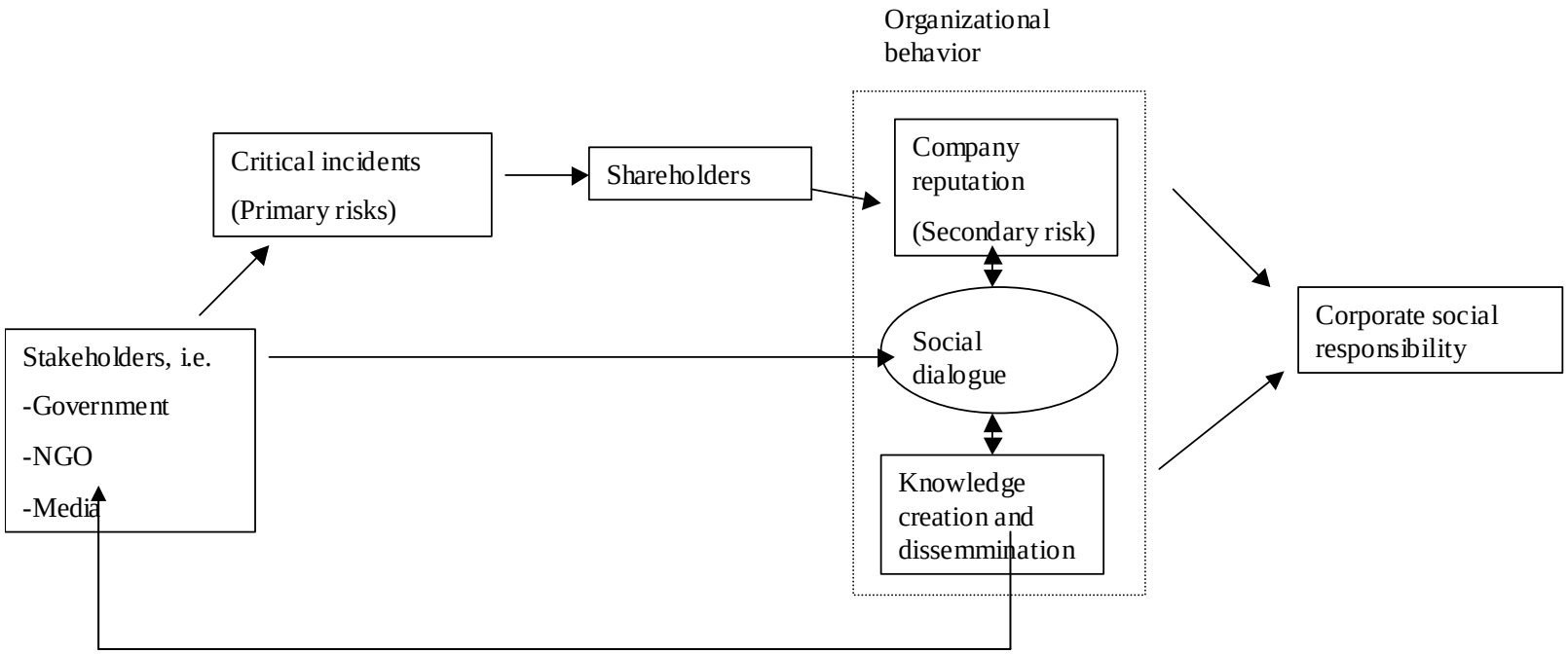


Figure 1

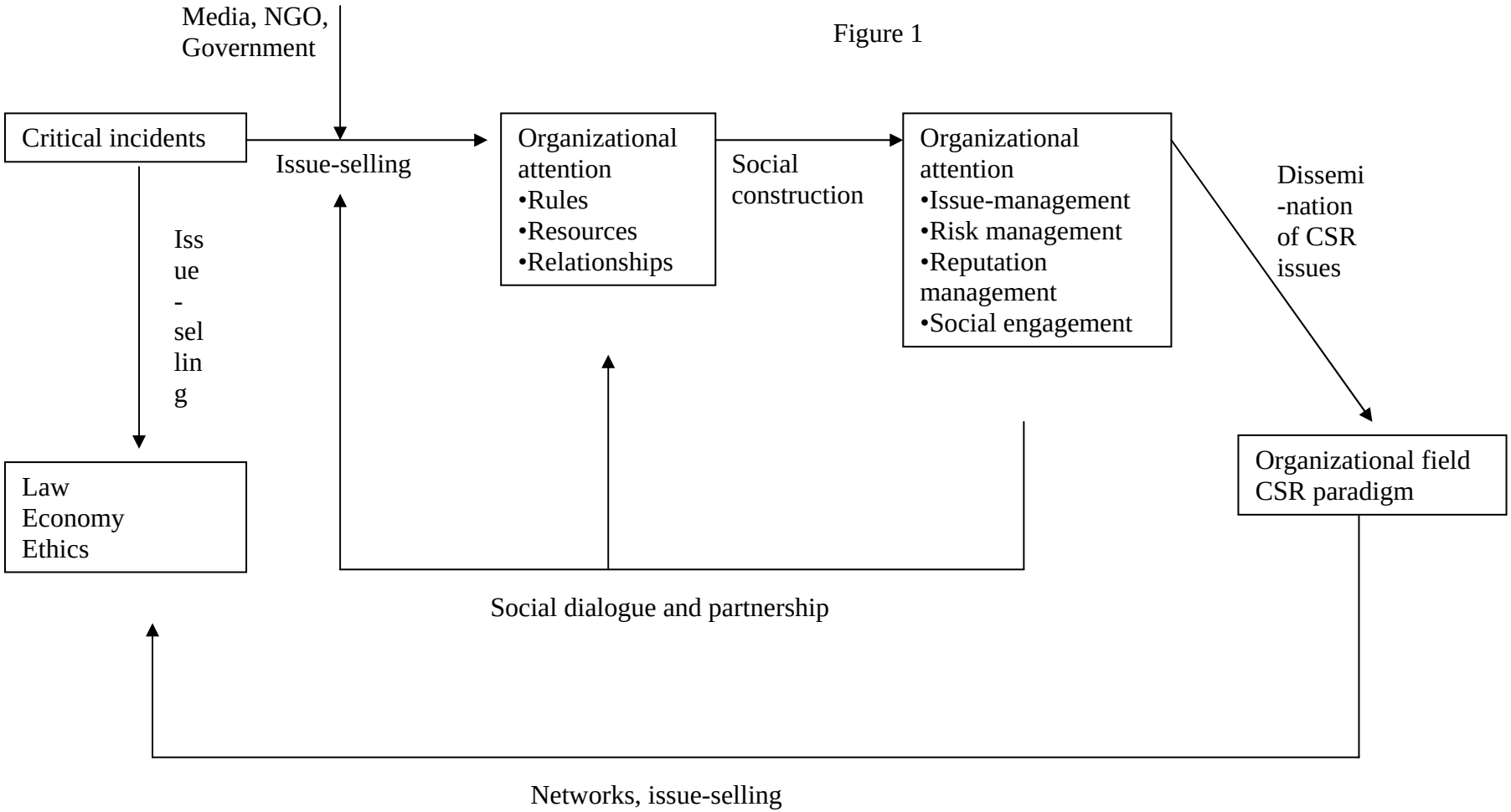
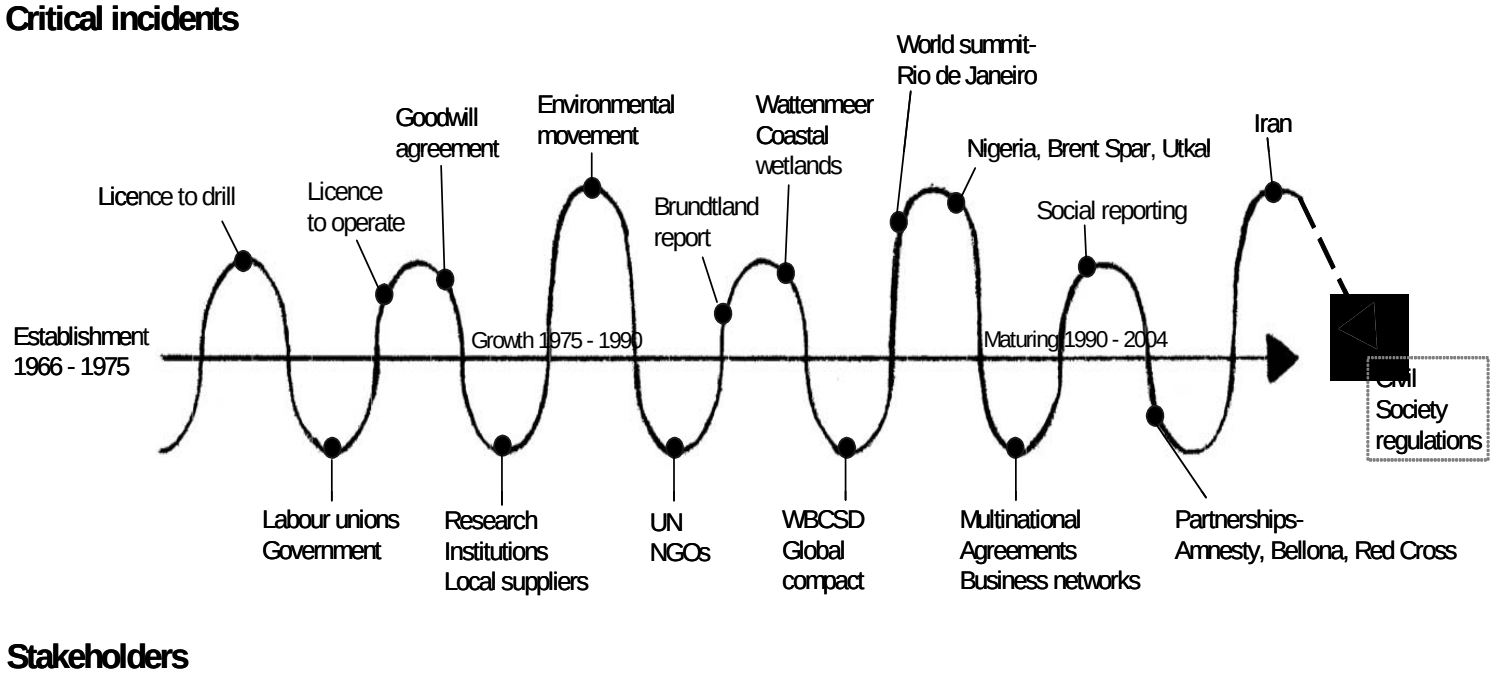

Media, NGO, Government
Critical incidents
Issue-selling
Organizational attention
•Rules
•Resources
•Relationships
Social construction
Organizational attention
•Issue-management
•Risk management
•Reputation management
•Social engagement
Dissemi-nation of CSR issues
Issue-selling
Law
Economy
Ethics
Organizational field
CSR paradigm
Social dialogue and partnership
Networks, issue-selling

Figure 2

Critical events and stakeholder engagement in the development of CSR in three oil and gas companies established on the Norwegian Continental Shelf