Micro-Strategies of Contextualization

Cross-National Transfer of Socially Responsible Investment

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Abstract:
This paper examines how individuals select and mobilize local institutions when they transfer business practices across societies that are construed as dissimilar to one another. We investigate empirically how the American business practice of socially responsible investment (SRI) was transferred to France and Quebec. Our analysis identifies five micro-strategies that were employed to contextualize SRI, namely filtering, rerouting, stowing, defusing, and coupling. This repertoire of micro-strategies extends previous research on contextualization, translation, and institutional transfers and links them to one another. They may also help explain why some transfers succeed while others fail.

Key words: Contextualization; transfer; translation; institutional theory; socially responsible investment

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INTRODUCTION

How do business practices become contextualized when they are transferred from one society to another? Decades of research on the cross-national transfer of business practices demonstrate that practices change during the transfer process. They may keep their original label, but the actual practices change when they are implemented in other institutional contexts (Djelic 1998). Institutionalized patterns in the host society apparently play a determinant role in this change process. Yet, even if institutions in the host society are well known at the time of transfer, it is not yet possible to predict whether a transfer will succeed, nor how a business practice will change once it is transferred. These shortcomings persist because of gaps in our understanding of the transfer process.

Different lines of inquiry have investigated transfer processes and come to alternative conclusions. Propositions span from structural determinism to accounts that emphasize human agency. Although the accounts differ significantly, there is broad consensus that business practices are combined with elements in the host society during a transfer. We refer to this process as contextualization. Contextualization occurs when business practices are entangled with elements from a new context, which give them new shape and meaning, and ultimately provide them with their context (Latour 1996a: 133). Contextualization is required to fit transferred business practices to the institutional order in the host society (Casper & Hancké 1999; Hall & Soskice, 2001; Jacoby 2000; Streeck 1996). Empirical research on contextualization, translation, and institutional transfers provide some insights into how this fit is accomplished, but further research is needed on the role of agency in this process, particularly research that is conducted in real time and involves direct observations (Zilber 2006).

The present empirical study relies on both retrospective and real-time data to illuminate contextualization. Our object of analysis is the transfer of *Socially Responsible Investment* (SRI). SRI refers to the act of investing in companies whose business practices are deemed to be socially responsible. This practice, which has a fairly long history in United States (d'Antonio et al. 1998), has been transferred to other societies in recent years. We investigate two transfers of SRI to France and Quebec. The analysis reveals interesting commonalities in how individuals selected and mobilized local institutions when they contextualized SRI to two different host societies. These commonalities are captured in a repertoire of five micro-strategies that individuals drew upon to contextualize the transferred practice. These micro-strategies are: (1) Filtering, (2) Rerouting, (3) Stowing, (4) Defusing, and (5) Coupling. We define each micro-strategy and analyze its role in each case. The analysis brings together insight from disparate research traditions to propose an account of how individuals engage creatively with institutional structures in the transfer process.

The paper starts with a review of some important features in the literature on cross-national transfers. It proceeds with a presentation of the methodology and the rationale for our research design. It subsequently presents the five micro-strategies that we identified and illustrates how they were used to contextualize SRI in France and Quebec. The discussion section relates our findings to previous research on contextualization, translation, and institutional transfer, showing how they extend all three literatures. The conclusion proposes an integrated account of contextualization and points out directions for future research and improved managerial practice.

PREVIOUS RESEARCH

Transfers across societies

Previous studies of cross-national transfers emphasize the role of structural factors in the transfer process (Casper & Hancké 1999; Djelic 1998; Hall & Soskice 2001; Jacoby 2000; Streeck 1996). They show how institutional structures at the societal level of analysis shape the transferred business practice into one that is compatible with institutions in the host society. An important line of inquiry within this tradition is that of Varieties of Capitalism or Business Systems Theory (Whitley 1998, 1999). This tradition emphasizes the type of capitalism that governs the production regime in a nation. Using a comparative approach to production regimes, researchers demonstrate that transferred business practices take shape after the production regime in the host society (Casper & Hancké 1999; Djelic 1998).

Institutionalist research shows that transfers proceed most easily between similar societies. Societies may be similar because they adhere to the same variety of capitalism (Hall & Soskice 2001) or because they construe themselves as symbolically similar (Strang & Meyer 1994). For example, two nation states may perceive themselves to be similar, even though their production regimes differ, due to a shared structural position on the global market.

Transfers are apparently more difficult between societies that perceive themselves to be dissimilar. Some studies find that it is almost impossible to transfer business practices across very different social settings (Westney 1987; Guillen 1994; Orru et al. 1997). The foreign practice may simply not make sense to members of the host society (Biggart & Guillen 1999: 726). It risks being considered immoral or irrational as a consequence (Biggart & Beamish 2003: 448). In contrast, other empirical studies find evidence of business practices that have been successfully transferred to even very dissimilar societies (Casper & Hancké 1999; Djelic 1998; Djelic & Quack, 2003; Lippi 2000). These studies attribute success to the fact that the business practices were fitted well to institutions in the host society, meaning that they highlight the importance of contextualization.

Transfers as Contextualization

Another line of inquiry emphasizes symbolic and ideational dimensions of transfers (e.g., Brannen 2004; Czarniawska & Joerges 1996). This approach is predominant in the literature on New Institutional Theory and Actor-Network Theory. Studies of contextualization seek to identify how symbolic elements shape the meaning of transferred business practices, providing them with a new context. Individuals evoke symbolic elements like beliefs, norms, values, language and artifacts in this process of contextualization.

Contextualization is sometimes initiated by individuals outside the state structure who sponsor or pull in a foreign practice because they see unexpected opportunities that suit their own material or moral ends (Jacoby 2000: 20-21). They rely on individual perceptions and strategies to do so (Creed et al. 2002; Frenkel 2005; Zilber 2006: 300). The literature on transfers has identified two main strategies of contextualization. One strategy is to remove undesirable elements from an original practice to increase its appeal in a specific host society (Westney 1987) or to give it general appeal in societies that may adopt it (Sahlin-Anderson 1996). Another strategy is to add local elements to the transferred practice to make it more meaningful and acceptable in the host society (Boxenbaum 2006; Campbell 2004; Casper & Hancké 1999; Lippi 2000).

These two strategies shed some light on contextualization and offer a valuable foundation for analyzing the role of institutions in the transfer process. However, they give an insufficient account of the strategies that individuals employ to successfully transfer a business practice across dissimilar societies. For instance, why do individuals choose to combine a transferred practice with one local practice rather than another? There are always several practices available for combination, hence several ways to contextualize a foreign practice. We need a finer resolution to explain the particular shape that a business practice takes during a transfer. This insight may explain why some transfers between dissimilar societies succeed while others fail. It may also enable managers to transfer practices more effectively across dissimilar societies.

We propose to investigate this gap in the literature through an empirical study of contextualization, conducted at the micro-level of analysis. Our aim is to obtain detailed insight into the process of contextualization, and, by doing so, to capture the role of individuals in the contextualization process. The empirical study explores the range of strategies that individuals deploy to contextualize a business practice that has been transferred from a dissimilar society. Since more contextualization is required of individuals when they transfer practices across dissimilar societies, more insight can potentially be gained from studying transfers between dissimilar societies. Our study is thus designed to addresses an important limitation in previous research on cross-national transfers.

METHODS

The object of transfer

The object of transfer is that of Socially Responsible Investment (SRI). SRI represents a contemporary case of transfer, which permits data collection on individual perceptions and strategies while they are still fresh in the minds of informants. SRI refers to "a set of approaches which include social or ethical goals or constraints as well as more conventional criteria in decisions over whether to acquire, hold or dispose of a particular investment" (Cowton 1999: 60; d'Antonio et al. 1998). As a practice, SRI refers to the assessment that financial investors make on the social responsibility of corporations. This assessment relies on data made available by firms, which are interpreted in light of certain principles, norms and conventions that are related to SRI.

The roots of SRI stretch back to the 17th century when the Quaker community in United States opposed investment in activities that contradicted their values, such as war-related activities or slavery (d'Antonio et al. 1998; Louche 2004). The SRI movement was revitalized in the United States in the 1970s and 1980s in response to the Vietnam War and Apartheid in South Africa (Giamporcaro 2004). From 1984 to 1988, investments in SRI products in the United States increased from USD 40 to 400 billion (Social Investment Forum 2003, 2005). They have continued to increase during the 1990s and now represent more than 10 percent of all investments. In 2002, American SRI assets amounted to about USD 2 trillion, approximately two-thirds of SRI assets worldwide (Committee of Public Finance 2002).

The practice of SRI has spread across the western world in recent years. SRI terminology first appeared in New York Times in the late 1980s. About a decade later, it appeared in newspapers in France and Quebec (see Figure 1). This pattern indicates a transfer of SRI from United States to France and Quebec.

INSERT FIGURE 1 ABOUT HERE

France had seven SRI funds in 1997; this number grew to 42 in 2001 and to 118 in 2004 (Muet et al. 2002; Novethic 2004). From 1997 to 2004, total SRI assets grew from 0.2 billion euros to 3 billion euros, despite a general stagnation in the French investment market in this period (Novethic 2003, 2004). SRI represents approximately 1.5 percent of all French investments today.

In comparison, Canada had more than 30 ethical investment funds in 2002 (Committee of Public Finance 2002). The Canadian SRI market is growing twice as fast as the mutual fund market as a whole and Canadian SRI assets amounted to approximately CAD 50 billion in 2002 (ibid) and CAD 65 billion in 2004 (Association Investissement Responsible 2005). Quebec is just beginning to establish a formal SRI market. However, Quebec has a long history of making socially responsible investment in its own economic development under different labels, such as ‘social economy’ (Neamtam 2005). Different terminology may blur the picture somewhat on the prevalence of SRI in different societies.

Selection of host societies

The host societies, France and Quebec, represent two cases of transfer between dissimilar societies. The institutional structures of France and Quebec differ from the institutional structure of United States. In terms of production regime, France represents a state-centered variety of capitalism that differs from the liberal market economy of the United States (Schmidt 2003). Quebec has developed its own economic model, locally known as the ‘Quebec model’ (Lévesque 2004). This model assigns an important role to civil society, local entrepreneurs, and labour unions in the production regime, which reflects the features of a coordinated market economy (Hall & Soskice 2001). The Quebec model was developed in the 1960s as a tool for gaining institutional autonomy within Canada. It still carries strong symbolic value as an economic model that differs fundamentally from the liberal market economy of the United States and federal Canada. In terms of ideas and symbols, France and Quebec also construe themselves as dissimilar to the United States, sometimes in direct opposition to American norms, beliefs, and values.

Case selection

Our research design relies on theory-building from multiple case studies (Eisenhardt 1989; Yin, 2003). Two cases were selected for in-depth analysis, one in each host society. They are cases of small entrepreneurial companies that transferred SRI and developed an SRI assessment tool that fit their own society. The French case is ARESE, a small entrepreneurial company that was created in 1997 to measure the corporate social performance of companies that were quoted on the stock market. The mission of ARESE was to provide structured, quantified information to SRI fund managers to help them select the most ethical or responsible companies for their investment portfolio (Igalens & Gond 2005). ARESE was the first formal initiative to quantify and legitimize the notion of corporate social responsibility within the French financial community (Déjean 2004; Déjean et al. 2004; Giamporcaro 2004).

The Quebec case is that of *Fonds d'Investissement Responsable* (FIR), a socially responsible investment fund that was created in 2003. FIR's mission was to evaluate the financial, social and environmental sustainability of small and medium sized enterprises (SMEs) in Quebec and make investments in the most promising ones, using risk capital. Half of the capital was provided by two labour pension funds in Quebec. The other half came from public funds for environmental protection that was transferred from a non-governmental organization. FIR sought to develop an SRI assessment tool that would foster sustainable development of the Quebec economy.

Both transfers are examples of a successful transfer of SRI to the respective societies, one of the first successful attempts, in fact. The two transfers unfolded independently and several years apart. SRI was transferred to France in the late 1990s and to Quebec around 2002. Both cases capture the whole process of transfer from the United States to the respective host society. In fact, the American context played an important role in both transfers. The founder of ARESE had spent a long time in the United States prior to this initiative, while the founder of FIR deliberately downplayed the American roots of SRI.

Data sources

Interview data is one of the best ways to gain access to individual perceptions and strategies. Interviews are particularly useful if conducted close to the time of the transfer while interviewees still recall the details of the process. We first identified key individuals involved in the two transfers. They included internal members of the firms, e.g., the CEO, financial analysts, and board members. They also included external constituents such as sustainable development managers of evaluated companies, socially responsible fund managers, and managers of partnering organizations. The interviews inquired about their perceptions of the transfer and their strategies for overcoming obstacles. In total, we conducted 24 semi-structured, retrospective interviews in the ARESE case and 11 semi-structured, in-situ interviews in the FIR case.

Retrospective interviews are useful because they capture the full process of a transfer from beginning to end. However, people easily forget what happened a few years back and give vague or incomplete accounts of their strategies (Barley, 1986). In addition, interviewees may distort the picture in light of the known outcomes. They may inflate their intentionality more or less deliberately to present themselves in a positive light. Real-time interviews control for these two weaknesses. Details are more vivid when people are still engaged in the transfer process. They are also less inclined to inflate intentionality when the outcome of their efforts is not yet known. However, real-time interviews may omit politically sensitive details that can better be revealed in retrospect. Hence, real-time interviews compensate for potential weaknesses in retrospective interviews, and vice-versa.

In our study, the real-time interviews were conducted at a politically precarious time for FIR. To minimize the likelihood that interviewees would withhold relevant information, we protected the anonymity of informants and organizations by using proxy names. In the French case, we conducted the interviews after ARESE merged with VIGEO in 2002, which made it easier for interviewees to express themselves freely. We also verified the factuality of all interview data by comparing it to other data sources. For this purpose, we collected 182 newspaper articles that cited ARESE, observed group meetings of FIR, and consulted company reports for both companies. These measures enhanced the data quality and the internal validity of the study.

Data analysis

The interviews revealed that some individuals were more actively involved in the transfers than others. Some individuals gave detailed accounts of their perceptions and strategies while others were more general in their account. We identified the CEO as a key actor in both transfers and selected the two CEO interviews for in-depth analysis. We first reconstructed the transfer process, using a stage model of translation. This model, developed by Czarniawska and Joerges (1996), comprises three consecutive steps: selection, objectification and materialization. *Selection* occurs when individuals choose an idea that seems promising for alleviating an organizational problem. "Organizational actors, like a collective ant-eater, catch many, spit out most, and savor some [ideas], presumably on the grounds of relevance to some organizational problem" (1996: 25). *Objectification* consists in assigning a label to a selected idea so that it may be understood collectively. "The simplest way of objectifying ideas is turning them into linguistic artifacts by a repetitive use in an unchanged form" (1996: 32). Ideas crystallize somewhat when they acquire a fixed terminology. *Materialization* is the act of turning objectified ideas into quasi-objects. A SRI assessment tool is a quasi-object because it transforms an idea into practice. Materialization is "this magic moment when words become deeds" (1996: 41). We used this model as an analytical framework to recreate the two transfer processes. It generated two detailed narratives of contextualization. Table 1 summarizes key elements at each stage of the two narratives.

INSERT TABLE 1 ABOUT HERE

We subsequently coded the two narratives of contextualization to identify strategies that were employed at each stage of the process. Using open coding, we grouped the strategies into five groups and assigned a descriptive label to each one. Each label represents one micro-strategy. Collectively, the five micro-strategies constitute a repertoire of micro-strategies that the individuals used to contextualize the transferred practice. We controlled for post-rationalized categories by verifying that each micro-strategy appeared in the real-time data. We also controlled for missing categories by coding the remaining interviews. No micro-strategy was added or eliminated as a consequence of these two procedures.

RESULTS: FIVE MICRO-STRATEGIES OF CONTEXTUALIZATION

Our analysis revealed that individuals employed the same micro-strategies to contextualize SRI even if their individual perceptions and institutional contexts were different. The contextualized SRI practice took different form in the two host societies, but the micro-strategies of contextualization were the same. We identified five micro-strategies, namely (1) Filtering, (2) Rerouting, (3) Stowing, (4) Defusing and (5) Coupling. We define each micro-strategy below and illustrate how it was employed in each transfer. Table 2 summarizes our research findings.

INSERT TABLE 2 ABOUT HERE

Filtering

Filtering occurs when individuals eliminate or downplay features of the original practice that may block its entry into the host society. These features may be specific practices, beliefs or values that carry negative connotations in the host society. Filtering serves to eliminate features that may block the transfer, alternatively replace them with a softer notion. It disentangles elements that the host society may perceive as illegitimate.

In its original form, SRI advocates synergy between profit-making and social gains. This synergy did not resonate in Quebec where the two elements were historically construed as being in opposition to one another. Until the 1960s, the francophone population of Quebec was primarily employed as unskilled workers in factories that were owned and managed by the Anglophone community. While Anglophones profited from these factories, the Francophone community expressed feelings of oppression and exploitation in this production regime. They developed negative sentiments towards liberal market economies, which they associated with profit, capitalism, large factories, management, power, and money. In fact, the United States is a liberal market economy that assigns much value to profit making and gives prominence to this element in business practices. The strong emphasis on profit making in SRI met resistance in the coordinated market economy of Quebec, where it was easily associated with exploitation of workers and lack of democracy.

Although the negative sentiments toward liberal market economies have diminished somewhat over the past decades in response to growing institutional autonomy in Quebec, the Francophone community still harbours negative feelings towards money, power, and profit:

> "The reality of this country [Quebec] is that no Francophones had power. Nor money, for that matter. There were priests, notaries, doctors and liberal professions who did, but the rest of us did not touch money. They were dirty. They served to exploit others. I felt that way myself when I was 10 years old and wanted to be a communist. Now, at 35, I tell myself, I want to take charge of money myself." (CEO of FIR)

The CEO engaged in filtering to minimize the prominence of profit making in the SRI concept. She downplayed the American origin of SRI, presenting it instead as a global business practice associated with the World Summit on Sustainable Development in

Johannesburg. In addition, she always made mention of social gains in relation to profits and sometimes replaced the notion of synergy with the idea that profits lead to social gains:

> "When this project starts to make money, the part of that money that belongs to the environmental organization will be reinvested in environmental groups and educational projects. The money we generate will sustain the survival of the environmental organization." (CEO of FIR)

This subordination of profit making to social goals fitted better with the dominant ideology in Quebec. It made SRI more legitimate and desirable in this society.

The organizational development in the French case also relied extensively on filtering to develop an evaluation tool for the purpose of socially responsible investment. The CEO of ARESE faced the French financial market where mainstreams investors perceived moral and religious claims related to SRI with some suspicion. Prior to the formal creation of ARESE, she had travelled to the United States and other European countries to deepen her knowledge of SRI. She identified some dimensions of the American SRI practice that she perceived to be potentially exportable, others that she deemed culturally incongruent with French society. As she stated:

> "I realized that the model was extremely militant... and really difficult to export. The model of [*socially responsible*] investment was marked by values directly inherited from puritanism or civil rights engagement. So, it was something really embedded in the American and Anglo-Saxon culture. On the religious side, it was the Quakers, on the civil side, it was related to the problem of minority discrimination and inspired by Luther King, on the consumer side, it was Ralph Nader. The three leverages were a racial leverage, consumerist leverage and a religious leverage… With these approaches, the evaluation method was not of importance, and this value-based legacy was really not exportable. On the contrary, the financial leverage of pension funds appeared very credible to me." (CEO of ARESE)

When preparing the business plan of ARESE, she and her team carefully removed the overtly moral and religious elements in the American SRI construct, highlighting instead the technical dimensions of corporate evaluation. They constructed a quantitative methodology that was susceptible to pass as morally neutral in French society, an emphasis that resonated well with

French investors and facilitated their acceptance of SRI (see Déjean et al. 2004 and Gond & Leca 2005).

Rerouting

Rerouting assigns new purpose to a foreign business practice. It changes the meaning and/or the function of a business practice to make it desirable in the host society. Individuals may recast a business practice to make it reflect local values and beliefs, creating links between that practice and well established myths in the host society (see Brannen 2004; Zilber 2006). Alternatively, individuals present the foreign business practice as a solution to a recognized problem in the host society. Both instances of rerouting assign a new *raison-d'être* to the original business practice.

In the French case, the more striking instance of rerouting is the choice that ARESE made to shift the methodology from negative screening to positive screening. Negative screening consists in identifying firms that make money in industries that are considered immoral, e.g. alcohol and tobacco, and in encouraging investors to exclude these firms from their portfolio (Giamporcaro 2004). Positive screening consists in identifying firms that perform best on a set of social and environmental criteria in any given industrial sector and in encouraging investors to include these firms in their portfolio. Negative screening is still dominant in the United States (see SIF 2005: 8), reflecting the religious and political elements of SRI that are also conveyed in social movements that aim to change corporate behavior and consequently society (see Schepers & Sethi 2003; Vogel 1978).

When ARESE replaced negative screening with positive screening, it radically transformed the meaning of SRI from a moral device to a managerial tool. SRI became a tool for assessing extra-financial corporate performance in order to increase longterm financial performance. As an ARESE analyst reported:

> “She [the Founder/CEO of ARESE] always told us: ‘we cannot sell that [SRI] in the name of ethics, we have to sell it as a financial product. This is a tool that will be put to use. Our goal is to inform investors, not to convey ideological or moral convictions’” (ARESE, Analyst B)

The previous employer of the founder/ CEO of ARESE was a native of the United States and had been engaged in SRI consultancy in California since the 1980s. He confirmed this radical transformation of SRI. Sceptical that positive screening could contribute much to the promotion of social change, he expressed his divergent viewpoint and the importance of national context in the following words:

> “We had some arguments with [the future founder/CEO of ARESE] about the technical aspects, the methodology and even the general logic [of social evaluation] ….The problem comes from a very different view of what ‘social’ means in North America and in continental Europe, and also from the total absence of a logic of affirmative action in France” (Consultant A, former employer of the CEO of ARESE)

By rerouting SRI from negative screening to positive screening, the entrepreneurs made the practice fit better with the institutional context of France.

Rerouting also enabled the Quebec transfer of SRI. To emphasize the feature of social gains, the CEO selected a social purpose that already carried much value in Quebec society. SRI would be another piece of evidence that the economy can be organized in a way that is more humane than a liberal market economy. This rationale reflected the ‘Quebec model’ and decades of efforts to gain institutional autonomy and independence from Canada. The CEO saw in sustainable development an opportunity to demonstrate the viability of an alternative production regime: “I want to make sure that the firms we finance represent a model of sustainable development at all levels, as much social as environmental and economic.” This rerouting connected SRI to dominant values, beliefs and practices in Quebec.

Stowing

Stowing consists in aligning the foreign business practice with a social movement or a current trend in the host society. Social movements and new trends carry positive energy that benefits practices associated with them. Stowing occurs when individuals align a foreign business practice with a social movement or a current trend to use its mobilizing force to facilitate the transfer. It is metaphorically similar to stowing tree trunks down a river (Cochoy, 1999). Stowing facilitates acceptance of a transfer and infuses it with energy and meaning.

Stowing was employed already at the launch of ARESE in 1995. The founder/CEO aligned SRI with the financial market liberalization that was taking place in France at the time, benefitting from the energy of a pending reform. She organized a business trip for financial executives from two French banks associated with the public sector: the *Caisses de Dépôts et Consignation (CDC)* et the *Caisses d'Epargne (CE).* The purpose of the trip was to introduce the financial executives to innovative ideas and techniques in the American financial market. The founder/ CEO dedicated the last day entirely to SRI, and executives responded with enthusiasm. They perceived the notion of SRI as an opportunity to reconcile social concerns (social welfare in a public service ideology) with institutional investment (new commercial products and profitable markets), two dimensions that had proven difficult to reconcile in the liberalization of the French financial markets (Schmidt 2003).

Two managers who attended the business trip played a central role in stowing. They financially supported the development of ARESE and the transfer of SRI to France. The two financial institutions also showed interest in developing the emerging market of employee savings in light of the pending reform of French pension funds. Newspaper reports from the late 1990's made explicit links between SRI and the reform. In a newspaper article, published in *Le Monde,* SRI professionals expressed that they "feel ready to provide an answer to the demand for socially responsible pension funds [if they are created]" (Le Monde 1998). By means of stowing, the ARESE project was connected to strong institutional forces for social change in French society, which greatly facilitated the transfer.

Stowing also facilitated the transfer of SRI to Quebec. FIR was launched shortly after the World Summit on Sustainable Development, held in Johannesburg in August 2002. The World Summit carried momentum as a social movement for environmental protection and was drawing political attention around the world. The CEO, who attended the meeting in Johannesburg, saw an opportunity for stowing in this movement. She adopted the Life Cycle Approach, a tool for calculating the pollution that a product generates during its life cycle. Although she was already familiar with this approach beforehand, she adopted it after the Johannesburg meeting for two reasons. One reason was its functionality for the purpose at hand:

> "I first heard about the Life Cycle Approach two years ago, but I did not explore it that much. Now I am facing a real problem because sustainable development is really huge. People tell me 'it can mean anything', so I asked myself which tool I can use to avoid that. I want to be able to explain why we say yes, why we say no. And the Life Cycle Approach is rigorous. It is a model and when you apply it, you definitely do sustainable development. You prevent problems." (CEO of FIR)

Another reason was that it was gaining momentum as a new standard: "The Life Cycle Approach did not exist at Rio. It started at Johannesburg. And it is great because it is now a movement and it is clear that it will become a standard." She benefited from this movement of standardization and the World Summit to facilitate the transfer of SRI to Quebec.

Defusing

Defusing is a response to a pending threat in the host society. Individuals engage in defusing when they transfer a practice to protect against a widely accepted threat, whether real or perceived. If a business practice has proved successful elsewhere, then it raises hope that it can alleviate problems in the host society. Once the business practice is perceived as useful, it becomes valuable and attractive, which facilitates its transfer.

In Quebec, the rise of multinational companies on the global market represented a threat to the local economy. Liberal market economies were perceived as a destructive force, probably because of the historical experience with Anglophone oppression. The common response in Quebec was to resist liberal market economies and practices associated with them. SRI originated in a liberal market economy and was therefore a practice that should be resisted, an expectation that did not escape the CEO:

> "I'm scared that people will say that I'm corrupt because I'm not choosing resistance. When I presented the project to the board of the environmental organization that I was in charge of, one of the board members said that he was not in favour of it. I asked why, and he answered that, 'well, okay, because you buy into the establishment'. He had strong principles on this. He is anti-globalization, anti, anti, anti." (CEO of FIR)

This citation shows that SRI was associated with the threat of liberal market economies.

The CEO responded to this situation with defusing. She associated SRI with sustainable development and the World Summit in Johannesburg, distancing it from the United States and other liberal market economies. She then reformulated SRI so that it mirrored the strategy adopted during the Quiet Revolution, namely as a tool to restore social order and economic autonomy: "Abuse, lies and exploitation of children make me really angry. I want to restore justice, I want to change the power balance". She defused the threat of liberal market economies when she framed the adoption of SRI as an act of 'empowering people for a common social cause'. This strategy increased the desirability of SRI and facilitated the transfer to Quebec.

The team that launched ARESE in the mid-1990 perceived threats to the development of SRI in France. All the interviewed analysts who were employed at ARESE in its early stage of development agreed that there was much uncertainty around SRI in France in 1997 and 1998. In fact, a market study conducted by the founder/CEO prior to the launch of ARESE concluded that the French market was not yet ready for SRI. Among other factors, the relatively small stock market in France was perceived as a threat to SRI because it was unattractive for investors to pay for social and environmental information on only 40 or 120 firms, which was the size of the two main French financial indexes (respectively called 'CAC

40’ and ‘SBF 120’). Few customers were expected to be interested in such a small asset management market.

ARESE procured funding and developed a business model in spite of these threats. Firstly, the small number of firms allowed ARESE to use a more elaborate methodology and to spend more time obtaining in-depth information about French firms. After three years, ARESE analysts had developed relationships with key managers from virtually all of the CAC 40 corporations, which allowed them to conduct long interviews and to obtain high quality information about the firms’ social and environmental policies and programs. This information constituted a key advantage on the SRI market since foreign competitors often obtained only very little material or a 20 minutes phone interview. Secondly, the small market size pushed ARESE toward the search for a methodology that used extra-financial performance as leverage for financial performance. This orientation was interesting to many mainstream investors beyond the small segment of religious or morally oriented investors. It gave ARESE a competitive advantage. Thirdly, while many evaluation agencies or SRI products were investor driven, the weak interest that the French financial market initially showed for SRI gave ARESE more autonomy to make its own methodology and avoided dependency on client needs:

> “The customers never helped us and, paradoxically, that was one of our main strengths. In other countries, customers were asking for specific studies, saying: “I want that, and I will pay only for that”. In France, we proposed something and the customer had to adopt to it.” (ARESE, Analyst B)

These three examples illustrate how the ARESE team progressively turned the two initial threats into advantages during the transfer process.

Coupling

Coupling is the act of combination. Individuals engage in coupling when they combine a foreign business practice with a widely accepted element in the host society. The purpose of doing so is to make the foreign business practice more useful or legitimate in this context. Much like hybridization (Zeitlin & Herrigel 2000) and bricolage (Campbell 2004), coupling consists in attaching another element to the foreign business practice. This element can be a local practice, a piece of a belief system, or a concept with high symbolic value. It could also be a person or an organization that confers legitimacy or value upon the foreign business practice.

The French case provides many instances of coupling. The foreign SRI practice was combined with elements that were familiar to French managers, which helped solve technical problems and also provided legitimacy to the practice. Elements such as the *European Framework for Quality Management (EFQM),* the well-established principles from *Total Quality Management (TQM*), and a very basic description of firms' stakeholders were indeed used to construct the methodological tool for corporate social evaluation. Moreover, the decision to name ARESE a 'social rating organization' also contributed to adapting SRI to the new context. The notion of *rating* captures the standard logic of financial markets. Outside France, providers of extra-financial information used more fuzzy labels such as 'research offices' and 'social information provider'. The term 'social rating organization' is clearly aligned with the financial domain and facilitated communication with investors. The combination of SRI with TQM and financial concepts also facilitated acceptance in the evaluated firms, especially by managers trained in Total Quality Management. Some of them decided to use ARESE's questionnaires to design their own internal CSR policy:

> "Personally, I found the ARESE referential [SRI evaluation tool] to be well designed. As the underlying framework of that approach was satisficing, we decided to use it! You can consider social rating to be an external constraint and adopt a compliance attitude by simply providing the requested information. Well, we decided to adopt a positive attitude and use rating as a managerial exercise.… So, we use the ARESE referential as an internal management tool." (Director of quality management, bank of the CAC 40)

In the case of FIR, coupling was used extensively to legitimize the transfer of SRI. One way that this occurred was through the creation of strategic alliances with key individuals and organizations. At the preliminary stages, the CEO contacted a number of stakeholders that could either facilitate the transfer by associating with the project or block the transfer by distancing themselves from it. Her strategy to mobilize alliances was to identify elements that had importance to each stakeholder and combine them with SRI. This process of coupling generated an SRI practice with support from many key stakeholders. The elements of SMEs and environmentally preventive technologies were added in this way. Through coupling, the CEO overcame the pockets of resistance in Quebec society (see section on filtering). She selected board members that represented powerful stakeholders, which legitimized the transfer and prevented the formation of a coalition against it. For instance:

> "We made an agreement with the Responsible Investment Network of Quebec and all the community organizations in Quebec to develop a common approach to sustainable development. The government officials who were most reluctant to support the project saw immediately that we were reinforcing an organization that they wanted to abolish." (CEO of FIR)

In coupling FIR to strategically placed organizations in the field, the CEO facilitated the transfer of SRI to Quebec.

DISCUSSION: CONTEXTUALIZATION, TRANSLATION AND TRANSFER

Our empirical study examined the transfer of the American business practice of socially responsible investment (SRI) to respectively France and Quebec. We studied the process of contextualization from the perspective of the individuals who undertook the transfer, obtaining a more detailed account of the process than is usual for transfer studies. This analysis revealed a number of micro-strategies that were used in both transfers to fit the American business practice to the host society. These micro-strategies were (1) Filtering, (2) Rerouting, (3) Stowing, (4) Defusing, and (5) Coupling (see table 2 for an overview). We elaborated upon each micro-strategy and showed how individuals in both cases applied them, fairly deliberately, to facilitate the transfer of SRI. The micro-strategies resonate with previous research findings and theoretical formulations of contextualization, translation and institutional transfer. We evaluate their contribution to these respective lines of inquiry.

Contextualization

Actor Network Theory (ANT) proposes that business practices undergo constant adaptation to new contexts of application. According to Bruno Latour (1996a), the success of an innovation depends on the capacity of actors to entangle specific dimensions of the innovation with the context in which it is implemented. Practices are adapted and related to dimensions of the new context to secure support for it (Akrich et al. 1988a, 1988b; Latour 1996a, 2005). In ANT, no act of contextualization is considered impossible and no business practice is expected to remain the same for any length of time. The object of analysis in ANT is the process through which individuals, ideas, and objects are coupled and decoupled in a constant process of contextualization (Latour 1994, 1996b, 2005). However, no assumptions are made about how this process unfolds or about how individuals strategically mobilize these elements.

Our findings contribute to refining the concept of contextualization. Most importantly, they identify a limited range of contextualization patterns that occur during the transfer process. As could be expected, the object of transfer, SRI, was disentangled and re-entangled in the transfer process, attaching individuals, ideas and objects to SRI in a way that fit the new context. Our contribution consists in identifying a specific structure of disentanglement / re-entanglement beneath the apparent freedom of association. Each micro-strategy of contextualization captured a particular combination of material and symbolic aspects, resulting in a limited range of micro-strategies. We suggest, therefore, a refined notion of contextualization in ANT, although this contribution may be considered biased in the favour of human agency and deliberate action. We also propose additional research on contextualization strategies. For instance, it would be interesting to investigate which contextualization strategies are best suited for a given stage of translation and/or a given practice, and whether the same contextualization strategies apply to diffusion within the host society. Future studies could draw on the repertoire of micro-strategies to examine how a transferred business practice is subsequently re-contextualized by other actors in the host society.

Translation

Translation studies are conducted within Actor-Network-Theory and New Institutional Theory, sometimes combined under the label of Scandinavian Institutionalism. Translation studies look at changes that a business practice undergoes when it is implemented in another institutional structure. These changes occur although organizations try to imitate each other by importing practices from similar societies (Strang & Meyer 1994; Sahlin-Anderson 1996). Imitation is also facilitated by the use of ready-to-imitate packaging that is associated with valued ideas and successful settings, e.g., in the form of 'best practices' (Røvik 1996). Unchanged form may hold true at the discursive level, but practices tend to change once they are implemented in new institutional structures. Sahlin-Anderson (1996) explains, for instance, that "there are no ready-made models which remain unchanged as they spread" (p. 81) and that "individuals may imitate some elements of foreign business practices and not others, forming and transforming ideas and experiences as they are transferred" (p. 48). Empirical studies lend support to her suggestions (Boxenbaum 2006; Lippi 2000).

Among the different translation models (e.g., Campbell 2004; Czarniawska & Joerges 1996), the most detailed is probably Sahlin-Anderson's (2001) model of editing. She proposes three three editing rules to facilitate the export of a local practice, namely context, logic and formulation (Sahlin-Anderson 2001: 55-57). When *editing for context*, individuals strip business practices of elements that seem to be too unique or specific to a time or country. The reason is that practices are more applicable and appealing to other settings when they are formulated in general terms. When *editing for logic*, individuals give business practices a rationalistic flavor. They assign effects to certain activities or present practices as efficient solutions to recognized problems. A practice that is scientifically and rationally justified is generally appealing. When *editing for formulation*, individuals give practices a narrative form and dramatize it. They may change labels or tell stories about the origin or application of practices to make them more appealing. These three editing rules enable individuals to translate a context-specific practice into one that is generally appealing and widely applicable.

Our findings resonate with Sahlin-Andersen's model and also extend it in significant ways. The repertoire of micro-strategies describe in detail what work actors perform when they edit, particularly when they edit for context. It also highlights how actors unpack practices in the host society, which is a dimension of translation that is often ignored in previous studies. For instance, we found that different elements were removed, respectively added, to SRI in the two societies, which suggests that it is insufficient to remove highly context-specific elements at the export stage. Editing is also required for import, a point that the literature on institutional transfers has already made. Our findings extend Sahlin-Anderson's work and point to future research on the relationship between packaging for export and unpacking for import. The repertoire of micro-strategies can be helpful as a starting point in this regard.

Institutional transfers

Studies of institutional transfers are conducted within the Varieties of Capitalism (VoC) framework (Hall & Soskice 2001) or Business Systems Theory (Whitley 1998, 1999). This line of research explains that business practices change form to fit the production regime in the receiving society when they are transferred across varieties of capitalism or business systems. The reason is that "the systemic character of institutions in advanced industrial societies forces institutional innovations and transfers to be organized so that they fit the broader institutional order" (Casper & Hancké 1999, 963). National institutions, particularly the economic structures, are therefore considered determinant for shaping a transferred business practice. There is some, though limited, recognition that individuals contribute to transfers as well. For instance, actors outside the state structure sponsor or pull in a foreign practice because they see unexpected opportunities that suit their own material or moral ends (Jacoby 2000: 20-21). They use various power resources available to them to do so (Casper & Hancké 1999: 962). For instance, individuals engage in *selective emulation* when they "choose not to adopt certain features of the original model because they conflict with local patterns" or when they try to legitimize changes in the host society by transferring only desired features of a foreign business practice (Westney 1987: 27). They engage in *hybridization* when they combine a foreign practice with local elements to make the transfer meaningful or legitimate in the host society (Pieterse 1994).

The two strategies of selective emulation and hybridization are both embraced within the repertoire of micro-strategies that we identified. Our contribution to the literature on institutional transfers is a detailed description of the work that individuals engage in at a micro-level of analysis, combined with a more exhaustive and refined repertoire of how to transfer practices across varieties of capitalism or business systems. The five micro-strategies that we identified are fully compatible with varieties of capitalism and business systems theory, but point to the need for research on the role of individuals in institutional transfers (see also Tempel & Walgenbach, forthcoming). Future research may investigate the construction of Varieties of Capitalism from the bottom-up to explain why divergent business system persist in spite of increasing diffusion of practices worldwide. This avenue of research may also illuminate why some attempts to transfer practices across dissimilar societies fail while others succeed.

CONCLUSION

This study examined the transfer of the American business practice of Socially Responsible Investment (SRI) to France and Quebec, illuminating two contextualization processes. The findings show how individuals selected and mobilized local institutions to fit SRI to the new context, and they revealed that SRI took different form in the two transfer processes. This finding is consistent with previous studies. A practice that is transferred to two societies takes different form because the institutional structures in the two host societies are different. Our findings are based on only two case studies. Other case studies, conducted in parallel, would help determine whether the institutional structures (partially) explain the observed differences in the contextualized form of SRI.

The study also revealed that the same five micro-strategies were employed in both transfer processes. The SRI practice took different shape in the two host societies, but the strategies used in the process of contextualize were similar. This finding suggests some general patterns of contextualization. Additional research would be required to determine whether the repertoire of micro-strategies is generalizable beyond SRI transfers, francophone entrepreneurs, and contemporary time. We compared our findings to previous research on contextualization, translation, and institutional transfer and found that the micro-strategies extended previous research on these topics. They also linked disparate lines of inquiry to one another. The micro-strategies bridge the individual level of analysis with the societal level of analysis. Most importantly, they show how individuals engage creatively and strategically with institutional structures to produce the kind of outcomes that have been identified in previous research on cross-national transfers. They also contribute to explain how divergences between varieties of capitalism are maintained. Finally, each strategy combines institutional and symbolic aspects with practice and strategy, which makes it possible to simultaneously address dimensions that have often been addressed separately.

There is an interesting avenue for future research in investigating the role of micro-strategies in successful transfers. Our study is limited in this regard because we only studied successful transfers. A failure case would be required to identify which variable, or which combination of variables, lead to successful transfers, particularly across dissimilar societies. Future research may investigate the possibilities and limitations associated with individual strategies. For instance, can the skilful use of micro-strategies enable transfers that are otherwise destined to fail? In contrast, under which structural conditions is the skilful use of micro-strategies to no avail? Perhaps the presence of certain structural factors is required to successfully transfer a foreign business practice, e.g., a major event, institutional upheaval in the host society, or a budding social movement. There is certainly a need for testing whether the use of micro-strategies, perhaps in combination with other factors, can explain why some transfers fail and others succeed. This insight is important theoretically, but it is equally important for practitioners who struggle to transfer practices across institutional divides.

The repertoire of micro-strategies makes explicit the practice of contextualization, which is often taken for granted in studies of cross-national transfers. This explicit account can be valuable to managers who engage in the practice of transfering practices across societies. For instance, the transfer of business practices through 'learning expeditions' abroad is becoming an industry of its own (e.g. www.wdhb.com), one that can be fairly costly for firms. Using the repertoire of micro-strategies, managers can transfer business practices more cost-effectively. They can identify favourable conditions for a transfer and tailor practices to different business contexts. The empirical findings also provide insights into the processes through which programs and practices on corporate social responsibility or corporate social citizenship can be adapted for the purpose of intangible assets creation (Gardberg & Fombrun 2006).

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Figure 1. Keyword search on 'Socially Responsible Investment' or 'Investissement Socialement Responsable' in major newspapers in United States, France and Quebec.

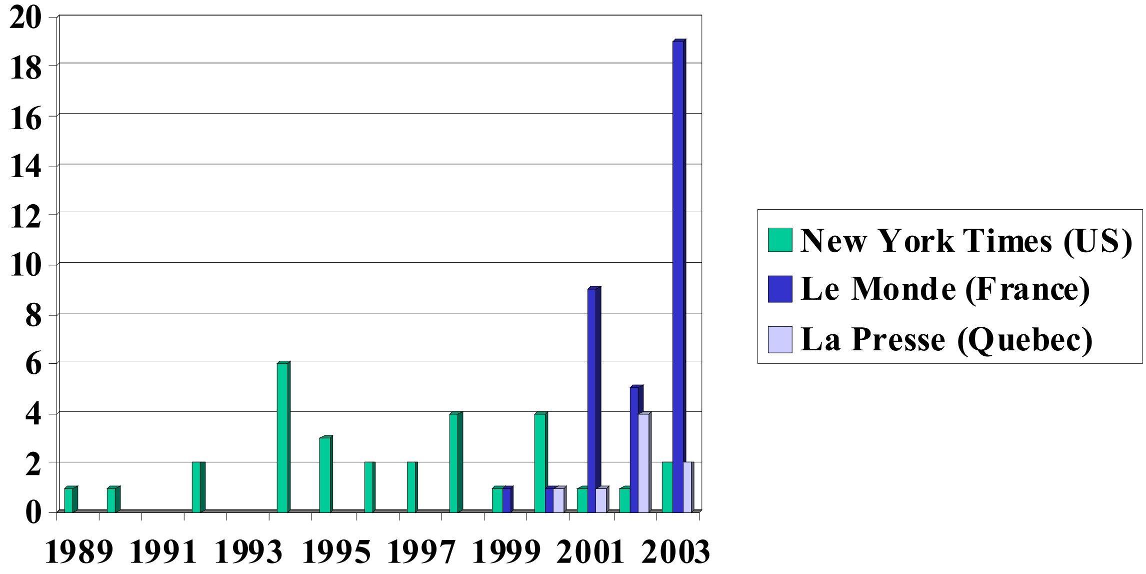

Table 1. Key events in the transfer of SRI from the United States to France.and to Quebec

Stage of translation	Selection	Objectification	Materialization
Key events in the SRI transfer from US to France	▪ [1992-1995] The CEO of ARESE is working as a consultant for a small consulting company in California. ▪ [1994] Group of French bankers travel to the US to study the evolution of corporate governance and meet SRI investors. ▪ [1995] French investors attend a seminar on innovation in the US financial sector where they are exposed to SRI. ▪ [1995-1996] French banks fund a study on implementing SRI in France. Meetings with SRI agencies in Europe and the US, French opinion leaders in the financial sector, and religious investors.	▪ [1996] Market study on social rating organizations in France. ▪ [1996] Presentation of a business plan to French financial institutions in order to obtain funding for the creation of a social rating organization	▪ [1996-1997] Development of SRI methodology with experts and students. ▪ [1997] Analysts are hired to collect and process data. ▪ [1997–1998] Data are collected in firms; first SRI ratings are done. ▪ [1998] First complete SRI rating of French companies; refinement of the methodology; orientation toward the European market.
Key events in the SRI transfer from US to Quebec	▪ [2002] The CEO of FIR is managing a non-profit environmental protection agency in Quebec. ▪ [2002] She attends the World Summit on Sustainable Development in Johannesburg and discusses SRI with leaders of the Quebec financial sector and labour unions. ▪ [Fall 2002] The Committee of Public Finance, a workgroup within the Quebec Parliament, holds a public hearing on corporate social responsibility and socially responsible investment. ▪ [2002-2003] CEO engages in informal discussions with actors involved in environmental protection and/or financing	▪ [2002-2003] CEO forges formal partnership between public institutions, private firms, and the non-profit sector. ▪ [2003] The Fund for Social Investment is formally launched.	▪ [2003] Development of SRI policy and evaluation tool. ▪ [2003] Analysts are hired to evaluate applications for socially responsible investment. ▪ [2003] First investment decisions are made.
Level of practice (re)definition	*Low level of definition* Fuzzy idea, general interest, inspiration to do an SRI project	*Middle level of definition* Consolidation of idea, making of a business plan	*High level of definition* Implementation and commercial development of idea

Table 2. Micro-strategies of contextualization: definition and illustrations

Micro-strategy of contextualization (label and definition)	Illustrative example from the French case	Illustrative example from the Quebec case
(1) FILTERING Disentanglement of elements in the translated object that could be perceived as 'incongruent' with the new context.	▪ Downplay of the moral and religious connotations of SRI to present it as a neutral and objective investment in firms with long-term profitability.	▪ Downplay of the profit-making elements of SRI to make the practice more social in scope and thus better aligned with the Francophone business culture.
(2) REROUTING Change of meaning or function of the translated object in order to make it more useful and/or acceptable in the new context.	▪ Transformation of SRI from a moral and political device to a financial tool. Instead of preventing 'sin' stocks (negative screening), SRI facilitates investment in sound companies (positive screening).	▪ Redefinition of SRI as a means to reinforce the Quebec model of economic development.
(3) STOWING Entanglement of the translated object with a social movement and/or current trends in the new context to facilitate its acceptance.	▪ Alignment of SRI with the dilemma that French savings banks face in being financial investors charged with a mission to ensure public good and social welfare (public service spirit) at a time of financial liberalization.	▪ Mobilization of the Life Cycle Approach to benefit from the momentum that this concept enjoyed at the World Summit on Sustainable Development in Johannesburg.
(4) DEFUSING Transformation of the translated object in response to an existing threat in the new context.	▪ Creation of a sophisticated methodology in which analysts make in-depth investigation of firms. This is possible in France because of relatively fewer companies to assess than in the United States.	▪ Presentation of SRI as an extension of Quebec resistance to Anglophone oppression, as a way to restore social justice and to balance power in the financial world, while masking the origin of SRI in the Anglophone world.
(5) COUPLING Combination of the translated object with a widely accepted object from the new context to increase the usefulness and/or acceptability of import into this context.	▪ Use of the preexisting 'Bilan Social' and the EFQM framework to develop SRI methodology, including assessment tools, legitimate firm questionnaires, databases and calculations of managerial performance.	▪ Mobilization of elements that are important to those stakeholders who could potentially support the transfer of SRI, such as 'environmentally preventive technologies' and 'management of SMEs'.