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Sustainability as Proper Investment: Organisational and Field Level Effects of Grand Challenges in the Case of Swiss Banking

Hannah Mormann* and Raimund Hasse*

Abstract: For business firms Grand Challenges (GCs) have become both a social expectation they must meet and a promising opportunity to make profits. Based on the insights of the organisation-society approach, we use the example of banks to show how social and ecological problems are translated into manageable objects and how this translation corresponds to changes at the field level. We identify new forms of collaboration, the emergence of new professionals, and the further trainings of established professionals as a promising research perspective.

Keywords: Sustainable investments, banks, field complexity, institutional theory, translation processes

La durabilité en tant qu'investissement approprié : effets des "Grand Challenges" sur l'organisation et le terrain dans le cas du secteur bancaire suisse

Résumé : Pour les entreprises, les "Grand Challenges" (GCs) sont devenus à la fois une attente sociale à laquelle elles répondent activement et une opportunité de réaliser des bénéfices. En partant de l'approche de la société organisationnelle, nous montrons pour les banques comment les problèmes sociaux et écologiques sont traduits en objets gérables et comment cette traduction correspond à des changements au niveau du terrain. Nous identifions de nouvelles formes de collaboration ainsi que l'émergence et la formation continue de professions comme une perspective de recherche prometteuse.

Mots-clés : Investissements durables, banques, complexité du terrain, théorie institutionnelle, processus de traduction

Nachhaltigkeit als passendes Investment: Organisatorische und feldspezifische Effekte von Grand Challenges am Beispiel Schweizer Banken

Zusammenfassung: Für Unternehmen sind Grand Challenges (GCs) sowohl zu einer gesellschaftlichen Erwartung geworden, der sie aktiv begegnen, als auch zur Möglichkeit, Gewinne zu erzielen. Ausgehend vom Organisationsgesellschafts-Ansatz zeigen wir für Banken auf, wie soziale und ökologische Probleme in handhabbare Objekte übersetzt werden und wie diese Übersetzung mit Veränderungen auf der Feldebene korrespondiert. Wir identifizieren neue Formen der Zusammenarbeit sowie die Entstehung und Weiterbildung von Professionen als vielversprechende Forschungsperspektive.

Schlüsselwörter: Nachhaltige Geldanlagen, Banken, Feldkomplexität, Institutionentheorie, Übersetzungsprozesse

* University of Lucerne, Faculty of Humanities and Social Sciences, CH-6002 Lucerne, hannah.mormann@unilu.ch, raimund.hasse@unilu.ch.

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1 Introduction

Grand challenges (GCs) have become a trending topic in both societal and academic discourse (Tihanyi 2020; Gehman et al. 2022). Even organisation and management research has begun to address GCs, mainly by emphasising the interplay between GCs and business firms (Gümüşay et al. 2020). In these discussions, the argument often appears that GCs have become both a social expectation that should be met and a promising opportunity to make a profit. Against this background, we address the effects of the GCs discourse on organisations and fields.

A specific focus on organisational effects is crucial, because many believe that proper responses to sustainability and other so-called GCs require the involvement of business firms and other established organisations (Kaufmann and Danner-Schröder 2022). The hope is that these organisations substantially contribute to global responses to social and ecological problems and that business firms and other organisations can supplement, empower, or even replace efforts made by nation-states and individuals. In fact, many firms do not merely "talk a good game" on these issues but also reformed their formal structures, which increasingly signals compliance with social and ecological responsibilities (Etzion and Ferraro 2010). New positions and departments have been set up that focus on sustainability, annual reports and non-financial reportings cover the topic, and new professionals such as sustainability managers and consultants come on the scene (Ghadiri et al. 2015).

Nonetheless, concerns persist that these highly visible responses are nothing more than greenwashing (e.g., Schumacher 2022). In other words, reforms signalling compliance with GCs are mainly viewed as empty talk – or as public relations exercises aimed at giving the impression that companies are committed to the UN's now institutionalised Sustainable Development Goals (SDGs) (e.g., Tricks 2022). The argument is that firms have no genuine desire to contribute to an endeavour that, for many of us, is clearly urgent and essential. Instead, they prefer to stay on the same track without losing their legitimacy – and thus only pretend to be concerned about social and ecological problems.

To some extent, organisation research supports this critical view. Significant evidence indicates that organisations tend to be rather adaptive with respect to communication and formal structures, but more inert regarding organisational practices and core activities (e.g., Meyer and Rowan 1977; Giuliani et al. 2017). However, scholars have questioned simplistic views about decoupling of formal structures and communication from practices and core activities (e.g., Sahlin and Wedlin 2008; Bromley and Powell 2012). Their main argument has been that, at least in the longer run, the institutionalisation of new formal structures either initiates a dynamic that cannot be stopped, or simply fails (Hallett and Ventresca 2006).

Even the authors who developed the thesis of a decoupling of formal structures from practices (Meyer and Rowan 1977) have modified their initial perspective.

In a critical reflection, Brian Rowan stated that due to new modes of auditing and evaluation (e. g., Power 1997), increased demands for transparency (Strathern 2000; Gibel and Nyfeler 2022), and competition, decoupling can no longer be maintained in the 21st century (Meyer and Rowan 2006). More recently, Patricia Bromley and John W. Meyer (2015) have also hinted at organisational changes that cannot be reduced to mere communication and impression management. They claim that organisations have become more sensitive to stakeholders and thus need to expand their purposes. Although notions of loose coupling still play a role here, the authors emphasise that organisations tend to incorporate norms and values regarding what it means to be "proper social actors" (Meyer and Bromley 2013, 366). As an unintended consequence, then, organisations extend their activities far beyond what may have been their genuine missions.

Against this theoretical background and with a particular focus on the sustainability objectives inscribed in the UN SDGs, we ask which changes can be observed when organisations get involved in social and ecological concerns. On the one hand, and in line with the controversy about decoupling, we are interested in impacts on organisational core activities. On the other hand, and in an extension of this controversy, we also consider that changes in organisational structures can potentially, have further effects – that these changes are related to changes in field structures at the societal level. Our twofold research question is thus: *How are societal expectations regarding ecological and social problems translated into core activities, and which dynamics at the societal level of fields correspond with these changes?*

Conceptually, we utilise insights from approaches that highlight translation processes (Czarniawska and Sévon 1996; 2005) as well as field approaches (DiMaggio and Powell 1983; Wooten and Hoffman 2016) and core assumptions of the organisation-society approach (Arnold et al. 2021; Borraz 2022). On this basis, we develop a conceptual framework that assesses the role of organisations in the process of societal transformation realistically – that is, by neither overestimating nor underestimating their role (Arnold and Mormann 2019), by equally considering and comparing organisational changes and field dynamics (see also Ocasio 2023).

Our empirical focus is on high-status banks in Switzerland. Banks have profound effects on society (Carruthers 2011). What banks do and how they operate concerns classic sociological questions about inequality, for example, which is mediated and reinforced by unequal access to credit (e. g., Sunstein 1991). Furthermore, banks can also steer investment in specific directions and favour one industry over another (e. g., Shih 2008). This mediating function plays a central role in the current sustainability discourse regarding the financeability of sustainable development. We therefore chose banks, rather than production companies, as a starting point for studying organisational and field level changes.

Regarding empirical data for our case study, we refer to publicly available publications of the professional associations Swiss Banking and Swiss Sustainable

Finance (SSF) and of federal agencies (e. g. Federal Office for the Environment) as well as the sustainability and environmental, social, and governance (ESG) reports of two major Swiss banks and one private bank.[1] In addition, we quote from two ethnographic interviews with so-called ultra-high net worth individual (UHNWI) advisors who are or were employed by these two banks and also have experience as client advisors in Swiss private banks.

The article is structured as follows: In the following section, we present the conceptual foundations of our study by combining the research literature on translation with research on societal fields and the organisation-society perspective (2). In the third section, we focus on the institutionalisation of GCs at the societal level (3.1), shed light on professional changes at the organisational level (3.2), and analyse increased field complexities inscribed in new relationships between banks and specialised service providers such as aggregators of so-called ESG company data and rating agencies (3.3). After summarising our empirical findings, we finally address a research perspective that, according to the analysed empirical case, seems to be neglected in current discussions on the transformative potential of GCs: the role of professionals as definers, interpreters, and utilisers of new circumstances at the organisational level and the emergence of new organisational relationships at the field level (4).

2 Conceptual Framing: Translation Chains in the Society of Organisations

To examine how organisations address and deal with social problems, research on translation processes can be used as a starting point. The fundamental notion of translation is that "to set something in a new place is to construct it anew" (Czarniawska and Sevón 2005, 8). Translation is conceptualised in organisational research as a complex negotiation process in which meanings, claims, and interests change and prevail. Linguistic aspects play a central role in this process, as the work of Mueller and Whittle in particular has shown (Mueller and Whittle 2011). Thus, an institutionalist research perspective suggests a closer analysis of language (Berger and Luckmann 1967, 82) – not only as a rhetorical strategy (Suddaby and Greenwood 2005), but also as a constitutive process (Zucker 1977; Zilber 2007; Hasse and Schmidt 2010). We therefore consider how the phrase "grand challenges" (GCs), which appears particularly frequently in the sustainability discourse, is utilised and which meaning the banking sector attributes to it.

Czarniawska and Sevón (2005) introduced the notion of translation as an alternative to the diffusion model in institutional theory (Strang and Soule 1998;

1 All SSF publications used in the paper, which are published by the Swiss Sustainable Finance Association in cooperation with the Center for Sustainable Finance & Private Wealth at the University of Zurich and other partners, can be found on the following website: https://www.sustainablefinance.ch/en/ssf-publications-_content---1--3037.html (accessed 05 January 2023).

Hasse and Passarge 2015). They also drew a sharp distinction with the notion of decoupling, mentioned above, that seemed to dominate neoinstitutionalist research after the programmatic contribution of Meyer and Rowan (1977). In contrast to decoupling, translation emphasises the circulation of ideas and practices as highly interactive and moving through various routes (Djelic and Sahlin-Andersson 2006).

Translation research examines in how and by whom ideas, concepts, and social problems are translated and edited (see Sahlin and Wedlin 2008). Czarniawska and Mouritsen (2009, 161) use the term "manageable objects" when describing how complex things and people are turned into separate objects: "When things to be managed are not objects or are complex objects, the managers turn them into new types of objects in order to make them manageable". Using the work of financial analysts and their investment advice for projects and start-ups as examples, the authors illustrate how manageable objects are constructed in translation chains. For example, analysts do not decide on a material technology, but on whether the technology enables development into a business in the first place. To do this, they seek the advice of experts, rely on market analyses, and tie their funding to conditions the project makers or start-ups must meet in implementing their business ideas. As Czarniawska and Mouritsen (2009, 163) summarise, "the technology-as-thing must be translated and become a proper object of investment".

We mainly consider this concept when we examine the role of organisations as agents of transformations towards sustainability. We can tackle the first part of our research question – *How are societal expectations regarding ecological and social problems translated into core activities?* – by mobilising the concept of manageable objects from translation research. To answer the second part of the research question – *Which dynamics at the societal level of fields correspond with these changes?* – we include insights from the sociology of fields and the organisation-society approach.

The starting point of the organisation-society approach is the succinct observation that organisations play a crucial role in practically all sectors of society. Social structure and change as well as the definition and handling of problems are systematically related to organisations and their practices and decision making (Arnold et al. 2021, 341). In contrast to the bulk of research in organisational sociology, this research perspective does not restrict itself to organisational effects of changes in the institutional or technological environment. Instead, it mainly focuses on interdependencies between an organisation's inner and outer life or on the dynamics between the organisational and field levels. As elaborated programmatically by Arnold et al. (2021), the classics of the organisation-society approach – such as Arthur Stinchcombe (1965), James Coleman (1986), and Charles Perrow (1989) – have shown that and how the emergence and proliferation of bureaucratic organisations have affected society. The new research front involves the extent to which new forms of organisation and organisational collaboration influence society (Arnold et al. 2021, 343). We are therefore interested in organisational changes triggered by social development and, at the same time, starting points for changes at the field level.

Our empirical investigation focuses, first, on individual banks and their translation of sustainability expectations into organisational changes regarding communication (e.g., public relations and marketing), formal structures (e.g., jobs and training programs), and practices (e.g., investment approaches). The second focus is inspired by the organisation-society approach. Here, the research interest is on the effects of the involvement of different organisations on the processing and transformation of societal problems and current challenges. We summarise the translation process in the context of sustainability and the role of organisations at the field level schematically as follows:

1. At the societal level, normative expectations addressed at organisations often originate in public discourses, in which experts and social movements create (awareness of) problems. In current society, most of these problems are interconnected and global (e.g. migration, poverty, climate change); they are concerns of a so-called world society which is characterised by a dense grid of international organisations (Boli and Thomas 1999). In this context, social and environmental problems are translated and institutionalised into feasible concepts.
2. At the organisational level, new organisational modes of communication and façade management are a likely response – and the more established and institutionalised the problem, the more likely it is that this reaction can be observed. This response can have (intended or non-intended) effects on organisational practices and core activities, even when different degrees of loose coupling remain and different pathways to changes in practices and core activities can be observed.
3. Organisational changes with respect to discourse, formal structure, and practice correspond to changes at field level. In our case, this includes changes in the requirements for the banking profession, such as advisory skills and regulatory knowledge, and the emergence of new third parties, such as rating agencies. This increase in complexity at the field level is reflected in new (competitive and collaborative) relationships among organisations.

3 Sustainable Investment: From Grand Challenges to Manageable Objects

3.1 Translating Social and Ecological Problems Into Feasible Concepts

Unlike related terms such as as "problem" or "uncertainty", "challenge" is not a key concept in social or organisational theory. Instead, it serves as an empirical indication of crucial societal concerns. Inequality, environmental pollution, and poverty, etc. are prototypes of current grand challenges (GCs). Unlike some authors in organisational and management research, we do not consider GCs as an analytical concept (see

Gehman et al. 2022) but discuss them as discourse material. That is, they provide information about major societal concerns and how organisations and society in general (should) deal with them.

GCs gained wider attention in the late 1980s in the context of U.S. science policy (Flink and Kaldewey 2018, 264). However, the concept's origins can be traced back – ideologically exceedingly unsuspiciously – to the mathematician David Hilbert (1862–1943). More than a century ago, Hilbert listed 23 problems that he believed would and should occupy mathematics in the coming decades (Hilbert 1902; see George et al. 2016). The idea of GCs was then pushed and mainstreamed by Bill Gates who echoed the Hilbert anecdote when he presented the Bill and Melinda Gates Foundation's Global Health Initiative at the World Economic Forum in Davos in 2003 (Howard-Grenville 2021). However, Gates was not at all interested in mathematical problems. Instead, he identified 14 GCs in addressing HIV/AIDS and malnutrition, and a lack of access to health care and adequate resources (Varmus et al. 2003). Since then, GCs have been institutionalised and codified. Climate change, gender inequality, environmental pollution, and poverty are prototypes of current GCs.

One ubiquitous list of GCs is the UN's list of so-called Sustainable Development Goals (SDGs) (George et al. 2021). In September 2015, 193 UN member states adopted a specific set of goals under a sustainable development agenda. They defined 17 SDGs comprising 169 sub-goals to be achieved by 2030. From our point of view, the list of SDGs embodies a particular way of dealing with GCs, namely by suggesting that challenges mentioned above, such as climate change and gender inequality, are, in principle, manageable tasks and objects.

Compared with the descriptions of misery and suffering as, e.g., outlined by Pierre Bourdieu and many Marxist thinkers (Bourdieu and Accardo 1993), the underlying idea of GCs suggests a strikingly different image: it is more like a "sports event" during which we can get things done together. In principle, everyone is invited to participate, but GCs in the form of SDGs seem to be primarily for managers (and not for politicians and administrators, nor for scientists or representatives of social movements). For managers, then, GCs are not necessarily a threat. They can also be seen as an opportunity to enhance one's status as a world saviour or at least as a conqueror of new markets.

Linguistic analyses are fundamental for both the institutionalist research perspective (see Berger and Luckmann 1967; Hasse and Schmidt 2010; Hasse and Mormann 2017) and the discourse theory branch in translational research (e.g., Mueller and Whittle 2011). In linguistic terms, the use of the word challenges in sustainability discourse points to a twofold meaning:

Firstly, GCs can be viewed as a means of institutionalising social and ecological problems by translating them into constructive and workable formats, aiming to to turn complex problems into manageable objects (Czarniawska and Mouritsen

2009). The starting point of this translation process is the belief that GCs indicate non-particularistic and non-idiosyncratic concerns. The implication is that everyone, including organisations, must be concerned about these problems and help to tackle them. This means that banks, for example, are also addressed when it comes to contributing to the sustainable development of society – a remarkable turn of events for organisations identified not long ago as "catalysts of disaster" (Fligstein and Goldstein 2011).

Secondly, organisational responses to GCs can be categorised and measured in a way that allows the organisations themselves to be evaluated. This implies that any organisation can respond to these challenges using established management means, but their success may vary. One evaluation criterion assess the progress that has been achieved and that can be reported. A crucial feature of responses to GCs – such as the SDGs – is that they can be categorised and measured so that organisations can be evaluated. GCs thus have the potential to trigger besides competition other inter-organisational dynamics.

This double meaning of challenges proves instructive in interpreting recent developments in the Swiss banking sector in the context of sustainable investments. Section 3.2 focuses on the organisation-specific handling of challenges as we examine how individual banks turn the SDGs into manageable objects, leveraging or recycling existing knowledge assets and professional tools. Section 3.3 focuses on the second meaning of challenges, shedding light on the possibility of sustainability competition among banks and considering further inter-organisational dynamics.

3.2 Translational Effects on the Organisational Level: Upgrade From a Communication Mode to an Investment Criterion

The institutionalist argument that organisations adapt to societal expectations is underlined in our empirical material insofar as the interviewees emphasise that demand on the client side has led to an expansion in the supply of sustainable investments. Thus, professionals do not explain the growing offer of sustainable investments with a fundamental cultural change in organisations or regulatory aspects of banks, but simply with the increasing demand on the client side.

In the following, we work out the structural effects of the societal expectation regarding sustainability or, more concretely, the translational effects of the growing demand for sustainable investment opportunities at the organisational level of banks. The Swiss banks surveyed in this paper present the UN SDGs in their publicity materials (i.e., websites, client brochures, and annual reports) as an overarching framework that directs their activities. A client brochure published by a private bank it says, for example:

> *However, the SDGs were never intended as a framework for financial investments but are a set of environmental and social goals set by governmental*

> *and non-governmental organizations […]. We have developed an approach to make the SDGs investable in our equity and bond portfolios.* (Private bank, 2021 client brochure, p. 30)

One of the banks prominently states on its website that it is a founding member of the CEO Alliance on Global Investors for Sustainable Development (GISD). This is an alliance of 30 CEOs worldwide that aims to leverage the insights of private sector leaders to realise long-term investments in sustainable development in line with the SDGs. In recent years, many committees have been established on ESG topics, including climate, biodiversity, or social issues, such as diversity and education. These newly formed committees and initiatives encourage or invite companies to send company representatives, including board members. Companies sometimes interpret their mere membership in a sustainability-related committee as expertise and present it accordingly.

Banks seem to consider SDGs as an essential marketing topic for banks and often use them for presentation purposes. For example, portrayals of the organisation as a pioneer in implementing the SDGs can be found in all current annual and sustainability reports of the banks studied. Banks use this vital tool to signal their responsibility and commitment to sustainability to stakeholders. Beyond this representation, however, sustainability has recently become embedded in products and services. We view this as another step forward. We explore below the extent to which sustainability is no longer (just) a communication issue but is reinterpreted as an investment criterion.

Rebranding of Jobs and Upskilling

The rebranding of positions occurs when organisations (banks, consulting organisations, or companies in various industries) appoint someone from the existing management structure to be responsible for sustainability-related issues (Schumacher 2022). Also, the banks studied did not initially create new jobs, instead of changing job titles adding "ESG", "sustainability", "climate", or "environment". However, the surveyed banks also promoted or appointed a high-ranking "Chief Sustainability Officer", "Head of Sustainability", or "Head of ESG", who coordinates the organisation's sustainability-related activities with external stakeholders and service providers.

Furthermore, we can observe an extensive range of training courses on the subject of sustainability. However, bank employees seem to have made use of these mainly on a voluntary and private basis. In some cases, however, corresponding training measures are already part of professional target agreements, as participants in training courses on sustainable finance reported to us. Whether driven by increased demand from organisations or individuals seeking career opportunities, the amount of continuing education offered by financial or accounting institutions, banking associations, and business schools and universities on sustainability and ESG has grown immensely.

Interestingly, a recent survey of Swiss banks shows that the traditional banking industry feels well prepared to incorporate sustainability aspects into its practices (FOEN/SSF 2020, 23). According to the survey, traditional banking and finance education already provides a sufficient basis to meet demand. Thus, the respondents emphasised that the question of bank employees' labour market capability is primarily formulated in technological terms; that is, the task assessment is more oriented to technological change than sustainability. The perception is that digitisation will affect work processes, making current job or skill profiles obsolete. In terms of sustainability, on the other hand, respondents believe that advisors' technical expertise can be internalised. However, the requirements of regulatory developments are seen as necessary for the job profile of the traditional banker. Legal competencies are considered a challenge, especially concerning developments in the EU area.

In the SSF market study series cited above, the financial market players surveyed see client advisory services as one of the most critical potential obstacles to SI's further growth in the coming years. In the FOEN and SSF study mentioned above, Sustainability in Financial Education and Training in Switzerland. Analysis and Recommendations (2020) also primarily sees the need for education and training in sustainable finance as a frontline function of banks. The study explicitly recommends building "advisory competencies on sustainable financial products that enable them [bank employees] to anticipate sustainability and environmental preferences of their clients, advise them and serve them with appropriate financial services" (FOEN/SSF 2020, 12).

Established tools in banking play a central role in developing corresponding competencies. The following section explores how these are recycled and further developed in translation processes at the organisational level.

Recycling and Advancing Professional Tools

In organisational practices, the UN SDGs serve as comprehensive and open frame of reference, but there exist also established sector-specific goals and criteria. One of these involves the so-called ESG factors, which encompass most of what it means to be a proper and good finance organization. As noted above, ESG is the abbreviation for environmental, social, and governance. E factors relate to topics such as greenhouse gas emissions and energy efficiency, S factors to occupational safety, health protection, diversity and social commitment, and G factors to the company's management and control processes (see Table 1).

There is no universally applicable and complete list of ESG factors. Banks and other financial actors use different lists of criteria to evaluate financial assets. These lists are divided into ESG groups, subgroups, and individual factors. An indication of how each factor can be assessed and measured is provided. Within banks, corresponding lists with varying degrees of detail are used as a checklist in advisory meetings and/or as a pool of possible variables in different rating approaches.

Table 1 Selection of ESG Factors Based on a Publicly Available ESG List

Examples for environmental factors	Examples for social factors	Examples for governance factors
Greenhouse gas emissions (tonnes of CO^2)	Relations with local communities (yes/no)	Integrity of conduct/conduct frameworks (yes/no) (Alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights)
Emissions of air pollutants (tonnes of air pollutants)	Freedom of association and right to organise (yes/no)	Bribery and corruption (yes/no) (Compliance with United Nations Convention against Corruption; identification of insufficient actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery; convictions and violations of anti-corruption and anti-bribery laws (number of cases and amount of fines); presence/lack of anti-corruption and anti-bribery policies
Emissions of water pollutants (tonnes of water pollutants)	Minimum age and child labour (yes/no)	Accountability/rule of law (yes/no) (Alignment with the Worldwide Governance Indicators [World Bank])
Fossil fuel sectors (% or total)	Equal representation (average ratio of female to male board members; average ratio of females to males in total workforce)	Internal controls and risk management policies and procedures (yes/no) (Alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights)
Compliance with Paris Agreement targets (yes/no)	Workplace health and safety (rate of accidents; number of workdays lost to injuries, accidents, fatalities, and illness)	Discrimination (Gap between males and females or any other minority groups in the given region in education access and/or outcomes, representation in government positions and/or boards, salary income, etc.; lack of a diversity strategy in place (e.g. age, gender, minority groups); percentage of employees and individuals in governance bodies as per the various diversity categories defined in GRI standard 405-1.

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Continuation of Table 1.

Examples for environmental factors	Examples for social factors	Examples for governance factors
Use of renewable sources of energy (% or total)	Contribution to human rights projects (Engagement in social projects aimed at supporting and advancing human rights issues in regions of concern; number of cases of severe human rights issues and incidents; presence/lack of processes and measures for preventing trafficking in human beings; presence/lack of human rights due diligence; presence/lack of a human rights policy)	Observance of disclosures, information rules and practices (Reliance on high quality, broadly recognised national, EU-based or international frameworks when preparing non-financial statements, including disclosure of the framework chosen; compliance with Non-Financial Reporting Directive)

Source: https://www.openriskmanual.org/wiki/List_of_ESG_Factors (accessed on 28.8.2023).

Considering ESG factors in financial investments is not a new phenomenon for the banking sector. Many investors and asset managers have already been considering listed topics into account in the fundamental and quantitative analysis of financial investments. These include not only societal trends such as population ageing but also an assessment of reputational risk and, in addition, regulatory developments have been incorporated into decisions. Recently, however, according to all respondents, relevant and material ESG issues have been considered much more systematically than in the past, when one or only a few factors were included only cursorily. One client advisor described the transition at the bank where he is employed as follows:

> *Overnight, [name of the bank] starts saying, "We are now sustainable". And then you have an increase like that. But nothing has happened. Then you put an ESG score over existing mandates, kick out the Malaysian arms producer and the palm oil farmer, and say you are sustainable. But you may only have changed your asset allocation by 5 percent. The 95 percent that was a normal portfolio before is now suddenly "sustainable" just because you put this ESG score on top of it.* (Interview quote with a UHNWI advisor who has worked in various large and private banks)

The transition to sustainable investments, which is reflected in the portfolio of the major bank, was only possible because the bank could draw on manageable objects (the "ESG score"). ESG factors play a central role in this translation process because banks use them to assess whether and to what extent an investment can be classified as "sustainable". However, the advisor offers a pithy example to clarify that this results in only minor changes in the portfolio: the bank no longer invests in companies from the weapons industry or producers of the controversial palm oil. He thus provides two examples of investments that currently meet with disdain in society.

In sum, a more comprehensive and systematic consideration of ESG factors in investment decisions and in advisory services for bank clients has led to the development of new categories and definitions in banks at the organisational level, but these are in constant flux. Nevertheless, in the case of the banks studied, the loose coupling between talking about sustainability and acting toward sustainability – in the sense of a concrete contribution to social transformation by the banking organisation – cannot be dismissed out of hand. Such an assumption also seems to be supported by the lax statements of the client advisor above. In our paper, however, we argue for a closer look at decoupling scenarios and give attention to translational effects at both the organisational and field levels. For the latter, it seems worthwhile to look at the dissemination of financial products and sevices labelled as sustainable investments (SIs).

3.3 Translational Effects on the Field Level: Dissemination of Sustainable Investment

In Switzerland, analysts point to the steady growth of sustainable investments (SIs). Since 2018, the professional association Swiss Sustainable Finance (SSF) and a university centre for sustainable finance have jointly published an annual market report. In the market survey, financial market players (i. e., asset owners and asset managers) are asked about their investment decisions. In 2017, the volume of SI was CHF 390.6 billion, rising to CHF 1.1 trillion in 2019 and CHF 1.9 trillion in 2021. In the following, we want to shed light on the proliferation of sustainable financial products and services. In doing so, we analyse how sustainability is *translated* in the different underlying investment approaches.

A few years ago, sustainable financial investments were a niche product mainly offered by specialiced banks (e. g., Alternative Bank Switzerland) (see, for instance, Lenz and Neckel 2019 for the German financial market). Today, however, sustainability seems to have gone mainstream in the financial market. The consideration of sustainability as an investment criteria did not emerge and spread as an exogenous factor out of the blue. Instead, it is based on the rebranding banking activities and the further development of existing investing approaches.

To explain the impressive growth rates mentioned above, the market study's authors point to a broader acceptance of SI approaches and a generally positive market development. In 2021, SI mandates recorded their highest growth rate of 109%. For the study authors, these results underline the anchoring of sustainable investments in Switzerland (SSF 2022, 6).

Opening the Black Box of Sustainable Investment Products and Services

We explore how sustainability is translated into financial products and services by looking closely at the different approaches. Table 2 provides an overview and briefly describes these.

Table 2 Overview of Different Sustainable Investment Approaches

Sustainable Investment Approach	Definition
ESG Engagement	Activity performed by shareholders with the goal of convincing management to take account of *ESG criteria* so as to improve ESG performance and reduce risks.
ESG Voting	Refers to investors addressing concerns of *ESG issues* by actively exercising their voting rights based on *ESG principles* or an *ESG policy.*
Exclusions	Excludes companies, countries or other issuers based on activities considered not investable. Exclusion criteria (based on norms and values) can refer to product categories (e. g., weapons, tobacco), activities (e. g., animal testing), or business practices (e. g., severe violation of human rights, corruption).
Norms-Based Screening	Screening of investments against minimum standards of business practice based on national or international standards and norms.
ESG Integration	The explicit inclusion by investors of *ESG risks and opportunities* into traditional financial analysis and investment decisions based on a systematic process and appropriate research resources.
Best-in-Class	Approach in which a company´s *ESG performance* is compared with that of its peers based on a sustainability rating. All companies with a rating above a defined threshold are considered as investable.
Impact Investing	Investments intended to generate a measureable, beneficial social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below-market to above-market rates, depending upon the circumstances.
Sustainable Thematic Investments	Investment in business contributing to sustainable solutions, both in environmental or social topics.

Source: SSF Market Study 2022, 13.

Notably, almost all approaches refer to the ESG construct (e. g. ESG principles, ESG criteria, ESG issues, ESG performance, or ESG risk and opportunities). As illustrated in Section 3.2, different criteria lists are subsumed under the ESG heading. However, it can be stated that ESG factors act as manageable objects regarding sustainability in the financial sector. In the following, we describe which cross-organisational relations are involved when we examine the participation of different organisations at the field level in creating and further processing manageable objects as ESG in the presentation of the different SI approaches.

SI approaches can be divided into two groups: pre- and post-investment decisions. ESG voting and ESG engagement are approaches to so-called *post-investment decisions*. These involve assessments and measures for investments that have already been made. They aim at active intervention – in Hirschman's words, "voice rather than exit" (Hirschman 1970). In organisational research, such approaches have recently been investigated under the heading *shareholder activism* (e. g. DesJardine et al. 2023). The remaining six approaches play a central role in advising investors in advance of their investment decisions, so-called *pre-investment decisions*. Since this majority of sustainability approaches are crucial for resource allocation, we exclusively discuss these approaches. In our paper, we refer to SSF market studies in the period 2016–2021 (sources: SSF 2018; 2019; 2020; 2021; 2022).

In 2021, 73 percent of the total volume of sustainable investments implemented the *exclusions* approach. Exclusions mean that companies that permit child labour, produce weapons, or mine lignite, for example, are excluded from consideration as investments. They are evaluated as "non-investable" and can no longer be included in the portfolio. Exclusion criteria can relate to product categories (e. g., weapons, tobacco), activities (e. g., animal testing), or business practices (e. g., serious human rights violations, corruption). This approach is by no means new, but has been practised by banks since time immemorial. Lists of exclusion criteria vary from bank to bank and are related to each bank's in-house opinion ("Hausmeinung").

However, the exclusions approach vividly demonstrates the subjectivity and volatility of valuations in the context of sustainable investment decisions. As illustrated in the market studies, the proportion of exclusions varies from year to year. The growth of exclusions in 2021 was mainly because coal exclusions had doubled compared to the 2020 study. This continued the trend from the previous year, when coal moved up from tenth to fourth place on the list of frequently named exclusion criteria. The exclusion approach excludes investment in particular companies, industries, or countries on the rather vague basis of "values and norms". Since 2020, the criterion "very low ESG performance" has appeared on the list of exclusion criteria used by financial market players in Switzerland to make investment decisions.

According to *norms-based screening*, investments are screened for compliance with minimum standards of business practice based on national or international standards. In our case, the Swiss Association for Responsible Investment (SVVK-ASIR) has developed a specific screening approach based on standards. One of the most important standards against which portfolios are screened is the UN Global Compact. Furthermore, the ILO Conventions, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights are mentioned as the basis for screening potential investments in companies. In contrast to the exclusions approach, screening involves a positive selection of potential investments and an explicit reference to standards set by international organisations.

The *ESG integration* approach entails incorporating ESG data when assessing the risks and opportunities of corporate success. In particular, risk management and risk reporting related to climate change play an important role for asset managers implementing ESG integration. The authors of the market study (SSF 2022, 57) attribute this to the fact that the risks associated with climate change have become more prominent in the public debate. Various methods are used to integrate ESG factors into financial analyses and investment decisions. These include, for example, "ESG benchmarks" and the systematic consideration of "ESG research and analysis" in sustainability ratings and evaluations by external providers. When the interviewed advisors, presented in the excerpts in Section 3.2, talked about today's more systematic consideration of ESG criteria, they were primarily referring to the implementation of the SI approach *ESG integration*. In 2021, ESG integration was cited as the second most practised approach (behind the traditional *exclusions* approach) by the financial market players surveyed in the market study. (ESG Integration accounted for 67% of total sustainable investment volume; SSF 2022, 7).

Based on ESG ratings, the *best-in-class* approach compares a firm's ESG performance with that of its peers, either within the same sector, or across the entire investment universe. Companies or issuers with a rating above a certain threshold are considered investable; those below it are not. In best-in-class ratings, each bank defines its own peer groups and thresholds. This approach is a variant of ESG integration. The choice of peer group is critical to whether and to what extent an investment is considered sustainable.

In particular, the ESG integration approach and its variants, which have become mainstream in recent years (or as one interviewee said, "ESG integration is really nothing new. Banks have been doing it for years, more or less"), are essentially concerned with assessing the regulatory or reputational risks of companies arising from negative externalities (see Section 3.2). This approach's corporate focus or risk perspective is reflected in ratings that assess whether and to what extent ESG issues affect a company's profitability but not its positive or negative impact on climate change, gender equality, or health, for example. Therefore, ESG integration approaches have attracted accusations of greenwashing (e. g. Lashitew 2021).

Such accusations are less common for so-called impact investing and sustainable thematic investments. However, the prevalence of these two investment approaches is very low compared to the other SI approaches. *Impact investing* is designed to achieve a measurable, positive social and environmental impact in addition to financial returns. In theory, these returns can be below or above the market average, but in practice, most of the asset managers surveyed are not willing to accept financial returns that are below market returns in exchange for positive social or environmental impacts. In 2021, impact investing accounted for Switzerland's smallest share (5 %) of sustainably invested assets. The approach is strongly associated with asset classes such as private debt and equity, which are generally low in volume. It is almost exclusively used by asset managers as it requires specialised expertise and extensive resources.

Like impact investments, *sustainable thematic investment* is mainly used by asset managers (and not by asset owners). The top sustainable themes in 2021 were energy, followed by social themes (e. g., community development, health) and other environmental themes (e. g., water, cleantech). Overall, in 2021, sustainable thematic investments experienced the most significant growth of all approaches. A growth, the market study found, was driven primarily by large thematic asset providers.

The dissemination of SI approaches in the Swiss financial market shows that investments under the sustainability label have now become mainstream. This means that individual banks cannot differentiate themselves from the competition through ESG integration because most banks do practice such an investment approach. However, a differentiated picture emerges if one takes a closer look at the individual approaches. Only a small proportion of the total volume of sustainable investments in Switzerland is made based on criteria that can be considered sustainable impact. This means, then, that it is primarily the implementation of this approach that gives banks the opportunity to differentiate themselves from their competitors.

The sustainability assessment reflected in most of the SI approaches presented has so far focused on the risk of climate change and other ESG issues on financial investments and assets. The *impact perspective*, which assesses the effects of a company's economic activity on climate change, has been a much less considered ESG approach to date. Considering the risk *and* the impact perspective is often referred to as the "double materiality" approach, meaning that the material impacts on both financial assets and the Anthropocene are systematically included in investment decisions and the valuation of companies (for more on this, see Dittrich and Kob 2021).

The widespread approaches that are based on exclusions (of problematic economic activities) and ESG integration are examples of pre-investment approaches that require a standardised evaluation of a huge amount of corporate data. Consequently, new collaborations with specialists such as external data providers and rating agencies, have emerged. In the next section, we will illustrate the role of ESG rating agencies and translation effects at the field level.

Triggering Dynamics towards Field Complexity

Over time, the terms "SI" and "ESG investing" have become largely interchangeable. The demand for companies' ESG data, in turn, has spawned a variety of agencies offering such products (e.g., Abhayawansa and Tyagi 2021), and over 160 companies worldwide now specialise in ESG rating. These ratings increasingly influence decisions, with potentially far-reaching impacts on asset prices and corporate policy. Furthermore, a growing number of academic studies about the impact of sustainable finance rely on these ratings in their empirical analyses (e.g., Albuquerque et al. 2018).

The best-known ESG rating agencies include KLD, Sustainalytics, Moody's ESG (Vigeo-Eiris), S&P Global (RobecoSAM), Refinitiv (Asset4), and MSCI. These and other organisations promise to enable institutional and private investors to screen companies for their ESG performance, just as credit ratings reflect creditworthiness. However, essential differences exist between ESG ratings and conventional credit ratings. Firstly, creditworthiness is relatively clearly defined as the probability of default, whereas the definition of ESG performance is vaguer. Thus, interpreting what ESG performance means is an important part of the professional service provided by ESG rating agencies. Secondly, compared to the established accounting standards, ESG reporting remains in its infancy. There are competing reporting standards for ESG disclosure, many of which are voluntary or limited to individual countries. This leaves companies with significant discretion over what they disclose in their annual reports. Therefore, ESG rating agencies refer to information they obtain from different sources, and their summaries must be based on different reporting standards. Both these differences help to explain why the divergence among ESG ratings is so much more pronounced than among credit ratings.

In a recent study, Berg et al. (2022) identify three causes for the sharp divergence among ratings: scope, measurement, and weighting. First, a divergence exist between different providers' ratings regarding scope. For example, rating agency A includes lobbying activities, while rating agency B does not. Second, rating agencies measure the same attribute with different indicators. For example, a company's labour practices may be assessed using employee turnover or, alternatively, the number of labour court cases filed against the firm. Third, weighting leads to divergence – namely, when rating agencies evaluate the relative importance of attributes differently. For example, the "labour practices" indicator may carry more weight in the final rating than the "lobbying" indicator (see Table 1 in Section 3.2).

References to external ratings seem to be an integral part of banks' sustainable investment activities. The existence of multiple rating agencies and their different ESG constructs leads to a high level of complexity for banks, which has to be managed at the organisational level in the form of coordination tasks. Furthermore, the possibility of being able to refer to different ratings offers a great deal of leeway (see Sauder and Espeland 2006, 220) which in our case means that bank advisors can strengthen their position as intermediaries who can choose between different ratings and, in doing so, reduce information costs for clients. However, this presupposes comprehensive expertise on the construction of ESG ratings. How banks as consumers respectively users of ratings react to the multiple ESG ratings and what response strategies they develop in detail is still an open question (see Pollock et al. 2021; Rindova et al. 2018).

The statements of the bank advisor quoted above in section 3.2.2 (e.g., "Then put an ESG score over existing mandates […]".) appear to support banks' strategic usage of ratings in the context of sustainability. Such *strategic conformity* (e.g., Oliver 1991; Suchman 1995) is identified in a growing body of work in CSR that focuses on "more proactive, value-creating responses to institutional pressures" (Pedersen and Gwozdz 2014, 249). According to this literature, individual organisations seek to reap the benefits of their engagement in the context of CSR (or sustainability) by looking for opportunities to go beyond institutionalised expectations (Damert and Baumgartner 2018). Similarly, individual banks could also endeavour to gain a comparative advantage over other banks by taking a differentiated (or even critical) approach with multiple ESG ratings and thus become a pioneer in sustainability and impact investing. Pollock et al. (2018), for example, also point this out when they examine the emergence of cooperative relationships between organisations and rating agencies, which consists, for example, in the participatory design of criteria, weightings or data sources for ratings. In conclusion, however, it can be said that the growth of the market for sustainable investments in Switzerland is based on the (re)evaluation of financial assets, in which not only banks but above all rating agencies play a central role.

4 Summary and Discussion

Many banks – and Swiss high-status banks included – have begun to support the idea that business firms should consider social and ecological problems. They signal their compliance by adapting communication and formal structures to related expectations. These expectations originated from public discourses, in which experts and social movements have established (an awareness of) ecological and social problems.

Problems such as the negative consequences of climate change and social inequality, summarised under the sustainability label, have been institutionalised as grand challenges (GCs). Although there are concerns that GCs might not provide proper perspectives for organisation research (Seelos et al. 2023), we used the term "challenges" as a starting point to distinguish two related lines of empirical research whose interplay we consistently pursued in our paper: the question of how societal expectations regarding sustainability have stimulated changes at the organisational level of banks, and the question of changes at the societal level of fields.

By observing dynamics triggered by the translation of sustainability expectations we find effects that go beyond decoupling, greenwashing, and loose talk: On the one hand, organisations face internally the challenge that even merely signalling compliance with GCs requires organisational adaptation. New professional groups have entered the stage and new forms of collaboration between old and new professional roles in banking and between different organisational units (e. g. marketing, communications, product development, advisory services) emerge. On the other hand, translation processes at the field level are create new cooperative and competitive relationships around the topic of sustainability in the banking sector. We took a special look at the role of ESG rating agencies, which are essential in the development of the broad range of sustainable financial products and services (so-called SI investment approaches). In sociological research, rating agencies are regarded as "*the* relevant actors of financial market capitalism" (our emphasis; Matys 2023, 207), but the landscape and the leading players in the context of sustainable finance are constantly changing. For example, we can currently observe how the market for ESG ratings is consolidating, the further development of sustainable financial products is being strongly influenced by the setting of global standards and the implementation of stricter anti-greenwashing guidelines, and legal regulatory attempts are being made.

According to our empirical findings, banks have accepted the challenge of contributing to sustainable social development. They have found a viable way to deal with this challenge by turning a complex problem (e. g., the consequences of climate change) into manageable objects. References to the UN SDGs and the matching of these goals with what the banking world had already been established as ESG goals can be seen as a prototypical example of the translation of social expectations into an economic context. In Switzerland, many banks and other organisations, such as rating agencies, are involved in this translation process. With this finding, we can confirm research on fields (e. g., Hoffman 2001; Hoffman and Ocasio 2001) and the organisation-society perspective, both of which focus attention on the active role of organisations in creating social change.

The example of Swiss banks also illustrates that organisations signal their commitment to sustainability not only by reforming formal structures and adapting their communication to social expectations, but also by developing new services and products that have created a new, exponentially growing market for sustainable investments. Further translations of sustainability into investment criteria occured due to a reinterpretation: factors such as climate change or demographic change, which were once reduced to general risk factors for companies and factored into investment decisions, are now systematically and comprehensively included. This reinterpretation, however, did not come out of the blue, but required the further development of established professional concepts and tools. With this finding, we can confirm research on translation processes that focuses on the translation and editing process on which the inscription of new environmental conditions into an organisation's existing structures and processes is based (see Sahlin and Wedlin 2008).

Regarding formal structures at the organisational level, shifts towards sustainability materialise as the rebranding of existing jobs and an increased demand for further qualification of employees. The latter indicates that banks think that the knowledge and expertise required to deal in with sustainability has not (yet) been built up – that they lack absorptive capacities to cope with new tasks. However, banks see the lack of knowledge and expertise less in terms of sustainability challenges (which would result in a demand for knowledge and expertise from the natural or social sciences) and more in the area of data processing and digitisation. This points to the central role of constructing manageable objects that can be inscribed in financial products – and, as illustrated by the example of aggregation and further processing of ESG data, the keyword "digitisation" also implies the possibility of the further processing of manageable objects.

As far as sustainable investment (SI) products are concerned, new categories have been invented and definitions are constantly in flux. Although sustainability is still mainly seen as a risk factor for a company and its investors, we now also find approaches that evaluate an investment in terms of a company's impact on climate change, biodiversity, or health. SI approaches, such as impact investing or sustainable thematic funds, which require even more advisory expertise, can potentially initiate a status competition between banks based on environmental and social quality criteria. However, the observable field dynamics are currently limited to the emergence of new organisations, such as ESG rating agencies, and their interaction with banks to develop sustainable financial products and services collaboratively.

The "success story" of sustainable finance to date, measured in terms of the spread of sustainable financial products and services, is primarily due to the fact that risk avoidance and long-termism could be used as quality criteria for both sustainability and financial performance. This helped to turn a potential conflict between the economy and ecology into a win–win situation (Brandtner and Bromley 2022). Besio and Meyer (2022, 23) describe a similar case, using the example of energy cooperatives, as the recombination capacity of organisations.

Based on the combination of approaches that shed light on translation processes with insights from field research and core assumptions of the organisation-society approach, we have illuminated a transformation process which has led to the inscription of environmental and social criteria in financial products and services. This transformation is based on translation processes during which these criteria are operationalised as manageable objects. However, not only banks but a much broader range of organisations, experts, and authorities are involved in this process, including scientists, the UN, regulators, associations, consultants, and rating agencies. Organisational changes within banks are based on this transformation at the societal level of fields. However, banks cannot simply adapt to this process. They must change their formal structure, recruit new experts and professionals, and qualify their workforce in order to translate novel expectations and develop new products and services. We thus conclude that this interrelated change process at both the organisation and field levels triggers changes that profoundly affect organisations' core activities and practices.

Beyond this conclusion, our case also hints at the emergence of new professionals and further trainings of established professionals. Traditional bankers have not driven the turn towards sustainability, but rather, other professionals have entered the field, including communications specialists, data scientists, and sustainability consultants. These professionals, often working in academic institutions, think tanks, and rating agencies, developed the fundamentals that traditional bankers could utilise. Considering this observation, a fruitful research perspective would be to examine in more detail the extent to which various professionals play different roles in transformation processes.

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