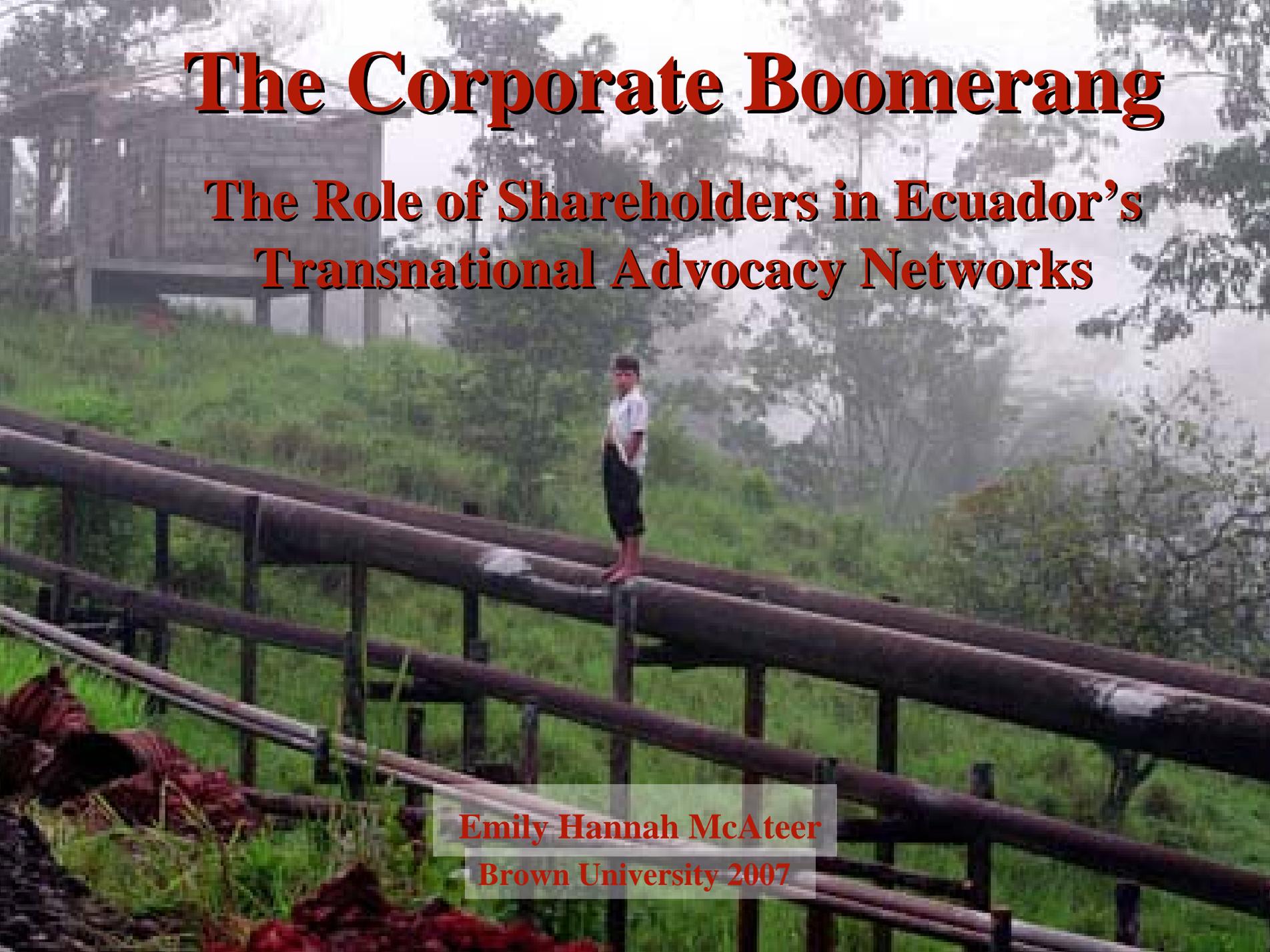


# **The Corporate Boomerang**

## **The Role of Shareholders in Ecuador's Transnational Advocacy Networks**

A young boy in a white shirt and dark shorts is standing on a large, dark metal pipe that runs across a lush green landscape. The pipe is supported by a series of vertical posts. In the background, there are more pipes and a dense forest of trees. The overall scene suggests an industrial or agricultural setting in a rural area.

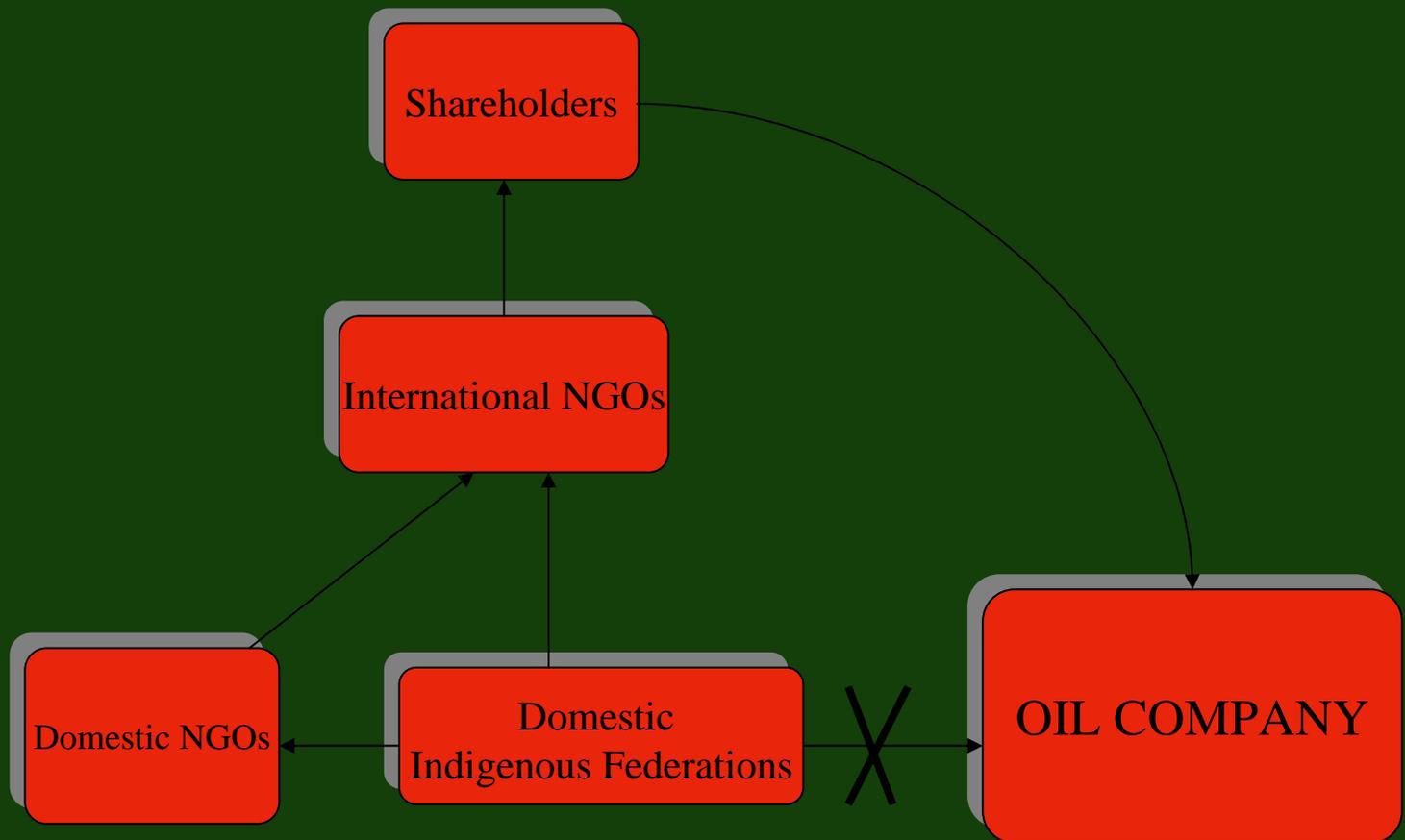
**Emily Hannah McAteer**  
**Brown University 2007**

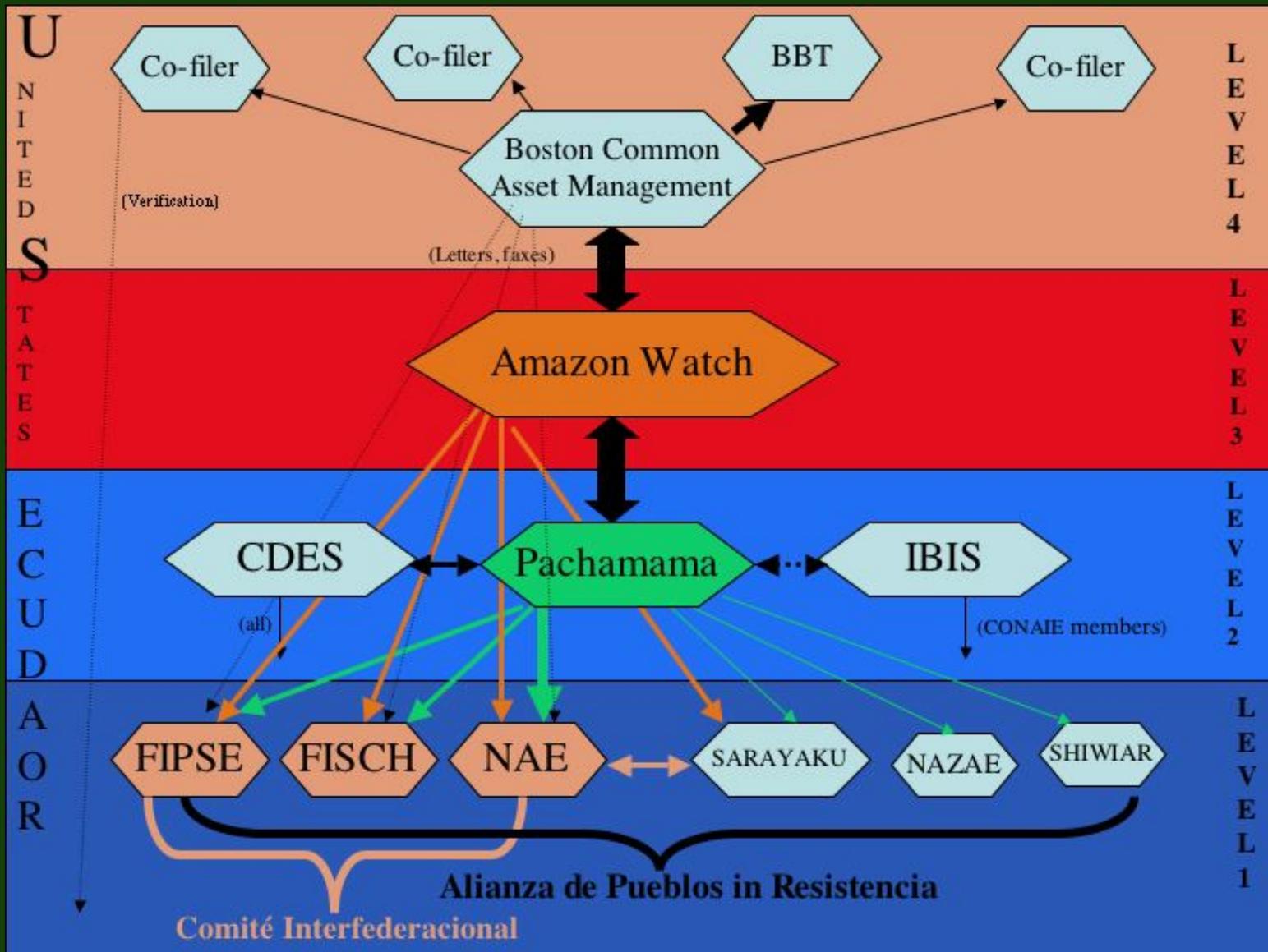
# **RESEARCH QUESTION:**

**What factors influence the effectiveness of transnational advocacy networks using shareholder mechanisms to influence corporate behavior in the oil industry?**

# Academic Significance

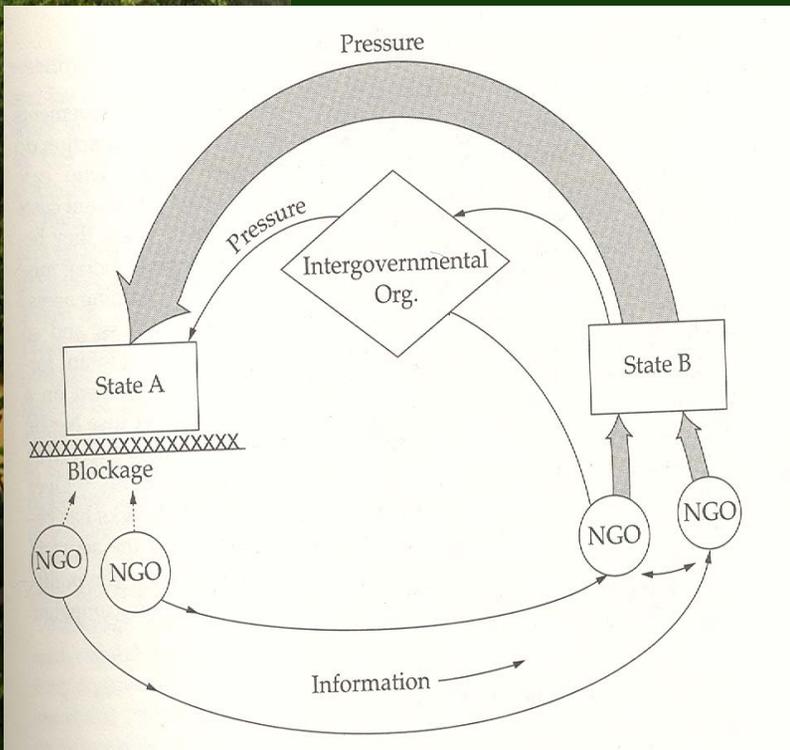
## Shareholder Transnational Advocacy Network (STAN)



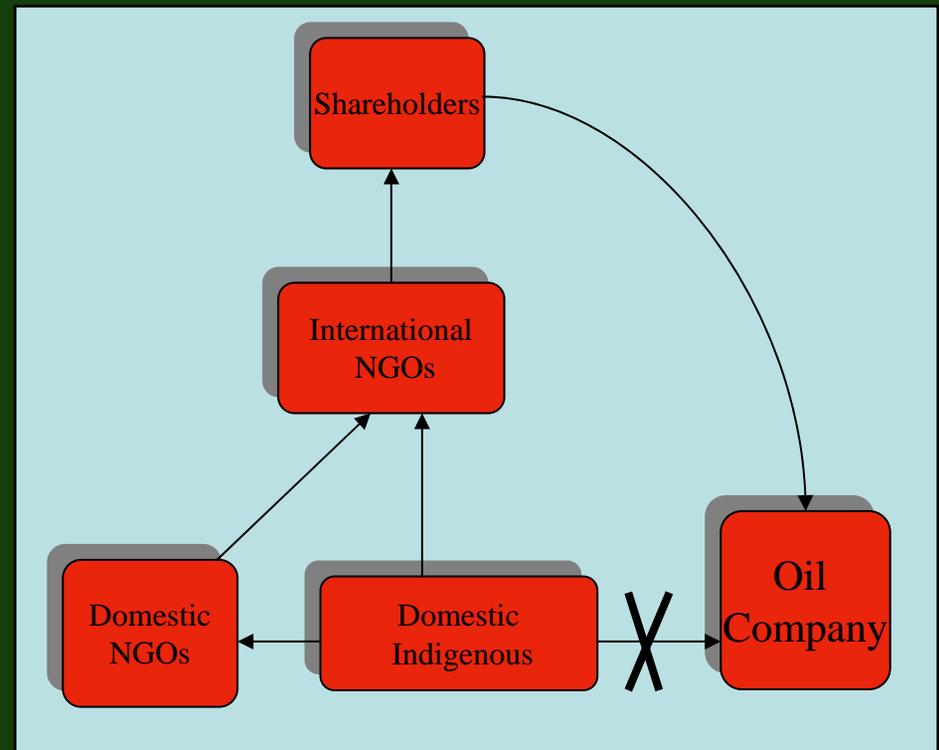


# Academic Significance

- Keck and Sikkink's Transnational Advocacy Network
- The Boomerang Model



The Boomerang



The Corporate Boomerang

# **RESEARCH QUESTION:**

**What factors influence the effectiveness of transnational advocacy networks using shareholder mechanisms to influence corporate behavior in the oil industry?**

# Policy Significance

**Oil, Environment, and Human Rights**

**Oil and Development**

**Oil and CSR**



# Research Design

- **Comparative case study analysis**
- **Keck and Sikkink framework:**

## **A. Strength and Density of the Network**

Strength: Identity

Density: Structural Relationships

## **B. Vulnerability of the Target**

## **C. Network Context**

# Data Collection Techniques

- 33 in-depth interviews with key informants in Ecuador and US
  - Indigenous groups
  - NGO staff members
  - Shareholder advocates
- Company research: SEC filings, company reports, policies, etc.



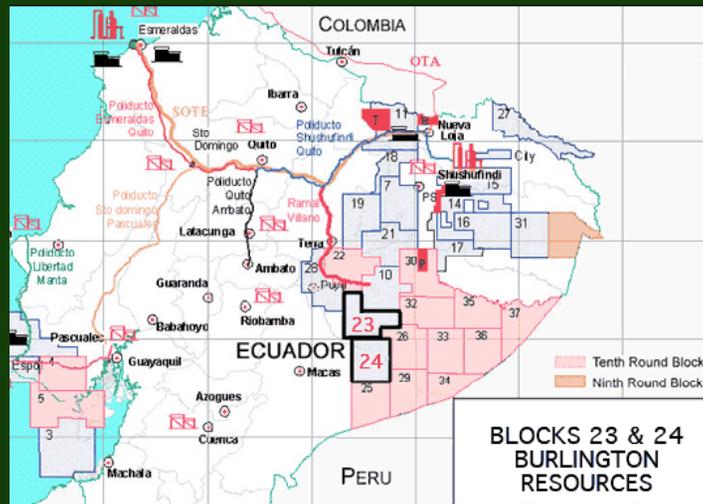
# Case 1: Chevron

*Texaco operated “in [an] environmental law vacuum...Texaco set its own standards and policed itself.” --Judith Kimerling*



- 1967: Texaco discovers oil near Lago Agrio
- Indigenous groups: Cofán, Siona, Secoya, Huaorani, Kichwa
- 1993: *Aguinda v. Texaco* to address Texaco legacy
- Shareholder advocacy (Trillium Asset Management): environmental remediation and compensation
- Outcomes

# Case 2: Burlington Resources



- Burlington: Block 24 (1999) and 50% Block 23 (2003)
- Indigenous groups: Achuar, Shuar, Zápara, Shiwiar
- Shareholder advocacy (Boston Common Asset Management): indigenous rights policy, sustainability report, proper consultation procedures
- Outcomes

# Findings: Density of the Network

- Communication
- Learning
- Training



# Findings: Strength of the Network

## *Indigenous Dynamics*

- The preservation of traditional indigenous culture: cohesive local-level identity.
  - Southern shared goals of cultural preservation
  - Southern territorial and cultural defense embedded in indigenous identity

*[The Cofán] still have culture. The women still wear their traditional dresses...but they can't fight to protect their traditional lifestyle, because they can't live that lifestyle. They can't fish—they have to buy canned tuna, and then they need cash. So many of them don't have that traditional lifestyle, that dependency on the forest, to protect in the same way that they do in the South. (Amazon Watch staff member)*

*The Shuar and Achuar are warrior people. In the north they aren't like this—only the Huaoranis. In the north we have the Secoyas, the Cofánes, Sionas who are more passive, peaceful. They wouldn't have the capacity to mobilize and fight...[The Achuar and Shuar] have this spirit of defense with violence because they are accustomed to war. (Pachamama staff member)*

# Findings: Strength of the Network

*Indigenous Dynamics*

- Representation

- South: indigenous leaders elected by assembly to carry out communities' goals
- North: non-indigenous organization represents indigenous communities in legal processes

# Findings: Strength of the Network

## *Indigenous-NGO-Shareholder Dynamics*

- Indigenous-NGO goal alignment

*Amazon Watch and Pachamama, we don't have real—we don't have initiatives that are just our own. Or positions that are just our own...whereas I think Acción Ecológica, for example, has, yeah, they are an NGO and they have their position...Our mission is not to be against oil—it is to help the indigenous achieve their goals. (Amazon Watch staff member)*

- Direct shareholder-indigenous contact

*Anything “de la compañía” is bad. So the idea of shareholder activism, number one, what is a shareholder, and number two, that there could be anyone in the company that has shares and want to do good with it, that want to change the corporation, are very abstract concepts. Some people understood it, and some people didn't. (Amazon Watch staff member)*

- Shareholder-Indigenous goal alignment

*The difference in my goals and those of the indigenous...well, I know there's some folks on the ground who don't want any drilling at all. I can't say that. What I want is just that Burlington knows there are people who don't want it, and that they follow the right procedures to get consent, that they play by the rules of the game when they negotiate, that the people feel like they are getting a good deal and benefiting from negotiations. (Burlington shareholder)*

# Findings: Strength of the Network

## *CONCLUSIONS*

- A variety of indicators suggest that the domestic component of the southern network exhibits greater strength and density than that of the north, partially explaining its relative effectiveness.
  - Mostly explained by different historical trajectories
- Strong domestic networks—coupled with an effective shareholder campaign—may be more critical to an effective STAN than strong relationships between shareholders and indigenous communities.

# Findings: Vulnerability of the Target

## Economic and Competitive Behavior

- Reputational risk
- Infrastructure

## Corporate Culture

- Management execution
- Board oversight
- Shareholder perspectives

# Findings: Vulnerability of the Target

*Economic and Competitive Behavior*

- Reputational risk
  - retail line
  - other explanations

- Infrastructure



**The Chevron Way**



# Findings: Vulnerability of the Target

## Corporate Culture

### Management Execution

- Policies, reports, CEO statements, CSR framing
- Decentralization: Shareholder Perspectives
- Senior staff

*ChevronTexaco does not have a managerial priority for indigenous rights...because they aren't walking like they talk...the CEO is saying one thing, but the staff is not carrying it through—which shows that it's not actually a priority. (Chevron shareholder)*

*I was on a conference call with [Chevron] last year, in which my take was that we were talking to a group of middle managers who were just trying to put a shine onto Chevron's operations. (Chevron shareholder)*

### Board Oversight

### Shareholder perspectives

# Findings: Vulnerability of the Target

*Corporate Culture*

## Board Oversight

Corporate governance indicator	Chevron	Burlington Resources
INDEPENDENT BOARD MEMBERS	2004: all except Board Chair	All non-management directors, all committee members
BOARD COMMITTEE OVERSIGHT	Public Policy Committee	Audit Committee
INDEPENDENT BOARD CHAIR	No	No
EXECUTIVE COMPENSATION POLICY	Vague “non-financial” goals	Linked to environment, health, and safety performance

# Findings: Vulnerability of the Target

## Corporate Culture

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# Findings: Vulnerability of the Target

*Corporate Culture*

## Shareholder Perspectives

- Size and experience with shareholder advocacy



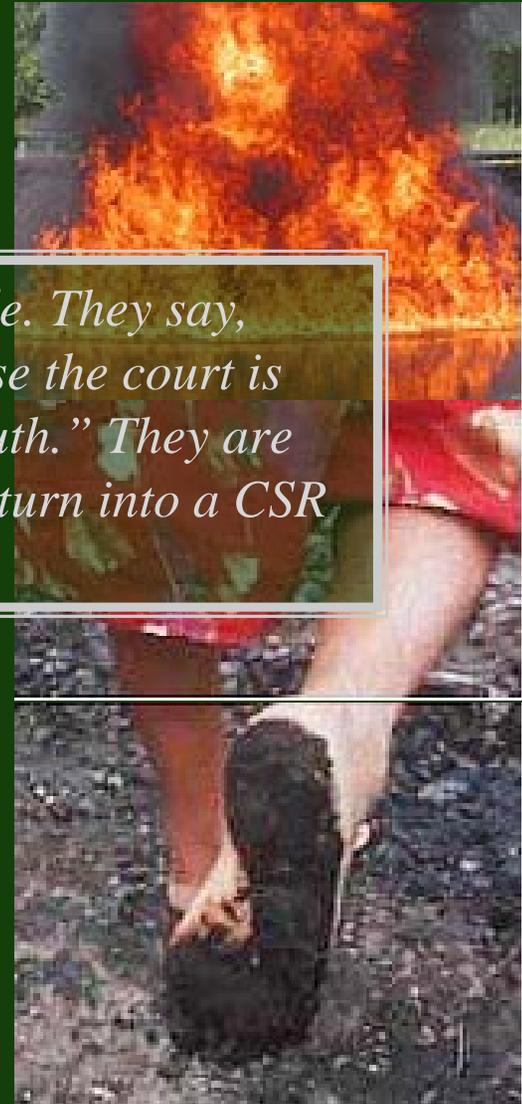
*Burlington has been pretty open—well, relatively speaking. They've answered our letters and they've been willing to meet—that shows some kind of responsiveness. And they're willing to admit there's a problem. (Burlington shareholder)*



*A lot of [Chevron's] corporate culture has been shaped by the fact that they've always had people questioning them...they know how to deal with it. And they're so big that they can afford to turn off the microphone on an indigenous person. They're...relatively immune. (Chevron shareholder)*

# Findings: Network Context

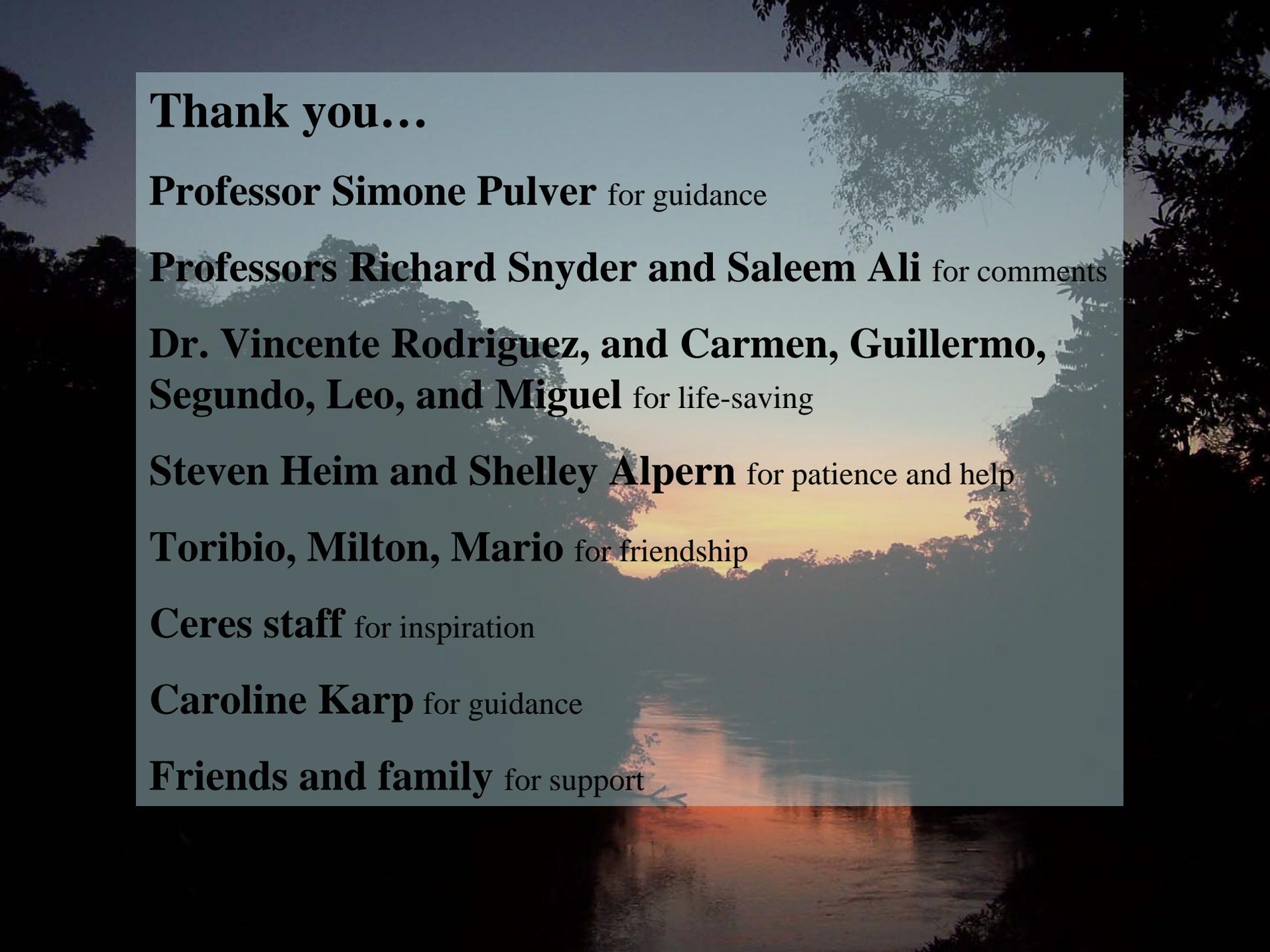
*Their whole thing is, let's let the courts decide. They say, "shareholders, don't worry about this because the court is going to decide. And then they'll know the truth." They are trying to hide behind the lawsuit, to not let it turn into a CSR issue at all. (Chevron shareholder)*



# Conclusions

*Looking forward...*

- ConocoPhillips acquires Burlington...
- Texaco lawsuit in final steps...
- President Ralph Correa...
- CSR in the future...



**Thank you...**

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