



Analysis

The emergence of Southern standards in agricultural value chains: A new trend in sustainability governance?

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ABSTRACT

The objective of this paper is to understand and trace the emergence of Southern standards in global agricultural value chains. While the trend towards private standards established by developed country or 'Northern' actors has received significant attention in the literature, recently an emergent counter-trend can be observed which manifests in the development of standards by Southern producer country actors. This may be attributed to the perceived lack of legitimacy of global standards, especially from a Southern perspective. The paper therefore applies a legitimacy perspective to analyse the emergence of new Southern standards in Indonesian and Malaysian palm oil, Brazilian soy and South African fruit production. The analysis reveals that Southern standards both target different audiences to obtain legitimacy and rely on different sources of legitimacy as compared to established Northern standards. This is done explicitly in order to create cognitive and moral distance to Northern standards and ultimately to reclaim the issue areas occupied by Northern standards. The paper discusses and reflects on the implications of the emergence of Southern standards for sustainability governance and concludes with the identification of future research opportunities on Southern standards.

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1. Introduction

Global value chains are increasingly characterized by the proliferation of transnational private governance arrangements setting and implementing standards for sustainable production processes in developing countries. Numerous sustainability standards can be identified, either as business, civil society or multi-stakeholder initiatives, in chains such as timber (Cashore et al., 2004), flowers (Riisgaard, 2009), cocoa (Bitzer et al., 2012), and clothing (O'Rourke, 2006). The problem-solving capacity of private governance critically depends on how key audiences perceive and trust in the intentions of its standards, as they cannot use executive power to implement regulation in the way that governments can. Appeals to objectivity and effectiveness are therefore necessary to attract voluntary participants (Hatanaka & Busch, 2008), combined with various incentives for compliance with standards, such as greater market access for producers and positive reputational effects for businesses (Dauvergne & Lister, 2012).

However, the legitimacy of many of these initiatives is increasingly questioned due to a general perception that they are driven by and serve the interests of Northern actors whilst Southern stakeholders are mere standard-takers (e.g. Freidberg, 2003; Ponte & Cheyns, 2013). First, this concerns the development of the content of standards.

Various studies have noted that participation by Northern stakeholders far outweighs, both quantitatively and qualitatively, the participation by Southern stakeholders in standard-setting processes – even when these take place through multi-stakeholder initiatives encompassing a wide range of actors (Pattberg, 2006; Bitzer et al., 2008; Dingwerth, 2008; Klooster, 2010; Fuchs et al., 2011). As a result, Northern discourses on sustainability, scientific knowledge and large companies' interests tend to dominate over Southern discourses, local knowledge and farmer preferences (Cheyns, 2011; Ponte & Cheyns, 2013). Others criticize the lack of context contingency of standards which, in their quest to establish globalized norms for sustainable production processes, leave little room for local interpretation and adaptation.

Secondly, the outcomes of standards are highly contested. While some studies find positive socio-economic effects for producers (von Hagen & Alvarez, 2011; Rueda & Lambin, 2013), others only detect insignificant (Blackman & Rivera, 2011) or highly variable effects (Ruben & Zuniga, 2011). Outcomes appear to be particularly ambiguous for small-scale producers (Bitzer, 2012), which is reflected in the difficulties of standards to achieve widespread adoption beyond large-scale producers (Fortin, 2013). Even when producers are compliant, there is little certainty that the new practices lead to the desired level of sustainability (Djama et al., 2011), since the issues addressed are highly complex and not easily solved (Wijen, 2014).

Smith and Fischlein (2010) argue that in situations where certain groups of stakeholders are excluded from the development of standards

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or feel disadvantaged by the outcomes of standards, they may create rival standards to proclaim their own visions of how best to implement sustainability and thereby challenge the legitimation efforts of existing standards. The resulting multiplicity of standards has been observed in different global value chains (Reinecke et al., 2012; Franssen, 2011), which sheds light on the political struggles for credibility and influence underlying the creation of voluntary standards based on competing problem definitions and objectives (Bartley, 2007).

While prior research has mostly looked at competition between standards initiated by Northern actors, recent signs indicate that also Southern actors are beginning to take up a new governance role by developing their own standards in issue areas where Northern standards have tended to dominate (Hughes et al., 2013; Hospes, 2014; Glasbergen & Schouten, 2015). Among the most prominent examples are the Indonesian Sustainable Palm Oil (ISPO) and the Malaysian Sustainable Palm Oil (MSPO) standards, which challenge the dominance of the Roundtable for Sustainable Palm Oil (RSPO), the Brazilian “Soja Plus” standard which emerged in response to the standard of the Roundtable on Responsible Soy, and the Sustainability Initiative of South Africa (SIZA), a bottom-up initiative for ethical trade in South African fruit production. Other examples of ‘Southern standards’ include the ‘Trustea’ standard developed by the Indian tea industry, Indonesian standards for cocoa and coffee production (IScocoa and IScoffee), and Brazil’s Certifica Minas Café standard.

Could this be the beginning of a counter-trend to what Freidberg (2003) calls the attempt to “clean up down South” by Northern actors concerned about ethical and environmental issues in the countries of production? Since this question has not yet been explored, this paper aims to answer why and how Southern standards in global value chains are beginning to emerge. We take the legitimacy challenges of established Northern standards as our point of departure to examine the emergence of Southern counter-initiatives and to establish how Southern standards aim to create legitimacy vis-à-vis established Northern standards in their respective issue domain. For this purpose, we develop an analytical framework based on the organizational approach to legitimacy and apply this framework to analyse three sectors where Southern standards can be observed: palm oil production in Indonesia and Malaysia, soy production in Brazil and fruit production in South Africa. This comparative case study approach allows for the identification of a number of commonalities among Southern standards. The analysis reveals that Southern standards both target different audiences and rely on different sources to obtain legitimacy as compared to established Northern standards. This is done explicitly in order to create cognitive and moral distance to Northern standards and ultimately to reclaim the issue areas occupied by Northern standards.

2. Analytical Approach: Legitimacy of Standards in Agricultural Chains

Transnational private governance is a “process in which non-state actors from more than one country generate behavioural prescriptions that are intended to apply across national borders” (Dingwerth & Pattberg, 2009, p. 711). As they aim to position themselves as credible alternatives to government regulation to introduce sustainability into global value chains, researchers have increasingly looked at how these arrangements create legitimacy and acceptance. Thus far most scholars have taken a normative, evaluative approach to legitimacy rooted in democratic theory (e.g. Mueller et al., 2009; Fuchs & Kalfagianni, 2010; Hahn & Weidtmann, 2012). Although these approaches render interesting results regarding the democratic quality of governance arrangements, they hardly give insights into the processes through which sustainability standards become accepted as an authoritative norm in their issue field. This paper, therefore, takes an organizational approach to studying legitimacy and conceptualizes legitimacy as a *relational* and *relative* concept taking shape in social processes.

Legitimacy is a *relational* concept in the sense that it is constituted in a relationship between a governance arrangement and its relevant audiences. It is a quality attributed to a governance arrangement by these audiences, which can grant or withhold authority to private governance arrangements (Cashore, 2002; Bernstein, 2011). Legitimacy is a *relative* concept in the sense that “there are no universally shared criteria of legitimacy” (Koppell, 2008, p. 192). Legitimacy demands differ per historical and societal context (Bernstein & Cashore, 2007). Moreover, actors within the same context can disagree on what constitutes legitimate authority. Additionally, more than one governance arrangement can attain legitimacy at the same time, even by the same audience. To accommodate the implications of this conceptualization, this paper uses the definition by Suchman (1995, p. 574) who defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions”.

2.1. The Relational Dimension of Legitimacy: Audiences

Cashore (2002, p. 511) identifies four broad sets of audiences that are important in granting legitimacy to private governance arrangements: “the state as actor, supply-side economic interests (those firms that have to implement the rules), demand-side economic interests (customers, suppliers, and other organizations in the supply chain who put pressure on producers to accept the rules), and social interests (environmental groups, the media, and organized labour)”. These distinctions are important, as each audience has different reasons for granting or withholding legitimacy from a governance arrangement. While these audiences were identified for transnational private governance arrangements, we expect that the same audiences also play a role in granting legitimacy to Southern standards, although the relative weight of the different audiences may vary.

We further distinguish between internal and external legitimacy. Internal legitimacy is granted by audiences who are either members or participants (i.e. adopters) of a governance arrangement, such as commodity chain actors or social and environmental NGOs. External legitimacy is granted by audiences that are not directly participating in an arrangement, referring to the acceptance of the arrangement by non-members or non-participants (Biermann & Gupta, 2011).

While internal legitimacy is critical to building and maintaining commitment by members to the objectives and outcomes of the governance arrangement, external legitimacy is equally important to build relationships with stakeholders and attract potential standard adopters (Human & Provan, 2000). Internal and external legitimacy may positively reinforce each other – for instance, external legitimacy may enhance the commitment of members who are more likely to see themselves as part of a viable arrangement (Provan & Kenis, 2007). However, internal legitimacy demands of individual members may collide with the demands of external audiences and, conversely, activities that build external legitimacy may not necessarily benefit individual members (Human & Provan, 2000). The relationship between internal and external legitimacy both reflects the relation between individualistic versus collectivistic legitimacy concerns and between fostering internal interactions versus building credibility to outsiders (Provan & Kenis, 2007).

2.2. The Relative Dimension of Legitimacy: Sources

Suchman (1995) proposes three different sources from which an organizational arrangement can derive legitimacy: narrow self-interest (pragmatic legitimacy), normative support (moral legitimacy) and alignment to a cultural or political setting (cognitive legitimacy). *Pragmatic* legitimacy is perhaps the most basic form of legitimacy and rests on self-interested expectations and calculations of benefits incurring from the governance arrangement to internal and external audiences. Scherer and Palazzo (2011) add that organizations may actively

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