



Analysis

Escaping the “Teenage” Years: The Politics of Rigor and the Evolution of Private Environmental Standards

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A B S T R A C T

While there is considerable literature on firms' motivations to form and join private environmental standards, less has been written on motivations to strengthen standards, once created. Using the Roundtable on Sustainable Palm Oil (RSPO) as a case, our study examines the politics of rigor, understood as value-chain traceability and on-the-ground requirements, within private environmental standards. We use polytomous variable latent class analysis to cluster RSPO members' reported challenges in sustainable palm oil and model the membership in clusters expressing concerns that the standard is either insufficiently rigorous or too difficult using random effects panel logistic regression. We find that more brand-exposed members are more likely to request greater rigor. Members in the middle of the value chain are more likely to voice concerns about the standard being excessively difficult, particularly noting costs and the challenge of securing supplies. We argue that avoiding reputational risk is a primary motivator for standards adherence, and, as a result, demands for increased rigor come primarily from firms with higher brand exposure. We conclude that the distribution of standard members across the supply chain can be a significant determinant of the way private environmental standards evolve and the level of rigor they achieve.

1. Introduction

Addressing the 2016 European Roundtable on Sustainable Palm Oil (RSPO) delegates in Milan, the organization's vice-president, Adam Harrison of the World Wide Fund for Nature (WWF), suggested the sustainable palm oil industry was entering its difficult teenage years. “While living with a teenager may be painful,” he admitted, “it can also be exciting. Teenagers experiment with their identities, sometimes surprise their parents, and, ideally, hold out hope for the future.” The RSPO, to be sure, is in constant flux, but Harrison's remarks nonetheless could apply to private standards (also sometimes called civil regulations, multistakeholder initiatives, or non-state market-driven governance) more broadly: they evolve and take on new roles and identities as a result of internal negotiations and external pressures. While existing literature outlines key factors leading to the creation and growth of standards, however, there has been less work on their evolution, once created (Cheyns and Riisgaard, 2014). Here, we study organizations' interest in environmental standards' costs and rigor, tensions between which often frame debates among standards-setters (Auld et al., 2015; Knudsen, 2013; Schouten and Glasbergen, 2011; Schouten et al., 2012;

Cheyns and Riisgaard, 2014).

The use of private standards to govern supply chains has become a significant concern for researchers (Boons et al., 2012; de Vries and Ferrarini, 2017; Kogg and Mont, 2012; Manning et al., 2012; Mitiku et al., 2018; Pinto et al., 2014; Schouten and Bitzer, 2015), and several document a rise in private standards as environmental governance tools (Auld et al., 2015; Pattberg, 2005a, 2005b; Green, 2014; Gallemore & Munroe, 2013; Sasser et al., 2006; Vogel, 2010). Green (2014), for example, finds 119 standards in the environmental sector in 2009 (Vogel, 2010; Zadek, 2001), of which 58% were originated after 2000 and 90% after 1990. This research has tended to focus on standards' legitimacy (Cheyns and Riisgaard, 2014; Marin-Burgos et al., 2015; Schouten and Bitzer, 2015; Schouten and Glasbergen, 2011; Schouten et al., 2012) and impacts (Bartley et al., 2015; Mitiku et al., 2018; Pinto et al., 2014; Ruysschaert and Salles, 2014). Such studies have identified a range of governance functions private standards can support (Kogg and Mont, 2012), such as coordinating actions (Green, 2014; Pattberg, 2005b), facilitating learning and building expertise (Green, 2014; Potoski and Prakash, 2005b; Pattberg, 2006), and motivating environmental compliance (Potoski and Prakash, 2005a, 2005b).

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Previous studies also document several motivations for firms to create or join standards, including brand reputation (Auld, 2014; Bernstein and Cashore, 2007; Garcia-Johnson, 2000; Prakash and Potoski, 2006; Renard, 2010), supply chain control (Dauvergne and Lister, 2013; Kogg and Mont, 2012), or civil society pressure (Delmas and Montiel, 2008; Delmas and Montes-Sancho, 2011; Dingwerth and Pattberg, 2009). These motivations, we expect, will continue to affect firms' engagement in private standards after they create or join them. As several studies note, however, firm interests across the value chain are heterogeneous - not all firms will be similarly motivated (Bartley, 2007; Bartley et al., 2015). All else equal, we would expect demands for increased rigor to come primarily from downstream member firms, who most directly interact with consumers and, particularly in buyer-driven value chains, may have more power to push compliance costs upstream.

To test this hypothesis, we use data on the RSPO. The organization is a response to concerns about the often severe negative social and environmental impacts of oil palm plantations and certified about 17% of global production as of 2016 (RSPO, 2016). To a large degree, its Principles and Criteria (P&C) define the "rules of the game" (North, 1990, p. 3) for sustainable palm oil production. These rules continue to evolve in response to calls for zero deforestation palm oil, more traceable supply chains, and human and labor rights protections (RSPO, 2013b; Marin-Burgos et al., 2015). Together, debates on the need for increased traceability and more stringent on-the-ground requirements are the primary dimensions along which the politics of rigor play out in the organization. The RSPO provides an interesting opportunity to study these politics across the value chain because of its public reporting requirements. Ordinary and affiliate members of the RSPO are required to submit Annual Communication of Progress (ACOP) reports that document their activities with respect to the goal of scaling up certified sustainable palm oil production. These reports serve as an alternative to survey data, which is often plagued with low response rates. From the 2012 to 2015 rounds,¹ the report form included a series of questions, displayed in the Methodological Appendix, on members' impression of and challenges engaging with the RSPO.

We begin with an overview of the current discussion of the motivations for firms and other organizations to create and join private environmental standards, which we then extend to provide an account of how these interests are likely to be distributed once the standard has been created. We then provide a brief description of the methods used to collect data on the RSPO to test our hypothesis that brand-conscious, downstream value-chain members will be the most likely to drive demands for further rigor in environmental standards. Following this, we provide an overview of debates on rigor in the RSPO and present results from our analysis of the ACOP reports. In discussing our results, we develop a simple verbal model that can be used to generate testable hypotheses regarding the evolution of private standards' requirements.

2. The Evolution of Private Standards

Bartley (2007) identifies two broad accounts of the origins of private environmental standards, which tend to dominate debates on the topic. The first, which Bartley (2007) calls the "market-based approach," derives primarily from institutional economics and highlights institutions' role in providing benefits to rational, self-interested members. On this account, motivations to create and sign up to environmental standards mirror reasons self-interested firms might support environmental regulations more broadly (Green, 2014). Potoski and Prakash (2009), for example, theorize that environmental certification standards allow firms to protect an industry's reputation by using labels to turn reputation into an excludable good (Bartley, 2007; Potoski and Prakash, 2009; Green, 2014). Because of this excludability,

environmental certifications can act as barriers to new market entrants (Knudsen, 2013; Oye and Maxwell, 1994; Parson, 1993; Stigler, 1971), provide a way for sustainability leaders to spread compliance costs to competitors (Bartley, 2007), or support lobbying in the face of threatened regulation (Dauvergne and Lister, 2013).

Whereas the market-based perspective tends to model actors as relatively homogenous agents (Baron, 2009; Kotchen and van 't Veld, 2009), the second approach, which Bartley (2007) identifies as "the political construction of market institutions," examines heterogeneous interests among firms, government agents, NGOs, and other stakeholders both inside and outside the standard (Bartley, 2007, 2009). On this account, environmental standards emerge as a result of bargaining, and distributional conflicts are everywhere (Auld et al., 2015; Bartley, 2007). Simply put, "some [organizations] will win (or lose) relative to others" (Auld, 2014, p. 17). Following the "supply chain revolution" (Bartley et al., 2015, p. 10) starting in the 1980s, as Cashore, et al., (2004, p. 23) put it, "the supply chain directs and frames political struggles" around certification, with power relations across the value chain and within specific national contexts affecting both standards' adoption and their rigor (Cashore et al., 2007a, 2007b).

Both perspectives recognize a key challenge for environmental certification: because it is not automatically extended throughout jurisdictions, as would be the case with a governmental regulation (Cashore et al., 2004), there is a tension between strengthening standards and expanding their membership (Cashore et al., 2007a). As Potoski and Prakash (2009) point out, lenient standards can gain wide adherence, but stringent standards can better avoid internal free riding and provide more credible signals. While strengthening standards can be a significant win from an environmental perspective, strengthening raises entry costs (Cashore et al., 2007a; Portney, 2016; Dowell et al., 2000; Palmer et al., 1995; Porter and Van der Linde, 1995), leading to distributional conflicts. Not surprisingly, standards' rigor can differ substantially depending on what kinds of organizations sponsor them (Darnall et al., 2017; van der Ven, 2015).

Much of the current literature on bargaining over rigor focuses on identifying factors that account for when, why, how, and how many environmental certification programs are developed in different arenas, with what membership numbers and rigor (Auld, 2014; Cashore et al., 2004; Bartley, 2003, 2007, 2009; Fransen and Conzelmann, 2015; Green, 2014; Jaffee and Howard, 2016; Potoski and Prakash, 2009; Sasser et al., 2006). Auld (2014), for example, examines the barriers to change in new certification initiatives, but primarily in the context of whether or not it is possible to take a standard global and whether or not new competitors emerge. Bernstein and Cashore (2007), similarly, focus on the way strategic considerations and emerging norms affect the distribution of support for and membership in an extant standard - rather than the ways in which these factors might affect the evolution of the standard's content itself.

While they focus on explaining creation and membership, these studies also note that standards are subject to evolution (Auld, 2014, p. 11), sometimes driven by internal coalitions (Overdevest, 2010). As Bartley (2007) observes, political contestation and struggles over resource distribution often affect how standards evolve. Clearly, once firms become members, their reputational risks are not immediately nullified. Indeed, certified firms might even become more vulnerable targets, as it becomes easier for civil society to identify and call out discrepancies between rhetoric and actions on the ground (Finnwatch, 2014; Greenpeace International, 2013, 2016; Organisasi Penguatan dan Pengembangan Usaha-Usaha Kerakyatan, et al., 2016). While concerns like market access, reputational protection, supply-chain governance, and regulatory avoidance can motivate strengthening underperforming standards (Overdevest, 2010), changes also will create distributional conflicts (Auld et al., 2015). Understanding the internal processes by which standards evolve requires considering that firms' propensity to engage in costly pro-environmental behaviors depends on their value-chain position (Manning et al., 2012; Tienhara et al., 2012; Tong et al.,

¹ Some of these items were not available for the 2016 round, which was not included in this analysis.

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