



Analysis

The Voluntary Coffee Standard Index (VOCSI). Developing a Composite Index to Assess and Compare the Strength of Mainstream Voluntary Sustainability Standards in the Global Coffee Industry



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ABSTRACT

Over the last years, key players in business, politics and civil society have promoted Voluntary Sustainability Standards (VSS) to shift global markets towards more sustainable value chains. In this article, we develop a new methodological approach (composite indices) to assess and compare the strength of competing voluntary sustainability standards (VSS). We apply this approach to all major VSS in global coffee production. In detail, we identify 92 regulatory topics relating to sustainability improvements in global coffee production through VSS. We weight these indicators and develop a coding system to evaluate how strongly each VSS addresses each of the 92 regulatory topics. The results show four sub-indices that compare the strength of the different VSS within the four main regulatory areas of sustainable development: (I) environmental sustainability (II), social sustainability, (III) economic sustainability and (IV) compliance enforcement. Aggregating these sub-indices build the “Voluntary Coffee Standards Index” (VOCSI) that compares the strength of VSS across the four main regulatory areas. We evaluate the robustness of the index and correlate the VOCSI with the amount of coffee certified to examine the relationship between the strengths of a standard and its proliferation.

1. Introduction

In recent years, there have been heightened concerns about the respect of human rights and environmental protection in value chains that span multiple countries and in which responsibility accrues to a variety of value chain actors subject to different regulatory environments (von Geibler, 2013). In response, Voluntary Sustainability Standards (VSS) have emerged as a key sustainability governance tool in a multitude of business sectors (ITC, 2015; Potts et al., 2014). Broadly defined, VSS present a set of “voluntary predefined rules, procedures and methods to systematically assess, measure, audit and/or communicate the social and environmental behavior and/or performance of a firm” (Gilbert et al., 2011, p. 24). Participation in VSS at all value chain levels is voluntary rather than mandated by law, and generally driven by market incentives (Cashore, 2002). Nevertheless, VSS can adopt a quasi-legal character and become binding to their participants if they are attached to an independent third party certification or verification program (Cashore et al., 2004).

In practice, there are numerous combinations of stakeholders that

establish Voluntary Sustainability Standards, ranging from efforts by single firms or non-governmental organizations (NGOs) to industry and sector associations, firm-NGO collaborations, multi-stakeholder initiatives, and – less commonly – states and supranational institutions. Each of those actors has different motivations and priorities in establishing and enforcing such standards, leading to the proliferation of standards that address the sustainability of the same commodity in different ways, and a fragmentation of the market for sustainable products (Reinecke et al., 2012). Through a complex interplay of market actors and standard-setting organizations, VSS furthermore continuously re-define their mission and update their criteria and processes in order to maintain and increase their share of the ‘standards market’ (Levy et al., 2016; Reinecke et al., 2012). Particularly during the process of ‘mainstreaming’ standards, when standards aim to broaden their reach from a niche market to the general mainstream market, this process is defined by considerable contention over the necessary breadth, depth and strictness of Voluntary Sustainability Standards for them to lead to an impact on the economic, social and environmental sustainability of production (Kolk, 2013; Levy et al., 2016; Reynolds, 2009).

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This fragmentation and dynamic evolution of the sustainability market contributes to high levels of confusion, with adverse effects on consumers, participating firms, political actors, and society as a whole (Bitzer et al., 2008). First, ethical consumers are confronted with an ever-increasing number of seals and labels in the supermarket and are expected to make complex purchasing decisions while distinguishing between varying levels of credibility in these competing initiatives. This often overwhelms their capacities and creates so-called ‘label fatigue’ that may lead consumers to indiscriminately purchase products ‘greenwashed’ with non-credible labels, or even dissuade them from engaging in ethical purchases overall (Isehour, 2011). Then, firms that intend to participate in sustainable supply chains need to invest increasing resources to select the scheme they partake in, since their company’s Corporate Social Responsibility credibility depends upon which label they feature on their products. Thus, participating in a scandal-prone scheme may not only detract from their company values and intended business impact, but also increase their reputational risk considerably (Roberts, 2003). On the other hand, producing firms may be attracted to participate in loosely regulated standards if they promise the same a priori ethical credence; this further encourages greenwashing and puts firms participating in strict standards at a competitive disadvantage. In the public sector, governments increasingly rely on private governance methods such as VSS to regulate areas in which they have limited regulatory power, and support them through monetary and ideational support (Manning et al., 2012). However, when competing standards proliferate, it remains unclear whether all standards in the market have the same legitimacy and power to replace state-level regulatory actions; governments may thus involuntarily prop up schemes that lead to suboptimal outcomes. Finally, standard competition and mainstreaming may affect sustainable markets, and thereby society as a whole, if they lead to a ‘race to the bottom’ where sustainability requirements are successively loosened in order to become attractive for a growing number of participating firms. In this new ‘standards market’ (Reinecke et al., 2012), it is of high relevance to analyze how standard-setting organizations have reacted to increasing competition and how the definition of sustainability is operationalized on the ground (Bitzer et al., 2013; Reinecke et al., 2012).

While the academic literature has increasingly recognized the joint problems of proliferation and marketplace confusion (Kolk, 2013; Levy et al., 2016; Reinecke et al., 2012), there have been fewer efforts to directly address this confusion and contribute to more clarity in the field. The most frequent approaches have been descriptive overviews of various sustainability initiatives that briefly highlight their foci and implementation tools (e.g., that Fairtrade encourages fair pricing and focuses on smallholder producer organizations, or that the Rainforest Alliance’s initial mission was the protection of subtropical ecosystems), which do not explicitly consider recent alignment processes (see for instance Reynolds et al., 2007). Nor do they compare standards against a uniform theoretical concept, which limits their descriptive depth and contribution to conceptual clarity. The rare exceptions that exist are organized as case studies that do not quantify the results and do therefore not provide comprehensive overviews. While governments and industry associations have stimulated the development of standard comparison tools such as the International Trade Centre’s “Standards Map”¹ or the GIZ’s “Sustainability Standards Comparison Tool”,² these efforts frequently remain on a broad and unspecific level, failing to consider the varying forms in which certain criteria are addressed; and indeed, how important these criteria are on balance for the sector to be ‘sustainable’.

Given the state of the research, there is still a considerable need for the development of comprehensive information tools that would allow consumers and key decision-makers in business, politics and civil

society to decisively benchmark VSS according to their breadth, depth and overall strengths. In contribution to this emerging research field, we develop a comprehensive index of voluntary sustainability standards available in the coffee sector, the Voluntary Coffee Standards Index (VOCSI). We focus on the coffee industry because of its flagship position in the development of market-oriented sustainability schemes. Many of the first VSS emerged in coffee value chains, and the coffee sector is also leading efforts to introduce VSS into the mainstream commodity market. Furthermore, this flagship position signifies that a multitude of VSS exist and/or have been adapted for the coffee sector, including both NGO- and industry-led schemes, allowing us to apply our index to a large number of competing schemes. Finally, the high level of competition between schemes in the coffee sector also means that considerable contention and adaptation have occurred, allowing us to observe the first real-life results of standard competition. Nevertheless, the index is also applicable to other agricultural sectors (such as cocoa or bananas) in which mainly the same certifications exist.

Our analysis follows the assumption that VSS that aim for the implementation of stricter standards and enforcement rules (institutional designs) in their standard catalogue are more likely to lead to profound sustainability transformations on the ground than VSS with weaker standards and enforcement systems. Put differently, we do not measure impact directly in the Voluntary Coffee Standards Index (VOCSI) but support key actors in society, business and politics in identifying those VSS with the greatest potential to promote sustainability transformations in the coffee sector.

In order to assess and compare the strength of the institutional designs of different VSS, we inductively identify 92 regulatory topics relating to sustainability improvements in global coffee production. Drawing on an expert survey, we weighted these indicators according to their relevance and developed a coding system to evaluate how strongly each VSS addresses each of the 92 regulatory topics. The results show four sub-indices that compare the strength of the different VSS within the four main regulatory areas of sustainable development: (I) environmental sustainability (II), social sustainability, (III) economic sustainability and (IV) enforcement of standards. We explore different aggregation methods and their impacts on the ranking of VSS, and discuss the results of the main VOCSI aggregation method in detail by VSS. We furthermore correlate the VOCSI with the amount of coffee certified to examine the relationship between the strength of a VSS and its proliferation, and draw conclusions for the effective institutionalization and mainstreaming of VSS in the coffee sector and beyond.

The remainder of this article is organized as follows. Part 2 presents the major VSS that currently exist in the global coffee industry. Part 3 presents the methods used to develop the index. Part 4 presents the index’s results. Part 5 finally discusses the results and links them to the standards’ proliferation rates.

2. VSS in the Global Coffee Industry

The global coffee industry presents a flourishing global business sector whose rise has been accompanied by a plethora of economic, social and environmental sustainability problems. On one end of the coffee commodity chain, we find multinational firms exerting considerable market power over their suppliers (Cohen, 2015), whereas on the other end of the chain, millions of smallholder producers and their families in tropical countries face a multitude of challenges, including low and volatile prices, changing growing conditions due to climate change, labor shortages, and monopsonistic purchasing structures (ICO, 2014). This exerts considerable downward pressure on social conditions on coffee farms, including below minimum wage payments, poverty, and, occasionally, the occurrence of child and forced labor (Hjerl Hansen, 2016). Further, in terms of environmental sustainability, the expansion of monoculture coffee production creates considerable

¹ <http://www.standardsmap.org/>

² <https://www.giz.de/expertise/html/20857.html>

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