Sustainability Standards Systems: Change Theory and Emerging Issues

In preparation for the NGO strategic retreat co-organized by the Pacific Institute and the ISEAL Alliance, the Pacific Institute interviewed a number of meeting participants regarding their views about how certification systems bring about desired social and environmental change, as well as the major issues and key trends facing the standards community. This is a synopsis of the main themes that emerged, as well as areas of divergence as identified by Institute staff. We look to offer this summary as a basis to begin discussions for where standards systems are today, the vision for where participants would like them to be, and the strategies and collective actions that might fulfill that vision.

1. Areas of Convergence

Sustainability standards systems:

- *Use the profit motive to drive sustainable production*: Standards systems and certification can serve as market instruments to meet sustainability challenges by changing market behavior of firms towards providing goods and services that are in line with social expectations. Standards systems provide a financial incentive for improved environmental and social performance in the production system. They make it easier for the company to do the right thing; otherwise it's too complex and costly.
    - Built into this theory of change is the belief that companies are willing to change their practices once a business case can be seen for doing so; either to avoid negative NGO campaigns and publicity or to gain a commercial advantage. It assumes that an important way of achieving sustainability objectives hinges on changes to business practices amongst a number of large corporations that control/influence the vast majority of global production systems today. A linked assumption is that often, government policy/regulation alone is not sufficient to address these sustainability objectives, and that market instruments are needed when/where government fails. Where policies and regulations do exist, standards and certification introduce a business case that can turn principles into reality.
    - The belief that changes come both from the top down and the bottom up. When standard systems are successfully implemented, they push more suppliers to implement changes. At the bottom, producers see these successes and want to be involved in better production systems.
- *Provide the most democratic, inclusive, and effective way to create practical solutions to sustainability challenges*: Standard systems can provide a platform ("safe space") for stakeholders to come together to explore what's possible and establish consensus on best management practices that drive on-the-ground change. Multi-stakeholder forums are uniquely positioned as they include the voices of those who are both affected by and know what's needed to create a more efficient and equitable global production systems.
- *Empower people/communities throughout production systems*: Sustainability standards also effect change by empowering affected producers and local communities throughout the supply chain by directly involving them in the standard setting process, reflecting their interests in standards' implementation and verification processes, or through programs to improve management practices (e.g., building human rights principles or concepts like free prior and informed consent into standards or through capacity building programs for communities and producers).

- Assumes that certain rights-based principles such as inclusivity, participation are used in the process of standard setting, implementation, and verification.

- *Help address public policy gaps and implementation failures*: Standards systems can serve as a precursor to government policy by showing what is possible, and can also amplify/leverage policy implementation in places (e.g., developing countries) where there are capacity/resource constraints.

- *Raise awareness and build knowledge among consumers, civil society, and politicians:* Standard systems can educate the public through certification/labeling and force greater transparency in opaque global production systems and commodity markets; or by bringing together groups (public and private actors) would not have met through other means to share experiences and viewpoints in neutral surroundings. These cultural shifts toward awareness then allow for greater changes (e.g., creating political will for legislation) in the long term.

- *Positive alternative to the status quo*: Standards systems can be leveraged by campaigning groups to bring about changes by being able to offer a "yes" (i.e., a solution to the problem) and by allowing the public to take direct action/play an active role in the supporting the success of a more sustainable company. However, it was recognized amongst different interviewees that standards systems have thus far been most successful in promoting changes in business-to-business contexts; the business to consumer case has been less developed. Standards systems will need to assess when and how a broader consumer engagement strategy can be best pursued.

2. Areas of Divergence

- Interviewees differed on the most critical leverage points for how to improve the effectiveness these market-based instruments. Some see targeting consumers to drive demand for certified products as the key mechanism, others see targeting producers, buyers, retailers, and others at the very top end of the value chain.

- The future relationship between government/policy making and the sustainability standards movement is still unclear. There is a divergence in opinions among interviewees as to the future of standards in relations to government policy making.
    - There are those who believe that standards systems and certification are best when they set the stage for government uptake, but that government and intergovernmental processes *must* play a more significant role in shaping the market (e.g., setting the floor for acceptable behavior in order for sustainability challenges to be addressed). Reliance upon market forces and consumer uptake alone are not seen as adequate by some (e.g., there are severely degraded forests that aren't touched by standards systems and likely never will be), and there also a concern that standard systems buy in too much to the corporate notion of global production systems.
    - Others believe standards systems are (and will continue to be) a better, more effective and necessary mechanism to meet global sustainability challenges given that governmental and intergovernmental processes (even when they do exist) have been/will be weak and ineffective.
    - Others believe that standards and certification systems will require a more complicated relationship with government policy making. There is often a push-pull relationship between the two. Standards and certification can show the way in some cases leading to new regulations or improved implementation of existing regulation, while in other cases, government policy is more progressive forcing companies to take-up standards in order to meet government requirements.

- The future desired role, scale, and "market audience" of standards systems remains unclear. Should they strive to establish minimal requirements in situations where policy solutions/political will are not forthcoming? Should they be looking to increase market share indefinitely or aspire only to establish best practices achievable by a small percentage of the market? Can the ecosystem of standard systems cover all these functions, and if so, how can that "standards ecosystem" be better understood by all stakeholders?

3. Major Trends and Challenges

- Historically, retailers and global brands were pressured to tackle specific social and environmental issues/challenges (each of which had a certification scheme); now such companies are responsible for ALL the sustainability issues in ALL their products. As a result, they're looking for a more comprehensive and coherent (yet simpler) approach. To meet societal expectations, large retailers and brands are looking for systems that can both be applied to the wide range of products they produce and the array of issues they must address.
    - Some of these players see the current landscape of sustainability standards as too complex, with too many single issue standards and certifications.
    - There is the emergence of industry developed life-cycle analysis-based systems and retailer led initiatives that look to "boil down" all sustainability issues into a single numeric score for each product produced. Some of these industry efforts will utilize existing standards, however which ones will be encompassed into these emerging programs and how will be up to private sector actors.
    - As these trends continue where do multi-stakeholder standards systems and certification fit in?
- The interface between standards systems and government/public policy is still very complex and needs further consideration going forward. Major debates are occurring in the developed world about the role of the State in address sustainability challenges. As the debate continues, especially in the U.S. with calls for smaller government, less government regulation, and de-funding of state regulatory organizations, where do standards fit and how will they respond to these changes in the authority of the State?
    - What kind of framework could be established to better understand instances when market-based instruments (i.e., standards systems) can add value/play a major role and other instances when it is necessary for governments to take the lead?
    - In addition, there needs to be a better understanding of what roles different actors should play in multi-stakeholder settings (particularly the role of the State in such standard setting platforms), and their interface with international trade negotiations (such as the World Trade Organization) and bilateral or regional trade agreements.
- For some campaigning (especially conservation) groups, core ideological questions have arisen over the fact that although standards systems have been effective in promoting improved corporate management practices, should the practices have occurred in the first place (i.e., Would it be better to preserve rather than to log a forest under FSC guidelines?)
- There has been ongoing discussion about how to increase sustainable consumption and sustainability in developing countries, especially the BRICs who are playing an increasing role in international commerce and investment. What is the future for existing standards systems and market-based instruments generally in these countries? What strategies may be employed to fit with local realities? Where do locally developed initiatives play a role?

- As standards and certification systems enter these politically complex countries, how can they adapt to local realities where civil society is weak, threatened by local forces, or co-opted by economic interests?