Encouraging Voluntary Initiatives for Corporate Greening
Some Considerations for More Systematic Design of Supporting Frameworks at
the National and Global Levels

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Abstract

None of the usual options – the market, conventional regulatory authority and customary propriety – can meet the challenge of moving toward sustainability in a dynamic, globalizing political economy. At least they cannot do so as usually applied and haphazardly associated. Efforts to build a coherent and well integrated set of motivations for "voluntary initiatives" are unlikely to be sufficient by themselves either. But the exercise of building such a set of motivations along with appropriate individual initiatives is necessary, globally as well as nationally.

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Introduction

"Voluntary initiatives" is a misleading label for activities that are rarely voluntary in the usual sense. Virtually all such initiatives are undertaken because the relevant actors have been effectively pressured to act. The distinguishing feature of "voluntary " initiatives is that the pressures are not directly from regulatory obligations. Indirect regulatory effects and pressures of other kinds, however, are crucial. Those who wish to foster more effective and comprehensive greening initiatives, without heavier reliance on direct regulatory obligation, need to consider how best to support and encourage "voluntarism" through measures that strengthen the pressures to act in more sustainable ways.

Relying largely on Canadian case experience as well as the broader literature, this paper considered the central context and crucial components of an appropriate framework of policies and participant roles supporting voluntary initiatives.

Such a policy and roles framework can be approached at two levels:

• The first is the level of individual initiatives, including sectoral programmes developed by government agencies, industry associations or multi-stakeholder bodies, as well as initiatives taken by individual firms or at single facilities.

At this level, the main policy and roles considerations centre on how to maximize the effectiveness and credibility of the initiative. While some of the answers concerning policies and participant roles may be specific to the particular initiative, it has also been possible to develop general rules, applicable to most cases. In Canada this been done most notably by the New Directions Group, consisting largely of representatives from major industries and non-government environmental organizations. Its *Criteria and Principles for the Use of Voluntary or Non-regulatory Initiatives to Achieve Environmental Policy Objectives*[1] is an admirable example of such general rules.

• The second level for a policy and roles framework is higher, more difficult and less attended. It is the level of maximizing the overall effectiveness and credibility of voluntary initiatives as part of a coherent overall strategy for improving corporate environmental performance. Such work is clearly needed both within nations and internationally.

Considerations at this level begin with recognition that voluntary or non-regulatory initiatives are heavily influenced by external factors. Typically the successes and failures of an initiative reflect the strengths or weaknesses of outside pressures (e.g. fear of regulatory action or liability claims, anticipation of new tax burdens or new market opportunities). Increasingly it works the other way too. As voluntary initiatives become more common and effective, they begin to build expectations and act as pressures influencing regulatory, fiscal and market behaviour.

In effect we have here a system of interacting parts. The overall system of pressures, responses and further expectations, is clearly important. But to date the interacting parts have come together more or less accidentally. Academics and practitioners have not yet done much even to understand the system of incentives for, and barriers to, voluntary actions. Consequently we have little basis for seeing how to adjust that system so that it works more effectively. We have given some careful attention to the individual bits (particular regulations and non-regulatory measures) and to some mid-level issues (the rules for regulation making, the criteria for good voluntary initiatives). We also now consider some interactions (how to design regulations that encourage or at least provide a backstop for voluntary actions). But the big picture is still pretty much blank.

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[1] See Robert B. Gibson, ed., *Voluntary Initiatives and the New Politics of Corporate Greening* (Peterborough: Broadview Press, 1999), chapter 18.

This second, big picture level is what I will attempt to address here. Or at least that is the level of policies and roles for which I will attempt to sketch some central considerations.

In particular, I will look at three items:
• general views on the strengths and limitations of voluntary initiatives
- attractions of voluntary initiatives, doubts about them, and implications of the attractions and doubts;
• relevant broader trends, depressing and positive, and their general implications; and
• elements of voluntary initiatives to be considered in a more systematic approach
- drivers, tools and players.

I will end with a general discussion of the principles and possible initial steps for fostering a more systematic approach at the global level.

The strengths and limitations of voluntary initiatives

Attractions of voluntary initiatives

Voluntary (non-regulatory) initiatives are, or can be, attractive for several reasons.

• Voluntary initiatives can be more flexible than regulatory obligations in ways that can win additional environmental improvements. For example, they can push progressive and innovative companies beyond generic standards set in regulations, thereby enhancing overall gains and possibly also establishing at least the feasibility of more demanding generic standards. In this way voluntary initiatives can have advantages as tools to encourage continuous improvement.

• Voluntary initiatives promise greater efficiency (at least efficiency narrowly defined as near term savings) for companies and for governments.
        Voluntary initiatives typically allow companies to pick their own ways of achieving environmental objectives. Companies report that they can often find ways of doing so that fit well with their particular processes and priorities, that contribute to other corporate goals, and that involve less expense and fewer delays.

Savings for governments come if voluntary corporate action shifts some burdens of market correction (e.g. abatement pressure, education, monitoring and reporting) from government to other players, if it minimizes conflicts with regulated industries and if it reduces needs for developing and enforcing regulations.

• Voluntary initiatives emphasize and may reveal financially as well as environmentally profitable solutions.

This is especially true where initiatives involve adoption of environmental management systems – e.g. the European Eco-Management and Audit Scheme (EMAS) and the International Organization for Standardization ISO 14001. Such restructuring of responsibilities and reporting can help firms and larger corporate entities notice opportunities for profitable environmental improvements that had previously been institutionally invisible.

• Voluntary initiatives can help persuade firms that environmental improvements can serve their economic self-interest.

Margaret Kerr, a vice-president of Nortel Networks, has reported a case where her staff invested $1 million in an initiative to eliminate use of a CFC solvent, in anticipation of a regulatory obligation. As a result of the process changes involved, the company saved $4 million in three years. Kerr states that this return on investment "considerably heightened senior management's interest in pursuing environmental initiatives."[2]

• Voluntary initiatives are supported by a broad range of pressures not directly dependent on regulatory demands.

After decades of slowly advancing environmental awareness and accompanying environmental law, the world of corporate management has changed. In particular, there is an increasingly widespread institutionalization of environmental obligation, accompanied by a larger set of pressures for improvements. For example, consideration of environmental risks and liabilities is a requirement imposed not merely, sometimes not even chiefly, by regulators, but also by bankers, insurers and investors. More broadly, responsible environmental performance is now expected not just by employees, customers and neighbours, but also by fellow corporations worried about their own reputations being tarnished by association[3] or determined to maintain their competitive advantage as an environmentally reputable firm by imposing requirements on

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[2]   Margaret G. Kerr, "Environment and Value at Nortel Networks," in Gibson, *Voluntary Initiatives,* chapter 14.
[3]   This was an important factor behind the Responsible Care initiative of the Canadian Chemical Producers' Association, since replicated in many other countries. See John Moffet and François Bregha, "Responsible Care," in Gibson, *Voluntary Initiatives,* chapter 5.

their contractors and suppliers.[4] In this way, direct regulatory pressures for environmental improvements have been joined by a host of additional inducements.

• In practice, voluntary initiatives have apparently helped bring significant gains.

While many of the claimed results are difficult to confirm, there is good reason to accept that well designed and seriously motivated voluntary initiatives have brought substantial reductions in contaminant emissions and other environmental threats.

Notice that these attractions centre on flexibility and efficiency in environmental damage reduction achieved through effective mobilization of pressures and players beyond specific obligations imposed by regulators.

Reasons for doubts about voluntary initiatives

That said, there are nonetheless broadly held doubts about the potential for voluntary initiatives and about the motives of voluntary initiative enthusiasts. The main grounds for these doubts are as follows:

• It is difficult to know to what extent they are effective absolutely or in comparison to regulatory and other options. Reasons for this include generally poor data, the apparent tendency of participants/advocates to exaggerate their achievements, the associated tendency to attribute to voluntary initiatives gains that were due at least in part to other external factors including regulatory obligations, and the difficulties involved in controlling for these other factors when evaluating the claims made. As a result there is plenty of room for skepticism about the claims of voluntary initiative enthusiasts.[5]

• Voluntary initiatives tend to be selectively adopted. There are non-participating sectors in multi-sector initiatives, non-participating firms within single sector initiatives and even non-participating components of participating firms. Such free riders undermine the credibility and effectiveness of voluntary initiatives.

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[4] For an example of this see Margaret G. Kerr, "Environment and Value at Nortel Networks."
[5] See Kathryn Harrison, "Voluntarism and Environmental Governance," paper presented to the *Environmental Trends Workshop* sponsored by the Social Sciences and Humanities Research Council and the Privy Council Office of Canada, Cecil Green College, University of British Columbia, Vancouver, 23-24 April 1999.

• Voluntarism is likely to be less attractive when the "low hanging fruit" (profitable, easy and inexpensive improvements) have been picked and less adequate where needed corrections are expensive and technically difficult.

There continue to be many "good news" stories about companies discovering that environmental improvements can be profitable (enough to inspire doubts about the alleged discipline of the competitive market that ought to have revealed such opportunities long ago). But not all needed environmental improvements will be profitable and once better environmental management systems are in place and the initial savings opportunities have been taken, the next round of improvements may require more than voluntary initiative.

• Voluntary initiatives tend to be proposed and adopted as substitutes for enforceable regulation and used as justifications for dismantling regulatory capacity.

The association of cost cutting and environmental improvement has seemed a little too convenient, especially when enthusiasm for voluntarism has coincided with policy making in which cost cutting appears to be the ruling objective for governments as well as corporate interests. In Canada, at least, few critical observers believe it is an accident that the governments most willing to embrace corporate volunteerism in place of regulation have also been those most energetic in gutting environmental and other social programmes in the name of fiscal responsibility.

• Voluntary initiatives tend to be less participative and less open to effective public scrutiny than regulatory processes.

Indeed, voluntary initiatives often seem to be favoured in part <u>because</u> they avoid the broader involvement of civil society. This can be seen as part of an attempt to recreate the conditions of the regrettable past, where government and industry colluded behind closed doors to achieve the minimum in pollution control.

• Where combined with reduced commitment to regulation, voluntary initiatives tend to place greater reliance on corporations to act in the public interest while reducing their most powerful motivations to do so.

The anticipation or plausible threat of regulation is widely recognized as the most significant driver of "voluntary" action. Insofar as voluntary initiatives are seen as replacements for regulatory action, or simply weaken the plausibility of regulatory threats, they tend to undermine the bases for their own success.

• Voluntary initiatives appear to rest on forgetfulness about pre-regulatory times.

Modern environmental law is the product of a long and difficult struggle, first to get legislation passed and then to win a public role in its development and application. Before this was achieved, corporations were free to work under the discipline of the market without serious constraint or guidance from environmental regulation. The unfortunate legacy of those years is still being cleaned up, at great and often public expense. Some past abuses were due to ignorance rather than unrestrained corporate self-interest and we may now be a little wiser. Nevertheless, the record of past experience in the less regulated marketplace provides ample reason not to trust in it as a reliable means of ensuring corporate environmental responsibility.

Notice that the doubts too are mostly centred on motivational matters, especially fears that traditional regulatory obligations will be weakened, that public influence will be undermined as established process transparency and participation are lost, and that heavier reliance on market pressures will mean dependence on motivations that proved environmentally inadequate in the past.

The key, clearly, is adequacy of motivations to act responsibly. And adequacy, here, must be understood in light of what we are up against and what needs to be achieved.

Relevant broader trends and their general implications

Any list of positive and negative big picture trends is more or less arbitrary and idiosyncratic. But in any policy development exercise such as this one it is important to keep an eye on the world that will affect the initiatives, the threats that have to be faced and the opportunities that seem to be emerging.

Here I will note three depressing trends and, for the sake of cheerfulness, four promising ones.

Depressing trends

For the purposes of designing a framework for voluntary initiatives, and for a host of other activities, the central worry is the continuing degradation of global ecological functions and the increasing gulf between rich and poor.

The other two depressing trends have to do with our main tools for responding to such problems:
• the continuing failure of market mechanisms to respond adequately, and
• the continuing, perhaps increasing, failure of governments to correct the market's failures.

Paul Hawken observed in the preface to his book, *The Ecology of Commerce,* "if every company on the planet were to adopt the best environmental practices of the 'leading' companies,...the world would still be moving toward sure degradation and collapse."[6]

The book was published in 1993. Since then the market's reach has expanded and market globalization is considered essentially irresistible. This increase in the market's power and influence has brought no new grounds for doubting Hawken's claim.

Expectations of adequate government response to market failures concerning the big problems ecology and equity have quite clearly declined over the past decade. Governments at the national level have suffered from debt concerns, lower public credibility, and the effects of economic globalization on national autonomy. The results have included
• devolution of power upward to transnational corporations and other continental and global governance institutions, and
• devolution of public interest protection burdens downward to the municipal, neighbourhood and individual level.

Arguably, national governments retain more authority than they currently choose to apply. And arguably there is positive potential in new global governance institutions. But it seems safe to say that confidence in the possible adequacy of authoritative government action on ecology and equity is low and still falling.

Promising trends

The four promising trends that I choose to note here are selected especially to make a particular case about the proper character and role of voluntary initiatives, and some involve a little more optimism than may be fully warranted. Nevertheless, I think they can be defended easily enough.

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[6] Paul Hawken, *the Ecology of Commerce* (New York: HarperBusiness, 1993), p.xiii.

The first is that in a wide range of areas there is now recognition of systems realities (complexity, multiple factors/multiple effects, inevitable uncertainties and surprise, whole different from sum of parts, etc.) and at least some emerging awareness of consequent needs for integration, adaptation, precaution, diversity, etc. Throughout this century we have designed our institutions – scholarly disciplines as well as corporate organizations and governmental bureaucracies – chiefly by putting problems and responsibilities in defined boxes to handled by appropriate specialists. We are now beginning to recognize that this approach does not fit well in a world of complexity and interrelationships. Perhaps it would be more convenient if the real world were a nice tidy place of separate well-defined mechanisms that capable experts could fix. But it isn't. And as this has become increasingly obvious, business gurus as well as ecologists have begun to promote more systematic ways of living and working.

The other three trends are subsets of the first. They are
• recognition that socio-economic development and environmental protection/rehabilitation must be pursued together, and that improvement, not just mitigation, must be the objective;
• recognition that market failures in an expanding, increasingly global economy cannot be corrected adequately by corresponding proliferation of direct government interventions; and
• recognition of need to build a culture of encouragement, recognition, and reward alongside, and to some degree replacing, that of shame and punishment associated with traditional regulation.[7]

General implications for voluntarism

If the observations above about significant negative and positive trends are largely valid, then at least the following three implications can be drawn:

• Regulatory control in environmental management will never be sufficient. Current globalized market activities generate too many new challenges too quickly.

• The actions of economically rational corporate and real individuals will provide valuable benefits but they will not reliably serve the common good in development, much less in environment.

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[7] Harrison, "Voluntarism and Environmental Governance," p.22.

• The best strategies for inducing ecologically and socially responsible behaviour will combine multiple approaches playing on a diversity of motivations. The most promising solutions do not involve choosing between regulation and voluntarism, or between altruism and self-interest. They involve integrating all available motivations, tools and players in ways that encourage them to be mutually supporting.

The components of an effective system

The idea of "integrating all available motivations, and tools and players in ways that encourage them to be mutually supporting" sounds good, and the results could be powerful. But the power arises from the multiplicity of factors involved. Thinking of them together as an integrated system is challenge.

The following three lists – the main drivers of voluntary initiatives, the main tools now in use, and the significant planers now and potentially involved – provide an indication of what we have to work with and how complex it could be to integrate it all into a coherent system.

The main drivers of voluntary corporate initiatives for environmental improvement
• incentives to reduce costs, especially by cutting resource use and waste generation;
• desires to avoid or at least delay additional regulatory action that would impose undesirable administrative and compliance costs;
• fear of damage to public image and associated customer and investor confidence, or desire to enhance public reputation and associated customer and investor confidence;
• desire to minimize risk of costly surprises;
• expectation of competitive advantage through exclusion of new competitors and access to new markets;
• requirements imposed by banks and/or insurers that do not wish to inherit environmental liabilities;
• demands of suppliers and customers who wish to avoid environmental costs and liabilities;
• pressure from staff or fellow industry members; and
• personal commitment of corporate leaders.

Associated tools (an incomplete but illustrative list)

• environmental management systems that facilitate identification of profitable cost cutting opportunities (e.g. EMAS and ISO 14001)

• corporate education (e.g. cost reduction success stories, consultation)

• economic incentives (e.g. resource and waste taxes, process improvement subsidies, removal of anti-environmental subsidies)

• plausible threat of onerous regulation

• complementary regulation (e.g. backstop laws)

• green consumer education

• mandatory pollution reporting, environmental auditing, independent verification of claims, and broad publication of results

• (threat of) product boycotts

• certification schemes

• liability law

• employee rights to reject environmentally damaging work

• ethical investment funds with criteria demanding environmental responsibility

• green procurement rules

• sectoral codes (e.g. Responsible Care)

Significant and potentially significant players

• regulators

• taxation authorities

• industry associations

• bankers

• insurers

• investors

• employees and unions

• consumers and consumer organizations

• neighbours

• commercial suppliers and customers

• victims and the judiciary

• educators and the media

• environmental advocates.

All of these drivers, tools, and players are already involved, to some extent, in voluntary initiatives of various kinds. But their interrelationships are largely accidental and not always positive. A useful policy framework for voluntary initiatives at any level, from local to global, would be designed to make fuller and better coordinated use of the available drivers, tools and players.

Developing the framework

Policy framework development rules

If we lived in a world that was much simpler and more rational that the one we have, the ideal might be a well-conceived and consciously integrated system that applied all effective motivations (drivers), made complementary use of all available tools, and mobilized all possible players. But no existing authority, national or global, has the capacity to create or impose such a system. Moreover, there is a danger that a carefully designed system would be too rigid and static to work well for long. Complex systems of the kind imagined here need to be flexible and adaptable in ways best provided by a multiplicity of bodies working more or less together and adjusting as they go.

The most promising flexible and adaptive approach would focus on strengthening the basic driving forces and leave the design of particular tools and combinations of players to the changing circumstances of specific applications. Regulators have found that it is often most efficient to set mandatory objectives and leave the selection of compliance means to the relevant industries and facilities. Similarly, advocates of voluntary initiatives might best work to strengthen motivations for more sustainable behaviour and let the relevant players identify the most suitable responses. Where the responses are inadequate, relative to sustainability needs, further strengthening of the motivations would be in order.

This suggests that a rough framework for policy and action seen as a sort of multi-stakeholder enterprise could be held together by acceptance of the following basic set of principles:
• always start with motivations, consider them at least potentially complementary, and try to apply all that have significant potential for encouraging more enlightened and responsible behaviour;

• design all individual initiatives to contribute to an integrated system that applies all effective motivations (drivers), makes mutually supporting use of all available tools, and mobilizes all possible players;

• recognize that existing and anticipated legal obligations have been the most powerful drivers of both mandatory and "voluntary" initiatives;

• recognize also that public trust and understanding are crucial and unattainable without transparent processes and credible monitoring and reporting;

• aim to develop a culture of encouragement, recognition, and reward complementing that of obligation and punishment (this too rests on credible monitoring and open reporting);

• aim for net gains, not just mitigation of continuing damage; and

• design for expansion beyond narrowly environmental objectives and beyond specifically corporate activities, recognizing that sustainability is as much a social as an ecological challenge and that all human activities are relevant to its achievement.

Ideas for implementation at the global level

Given the pace and perils of global economic integration through liberalized trade, it is attractive to imagine creation of a well integrated package of regulatory and non-regulatory mechanisms to ensure adequate attention to environmental concerns. It is, however, difficult to imagine that any collection of global agencies will ever be able to mobilize the institutional capacity to establish a coherent whole system of this sort. The best achievable result will probably be an untidy and uneven assortment of initiatives designed with some respect for the principles set out above. And the most promising focus for immediate attention not on devising an overall framework, or on polishing the design of specific mechanisms, but on strengthening the basic driving motivations for more sustainable behaviour.

Useful first steps would include

• establishing and publicizing a registry of voluntary initiatives that identifies the relevant drivers and their interlinkages (including relations with regulatory and other tools);

• identifying the most efficient and fair means of enhancing existing drivers and introducing new ones;

• developing a credible system for monitoring and publicly reporting environmental results in a way that empowers more players (e.g. consumers, neighbours, investors and insurers) to distinguish the more and less responsible actors and to reward or penalize them appropriately;

• bringing together national and international organizations, including civil society bodies as well as government agencies and private sector groups, that can or do act as regulatory and non-regulatory drivers of environmental improvement, to discuss how their initiatives are already interrelated, and how these interrelationships can be strengthened;

• establishing a continuing mechanism for systemic research, education and facilitation of cooperation at the international level, with responsibility for

- systematically depicting and reporting on international level regulatory and non-regulatory measures for environmental improvement;
- identifying where the parts function in a complementary manner and proposing ways to strengthen this;
- identifying weak components and missing links, and proposing ways to make the needed improvements to the system; and
- fostering better coordination of international level initiatives that could more effectively and efficiently drive voluntary action (including in the negotiation of trade liberalization agreements and environmental accords, in deliberations on other matters of international law such as those related to liability and insurance, in the setting of international standards, in the development and application of international reporting on environmental quality and sources of environmental problems, etc.)

Since so little has been done in a systematic way so far, particularly on the matter of motivation, even a modest effort in this direction seems likely to bring important gains.