

# Responsible Action or Public Relations? NGO Perspectives on Voluntary Initiatives

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## More or less effective?

Much is heard these days about the role of voluntary initiatives by companies in implementing the sustainable development objectives of the Earth Summit and in achieving national environmental goals. In the Dialogue on Industry taking place at the 1998 Commission on Sustainable Development the topic of voluntary initiatives will undoubtedly elicit lively discussion among the Major Group and government participants. Differences in perceptions, assumptions and values among industry, NGOs, trade unions and governments may generate moments of disagreement and discomfort; however, these very differences may very well shed new light on critical problems, as well as suggest possible solutions or ideas for improvements.

In *Agenda 21*, business and industry is encouraged to

*increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making and fostering openness and dialogue with employees and the public.*

Such self-regulatory approaches are said to represent a more effective and desirable alternative to achieving sustainability goals than the “command and control” approach of government regulations and enforcement programs. “They provide flexibility,” says the World Business Council on Sustainable Development, “which allows business to achieve the desired goals in the most economically effective manner possible.”<sup>2</sup>

However, many nongovernmental organizations (NGOs) are skeptical of industry’s promotion of the voluntary approach. The Northern Alliance for Sustainability (ANPED), for example, is quite blunt with their skepticism; for this NGO network, voluntary agreements “have not worked, do not reach all

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<sup>1</sup> Published in *Industry and Environment*, Volume 21 No.1-2, January-June 1998, United Nations Environment Programme.

<sup>2</sup> Schmidheiny, Stephan; Rodney Chase & Livio DeSimone. *Signals of Change*. World Business Council for Sustainable Development, 1997: 55.

entrepreneurs, and are not participatory...which means that they are ineffective.”<sup>1</sup> Like many NGOs, ANPED believes that “the solution lies in international legally-binding regulations to ensure that responsible entrepreneurship will be the only way in which corporations world-wide operate.” This sentiment is echoed by other NGOs. Friends of the Earth, for example, claims voluntary initiatives are ineffective, undemocratic, stifle innovation, and lack public credibility. “Voluntary efforts have not been sufficient,” points out Consumers International, “Governments must set standards and legal obligations for companies.”<sup>2</sup>

These statements are generalizations, and the same NGOs would probably agree that there are many cases of voluntary initiatives which contribute significantly to sustainability. Still, the skepticism runs deep. What is the nature of this credibility gap between industry and NGOs? To what degree are NGOs’ criticisms and concerns about voluntary initiatives legitimate or mistaken? What is needed to make voluntary initiatives more credible in the eyes of NGOs?

## Corporate responsibility: embrace or evasion?

Like the concept of eco-efficiency, the concept of voluntary initiatives in itself is not at issue. The problem is when this idea is presented as justification for weakening or eliminating valuable regulations, consumer rights, or other accountability measures which NGOs believe are important if not essential to sustainable development and protection of human rights.

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*Agenda 21* identifies voluntary initiatives as a valuable addition to a wide “mix of economic instruments and normative measures such as laws, legislations and standards.”<sup>3</sup> In fact, *Agenda 21* acknowledges regulatory regimes as contributing to the emergence of voluntary initiatives.<sup>4</sup> One view is that appropriate regulations motivate companies to take a proactive, voluntary approach to their environmental and social responsibilities and are thus a prerequisite. “There is evidence,” claims the Institute for Agriculture and Trade Policy “that voluntary initiatives are insufficient to alter corporate behavior significantly,” that several studies show “governmental regulation is the most effective means of directing corporate behavior.”

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<sup>1</sup> NGO Taskforce on Business & Industry. “NGO Perspectives and Recommendations on Responsible Entrepreneurship,” Commission on Sustainable Development, 1998.

<sup>2</sup> Hurtado, Maria Elena. “Change of course or ‘greenwash’? Five years after the Earth Summit, big industry parades its ‘green’ credentials.” *World Consumer*, No. 225, Consumers International, 1997.

<sup>3</sup> United Nations. *Agenda 21: Programme of Action for Sustainable Development*, 1992, Section 30.8.

<sup>4</sup> *Agenda 21*: Section 30.3.

It is no surprise that NGOs have a different perspective from industry. Many NGOs see themselves as forced to defend environmental regulations and consumer rights from an overzealous global assault by the corporate sector. During the UN General Assembly Special Session on progress since the Earth Summit, the International Chamber of Commerce (ICC) complained that “entrepreneurial solutions to environmental problems” are blocked by “complex and cumbersome regulations.” Their argument was that responsible innovations are hampered by “punitive regulations, costly and time-consuming enforcement and licensing methods,” which have not kept up with the “increased awareness of complex interrelationships between man and nature.”<sup>1</sup> Although this year the ICC literature describes voluntary initiatives as “complementing regulation,” their emphasis on “science-based and non-discriminatory” conditions point to what NGOs perceive as legal hoops and loop holes to keep the regulators and enforcers at bay.

From this perspective, industry’s promotion of voluntary initiatives as the preferred alternative to regulatory measures is viewed not as an embrace of responsibility but an evasion. “There has been a strong...trend, which is now dominant,” warns Third World Network, “to reduce and remove more and more regulations that governments have over corporations, to grant them increased rights and powers, whilst removing the authority of states to impose controls over their behaviour and operations.” This removal of the rights of states to regulate business, they conclude “is a major and perhaps fatal flaw in the international community’s attempt to arrest environmental deterioration and promote sustainable development.”<sup>2</sup> “Self-regulation serves to stave off the efforts of governments and citizens’ groups to impose tougher controls on the transnationals,” explains Joshua Karliner, one of Greenpeace’s representatives at the Earth Summit. “Corporate self-audits and environmental reports, for instance, effectively serve to preempt pressure on companies to open their facilities and books to independent inspectors who could more objectively assess the environmental impacts of their operations.”<sup>3</sup>

Paul Hawken, entrepreneur and author of *The Ecology of Commerce*, agrees that there are too many laws and regulations restricting business. However, this situation “begs an underlying question: Which arose first, the regulations or the violation of societal standards that has brought upon itself the minutiae of government regulation?”<sup>4</sup>

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<sup>1</sup> International Chamber of Commerce, 1997.

<sup>2</sup> Third World Network. “Effects of globalisation on sustainable development after UNCED,” *Third World Resurgence*. No. 81/82: 10-11.

<sup>3</sup> Karliner, Joshua. *The Corporate Planet: Ecology and Politics in the Age of Globalization*. Sierra Club Books, San Francisco, 1998: 48.

<sup>4</sup> Hawken, Paul. *The Ecology of Commerce: A Declaration of Sustainability*. HarperCollins, New York, 1993: 121.

## ICC Business Charter: contribution or diversion?

The question “responsible action or public relations?” reflects the tension between the hopes and concerns held by many NGOs in distinguishing between authentic efforts by companies to minimize their damage to the environment, and efforts meant to avoid accountability for such damage. In their submission to the CSD Dialogue on Industry, the International Chamber of Commerce highlights voluntary environmental codes of conduct, such as the **ICC Business Charter on Sustainable Development**, as tools for “improved environmental performance, while simultaneously creating jobs and improving living standards.”<sup>1</sup> At the Charter’s founding event in Rotterdam in 1991 (convened by UNEP and the UNCED Secretariat), over 1000 companies signed this nonbinding agreement stressing the important role of environmental management and eco-efficiency within the free market system.

Many NGOs, however, questioned both the degree and nature of Charter signatories’ contribution to sustainable development; some NGOs claim the Charter was created to replace what they believe to be a more open, transparent and fairer UN Code of Conduct for Transnational Corporations with a more closed, untransparent and industry-biased document. NGO criticisms of the Charter also focus on perceived failures of companies to follow-through in practicing the principles they agreed to uphold, or that companies fail to apply the same standards in Southern countries and countries-in-transition. Another criticism is the absence or inadequacy of verifiable company reports. Some NGOs criticize the Business Charter for attempting to undermine the precautionary principle by promoting a watered-down, alternative precautionary “approach.”

In their book *Greenwash*, Greer and Bruno say the problem goes beyond company practices not living up to the claims; that “even the skeptics are too trusting.” These two critics argue that voluntary codes such as the ICC Business Charter “adopt environmental terminology, such as ‘environmentally sound’ and ‘sustainable development,’ while subtly changing the meaning of key words to cover industry behavior. In the end, the new rhetoric and the acknowledgment of relatively superficial problems in voluntary codes divert attention from the fundamental environmental issue...The codes are themselves a form of greenwash.”<sup>2</sup>

“At issue,” says Maria Elena Hurtado of Consumers International, “is not only double-speak by corporate giants – for example, the gap between Shell’s rhetoric and its activities in Nigeria’s Ogoniland – but whether the corporate search for profits and economic growth can be reconciled with poverty eradication and

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--Consumers International

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<sup>1</sup> International Chamber of Commerce. “Responsible entrepreneurship. Background paper for the U.N. Commission on Sustainable Development.” January 30, 1998.

<sup>2</sup> Greer, Jed and Kenny Bruno. *Greenwash: The Reality Behind Corporate Environmentalism*. Third World Network, Penang & Apex Press, New York, 1996: 33.

environmental protection. A second issue is whether self-regulation is the best method of transforming business practices.”

## Responsible Care: trust and track record

Another voluntary initiative highlighted in the CSD Dialogue on Industry is the chemical industry’s Responsible Care program. The ICC and WBCSD describe the Responsible Care initiative as seeking “to continuously improve the environmental, health and safety (EHS) performance of the chemical industry’s operations and products in a manner responsive to the concerns of all stakeholders.”<sup>1</sup> Emerging in the wake of the Bhopal tragedy, Responsible Care was a public acknowledgment that there were indeed serious problems with the way the industry had been doing business and that serious change was needed. Many NGOs continue to applaud the industry’s motto “Don’t trust us, track us,” which acknowledges the importance of accountability. This statement raised hopes that there are indeed people within the chemical industry who truly care about being responsible and will do what it takes to avoid any possibility of a Bhopal-type repeat.

Following up on the Responsible Care slogan, NGOs complain that the information they need to track chemical company practices is not available and that Responsible Care signatories are not providing the public with any more information than was available before. While companies may conduct environmental performance evaluations of themselves, these self-evaluations too often remain confidential or simply unavailable to the public. Without sufficient access to information, NGOs cannot track these companies. Understandably this situation decreases trust, causing NGOs to describe Responsible Care as just another vehicle to define environmental issues in corporate terms.

In evaluating the progress of Union Carbide and other chemical companies, NGOs and the public face an absence of information, framed by suspicious-sounding corporate publicity and advertisements. While part of the solution lies in the technical task of collecting and distributing information, another lies in communicating directly with the citizens, consumers and stakeholders in the communities directly affected by chemical production and products. This communication also includes stakeholders of foreign subsidiaries. ICC acknowledged the problem of stakeholder discussions “hampered by a lack of credible information,” although without offering an immediate solution.

ICC points out that “one of the key tenets of voluntary industry initiatives such as Responsible Care is openness and responsiveness to public and stakeholder concerns,” and that “industry appreciates the need to seek out these concerns and to include them in its development of policy.”<sup>2</sup> On the other hand, many companies and CEOs are understandably uncomfortable with having their

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<sup>1</sup> ICC. “Responsible entrepreneurship,” section 3.

<sup>2</sup> ICC. “Responsible entrepreneurship,” section 4.3.

mistakes and limitations held up to the public spotlight. Thus, movement toward greater inclusiveness and transparency will undoubtedly spark resistance from various parts within a company or industry. Such resistance can be expected and may thus call for certain kinds of governmental or civic incentives or disincentives to help make the process work.

ICC has mentioned the establishment of Community Advisory Panels “which provides input to chemical facility management and reinforces the local facility’s accountability to the community in which it operates.” Building on this idea, plus other accountability mechanisms such as mandatory environmental reporting, community right to know provisions and community- or stakeholder-based independent verification processes could help bridge the information gap needed to gain credibility among NGOs. If chemical companies or other businesses are going to be taken seriously by NGOs they need to do more than make unverifiable claims about their responsibility and care. Companies need to demonstrate sufficient transparency in their reporting and make relevant information available to the public; of course they also need to demonstrate that they are making their products and practices safe, environmentally sustainable and socially responsible.

## ISO14000: standard behavior

Another voluntary system promoted at the CSD is the ISO 14000 environmental management system standards. The ISO 14001 standard was developed “to improve the internal management of environmental issues in an organization...and thereby create opportunities to improve its environmental performance.”<sup>1</sup> As with other voluntary initiatives promoted by ICC and other large industry groups, ISO 14000 draws its share of critical comments from NGOs. For example, Joshua Karliner, from the Transnational Action Resource Center, explains that although the ISO standards may help establish valuable environmental standards in places where these are nonexistent but needed, certain problems stand out:

While ISO 14000 may indeed improve environmental conditions in some areas, it can also mislead the public into thinking that certified companies are performing well when in actuality they continue to harm the environment and threaten public health and safety.

1. the standards lack mechanisms for public accountability or oversight,
2. the eco-labeling system being promoted focuses on the eco-efficiency of the process by which it is made rather than the ecological impact it may have,
3. as international standards, these may be adopted by the WTO and used to override stricter local regulations and controls as trade barriers, and
4. ISO 14000 may be used by industry lobbyists as a diversion from the creation of internationally binding standards.<sup>2</sup>

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<sup>1</sup> ICC. Corporate management tools for sustainable development. Background paper for the UN Commission on Sustainable Development, January 30, 1998.

<sup>2</sup> Karliner, 185.

“While ISO 14000 and EMAS set standards for environmental management systems, they do not stipulate how the EMS should be implemented,” writes Kerry Tullis Hattevik, from Norwegian Forum on Environment and Development, in the NGO submission to CSD on corporate management systems. Again, lack of transparency, credibility and accountability are raised as critical issues: “ISO 14000 does not require the publication of environmental impacts and the public is not made aware of audit results,” points out Hattevik. “Especially disturbing is the fact that the type of data and information as well as environmental impacts that must be inventoried is left entirely to the discretion of the firm.” Furthermore, rather than measuring a company’s improvement in terms of their impacts on the environment, “improvement” is defined in terms of management system performance – although even this is not externally monitored. “Rather than require a compliance or performance audit, ISO only requires a management systems audit that states that procedures to measure performance are in place.”<sup>1</sup> Even if a company is in non-compliance with environmental regulations, this will not disqualify them from ISO certification as long as procedures are in place to address the problem. While ISO certification requires “pollution prevention,” companies are qualified by citing non-preventative actions such as end-of-pipe technology and recycling measures, so that “meaningful change from polluting production processes and practices is thoroughly undermined.”<sup>2</sup>

NGO's skepticism of voluntary initiatives highlights three problems:

1. lack of credibility
2. greenwashing
3. protection of free riders.

Thus, while ISO 14000 may indeed improve environmental conditions in some areas, instituting a bottom line, it can also mislead the public into thinking that certified companies are performing well when in actuality they continue to harm the environment and threaten public health and safety. “ISO cannot be credible if rogue companies can misuse it,” cautions Sierra Club’s Michael McCloskey. “When big money is at stake, who is going to stand firm to make sure that ISO does not become a refuge for poor performers?”<sup>3</sup>

Another criticism running through the various NGO comments about ISO 14000 is the lack of inclusiveness in the development of the standards. Hattevik points out that “the drafting committee for the ISO 14000 series was dominated by industry and consultants. McCloskey, explaining some of the reasons why environmental groups have not “bought into” the process, notes that invitations to participate in the initial negotiations were extended far too late for NGOs to effectively participate. Basically, ISO 14000 is “the product of private, not public, processes. There is no public accountability.” The NGO Initiative ISO 14000, a joint project of the Community Nutrition Institute and Ecologia, note that NGOs are “uneasy about negotiating from a weak position.” However, they

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<sup>1</sup> Hattevik, Kerry Tullis. “From accounting to accounting: corporate management tools for sustainable development,” an independent analysis presented to the UN Commission on Sustainable Development, January 23, 1998.

<sup>2</sup> Hattevik.

<sup>3</sup> McCloskey, Michael. “ISO 14000: An environmentalist’s perspective.” Presentation at EPA Roundtable Meeting, Philadelphia, Pennsylvania, April 26, 1996.

warn, failure to aggressively involve themselves “gives industry free rein to develop the standards to their specifications, risk policies that undercut the ability of federal, state, and local agencies to protect health and the environment.”<sup>1</sup> However, participation is not necessarily a matter of inclination. “In principle, the NGOs can claim access to the meetings of the technical committees where the most crucial decisions are taken,” observes Sander van Bennekom, “In reality, the transnational corporations have resources to send their experts to these meetings – NGOs do not. Following the agenda as it is currently set by industry itself, therefore, puts NGOs almost inevitably in a disadvantaged position.”<sup>2</sup>

## Defining and assessing effectiveness

In NGOs’ various comments on voluntary initiatives, a number of common themes emerge. Voluntary initiatives are meant to contribute to transforming business and industry so that it is more socially and environmentally responsible and sustainable. Societies require more than laws and police to guide behavior; they also need moral laws, ethical principles, and visions of a better way of life. In turn, corporations need more than government regulations, consumer boycotts, and bad press to guide their policies and actions. Ideally, voluntary initiatives are a way to improve corporate products and production processes, as well as management practices and values, so that they contribute to an improved society and quality of life. On the other side of the coin, voluntary initiatives can also be used as clever strategies for cheating society and other companies, improving public image while covering up irresponsible, harmful actions.

Following are some common elements identified by NGOs as contributing to the effectiveness of voluntary initiatives:

1. **Substance.** First of all, voluntary initiatives need to contribute to solving, not avoiding problems of environmental deterioration and social inequities. That is, they need to be substantive and the ideas and language need to be unambiguous, undiluted and meaningful.
2. **Incentives.** Voluntary initiatives require appropriate incentives to motivate industry to adopt and implement them.
3. **Integration/internalization.** Companies need to incorporate social and environmental values into their policies and operations. These values need

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<sup>1</sup> NGO Initiative: ISO 14000.

<sup>2</sup> Van Bennekom, Sander. *Green Business Policies: What to Do With It?* Groundwork Series No. 7, ANPED Working Group on Changing Consumption and Production Patterns, Netherlands Committee for IUCN, Amsterdam, December 1995.

to be integrated into companies' definitions and measurements of progress and success.

4. **Independent verification.** In order for companies to gain significant credibility among stakeholders, independent monitoring and verification is needed. Whether or not a voluntary initiative achieves its objectives, there remains the problem of whether the public believes it.
5. **Inclusiveness/public participation.** Throughout the comments by NGOs, inclusiveness or public participation was regularly cited as one of the important requirements as well as one of the prevalent weaknesses in many voluntary initiatives. NGOs stress the active participation of stakeholders, especially those in the communities directly impacted by a company's operations.
6. **Transparency.** Adequate and timely information about company products and processes need to be made available to the public to allow effective tracking and assessment.
7. **Accountability.** Where voluntary initiatives fall short, appropriate regulatory and civic mechanisms may be needed to complement or provide the necessary motivation to successfully follow through on the agreements made. In the long run, many voluntary initiatives require an enabling regulatory framework to succeed.

Responsibility will come when companies measure profit margins not only in terms of money but also in the good they provide the community and environment.

## Conclusion: looking closely at words and deeds

NGOs' skepticism of voluntary initiatives highlight three major problems:

1. lack of credibility due to lack of transparency and independent verification in reporting;
2. the practice of greenwashing, whereby companies focus more on changing public perceptions than changing their actual practices; and
3. the disservice and disincentive to responsible companies posed by the industry's protection of free riders.

Despite the rhetoric, most NGOs tend to view voluntary initiatives as an important contribution to sustainable development, recognizing that regulations can only go so far in getting companies to act responsibly. Most NGOs realize that beyond sticks and carrots, the real solution to the problem of unsustainable and irresponsible business practices is the qualitative transformation of companies and the nature of business itself. Such a change will come when companies fully internalize not only their externalized costs but also the values of sustainability, when they begin to measure profit margins not only in terms of money but also in the good they provide the community and environment.

Until that time, NGOs will maintain a healthy and understandable questioning of unverified claims of voluntary achievements. In turn, business and governments will hopefully move closer towards constructing a framework of policies and practices enabling voluntary initiatives to achieve their full potential as well as credibility. In this light, NGOs participating in the Sixth Session of the CSD have proposed a major groups review of voluntary initiatives, recommending that the CSD establish a process to review the effectiveness of voluntary initiatives for sustainable development. This review process would provide a focus and forum for ongoing dialogues on the role of business and industry in sustainable development, and would aim to provide CSD with recommendations on best practice models of stakeholder involvement, reporting, monitoring and verification, and for the progressive integration of voluntary agreements into comprehensive national strategies for sustainable development. With future CSD focus on sectors such as tourism, agriculture, energy and transportation, this review could help identify the actual and potential contributions voluntary initiatives in each. Such a process, if adopted and implemented, and indeed drawing upon multi-stakeholder/major groups participation, could help to bridge at least part of the credibility gap.