

Framework conditions for effective corporate self-regulation towards sustainability

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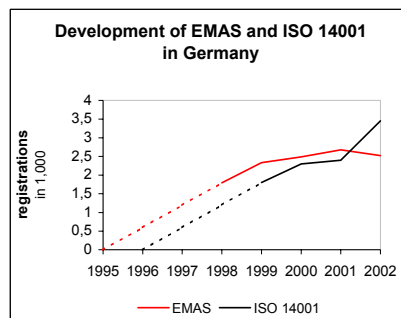
Background

- Globalisation and liberalisation: changing roles and power relations between governments, civil society and corporations
- Governance deficits concerning environmental protection and sustainability
- Economic incentives and information tools to complement regulation
- Growing demand for corporate accountability and self-regulation
- Preconditions to be met



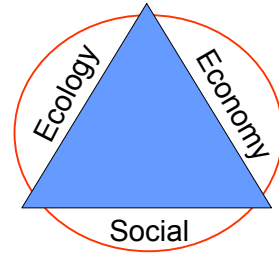
Corporations and sustainability

- Different approaches to corporate sustainability:
 - Environmental management systems (EMS) as starting point:
 - Development and experience since 80s
 - Formalisation through EMAS and ISO 14001, minor diffusion and dropout
 - Predominantly operational, weak linkages to strategic management



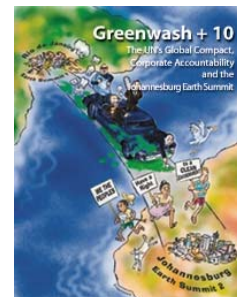
Corporations and sustainability II

- Corporate Sustainability (CS):
 - Enhancement of EMS: three pillars
 - Emphasis on environmental sustainability
 - Criticism: decline of environmental in favour of economic performance
 - Recently converging towards CSR
 - Growing importance of sustainability reports



Corporations and sustainability III

- Corporate Social Responsibility (CSR):
 - Anglo-american roots: emphasis on corporate philanthropy
 - Normative (CSR1), strategic (CSR2) and operational level (CSP)
 - EU green paper on CSR (2001), multi stakeholder forum
 - Converging towards corporate sustainability
 - Overlapping with Corporate Citizenship
 - Criticism of green- and bluewashing



CSR1: Corporate Social Responsibility ("to whom?")

CSR2: Corporate Social Responsiveness ("about what?")

CSP: Corporate Social Performance ("standards for evaluation")



Potentials and shortcomings

- Potentials:
 - Supporting innovations and integrated measures
 - Long-term cultural changes
 - Improved dialogue and trust (stakeholder integration)
 - Greater suitability than regulation
- Shortcomings:
 - Not covering areas with no business self-interest
 - Problem of green- or bluewashing
 - Transparency and implementation deficits
- General findings: Broad variety of outcomes, framework conditions needed to address deficits



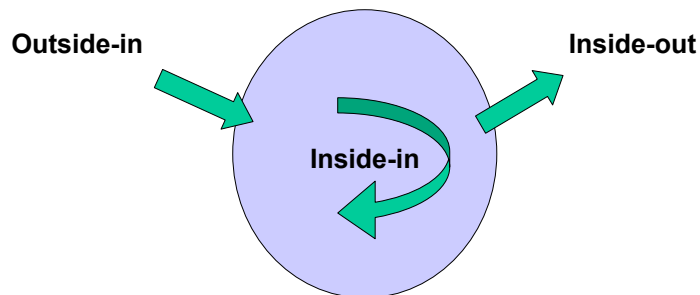
Innovation impacts of EMAS in Germany

- IÖW and ZEW, funded by the state of Baden-Württemberg (2000-2003)
- In depth case studies (12), large scale study (1277, 68%)
- Environmental organisational, process and product innovations
- Increasing scope of innovations over time, depending on:
 - Maturity of EMS: age of EMAS, numbers of revalidations, beforehand ecological experience
 - Internal context: learning processes, organisational diffusion
- Minor effects of EMAS on competitiveness
- Mixed environmental effects (stagnation)

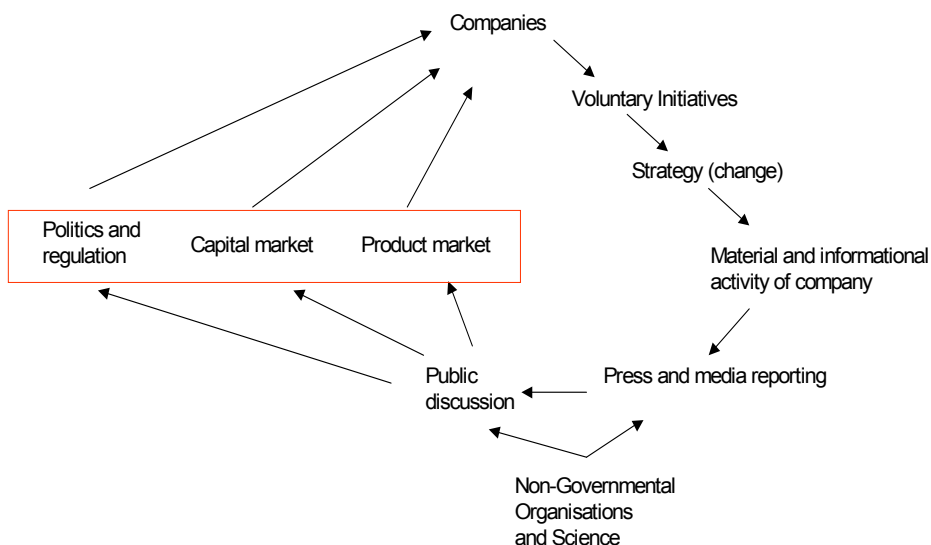


Interdependency corporation - environment

- Variety of outcomes, depending on: socio-economic context, its influences on corporate strategy and on corporate culture
- Model of interdependency corporation - environment (according to Kolk 2000)



Interdependency: main drivers



Interdependency: key features

- Embeddedness of corporations
- Socio-economic context: actors, drivers and relationships
- Main direct drivers: regulation, product and capital market
- Importance of media and NGOs for agenda setting and public discussion
- Influence on direct drivers
- ➔ Co-evolutionary learning cycle, enhancing sustainability, depending on external and internal framework conditions



External framework conditions

- Compulsory reporting on sustainability goals and measures
- Monitoring of corporate sustainability (reports **and** activities):
 - Accessible register of corporate initiatives and participants
 - (Standardised) monitoring rules, developed by corporations, intermediates and stakeholders
 - Independent institutions (intermediates): accountable to corporations and stakeholders
 - Validation and verification (tripartism: integration of stakeholders)



External framework conditions II

- Societal background control:
 - Intermediates empowered in terms of resources and capabilities
 - Input into public discussion: directly and via media
 - Awareness enhancing measures via education/training and information
- Regulatory threat:
 - For areas with no corporate self-interest and no public awareness
 - Political will, instruments and know-how must be maintained
 - Powerful global institutions are needed to guarantee consistent conditions for sustainable competition



Internal framework conditions

- Capacity building towards stakeholder dialogue and management
 - Premise: consistent and supportive corporate culture and values
 - Enablers: strategy, functional unit, ownership structure, industry characteristics, national economy, sociocultural approval
 - Implementation of stakeholder management
 - Formalisation (procedures, documents)
 - Consultation/participation (forums, meetings)
 - Incorporation (members of boards of directors) (Marcus 1993)
 - Comprehensible consequences
 - Development of communicative capabilities



Internal framework conditions II

- Learning capability:
 - Single-loop: improving procedures, processes and products, based on experience
 - Double-loop: questioning products and strategies
 - Deutero: learning to learn, experimentation, flexibility
- Effective instruments:
 - Goal setting: combining corporate data with environmental/societal impacts and sustainability goals
 - Controlling: effective, integrated management system
 - Reporting/communication: according to information needs and accepted standards, verification



Conclusions

- Corporate initiatives towards sustainability need supportive measures to be effective
- Continuous background control by an active civil society is crucial
- Independent institutions should be empowered for their intermediating role (capabilities, resources)
- Regulatory threat should be maintained for areas with no public pressure and in case of general non-compliance
- Powerful global institutions are needed to guarantee consistent conditions for (sustainable) competition
- Corporate activities should be rewarded: shared responsibility
- Resources and capabilities, learning, corporate culture



Advance notice

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