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**Master Thesis**

## **Does a standardised world equal a sustainable world?**

How standards and initiatives shape the private sector's sustainability efforts

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## **Abstract**

This paper investigated the extent to which voluntary sustainability standards can constitute an effective measure to increase the sustainability of businesses. Given that the market uses a lot of finite resources and constitutes a large portion of the emissions, it is important to make companies aware of their responsibilities and encourage them to act. With many voluntary sustainability standards being offered, the question arises how effective these standards are. Therefore, the literature concentrated on Abbott and Snidal's governance triangle as well as smart regulation theory. The case example of the ZNU standard was analysed through a quantitative study based on literature research and interviews to determine its effectiveness. Focused on the normative content, the use of enforcement mechanisms and the participation of stakeholders, the paper found that dialogue constitutes the most important segment for the case example. Given the lack of overall quantitative goals as a management standard, effectiveness is achieved through a shift of focus on the establishment of a strong network and its long-term orientation. Transparency in publishing desired goals and the corresponding progress has likewise proved to be a contributing factor to the effectiveness. Therefore, the conclusion was that standards with a strong focus on transparency are most likely also the most effective. It found state involvement as a potential accelerator to speed up the process of all companies implementing effective sustainability management by requiring more transparency.

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## **List of Abbreviations**

BMWI	Bundesministerium für Wirtschaft und Energie
CSR	Corporate Social Responsibility
DNE	Deutscher Nachhaltigkeitskodex
EFFAS	European Federation of Financial Analysts Societies
EMAS	Eco-Management Auditing Scheme
EU	European Union
FMCG	Fast Moving Consumer Goods
FSC	Forest Stewardship Council
GRI	Global Reporting Initiative
ILO	International Labour Organisation
ISO	International Standardising Organisation
NEG	New Environmental Governance
NGO	Non-Governmental Organisation
RNE	Rat für Nachhaltige Entwicklung
RSPO	Roundtable on Sustainable Palm Oil
RSS	Regulatory Standard System
SDG	Sustainable Development Goal (as part of the UN's Agenda 2030)
UN	United Nations
VSS	Voluntary Sustainability Standard
WCED	World Commission on Environment and Development
ZNU	Zentrum Für Nachhaltige Unternehmensführung

# CHAPTER 1

## Introduction

Today, the world of sustainability standards seems like a jungle. It is a complex web made up out of labels, initiatives and voluntary or perhaps even mandatory standards issued by different actors (Abbott & Snidal, 2009) – all trying to highlight how well companies are doing in protecting the environment. In displaying just how much they are engaged in making the world a more sustainable and better place to live in, end-consumers get the impression that the entire private sector is involved in a large variety of actions; all aimed at precisely that. While this would certainly be a desirable goal, the overall impression tends to be that it leads to an inflation of certificates. Here, each company can either select a standard that fits their current efforts – or perhaps even create their level (Colsman, 2016). Consequently, this would mean that the jungle of certificates will only become denser. What did perhaps start as a way to increase sustainability practices in companies and sought to hold them accountable to a higher standard, might have transformed into something fostering the complete opposite (Komives & Jackson, 2017, p. 14). Instead of increasing transparency and comparability; consumers are overwhelmed by the plethora of certificates, all suggesting environmentally-friendly practices of companies (Mattli & Woods, 2009).

Over the past years, customers increasingly valued the sustainability of the products they buy (Umweltbundesamt, 2020). As a result, it pressures companies to share their sustainability efforts with the wider public. While this appears to be a positive development, the question remains whether this results in more sustainable practices, or whether it is merely due to better advertising of the limited activities that companies execute (Hess, 2008, p. 57). To enhance the credibility of said actions, more and more businesses are relying on external

standards and initiatives to communicate their sustainability management to other stakeholders. Consequently, they go beyond state regulation to set them apart from the competition (Hess, 2008). Therefore, consumers are faced with complex systems of sustainability standards that often compete for the attention of companies (Dietz, Auffenberg, Estrella, Grabs, & Kilian, 2018, pp. 74, 85). Nevertheless, the plethora of existing standards makes it hard to distinguish between those standards that have strict guidelines and a measurable impact; and initiatives that are formulated too vaguely and do not take the sustainability management of companies to new heights (Journeault, Levant, & Picard, 2020, p. 2).

For sustainability to truly be put to practice, some scholars suggest that all actors involved – government, civil society and industry – will need to rethink their way of living/conducting business focusing on how the impact on the environment can be reduced (eg Umweltbundesamt, 2020). The private sector is responsible for a large portion of the emissions and other forms of pollution (Griffin, 2017), which means that consequently, they also need to be part of the solution. That poses the question in what framework the business sector is operating, and which tools would work to reduce the private sector's impact. As a society, the first aspect is that politicians often put responsibility in the hands of the consumer. However, this thinking neglects one key aspect. It presupposes that consumers can make an informed choice, based on transparent statements issued by the industry, which currently seems to be an issue (Kijak, 2020). While there are a lot of certificates, navigating this jungle poses a challenge to most (Dietz et al., 2018, p. 73). The second aspect is that the current state of regulation may require companies to disclose their sustainability activities, but the danger is that companies might use the disclosure as a marketing tool (Komives & Jackson, 2017). This results in the fact that either the statement is presented without any reference or that negative events are neglected all together (Journeault et al., 2020, p. 3). Here, the question arises as to whether disclosure by companies is reliable to inform consumer choice.

As no state regulation strictly dictates what information companies need to disclose and urges them to release the good with the bad, the danger of green-washing remains present (Komives & Jackson, 2017). As an example, BP changed its reporting drastically after the 2010 Deep Water Horizon event, when the impact of oil spills on the environment and wildlife became so undeniably clear that they had to take responsibility, while a comparison with numbers from previous years indicates that oil spills also occurred before the event (BP, 2009, 2010). From a scientific point of view, knowing to what extent and under what circumstances state

regulation will lead to an inflation of unsubstantial reporting or can have a meaningful impact on changing the sustainability performance is worth knowing. This is particularly relevant in engaging the companies that are currently reluctant to go beyond what is necessary.

Based on the outlined dilemma, the main research question this paper investigates is *to what extent can voluntary sustainability standards constitute an effective measure to increase the sustainability of (German) businesses?* This empirical question is explanatory in its nature (Matera, 2016), as it seeks to find out the extent to which such standards advance the sustainability management of companies, without enforcing mandatory requirements. Throughout the paper, the main question is divided into smaller sub-questions. Most academic articles refer to the Global Reporting Initiative (GRI) or the Eco-Management and Audit Scheme (EMAS) as the most frequently used voluntary standards. Other initiatives such as the German ZNU standard (ZNU stand for: Centre for sustainable business-development) receive less attention in international literature. The ZNU standard distinguishes itself from others by taking into consideration the efforts companies may have taken already by acquiring other sustainability standards (such as ISO 14 0001) and builds onto those undertakings (ZNU, 2018c). Established in 2013 in collaboration with the independent certification body TÜV Rheinland, it ensures criteria can be audited properly (ZNU, 2018c). Furthermore, it includes a selection of certified members in discussions on the advancements of the standard (ZNU, 2018c). As a result, the circle of addressees expanded by creating two versions. The original standard only addressed the food sector, but the added version can be acquired by companies of other sectors as well.

To pursue this question further, the next chapter starts with the theoretical framework based on the government triangle issued by Abbot and Snidal (2009) and smart regulation theory. Defining the concept of sustainability as employed in this paper and elaborating on the research method will be the next step. As such, criteria are established and investigated closely in the following analysis. The paper concludes with a discussion of the results as well as the potential impact the results have on the effectiveness of voluntary standards in general.



## CHAPTER 2

# The Theoretical Framework

### *2.1 Governance triangle*

Given the goal to find out which aspects coin an effective sustainability standard, the governance triangle by Abbott and Snidal (Abbott & Snidal, 2009) elaborates on the different interactions that will result in sustainability standards of varying effectiveness. To shortly introduce the concept, the triangle seeks to explain the factors influencing the regulatory standard-setting (RSS) on a transnational stage. It illustrates how the state, market (firms) and the civil society (NGOs) work together to create a plethora of standards; as well as the implications various constellations have on the effectiveness of said regulation. Going more into detail, the following sections firstly discuss the origin of regulation, before explaining the conceptualisation in more detail. The authors sought to schematically depict the interactions on a global scale that influence RSS. Since the 1980s, the relationship between the three actors has shifted, with the state transferring more power to the market and civil society; whilst simultaneously redefining its description from regulator to coordinator (Abbott & Snidal, 2009). NGOs were the last actor to become actively involved in the standard-setting discussions, mainly engaging after the mid-nineties.

Starting with a detailed description of the three actors, the state of countries in the Global North (especially in European countries) is very strong and powerful (Strambach & Surmeier, 2016). With fewer occurrences of corruption, the state is deeply involved in the regulation and viewed as trustworthy by the population. The trustworthiness stems from the authors' view of the state as having no other agenda than to carry out the public interest (Abbott & Snidal, 2009). Nevertheless, one should keep in mind that states are often heavily lobbied by

industries; and in countries such as the US also very reliant on campaign contributions from powerful lobby organisations (Luke & Krauss, 2004). Many view NGOs as moral control mechanisms, with the task of providing independent and trustworthy information, and holding actors accountable for wrongdoings (Colsman, 2016, p. 21). The key dimension here is the protection of moral values. However, also noting that though the general perception of NGOs might be positive, not all have noble aims (Barker & Eccles, 2018, p. 13). For the sake of this paper, the position in the triangle occupied by NGOs will also include academia as part of the civil society to have a designated place where the case example is located. Next, the market is the private or for-profit sector. Named *firm* in the triangle, it is their role to provide employment and (a degree of) wealth to the population, through competing with other actors. As the motor of any society, the market is a very important and equally powerful actor (Rothschild, 1994). However, with great power comes great responsibility; meaning that their position can lead to questionable behaviour facilitated by the desire to increase profits. Here, regulation is often about the protection of their reputation, rather than an idealistic desire to promote moral values.

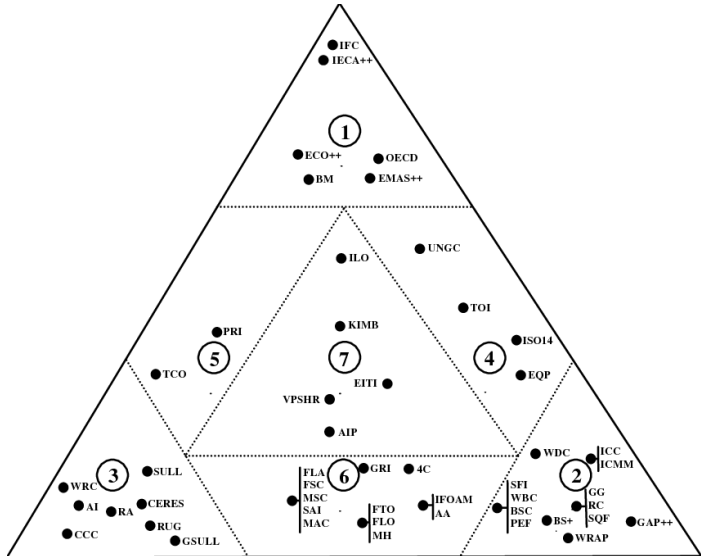


Fig 1 The governance triangle 1

2.1.1 The schematics

Going back to the schematic triangle, Abbott and Snidal define seven zones in which the actors can engage with one another. Each zone, in turn, results in a regulation. The following paragraph will elaborate on the differences in more detail. As the figure shows, **zone 1** focuses on standards stemming from the state. Here, organisations that combine the interests of different states such as the OECD are located. What is important to know is that such

regulation is usually state-sponsored. As such, it is perhaps most transparent and reliable, due to the states opening about the criteria. The Blue Angel (*Blauer Engel*) is a good demonstration of this, given that this eco-label signifies accordance with federal criteria that attest environmentally friendly products in a variety of sections for more than 40 years (Blauer Engel, 2020). Moving clockwise, standards of **zone 4** combine the interest of state and market, resulting in regulations such as the UN Global Compact or the ISO guidelines on environmental protection (14000-line). If there is no cooperation, standards stemming solely from the market are issued by organisations such as the International Chamber of Commerce and focus on the business interests without much regard for other actors (**zone 2**).

In contrast to that, **zone 6** once again is based on collaboration, this time between the market and civil society. Here, regulations such as the Fairtrade label or the Forest Stewardship Council (FSC) (Abbott & Snidal, 2009) originated, combining the interests of e.g. farmers in the Global South with business interests. This type of regulation does not involve the state, resulting in the fact that NGOs often take over the monitoring role and ensure the market's adherence to standards (Parsons, 2019, p. 14). **Zone 3** depicts regulation without any involvement of state or markets, often issuing guidelines. An example is the Human Rights Guidelines for Companies issued by Amnesty International (Abbott & Snidal, 2009). Without any enforcement mechanism, companies mistreating human rights standards, in this case, face public scrutiny through the reporting of NGOs like Amnesty International. **Zone 5** results in standards that do not involve the market in any capacity, something that up until now, results in no standards. Lastly, **zone 7** is in the middle of the triangle, meaning all three actors are involved in the regulation. Exemplified through the ILO's tripartite declaration on Multinational Enterprises, it most likely results in standards where state and NGOs are involved in monitoring the market.

With the different types listed above, the authors highlight that no regulation can be truly effective without the involvement of other actors (Abbott & Snidal, 2009). Though there are differences, no laws or guidelines are effective if they are not addressed to someone, while regulations issued by firms will also not be credible unless they are monitored by an external actor. According to Abbott and Snidal (2009), regulation can only truly be effective if it fulfils five different aspects - united under the acronym ANIME. Representing the five tasks agenda setting, negotiation of standards, implementation, monitoring and enforcement (2009, p.3); it becomes clear why no actor can act alone. Combined with four competencies that regulators must possess (independence, representativeness, expertise and operational capacity), a

standard is successful. Typically, NGOs can either highlight issues (A) or focus on observing and criticising the behaviour of firms (M, E) (2009, p. 21). As a result, they have no power when it comes to the negotiation or implementation process, which is seen as a strength of the market- in turn lacking measures to monitor progress or adherence. Though states, particularly in the Global North are often strong and can possess the competencies to create and enforce standards, the implementation within companies is largely out of their control (2009, p. 24).

## ***2.2 Smart Regulation Theory***

This section begins with forming a definition of smart regulation, before continuing with the relevance of normative content, enforcement mechanisms, participation as well as a definition of effectiveness. According to Gunningham and Sinclair, smart regulation can be defined along with various regulatory design principles (Gunningham & Sinclair, 2017). Such principles include mixing various instruments to achieve the desired outcome, making use of parsimony, employing multiple actors to ensure enforcement as well as early warning systems, supporting third parties to function as surrogate regulators and maximising opportunities for all involved actors to gain something from their participation (Gunningham & Sinclair, 2017, p. 134). As such, Mattli and Woods see smart regulation as a form of soft law (2017, p. 2), as it is being instigated by private networks without any formal rule-making authority. The authors highlight that such bodies may act in secrecy and are unwilling to be transparent. Black et al. however (Black, Hopper, & Band, 2007, p. 8), state that regulation is mainly divided into three camps: some define regulation as governmental rules, the other presupposes direct state involvement in the market, whereas yet another group define it as mechanisms of social control that influence behaviour. Black et al. continue by writing that “regulation is the means by which the state seeks to encourage or direct behaviour” that would otherwise not take place (2007, p. 10). As such, they do not view regulation as something that can be instigated without the involvement of the state, given that the authors broadly refer to regulation as social control (2007, p. 17).

### ***2.2.1 Self-regulation***

After briefly establishing what the term regulation means, this section will now move on to the term self-regulation. Gunningham and Grabosky (1998) see self-regulation in three different forms. The first option is voluntary self-regulation, with a network of companies establishing and enforcing criteria without involvement from the government. The second form differs, in that the state mandates the industry to enforce behaviour controls on its own.

The third form includes more state involvement, in that the state will also be responsible for the details of the regulation (1998, p. 62). In a more recent publication, the same author refers to smart regulation as “a form of regulatory pluralism that embraces flexibility [and] encompasses self-regulation and co-regulation” (Gunningham & Sinclair, 2017, p. 133). Expanding the term smart-regulation, Black et al. (2007) refer to the term principle-based regulation, whilst stating its focus on more content-based principles, leaving more freedom for companies to implement it in a way that is most suitable for them.

Another option is voluntarism, which according to Gunningham and Grabosky means that businesses and state interact as equal partners, whereas the business decides to “do the right thing” and executes the goals without any further state intervention (1998, p. 67). Due to the voluntary aspect, they claim that such initiatives can shift community attitudes and can build a common ethical code (1998, p. 355), which appears to appeal mostly to the intrinsic motivation of the aforementioned desire to “do the right thing”. However, other authors also view voluntarism as an alternative, such as Holley when referring to the growing popularity of these mechanisms, with businesses often leading the change with initiatives such as Responsible Care founded by the chemical industry (Holley, 2017). By increasing the collaboration between different actors, voluntary initiatives have the possibility to achieve goals more collectively through facilitating more inclusion and flexibility (Holley, 2017, p. 747). This is most likely the case because voluntary initiatives leave more room for the addressees to engage in the drafting of the regulation in their favour, as a result, giving them more freedom and flexibility. According to Gunningham and Grabosky, they are also more legitimate (1998). More recent developments somewhat contrast this statement, often leaving the impression that the now significantly bigger pile of voluntary initiatives has somewhat lowered the expectations voluntary standards can fulfil (Komives & Jackson, 2017).

### 2.2.2 Effectiveness

To explore further on the topic of effectiveness, according to Grabs, different aspects need to be included (2020). The most frequently used aspect focuses on compliance – meaning if the companies adhere to the formulated rules (Grabs, 2020, p. 43). Further, the second aspect concentrates more on the potential to solve a problem; here formulated as behavioural change or changes in the biophysical environment (Grabs, 2020, p. 43). Effectiveness is achieved through fulfilling the objectives. According to Grabs, it is the problem-solving approach that is applied most frequently, as she quotes Gulbrandsen (2005) when writing that the essence of effectiveness is *solving the problem a standard was created for* (Grabs, 2020, p. 44). Others

remark that effectiveness can be conceptualised as the actual performance (Grabs, 2020, p. 43), focusing much more on the impact, without paying too much attention to how it is achieved. Ideally, a voluntary sustainability standard (VSS) is effective through combining all aspects, resulting in the fact that it solves a problem by adhering to the rules and changing behaviour in the previously agreed-upon way. Therefore, the paper will use this definition when referring to the concept of effectiveness.

#### *2.2.4 Enforcement under smart regulation*

The next section explores how smart regulations seek to enforce their aims. The traditional enforcement mechanism employs command and control through the state - presupposing that the state has such capacities (Black, 2002, p. 2). Being one-directional, this relationship is very simple and does not differentiate between violations of voluntary guidelines or hard law. However, when discussing enforcement mechanisms, it is important to have clear guidelines for companies that specify a “bright line between what is acceptable or unacceptable” (Black et al., 2007, p. 198). A concept that is introduced here to illustrate the plethora of enforcement mechanisms is the so-called *enforcement pyramid*, which builds on Braithwaite’s concept of pyramidal responsiveness (2017). The original version aims to paint a more general picture, distinguishing between three different types, but always starting with dialogue before referring to other instruments (Braithwaite, 2017, p. 119). Nevertheless, the author highlights that enforcement mechanisms at the bottom of the pyramid mainly constitute warnings without any further consequences, only when the company takes no action to combat the problem and all else fails does the regulator move up to formal sanctions (Scott, 2017, p. 271).

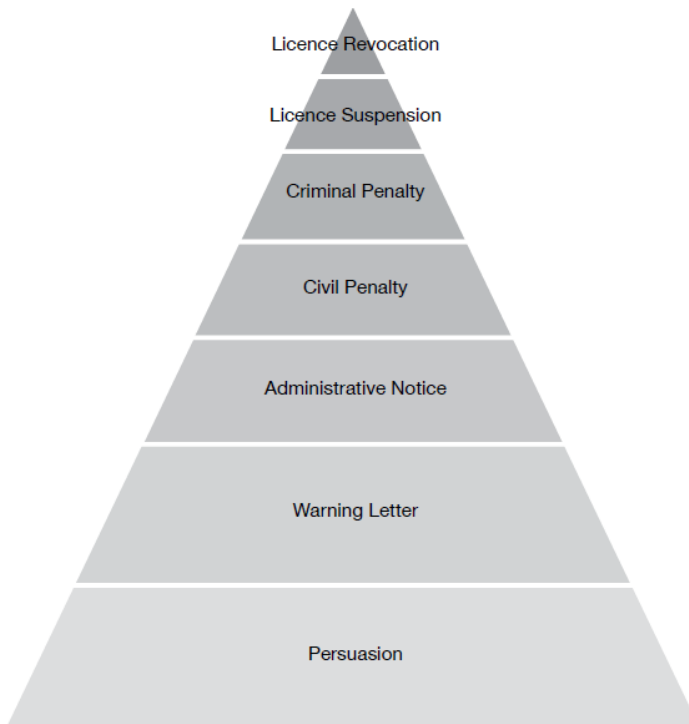


Fig 2 Enforcement Pyramid (Braithwaite, 2017, p.136)

However, depending on the regulation, sanctions include measurements such as public naming and shaming, a powerful resource. That being said, government involvement is the most reliable form of intervention, given that scepticism towards private enforcement entities persists (Gunningham et al., 1998). Due to the possibility of ulterior motives, collecting data that allows for measuring the company's progress is important (Gunningham et al., 1998, p. 215); as well as independent reviews carried out by a trusted third party (Gunningham et al., 1998, pp. 219, 404). However, the authors argue that the state should nevertheless be able to step in as a last resort. Stating a notion that strongly resembles Adam Smith's invisible hand (Rothschild, 1994); they request that the state provides a safety net. Accordingly, the preferred role is to "create the necessary preconditions [...] rather than engaging in direct intervention" (Gunningham & Sinclair, 2017, p. 139). Supporting this notion, Mattli and Woods (2009) quote Abbott and Snidal by highlighting that the state is no longer the most relevant actor when it comes to regulation (Mattli & Woods, 2009, p. 14).

Continuing with another aspect, the regulation also needs to consider when sanctions are even necessary. Referring to Black et al., principle-based regulation, for example, gives significant leeway as to how companies achieve a very specifically formulated goal (2007, p. 193). That is to say, there are no sanctions to make sure the company takes the right path, but rather suggests that "anything goes", as long as the goal is achieved – since the latter is the most important aspect of the regulation. Making a note on who to involve in putting the regulation

into practice, Mattli and Woods state that networks play a very important role in the realisation of regulation, given the need for like-minded companies to establish a voluntary regulation to begin with (2009, p. 4). They propose that different groups should instigate changes and organise themselves in networks. Starting with how to establish networks, the authors claim that those corporate consumers receiving faulty products should organise themselves. Contrastingly, the other options are either companies that are not yet established in the field or corporations that are at risk of having a future at all (Mattli & Woods, 2009, p. 32f).

Coming to the concluding paragraph, Holley states under the framework of New Environmental Governance, “the private sector and civil society form many centres of decision-making and action that are formally independent of each other, but that can either function independently or constitute an interdependent system of relations” (Holley, 2017, p. 742). Therefore, voluntary standards may play only between two actors, leaving the state out of the equation completely. Most of the authors used for this theory section have also included several conditions or criteria that effective smart regulations should entail. The table below provides an overview, as these aspects will form the basis for the following analysis. Putting everything in a nutshell, to be effective, standards need to be focused on goal-attainment, which presupposes clear and fixed goals- formulated either directly quantitatively, or based on principles and issued benchmarks that leave freedom for companies to achieve the goals. Further, different stakeholders need to be involved in the initiation process to facilitate a dialogue incorporating different perspectives. An independent third party monitors the final standard through a variety of enforcement mechanisms.



<b>Black (2002)</b>	<b>Black et al. (2007)</b>	<b>Mattli and Wood (2009)</b>
Standard-setting	Criteria to identify the balance between principles and rules	Agenda-setting
	Discipline and restraint in the provision of industry guidance	Negotiation
	Meeting the needs of different firms	Implementation
Information gathering	Ensuring a balanced style of supervision and enforcement	monitoring
Behaviour modification	Redefining the role of decided enforcement cases	enforcement
	Ensuring that the accountability mechanisms in the rule-making process are not bypassed	
	Changing the skills and mindset of regulators and firms	
	Developing and maintaining a constructive dialogue between actors	

Table 1- Overview of key criteria listed in the academic articles

## CHAPTER 3

# Research Design and Methodology

Moving on to the third chapter, the following sections lay out the path to answer the research question “*To what extent can voluntary sustainability standards constitute an effective measure to increase the environmental sustainability of (German) businesses?*”. The question inherits both explanatory and evaluative aspects (Matera, 2016), as it firstly seeks to explain the built-up of VSS, before moving on to explore how this structure influences the sustainability management of companies. Throughout the paper, readers will find a division into topical sections to further specify the research. On the one hand, the normative content will be elaborated and illustrated. On the other hand, it will be assessed to what extent enforcement mechanisms and stakeholder participation influence the effectiveness of the private sector’s sustainability management.

### ***3.1 The conceptual framework***

This research’s primary goal is to find out what is effective when it comes to promoting sustainability in companies. In other words: what is necessary so that companies expand their sustainability management and concentrate on how their actions influence the environment of their place of business; and what must be done to minimise that (harmful) impact. One portion of such management is the reliance on membership or adherence to (external) standards that signify the company’s engagement to stakeholders. The expectation is that membership in a voluntary network will result in a higher effectiveness of sustainable activities than in cases where no network membership is present. It stands to reason that network membership is a positive factor, because otherwise companies would not need such membership. Due to the heightened awareness or the priority that is ascribed to sustainability, network membership

further indicates that more emphasis is paid on acting sustainably by the companies. Based on the complex nature of sustainability, this is often the case when it comes to the environmental dimension of sustainability that will solely be analysed here. A more elaborate definition of the term sustainability will follow in the section on key concepts further down below.

Given that there are different motivations for companies to engage in more extensive sustainability management, it is currently not clear what type of regulation works best to go beyond the minimum requirements. While the obligatory minimum standards are sufficient for some, others demand stronger measures. This raises the first sub-question *which measures are most likely leading to an advancement of sustainability in companies?*. This paper uses a voluntary initiative as a case to investigate to what extent the effectiveness of sustainability management can depend on membership or adherence to VSS. As such, the sub-question can further be divided per the research foci to include *what role does the normative content of the regulation play?*, as well as *how important are the enforcement mechanisms for an effective regulation?*, and *what role does the participation of other stakeholders play?*.

The theories of smart regulation and effectiveness, as well as the governance triangle (Abbott & Snidal, 2009), offer a variety of combinations between the different stakeholders. As an example, Gunningham and Grabosky (1998) mention the mixture of state compulsion and voluntary initiatives to reach the desired outcomes. Further, they point to the possibility of surrogate regulators, such as bodies independent from the state and the initiators (Gunningham et al., 1998). Because this cornerstone of smart regulation theory is over twenty years old, it stands to reason if the current situation perhaps calls for a more nuanced approach. This paper further investigates the idea that a more nuanced approach is necessary by concentrating on the ZNU standard (initiated more recently in 2013 (ZNU, 2020b)). The governance triangle as a tool visualises the location of the case example within the interplay of state, market and civil society, as well as allowing for easy comparison with other initiatives. After a review of the theories in the prior chapter, another sub-question that arises is *which measures are included in the ZNU standard?*. Assessing the effectiveness based on how well the case example scores concerning the different criteria, it mirrors key points derived from the theoretical framework, incorporating different aspects of effective regulation – and, consequently, what it means to be a successful standard.

Based on the theoretical framework, four criteria can be derived:

*C1: An effective sustainability standard requires a clear set of precisely formulated goals.*

*C2: An effective sustainability standard needs to offer freedom for companies to achieve their goals.*

*C3: An effective sustainability standard requires the availability of a variety of enforcement mechanisms.*

*C4: An effective sustainability standard presupposes the presence of a constructive dialogue between stakeholders.*

Briefly going through the criteria one by one, the clear set of goals is derived from the statements made by Black et al. (2007) as well as Gunningham et al. (1998). While they differ in the overall setup, goals require precise formulation, connected through a common baseline. Further, the second criterion connects to this thought by focusing more on the essence of principle-based goals. In accordance with those, it is important to carve out freedoms for companies due to the differences they may present in structure, size and other relevant aspects. Therefore, there should be no mandatory path for businesses, rather than flexibility in achieving fixed goals within the individual realms of possibility. Based on Braithwaite's enforcement pyramid, standards or initiatives should be able to have a variety of enforcement mechanisms at hand, to be able to adapt to the severity of problems and ensure compliance with the goals set. Lastly, constructive dialogue is viewed as preceding the existence of a formal voluntary standard. Hence, it leads to the assumption that such dialogues also need to continue once VSS are established (Mattli and Woods, 2009). The reasoning behind the criteria will be refreshed in the analysis section once more to strengthen the connection to the theory section.

### **3.2 The method**

#### **3.2.1 Data collection**

The research of the paper is qualitative and focuses on the effectiveness of voluntary standards utilising a case study combined with desk research. The research employs a single case study with a strategic sample (Verschuren, Doorewaard, & Mellion, 2010, p. 178). One standard was selected due to its unique position within the governance triangle, initiated by academia rather than other actors with perhaps profit-oriented motives. As such, the focus is not on a typical case, but rather seeks to investigate if this deviating approach will be effective. The paper goes more into depth with this one case, aiming to compare the findings

with theory and interpreting the results (Verschuren et al., 2010, p. 179). After initial exploratory research (Verschuren et al., 2010, p. 180) into the different sustainability standards and taking into consideration the unique selling points of each initiative, the ZNU standard was selected because analysing its approach can hopefully lead to the discovery of new insights.

The other aspect is desk research, in that existing materials in the form of literature are used (Verschuren et al., 2010, p. 194). Given that the literature survey has had a more quantitative approach, it aimed to consult different researchers in terms of what their data suggests an effective VSS should contain (Verschuren et al., 2010, p. 196). The desk research took place due to COVID-19, where personal contact in the form of interviews or surveys was difficult. Therefore, the method allowed for an investigation independent of others.

### *3.2.2 Data analysis*

The analysis of data focused on a set of sub-questions and dissecting the literature to filter out the aspects relevant for the analysis. Given that the main concern of the sub-questions is the normative regulation and the enforcement mechanisms, the analysis of the literature is focused on selecting aspects that scholars consider important. To minimise potential misunderstandings or misinterpretations of the literature, the focus was on elements that were mentioned explicitly. That is either the case by clearly stating what needs to be present; or by criticising that examples lack certain aspects. Establishing criteria of what an effective standard should entail, a roadmap to assessing the characteristics of the standard is designed. In line with the criteria, the analysis will assemble the criteria to one of the three categories – content, enforcement or participation, before discussing them in more detail in the analysis. Assessing the strengths and weaknesses of each standard, this paper determines how this composition/location within the triangle might be the most effective to advance the sustainability management; and what type of smart regulation is most supportive. The findings will be presented and discussed in the concluding chapters.

### *3.3 The data*

The selected articles represent a variety of authors to get a broad understanding of the field. The literature stems from books, as well as published and unpublished literature and refers to a plethora of national and international standards from around the globe. There are different voluntary standards such as the GRI, EMAS, ISO 26000-line or ZNU, placed in different zones in the figure illustrated by Abbott and Snidal (2009). Due to the interest of the

literature with the first two and their prominence, they provide the most data concerning available information.

Other articles discussing standards developed in close collaboration with academia will be used to substitute for the lack of literature on this standard. While also frequently featured in discussions on sustainability standards, the ISO-guidelines are not part of the paper. That is because they consist of multiple, rather diverse, guidelines and are explicitly designed without fixed, quantifiable criteria (Colsman, 2016, p. 11). Granted, the GRI also offers different guidelines, distinguishing between the basic reporting and more specific guidelines for particular topics such as environmental sustainability (Barker & Eccles, 2018). However, their reporting standards appear to be more easily quantifiable and are widely acknowledged as a standard most companies use as a guideline.

The main emphasis is on the ZNU standard. It is not as widely-used and was created rather recently (in 2013) – resulting in less literature available on this specific initiative – but it will nevertheless constitute the main part of the analysis due to its connection with the academic field (Geßner & Kölle, 2017, p. 93). Developed by two academics at a German university and while business-focused, it concentrates more on scientific knowledge (Geßner & Kölle, 2017). Business networks or specific sectors often instigated other standards to do “damage control” and promote the commercial interests of the sector without actually focusing much on establishing strict guidelines (Mattli & Woods, 2009). Authors criticise the available alternatives such as the GRI for adapting too much to the interests of the business sector (Boiral & Heras-Saizarbitoria, 2018; Weißenberger & Federer, 2017). While being prominent, they do not offer any assurance that companies adhere to any criteria. Instead, the initiative issues guidelines on how companies should report on their activities, without setting any standards regarding the content. Therefore, the expectation is that the ZNU standard can present new insights because the proximity to academia leads to more involvement of scientific findings.

Additionally, during the research, an interview with one of the initiators of the standard was conducted to clarify some uncertainties regarding the case example. The interview was semi-structured, starting with explanations about the generalities of the standard, before moving on to more explicit questions connected to the criteria. Clarifying the written statements of the documents, as well as suggesting further literature, the interview provided valuable input and information going beyond the content of the published documents.

### ***3.4 Limitations***

Moving on to the limitations of this study, it is important to note that first and foremost there is only one case example, but that based on the current situation, a proper holistic approach including the triangulation of sources and methods has proven to be difficult. Instead, the sources for the case study are the information provided by the initiators of the standards as well as the literature publicised on the corresponding voluntary standard setter. Given the fact that the case example is relatively new, the literature available is not as plentiful as for more established standards. Therefore, the theory section refers to other examples while stating what criteria a successful standard should fulfil. It might be that not all have to apply to a standard such as the case example. As mentioned above, the literature also includes few articles that are not peer-reviewed. However, the comparison of many articles minimises the potential that these sources may deviate and suggest relevant conditions that are not in line with other scholars. As such, a form of triangulation was employed in the desk research to ensure the validity of criteria. Naturally, a disadvantage of desk research is that while many authors describe criteria they deem important for an effective standard, the applicability to the standard selected for this paper may at times be rather small. The data was collected through the university libraries as well as other platforms that offer open-source materials relevant to the topic.

A further limitation might originate from the theoretical framework. Because the governance triangle analyses transnational processes, discrepancies can occur when it is applied to a more national context. However, given its schematic and the elaborate explanations, minor changes still allow for applicability to the execution of sustainability standards within a country. Additionally, the application of smart regulation theory ensures a reliable and valid base for the analysis. Lastly, it is important to mention that problem-solving effectiveness relies very strongly on a subjective problem definition (Gabs, 2020, p.57). Due to this subjective definition, it may be that the definition of effectiveness here, as well as the aspects that are viewed as effective contributions to the sustainability management may differ from the ZNU's expectations when it set its standard. While extensive research including an interview with one of the initiators was conducted to understand the different viewpoint, based on the perspective that is applied here, the opinion that this paper reflects may still not fully represent the original intentions of the case example.

### ***3.5 Overview of key concepts***

To provide more clarity, the following paragraphs lay out the key concepts in more detail. Most needed is a clarification of *effectiveness*, as this is a key component of the research question – thus providing the starting point. The term is arguably very vague, but other concepts such as *sustainability* do not necessarily provide more clarity. To complete the overview of this section, the concepts of a voluntary sustainability standard, as well as a short introduction of the stakeholders, are introduced as well.

#### ***3.5.1 The Concept of Effectiveness***

*Effectiveness* is used throughout the literature; however, very few authors define what the term means to them. Despite touching upon the subject in the theoretical framework, the following section will briefly refresh the definition. One of the clearest definition is in the book by Gunningham and Grabosky when stating that it means “the degree to which the determined environmental objectives are achieved through the use of certain instruments”(Gunningham et al., 1998, p. 28f). Combining it with the term efficiency, the authors claim that effectiveness entails the notion of being most likely to achieve significant results in environmental performance (Gunningham et al., 1998). As such, *effective* sustainability management either creates a pathway to fulfil the environmental goals laid out or may even go beyond it (Steinhöfel, Galeitzke, Kohl, & Orth, 2019). That means that companies explicitly concentrate part of their efforts on aspects such as reducing their emissions, using environmentally friendly products, employ green energy – just to name a few. The important takeaway is that companies recognise the (mostly negative) impact of their business practice on the environment, and find ways how to reduce the said impact as far as possible, perhaps even moving towards ways for the rehabilitation of the environment (Strambach & Surmeier, 2016, p. 352). This paper seeks to find a *positive* impact, while it certainly must be recognised that the effect does not have to be unidirectional. Another aspect should be added, namely that according to Wood, effectiveness can also mean that it is based on comprehensive terms and has frequent independent performance reviews (Wood, 2017, p. 650). While the intent of this statement is clear, for this paper adding that it is not only about simply reviewing the performance, but also about passing those reviews successfully, is important.

Approaching this topic from another angle, it may also help to define what it means if a standard is not effective. While heightened awareness among the employees can certainly constitute a success, for this paper the focus on the measurable impact the standard can have



is more important. This means achieving the goals that were laid out. According to Black, the effectiveness critique means that the regulation is not reaching what it is set out to achieve (2002, p. 21). Though still broad, it boils down to the simple fact of whether the goals are completed. As the ZNU standard elaborates specific aims, this definition is suitable for the scope of this paper.

### *3.5.2 The Concept of Sustainability*

Given the fact that sustainability became a ‘buzzword’ over the last years (Colsman, 2016, p. 5), it now constitutes a term meaning everything and nothing (Turkson, Acquaye, Liu, & Papadopoulos, 2020). To counter that, the following section briefly reviews the history of the term, before moving on to a clearer definition of what the term will entail for this paper. Based on the oldest source mentioning the concept (Mumm, 2016, p. 22), the term sustainability was first used in the context of German forestry in the 18<sup>th</sup> century. In his book ‘*Sylvicultura oeconomica*’, Carl von Carlowitz demanded that only the amount of trees should be cut down, which could be replaced through reforestation – laying out the basic principle of sustainability (Colsman, 2016, p. 6) and establishing the base for elaborate discussions in the coming centuries.

One of the most-quoted definitions on sustainable development (and consequently also sustainability) stems from the UN’s World Commission on Environment and Development (WCED), initiated in the 1980s and author of the so-called Brundtland-Report in 1987 (WCED, 1987). According to the definition of the commission, “sustainable development is development that meets the needs of present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 41). As something this general, the concept can be applied to a variety of fields (Bornemann, 2013, p. 204), while it is simultaneously an anthropocentric idea (Bornemann, 2013, p. 218). Though arguably the most prominent definition, scholars criticise its vagueness (Journeault et al., 2020). What exactly constitutes a ‘need’ of one generation and how one predicts the needs of the future remains unclear. It also does not define the scope, leading to the assumption that according to the commission, it can be applied to every context.

Drawing further from that definition, sustainability does not only refer strictly to environmental protection. Instead, it evolved in a distinction of three (somewhat connected) pillars – an economic, an ecological and a social/societal pillar (Bornemann, 2013, p. 449). However, some critics also see the presentation through pillars as problematic; pointing out that the concept of sustainability presents much more interconnection between the three

dimensions (Colsman, 2016). Due to the scope, this paper neglects the social and economic dimension of the concept in favour of a focus on the environment. It is the dimension perhaps most frequently associated with the term sustainability and will allow for a better comparison of standards and initiatives. As a result, the concentration is on environmental sustainability, staying in close connection to the examples of reducing emissions, protecting biodiversity and rehabilitating natural resources.

### *Sustainability in Germany*

The following section describes the sustainability activities in Germany in more detail to set the scene for the following chapters. The setting for the analysis is Germany. Located in the centre of Europe, it closely connects with its neighbours through trade, exporting mainly finished products such as cars or machinery (BMW, 2018). Given the intensive trading relationships, the economy is responsible for a large portion of the emissions (Griffin, 2017). As such, German companies, as well as the state as a regulator, adhere to (self-ascribed) guidelines on sustainability management (Ernst & Wildner, 2017). Further, in close connection to the UN's Agenda 2030, Germany developed a sustainability strategy detailing how the country plans to achieve the Sustainable Development Goals (SDG) by 2030 (Bundesregierung, 2018). Contrasting to other countries, this particular strategy is peer-reviewed, as to ensure that the international requirements are fulfilled (Rat für nachhaltige Entwicklung, 2017). New Zealand's former Prime Minister Helen Clark led the review (Bundesregierung, 2018, p. 19), which highlights the importance of living up to the ambitious goals, not only for the sake of climate change – but also to serve as a prime example for other nations. Nevertheless, it is evident that to reach the SDGs, efforts will have to increase substantially (Bundesregierung, 2018, p. 7).

As part of their strategy, the state made efforts for companies to join EMAS and supported the initiation of the German Sustainability Codex (Deutscher Nachhaltigkeitskodex- DNK). The codex is as a way for companies to report their CSR statements publicly and is issued by the German Council for Sustainable Development (RNE)– addressing companies operating in Germany and worldwide (Rat für nachhaltige Entwicklung, 2017). It seeks to reduce the barrier for a business that wants to improve its sustainability practices and communicates them to the public. It outlines the minimum requirements for companies, but if required is extensive enough to cover all the requirements demanded by the CSR Reporting Directive (Rat für nachhaltige Entwicklung, 2017, p. 6). The codex connects to other methods of

evaluation like the GRI, EFFAS or the UN Global Compact, but “reduces their in part highly complex requirements to the essentials” (Rat für nachhaltige Entwicklung, 2017, p. 8). The council issuing the codex itself offers to check the reports of companies stating that they adhere to the document (Rat für nachhaltige Entwicklung, 2017).

### *3.5.3 The Concept of voluntary sustainability standards*

The next section explains what is meant when the paper refers to voluntary sustainability standards. Starting, the term is frequently used interchangeably with concepts such as private standards, eco-standards or simply certification, and leaves it up to the reader to conclude what it means (Komives & Jackson, 2017). One key component is the **voluntary** dimension of the standard, meaning that participation is not mandatory. It follows that if for example, Germany would make reporting according to the GRI mandatory, it may still be a voluntary standard for the rest of the world, but it would not fall under this category in Germany. Therefore, the initiatives should be independent of state regulation and companies must be free to join. If companies engage in genuine voluntarism, Gunningham and Sinclair conclude that it will accomplish almost all aspects of state regulation, especially if it seeks to go beyond the minimum requirements (Gunningham & Sinclair, 2017, p. 141). However, scholars also state that voluntary standards are complementary to state regulation. Supposing that only those with an honest motivation will join such standards, they conclude that others would simply try to free-ride on those committed to improving their performance, whilst not upholding any requirements and conducting business as they please (Gunningham & Sinclair, 2017). Concluding with a brief definition formulated by Komives and Jackson:

“private voluntary sustainability standard systems are an innovative market-based approach to promoting sustainable production and business practices. Adoption of these sustainability standards is intended to be voluntary: the standards are not created, run or required by government or government regulation. Instead, voluntary sustainability standard systems are non-government initiatives that seek to drive sustainable production and consumption[...]. They help buyers [...] identify sustainably-produced products, and they guide [...] in the choice of sustainable practices.” (2017, p. 3).

As a result, it not only includes fixed goals that need to be fulfilled through good sustainability management but also presupposes that the standard itself will offer support and assistance to those trying to achieve it.

#### 3.5.4 *The stakeholders*

The last paragraphs of this section briefly describe how the different stakeholders mentioned throughout the paper are defined.

Starting with the *companies*, while the concept of businesses may be clear in this context, it is worth noting that in this paper it will only include profit-oriented companies. Representing the market (or private sector), it does not distinguish between multi-national firms or small and medium enterprises. As a result, it stands in stark contrast to *NGOs*, as they are viewed as a different actor that independently monitor and assess the companies' performances (iseal Alliance, 2019). It presupposes such a distinction because NGOs are often the ones that issue standards or focus on holding for-profit organisations accountable if they do not adhere to the agreed-upon standards. To go a bit further, while some include both businesses and NGOs in the term civil society, for the sake of this thesis for-profit entities will instead be allocated at the market (Abbott & Snidal, 2009). To complete with the third entity listed in Abbott and Snidal's governance triangle, the *state* (or government) is the body that ideally carries out the interests of the public interest (2009). While it includes multiple elements and requires a complex definition, there are only a few aspects of the essence of this paper. The state is the combination of all official institutions. Further, it issues regulation in the form of laws and has the necessary apparatus to carry out enforcement and sanctions in the case of non-compliance (bpb, 2015).

Lastly, the initiators of the standard will be described. The **ZNU** is an acronym that stands for Centre for Sustainable Leadership (Zentrum für nachhaltige Unternehmensführung) and is located at the University Witten/Herdecke in Germany. The two academics teaching at the university, Dr Geßner and Dr Kölle lead the centre, which also employs other academics with various degrees (ZNU, 2020b).

# CHAPTER 4

## Analysis

The analysis section further advances in answering the main research question by focusing first and foremost on investigating the case example of the ZNU Standard. Concentrating on the second and third sub-question, the following paragraphs determine which measures described in the theoretical framework the standard includes as well as how they seek to influence the sustainability management of companies. To do so, this chapter will be divided into three sections, each dealing with one (or two) of the criteria. Starting with the normative content, the role of enforcement mechanisms follows, before diving into the participatory dimension of the standard.

### *4.1 Introduction to the case example*

This section introduces the case example of the German ZNU standard to ease the understanding before analysing it in the rest of the chapter. Initiated as a business to business (B2B) management standard for the food industry (FMCG) (ZNU, 2018e), with its update in 2018, it now addresses all branches. It divides sustainability into environmental, economic and social topics, each with various requirements and compliance options, stating how to measure and monitor. While the standard does not offer quantitative goals applicable to all; through these objectives, it seeks to have an impact and supports companies in formulating highly individualistic quantitative goals. Here, individual solutions should take different perspectives into account, thus paying attention to the consequences for the entire business and not only focusing on e.g. the environmental side. In this way, it requires businesses to consider their company strategy when determining which aspects of the standard are most

relevant to them. Consequently, the focus of their management is not only on increased environmental sustainability, but includes social and economic aspects, too (ZNU, 2018c).

Furthermore, as a B2B standard, it has no ambition to apply on a product level. According to the mission statement published on the website, it aims to support companies in becoming more sustainable through “promoting the development of an integrated management system” (ZNU, 2020b). To do so, it focuses on establishing long-term relationships with the participating companies by emphasizing their inclusion in the corresponding ZNU network. Therefore, the standard itself concentrates on facilitating incremental changes of companies during a long-term relationship in which companies are offered a structured approach to monitor their sustainability management and find ways to improve. An independent third party monitors these changes and provides feedback through annual audits (ZNU, 2018c).

#### ***4.2 The normative content of standards***

As pointed out in the theory section, goals should be clearly defined (Fries, Riess, & Lassak, 2017, p. 70). Referring to the criterion, *a clear set of precisely formulated goals is needed for an effective sustainability standard* (C1). Nevertheless, there is some discrepancy as to what ‘clear’ constitutes. While quantifiable targets are perhaps easily measured, the complexity of the topic sustainability is difficult (Geßner, 2007, p. 195) and sometimes requires quantitatively formulated goals/targets. Hence, determining whether a goal is clear should also take into account if there are based on clear principles (Black et al., 2007). For this section, quantifiable goals might be more complex to execute in all aspects. However, aspects like the reduction of emissions can be quantified to incorporate elements of the separate *ZNU goes zero* initiative. As such, the anticipation for the first criterion is that some goals have a certain reduction laid down as a fixed percentage, whereas other elements might require clear principle-based goals (Black et al., 2007). Therefore, the expectation is that goals are formulated with clear targets, presupposing a reduction and/or increase of certain elements express goals in percentages, while avoiding absolute terms. According to scholars from the theory section (Gunningham et al., 1998), the overall notion should be that the goals are clearly defined, whereas the path to the achievement of said goals is vague.

The standard does not seem to lay down particular things they want to achieve – except for the separate initiative *ZNU goes Zero*, which does not directly connect to the standard (ZNU, 2020a). Technically, a company could start with no sustainability management at all and be a big polluter, but if they take action to reduce to a minimal extent, that could also be a

sufficient start for the certification process (Interview Geßner, 2020). Granted, every bit counts, but it is contrasting to other regulation when such a standard does not offer any quantifiable goals. Given that this results in the fact that certification does not attest particularly sustainability of a company, it is worth noting that in this case, the emphasis is on seeing sustainability management as a *learning process* (Geßner, 2007, p. 187). That notion is the result of reviewing the so-called Z-documents published on the website, which detail the content of the standard as well as the certification procedure (ZNU, 2020b). However, in the interview with Dr Geßner, it becomes apparent that companies are indeed required to formulate quantitative goals after they have made a careful assessment of their current state (Interview Geßner, 2020).

To continue, the standard focuses on an *is-situation* and does not hand out certificates based on the goals that they formulate (ZNU, 2018b). As such, it is only natural that it does not define absolute terms that companies need to have achieved before the requirements are accomplished (ZNU, 2018a). However, to ensure constant advancement, the initiators could incorporate aspects that mandate improvements in the annual audits and make it clearer for outsiders which goals transcend firms. For example, to receive the certificate, a decrease (or increase) of a certain percentage, e.g. concerning the reduction of CO<sub>2</sub> emissions could be required. The standard concentrates much on documentation and expressing an effort. The question is where it will be assessed if the efforts work – or if they were put into practice at all. If year after year proof is needed that companies are trying to e.g. reduce their footprint, then how does the standard check if all the policies formulated do have an impact and – sticking with the example of emissions – lead to fewer greenhouse gases emitted? Taking this idea as a starting point, the paragraphs below decipher the standard in detail to determine how it achieves this.

#### *4.2.1 Overview of the different aims*

The standard divides environmental sustainability into a very comprehensive list of nine different categories, which cover overall dimensions such as ‘climate’, as well as smaller aspects like ‘packaging’, adding to the incremental logic of the standard. To remain within the scope of this paper, a detailed overview can be found online by the ZNU (ZNU, 2020).

When considering the categories of the standard (climate, energy, packaging, waste, water, soil, air and biodiversity), they are very comprehensive and cover all relevant aspects of environmental sustainability (Goodland, 1995), as such being extensive enough for a good standard. With the first target called “climate”, it is striking how much emphasis is put on

documentation as a first step. While the section mentions the reduction of emissions, first and foremost it considers the collection of primary data as relevant to document and evaluate (ZNU, 2018b), going so far as to state “the aim is to take as much primary data as possible” (ZNU, 2018b). Here, one can draw parallels to the usual academic approach of firstly gathering (primary) data before moving on with further steps, perhaps even treatment (Dooley, 1995). The first aim stands in some contrast to the other aims, which do not focus primarily on the collection of data. For goals such as energy, the standard says companies are required to not only take their on-site usage into account but also consider the total energy use among the value chain (ZNU, 2018b).

The same notion is valid for the goal entitled ‘packaging’ and ‘waste’, using similar operators which require the company to reduce packaging or avoid it entirely where possible (ZNU, 2018b). Further, the standard requires a company to also arrange for “appropriate recovery or disposal”(ZNU, 2018b). Next, the document refers to ‘water’ and ‘soil’ with significant similarity. Companies are once again required to “take systematic action” to ensure protection and responsible use (ZNU, 2018b), but this time the phrasing suggests that protection of the resources along the value chain is mandatory. Similarly, action should be taken which improves the air quality. Nevertheless, here the overlap with the goal ‘climate’ should be noted (ZNU, 2018b). For ‘biodiversity’, it once again requires *systematic action* from the companies, whereas companies are required to *promote* animal welfare (ZNU, 2018b), outlining that there are differences in the required actions.

#### *4.2.2 Overview of the formulated requirements*

The different requirements can be fulfilled through several *compliance options* (ZNU, 2018b). Strikingly, there are some other certifications involved, suggesting a lot of flexibility from the side of the assessors, as well as perhaps a desire to make the certification process easier by including other schemes (ZNU, 2018c). For some aims, the options include different ISO-certifications (such as ISO 50001 organising systematic energy management) (ZNU, 2018c). Others can include different standardisations, and certifications such as FSC, Rainforest Alliance or RSPO (Palm Oil) (ZNU, 2018c). One has to note that the aforementioned examples are all members of the iséal Alliance, a network of voluntary standards that formulate high benchmarks and principles for good sustainability standards to adhere (iseál Alliance, 2013). This suggests that while it may lighten the workload for the ZNU-audit, it does not show that companies have no additional effort – on the contrary. According to the interview, the Alliance formulates the ‘gold standard of sustainability initiatives’ (Interview



Geßner, 2020). Therefore, it assures auditors and stakeholders alike that the products are truly sustainable (Brandi et al., 2015, p. 295).

In general, it strikes that most aims only require detailed data on aspects corresponding directly to the specific aim, e.g. on pesticide use in the case of the target *soil*. There is no mention of thresholds that companies need to achieve, but according to the documentation, it appears that only the collection of such data in itself will already suffice (ZNU, 2018b). Thus, the readers, as well as potential companies, are not made aware of any thresholds other than legal requirements. This supports the notion of the scholars who view the state's role as more of a safety net – thus providing minimum requirements, while leaving further regulation to other actors (Gunningham & Sinclair, 2017, p. 14; Mattli & Woods, 2009, p. 139). One exception in terms of phrasing is the aspect of dealing with animal welfare. Here, instead of merely gathering data, the standard requires other evidence of appropriate animal treatment (ZNU, 2018b). Oftentimes, the requirements supposedly ask for clear numbers, for instance in the case of *soil*, where companies are asked to provide “targets, measures and collaboration with stakeholders” (ZNU, 2018b). Here again, there is a contrast between what the document suggests and what was explained in the interview. During the conversation, Dr Geßner elaborated that companies need to set fixed, quantitative goals for themselves that need to be achieved, but they will differ from one company to the next (Interview Geßner, 2020). Additionally, a reference to the fact that this standard is voluntary self-regulation (Gunningham et al., 1998) should be made. Consequently, the lack of quantitative requirements can be ascribed to the voluntariness, meaning that it should remain open to all companies without demanding fixed standards – therefore being in line with Black et al.'s content-based principles (2007). In focusing on the collection of data, it refers to the academic approach of gathering data, allowing for meaningful monitoring of sustainable development.

Continuing with the possibilities for companies to achieve the goals, the inclusion of other standards can be viewed as two-sided. Since several other certifications can reduce the costs of an audit substantially (by either five or ten per cent each) (ZNU, 2018c), the influence of those on the ZNU standard should not be neglected. The initiatives include ISO guidelines, as well as the EMAS or a GRI/DNK-report leading to a reduction, with a maximum of 30% (ZNU, 2018c, p. 9). On the one hand, one can certainly claim that this offers more flexibility for companies when they can make use of what they already have (Interview Geßner, 2020). In turn, such handling offers companies more flexibility, as it takes efforts made elsewhere into account and reduces the amount of work for the ZNU standard itself. As a result, it might

not only be more cost-effective from a financial point of view but could also lower the hurdle for companies debating whether to put in an extra effort for acquiring yet another certificate. In doing so, they adhere to the iséal certification principle of accessibility, since they do not impose unnecessary fees (iseal Alliance, 2019, p. 5). On the other hand, precisely the inclusion of other certificates might undermine the value of the certificate by relying on others when trying to be a ‘catch-all’- certificate (Maaß & Icks, 2017). Further, one could also claim that such an incentive will devalue the merit of the ZNU standard by giving up too much of individual goals and targets by allowing for substitution on such scale. To illustrate, in the extreme case the companies would possess all certificates; the effort of acquiring the ZNU standard is reduced by a third (ZNU, 2018c). Certainly, this could be because most of the data will already be available and there is no need to ‘reinvent the wheel’. However, some perhaps do not see the merit of acquiring a certificate that prides itself in redefining sustainability management and going beyond what is necessary (Geßner & Kölle, 2017), when it is viewed as being reliant on other standards.

Nevertheless, based on the principle-based regulation and the principles formulated by the iséal alliance (iseal Alliance, 2013), such a combination will most likely be viewed as an advantage, rather than a negative aspect. As Black et al. suggest, it leaves a vague path for companies to fulfil the sustainability goals they set for themselves, without putting too much emphasis on controlling how those goals are achieved (Black et al., 2007). While the speed of the progress appears to be fully in the hands of the company, the auditors are granted a lot of freedom in assessing if the progress is ambitious enough (ZNU, 2018f). As such, the individual solutions result in goals which are not formulated clearly by the standard. Instead, the standard-setting body chose to pass this task on to the companies themselves and concentrating the efforts more on training auditors in a way that allows them to individually assess each situation to achieve the best possible result for every member (Interview Geßner, 2020). If interested, the stakeholder is requested to research every company individually to find out who does what and which goals are set, with the same being true for the progress. An overview of the quantitative goals set by the companies on the ZNU website would increase clarity tremendously.

#### ***4.3 The use of enforcement mechanisms***

Having established the aims and requirements from a normative angle, the question remains how the standard-setting body ensures the fulfilment of said requirements. In connection with the second and third criteria, the following section will elaborate on the use of enforcement

mechanisms in more detail. Here, one should keep in mind that *an effective standard needs to offer freedom for companies to achieve goals (C2)*, while also *requiring the availability of a variety of enforcement mechanisms (C3)*. Briefly refreshing the definition of enforcement employed in this paper, there are different steps that a regulation – or in this case a standard – can take. Given the standard is a private network, its output can be qualified as soft law (Mattli & Woods, 2009, p. 2). Starting with advice and education as the lowest level of the enforcement pyramid, Braithwaite and Ayres view this as the first step to constructively work on issues, before issuing warnings, with prohibition and monetary sanctions symbolising the top of the pyramid and portraying the last resort (Braithwaite, 2017, p. 272). Therefore, the availability of classic financial sanctions, used more often in the political sphere (Dashti-Gibson, Davis, & Radcliff, 1997), is not necessarily required for voluntary standards.

When allowed to determine how companies should adhere to the standards, the initiators felt more inclined to focus on the *carrot*, rather than the *stick* (Interview Geßner, 2020). Since there are no enforcement mechanisms allocated after the certification, it stands to reason the control instruments are allotted before. As such, there are virtually no sanctions companies will have to endure after the certification. Looking at the performance of the companies, it also suggests that the applied range of mechanisms suffices to ensure compliance, with no other (stricter) measures necessary. However, should the companies seek re-certification, which is explicitly mentioned as one of the overall goals of the standard, this will not be possible without proving improvement (ZNU, 2018c). As a result, annual re-certification procedures ensure constant improvement. Focusing more on progress than on fixed goals valid for all members, at this point companies need to express their advancements (ZNU, 2018c). Reviews of the auditing process, as well as the interview with Dr Geßner, demonstrate that a lot of freedom is bestowed upon the auditors (ZNU, 2018f; Interview Geßner, 2020). As such, there is no confusion as to the assessment method of companies.

#### *4.3.1 The role of auditors*

As mentioned in the theory, different actors need to be involved to fulfil all five characteristics of an effective regulation (see the section on ANIME). In this case, the monitoring and enforcement capacities are outsourced (Abbott & Snidal, 2009). To ensure an independent and merit-based certification process, the auditors are educated in their field and very knowledgeable when it comes to details of the industry (ZNU, 2018f, p. 3). Whilst having the background knowledge already due to their individual experiences, the ZNU trains and tests them in matters of the standard (Interview Geßner, 2020). Upon completion, they are

equipped to carry out audits. Here, in contrast to the assumption by Jahn et al. (2005), the argument is that based on the auditors' training, companies are not able to select auditors with low standards to achieve higher scores.

Whereas the analysis of the actual state and the critical review of all the collected data is relatively objective, the individual skills of the auditors come into play when it comes to the goals companies set for themselves (ZNU, 2018f, p. 3). Since the companies need to formulate strict, quantitative goals and present them, auditors assess if it is far-reaching enough based on how the industry is doing. But those goals are connected to *real* numbers, e.g. reducing emissions by 10% (Interview Geßner, 2020). Nevertheless, the task of formulating goals for a variety of aspects can complicate matters, which is why the interplay of different aspects needs to be considered as well. Since the ZNU standard does not only have a component on environmental sustainability, other aspects need to be regarded, too (ZNU, 2018b). Hence, if an ambitious goal in reducing the emissions can only be achieved through means of reducing the workforce significantly, auditors may weigh these different aspects and encourage companies to resort to other cuts that reduce emissions without reducing personnel (Interview Geßner, 2020). While that reasoning is fully understandable, it leaves open the question of what constitutes 'enough' in terms of goal setting.

Auditors grade the performance of the companies from A to D in the various reports, with the top category being the only result leading to certification (ZNU, 2018c, p. 12). To clarify, this means that all doubts need to be erased before receiving the certificate, with every goal having to be set satisfactorily. So while A will signify to companies that all documentation and measures are plausible (ZNU, 2018c, p. 12), everything else will result in a re-evaluation. However, following the enforcement pyramid, three suggestions differ in their strength and urgency. Auditors utilise the second category (B) if they have additional suggestions, despite otherwise fulfilling the requirements. If such suggestions remain unattended, it is possible to downgrade these aspects further in follow-up audits (ZNU, 2018c). In this case, a C signifies that the requirements are partially met, with the documentation lacking substantially (ZNU, 2018c). The last category has the widest implications, because not only do they represent systematic lacks in both documentation and execution, but a D for one particular target will result in the fact that the entire section is graded as a failure (ZNU, 2018c, p. 12). Given that the standard comprises three sections (sustainability, economy and the social dimension); the implications here are substantially more drastic than in prior categories due to their involvement of the other targets. This section also factors into the long-term orientation of the

standard (Geßner & Kölle, 2017, p. 90). If companies manage to achieve the goals over the course of one year will only be assessed in the annual audit of the following year (ZNU, 2018d, p. 10; Interview Geßner, 2020). If companies failed to progress enough, or repeatedly struggle with particular topics, the severity of grading can also increase (ZNU, 2018c, p. 13).

<b>Assessment</b>	<b>Annotation</b>
A (+)	Requirement (fully) met
B	Improvement suggestions
C	Indication of minor non-conformity
D	Major non-conformity
E	Not applicable
F	Not audited in this audit

Table 2- Assessment criteria of the ZNU Standard (ZNU, 2018c)

4.3.2 *The role of the public*

Going back to the different categories, it shows that even though the overall range of enforcement mechanisms is perhaps small and mainly takes place in the lower segment of the pyramid; no stricter measures are needed. So, while such formal measures are explicitly introduced in the documents, there are also more informal modes. Introducing a different enforcement mechanism, the standard requires companies to publicly communicate their goals, as well as their progress (Interview Geßner, 2020). So, while the standard itself may refrain from public bashing or criticising the company’s progress, it transfers this task to the wider public. It relies on the fact that the mandatory transparency is sufficient motivation for companies to reach the goals they set for themselves (Interview Geßner, 2020), therefore being in line with New Environmental Governance approaches (Hess, 2014, p. 7). One notable distinction here is that the standard requires companies to publish their goals as well, thus somewhat eliminating the possibility to only communicate positive elements (Hess, 2014, p. 10). Consequently, it is in line with the requirements of other initiatives requiring public reporting to increase transparency.

Given that the general assumption for this voluntary standard is not that all companies are solely focused on profit (Interview Geßner, 2020), the ZNU standard demonstrates that there is not necessarily a need for a large battery of enforcement mechanisms. Operating under the pretence that companies are intrinsically motivated to do so (Interview Geßner, 2020), awarding the standard is already allocated beyond the point of enforcement. If one assumes a

chronological timeline, in this example the analyses and audits take place before awarding the certificate. As such, the focus is on an option of reward, rather concentrating on repercussions, being in line with suggestions by Braithwaite et al. (2007, p. 272). It, therefore, stays true to its incremental logic by picking up companies where they are and offering flexibility in moving towards a more sustainable future. Compliance with the requirements has to be achieved before becoming a member of the standard (ZNU, 2018c). Based on its longitudinal approach where members seek re-certification every year, failure to report on progress will result in no prolongation (Interview Geßner, 2020). Otherwise, one could also argue that if there are frequent checks that require companies to adhere, the certification simply is not extended. In this case, the relevance of enforcement mechanisms located at the upper end of the pyramid for effective sustainability management can be questioned and to some extent even appears redundant. The elimination of the upper mechanisms, however, only works if companies are intrinsically motivated. Hence, the aspect of voluntariness is essential here. Perhaps, this is the luxury of having a voluntary standard – there is no need to enforce, the unspoken threat of losing the certificate is enough to motivate companies to adhere and pursue ambitious goals. Nevertheless, comparison with requirements for governmental regulatory standards also states that rewards for excellence require “[companies] to report that excellence in some way” (Braithwaite et al., 2007, p. 279). While strict enforcement mechanisms may not be needed, the aspect of transparency and reporting is still essential – although standards are voluntary.

#### ***4.4 The participatory engagement of stakeholders***

This section will continue to focus on the involvement of stakeholders and debating the fourth criterion “*an effective sustainability standard presupposes the presence of a constructive dialogue between stakeholders*” (C4). Diving more into the sections of networked regulation as stipulated in Braithwaite and Ayres’ enforcement pyramid (2017), Further, the potential existence of participatory processes to facilitate an active exchange between all parties involved is analysed. To start with, according to the interview there are several committees, six to seven in total, who are all focused on different aspects of the standards and involve the company in its development. Therefore, it supports the placement of the ZNU standard in zone 6 of the governance triangle, simulating collaboration between civil society – in this case, academia – and the market (Abbott & Snidal, 2009).

#### *4.4.1 Committee work*

Of interest for this paper is the committee focused on the standard, which comprises the sustainability managers of the companies involved (Interview Geßner, 2020). There are no requirements to join the committee in terms of size, length of membership etc. Instead, it is open to everybody (Interview Geßner, 2020). Furthermore, there is a so-called technical committee, which only involves a fraction of members. Here, there was a selection process at play, asking the three companies involved the longest and have contributed most to the development of the standard to form the group (Interview Geßner, 2020). Concentrating its efforts on preparing topics for the committee ‘standard’ in more detail and depth, it also serves as an option to quickly receive feedback from the companies without having to cut through much red tape (Interview Geßner, 2020). As mentioned by Dr Geßner, the three members of the technical committee meeting in advance of every regular meeting of the standard committee (Interview Geßner, 2020), which happens multiple times a year. However, as the current example of the COVID-19 crisis can illustrate, they also represent a subsection of all companies to contact when quick feedback on potential changes is necessary. In this instance, the standard setters suggested a move towards partly digital audits. But before distributing this motion to the entire network, they had discussions with the technical committee, as well as auditors to seek input (Interview Geßner, 2020). Additionally, the technical committee has statutes that determine the concrete tasks as well as the role in the overall development process of the standard, making it very clear how interactions take place (Interview Geßner, 2020). As a result, the efforts taken to involve other stakeholders are enough. Perhaps, one can argue that companies appear to be too involved and risk watering down the integrity of the standard, but that does not seem to be the case for this example.

#### *4.4.2 Participatory engagement through the initiation process*

Another way how the participatory process becomes apparent is through the overall initiation of the standard in 2013 (ZNU, 2018g, p. 1). With the general idea stemming from the dissertation project of one of the initiators (Interview Geßner, 2020), the TÜV as an independent certification body was involved very early to determine if a standard could be developed at all. This can serve as an example of the transference of state regulatory power to civil society (Abbott & Snidal, 2009), presenting an additional VSS. The TÜV is very well-recognised in Germany for independent testing and ensuring that standards are upheld; and is responsible for all types of certification from cars over bio-chemicals to management and security standards (TÜV, 2019). As such, it can be assumed that business partners and

consumers alike find the auditing and certification procedure to be executed credibly and trust that the output (the certificate) is trustworthy and the requirements are upheld.

Once that was established, several rounds of talks began with the companies involved in the dissertation process, as well as with NGOs and academic scholars (Interview Geßner, 2020). Such processes suggest that a high motivation by the initiators to create an open exchange with the different stakeholders to embody as many different perspectives and wishes as possible (Interview Geßner, 2020). This involvement can set precedence for other standards since it has respected multiple perspectives and incorporated them for a wholesome standard. When the standard was reviewed in 2018, stakeholders decided to *mainstream* it and open it up to companies outside the food industry. According to Dietz et al., this often results in contention of the breadth and depth of the standard (2018, p. 72). However, for the case example, the review does not seem to have led to a watering down of the goals, given that the documents are more focused on issuing principles (ZNU, 2018b). Consequently, the standard fulfils the requirements posed by the theory with regards to involving different actors and constitutes an interdependent system of relations (Holley, 2017, p. 742).

Technically, they did not only involve the different companies in the creation of the standard but actively try to connect all the involved firms by creating strong ties within the network through the initiation of the different committees (see e.g. committee work, Interview Geßner, 2020). Here, an active and continuous exchange facilitates a greater feeling of ‘togetherness’, meaning that such an exchange can serve as an indirect effect of promoting more ambitious goals. Seeing what other companies are doing and viewing the entire endeavour as more of a team sport most likely results in greater advancements for all (Krickhahn, 2017). Given that the companies are involved in the built-up, and not for the immediate certification, they are more likely to be in it ‘for the long haul’ (ZNU, 2018c, p. 17). As pointed out in the interview, instead of luring companies with the prospect of a standard with very high goals, it offers flexible solutions to pick up all types of companies at their current position, and then establish a long-term relationship in which the company strives for continuous improvement (Interview Geßner, 2020). Therefore, the standard is in line with many other certification schemes that have moved to ‘continuous improvement’, in which entry-level requirements may be comparatively low and increase with time (Grabs, 2020, p. 59), thus being classified as concentrating on ‘time-based’ mechanisms (Dietz et al., 2018, p. 75). Additionally, it also signifies the impact market pressure can have on standard setters, given the stark focus on flexibility in standard-setting and enforcement (Grabs, 2020, p. 63). This is also reflected in



the financial threshold that is often part of other certifications (Interview Geßner, 2020). Because the costs for the ZNU standard are relatively low, it likewise allows for SMEs to participate (Interview Geßner, 2020). Simultaneously, it takes aside the component of financial restraints in preventing companies from optimising their sustainability management. As such, it provides a market incentive for companies to choose this standard, given that the benefits one could gain from the certification may outweigh the literal costs (Grabs, 2020, p. 58).

#### ***4.5 Conclusion***

Coming back to the criteria describing expectations for the normative content, one can say that clear goals are indeed necessary, and they are also fulfilled here. Though not by the side of the standard-setter, the responsibility is passed on to the different members and then assessed by auditors. Even though some criticise such a move, it suits the purpose as described by the interviewee. It allows for all types of companies to be involved, and for gradual improvement. The approach to enforcement mechanisms needs to be differentiated from expectations for regulation issued by governmental institutions. Considering that in this case, the certificate itself is the ultimate reward for the companies, the hurdles companies need to overcome before achieving certification appear sufficient. One can discover a clear line between the available modes of repercussion, and the overall participatory approach of the standard.

Closing this chapter with a review of the last criterion, an extensive dialogue between different members and other stakeholders is visible. Since the standard requires companies to engage in a network with like-minded companies and facilitate a positive development whilst simultaneously supporting each other, it makes sense that it focuses on positive reinforcement rather than bashing companies (Interview Geßner, 2020). As such, one can witness that companies are very involved in the development of the standard. However, this is not to the extent that companies can simply determine what the standard should entail. As other stakeholders engage in the development process to a similar extent, the conclusion is reached that the initiative formulates a standard that advance the sustainability management of companies. Likewise, it does not create the impression of trying to ‘green-wash’ companies’ activities and make them look more sustainable than they are (Tiwari & Khan, 2020).

## CHAPTER 5

### Discussion

To start with the discussion, the first section shortly restates the research problem. Finding out to what extent voluntary sustainability standards constitute an effective measure to increase the sustainability of businesses, the focus was on the normative content, the enforcement mechanisms and the participation of other stakeholders. The ZNU standard constituted the case example, determining to which extent the criteria are fulfilled by an actual VSS. Thus, it exemplified how it can be put into practice.

Having established that all three aspects are equally important for an effective standard in the theoretical framework, the analysis chapter found out that the case example may not fulfil all requirements set out by the literature, while still being able to classify as an effective standard. One aspect that should perhaps be reconsidered by the initiators of the standard is the fact that every company needs to set fixed goals for itself. After having analysed the current situation that existence of fixed goals does not become apparent from the available documents. Instead, one assumes that it requires improvement, however small. Therefore, it led me to believe that the first criterion regarding clear goals is mostly disregarded in the case example. However, in the interview that was set up to eliminate questions, Dr Geßner clarified that while the standard itself does not set fixed goals for companies, the businesses are nevertheless required to set quantitative goals for themselves, which are in turn monitored by the auditors (ZNU, 2018c). To conclude, the standard can verify the first criterion, by offering highly individualised, but clear goals. Put into different terms, each company is therefore required to set its quantitative measure within the possible realms (Interview Geßner, 2020). While this is a very flexible option and is likely to be welcomed by the companies, it lacks transparency for outsiders. Though formulated as a management standard (Interview Geßner, 2020), the presentation indicates that there are minimum requirements to fulfil for all members.

Alas, this is not necessarily the case. Auditors have significant leeway to judge a company's effort and determine if the desired goals are ambitious enough or if companies deviate (Interview Geßner, 2020). Though the intention of such an approach as picking up the company where it is and moving forward together is clear, to outsiders it is difficult to determine what the initiative stands for and if (or where) there is a threshold. Usually, a certificate is used to signal a certain standard to others. Focusing for instance on product labels for organic farming to illustrate the point - there are clear prerequisites as to what pesticides can be used (BIOLAND, 2019, p. 9). Albeit the ZNU-standard is not formulated as such a product standard (Interview Geßner, 2020), the sheer existence as a *standard* suggests that there must be at least some fixed minimum requirement other than what the law dictates. In my opinion, standards should seek to untangle the jungle of laws, regulations and other initiatives by clearly formulating what stakeholders can expect when a company is awarded such a certificate. Instead, the freedom of the auditors results in the fact that the standard can mean any number of things, interpreted differently by each company (Interview Geßner, 2020). I am sure that the freedom will have several beneficial effects, but at least for end-consumers, it results in the fact that every company can communicate different goals (Interview Geßner, 2020), while still being certified with the standard.

The ZNU standard may be considered as an example of an effective standard because everybody adheres to the agreed-upon rules; otherwise, the companies would not receive the certificates. However, circling back to the theory section, there are different ways to achieve effectiveness (Grabs, 2020). Considering that all companies should achieve sustainability in some form and the focus is more on the effectiveness of the content, the picture becomes blurrier. It is not entirely clear to what extent the companies make progress each year. As it is a management standard, a competitor could e.g. produce significantly fewer emissions and be considered as more sustainable, while the certified company still has a larger footprint. As such, it remains unclear what role the standard plays in advancing the sustainability performance of companies, other than creating support and structure to report on the progress.

One unexpected finding is that the standard does not have clear goals that are valid for every company and is nonetheless still effective. As a result, it signifies that to be effective, a VSS does not necessarily need to have a clear set of measurable goals that are valid for everyone, but that a great deal of flexibility can also be possible. Therefore, it focuses on achieving effectiveness through compliance with the procedural rules of reporting, rather than directly *resolving* the issue in its entirety. Thus, it shows that the standard-setting document itself does

not need to fulfil all prerequisites formulated in the criteria, but that passing on the competences of agenda-setting and negotiation formulated by Abbott and Snidal (2009) to other actors can be successful. Consequently, it demonstrates that there are substantial differences between product-based standards and management standards – while both are grouped under the term ‘sustainability standard’. As this is a vague and widely used term, the main takeaway is that whereas a product-based standard focuses more concrete benchmarks every certified product needs to adhere to, the latter concentrates on gathering data and reporting efforts. Therefore, it does not necessarily imply that all certified companies have passed a comparable threshold.

Putting everything in a nutshell, there are different implications. Firstly, VSS can be effective without making every company adhere to the same quantitative measures, as the case example demonstrates. As such, it suggests that there are substantial differences within standards, adding to the confusion that already exists between. Even though a standard may advance the sustainability of its members, if one follows this example, it could mean that while some members have advanced much further, this cannot be generalised to apply to all. Secondly, freedom to achieve aims and focus on principle-based goals is indeed very important. In the example, companies even have the freedom to set their own goals within a given framework. Though the market in general might welcome this, its consequences for the consumers and other stakeholders are somewhat ambiguous. This aspect is important because it demonstrates that despite the best intentions, which are shown by the transparency of the companies, it still contributes to the persisting confusion.

Thirdly, the analysis has shown that enforcement mechanisms are necessary but opposed to state regulations; they can be much softer in the certification process. Because the option of not receiving the certificate always remains as the ultimate *punishment*, other measures such as sanctions can be neglected when formulating a standard. As a result, it displays that lack of stricter sanctions does not automatically result in a ‘green-washed’ standard. Fourthly, the constructive dialogue between stakeholders is what makes the standard able to manifest itself as part of the companies’ sustainability management. The dialogue is the main point because companies exchanging with each other serves as the motor for them to advance annually. As a result, it suggests standards where the members are encouraged to communicate with each other are perhaps more effective than those where no communication takes place. This is because exchanging with others is a valuable source for ideas. Herein lies an option for standards to demonstrate if they just seek to participate in greenwashing by establishing some

label, or if they invested in sustainability advancements. If the latter is the case, the factor of competition may not be the most important factor, as the intrinsic motivation to become sustainable outweighs the need to establish a competitive advantage in this field.

However, the question remains what to do with companies that do not want to advance. Here, I believe that it is possible to involve EU or state regulation more than it is currently the case to increase the reporting on sustainability activities. Due to the persisting threat that companies will move their business elsewhere, an EU approach may be most suitable. If they are required to publicly disclose information, maybe it will help the stakeholders and the end-consumer to make more informed choices regardless of whether a certificate was acquired or not. Though a large majority of consumers may not use it perhaps, an overview of VSS that describes the main foci and compares them in terms of impact would be a very useful topic to do more research on. It would be able to enhance clarity and perhaps even determine the effectiveness of the standards on a larger scale.

# CHAPTER 6

## Conclusion

At the beginning of this paper, the expectation was that a standard sets clear goals and benchmarks companies need to fulfil, regardless of their branch of industry. In doing so, it allows companies to set themselves apart from competitors through advancing their sustainability efforts beyond legal requirements. Voluntary standards can advance the sustainability management of companies, but due to the subtle differences between them, the standards should be selected with care. Effective standards need benchmarks to be effective as the normative base, with strong dialogues and participation of stakeholders as the two other aspects. For the case example, the dialogue between companies and networking is the most important part. It is its strong suit because this is where the focus is on. The companies are intrinsically motivated to exchange, at least according to the interviews, and embark on a long-term development towards a more sustainable future. It allows companies of various sizes to collaborate and support each other. Whereas the fixed goals itself may differ greatly between companies, the focus on constant improvements results in a low threshold to start with, and companies need to put in a constant effort to improve.

So, going back to the research questions of how VSS can encourage a more effective sustainability management once more, the standard can increase the sustainability efforts. But overall, the ZNU as a case example seems to be a small step to begin with. Due to its approach, it can only reach its full potential in guaranteeing a substantial advancement when it is applied in the long-term. Similar to many certification schemes, they chose to focus on continuous improvements, in which entry requirements are perhaps relatively low and gradually improve over time (Grabs, 2020, p. 59). Therefore, the immediate advancements bear the potential to be very small, because it mostly depends on the starting point of the

companies. As such, the direct impact of the ZNU standard is perhaps not leading to an increase of sustainability activities, but rather to the establishment of a more thorough sustainability management to start with. Consequently, the wording of ‘standard’ may seem to be a tad misleading because it does not establish any benchmarks applicable to all, as they do with their separate ZNU goes Zero initiative (ZNU, 2020a).

Climate change is a pressing issue because most of the currently used resources are finite. Because companies are responsible for more than two-thirds of the emissions (Griffin, 2017), this makes them key players in reducing the impact of our actions as much as possible. Due to the overwhelming number of standards that flood the market, the literature is speaking of ‘label fatigue’ (Dietz et al., 2018), and has readily concluded that the ineffectiveness of standards reflects a trend. As such, it is important to assess the extent to which VSS do have an impact in advancing sustainability management, without existing solely for green-washing activities. They can demonstrate a way for companies to focus on the issue of sustainability. Though there may not be fixed benchmarks applicable to all, the fact that companies are required to collect data on a lot of things may be considered as the first step towards acting more sustainably. Nevertheless, to classify as a *standard*, it is recommendable to introduce clear minimum standards all members need to adhere to.

There are a lot of sustainability standards out there, and while I choose to believe that most of the standards try to advance sustainability and aim to have a meaningful impact, there are also the ones who are just used to green-wash the actions of certain companies. It looks like a jungle, where they all differ from each other, but ever so slightly that it is very difficult to determine which standard or initiative pursues which goals. The issue is, how to determine what the standards focus on if they are all essentially categorised under the same name. The solution to that is transparency. While the case example may not always be completely clear in how they try to promote sustainability, what has become evident throughout the analysis is their strong focus on enhancing the reporting of companies in a meaningful way. This is the point through which they have the most impact; because they force their members to report their goals as well as their progress to the public.

Maybe what advances the sustainability management of companies is not the fact that they have certificates and fulfil high standards, but the fact that they openly need to disclose the information and as such are vulnerable to the public opinion as well as to the competition. It would open a new level to compete on or expand the competitive thinking when sustainability is not only nice to have but an aspect that consumers and investors alike value when deciding

which product or company to choose. The entire field of sustainability standards is rather confusing, so standards need to provide clarity. In that regard, it is an advancement that the ZNU standard includes the requirements of academia in how a standard should be build-up or what it should entail, rather than focusing solely on pleasing the market.

Consumers are often led to believe that to support sustainable products or companies, all they need to do is focus on a label – and everything will be fine. Certification is seen as the solution to all problems. What is neglected is the fact that different standards mean different things, and therefore cannot be compared easily. Before beginning this research, the case example was viewed like a product standard. This would have resulted in clear benchmarks and strict requirements on for example how to reduce their emissions, because these are the standards that are usually advertised. However, there are a plethora of initiatives that differ ever so slightly. Whereas from a more general perspective, they may all contribute to the advancement of sustainability management in some way – even if it is only to raise awareness of the topic among staff – the concrete aims of the standards cannot be generalised into believing they are all alike. The confusion resulting from the ever-growing number of standards and initiatives does not make it easy to find out that incremental improvement is the primary goal of the ZNU standard and that one should disregard the idea of being comparable to product-based certifications allocated closer to the end-consumer. The ZNU standard is a good example of how to establish a strong network of companies that work towards continuous improvement of their sustainability. That is how it effectively impact the sustainability management.



# CHAPTER 7

## Literature

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The interview with Dr Geßner is part of a personal communication and therefore the entire transcript will not be disclosed publicly. However, the transcript will be stored at the BMSLab repository at the University of Twente and can be requested for a year after the completion of the thesis (26.08.2021) should questions occur.