



Branded!

The Unexpected Consequences of Successful Global Branding

“Branding” is the name of the global corporate game in the 21st century. But what a risky game it is! Brands may be the most important assets of many global corporations. Brands may also be their most vulnerable assets. Corporations can spend millions of dollars strengthening public awareness of their brands, but a small mistake in production, a thoughtless policy, or an attempt to cut corners to eke out a little extra profit may turn all their investment in building brand awareness into a scathing critique. That could lead to a global rejection of products associated with that brand, both by consumers and, more importantly, by other businesses to whom they sell. The world is now full of organizations that are more than delighted to bring those shortsighted production practices, or those errors, to global attention.

In this book I analyze the transformation of global branding, the most powerful tool for expanding sales worldwide, into a strategy that gives both businesses and consumers around the world more power than they have ever had to encourage and reward the responsible practices of producers everywhere. They can also discourage and punish irresponsible practices in ways that were inconceivable just 20 years ago.

In this opening chapter, I will show how branding has become both a corporate marketing department’s dream...and its nightmare. We will see how the *No Logo* movement, inspired by Naomi Klein’s book of the same name, which encouraged consumer advocates to avoid major global corporate brands in order to change global corporate practices, can be modified, just slightly, so that pressure on those brands might transform corporate practices much more effectively.

We begin by exploring a series of seemingly improbable events in which corporations turned away from what appeared to be their most profitable short-term courses of action and moved toward potentially more responsible social and environmental practices, encouraged by both business partners and consumers. We will revisit the age-old concept of “certification” and see how contemporary certification systems just might be producing a “revolutionary” transformation of corporate behavior.

SEEMINGLY IMPROBABLE CORPORATE EVENTS

There has been a revolution in the ability of advocacy organizations to affect corporate markets directly. If you doubt this, examine with me the following changes in corporate practices that have emerged in recent years.¹

- In June 1998, **MacMillan Bloedel (MacBlo)**, a giant Vancouver-based timber and paper company, announced that it would dramatically change its logging practices throughout British Columbia by eliminating clearcutting, moving to variable retention in logging, increasing the number of trees it left standing on the banks of streams, and, in general, adhering to the sustainable forest management practices of an international nongovernmental organization (NGO) called the **Forest Stewardship Council (FSC)**. Though an announcement of that sort was not unprecedented — many forest management companies in Europe had made the same commitment between 1995 and 1998 — MacBlo was the first Canadian company to publicly endorse the FSC. Greenpeace, the Natural Resources Defense Council, the Sierra Club, and several other environmental groups were present at the press conference to encourage businesses and consumers around the world to give preference to the products of MacBlo, even though they had been excoriating the company for years in the harshest of terms. How did the environmental groups convince this company to change its logging practices, even though it was apparent that logging costs would be higher?
- Just months later, in October 1999, the **Rainforest Action Network (RAN)** published a full-page advertisement in the *New York Times*, urging consumers nationwide to shop at **Home Depot**, the largest do-it-yourself chain in the United States. The ad was unlikely for many reasons. RAN had actively campaigned against Home Depot for more than two years, orchestrating over 700 demonstrations in stores and at shareholder meetings to criticize the company's lumber-purchasing policies. The *Times* ad followed Home Depot's decision, announced on August 26, 1999, to end all purchases of wood products from "old-growth" forests and to give preference in its purchases to products certified as coming from forests managed more sustainably using the principles and criteria of the same Forest Stewardship Council. Why would Home Depot make that commitment, pay a price premium for FSC-certified products, and not increase the price of the sustainably harvested wood products in its stores?
- In April 2000, **Starbucks** announced that it would offer **Fair Trade Certified** coffee in every one of the 2,700 outlets that it owned in the United States, even though that coffee was going to cost considerably more than the uncertified coffees the company was currently selling. Since then, Starbucks has continued to expand its purchases of Fair Trade coffee, reporting in 2005 that it was buying more than 10 million pounds a year. In response to the Starbucks decision, Global Exchange, a social activist organization based in Oakland, California, turned threatened demonstrations against Starbucks in 30 US cities into celebrations at the company's stores, encouraging consumers to patronize those shops over cafés that did not offer Fair Trade Certified coffee.

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- In June 2003, **Citigroup**, the world's largest financial institution, led a consortium of ten banks that announced they would be embracing strict new voluntary standards "to prevent massive construction efforts [which they financed in whole or in part] from poisoning the air and water, denuding forests, and destroying the livelihoods of locals who get in the way."² The principles to which they agreed to abide, created in collaboration with the World Bank's International Finance Corporation, were called the **Equator Principles**. Why would these banks, and more than 30 others that have agreed to adopt the principles through mid-2006, create a new mechanism that effectively legitimates the criticism they had been receiving for years from the unintended victims of the projects to which they were lending money? Why would Citigroup take the lead in organizing its most avid competitors to sign a set of principles that meant increased social and environmental scrutiny of all their project lending, after arguing for years that there was no need to do so?
- In October 2004, the simple announcement of a new campaign by another advocacy organization, **ForestEthics**, to encourage **Victoria's Secret**, the lingerie and clothing company, to reduce the use of virgin wood fiber in its catalogs generated articles in the *Wall Street Journal* and the *Globe and Mail*, Canada's leading business newspaper. ForestEthics, a small NGO based in Portland, Oregon, criticized Victoria's Secret because the 395 million catalogs that it mailed each year (more than a million a day) were manufactured almost exclusively from pulp drawn from Canadian forests where stands of old-growth trees, herds of caribou, and grizzly bear populations were endangered. ForestEthics called for a gradual shift to 50 percent recycled paper in the catalogs. Within two weeks of the launch of the campaign, the share price of Limited Brands, Inc., Victoria's Secret's parent company, began to fall from its historic high. Over the next year, punctuated by expanding protests in front of Victoria's Secret shops and by advertisements placed in major national newspapers (see page 4), the stock price fell by 32 percent. How is it that the business press and financial markets have become so sensitive to environmental challenges affecting major brands that a campaign by a small NGO is immediate news and leads to severe loss in share value if the company refuses to deal quickly with the problem?
- In April 2005, a large and coordinated campaign to transform many of the social and environmental practices of **Wal-Mart**, the world's largest private-sector employer, was launched by a coalition of nearly 80 American grassroots and advocacy NGOs and two major US labor unions. For more than 15 years, advocates in the "socially responsible investment community," such as the Interfaith Coalition for Corporate Responsibility, had been attempting to persuade Wal-Mart to change the labor and environmental practices at its suppliers' factories, as well as at its burgeoning number of retail stores, with little or no impact. In the 20 months that followed the launch of the concerted campaign, Wal-Mart made no fewer than 35 major, concrete commitments to change its practices. These addressed a wide range of energy and

VICTORIA'S DIRTY SECRET

Some companies get a tree for the holidays.
Victoria's Secret is taking a whole forest.



Every day, Victoria's Secret mails more than a million catalogs—most of which are printed on paper that comes from Endangered Forests, not recycled fiber.

To you, all those catalogs are probably annoying. To the environment, they've been devastating.

For example, 25% of that paper comes from North America's Great Boreal Forest. The Boreal is a vital line of defense against climate change—and it's being logged at a rate of two acres per minute, 24 hours a day.



The worst part is this: the destruction is completely unnecessary. Major catalog companies like Williams-Sonoma, Dell and Norm Thompson Outfitters have proven that. They've found that it's possible—and economically feasible—to make significant improvements to the environmental quality of their paper.

Even Victoria's Secret knows it's possible. Because of our campaign, they've switched to recycled paper for all of their clearance catalogs. Unfortunately, that's less than 10% of their catalog production—leaving 900,000 catalogs a day still printed on paper that's destroying our forests.

So we'll keep exposing Victoria's Dirty Secret—and you can help. Go to www.VictoriasDirtySecret.net and send Victoria's Secret CEO Leslie Wexner a fax. Tell him that taking down an entire forest for the holidays just isn't very merry.

FOREST ETHICS

Because protecting forests is everyone's business • ONE HAIGHT STREET • SAN FRANCISCO, CALIFORNIA 94102 • 1.800.725.0087 • www.ForestEthics.org

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environmental issues, health benefits for its workers, and improvements in its scrutiny of the labor practices in the factories of its suppliers. What set off this cascade of transforming changes in Wal-Mart's corporate behavior after so many years of resisting change?

- In June 2006, representatives of some of the world's largest mining companies (including Newmont and BHP Billiton), representatives of some of the world's largest and most distinguished jewelry companies (including Tiffany and, yes, Wal-Mart), and representatives of advocacy NGOs attempting to transform mining practices (such as Earthworks and Mining Watch Canada) agreed to the **Initiative for Responsible Mining Assurance**. Driven by pressures from both the retail jewelry industry and the NGOs, the initiative should lead to the first comprehensive set of standards for more equitable, sustainable, and responsible mining practices worldwide. The industry committed itself to this new initiative after more than five years of attempting to create alternative standard-setting mechanisms through industry-led organizations such as the International Council for Mining and Minerals and the Council for Responsible Jewelry Practices, which never managed to gain much traction among consumers. But why would companies that had belittled advocacy efforts in the past decide the time was right for reaching an agreement and setting up a system to reassure consumers and business partners?

The number of companies involved in significant social and environmental change is far greater than this short list illustrates. According to the Business Ethics Network, advocacy campaigns in the United States have also led to the following transformations in major corporations:

- **Dell Computer** announced it would stop using prison labor to disassemble its recycled computers and, following industry leader HP, recently signed contracts with eco-recycling firms. This is just the first step toward motivating computer manufacturers to take responsibility for the entire life cycle of their products and shift toward continuous recycling of materials.
- **McDonald's** is now requiring its suppliers to treat animals more humanely and to reduce use of antibiotics. As a consequence, McDonald's is transforming not just fast food but factory farming as well.
- **Kaiser Permanente** and **Catholic Health Care West** — two of North America's largest hospital chains — have virtually stopped incinerating medical waste, and major retailers have phased out their sales of mercury thermometers. Former opponents in the hospital industry have allied themselves with public health advocates working to phase out the production and use of toxic chemicals.
- Grassroots pressure on tobacco giant **Philip Morris/Altria**, including a boycott targeting its Kraft Foods subsidiary, contributed to the company's adoption of the Framework Convention on Tobacco Control (FCTC) — the first global health and corporate accountability treaty.³

Lester Brown of *World Watch* commented on the MacBlo decision in terms that seem appropriate to all the events described here: “Among giant corporations that could once be counted on to mount a monolithic opposition to serious environmental reform, a growing number of high-profile CEOs have begun to sound more like spokespersons for Greenpeace than for the bastions of global capitalism of which they are a part. . . . What in the world is going on?”⁴

This book will lead you from questions about these seemingly improbable events, which occurred over the first 15 years of what I call the “certification revolution,” to an understanding of the motivations of NGOs, corporations, and consumers for supporting it. We will examine the decision-making processes in some of the leading firms practicing a new corporate accountability. And we will reflect on the efforts of many companies to ignore the revolution, often at their own peril.

The answers begin with *branding* and its links to new forms of 21st century corporate accountability. They lead, in the most effective cases, to the creation of global “certification systems” that help companies transform their corporate practices and grant them credit in the marketplace for that transformation. . . . but only if the certification has credible independent verification. This combination of forces and actors constitutes a revolutionary new form of global governance with power that transcends national boundaries in the same way that multinational corporations transcend those boundaries. It gives civil society, worldwide, new power to demand, and to reward, corporate practices that raise the bar on environmental protection and social responsibility. It is a very positive and encouraging new world!

FROM BRANDING TO BRANDED!

Most of us first encounter the concept of “branding” in tales of the American West or the Australian Outback, or in simple experiences on farms and ranches, where a brand is the iron stamp, often heated in a fire, that is used to leave an indelible mark on horses or other livestock. Current use of the term is not far removed from that original meaning.

*A product’s brand, if successful, leaves an indelible mark in what some have called “the most valuable real estate in the world: the corner of a consumer’s mind.”*⁵

The word “brand” conveys more specific meanings today:

- “Simply put, a brand is a promise. By identifying and authenticating a product or service it delivers a pledge of satisfaction and quality.” Walter Landor, advertising genius.
- A brand is “a set of assets (or liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service.” David Aaker, *Building Strong Brands*.
- More succinctly, “a brand is a collection of perceptions in the mind of the consumer.”⁶

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The brand tells us first about the standard qualities of a product: how well it will work and how long it will last. For services, the brand tells us how efficiently and pleasantly the service will be rendered. In both cases, for products as well as services, it also conveys some sense of the satisfaction that we will receive from purchasing them. And satisfaction will be associated with stylishness and other aesthetics, as well as the standard qualities of the product or service itself.

In business, the purpose of branding is to create a name or a symbol that consumers associate positively with products and services. But branding can have negative connotations as well as positive ones. Brand management is the science of creating positive associations with the name and symbol. Brand risk management is the set of strategies protecting the brand from acquiring negative connotations that drive away consumers and business partners.

Branding is ancient. Potter's marks on Greek and Roman clay pots identified those made by individual potters, using symbols such as a star, a cross, a fish, or a thumbprint.⁷ The creation of the brand, however, did little to protect the potter. The British Museum has examples of imitation Roman pottery, which analysts have determined were manufactured in Belgium and exported to Britain two thousand years ago, with imitation Roman potter's marks.⁸

It wasn't until the 19th and 20th centuries that branding became synonymous with the products of major global companies: Singer sewing machines, Coca Cola beverages, Quaker oat products, Kodak film, and American Express travelers checks are some of the best-known examples. What are some of the elements that each of these brands carry?

- They are "intrinsically striking." That is, they developed a visual distinctiveness based on a name, a symbol, a signature, a shape, a slogan, or a recognizable typeface.
- They create an "indelible impression." They permit consumers to "shop with confidence" in the midst of an often bewildering array of competing products from producers whose reputations may be unknown.
- They carry "underlying appeals." They imply lifestyles, suggest values, and link buyers to others whose judgment or choices or purchasing patterns they may want to emulate.⁹

Brands become business assets as quickly as they become recognized. But they also become business liabilities when they are associated with negative characteristics of products, such as low quality, bad reputation, or unpleasant experiences. The value of brands, as assets, can greatly exceed the value of the tangible wealth of companies. The Coca-Cola Company was valued at about \$136 billion in 2002, but the total value of all its tangible assets (buildings, factories, delivery vehicles, vending machines, and inventories of product) was little more than \$10.5 billion. Most of its market value lay in the value of its brand, the highest valued brand in the world.¹⁰

Corporate missteps can have a huge impact on shareholder value when they affect the brand. In 1999, 30 Belgian schoolchildren became ill after handling, and

drinking from, Coca-Cola cans. The government banned the sale of Coca-Cola for ten days, until the problem was resolved. This cost Coca-Cola hundreds of millions of dollars in direct sales losses, but its shareholder value plunged by billions of dollars because of the damage to the brand. In March 2004, Coca-Cola launched its Dasani-brand bottled water in the United Kingdom, only to recall all 500,000 bottles because a manufacturing error left excessive levels of bromate in the water, giving it a foul taste. Critics also called attention to the potential carcinogenic properties of bromate. The recall, which took only 24 hours, had far less impact on profitability than the damage to the Dasani and Coca-Cola brands in European markets.¹¹

The importance of branding to the share value of corporations can be seen in Figure 1.2, taken from a report by Interbrand published in *Business Week* magazine. For 12 of the 100 companies with the most valuable brands, brand value accounts for more than 50 percent of the company's market capitalization. The same figure shows how the value of the brand can change rapidly. Eight of the companies suffered losses in their brand value between 2004 and 2005. Interbrand also reported that 18 of the 100 most valuable brands in the world declined in value between 2004 and 2005. The largest decline took place at Morgan Stanley, where brand value dropped 15 percent, losing nearly \$1.5 billion in shareholder value, following a troubling shake-up in the company's senior management that drew much attention in the financial press.

The enormous value of brands and the efforts of companies to maximize the value of their brands so as to raise share value has also generated an "anti-branding" movement that peaked with the publication of Naomi Klein's powerful book *No Logo*.¹² Klein chastises corporations for seeking to raise brand value, which she sees as having no useful social purpose, rather than providing more products and services at lower prices or providing responsible engagement with communities and workers. She lambastes the biggest and baddest of the companies for driving down wages, pillaging the environment, abusing human rights, giving in to repressive regimes, and undercutting their home-country labor force by "outsourcing" work to labor markets where wages are more exploitative. Hers is a proudly "anti-globalization" tract, cast as a series of battles on production fronts around the world. And it sold more than 40,000 copies in its first year on the market. One review of the book argued, while disagreeing with its fundamental premises, that "this is a book that should be read by all age groups to understand why rioters trash McDonald's and Starbucks," because the "immediate target" is "a corporate culture that substitutes image (brand) for substance (decent jobs and conditions)."¹³

I do not disagree with the basic premises laid out by Klein, but in *Branded!* we will see that the brands themselves give civil society new leverage for solving some of the corporate problems she addressed. We will explore and analyze a series of mechanisms for transforming corporate behavior that have evolved and become successful in the years since the publication of *No Logo*. These new mechanisms actually tap into and use fundamental characteristics of global-

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Figure 1.2. Brand Value as Percent of Market Capitalization for Top 25 of the 100 Most Valuable Brands in 2005

Rank by % of Market Cap	Company	Brand Value as % of Market Capitalization	2005 Brand Value (\$ million)	2004–05 % Change in Brand Value	Rank by Brand Value
1	Bulgari	80%	2,715	*	94
2	Tiffany & Co.	77%	3,618	-1%	81
3	McDonald's	71%	26,014	4%	8
4	Ford	71%	13,159	-9%	22
5	Kodak	66%	4,979	-5%	62
6	Coca-Cola	64%	67,525	0%	1
7	BMW	61%	17,126	8%	16
8	Porsche	58%	3,777	4%	76
9	Heinz	55%	6,932	-1%	47
10	Gucci	55%	6,619	**	49
11	Harley-Davidson	53%	7,346	4%	46
12	Adidas	53%	4,033	8%	71
13	Mercedes	49%	20,006	-6%	11
14	Hermes	48%	3,540	5%	82
15	Disney	46%	26,441	-2%	7
16	Nintendo	46%	6,470	0%	50
17	Nike	45%	10,114	9%	30
18	Kellogg's	44%	8,306	3%	39
19	Louis Vuitton	44%	16,077	**	18
20	IBM	44%	53,376	-1%	3
21	Xerox	43%	5,705	0%	54
22	Wrigley's	43%	5,543	2%	57
23	Gap	43%	8,195	4%	40
24	Volkswagen	39%	5,617	-12%	56
25	Reuters	37%	3,866	5%	74

* New to the top 100 this year

** Restatement

Source: Interbrand, Inc. Published in *Business Week*, July 2006.

ization, especially the enormous increase in Internet-based communications among NGOs, to turn the tables on the corporations that are associated with many of those practices. The certification revolution offers a new solution to the problems identified by Klein, and the new solution is based directly on the importance and value of branding to corporations themselves.

Brands have become the point of leverage for a rapidly increasing number of NGO efforts to change corporate practices through “market campaigns.” As we will see in much more detail in Chapter 3, a market campaign is a set of strategies designed to influence business and consumer purchases by informing buyers of some characteristics of the supply chain that might make them avoid a particular product. It is a direct attack on the brand of a company, or a product line, based

on information about that company's practices, and it is designed to push some of the company's production or supply-chain activities toward more socially and environmentally responsible practices. It seeks to do that by reducing both sales of those products *and* the shareholder value embodied in the brand (see Profile 1.1). From the point of view of one of the leading analysts of market campaigns, the attacks on products and brands seek to inspire a "race to the top" in social and environmental practices, replacing the race to the bottom that fundamental forces of globalization seem to be promoting.¹⁴

The techniques developed by the market campaigners in recent years have become extraordinarily sophisticated. We will discuss them in greater detail in Chapter 3, but for now, in order to complete the introductory picture I am sketching here, we need a preliminary knowledge of "certification systems" so that we understand the combined strategies that persuade companies to engage with the creation of new standards in order to reduce the risk of attacks on their brands and improve their ability to market to a rapidly expanding "ethical marketplace."

THE BASICS OF CERTIFICATION SYSTEMS

"Certification" is a process that enters our lives in many ways every day. We hear radio advertisements for "certified pre-owned cars." Many readers may be certified public accountants, and hundreds of other professions include systems for certifying that their practitioners meet certain standards of knowledge and skill. Software is often certified as compatible with certain operating systems. We purchase certified organic and Fair Trade Certified products. All these systems have several characteristics in common:

- There is a set of standards that must be met in order to achieve the certification.
- There is a process for verifying that a product, a service, or a person has met those standards.
- There is a "certification mark," logo, or seal that identifies the standards and the verification that have been fulfilled.
- There is a system for auditing to ensure that the certification mark is being used properly and that the product or service or individual continues to meet the standards over time.

One of the oldest certification systems that is still in use today is that provided by Underwriters Laboratories Inc. Underwriters Laboratories (UL) was founded in 1894 by the insurance industry as a not-for-profit testing facility for "electric" products that were then emerging. It developed voluntary standards for public safety that companies were encouraged to use, both to avoid the financial risk associated with consumer injuries arising from faulty products and, critically, to meet the expectations (and ultimately the requirements) of insurers. Some of us are old enough to remember when a new electric appliance, say a toaster, was just as likely to splutter and spark, when first plugged in, as it was to function properly.

A Corporate Cautionary Tale

The Story of Nike

A new English-language verb has appeared in recent years that describes both the phenomenon of market campaigns and the worst corporate nightmares that arise from them. The verb is “to be niked,” and it refers to the classic case of the impact of social practices in the Nike supply chain, which were analyzed, and pilloried, in the mid-1990s. It is what no company wants to experience in the future.

Nike is the legendary company that grew and prospered by outsourcing the production of footwear, and then apparel, to those countries where labor costs were as low as possible and labor practices were generally not scrutinized.¹⁵ Founded in 1964 by Phil Knight and Bill Bowerman, the company established the Nike brand in 1972. Although initially producing in Japan and New England, by 1982 Nike had moved 86 percent of its production to Korea and Taiwan. As economic development began to increase labor costs there, Nike created a network of footwear factories throughout Southeast Asia. By 1991 its share of the global footwear market reached 22.5 percent; spectacular growth then took it to 35.3 percent by 1997. During that growth period, Nike stock rose from \$8 per share to \$70 per share.

Then the troubles began to hit. Criticism of labor practices in the factories of Nike suppliers began early in this period of enormous growth. *Harper's Magazine* featured a two-page “Annotation” by Jeffrey Ballinger, a labor rights activist in Indonesia, who showed that women workers in a Nike supplier plant were making about one dollar per day in wages for 10.5 hours of work, including forced overtime, and that the cost of labor to produce a single \$80 pair of Nike shoes was approximately 12 cents. A number of advocacy groups began to coordinate a campaign for social change in Nike's supplier factories. They included Vietnam Labor Watch (New York), Community Aid Abroad (Sydney), Hong Kong Christian Industrial Committee (Hong Kong), Global Exchange (Oakland), and Transnational Resource & Action Center (San Francisco). Nike's response was that it was not responsible for those conditions because it did not own the factories where the shoes were made.

A CBS News *48 Hours* report in October 1996, narrated by Dan Rather, began a virtual flood of negative news on conditions in Nike's supplier factories around the world. CBS interviewed workers in Vietnam, who complained of physical abuse and sexual assault on the production line, at the same time as Nike headquarters was celebrating record high profit levels. A month later the *Washington Post* published a feature-length story on conditions in a factory in China that produced for both Nike and Reebok. The reporter documented “harshly regimented labor conditions,” corporal punishment of workers, forced 12-hour shifts, and “prison-like” conditions, with workers not allowed out of the compound except on weekends.¹⁶ A Harvard Business School case study of this period analyzed media mentions that linked Nike with “exploitation,” “sweatshops,” and “child labor.” From virtually no links in 1995, the campaign against Nike led to nearly 300 articles linking Nike to those conditions

PROFILE 1.1

in 1997.¹⁷ Nike's problems even became a story line in the popular *Doodlesbury* cartoon strip. Mike Doonesbury takes his Vietnamese orphan girlfriend back to Vietnam, where she finds that her only living relative is working on the production line in a Nike supplier factory (see Figure 1.3).

Nike responded by commissioning Andrew Young, the African American civil rights icon and former US ambassador to the United Nations, to investigate conditions in 12 of its suppliers' plants. Young returned and produced a 75-page full-color report in which he claimed that he had found "no evidence or pattern of widespread abuse or mistreatment of workers." The report was ridiculed by *The New Republic* as "a classic sham, marred not just by shoddy methodology but by frequent misrepresentations."¹⁸ The magazine noted that Young had relied solely on translators provided by Nike's suppliers, listed consultants who were never consulted, and included photos of "union representatives" who were not, in fact, representatives of any union. Then an Ernst and Young report, commissioned by Nike, was leaked to the *New York Times*. The front-page *Times* article, based on Nike's own report, indicated that workers, mostly women, in Nike supplier plants in Vietnam were exposed to environmental carcinogens at 177 times the limit allowed by Vietnamese standards, and most had no protective gear. They labored 10.5 hours a day for six days a week and earned slightly more than \$10 a week at a time when Nike posted \$800 million in profits on \$9.6 billion in sales.¹⁹

The financial consequences of the campaign began to show. Revenues fell by 16 percent in the last quarter of Nike's 1997–98 fiscal year, and profits per share plunged 49 percent. The stock, which peaked at \$73.09 on February 18, 1997, fell by 57 percent to \$31.15 on September 2, 1998, during the period of heaviest media criticism. The *New York Times* reported on "the swoon of the swoosh," noting that "having plastered the world with a corporate icon rivaled perhaps only by Coca-Cola's cursive, Nike is trying to tone it down, hide it, possibly even lose it." Nike's "brand soul" had been especially hurt by "the spate of negative stories about its overseas labor practices and its defensive posture."²⁰

Nike has rebounded since then, partly due to the creation of a stronger set of labor standards and the adoption of some of the better mechanisms for factory monitoring, which we will discuss in Chapter 10. However, as we will see in that chapter, even in 2007 there are no widely credible, enforceable labor standards and no widely applicable labor certification system in the footwear and apparel industries. Nike has reduced its vulnerability, and in doing so it has countered some of the worst criticism. But it remains vulnerable to continued well-documented criticism and further reputational damage to its brand and its financial performance.

DOONESBURY NIKE COMIC STRIPS 1997>

MAY



Figure 1.3. Doonesbury Cartoons.

Our parents actually looked for the “UL Listed” logo on products as an assurance that electrical safety standards were being met. Our children are completely oblivious to this certification because there are no electrical appliances in the market, large or small, that don’t carry it.

This is relevant to the certification revolution because it shows how “UL Listed” evolved. Originally a product characteristic that consumers had to check, it became a minimum condition for doing business in the electrical appliance field. That is, it moved from being consumer driven to being business driven; it changed from being an exceptional “extra” quality of a product, sought by careful consumers, to a minimum element of quality assurance required by retailers and others in the product’s supply chain. Underwriters Laboratory now offers standards for testing a wide range of public safety dimensions of products, and it offers its “listing” as a sign of compliance with those standards in some 35 countries.²¹

Certification systems such as the UL seal of approval created, in effect, a new level of accountability for manufacturers of electric equipment. As it became ubiquitous, we stopped paying attention to it; instead, we rely on the insurance and re-insurance industry to ensure that products that don’t meet UL standards never make it to the market. We will see in Chapter 2 that 21st-century corporate accountability now requires that products, services, and individuals be certified with respect to most of the characteristics they claim. More importantly, many consumers are now searching for quality that goes well beyond the efficiency, durability, stylishness of the product, and the pleasantness of the purchase and delivery process. For hundreds of millions of consumers in the United States and around the world, quality now means that the social and environmental characteristics of the production process meet high standards. And as global sales become increasingly concentrated in retail chains that order a huge diversity of products, the reputation of that chain (and the value of its brand) depends on the social and environmental characteristics of the production processes throughout the whole supply chain.

There are major differences, however, between certification systems and their relationship to corporate social responsibility and corporate accountability. In Chapter 2, we will see the differences between 19th- and 20th-century corporate social responsibility (the “CSR” that many still debate) and 21st-century corporate accountability. The most important difference rests in who verifies that a company has met the standards to which it has committed itself.

- **First-party certification** means that the company itself is the sole judge of how well it has fulfilled its own public commitments. Despite all the paper and ink invested in “corporate responsibility reports,” they carry very little credibility these days unless they report on commitments that have been audited by an independent agency.
- **Second-party certification** exists when an industry has an association that creates some standards for its members and then verifies in its own way whether the members meet those standards. Second-party certification has

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somewhat more credibility than first-party, but not a whole lot. Most observers outside industry (and many within) doubt whether industry associations, reliant on membership dues, are capable of policing the application of standards without independent verification by an organization without a conflict of interest.

- **Third-party certification** is the highest level of certification available to date. It usually involves standards created jointly by the full set of stakeholders. This generally means that the standards are negotiated by industry representatives and representatives of social, environmental, and community organizations, then audited annually by a totally independent outside organization.

We must also make an important distinction between certification of management systems and certification of actual performance. The International Organization for Standardization (ISO) offers hundreds of standards for everything from the width and depth of threads on screws to environmental management for corporations. ISO charges for copies of its standards, and other “compliance assessment” firms certify, for a fee, whether they have been met. Most of its standards, however, are specifications for management systems. In the environmental field, for example, the ISO 14000 series of standards certifies that companies have put in place the management systems needed to produce better environmental impacts. But it doesn’t certify whether companies have actually put these systems into practice or achieved improved environmental results. For many observers, this is a major shortcoming of ISO approaches.

What has emerged more recently is certification to sets of standards related to actual performance. This “performance-based” mode of certification requires that companies demonstrate they have changed their practices, not just put a management system in place. In forestry, for example, the performance certification standards of the Forest Stewardship Council require that auditors visit logging operations and verify that companies are actually leaving the quantity of trees along streams and shores required by the standards and that they are not taking more logs out of a forest than their certificate allows. This is why performance-based standards and performance-based certification give far more assurance to businesses down the supply chain, and to consumers, that a company’s forest management meets the standard.

WHY DO BUSINESSES ENGAGE?

What we will see in the following chapters is that corporate decisions are rapidly becoming part of a five-pronged process that is at the heart of the certification revolution. These, in brief, are the critical components:

1. Branding, as we noted above, is the name of the game in globalization. The more effectively a corporation can get its name and its logo recognized by hundreds of millions of consumers around the world, the more its sales, profits, and share value will grow. Successful branding makes the purchasing decision easier, quicker, and more likely at *every* stage of the supply chain.

And brand value can grow well beyond the value of the products and services actually sold, because a successful brand is closely associated with long-term growth and profitability.

2. However, every dollar, or euro, or peso successfully invested in expanding brand recognition *also* increases the vulnerability of the brand to well-organized, well-documented civil society challenges to all aspects of the supply chain, from worker safety to wages, from human rights to environmental practices. Yes, there are “unbranded” firms in many supply chains, companies that manufacture for others and whose name and logo never appear on the product. But global information flows are now so rich and abundant that final sellers of products are being held accountable for every stage of production, whether it takes place in their own factories or not.
3. The most effective way to reduce the risk to reputation (and brand) is to participate in a certification system that verifies that established standards for social and environmental practices have been met. In the 21st century, the only credible and effective form of certification is a third-party system with independent verification of standards that have strong support from engaged NGOs. This technique for risk reduction is technically equivalent to purchasing insurance against fire, accident, and theft; investing in forward-exchange markets to reduce the financial risk from currency devaluation; or purchasing director and officer insurance to protect shareholders from malfeasance.
4. Major additional benefits that may accrue from participation in a social and environmental certification system include reduced insurance rates, improved employee morale leading to lower staff turnover, and access to new, lower-cost financing from socially responsible investors. In other words, if avoiding the risk of brand damage isn’t enough, businesses may realize other important financial benefits that can help to cover any costs incurred in meeting the higher social and environmental standards.
5. Finally, successful participation in a social or environmental certification system offers a market differentiation for the products and services of the participating firms, lessening the market threat from uncertified firms and often making it easier to charge a higher price for the final product. In many of the cases that we will discuss, the market campaigners who encourage participation in a certification system then turn around and praise the complying firms publicly, encourage consumers to purchase the products of those firms, and turn their attention to the laggards in the industry. The speed with which other companies agree to comply has been truly amazing in several sectors.

So the title of this book applies on three different levels. *Branded!* refers, first, to the global process of branding that expands a company’s opportunity to sell in increasingly global markets. Second, it refers to the negative consequences that well-branded firms face if there are serious social or environmental problems in their supply chains. And it refers, finally, to the opportunity to associate a com-

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pany brand with systems of third-party independent certification to show — in ways that are credible to a skeptical public — that the company is complying with the highest standards for social and environmental practices.

THE CRITICAL THREE-WAY COMBINATION

In the long history of social and environmental activists trying to change corporate behavior (which we, mercifully, will not attempt to summarize here), there is emerging an understanding of what is needed to move corporations toward more responsible and more ethical practices. To begin with, there is growing evidence that simply “launching a campaign” against a company — accusing it of doing something dastardly and demanding that it change its practices — may have a few short-term impacts, but there’s little evidence that it leads to lasting change or, more importantly, systemic change beyond that company. For example, in the mid-1990s, a Chicago-based advocacy group demanded that Starbucks improve the prices it was paying for coffee from poor farmers in Guatemala. After months of media attacks and demonstrations in front of the company’s stores, Starbucks agreed to change its practices, and the campaigners declared victory. But when it came time to verify that Starbucks was discharging its commitment, the company claimed that it couldn’t distinguish which Guatemalan coffee came from poor farmers and which from wealthier farms. So there was still no basis for moving beyond Starbucks’ own claims about its coffee-purchasing practices.

More generally, however, I will argue that the most successful and long-lasting transformation of industries requires at least three interrelated actions:

- The creation of a **market campaign** to pressure the industry to change its practices. The campaign may begin (and often does) with the largest or the meanest or the most egregiously irresponsible firm in the industry (which is not always the same firm). Once that firm commits to change, the rest of the industry usually follows suit relatively quickly.
- The creation of a **stakeholder-based set of standards** for improving corporate practices. This doesn’t mean that the social and environmental advocacy groups go off and set the standards; in fact, the participation of industry is critical to ensure that the negotiated standards are fundamentally feasible, as they raise the bar for the companies. It is similarly critical to have the advocacy organizations buy in to the system if it is to have legitimacy and credibility in the marketplace.
- The creation of a **credible independent mechanism for certifying companies**, initially, and then continuously monitoring and auditing certified companies’ compliance with the negotiated standards.

Without a market campaign or some comparable form of pressure on the industry, companies initially have little incentive to participate in the certification system, and certification provides little value for the companies, especially when it increases their costs. (Profile 1.2 illustrates one such case.) Yet an important

lesson of the past 15 years is that credible certification of ethical practices can become, on its own, a source of strategic value and market access, even when the pressures from civil society diminish. On the other hand, as noted above, the absence of independent (third-party) assessment, monitoring, and transparent auditing lessens the credibility of a certification system and, hence, its market value. Finally, though many consumer organizations refuse to give credibility to standards when corporations have played a role in their development,²² the evidence accumulated in recent years suggests that corporate participation (at some level) is critical for defining standards that can be successful. Does corporate participation mean that standards may be set lower than social and environmental advocacy groups might set them if they had their druthers? Undoubtedly. Does it mean that companies have to change their practices in order to meet the final standards? If the process is to make any sense, yes! The standards that result may be the best set of feasible standards at that moment, acceptable to all parties as an important step in the direction of further corporate transformation and accountability. They are also subject to further review as corporations and advocacy organizations continue to engage over time.

The most successful social and environmental certification systems share two other traits in common. Both focus on corporate characteristics and the corporate response to advocacy-led, stakeholder-based standard setting:

- The final result of the transformation created by the certification system must make financial sense to the firms involved. The costs of certification cannot destroy the fundamental competitive position of the firm. This means that if there are significant increases in the costs of production, there will have to be offsetting increases in the prices of the products (price premiums) or other financial benefits. Lower financing costs, lower insurance costs, lower labor turnover costs, and the reduction of reputational risk are also real, tangible financial benefits that can be counted against the increased costs of meeting higher standards without necessarily requiring price premiums for the final products.
- In almost every successful case of companies taking the lead on meeting the demands of advocacy groups and adopting higher standards, there has been a highly placed internal corporate champion for the process. Sometimes it is a person at the CEO level, sometimes someone in senior management who convinces the CEO. I know of no cases, however, of successful initial transformation (among companies that are the first to commit) where that feature has not been present. We will meet some of these impressive internal champions in future chapters.

DEVELOPMENT STAGES FOR CERTIFICATION SYSTEMS

Those who study certification systems have begun to discuss evidence of “stages” in their development, implementation, and acceptance in global markets. Noting the conclusions of some of these analyses will help us understand how the certification revolution is creating legitimate, credible, and effective systems for

An NGO Cautionary Tale

The Story of Green Seal

When Green Seal was set up in the early 1990s, there were huge expectations that it would drive corporate environmental transformation.²³ Its seal would distinguish products that represented the best environmental practices of the time, and it was expected to be a significant moneymaker for the environmental community, with companies from many industries competing to use its logo on their products and paying for the privilege. That expectation was so strong that the leaders of many of the major US environmental groups in Washington were on Green Seal's start-up board.²⁴ It was created and originally headed by Dennis Hayes, the coordinator in 1970 of the first Earth Day celebration and international chairman of the 20th Earth Day in 1990.

The basic notion was simple — a “no-brainer, win-win” situation according to the current CEO, Arthur Weissman. In the late 1980s, more and more manufacturers were making undocumented environmental claims about their products. Green Seal's founders cited polls of that time indicating that from 75 to 94 percent of the public wanted to buy environmentally sound products and were even willing to pay a price premium of 5 to 10 percent for the products. But they didn't trust the unverified claims made by the manufacturers.

Green Seal was set up to create an independent “seal of approval” for those products, in any given line, which met the highest environmental standards. Product by product, Green Seal created standards, verified in many cases by outside experts, that identified the environmentally best 15 to 20 percent of products in a specific product line, such as air conditioners or cleaning fluids, based on technology of that moment and products in the market at that time. The Green Seal on the product gave consumers a clear indication of the best environmental choices. The governments of Germany and the Nordic countries had created similar programs and labels, which garnered very high levels of consumer recognition and strong consumer preference. In the absence of a government label in the US, Green Seal appeared to have an open field.

At the launch of Green Seal, Dennis Hayes indicated that consumers would eventually be able to find and buy a Green Seal item for all environmentally sensitive products in the grocery store. Companies and product lines without the seal would find their market share dropping dramatically and would seek to get into the program.²⁵

Rather than rapid industry uptake, however, Green Seal encountered significant opposition. When it released its standards for household cleaners in 1992, the national Soap and Detergent Association in the US claimed that the standards were “inconsistent and scientifically invalid.”²⁶ Proctor and Gamble (P&G) took a lead role in opposing Green Seal, belittling its potential environmental impact.²⁷ P&G then joined the Grocery Manufacturers Association of America to create a Coalition for Truth in Environmental Marketing and Information, designed specifically to fight

PROFILE 1.2

third-party standards, both nationally, within the Clinton administration, and in international trade fora. In response, the advocacy community created the Consumers Choice Council.²⁸ The two groups dueled to a draw: neither Clinton's nor Bush's administration pursued the policies demanded by industry, and voluntary systems of eco-labeling were accepted by the World Trade Organization, but with certain limitations.

Green Seal's first product certifications appeared in 1993. By the end of the decade it had developed standards for several hundred products. But although its 1993 business plan forecast income of some \$3 million per year from fees, which was to fund extensive media work to raise awareness of the label, Green Seal never earned enough money to create an effective marketing campaign. It did develop public service advertising, to be run without charge by television stations and in environmental magazines, but few ads appeared. And market recognition never developed.

The Energy Star program of the US Environmental Protection Agency proved to be tough competition in many product lines. By 2003, Energy Star had certified some 7,000 products from 1,200 manufacturers in the appliance market, while Green Seal had certified only about 50 to 75 products in that market, from a total of seven manufacturers.²⁹ Other competitors, especially Green Cross, an environmental label created by Scientific Certification Systems, a small for-profit certification company, entered the market and generated considerable competition and, some argue, consumer and industry confusion.³⁰

Of the three major components for successful certification systems discussed in this chapter, Green Seal missed all or part of two.

- There have been no major campaigns demanding better environmental performance from companies manufacturing appliances, household cleaning products, or most of the other products for which Green Seal developed standards. So there has been little incentive for industry uptake, other than a vague sense of consumer desire for environmentally preferable products.
- Green Seal's standard-setting process has excluded corporations (earning high praise from Consumers Union), but it has been rejected by many of the industries it was designed to transform.

Green Seal has returned to prominence in a role that couldn't have been anticipated when it was created. Having gained extraordinary skill in evaluating the environmental characteristics of a broad range of products, it has now been invited by Wal-Mart to help develop standards for measuring the relative environmental qualities of a host of products that Wal-Mart sources and sells (see Chapter 12 for more on the campaign to transform Wal-Mart). According to Arthur Weissman, Green Seal's president, when Wal-Mart's buyers are evaluating what products to stock, they will include data on environmental characteristics of production and performance, as well as price and quality.³¹

Green Seal continues to be a pioneer in setting environmental standards, especially, now, for institutional purchasers. The City of Santa Monica, California,

PROFILE 1.2

contracted with Green Seal to develop further standards under its Sustainable City Program. Following a Clinton administration executive order to “green the government” through procurement policies, Green Seal has helped reduce the environmental impact of some US federal government agencies. And it has had some success with an initiative focused on greening the hotel and lodging industry. But it has not met the, admittedly high, early expectations of transforming major industries.

transforming corporate behavior without, in most cases, active involvement of national governments or international agencies. Benjamin Cashore, my former colleague at Yale’s School of Forestry and Environmental Studies, has arguably written more than any other analyst on the processes through which certification systems pass. He describes these systems as “non-state, market-driven” (NSMD) forms of governance.³²

According to Cashore and his co-authors, the critical stages in the development of certification systems involve the quest for “political legitimacy.”³³ How do the communities (both the companies and the social and environmental advocacy groups) engaged in developing such a system come to accept it as an appropriate and justified shared set of rules for behavior?

Cashore and his colleagues have reviewed both inductive theory and recent empirical evidence and developed the following three-stage model. Although the perceptions of firms and NGOs are initially very different, they become close to synonymous in the final stage.

In the **Initiation Phase:**

- A relatively small community of both firms and NGOs are driven by strategic calculations of the benefits of improved practices, generally before targeted market campaigns begin. This process may be led by NGOs that do not engage in market campaigning, such as the World Wildlife Fund.
- The firms whose processes are closest to the proposed standards are the first to join because the cost of changing their practices may be least, and the perceived benefits of independent validation of their practices may be high.
- The result is likely to be a segmented or niche market for the products of the firms that adopt the standards most quickly.

In the **Building Support Phase:**

- Supporters of the system must find ways to incorporate firms that will incur higher costs if they comply with the new standards, so this is the phase where more widespread market campaigns are invoked, boycotting or shaming companies whose practices don’t meet the standards.
- Some firms respond by pushing back, defending their practices, criticizing the standards proposed, building their own industry-based standards that are less demanding, and attempting to create legitimacy for those lower

standards. Some companies that first resisted begin to feel market pressures and flip from opposition to support.

- NGOs are bolstered by the fact that they have learned, in the first phase, that firms can live with the standards as proposed. This emboldens them to demand the same of all firms in the sector, picking first on industry leaders and then on those who compete with the leaders.

In the Political Legitimacy Phase:

- The full set of stakeholders recognize the legitimacy, and the usefulness, of the system within which they are working.
- Power struggles may continue, but they continue within the rule-making framework of the certification system. Both firms and advocacy NGOs commit to improving the functioning of the system, though each reserves the right to leave the system as one of the most important points of leverage.
- The possibilities increase for regulatory implementation of standards similar to those of the voluntary system. Ironically, companies' willingness to commit to private voluntary standards that are higher than previously existing regulatory standards makes it easier for advocates to pursue a legislative implementation that further strengthens the competitive position of the leading-edge companies that have complied with the standards. These leading-edge companies often support the legislation that forces other companies to rise to their level of ethical practice.

Each of the certification systems we analyze in the following chapters can be viewed, in part, in these terms. Every industry considers itself unique, vastly different from any other. Each company believes that it is pursuing a unique course, unlike that of any of its predecessors. And many NGOs believe they have to create and pursue new strategies, distinct from those of other groups, though the pace of sharing learning is perceptibly more rapid among NGOs than it is among firms and industry groups. But the patterns identified above are proving very common and powerful, especially in the more nuanced forms discussed by Cashore and his colleagues.

Turning to the empirical side, Hank Cauley, until recently the CEO of ECOS Consulting, a corporate sustainability consulting firm with operations in the US and Australia, has offered an assessment of the relative progress in the development of corporate sustainability systems based on a detailed analysis of market campaigns in the US through mid-2006. Cauley proposes both an alternative characterization of the stages in developing certification systems and a chart that illustrates where he thinks most of the key sectors we will analyze tend to fall in his spectrum. The four stages are almost self-evident, but Cauley links them to market indicators that will be helpful to our analysis.

1. **Nascent Stage.** There is little to no broad industrial impact and no coordinated effort on the part of advocacy NGOs, who rely on regulatory strategies. The issues don't get traction in the media. Campaigners begin to understand

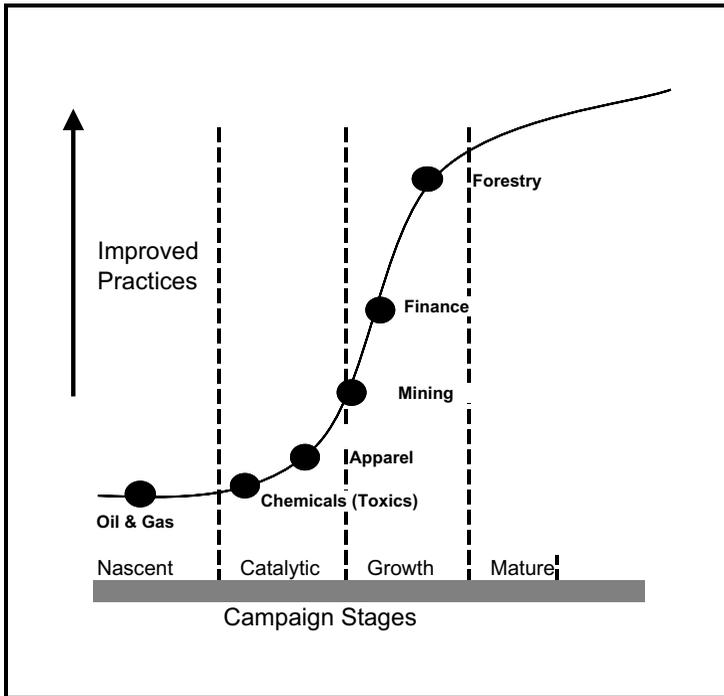


Figure 1.4. Campaign Stages and Progress. Source: Hank Cauley, Business Ethics Network conference call.

what the issues should be. There is little value at stake for companies. Illustrative sector: Oil and gas.

2. **Catalytic Stage.** Individual companies become aware of the issues and respond to pressure that sends key market signals. The industry association responds with a defensive strategy and develops counter strategies. The profile of issues rises in the media. Industry leaders acknowledge that there is value at stake. Local or state legislative efforts create a threat to companies operating under the status quo, and standards begin to develop. Illustrative sectors: Chemicals/toxics and apparel.
3. **Growth Stage.** A broadly consistent resolution begins to emerge. The industry association upgrades its standards, and continuous improvement and education efforts are evident. Companies engage with market campaigners. There is widespread adoption of practices as leaders are joined by second-tier companies. They see that “business as usual” is clearly not tenable. Implementation groups figure prominently in the rapid spread and development of options for change. Illustrative sectors: Project finance and sustainable forestry.
4. **Mature Stage.** Several stakeholders collaborate to advocate and drive the

need for government policy. Legislation indoctrinates new practices, and new societal expectations are set. On the ground, quantitative changes are evident and widespread. Illustrative sectors: None yet.

THE VOICES OF FUNDAMENTAL OPPOSITION

The transformation of global corporations described in this book, and the processes that drive that transformation, face fundamental opposition from both ends of the political spectrum. On the political right, there are people and organizations that find the empowerment of global civil society, through the growing strength of national and international advocacy organizations, almost as frightening — and as damnable — as the growth of governmental and inter-governmental regulation. We will run into those voices throughout the book. Their argument is that if consumer choice, under present conditions of consumer attitudes and information, is not producing optimal market solutions, why should we expect liberal advocacy organizations to come up with a better solution? Who gives these advocacy groups the right to pick the companies they will attack, to drive the creation of standards beyond those that have been created by law, and to ask of corporations anything other than maximizing shareholder value? Why should we believe that these so-called market-driven processes add anything to the current functioning of global, national, and local markets?

These voices from the right are balanced, perhaps ironically, by voices on the left that condemn as “reformist” the effective transformation of global corporations through advocacy-driven standard setting. Does this not legitimize the corporate form, they ask, empowering corporations that embrace minimal reforms, and providing blatant opportunities for “greenwashing” or “fairwashing”? Can the nascent certification systems, chronically underfunded and learning on the fly as they create themselves, possibly withstand the huge financial and political influence of transnational corporations? Can the certification systems become financially self-sufficient without becoming beholden to the very corporations they seek to transform? Can they embrace and contribute to broader global goals, such as the alleviation of poverty, the protection of human rights, and the reduction of global climate change? If not, shouldn't we be looking for far more fundamental, more revolutionary, less reformist courses of action?

It is difficult for both sides to understand the phenomenon represented by the certification revolution. Environmental advocacy groups want to take credit for forcing companies to enact policies that they would not have undertaken without NGO pressure. Social advocacy groups similarly want to convince themselves, and the rest of the world, that the changes they have produced in corporate behavior would not, and could not, continue if it weren't for their continuous watchdog roles. Neither of these groups wants to focus on the need to make these changes work for business as a basis for their strategies. Corporations, on the other hand, prefer to insist that they are changing their practices “because it is good for business,” and definitely not because they have been coerced into making the changes.

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Yet they are all right. As we will see by the end of the book, significant meaningful social and environmental transformation in corporate practices is underway precisely because social and environmental advocacy groups have succeeded in “raising the bar” for acceptable corporate practice, creating new products and services that are qualitatively different from those that are uncertified, and giving businesses an opportunity to enter those new markets and make good profits. Making it work for business has been essential, even if the advocacy groups don’t like to acknowledge that this is the mechanism that is working.

There are still many questions and doubts, for both the right and the left, about the value of certification. In the chapters that follow, we will probe, with brutal honesty, the strengths and the weaknesses of the evolving certification systems for transforming corporations. I will present the evidence, to date, of the impacts that they are having. And I will leave it to the reader to determine whether there is adequate evidence of progress toward our broadest common goals to warrant further development of this approach toward global transformation.

THE REST OF THE BOOK

Each of the chapters that follow analyzes a distinct aspect or implementation of the certification revolution. In Chapter 2 we will see how 19th- and 20th-century corporate social responsibility has evolved into 21st-century corporate accountability, which I call “corporate social responsibility with teeth.” In Chapter 3 we will analyze the strategies and tactics of market campaigns or “ethical business campaigns” as some would prefer to call them. Chapter 4 will cover one of the first, and to date the most successful, social and environmental certification systems, the Forest Stewardship Council. Its origins and evolution have paved the way for many other systems, even as it continues to struggle with its increasing success in transforming the forest management practices deployed in a rapidly growing proportion of the world’s working forests.

What does it mean to bring “fairness” to markets of agriculture commodities and other products imported from less-developed countries? Chapter 5 will chronicle the rapid surge in Fair Trade Certified products, the campaigns that have brought them to the attention of the public in developed countries, and the successful integration of Fair Trade into a number of important companies, large and small.

Do the world’s largest banks have any responsibility for the projects they fund? Or is their responsibility limited to efficient and transparent lending? Chapter 6 describes the dramatic new standards guiding the social and environmental characteristics of bank project lending that have emerged and been adopted by *most* of the world’s largest financial institutions in a process that has taken less than five years.

The world’s largest service industry is travel and tourism, and mass-market tourism is moving millions of travelers to environmentally endangered beach resorts. Chapter 7 shows the work presently underway to create a Sustainable

Tourism Stewardship Council in a manner quite distinct from other social and environmental certification systems.

Mining is an industry that I once wrote was incapable of creating an effective certification system. Chapter 8 shows how, and why, I was wrong.

Chapter 9 takes a step back from the interaction of companies and NGOs and asks the more profound developmental question: Can certification systems reduce poverty? The answers are complicated but fundamentally encouraging.

Chapter 10 provides brief overviews of several other market campaigns and certification systems that are presently less well-developed or have run into major obstacles, but continue to struggle to transform the practices of important corporations in the computer hardware, cosmetics, health care, seafood, and footwear and apparel industries.

In Chapter 11 we take a break from describing new and emerging certification systems and focus on the “push back” from industry when it finds that the standards being asked of it are too high, or when it decides that it can certify for itself without the sometimes painful and frustrating engagement with NGOs. It is a chronicle of huge sums of wasted funding, with virtually no positive market impacts, but it is repeated, sector after sector, as companies attempt to avoid the implementation of credible standards and certification techniques.

Then we turn, in Chapter 12, to the “mother of all market campaigns,” the attempt to bring social and environmental accountability to big-box retail stores, particularly Wal-Mart, the largest private employer in the world. Here, again, the results are little short of astounding.

Finally, Chapter 13 explores the conceptual and practical limitations of the certification revolution that once again distinguish between old-fashioned corporate social responsibility and contemporary corporate accountability. Our tale comes to a sobering, but fundamentally optimistic, conclusion.