Can Citizen Campaigns and Voluntary Standards Make Businesses Socially Responsible?

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Public regulation of corporate behavior has waned in the global economy – and many reformers, activists, and scholars look to private systems of regulation as an effective alternative. Rather than rely on governments to regulate, investigate, and sanction corporate wrongdoers, citizens and reformers organize coordinated campaigns to encourage corporations to be socially responsible. They create public rating systems and urge firms to certify their voluntary adherence to high standards. When companies violate standards, activist groups organize boycotts instead of relying on regulatory agencies to issue fines or file lawsuits. In principle, firms will comply with ratings in order to enhance their public reputations, and they will avoid negative behaviors – such as abusing workers or damaging the environment – because they do not want to draw negative attention from activist groups.

Voluntary approaches to corporate regulation appeal to politicians and activists alike, because they appear to avoid the costs and clumsiness of government action and rely instead on the threat of reputational damage as a deterrent to corporate misbehavior. But how well does voluntary regulation work, and is it really a full substitute for public regulation? Recent events like the 2013 factory collapse in Bangladesh that killed over 1,000 people and the 2010 British Petroleum oil rig explosion and spill reveal that corporations under pressure to cut costs and expand revenues still act in ways that greatly threaten society and the environment. Citizen campaigns and voluntary standards may not be enough to reduce the risks.

The Tantalizing Promise

Private regulation has certainly emerged as a common tool for reformers to prod corporations to change behaviors. In a typical effort, various stakeholders – ranging from citizens' associations to unions, community groups, and affected firms – get together to set standards by which companies can be evaluated. In the Forest Stewardship Council, for example, activist groups and industry representatives have worked together to craft a set of standards that raise the bar for the forest products firms, while also allowing companies to maintain profitability.

In the environmental arena, the number of rating systems has proliferated in recent years – and boycotts and campaigns against corporate offenders have sometime proved effective.

- *EcolabelIndex*, a database that tracks all national and transnational environmental rating systems and labels, maintains there are currently 437 such certifications in 197 countries and 25 industry sectors.

- About a quarter of boycotts that get some national media lead to some sort of public concession. Companies that are susceptible to reputational threats are the most likely to respond to boycotters' demands, showing that in some instances reputation is a powerful motivation for aligning corporate behavior with high standards.

The Perils and Limits of Voluntary Standards

Despite popularity and some successes, private regulatory efforts may be faltering and may not achieve a lasting impact. As ratings systems have proliferated, the overall quality and impact has gone down, for a number of reasons.

- **Competition among ratings systems propels a race to the bottom, a steady dilution of standards** similar to what happens in governmental deregulation efforts. Ratings systems with looser standards are ever more widely adopted – not surprising given that many are now being fashioned by businesses themselves rather than by coalitions of multiple stakeholders. Citizen activists have good reason to be

skeptical about ratings systems into which they have little or no input. Some of these new ratings systems appear to promote business interests more than they embody public concerns and expectations.

- **Corporations are learning to game voluntary ratings efforts.** Companies have strong incentives to respond to activist campaigns by making superficial changes that have very little substantive impact on firm practices. According to one study, companies commonly respond to boycotts over standards violations by launching philanthropic or social actions in unrelated domains. For example, companies criticized for using sweatshop labor may do little to change working conditions while trying to avoid reputational damage by donating more money to domestic charities or by making superficial changes in employment policies. Aware that negative media coverage can hurt corporate reputations, executives may respond not by correcting abuses but by trying to spark more positive media coverage.

- **In voluntary campaigns, activists can become overly dependent on the media to publicize abuses.** Large, prestigious, and highly visible organizations make the best targets, because journalists are most interested in them. But the Nikes and Apples of the corporate world may not be the firms committing the worst abuses. Year after year, the majority of activist outrage can end up being misdirected – if the true goal is to reduce overall corporate misbehavior.

- **Public relations strategies can hollow out the monitoring capacities of activist groups.** As activists become more skilled at generating media coverage than they are at orchestrating widespread grassroots monitoring of what firms are doing on the ground, companies learn they can get away with merely superficial commitments to standards.

A Better Approach

In sum, the best evidence suggests skepticism that purely voluntary regulation is a permanent solution to limiting business misbehavior. Private efforts may do best when they supplement rather than replace government enforcement of basic rules. Activists who put all of their energy into voluntary campaigns and ignore governments' vital role may be weakening long-term capacities to limit corporate abuses that threaten society and the environment.

Read more in Brayden King and Mary-Hunter McDonnell, "Keeping Up Appearances: Reputation Threat and Prosocial Responses to Social Movement Boycotts." *Administrative Science Quarterly* **58, no. 3 (2013): 387-419, and Brayden King, "A Political Mediation Model of Corporate Response to Social Movement Activism."** *Administrative Science Quarterly* **53, no. 3 (2008): 395-421.**