

“Corporate Social Climbers, CSR Deadbeats, and Groucho’s Dilemma”

Aseem Prakash and Matthew Potoski, *The Voluntary Environmentalists: Green Clubs, ISO 14001, and Voluntary Environmental Regulations*
(Cambridge, UK: Cambridge University Press, 2006)

A Review by William C. Frederick, July 2007

I don't care to belong to a club that accepts people like me as members.—Groucho Marx

Ever heard of a “green club”? No? Well, you’re missing something important, so listen up as these two political scientists give you a few lessons in Corporate Social Responsibility. They don’t call it CSR—the term doesn’t even appear in their book—but it’s there in disguise, masked as “voluntary environmentalism.” (Don’t worry about Groucho now; we’ll get to him later.)

So, what’s a green club? It’s like any club—golf club, social club, frat club, bingo club—that, for a price, offers its members benefits not available to outsiders. The economic theory of clubs—wouldn’t you know that economists would make something simple more complicated than need be?—emerged in the 1960s as a way to think through the virtues and potentialities of private voluntary actions taken in the public interest. A *green* club, then, is a voluntary environmental program that induces its member firms to take positive steps aimed at cleaning up the environment. In doing so, they incur membership costs—new control systems, internal audits, external monitoring procedures, periodic reports, perhaps modified production systems—which are club “dues” for joining. Why do they do it? Because, like the members of any exclusive club, they are known by the company they keep—they bask in the reputational value of associating with other environmentally responsible corporations. Their stakeholder critics may look more kindly on them if they can flash their green club membership card as a badge symbolizing commitment to a clean-and-green environment.

OK, so much for the theory. But do green clubs work in practice? Can they save the environment and rescue the planet from global warming and associated ecological disasters? Prakash and Potoski set out to answer these questions, but not before saying, in loud and clear tones, that volunteerism alone will not do the job. To secure a green world also requires mandatory command-and-control programs enforced through government regulations and sanctions, which they view as “the main pillar of environmental governance”. But with government enforcement no slam dunk—too few regulators, limited budgets, political interference—complementary voluntary efforts may be worth trying as part of a larger policy mix.

To test their faith in voluntary green clubs, the authors took an empirical look at ISO 14001, which might be called the world’s premier code of conduct for environmental stewardship. Created in 1996 by the Geneva-based International Organization for

Standardization, ISO 14001 sets environmental performance standards for organizations that can qualify for ISO certification. Its basic requirement is for certified companies to create and maintain an environmental management system (EMS) to reduce, control, and improve the firm's environmental pollution by complying with applicable laws and going beyond them where possible. Once certified, a company is expected to adhere to these guidelines in good faith, although its actual environmental performance is not monitored by ISO. But annual third-party recertification checks are required to see if a firm's EMS is up and running. Most observers believe ISO 14001 is the gold standard among voluntary efforts to rein in the environmental misbehavior of corporations, a point reinforced by its popularity in the business community and its worldwide acceptance: the authors report "there are nearly 50,000 certified facilities in about 118 countries".

Taking ISO 14001 as a green club, Prakash and Potoski set out to discover whether it works, how it works, and if it is one pathway leading to a greater sense of planetary responsibility by today's global corporations. Their bottom line conclusion: ISO 14001 membership "significantly improves facilities' regulatory and environmental performance"—in other words, this green club's members emit fewer toxic pollutants and comply more closely with mandatory environmental regulations than do non-members. Statistically speaking, the gain is not overwhelmingly large, but in terms of encouraging desirable corporate behavior and enhanced environmental stewardship, voluntary action in this case seems to work. The authors arrive at this conclusion after employing a most sophisticated and balanced methodology, one that I shall not attempt to reproduce here but well worth the attention of both doubters and supporters of CSR voluntarism. In fact, one of the most impressive features of this study is the care and caution displayed by this pair of social scientists who, while acknowledging the many exceptions and "what ifs" of voluntary institutional initiatives to curb undesirable corporate actions, are bold enough to push through an acceptable conclusion based on high-quality scientific analysis.

On the way there, they also present a rich description and discussion of the institutional theory of collective action and its potential applicability to other areas of public and civic policy. Indeed, their joint research on green clubs was foreshadowed by an earlier study by Aseem Prakash—*Greening the Firm: The Politics of Corporate Environmentalism* (Cambridge University Press, 2000)—that reflects the same careful dedication to method and theory found here. Both books symbolize the approach and effectiveness of political economy inquiry at its best.

But, hey, what about Groucho's dilemma? He says he won't join a club that will have him. Is that because he sees himself as a bum unworthy of joining the hoity-toity? Or is it because he believes he's too good to associate with the club's riff-raff? If Groucho were a corporation—an easy assumption, given his wide comedic popularity and renown—with a poor environmental pollution record (and therefore a bum), he might well hang back from putting himself in with a bunch of environmental corporate do-gooders. But then, if he were already recognized as a good corporate environmental steward, what would he have to gain by joining another club and paying the dues? The authors of *The Voluntary Environmentalists* would say to Groucho, "It doesn't matter whether you think you're an

inferior bum or a superior snob. You gain either way. It's the club, stupid! Joining means you're one of the good guys. Now, pay your dues!"