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The Challenges of Cooperation in Multistakeholder Initiatives:

Competing Policy Concerns in the Formulation of the Better Cotton Standard System

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01/12/2017

CBDS Working Paper Series
Working Paper Nr. 2, 2017

Abstract

In recent years various academics, consultants, retailers, and NGOs have advocated a move towards cooperative approaches to private sustainability standards as a preferable alternative to unilateral standards and to standard initiatives employing a more compliance-based approach. These cooperative approaches have been promoted as a potential answer to some of the now widely identified shortcomings of the compliance paradigm, including the high cost (for suppliers) of implementing standards, the limited impact of auditing, the lack of capacity building of local suppliers and their workforce, as well as the weak inclusion of workers and smallholders in standard-setting and governance. But is it possible to address these limitations by moving towards multistakeholding, cooperation and capacity building while at the same time catering to the demands of the mainstream market? This article analyses how the Better Cotton Initiative (BCI) seeks to do just that, in the process identifying a number of more general tensions and competing policy concerns that standard-setters have had to grapple with, particularly when seeking to move towards more cooperative approaches. Using institutional theory focusing on the interlaced relationships between the material and the more normative, ideational dimensions of standard-setting, we map and explore these inherent tensions and tradeoffs and thereby yield important insights into why it is inherently difficult for multistakeholder initiatives such as the Better Cotton Initiative – which aims to make 30 percent of world cotton production more sustainable by 2020 – to deliver on expected results despite their efforts to follow current best practice on sustainability standard-setting.

The Challenges of Cooperation in Multistakeholder Initiatives: Competing Policy Concerns in the Formulation of the Better Cotton Standard System

1. Introduction

The last two decades have seen a proliferation of private collaborative governance arrangements intended to guide and regulate the social and environmental performance of global production networks (GPNs) (Auld *et al.* 2015). They were created in response to growing criticism of the environmental and social impacts of various globally organized industries and a perceived government failure to address these concerns, particularly in developing country sourcing contexts (Locke 2013). These arrangements often work on a transnational scale and bring together actors such as NGOs, businesses, business associations, UN agencies, labour organisations and sometimes also government agencies (Bernstein and Cashore 2007). The mix of stakeholders and their role in governing sustainability varies from guidelines and reporting initiatives (e.g. the UN Global Compact or the Global Reporting Initiative) to initiatives which sets standards for sustainability and monitor and verify or certify compliance to the standard (such as the Forest Stewardship Council and the Roundtable on Sustainable Palm oil) (Gilbert *et al.* 2011; Rasche 2012).

A key defining feature of these initiatives is the multistakeholder nature of the standard-setting process (Bartley 2011). More specifically, the institutional features of multistakeholder initiatives (MSIs) usually include an executive board, an assembly or council representing different stakeholder interests, a technical advisory committee and an executive director with a secretariat to handle the daily operations. Procedural features include what is currently considered best practice for standard-setting and implementation, encompassing standardized procedures of certification, accreditation, and monitoring and evaluation of sustainable forms of production in GPNs (Ponte 2013).

Previous literature on multi-stakeholder initiatives (MSIs) has highlighted how such initiatives generally claim to follow the standard-setting virtues of inclusiveness, consensus and transparency although the composition of stakeholders and the nature of their involvement have varied significantly between different MSIs (Bartley 2007; Auld *et al.* 2015). More recently, however, MSIs have been criticized for their lack of evidence of impact and weak inclusion of smallholders and workers in standard-setting and governance (e.g. Cheyns & Riisgaard 2014;

Lund-Thomsen & Lindgreen 2014). Moreover, authors such as Auld *et al.* (2015) have pointed to the contradictory institutional logics that are sometimes inherent in the design of MSIs, such as tensions between MSIs seeking to empower and control local producers at the same time. In this article, we extend this line of work in both theoretical and empirical terms.

In theoretical terms, in order to grasp how seemingly contradictory rationales are embedded in MSIs and to tease out the tensions they might engender in these initiatives, we adopt a theoretical framework based on institutional theory. We argue that within more cooperative approaches to sustainability standards we see inherent tensions between ideal narratives related to inclusion and cooperation and more materially-based concerns related to competition and vested interests in GPNs. An institutional theory approach focusing on the interlaced relationships between the material and the more ideational dimensions of actor strategies and institution building efforts thus offers important insights into the tensions created and how these are brought together and managed in one standard scheme by key actors. This leads us to identify three competing rationales emerging out of MSI standard-setting processes: a) stakeholder inclusion versus process control and efficiency; b) scale of production versus stringency of the standard; and c) capacity building versus auditing.

In empirical terms, our article demonstrates how these three competing rationales were embedded in the standard formulation process of the Better Cotton Initiative (BCI). After a six-year standard-making process, the BCI was officially launched in 2009-10 as an independent organization along with the first Better Cotton Global Standard including the Better Cotton Production Principles and Criteria. The BCI was formed with the aim of addressing a range of sustainability related impacts and the sustainability of cotton production is rapidly gaining importance amongst consumer-facing companies using significant amounts of cotton in their products. Critical impacts include reducing or eliminating bonded labor, child labor, water pollution, unsustainable use of water resources, chemical exposure, and pesticide poisoning of farmers, particularly in developing countries (WWF 2009).

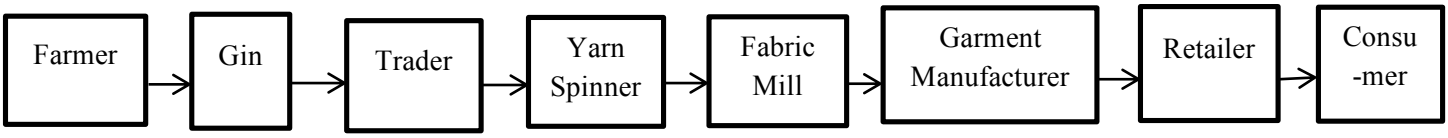
The remainder of the paper is organized as follows: in Section 2, we present a brief overview of the global cotton industry and the role of the BCI within it. Section 3 outlines our methodology. Section 4 adopts an institutional perspective on MSIs, outlining how standard makers have to negotiate and navigate inherent tensions between ideal discourses and more material concerns in pursuing cooperative approaches to sustainability standard-making. In Section 5, we analyze the

evolution of the BCI standard-setting process in the light of both ideational and material dimensions, using the three above-mentioned competing rationales as a framing device. Section 6 summarizes our main findings and includes our recommendations for future policy and research in this area.

2. The global cotton industry and the Better Cotton Initiative

Cotton production provides livelihoods for about 250 million people worldwide and the majority is grown by smallholders (Better Cotton Initiative 2015). The major producers of cotton include China, India, the United States, Pakistan, Brazil, Uzbekistan and Australia, while the largest importers of cotton include China, Turkey, Bangladesh, Vietnam and Indonesia (USDA 2016). The global cotton production network (GPN) is highly complex, involving many players and several stages of production including ginning, spinning, dying, and weaving. Once the fabric has been made, it is then cut and sewn into various types of garments. The cotton production network is often highly opaque with buyers and sellers at different tiers of the network being unaware of the origin of the cotton and where it is ultimately consumed (Alexander 2016).[1] While Figure 1 offers a stylized overview of the cotton GPN, in reality cotton traverses a much more complex network; a gin, for example, receives cotton from multiple growers while spinners use a mixture of cotton that ranges in origin and quality to produce yarn.

Figure 1: Stylized Production Network for Cotton



Source: Adapted from BCI 2016.

When trying to distill the constituent organizational structures and power relations, the production network for cotton can also be conceptualized as cotton trading (the segment from farmer to spinner) embedded within the broader apparel/textile production network (Quark 2011; Talbot 2009). The apparel GPN is often given as a key example of a buyer-driven GPN wherein large retailers and branded merchandisers play a powerful role in the governance of global

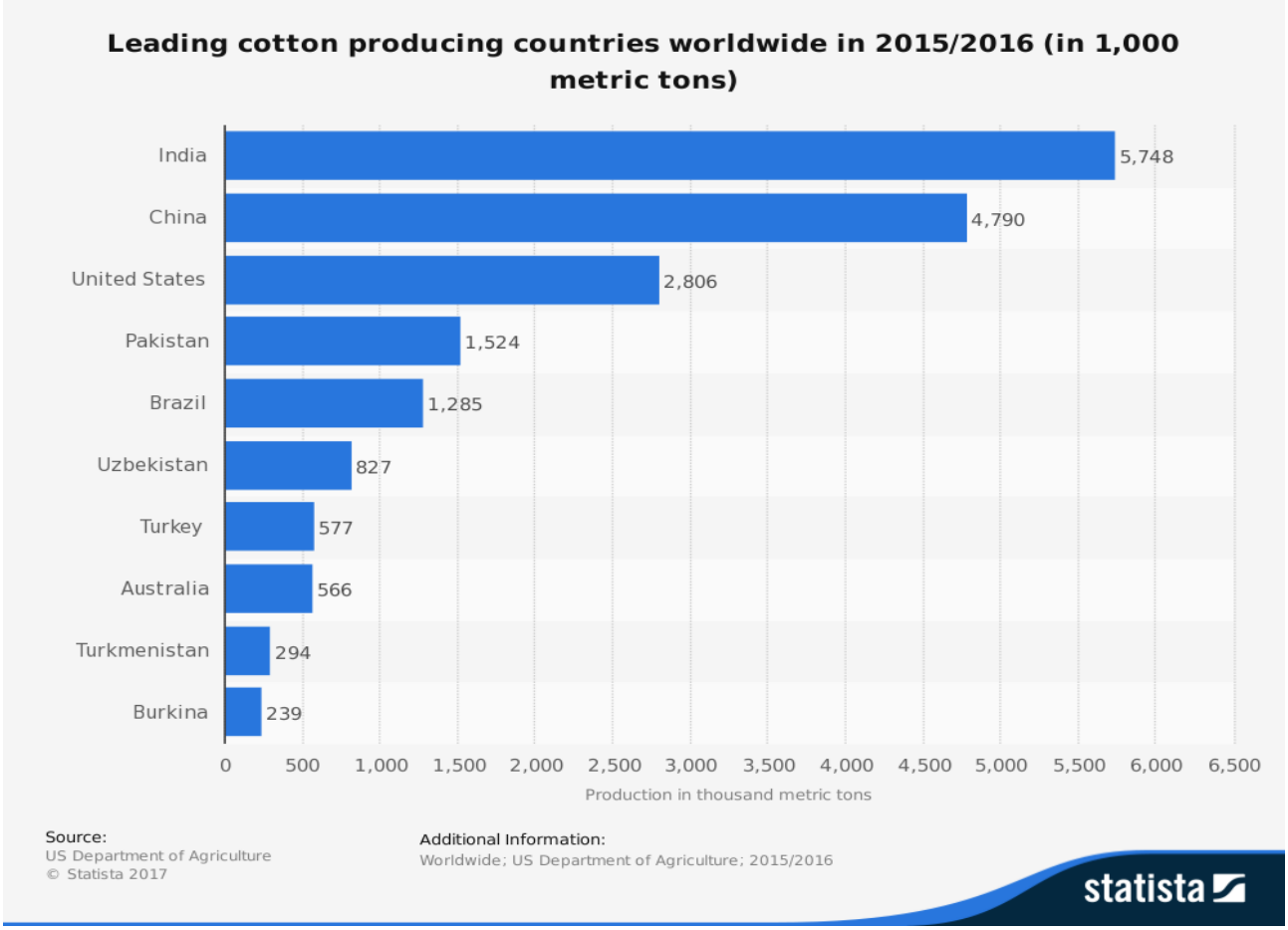
[1] Approximately, 30 percent of world cotton production is traded internationally before it is used in the later, more value-adding stages (USDA 2016).

production and distribution.[2] However, when looking at the actual cotton provision and trade, other actors – in particular traders – take prominence. Indeed Gibbon (2001) has called the raw material segment "trader driven". The lead firms in this segment are transnational merchants who link cotton-producing countries with cotton-consuming countries. There are thousands of local and regional merchants while only a small number of merchants conduct the transnational trade (by the early 2000s, about ten companies handled more than two-thirds of the transnational trade in cotton) (Quark 2011). However one depicts the cotton GPN, the role of small scale cotton producers is a subordinate one and, in a developing country context, small farmers face numerous challenges such as price fluctuations, indebtedness and crop failure without access to insurance or other economic protections or social safety nets.

The global cotton industry also involves very large-scale, highly mechanized forms of cotton production in countries such as the United States, Brazil, and Australia but the majority of cotton is produced on a very small-scale in countries such as India and Pakistan where cotton farmers work on plots of mostly 1-2 hectares. Figure 2 provides an overview of the world's leading cotton producers in 2015-2016.

Figure 2: The World's Leading Cotton Producers

[2] Although these buyers typically own few production facilities, if any, the volume of their purchasing and associated market power provides them with a high degree of power over suppliers to specify what, how, when, where, and by whom the goods they sell are produced.



Cotton has also been heavily subsidized in countries such as the United States, negatively affecting the cotton production and exports of developing country producers and leading Brazil to challenge US cotton subsidies at the World Trade Organization (Black 2016). The international price of cotton is also affected by the stockpiling policy of the Chinese government, which holds a very large national reserve of cotton (ICTSD 2013).

Addressing the sustainability-related impacts of production in this nontransparent and complex production network is a challenging endeavor. Nevertheless, during the last decades, different sustainability standard systems have been formed with exactly this aim. These include fair trade cotton and organic cotton which aim at changing the negative impacts of production (and improving the livelihoods of small producers) via a consumer paid premium on certified produce (Ferrigno 2016) but also the BCI, the focus of this paper. An estimated 13 percent of global cotton supply in 2015 adhered to some kind of sustainability standard (although only an estimated fifth of the 13 percent is actually being bought as more sustainable) (Ferrigno 2016; PAN UK, Solidaridad and WWF 2016). By 2015, the BCI had licensed 1.5 million farmers that produced

approximately 11.9 percent of global cotton supply. These were grown on 3.4 million hectares, constituting 2.6 million metric tons of Better Cotton Lint produced in 21 countries across five continents (BCI 2016b).

According to its homepage, the BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future, by developing BCI cotton as a sustainable mainstream commodity. The BCI is headquartered in Switzerland and has regional offices in various parts of the world. In charge of the BCI's everyday operations, its Secretariat is headed by a CEO and a support team. In terms of its governance structure, the BCI Council is an elected board which represents different member interests that have equal representation on the board (3 seats each) including civil society representatives, retailer/brands, farmer producer associations, textile and garment suppliers and manufacturers in addition to two independent representatives. The Better Cotton Standard System is furthermore made up of six different elements: the BCI production principles and criteria, its capacity building approach, its assurance program, its chain of custody approach, its claims framework, and its way of measuring 'results and impacts'. The BCI's main production principles are demonstrated in Figure 3.

Figure 3: The BCI's production principles

The BCI principles and criteria operationalize the global definition of BCI cotton. According to the BCI homepage, the six production principles of the BCI are as follows:

1. BCI cotton is produced by farmers who minimize the harmful impact of crop protection practices.
2. BCI cotton is produced by farmers who use water efficiently and care for the availability of water.
3. BCI cotton is produced by farmers who care for the health of the soil.
4. BCI cotton is produced by farmers who conserve natural habitats.
5. BCI cotton is produced by farmers who care for and preserve the quality of the fiber.
6. BCI cotton is produced by farmers who promote Decent Work.

Source: http://bettercotton.org/about-better-cotton/better-cotton-standard-system/production-principles-and-criteria/, accessed 14th July 2017.

The BCI standard-setting process was launched at the initiative of the World Wide Fund for Nature (WWF) in 2003-2004. The WWF had undertaken a joint research project with the

International Finance Corporation (IFC) in 2000-2002 which sought to identify the environmental impacts of ten agricultural commodities. Subsequently, the WWF selected palm oil, soy, sugar cane and cotton as the commodities around which organization wanted to develop MSIs due to the sustainability impact, financial sector traction, and the added value that IFC/WWF sector-wide initiatives could provide for each commodity (IIED/Proforest 2004). The BCI standard-setting process was launched as part of this process, with the IFC acting as a co-convener of the first meeting.

3. Methodological Considerations

To study the formulation of the Better Cotton Standard Initiative, we sought to trace the central persons that had been involved in the negotiation of the standard system between 2003 and 2009. In this process, we were helped by the former head of the BCI who introduced our research team to the brand, NGO, government, and other stakeholders that were centrally involved in the BCI standard formulation process over that period. As our study had a main focus on how the BCI has been formulated, implemented, and monitored as a standard system in Pakistan and India, we also reached out to national-level stakeholders in both countries who had been involved in regional working groups in 2006-2008, wherein the BCI secretariat had discussed the draft BCI production principles and criteria with a variety of intergovernmental, governmental, private sector, NGO, trade union, farmer organization and other stakeholders from the countries in question. We developed a detailed interview guide through which we sought information from interviewees about: (i) their personal time of entry and role in the standard formulation process; (ii) their possible subsequent involvement in the BCI; (iii) the key meetings in the standard-setting process; (iv) the main priorities of the involved stakeholders; (v) the evolution of these priorities over time; (vi) the major topics of discussion and contention; (vii) the most influential members of the steering committee/regional working groups; and (viii) the timing and ways in which key decisions were reached.

Interviews were either undertake in person in Europe, India and Pakistan, or via Skype/phone. All interviews were either tape recorded with the permission of interviewees or detailed interview notes were taken and sent back to interviewees for their comments and feedback. We triangulated the information obtained through these interviews with a complete file of background materials and notes from all the meetings that took place in the BCI steering committee and regional working groups between 2003 and 2009. This information was obtained through our wider contacts in the network of former and present members of the BCI and its wider set of

stakeholders. We also reviewed the websites of the BCI and its brand, NGO, and other members for information about their present and historical involvement in the BCI from 2003 onwards. As part of the process of ensuring quality control in the data analysis process, we also obtained two rounds of feedback from the BCI secretariat, a key brand and a key NGO member of the BCI on earlier versions of this article which were mainly used to ensure data accuracy and cross-check our interpretations of the BCI standard formulation process with those of actors who had been centrally involved in the process. The next section details the institutional theory perspective we adopt on sustainability standards and the inherent contradictory institutional logics that exist within them.

4. An institutional theory perspective on MSIs and the negotiation of sustainability standards

Drawing on diverse sources such as historical institutionalism, social movement theory and discourse theory, existing institutional literature has offered valuable theoretical and empirical contributions to understanding standard-setting by analyzing institutionalization as an ongoing and contested political process which engages the agency and strategies of so-called 'institutional entrepreneurs' (Levy & Scully 2007; Levy 2008; Maguire *et al.* 2004; Maguire & Hardy 2006; Etzion & Ferraro 2006; Brown *et al.* 2009; Bartley 2007). Within this tradition, contributions draw on a dialectical approach whereby institutional arrangements and the fields within which they operate are conceived as politically contested terrains and where fields are characterized by contradictions and competing logics (Levy & Scully 2007).

Institutions are social structures that have attained some resilience (Scott 2014). They can take the shape of formal organizational structures but also that of an ideology or an informal custom. Following this dialectical tradition we employ the concept of *institutional settlements,* indicating that institutional stability in a given field is precarious, negotiated and contested (McAdam & Scott 2005) and those institutional settlements like the BCI or, more broadly, attempts to define sustainability, can be seen as settlements of conflict between actors with differential power and competing interests (Bartley 2007).

Even then, authors rightly caution that "the institutional changes that take place will still be embedded in wider asymmetrical institutional structures where dominant players are likely to continue to enjoy more influential positions and the suggested gains for all, or at least some, of the participants in the transition process may fail to materialize" (Brown *et al.* 2009: 186). As

such, it is widely recognized that institutions most often reflect and reproduce pre-existing power relations (on the specific field of private sustainability standards, see Bartley 2007; Cheyns & Riisgaard 2014). When analyzing the mechanisms and strategies deployed by BCI standard makers we employ a framework adapted from Levy and Scully (2007) and Nelson and Tallontire (2014), which argues that a dialectical and interlaced relationship exists between the material and the more ideational dimensions of institutional fields. The ideational dimension we will analyze in the form of dominant narratives reflecting the subjective side of a given institutional field via the conceptualization and framing of issues, while the material side reflects the more instrumental resource-based aspects (see also Brown *et al.* 2009).

Narratives are interpretive devices which represent people, events and causal relations in a particular way. Narratives can thus be seen as structured collections of meaningful texts, which include the meaning systems embedded in routine practices (Levy & Scully 2007). Meaning systems in emerging institutional fields are often threshed out in competing narratives, and narratives often indirectly refer to higher-order societal values in order to enhance their claims (Etzion & Ferraro 2006)

According to Levy and Scully (2007), however, the increasing attention paid by institutional theory to the ideational structure of institutional fields, while making a valuable contribution in rejecting economic determination of the social realm, has tended to neglect the role of the material dimension of field structures and actor strategies. Although not using institutional theory, Cheyns and Riisgaard (2014) similarly argue that when analyzing MSIs, approaches focusing on structural aspects and those concerned with ideational and normative power uncover different but complementary aspects of how power is exercised through MSIs.

As we will explore in this paper, material dimensions such as competitive market pressures, economic leverage or position in a GPN are likely to play a not insignificant role in structuring institutional fields and emerging institutional settlements such as MSIs, along with more general considerations about efficiency, productivity and what is commercially desirable. Power in the context of MSIs is thus seen here as a combination of ideational and material power where standard-setters are concerned with shifting field-level norms, routines, and rules but also with leveraging more material forms of power in order to pressure potential challengers such as other standard systems, producers and workers, and NGOs.

When seeking to understand the tensions inherent in sustainability standard making and how these are navigated in more cooperative approaches it is thus essential to analyze the interlaced relations between these ideational and material dimensions in order to understand what MSI participants would ideally like to do, and how these ideals are facilitated/constrained by material realities. In the following section we discuss this move towards a more cooperation-based approach based on multistakeholding, capacity building and peer-learning.

Moving towards a cooperation-based approach

As noted earlier, sustainability standard initiatives addressing social and environmental issues have proliferated rapidly across a growing range of industries during the past two-to-three decades. The standards, however, vary significantly in terms of *how they are set* (from unilateral business codes of conducts to multistakeholder initiatives), in their *scope* (covering social and/ or environmental issues; spanning across industries or focusing on particular products; regulating entire production networks or particular nodes e.g. production sites) and in how they are *monitored* (internal, external or independent third party verification) (Utting 2002).

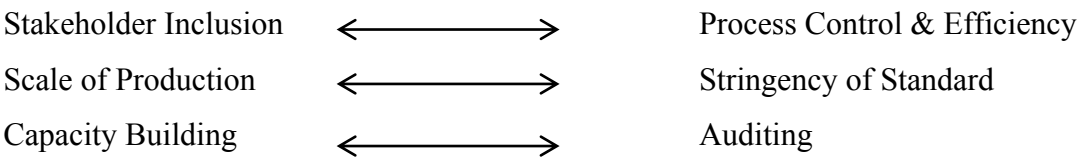
During the last few decades in the wider context of sustainability standards, a broader turn towards more cooperative approaches to standard-setting, implementation and monitoring can be observed. The compliance based approach[3] has increasingly been widely criticized, most notably for the high cost (for suppliers) of implementing the standards, the limited impacts of auditing and the lack of capacity building of local suppliers and their workforce (see e.g. AFL-CIO 2013; Lund-Thomsen 2008). To address these shortcomings, various academics, consultants, retailers and NGOs are increasingly advocating a turn from a compliance-based to a cooperation-based approach to working with sustainability standards in GPNs. This involves: (a) the need to review the purchasing practices of international buyers so that these do not adversely affect the ability of their suppliers to comply with sustainability standards; (b) the encouragement of buyers to invest in capacity building for both local suppliers and their workforce; (c) that auditing move towards more participatory methods including cooperation with local actors such as NGOs or trade unions; and (d) engagement in multi-stakeholder initiatives –to solve both labour rights violations

[3] In short, the compliance-based approach entails retailers/supermarkets/other types of importers developing a code of conduct, then requesting their first tier suppliers to comply with the code. The next step involves auditing of supplier compliance with the code of conduct. In case of non-compliance, the supplier is given a certain period to implement an action plan to correct instances of non-compliance with the buyer code of conduct. In case of continued supplier non-compliance at the end of the specified period, the buyer is supposed to cut ties with its supplier, punishing 'bad' behavior whereas compliant suppliers are to be rewarded with more business (Lund-Thomsen & Lindgreen 2014).

in first-tier factories and agricultural sustainability challenges at the base of GPNs (Locke & Romis 2007; Cheyns and Riisgaard 2014; Ponte 2013; Lund-Thomsen & Lindgreen 2014).

Approaching this broader move towards more cooperative approaches to sustainability standards from an institutional theory perspective enables us to analyse inherent tensions in MSIs between, on the one hand, ideal narratives related to inclusion and cooperation and, on the other hand, more materially based concerns related to competition and vested interests linked to actor positions in the wider GPN. These are illustrated in what we describe – based on the interrelated continuums below – as competing policy concerns that MSIs need to navigate between when designing their standard system.

Figure 4: Competing imperatives in multistakeholder initiatives



Source: authors' own elaboration.

We describe a first continuum as running between 'stakeholder inclusion' and 'process efficiency and control'. The rapid proliferation of MSIs can be seen as a response to growing criticism of the non-inclusive nature of most previous private standards (e.g. Gibbon & Lazaro 2010; Nelson & Tallontire 2014). This criticism was particularly strong when directed at the exclusionary effects of agricultural sustainability standards on producers in the South and on marginalized actors, especially smallholders. As a result, many standards initiatives have begun to recognize exclusion as a problem and sought to make their standards more inclusive, particularly at the levels of standard-setting and governance[4]. A defining feature of MSIs and thus also of the BCI is therefore the multistakeholder nature of the standard-setting process. MSIs generally claim to be inclusive of all relevant stakeholder categories, to be fully transparent and to make decisions

[4] There is a second exclusion problem at play – in which smallholders are excluded due to high costs of certification and difficulty in meeting a given standard (the "stringency" aspect of the second point of tension). For standards that require compliance with an absolute set of practices or results (as opposed to a relatively basic level + improvement over time), they struggle to reach smallholders. If the standard has a mission to improve livelihoods and quality of life for the resource-poor, or to actually make global production more sustainable by addressing some of the worst practices, only reaching those already operating more sustainably will keep the standard niche and not reach vast numbers of smallholders. So exclusion is not limited to the standard-setting process, but also in participation when implementing the standard.

based on consensus (Loconto & Fouilleux 2013, Ponte 2013; Cheyns & Riisgaard 2014). However, involving multiple stakeholders in standard-setting processes can also be highly time-consuming and conflictual. Furthermore, the ability of standard makers to guide the standard-setting process (and thus the end result) in particular directions becomes more challenging with higher levels of stakeholder participation – particularly in decision-making procedures. Hence, an important competing concern is maintaining process efficiency and control in the multistakeholder standard-setting process, i.e. ensuring that the negotiation process amongst the involved parties actually moves forward, and that a standard system is eventually formulated (while kept in line with certain key priorities).

The commitment to multistakeholding relates to the narrative that standards reached via multistakeholding are "better" and more legitimate because they take into consideration the interests of diverse actors. This narrative assumes that it is possible to achieve a high degree of coincidence between the interest of both society and business – and between diverse actors in the GPN. The narrative is at a deeper level related to normative ideas about deliberative democracy and the idea of being able to accommodate different interests by deliberation reached through open debate as proposed by Habermas. Critics have, however, highlighted how exclusion of marginalized actors and ideas works in subtle ways through MSIs accepting specific forms of engagement, knowledge and debate practices, sometimes with reference to the more materialist concern of maintaining decision-making efficiency (see e.g. Cheyns & Riisgaard 2014).

A second continuum in MSI operations where both ideational and material power relations become visible ranges between what we call 'scale of production' and 'stringency of the standard'. Several studies have pointed to an inherent trade-off between the stringency of the principles of sustainable production and the size of the standard programme (e.g. Ingenbleek & Meulenberg 2006; Macdonald 2007), with the key argument being that the more stringent the standard, the more difficult and costly it is for farmers to convert to and comply with. This tends to result in a smaller number of participant farmers. At the same time, large buyers tend to be concerned with stability of volume and price, meaning they often lean towards less stringent standards (Riisgaard 2011).

In the context of sustainability standards where the focus is on reaching a mass consumer market and developing sustainable mainstream commodities, MSIs may also at the rhetorical level be committed to drastically increasing the volume of sustainable commodity production and the

number of farmers/producers involved. However, material aspects of power mediate the extent it is actually possible to implement this discursive commitment. For instance, governmental donor agencies, private charities, and international supermarkets/retailers may push MSIs to rapidly upscale sustainable commodity production and increase the numbers of farmers involved. However, in being pushed towards rapid upscaling, it may not be logistically feasible for MSIs to ensure sufficient quality (however defined) in e.g. capacity building of end beneficiaries and auditing of on-farm activities. In short, the more MSIs move towards rapid upscaling, the more difficult it is to maintain project quality. Similarly, the more MSIs attempt to ensure the quality of standard implementation, the more difficult it becomes to rapidly scale-up the implementation of a given MSI.

The third continuum is between two aspects of MSI operations that we refer to as 'capacity building' and 'auditing'. On the one hand, MSIs will often need to offer their intended beneficiaries such as farmers and/or workers capacity building in the MSI standard that they are supposed to be implementing. From this point of view, the focus is more on using participatory approaches, e.g. involving the end beneficiaries in awareness-raising exercises about the social and environmental criteria laid down in a given standard system. Such capacity building efforts are also likely to touch upon the benefits that farmers (or other local producers) may obtain from investing time, energy, and financial resources into complying with a given standard. Hence, capacity building of firms, farmers, and workers is clearly part of the cooperation paradigm to sustainability in GPNs.

In practice, this results in a potential trade-off. On the one hand, there is an ideal narrative that MSIs need to develop trust with local farmers, "empowering them" to comply with the standard and become more self-reliant in relation to working with sustainable production principles and practices. On the other hand, there is the materially-based concern that MSIs need to be able to prove that farmers actually comply with the standard, carry out the reported activities, and obtain the intended results. In a sense, this involves processes of "disempowering" the intended beneficiaries through increased oversight and control measures. There is thus a direct trade-off between upwards accountability (towards MSI funders) and downwards accountability towards the intended beneficiaries of MSIs (local producers and workers).

In sum, individual standard initiatives will place themselves differently along these continuums according to the interests of their institutional entrepreneurs. An institutional theory approach

focusing on the interlaced relationships between the ideational and material dimensions of actor strategies and institution building efforts can thus offer important insights into the tensions created and how these are brought together and managed in one viable standard package by institutional entrepreneurs. In the following section we analyze how tensions related to these three continuums played out in the BCI standard-setting process.

5. Competing Policy Imperatives in the Better Cotton Initiative

Balancing Stakeholder Inclusion with Efficiency in Standard-Setting

The first of the trade-offs that clearly emerged in the BCI standard-setting process between 2003 and 2009 was how the process could be made as inclusive as possible while still allowing for efficiency in terms of the decision-making process. A central idea in the WWF approach to setting up multistakeholder initiatives was to target the retailers and brands and use the supply chain to drive change rather than WWF working with millions of farmers. For instance, the WWF might work with the top 50 brands that then, in theory, cover most of cotton sourcing worldwide. The WWF and IFC then convened the first meeting of the multi-stakeholder group of actors at a meeting in Sigtuna, Sweden in 2004.

In the initial stages of the BCI standard-setting process, the narrative about MSIs involving more inclusive, transparent, and democratic forms of decision-making did not appear prevalent. Instead it was more concerns with maintaining efficiency of decision-making that appeared to dominate. In the words of a brand representative who took part in these early meetings,

> *"…it started off immediately by getting a wide spread of organizations to be represented but it was of course, Western organizations - European and American."*

In this way, the BCI standard-setting process did not initially appear to differ from other MSIs that have been criticized for excluding the voices of Southern producers and workers. In fact, the voice of labour was not well-represented in the standard process either. This point was explained by a NGO representative that was involved in the process at this stage:

> *"The least represented was on the social side. We had hoped that it would be because XX [a British development organization] had made a big campaign around cotton, subsidies and trade barriers at the Cancun meeting of the WTO that they would engage around this but they were only interested in the campaigning and had no interest in the long-term process of developing standards. So they did not continue to engage. YY [a Dutch development NGO]*

> *also had cutbacks in their social spending and the person that was involved was no longer involved so they did not stay engaged that long either.*[5]*"*

At the second official meeting of the BCI in Utrecht, Netherlands in 2005, it was decided to structure the standard-setting process in a way that would seek to balance the need for efficiency in decision-making processes against the broader objective of ensuring the widest possible participation of stakeholders. Hence, the concern with maintaining an efficient decision-making process once again had to be balanced against the ideal narrative of being more inclusive and transparent in the arena of BCI standard-setting.

It was discussed whether the Better Cotton Group that was to lead the standard-setting process should be a large one with all stakeholders represented, or a smaller group that would then lead a broad consultation process with other relevant stakeholders. The minutes of the Utrecht meeting in 2005 thus recommended the smaller group model "in order to keep the process manageable and moving forward, while designing a rigorous, broad consultation process for the draft standards and technical guidance documents". Here the BCI standard-setting process diverted from the WWF-initiated roundtables for sustainable palm oil and soy by adopting a more streamlined decision-making process. At this point in the process, the concern with maintaining decision-making efficiency was thus at the core of the process of drafting the standard through the adoption of the smaller group model while the ideal narrative of a more inclusive, transparent, and participatory process was relegated to a broader consultation process for the draft standard itself.

From the meeting in Utrecht it was also decided that an expert panel should be put together to define the BCI standard. As some other WWF-initiated MSIs had already come up with the concept of production criteria and principles, this approach was also adopted as a broad model for the BCI although nothing was defined at the time about which specific issue areas should be included in those principles and criteria. In practice however, it turned out at this point that materially-based efficiency in the decision-making process could not be achieved without

[5] It should be noted that this account of events was contested by another former member of the BCI steering committee who thought that the British development NGO and the Dutch development NGO both stayed for a significant amount of time on the steering committee. According to this interviewee, the Dutch development NGO was actually replaced by another Dutch development NGO on the steering committee as a result of a vote and not from their own wish.

including a broader set of stakeholders and making the process more inclusive. As a consultant centrally involved in the process at the time conveyed:

> *"I soon realized that if I wanted genuine expertise for a global initiative given that there is a regional diversity in cotton production……The same plant is being planted in a wide range of conditions. So I thought we're going to need a huge group of people and how are you going to find a group small enough to manage but big enough to have all the expertise? I realized that we will ultimately that we need to test this standard which means that we needed to find places to test it so I quickly came to the conclusion that we needed a much more regional approach to defining the standard. Rather than having a global group that somehow had to be experts in cotton farming in pretty much all the represented group of countries it is far better to do that at the regional level or the country."*

This could thus be interpreted as an attempt by the BCI at embracing the more ideal narrative of inclusive and participatory forms of decision-making, and seeking to avoid excluding local producers and workers from the standard-setting process. In setting up the regional working groups, the steering group ranked cotton producing countries according to production, profile (small holder/large holder), geographic spread, and potential or current interest in the BCI. More specifically, in the words of a former BCI staff member,

> *"There was not really a scientific process (i.e. for the selection of regional working groups), but there were a number of criteria that were taken into account. One was that we wanted to have mechanized and non-mechanized farming. Brazil represented the large-scale commercial mechanized farming. We wanted a mix of rain fed and irrigated. West Africa is more rain fed and India, Pakistan are irrigated. We wanted to have some of the largest producing countries at the beginning. And, we had a very practical consideration. .....We needed local partners in the countries. All of these four [areas or countries] had people who said we can help you in [our] country. So we had entry points, already."*

Hence, it was decided to establish regional working groups in India, Pakistan, West Africa (as a region), and Brazil, involving broader sets of actors such as government officials, farmers, garment/textile suppliers, NGOs, and labor representatives. At the first regional meetings in Pakistan, India, Burkina Faso and Brazil in 2007 a draft of the BCI principles and criteria was presented and discussed. After the end of the first meetings in each of the four countries/regions, a revised version was put together and this was then presented in a second round of regional meetings in 2008. Feedback was also received from other stakeholders such as the International Labor Organization that provided consolidated comments on the draft. On the basis of the feedback received the standard was again revised and a document published that detailed the

feedback received and the BCI response to that feedback. Finally in 2010 the first official version of the standard was published.

When comparing the different drafts of the standard, it is noticeable that the principles have not changed much from the initial steering committee draft. Here the materially-based concern with maintaining efficiency in decision-making through the small group model appear to have been aligned with the ideal MSI narrative of adopting a more inclusive and participatory consultation process through the regional working groups.

Hence, in terms of decision-making efficiency, looking at the feedback from the first round of consultations, the input noted from the different country groups related mainly to practical or technical suggestions for how to formulate criteria and indicators. However, in terms of the ideal narrative of adopting more inclusive and participatory forms of decision-making, the regional working groups also did appear to more contribute directly to the formulation of the BCI standard system. In the words of a BCI staff member who commented on how the principles of farmer paying attention to the quality of fibre found its way into the BCI production principles.

> *"That mostly came from the working group because from a farmer's perspective the quality of the fibre affects the price that they get. If there's a proper system of grading the quality. ...For them it was surprisingly important. It came from the regional working groups, and it was super important because in here there are some things which are minimum requirements and some things which are not. Based on the feedback from the group, we made the fibre quality one a minimum requirement. That was something the working groups were consistently strong on."*

It might also be worthwhile noting here that maintaining the quality of the cotton fibre would not only be a concern of farmers, but also a concern expressed in interviews with global brands and local suppliers and manufacturers. In this way, the ideal of including farmer voices through the inclusion of the fibre quality principle in the BCI standard system did not contradict broader material concerns of other GPN actors.

If we the summarize how the trade-off between stakeholder inclusion and process efficiency was handled in the case of formulation the BCI standard system between 2003 and 2009, we can state that the process was inclusive to the extent that a very broad range of GPN actors from various regions and countries were part of the process of formulating the BCI standard system. However, this was balanced against the need to ensure process efficiency as the main decision-making

authority rested with the international steering committee which included European and North American based-brands and NGOs, as well producer organizations and a trader. The ideal narrative of MSI inclusiveness and participatory decision-making was instead institutionalized through the regional working groups where a broader group of Southern stakeholders provided feedback and inputs to the main ideas articulated in the draft production principles, criteria, and other parts of the BCI system.

Balancing Scalability and Stringency of the Standard System

The second trade-off that we identified in our theoretical section as facing multistakeholder initiatives was the need to balance the scalability and stringency of the standard. It was clear from the beginning that the international brands and retailers that were part of the standard formulation process were keen on ensuring that the BCI standard system would mean that Better Cotton was scalable. This can be related back to the previous experiences of these retailers and brands with fair trade and organic cotton that were based on more ideal narratives about the stringency of standard requirements. As was explained by a former BCI staff member who was centrally involved in the convening of the BCI steering committee:

> *"All of them (i.e. the companies) had experienced sourcing organic and fair trade cotton and they knew that it was really hard and it cost quite a lot of money and there was a shortage of supply and it was quite hard for the farmers to comply with the standard. So, for them they wanted something that dealt with the rest. Organic and fair trade cotton doesn't make up more than two percent of the production. What do you do with the other 98 percent of the production? You can't wait for it to become organic or fair trade. ….. So, for the company, it was about how do we address the rest?"*

Hence, the material aspects of retailer power – most notably increasing the supply of Better Cotton and making it feasible to implement for conventional farmers, placed clear limits on how stringent the Better Cotton Standard could be. In the words of a brand representative:

> *"From the outset, it was said that this was an initiative that would not try to address everything but try to work according to an 80-20 rule…..So if you address 80 percent of the issues (i.e. related to sustainable cotton production), you have probably already addressed majority of the problems…. You could address reducing water use, reducing and improving pesticide use, soil quality, etc. taking those major chunks and addressing those rather than doing the nitty-gritty."*

The trade-off between the materially inspired concern with making Better Cotton a scalable, mainstream commodity and attending to more stringent, ideal narratives, for instance including the Decent Work criterion were also evident at this point. For instance, in response to feedback provided in the regional working groups, the BCI tried to contextualize the Decent Work principle by differentiating between which labour standard requirements were applicable to smaller and larger farms. The BCI established three categories of farms: smallholders (<20 hectares under cotton), medium farms (20-200 hectares) and large farms (>200 hectares). The rationale was the assumption that smallholder farmers were not structurally dependent on permanent hired labour. As a result, fewer requirements related to Decent Work apply to the category of smallholder farmers into which the large majority of BCI farmers fall in countries such as India and Pakistan. The fact that the Decent Work criteria was watered down in the BCI standard system at the level of smallholders could be seen as the BCI adopting a less stringent standard than fair trade and organic cotton standards with a view to enabling the standard to be scalable and possible to use by conventional farmers.

The focus on scalability relates to a narrative which posits that change is only significant if it is scalable. Another aspect of the scalability of MSIs and stringency of standard continuum relates to the question of prices. In more niche standards, such as fair trade and organic, there is often a focus on providing local producers with an above market rate price. Here, the objective is that this will help local producers in obtaining a somewhat larger share of the total value of a sustainable commodity produced in a given GPN and that sustainability releases a quality premium that consumers are willing to pay for. In more mainstream standards, the focus will be on ensuring that sustainable commodity production is done without providing the intended beneficiaries – i.e. local producers – an above market rate price for their products. At the narrative level, it is instead assumed that it will be possible to produce such products without any price increases and that efficiency and quality gains will more than offset any standard related increase in producer costs. This was expressed by one of the NGO participants who took part in the initial years of the BCI steering committee:

> *"From the beginning, we put on the table that if we wanted to get beyond the niche market, there couldn't be a premium as a given on the table. The premium would depend on supply-demand. That early adopters and early verifiers would be the ones to obtain premium. Our theory was that people would be able to make more money using less chemicals, fertilizers and water."*

And the commitment to not giving farmers a price premium for the production of Better Cotton was also echoed by a brand representative in the BCI steering committee:

> *"But of course there were a lot of discussions that it should be for the commodity, it should take into consideration people's profit, there should not be a premium attached to it. That was probably mine and X brand's biggest contribution. At the time we already had a cotton project in (a country in South Asia) where we saw how much it cost to train farmers. Secondly, how much it cost to get hold of the cotton you produced. Thirdly, we saw how much farmers in Y country could improve their incomes and margin with better farming practices. So why on earth should we pay a premium?"*

In our view, however, the commitments of mainstream MSIs to sell sustainable products without any price increase are in themselves a reflection of material power dynamics in GPNs[6]. On the one hand, international retailers and supermarkets may find that the majority of their customers are often unwilling to pay extra for sustainably produced products. Hence, in order to increase the sales of sustainable products, it is vitally important from their point of view that their price does not increase. At the same time, value redistribution within the GPN is most often not on the agenda of international retailers and supermarkets (at least not redistribution towards producers). This means that while local producers are asked to produce more sustainable products, this has to be done without providing them any higher prices for the costly effort of complying with a sustainability standard.

In sum, the central actors involved in the formulation of the BCI standard system, mainly European and North American brands and NGOs, were well aware of the potential trade-off between upscaling the BCI standard system and the relative stringency of the system in relation to other similar standard systems such as fair trade and organic cotton. If Better Cotton was to become a mainstream commodity (with 30 percent of world cotton production being a tipping point), there would have to be a certain degree of relaxation of terms of how stringent the standard could be[7].

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[6] The apparel industry is strikingly different from food and beverage sector. Consumers are much less likely to be willing to pay more for clothing that either contains or supports more sustainable production of raw materials, than to pay more for something they ingest or feed their children. Consumer tendencies are an important factor in why the other cotton initiatives continue to be so niche. Also, the long supply chain in comparison to others, like food & beverage, is another notable difference. When cotton farmers receive a premium, that premium is passed through the supply chain and it expands. This effect is magnified compared to other, shorter supply chains.

[7] In practice, the BCI adopted an approach of continuous improvement. It means a relatively basic level for initial entry, allowing scale, especially with smallholders, but then provides a framework for incremental improvements

Balancing Capacity Building and Auditing

The third potential policy trade-off facing those designing the BCI standard system was whether the standard system should be a certification standard or a capacity building program for cotton farmers. There was no immediate answer to this question and instead the process of designing the BCI's assurance system (i.e. their monitoring and control system) involved in-depth reflection processes and a level of policy learning. In relation to the capacity building of cotton farmers on the ground in developing countries, the brands and retailers that were part of the group initially had very little knowledge or experience in the area of sustainable cotton sourcing or production. Research and field experiments, particularly the partnership between IKEA and WWF in India and Pakistan on Better Management Practices in the area of sustainable cotton production, therefore played an important role in informing the standard formulation process at the international level. As an NGO representative involved in the implementation of sustainable cotton projects in Pakistan explained:

> *"We had first-hand experience so we were obviously sharing that. We were sharing results from our small (i.e. farmer capacity building) projects. There were companies who were doing their own homework. There was lots of information available from other organization like the United Nations Food and Agriculture Organisation (FAO) had its reports and it started a national integrated pest management program in a few countries so we had data from there. Similarly, the Pesticide Action Network had worked in some countries in Africa…"*

At the same time, it was not only in relation to the BCI capacity development approach that the international level steering committee and the BCI secretariat went through a learning process. This was also the case in relation to how the BCI developed its assurance program. According to a consultant who was involved in advising the BCI on how it should design its assurance approach, the key challenge that the BCI faced in designing its assurance system was how to get

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each season. This also means the vision is for producers to do better year on year, not to join and continue the same unsustainable practices forever. Also – regarding premiums – there is no fixed/required premium, but it may be relevant here to discuss the Volume-Based Fee (VBF) that retailer and brand members pay. The VBF is essentially a premium that does not get passed through the supply chain, but when a member declares x amount of Better Cotton sourced, they pay the fee into the Growth & Innovation Fund (formerly the BCFTF, managed by IDH). The GIF then redistributes this funding to partners who build farmer capacity and pays for third party verification for smallholders and medium farms (large farms pay their own verification fees).

the balance between building the capacity of farmers to comply with the BCI standard and monitoring their performance against a measurable set of production principles and criteria right:

> *"One of the real challenges we had was working out whether this was a certification scheme or a capacity building development program or is it something between two. That still is a real tension with BCI….. Simply laying down a law and expecting extremely poor and vulnerable households to abide by that law without capacity, without knowledge and without doing something about affecting their role in the value chain was at best ineffective and at worst very counterproductive."*

The emphasis on capacity building efforts is thus part of an ideal narrative in many MSIs that focuses upon how they will enable local producers (and workers) to comply with the standard through capacity building not policing. The assumption here is that the reason that producers do not act in a sustainable manner is primarily due to lack of knowledge. This idea of "willing" actors who will act sustainably if only they are taught how is thus indirectly positing that questions of power and resources can somehow be ignored when discussing sustainability.
A similar point of view was expressed by a former BCI staff member who took a lead in facilitating the process of formulating the BCI standard,

> *"At the time, we firmly believed that auditing does not work. Auditing is not a capacity building approach. Auditing just costs a lot of money but you need it for the perception of the consumer. But otherwise it is a useless process…So the process we wanted them to go through was a bit more intensive. These farmers had to complete a self-assessment process, learning groups. It was a very bottom-up process with minimal auditing."*

On the other hand, MSIs also operate within a context of material power relations. Funders of such initiatives, whether they are (inter)governmental donors, private funding agencies, consumers or international brands/supermarkets, also need some form of accountability. In other words, they require proof that the money they are investing in MSIs leads to the desired end results. Hence, this gives rise to the need for auditing – i.e. first, second, or third party checks to ensure that farmers or other local producers are actually complying with the MSI standard. For this purpose, most MSIs develop different systems for data gathering at the level of implementation and internal/external monitoring visits to verify (and often certify) that the reported activities and results are actually obtained.

In short, the BCI wound up with a kind of compromise between engaging in a more compliance-oriented strategy – an auditing approach – and a cooperation based approach to implementing the BCI standard system in its work with farmers. Here, a central idea was that the BCI would not be measuring the absolute performance of BCI farmers in terms of their level of compliance with the BCI standard. Instead the BCI would focus on ensuring the continuous improvement of farmers in relation to meeting the production principles and criteria laid down in the BCI standard system. This was explained by an NGO staff member who was involved in the early stages of negotiating the standard:

> *"Another area that was of concern was whether you measure performance and have people in or out or whether you just encourage producers to get better through a continuous improvement program. In the BCI, the decision was made not to measure specific performance and either approve or not approve (i.e. certify farmers) but rather to look at overall performance and continuous improvement. That was driven by a couple of things. It is very hard to measure individual performance when it is producers who have less than a hectare of cotton. So you naturally need to be looking at them in terms of growers' associations and regional associations in the areas that contribute into the volumes that are ginned in one single cotton gin. But it is a kind of watershed issue. Whether you measure performance and keep people in and out of the program based on performance or whether you simply measure improvement. BCI has actually measured improvement which shows improvement in water, pesticide and fertilizer use and both productivity and income. That may not be perfect but it is better than those programs that do not measure."*

In theory, the BCI sought to address the potential trade-off between adopting a more compliance-based approach and a more cooperation-based approach by envisioning that data gathering processes (as a way of demonstrating compliance with the BCI standard system) could actually become part of the capacity building process of farmers. In the words of a former BCI staff member,

> *"Because the farmers should be gathering the data, anyway, in order to realize the benefit of what they are doing. So it is part of capacity-building. You are building their capacity to measure and make more money from their farms which they may not necessarily know how to do. We had farmer field books. The few farm projects that I managed to visit, the farmers were most proud of the field books. They would say come look at my field book from the back, we have our beneficial insects, we made our calculations and they are very proud of saying that I know now that I made this much more money this year. That was just like a no-brainer."*

In sum, while those centrally involved in the design of the BCI as a multistakeholder initiative conceived of the possibility for usually combining auditing and capacity building approaches, and while such approaches had indeed successfully been tested through field trials in India and Pakistan in the late 2000s, the interesting question that emerged at the start of the actual implementation of the BCI standard system was whether this delicate balance between auditing and capacity building could be maintained once the standard system was scaled up with an ultimate target of 5 million farmers being licensed as BCI farmers in the year 2020.

Conclusion

In this article we have traced the standard formulation process in the BCI between 2003 and 2009 which resulted in the eventual adoption of the standard in 2010. We focused on identifying what we consider to be some of the key underlying ideational and material forms of power that influenced the process of standard formulation. We identified how these forms of power led to the emergence of underlying policy trade-offs that were likely to influence to the post 2010-development of the initiative. In this way, our current work develops the logics of empowerment and control suggested by Auld *et al.* (2005) who posit that MSIs are often caught between the logics of empowerment (where MSIs seek to remedy the exclusion of marginalized actors in the global economy) and control (where MSIs establish strict and enforceable rules).

Admittedly, our analysis of the standard formulation process between 2003 and 2009 is a necessarily a partial one. Each aspect of the standard system – the production principles and criteria, the capacity building approach, the assurance program, the chain of custody approach, the claims framework, and the BCI's way of measuring results and progress – have their own histories that could be traced back in time. Hence, future studies of the BCI standard formulation process may wish to dig deeper into these aspects of the process.

More broadly, we hypothesize that these competing policy imperatives are very likely to be transferrable to other mainstream, standard-setting MSIs that are aiming to scale up the production of sustainable commodities. The precise institutional settlement that results from the negotiations and the intersections of the ideational and material realms will vary across the different MSIs. In our view, it is thus not that MSIs can avoid navigating these policy trade-offs, but rather that the ways in which they seek to bridge these competing policy imperatives may influence their ability to achieve their ultimate mission. In the case of the BCI, this implies that the trade-offs we describe will influence whether it can "make global cotton production better for

the people who produce it, better for the environment it grows in and better for the sector's future, by developing Better Cotton as a sustainable mainstream commodity" (BCI, 2016b).

Thus, we think it likely that there are direct links between the institutional settlement obtained, MSI implementation on the ground level in variegated institutional contexts, and the ultimate effects that MSIs have on farmers' incomes, work conditions, and environmental pollution levels on export-oriented farms in the Global South. For instance, if farmer concerns, particularly their business interests, have been incorporated in the sustainability standard, they may be more likely to adopt the standard, increase their yields and lower their costs, thus raising their overall incomes. Similarly, if MSI implementing agents – for example local NGOs – have to spend much more time measuring farmers' level of compliance with a given mainstream sustainability standard than building farmer capacity, MSIs are likely to have significantly less influence on improving farmer incomes and reducing environmental pollution. Investigating these purported links between the nature of the institutional settlement within MSIs, implementation and monitoring in diverse institutional settings, and direct outcomes for farmers, workers, and the environment may thus provide fruitful avenues for future research[8].

[8] Further papers are in development from this research to explore these connections in the context of the BCI in India and Pakistan.

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