



When Multi-Party Negotiations Hit Gridlock

“Green clubs” demonstrate the complex problems that can result from powerful companies and NGOs grouping together to improve environmental sustainability. But there are also lessons for achieving change.

Until 1997, the environmental degradation of Borneo had gone largely unnoticed in public opinion and politics. Deforestation, caused by logging, agriculture and mining to provide land for palm oil plantations suddenly made global headlines as smog from fires that had been set to clear land for plantations engulfed the whole region.

As noted in my paper with my colleagues Renato Orsato of the São Paulo School of Management & Stewart Clegg of the University of Technology in Sydney, **The Political Ecology of Palm Oil Production**, the press, eco-activists and non-governmental organisations blew the whistle. Those who had been campaigning against the deforestation and logging exploited the momentum by intensifying campaigns against large organisations involved in the value chain of palm oil. In response, the industry hastily organised a multi-stakeholder coalition led by the largest players in the sector called the Roundtable on Sustainable Palm Oil (RSPO). Primary players in the palm oil supply chain as well as NGOs and financial institutions were invited to join. Greenpeace refused to do so and continued to campaign against industry practices on the sidelines.

Yet by June 2013, the haze was back with a vengeance, setting air pollution records in

Singapore and Malaysia. The seeming lack of progress in 16 years left many wondering why this seemingly determined multi-stakeholder group had not achieved major changes to environmental practices in the industry and whether gridlock would be resolved before the forests disappeared.^[1]

“Green Clubs”

Voluntary organisations such as RSPO, commonly known as “Green Clubs”, are designed to assist industries in developing and implementing environmental standards. Other prominent green clubs include Responsible Care (for the chemical industry) and Sustainable Forestry Initiative (for the logging industry). By advertising their membership in a green club, companies can improve their standing in the environmentalist camp.

With one side of the table arguably concerned more with reputational than ecological damage, the fundamental clash of values within green clubs makes any analysis far from simple. Among RSPO’s nearly 1,300 members are companies responsible for about 40 percent of the world’s palm oil. These members wield considerable clout as leaders of a \$44 billion industry that can claim to provide “an incomparable means of poverty alleviation,” in the

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words of U.S.-based pro-industry group World Growth.

The complex power dynamic of green clubs exacerbates the inefficiencies inherent in multi-stakeholder negotiations. Delving a bit deeper into this might help explain why RSPO membership seems to have served more as a defensive maneuver for the industry than an efficient tool for change.

“Blanket” Negotiations

At the heart of the matter is the question of how RSPO defines “sustainable palm oil”. The RSPO standard, launched in December 2007, avoids taking a hardline stance on broader environmental ramifications such as peat land exploitation, greenhouse gas emissions, and water pollution. Greenpeace, which has refused to join RSPO, wrote in a 2013 report, “The RSPO wants its members to be industry leaders in sustainability, but its current standards leave it free to destroy forests.”

RSPO seems to be playing a minimum-standards game that is a predictable outgrowth of the organisation’s multi-stakeholder structure. Arriving at decisions by consensus, all things equal, is an effective way to keep diverse groups intact over the long term, but it’s not a practice known for encouraging bold moves. It usually means that progress, when it occurs at all, will be agonisingly slow.

This underscores one of the biggest differences between one-on-one and multi-party negotiations. It’s what I call “the blanket effect”: If two people share a blanket, a comfortable equilibrium is much more easily achieved than if you have three or more people wanting to use the same blanket. The larger the group, the more parties are potentially left in the cold. The only way to assure equality is to rotate the blanket among the group, but that means all members will be frustrated a certain percentage of the time. Over a long period of negotiations, frustration leads to fatigue, and a lowered tolerance for the pride-swallowing and discomfort that come with compromise.

And this assumes all parties are negotiating in good faith. If even one or two are purely self-serving, goodwill can drain from the negotiation even faster.

Additionally, multiparty negotiations have a worse track record of creating additional value than bilateral talks. Consequently, multiparty negotiators commonly prefer inertia or inaction to any moves that may present unanticipated risks. Knowing that this may be the only way to keep everyone reasonably happy or at least equally unhappy, parties grow even more unwilling to rock the boat.

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Possible counterweights to this dynamic include strong or visionary leadership, majority consensus, and urgency demanding change. In the palm oil case, while the urgency seems to be increasing on a daily basis, the parties may not be feeling it enough to push for more concrete action, e.g. specific and higher standards.

Greenpeace and Unilever

The natural response of interested outsiders to these sluggish negotiations is impatience, and a desire to intervene. But this can backfire, as happened in April 2008, when Greenpeace targeted RSPO chair Unilever, which purchases around 1.5 million tonnes of palm oil and its derivatives annually, demanding that the company do more to “bring the rapidly expanding palm oil sector under control.” The campaign included a raid on the company’s London headquarters by a troop of activists in orangutan costumes. Unilever acceded to Greenpeace’s demands, but Greenpeace apparently believed that Unilever alone had both the financial muscle and standing within RSPO to speed up the pace of change.

However, RSPO, ostensibly a sustainability-focused group, became a powerful instrument for the palm oil producers to organise opposition to Greenpeace and Unilever’s proposals. As Lettemieke Mulder, then Unilever’s director of global external affairs, put it, “We had to face a large opposition that felt completely damaged.” Ironically, it’s possible that without RSPO, the producers would not have been so staunch in their defense of industry status quo. The result was to drive a wedge between Unilever and other RSPO stakeholders, provoking speculation that the company may abandon the group under pressure from Greenpeace.

Greenpeace may have been more successful if it had focused on providing more data to the debate and making that data public to increase awareness and a sense of urgency. Outside groups need to deal with Green Clubs as a multiparty effort and not believe that the influence of one member, no matter how strong they are, will yield easy results. This amounts to attempting to short-circuit the process, and it has the potential to backfire, as the RSPO example shows.

Who Participates?

RSPO is not broken, nor is it entirely to blame for its slow rate of progress. Even under current standards, sustainable palm oil is relatively costly to produce, and (despite activists’ best efforts) end-consumer demand still falls far short of what’s needed to get manufacturers over the price hurdle. A significant portion of sustainable palm oil ends up being marked down and sold on the conventional market.

As of July 2013, however, only two companies had been expelled from RSPO for non-compliance, which appears to support the claims of RSPO's fiercest critics that membership in the roundtable is nothing more than "greenwashing." To prove its seriousness, RSPO may have to make examples of some of its worst offenders. That would possibly help ensure RSPO certification maintains legitimacy, and may also make negotiations less fraught in future. After all, the outcome of a multi-party negotiation depends greatly on who is invited to the table and how much participants are willing to share the blanket.



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[1] If no action is taken, these challenges are bound to grow further. The growth of the market for palm oil --- widely used in food, health, energy and cosmetics -- is likely to continue due to its higher yields per hectare and thus significantly lower production costs than comparable crops. In addition, the palm oil industry is growing beyond Malaysia and Indonesia (the world leaders with around 80% of the market), thus spreading its social and environmental challenges at a global level.

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