

Chapter 11

Roadmap for Building Sustainable Strategy Options



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11.1 Mutual-Gains Approach to Sustainable Policy

11.1.1 *Failure of Command and Control Approach*

Traditionally, the command and control approach has dominated the realm of environmental regulations. In a nutshell, the government is supposed to set a standard by obtaining objective scientific information and conducting a rational assessment of risks and benefits, and to enforce it by conventional stick and carrot mechanisms such as monitoring and penalty. In reality, however, this model has turned out to be not as effective as it was supposed to be. First of all, the cost of monitoring all regulated activities turns out to be too large for the public to pay for. While there have been efforts to improve monitoring devices, only a few who tries to make a large sum of short-term profit by evading regulations can do an enormous harm to the environment. Secondly, the command and control approach encouraged distrust among stakeholders. Supervising agencies and environmental groups are always being skeptical about what the industry does. Meanwhile, the industry becomes frustrated with the regulatory pressures and tried to manipulate through lobbying. In the end, rule-making processes become acrimonious, and the main goal of protecting the public through regulation is forgotten in the battle.

Thus, a new approach to rule-making is needed. In preparing the sustainable strategy options for biofuel utilization, an alternative to command and control is needed as well. It is simply impossible to set an ideal strategy for sustainable biofu-

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els and hope to have it implemented by powerful leaders and government agencies in the current environment of politics.

11.1.2 An Alternative: Mutual-Gains Approach

While different alternatives to command and control approach have been discussed in the field of environmental policy, authors here focus on the mutual-gains approach. The basic premise of the approach is to foster voluntary agreement among stakeholders. As we see in the command and control approach, if each stakeholder tries to “win” an argument over its adversaries, then there won’t be any cooperation among them. When everyone tries to “win” and expects others to “lose” (so-called “win-lose” situations), the result is often a “lose-lose” situation in which all stakeholders fare less than they could have achieved because they cannot create values through cooperation.

In order to achieve so-called “win-win” outcomes, each party must be willing to cooperate with other parties to create values by exploring the areas that it can contribute to the other side. Toward this goal, different stakeholders, including the government, industry, and NGOs, have to negotiate on the equal footings. Government agencies are not endowed with the lightning rod any more.

In the context of biofuel utilization strategy, contributors to this volume have identified a wide variety of stakeholders. While government agencies are one of the key actors, there are many others who have the significant power in the course of the implementation of biofuel utilization even in the developing nations. Therefore, an alternative approach to strategy building that seeks voluntary agreements among the stakeholders is likely to produce more effective strategies than other approaches that seek a realization of an ideal world through command and control and political struggles.

11.1.3 Practice of Mutual-Gains Policy Formulation

There have been a few practical advices regarding how stakeholders can find mutually beneficial agreements that they can live with. The first principle is to focus on interests, not positions (Fisher and Ury 1987). Stakeholders in biofuel utilization will unavoidably make positional statements in the course of strategy building, particularly if they are in a bad relationship in which each of them seeks a “win-lose” outcome. In many cases, however, such positional statements are exaggerated and a manifestation of their ideals that they hope to achieve. On the other hand, they have specific interests in the issue and hope to improve the situation. Interests are possible answers to “Why do you want the conditions that you made in the statement?” For instance, an environmental advocate might say, “No tree shall be cut!” If s/he is asked for why, s/he might say, “I’m concerned about the life of pristine

orangutans!” It might be difficult for other stakeholders to accommodate the first claim, but maybe able to deal with the second one. Thus, understanding the interests behind positional statements can lead stakeholders to a productive negotiation that could lead to a mutually agreeable solution. This is the first principle of the mutual-gains policy formulation.

The second principle is a step ahead from the first principle. Once varying interests of stakeholders are identified, there might be possible trades between these multiple interests that can bring about benefits to both parties. In the case of orangutans, the developer might be able to try all possible measures to protect the forest where orangutans live, while the environmental advocate might be willing to concede in the development in the area where no orangutans live. Such trade is impossible if both parties insist on their rights and positional statements. Mutual-gains approach to policy formulation seeks such trade that brings about benefits to all stakeholders.

Lastly, any strategy building effort should recognize the bottom line of each stakeholder. The best alternative to a negotiated agreement, abbreviated as BATNA, is a condition that each stakeholding party decides to leave a voluntary agreement and take a unilateral action. Any collaborative strategy for policy formulation should provide each stakeholder a benefit whose size excels their BATNA. If the strategy is based on a wide variety of stakeholder interests, it would be able to provide sufficient benefits to each party because cooperative mechanisms embedded in the strategy can produce enough benefit for the stakeholders to share.

When some stakeholders have extreme expectations regarding their BATNA (e.g., they believe that any form of collaboration with other parties would harm their political interests), then mutual-gains approach to strategy building might not be possible to involve such stakeholders. In such cases, other stakeholders should probably give up such fundamentalists after trying to persuade the possible benefit of collaboration.

11.1.4 Challenges in Mutual-Gains Policy Formulation

While mutual-gains approach is likely to be more stable and efficient in the long run, compared to the traditional command and control approach, there are many challenges that the strategists have to be prepared to deal with. The first challenge, especially in the context of biofuel utilization, is the range of stakeholders that a strategy has to care about. As mentioned in the previous section, biofuel utilization strategy at the global, regional/national, and local level has to consider interaction with other levels of governance. For instance, local deployment strategy still has to consider the implication of sustainability standards, which is discussed at the global level, to the strategy. It also has to consider national policy and regulation as well.

Therefore, stakeholder-based approach entails difficulties with defining boundaries around the analysis. In practice, it is likely that there are a practical number of stakeholder representatives for each project and strategy building effort. The num-

ber of stakeholders involved in a project has to be in a manageable order. One pragmatic solution is to limit the number of stakeholders, while allowing other stakeholders to observe the progress of strategy building and provide meaningful inputs to the process. There is no theoretically defensible answer, however, as to the boundary of stakeholders to be considered in the strategy.

The second challenge is uncertainty regarding the implementation of the strategy. While mutual-gains approach is more resilient in this aspect than the inflexible command and control approach, shifting political environment might block the implementation of formerly agreed arrangement. For instance, a new president might be elected on a totally different platform on biofuels. In such instance, the strategy has to be revisited, and a new round of negotiation between stakeholders has to be organized. In addition to political uncertainties, there are also scientific uncertainties. We still do not know exactly what would happen if the concentration of greenhouse gases continues to increase, for example. We do not know what kind of innovations might occur in the future in the field of biofuels. In order to deal with such scientific uncertainties, the strategy has to have an embedded system that would allow periodical redesign of the strategy for incorporating the up-to-date scientific knowledge and innovations.

The last challenge is the tension between creating and claiming value. Theories of negotiation found the innate difficulties of bringing parties together for collaboration because the collaboration always has an aspect of competition (Lax and Sebenius 1986). In the context of biofuel strategy building, some stakeholders might hold on to their positional statements in the hope of obtaining more concessions from other parties. This is an inevitable challenge in implementing the mutual-gains approach to strategy building and has to be dealt with by professional process managers who have expertise in managing the tension among stakeholders in similar situations.

11.1.5 Mutual-Gains Biofuel Policy-Making in Action

There are a few examples of such mutual-gains approach identified in this volume.

The utilization of bagasse for the electricity generation, described in Sect. 2.1.2, is an interesting example of mutual-gains approach by involving different stakeholder groups in the picture of plantation development. While it would be difficult to justify the environmental impact of sugarcane-based ethanol production from the viewpoint of life cycle assessment, the same project can be justified by involving the interest of utility companies and electricity users who have concerns about the CO₂ emissions from additional coal fire power plants. Electricity generation from bagasse is a typical but an ideal “win-win” solution that brings about benefits to all involved parties. The most interesting aspect of this case study is that, however, this predictable collaboration is now supported by a detailed study of life cycle assessment. This seems to provide evidence that the mutual-gains approach is in fact economically more efficient than conventional approaches encourage each stakeholder to focus only on their preconceived interests.

Community-based utilization of *Jatropha* in Indonesia, described in Sect. 2.2.2., is another interesting case of collaborative strategy building. The traditional top-down approach by the central Indonesian government to propagate the *Jatropha* production across the country has obviously failed few years after its inception in the early 2000s. The authors of the case study suggest an alternative that looks at the common interests of the local stakeholders who need basic fuel sources for cooking and other household jobs. Thus they suggest the use of *Jatropha* at the community scale. This community-based strategy might seem to have miniscule impacts compared to the national strategy. But the readers should be aware that the national strategy simply failed because it didn't address the interests of the stakeholders at the local level. The size of resources wasted in the national effort should not be left unnoticed. While the proposal for community-based *Jatropha* utilization might be a small contribution to the biofuel strategy in terms of the size, it is much less likely to produce the negative effect that the national program had in the past.

At the international level, RSPO, RSB, GBEP, and other organizations' effort for sustainability standard setting and other kinds of activities for improving the sustainability of biofuels are typical examples of mutual-gains approach. As mentioned in Sect. 1.2., these organizations explicitly cares about the attention to the full range of stakeholders related to the sustainability of biofuels. While they vary in terms of the scope of the issues and the approach to sustainability, their strategy seem robust in principle from the standpoint of mutual-gains approach. One concern would be, however, the involvement of full range of stakeholders and political processes within each organization. Operation of these organizations should be studied in details from the stakeholder perspectives further in the future.

11.2 Deliberative Policy Formulation for an Improved Sustainability

11.2.1 Concerns About Conventional Neoliberal Approaches

While mutual-gains approach to policy formulation seems to have an advantage over the traditional command and control approaches regarding the stability and predictability of implementation because of stakeholder supports, there have been a few sharp critiques on the way it has been manipulated by certain categories of stakeholders who has the power. In particular, mutual-gains approach assumes that a theme of the policy discussion is given by the stakeholder, or convenor, who initiates the policy-making effort. Those who have the power and resources to design the policy formulation process can manipulate the process quite easily in the name of public participation. For those who are concerned about the democratic nature of public policy processes, mutual-gains approach might not be paying enough attention to the power imbalance in the phase of agenda setting (Kingdon 1998).

The most common critique would be about the validity of stakeholder representatives in the forum of discussion. For instance, can we discuss sustainable biofuel utilization without involving the representatives of indigenous people who lives in

the tropic forests of Indonesia? Some might argue that such stakeholders are represented by certain civil society organizations. Others might still criticize the representatives are “brived” by the organizer and thus their participation is not considered as a valid form of stakeholder representation.

In this context, the mutual-gains process could be manipulated in a way that reinforces power imbalance in policy-making processes between the rich and the poor. This kind of discussion can easily lead to the debate over the “fair” and “equitable” division of wealth created through collaborative efforts by stakeholders who have different power in the conventional processes.

These critiques do not completely dismiss the value of mutual-gains policy formulation processes per se. Rather, these are a kind of mild warning for us about the possible manipulations of processes by a limited number of powerful stakeholders. Anyone who organizes the policy formulation process is morally obliged to consider the “fair” processes regarding the choice of stakeholders and agenda. If the subject matter is related to the rights and value questions that cannot be resolved by focusing on the interests, one may consider taking a different path that primarily focuses on the deliberative aspects of policy discussions, as discussed below.

11.2.2 New Forms of Governance

Responding to such critiques, a new school of political scientists since the beginning of this century has started to explore a concept called deliberative democracy. In this framework of policy formulation, participants are asked to engage in a discussion as free citizens without worries about the value creation and other self-interests. Instead, they engage in discussions based on “reasons” and try to identify a common set of ideas they can agree with irrespective of their own interests.

The idea for deliberation, drawing on Greek tradition of political debate but recently revitalized by Gutmann and Thompson (1998), tries to address moral questions that cannot be solved through bargaining over individual interests that is presupposed by the mutual-gains thinking. For instance, one may question what the “sustainability” means. This is not a matter of discussion of bargaining. It is more about the public perception and theoretical discussion about what the public accepts as a norm and common language.

Practitioners, particular in the field of science policy, have explored the application of deliberative discussions. For instance, Danish office of technology assessment has been gathering members of the public by random sampling and asking them for a deliberation over important scientific issues. Other kinds of deliberative democracy projects have been experimented in northern European countries, as well as in some parts of the United States.

11.3 Resilient Governance

11.3.1 *Uncertainty and Governance*

High levels of uncertainty require a different strategy formulation process that pays particular attention to its risk and benefit. The command conventional and control approach fares the worst in such environments. It assumes government agency's unilateral imposition of previously determined regulations, which has undergone rigorous examination of the public decision-making processes. Whenever the environment surrounding the regulation changes, the government agency has to revisit the configuration of regulations by conducting a "rational" analysis, propose an alternative set of regulations, and go through the rigorous (and often time consuming) public decision-making processes. Such closed and stringent systems cannot fit with the rapidly changing environment, leading everyone into a terrible situation.

Mutual-gains policy formulation and other kinds of deliberative processes, however, can also be even more time consuming especially if they have to do the discussion from the scratch every time the situation changes.

Under the high level of uncertainties, it would be quite difficult for the stakeholders to come up with a comprehensive agreement because there are so many question marks regarding what might happen in the near future. For instance, how far can we be confident that there will be no severe weather conditions that can harm the production of feedstock? We might know how likely it is, but we can't no definitely whether it will happen or not in a foreseeable future. Do we know exactly when new robust innovations for biofuels production will be available? It is advisable for the stakeholder group to stay away from debating over these questions because we simply don't know when it really happens.

An alternative is to shift the focus from decision-making processes to institutional developments while maintaining the principles of mutual-gains and/or deliberative discussions. Under the high level of uncertainty, strategy does not have to be finalized, but the working group of stakeholders and/or selected members of the public needs to be set up so that they can reconvene quickly and periodically after new information or situation comes up.

This means a creation of institutional mechanism for dealing with the ever-changing situations. The mechanism must be structured as an open system that allows flexible reconfigurations of participants and agenda in order to avoid the capture of the process by a few powerful interest groups.

11.3.2 *Creating Resilient Institutional Mechanisms for Biofuel Utilization*

How could we incorporate the argument for resilient governance into the discussion of biofuel utilization strategy? The question has to be answered for different levels of governance.

At the local level, biofuel project might be better conceived as an institutional building rather than as a project that completes within a specific time frame. Through the mutual-gains model, they might be able to reach a mutually satisfactory utilization strategy. They might be able to deploy a conventional technology in a short run with satisfaction to every stakeholder. In addition to that once-through process, they are encouraged to form an organization and institutionalize rules regarding how they maintain and reconfigure the project outcomes. A new technology might be available only 1 year after the completion of the project. Local weather condition might change due to climate change, and the necessary feedstock might become unavailable in the field. With such institutionalized mechanisms, local stakeholder can easily adapt its biofuel utilization strategy to the changing environment.

At the regional/national level, the same kind of organization is necessary to deliberate and negotiate on the biofuel policy. Such a body has to set forth biofuel policy and regulations in a timely manner. This regional/national arrangement has to be in accordance with the global and the local level.

Lastly, at the global level, institutional development has already begun by a few stakeholder-focused initiatives, such as RSPO and RSB. While they produce sustainability standards and other kinds of guidelines as a product of their mutual-gains policy formulations, the organization itself is a manifestation of institutional development (i.e., these organizations are not disbanded after the preparation of certain documents). A wide variety of stakeholders continuously collaborate under these institutions. One possible concern about these institutions hinges on their openness. Are they willing to change its membership according to the changing situations in the field? Do they engage in the reflective practice that periodically questions the effectiveness of institutional arrangement? Detailed studies on the actual management of such international organizations are much needed.

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