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Voluntary sustainability standards and legitimacy trade-offs in the Finnish Coffee Value Chain

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Author:

Siri Juvonen

Supervisor:

PhD Bodo Steiner

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Author: Siri Juvonen

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Abstract:

Coffee is one of the most traded goods in the world, and Finns are the ones consuming the beverage the most on a per capita basis. In terms of sustainability, the value chain of coffee is of interest from an environmental, social and economic perspective. Being a global value chain, coffee production, processing and trade is affected by regulation and therefore several certification schemes and voluntary sustainability standards are trying to address multiple sustainability issues in the coffee industry.

The aim of this thesis is to explore which stakeholder groups effect the decisions related to sustainability practices of organization's operating in the Finnish coffee business, and to understand to what extent the choice of different voluntary sustainability standards by coffee value chain (VC) stakeholders is a function of "legitimacy trade-offs", in terms of balancing an organization's internal expectations and norms with external expectations and norms. The overall research question is as follows: To what extent is the choice of different voluntary sustainability standards by coffee value chain (VC) stakeholders a function of "legitimacy trade-offs", in terms of balancing an organization's internal expectations and norms with external expectations and norms? This is studied first through a short literature review on stakeholder theory, institutional theory and a recourse-based theory. The subsequent empirical study part was based on survey research, which was executed through a self-administrative web questionnaire. The questionnaire was sent out to Finnish companies in the coffee business.

The results of the empirical study highlighted that there is pressure from both internal stakeholders (employees and shareholders) and from some external stakeholders (including domestic customers) to adopt or not to adopt different standards, confirming that coffee businesses in Finland (roasters/processors) must indeed be balancing the needs and wishes of different stakeholders in the coffee value chain. The results also suggest why different organizations adopt different certification schemes while some did not use any. In sum, the views on the usefulness and stakeholder expectations regarding certifications varied, and some organizations hope that certifications contribute to improved coordination and cost savings.

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Kahvi on yksi maailman kaupatuimmista hyödykkeistä ja suomalaiset kuluttavat kyseistä tuotetta eniten maailmassa henkeä kohti laskettuna. Vastuullisuuden kannalta kahvin arvoketju on kiinnostava niin ekologisen, sosiaalisen kuin taloudellisen kestävyuden näkökulmasta. Koska kahvi on globaalin arvoketjun omaava tuote, on sen sääntely monimutkaista. Tämän takia useat sertifiointijärjestelmät sekä vapaaehtoiset vastuullisuusstandardit pyrkivät käsittelemään ja ratkaisemaan kahvialan lukuisia vastuullisuuskysymyksiä.

Tämän tutkielman tavoitteena on selvittää, mitkä sidosryhmät vaikuttavat suomalaisessa kahvialalla toimivien organisaatioiden vastuullisuuskäytäntöihin liittyviin päätöksiin, ja ymmärtää, missä määrin kahvin arvoketjun sidosryhmien valinta erilaisten vapaaehtoisten vastuullisuusstandardien välillä on "legitimeettikompromissien" funktio, eli organisaation sisäisten odotusten ja normien tasapainottelu ulkoisten odotusten ja normien kanssa. Tutkielman tutkimuskysymys on seuraava: Missä määrin kahvin arvoketjun sidosryhmät valitsevat erilaisia vapaaehtoisia vastuullisuusstandardeja "legitimeettikompromissien" perusteella, kun organisaation sisäisiä odotuksia ja normeja tasapainotellaan ulkoisten odotusten ja normien kanssa? Tätä tarkastellaan ensin lyhyen kirjallisuuskatsauksen avulla, joka käsittelee sidosryhmäteoriaa, institutionaalista teoriaa ja resurssiperusteista teoriaa. Tämän jälkeen empiirisen tutkimuksen osa perustuu kyselytutkimukseen, joka toteutettiin verkkokyselylomakkeella. Kysely lähetettiin suomalaisille kahvialan yrityksille.

Empiirisen tutkimuksen tulokset osoittivat, että sekä sisäiset sidosryhmät (työntekijät ja osakkaat) että eräät ulkoiset sidosryhmät (muun muassa kotimaiset asiakkaat) painostavat ottamaan käyttöön tai olla ottamatta käyttöön erilaisia standardeja. Tämä vahvistaa sen, että suomalaisten kahvialan yritysten (paahtimoiden/jalostajien) on todellakin tasapainoitettava kahvin arvoketjun eri sidosryhmien tarpeiden ja toiveiden välillä. Tulokset antavat myös viitteitä siitä, miksi eri organisaatiot ottavat käyttöön erilaisia sertifiointijärjestelmiä, kun taas jotkut eivät käytä sertifikaatteja lainkaan. Yhteenvedona voidaan todeta, että näkemykset sertifiointin hyödyllisyydestä ja sidosryhmien odotuksista vaihtelivat organisaatioiden välillä. Lisäksi jotkin organisaatiot toivovat, että sertifiointit parantavat koordinaintia ja tuovat kustannussäästöjä.

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1 Introduction

1.1 Motivation and research question

Coffee is one of the most traded commodities in the world and its demand is constantly growing (FAO, 2021). Finnish people are the highest consumers of coffee per capita in the world and the average Finn consumes four cups of coffee in a day (Valkila, Haaparanta, & Niemi, 2010, Finnwatch, 2016, FAO 2021). The coffee business is global as coffee is a good that is largely consumed in developed countries but its grown and farmed in developing countries. Coffee is mostly produced in South and Central America, Africa and Asia. The production of coffee has many sustainability challenges from all the aspects of the triple bottom line as there are environmental, economic and social sustainability challenges to it. These sustainability challenges are addressed by numerous sustainability standards, that provide solutions for these challenges but also information to the consumers about where and how their coffee is produced. As the sustainability issues of the coffee sector have become more known, the pressure on companies in the field of coffee to act responsibly has also increased. As companies are trying to succeed in their business, they need to consider the wishes and pressure from their internal and external stakeholders. In this thesis, the goal is to evaluate to what extent internal and external stakeholder pressures impact the choice of adopting voluntary sustainability standards in coffee companies in Finland. The overall research question is as follows: To what extent is the choice of different voluntary sustainability standards by coffee value chain (VC) stakeholders a function of "legitimacy trade-offs", in terms of balancing an organization's internal expectations and norms with external expectations and norms?

The thesis will begin with a literature review of the topic and its theoretical background, followed by an explanation of the methods used for the study. After this, the results of the study will be presented, followed by concluding remarks and limitations.

1.2 Industry background

Coffee production can be split into two categories; Arabica and Robusta, from of which Arabica is the most used variety and often considered better quality than Robusta. Arabica has harder requirements for the climate conditions, as it can only be grown in specific agro-ecological zones. That is why coffee production is very sensitive to climate change as high temperatures disrupts farming of the Arabica variety (Bianco, 2020). Some of the other environmental challenges coffee farmers are facing are deforestation, loss of biodiversity, soil erosion and degradation, the use of synthetic fertilizers and pesticides, degradation of water quality and supply, poor waste management and evolving coffee pests and diseases (Samper, & Quiñones-Ruiz, 2017, Santos, Ribeiro & Rodrigues, 2022). Coffee production also is associated with social and economic issues. Most of coffee producers are smallholder farmers, who are struggling with social issues like gender inequality, poor access to education and healthcare, low access to technical instruction, malnutrition and food insecurity, ageing farmer communities and lack of institutions and appropriate governance (Samper, & Quiñones-Ruiz, 2017, Santos et al., 2022). Economic issues of coffee farmers are for example the lack of market and product information, rising living costs, no living income, green bean price volatility, coffee prices decreasing and poor services through local or farmer organizations (Samper, & Quiñones-Ruiz, 2017). Smallholder farmers also face difficulties adapting to the challenges climate change is offering their farming (Samper, & Quiñones-Ruiz, 2017).

There are several certification schemes and voluntary sustainability standards trying to solve these sustainability issues in the coffee industry. Being a global supply chain, coffee misses political regulation and that is a gap several multi-stakeholder initiatives have been trying to fill (Mena & Palazzo, 2012). Previously, the regulation of the coffee industry happened through the International Coffee Agreement (ICA), which was implemented from 1962 to 1989. ICA was a subsidy that had members both in major coffee producing and consuming countries in the world. The aim was to maintain an import quota and agreeing on only purchasing quota-certified coffee, in hopes to benefit the coffee-producing countries (Jarvis, 2012). This was also considered as beneficial for consumers as the agreement had the potential to stabilize

prices (Jarvis, 2012). As the ICA collapsed in the 1989, there was a shift in power from the developing exporting countries to the large multinational coffee companies. As this happened, there was also an oversupply of coffee in the global markets, which led to prices falling for the coffee producers (Jarvis, 2012). As a result, the social and environmental conditions of the farmers worsened which led to consumers and development organizations increased interest in improving the conditions of the coffee farmers. In the 1990s and early 2000s, there was a rapid growth in the number of independent certification systems in the coffee sector. These certifications were also quickly adopted by coffee companies to communicate responsibility and answer the pressure by stakeholders (Bianco, 2020).

1.3 Sustainability standards

Sustainability standards have become a largely adopted tool for companies in the food industry to improve social and environmental sustainability as well as communicate these practices to consumers (Lambin & Thorlakson, 2018). The growing number of standards and adopters of them has been linked to the complexity and impact of global supply chains (Lambin & Thorlakson, 2018). Sustainability standards can be classified into three categories (Ponte, 2004). Mandatory sustainability standards are regulated by governments. Private sustainability standards are developed, monitored and usually audited internally by companies. Voluntary sustainability standards are formally coordinated general agreements which are usually verified through third-party auditing (Ponte, 2004). Many voluntary sustainability standards rely on NGOs, which improves the reliability of the certifications, as the auditing is then done by a third-party operator (Raynolds, Murray & Heller, 2007). Sustainability standards are especially used in heavily traded commodities such as tea, cocoa, palm oil and soy, but coffee is the supply chain with the largest use of sustainability standards (Lambin & Thorlakson, 2018, Samper & Quiñones-Ruiz, 2017, Reinecke, Manning, & von Hagen, 2012).

After the collapse of the ICA, the coffee sector faced institutional changes. As there no longer was government intervention, there was space created for private operators

and third-party certifiers (Samper, & Quiñones-Ruiz, 2017). As the struggles of the coffee producers were widely addressed by the media, there was a pressure to support the farmers. Consumers and NGOs from consuming countries began holding coffee roasters accountable for their sustainability impact, both social and environmental (Manning, Boons, Von Hagen & Reinecke, 2012). Several well-known brands started to work on the sustainability of their supply chain more through different certification schemes to achieve differentiation and reputational benefits. The standards and certifications offered a possibility to help producers financially by bringing higher prices for them. The labels were designed to provide information for the consumers about the production of the product, such as who, where and with what kinds of methods it was produced. The coffee industry became the most certified agricultural industry (Samper & Quiñones-Ruiz, 2017, Reinecke et al., 2012).

Today, there are several standard schemes in the coffee sector. The standards work on different issues, but also have a lot of similarities in the programs. Almost all standards address sustainability from all the perspectives of the triple bottom line (Manning et al., 2012, Dietz, Biber-Freudenberger, Deal & Börner, 2022) and many standards claim to solve issues such as child labor, poverty and ecological destruction (Reinecke et al., 2012, Dietz et al., 2022). Differences between standards can be in their historical roots, stringency, targeted users, regional origin, founding organizations, consuming countries, and rate of adoption (Manning et al., 2012, Chkanikova & Sroufe, 2021, Dietz et al., 2022). Standards can specify technical characteristics of a product, inform about the producing methods, quality traits or safety but also specify information about the environmental impacts, animal welfare and working conditions (Ponte, 2004). But, as there are many standards in the market and the standards have several similarities, competition and co-existence, rather than co-operation in the standards market can therefore also be seen as paradoxical (Reinecke et al., 2012, Glasbergen, 2018).

Sustainability standards can be beneficial for all the parties involved (Raynolds et al., 2007). Producers and farmers are encouraged to join in certification schemes through positive social and environmental benefits and farm gate price premiums.

However, there is debate on whether certifications benefit the producers economically. Ibanez, & Blackman (2016) found in their study that certifications used in coffee farming in Colombia had positive environmental benefits, but did not benefit the farmers economically. For coffee roasters and distributors, positive publicity, retail price premiums and growing sales can work as attracting factors to join certifications (Raynolds et al., 2007).

Fairtrade is one of the most well-known standards in the field. Fairtrade aims to ensure decent wages and payments for the farmers and their workers so that they can produce their coffee sustainably. Fairtrade also offers an extra sum of money to invest in business or community project of their choice. In addition, Fairtrade promises decent working conditions and a ban on discrimination, forced labor and child labor. (Fairtrade, 2022). Fairtrade does not limit their actions to just coffee, as they also certify other crops like cocoa, honey and bananas. 4C (The Common Code for the Coffee Community) aims to enable socially and environmentally beneficial farming with good agricultural and management practices. 4C states that the standard contributes to better working and living conditions and higher incomes for the farmers and helps them to get access to information and new international coffee markets. The majority of the 4C producers are smallholder farmers and the standard has plans to help the smallholders improve their productivity and impacts. (4C, 2022). The Rainforest Alliance certification tackles on four issues: building climate resilience, advancing human rights, cultivating rural prosperity, and protecting forests and biodiversity. Rainforest Alliance does also work on other supply chains like tea and cocoa in addition to coffee (Rainforest Alliance, 2022). The UTZ certification enables farmers to use more sustainable farming methods and get more income from it while protecting the environment (Rainforest Alliance, 2022). The goal of UTZ is also to create transparency in the supply chain of mainstream coffee and reward responsible farmers (Reinecke et al., 2012 & Manning et al., 2012). From 2020 UTZ has been a part of Rainforest Alliance (Rainforest Alliance, 2020). Therefore, these two certificates will be combined together in this study.

Some coffee roasters want to ensure the sustainability and quality of their coffee without using standards, by purchasing the coffee directly from the farmers. Sourcing directly from farmers can be motivated by the roasters for business reasons, such as better coffee quality and long relationships with farmers (Gerard, Lopez & McCright, 2019). Social responsibility can also be a motivating factor to direct purchasing, as roasters believe it can increase farmer and roaster trust as well as farmer income (Gerard et al., 2019). Although there is a label for direct trade, it is not verified by a third-party, so the true sustainability and quality of direct trade remains unknown and can naturally vary between different farmers and roasters (Gerard et al., 2019).

2 Theoretical Frameworks

In light of the above research question, the question arises which conceptual framework fits best to motivate the following empirical work and derive more specific hypotheses, if feasible. The following sections provide a brief review of those theories that were deemed most suitable for this purpose.

2.1 Stakeholder theory

Stakeholder theory is a managerial theory, that lays on the assumption that values are a crucial and necessary part of doing business (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Stakeholder theory studies the relationships organizations have with their stakeholders and how the stakeholders can affect the business. Freeman, (1994) created two questions as the core of stakeholder theory. Firstly, what is the purpose of the firm? The second question is, what responsibility does management have to stakeholders? These questions are supposed to articulate what value the company wants to create and what brings its core stakeholders together but also how companies want to do business and what kinds of relationships they want to have with their stakeholders. Another well-known framework for stakeholder theory is the three-part theory by Donaldson & Preston (1995) where stakeholder theory is divided into descriptive, instrumental and normative stakeholder theory. The descriptive stakeholder perspective states that the organization has stakeholders. Instrumental stakeholder perspective examines the correlation between stakeholder management and achieving the goals of the company and suggests that organizations that considers their stakeholders' interests are more successful than those that do not. Normative stakeholder perspective describes why organizations should consider their stakeholders' interests.

Buyse & Verbeke (2003) categorizes stakeholders into four groups. External primary stakeholders contain domestic and international customers and domestic and

international suppliers. Internal primary stakeholders are employees, financial institutions and shareholders. Secondary stakeholders are international and domestic rivals, international agreements, environmental NGOs and the media. Finally, regulatory stakeholders are national governments and local public agencies. As the aim of my study is to find out how internal and external stakeholders of organizations affect the choice of standards in the organizations, stakeholder theory provides the framework for this purpose.

Pressures from regulators, customers and suppliers can be influential in implementing green supply chain management practices in emerging markets (Zhu, Sarkis, Cordeiro, & Lai, 2008). As social and environmental responsibility is increasingly important for stakeholders, stakeholder orientation can have a positive effect on the environmental proactivity of companies and therefore also positive effects of profitability (Brulhart, Gherra & Quelin, 2019, Aragón-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008). Working on sustainability together with NGOs is increasing the likelihood of adopting sustainability strategies (Bager, & Lambin, 2020). This finding is also supported by Van Huijstee & Glasbergen, (2008) who highlights that corporate dialogues with NGOs are valuable for the firms' corporate strategic management in practice and therefore also for their sustainability policies.

The type of industry in question can also affect the perceived stakeholder pressures. Companies in dynamic industries perceive higher pressures to implement environmental strategies from external primary stakeholders and secondary stakeholders compared to those in static industries (Betts, Wiengarten, & Tadisina, 2015). Marshall, Akoorie, Hamann, & Sinha (2010) discovered that internal stakeholders only partly effected the proactivity of environmental actions in firms operating in the wine industry in New Zealand and the United States. From the external stakeholders, only customers had a notable effect on the environmental activities of the companies (Marshall et al., 2010).

Gilbert & Rasche, (2008) analyzed the use of sustainability standards in companies from the perspective of descriptive, normative and instrumental stakeholder theory. From the descriptive stakeholder perspective, standards can give companies directions on how to navigate things and take the interests of stakeholders better into account. Problems with this perspective might occur, if the company recognized the need for stakeholder engagement, but lacks knowledge on who the relevant stakeholders are. From the perspective of instrumental stakeholder theory, there are three benefits of including standards in the business: increased stakeholder trust, improved productivity and lowered government fines. However, there are also costs related to the implementation of standards. The normative perspective on stakeholder theory can help provide strong arguments why certain standards should be implemented. However, the design of discourses to develop norms is often insufficient from a communicative-rational point of view (Gilbert & Rasche, 2008).

2.2 Resource-based theory

Resource-based theory studies the different resources and their effect on the performance of organizations. The basis of the theory is that organizations compete against each other based on their resources and capabilities. A resource can be defined as anything that can be beneficial for an organization (Wernerfelt, 1984). Resources of organizations may lead to competitive advantage if the resources are unique and differ from competitors. The natural resource-based view (NRBV) takes sustainability into consideration and assumes that organizations that root their activity on sustainable capabilities achieve competitive advantage. The NRBV relies on four capabilities with different sustainability focuses: pollution prevention, product stewardship, and sustainable development (Hart, 1995). Pollution prevention promotes environmental sustainability while maximizing efficiency in internal operations and therefore cutting costs (Hart, 1995). Product stewardship, with the use of external operations aims to avoid harmful substances and promotes recycling and conservation (Hart, 1995). Sustainable development takes a more global perspective and considers the economic, environmental, and social sustainability (Hart, 1995). Later, as the NRBV has evolved, it has also separated sustainable

development into two categories: clean technologies and the base of the pyramid (Hart & Dowell, 2011).. Clean technologies mean the way companies build new competencies that they use to reduce energy and material consumption (Hart & Dowell, 2011). The base of the pyramid focuses on social sustainability and reducing poverty (Hart & Dowell, 2011). The NRBV allows studying the relationship between environmental and financial performance of a firm (Hart & Dowell, 2011).

The NRBV is related to capabilities, keeping in mind that Barney (2012) distinguishes broadly between resources (mostly the firm's financial, physical, organizational and individual capital) and capabilities (firm and managerial characteristics which enable the firm to exploit resources for implementing strategy). As the markets are rapidly shifting, companies need to reconfigure their resources to gain and maintain competitive advantages. The ability to achieve these new forms of competitive advantage is called dynamic capabilities (Teece, Pisano, & Shuen, 1997). Dynamic capabilities can be used as an extension for the NRBV (Hart & Dowell, 2011).

The resource-based view argues that it is the resources the company have or can establish, that influence the performance of the firm. Proactive environmental practices can be viewed as a resource that a company uses as a competitive force. Aragón-Correa et al., (2008) support this with their finding that proactive environmental strategies led to improved financial performance in SME companies.

The Nature-resource based view theory has also been applied to study the sustainability of supply chains. McDougall et al., (2019) studied NRBV in the agri-food sector in the UK and found that pollution prevention often means actions like prevention of internal waste in companies. Prevention of water, soil or carbon pollution is also significant but not as adapted as the prevention of waste. Product stewardship was dominant in the all the studied companies and the focus was often on the lifecycle of the products (McDougall et al., 2019).

2.3 Institutional theory

Organizations tend to have several patterns that look and work the same way. Institutional theory addresses this similarity of why organizations look and act the same way. Institutions operate within social norms, values and assumptions (Oliver, 1997). Institutional theory assumes that working by these social norms contributes to organizational success. Actions of organizations that cannot be explained with economic or technical reasons are especially interesting from an institutional theory perspective because the reasons behind these actions cannot be explained with the rational choice framework (Oliver, 1997). DiMaggio & Powell (1983) divided institutional isomorphic change into three categories: coercive, normative and mimetic. Coercive isomorphism stands for the pressure of those who have a resource an organization relies on. Mimetic isomorphism refers to copying the actions of other successful firms when an organization does not know what to do. Normative isomorphism means following general standards and practices established by education and training methods, professional networks and movements along employees. Many organizations in the coffee sector operate in a similar way, which can be seen in the wide use of certifications in firms for example. Therefore, institutional theory works as a framework for this thesis, when the aim is to study the actions of several different organizations.

From the perspective of the institutional theory, there are three types forces driving sustainability practices in a company; normative (pressure from customers and NGOs), coercive (pressure from government, environmental standards) and mimetic (competitor activities) (Danese, Lion, & Vinelli, 2019, Tachizawa, Gimenez, & Sierra, 2015). In the case of sustainable supply chain management, companies face pressure from their stakeholders to adapt sustainability practices and therefore they put coercive pressure on their suppliers to align (Sauer, & Seuring, 2018)

Mimetic and normative pressure can be more effective in motivating companies to adapt sustainability actions. In a survey-based study Danese et al., (2019) found that

coercive pressure is important for companies, but it is not enough to alone explain the motivation to improve sustainability practices. Tachizawa et al., (2015) in their survey-based study also found coercive pressure to have less impact on the green supply chain activities than mimetic and normative pressure, which had a positive impact on the activities.

2.4 Personal Values

When discussing decision-making in businesses, it should not be forgotten that the decisions are made by people, that have their own opinions and values. Therefore, decision-making related to sustainability at a company can also be related to personal values of managers working at a company (Singhapakdi, Karande, Rao & Vitell, 2001). According to Schwartz (1994), a value is a belief but it can also be pertaining to desirable end states or something that guides selection or evaluation of behavior, people or events. Values are ordered by importance relative to other values (Schwartz, 1994). Schwartz, 1994 categorizes values into 10 groups; power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity and security. Values can also differ according to culture (Huang, Leung, Eom, & Tam, 2022). For this reason, we will include a question about personal values in this study, to help benchmarking the results to studies from other countries.

2.5 Research Gap

A large body of literature exists on stakeholder theory, institutional theory, and the NRBV in the context of sustainability issues. To summarize, stakeholder theory explores the role different groups and stakeholder have on companies and their decision-making, for example regarding sustainability. Institutional theory researches the causes isomorphism; why companies adopt similar strategies. NRBV on the other hand studies the competitive advantage a company might gain from using sustainability strategies as their resources. Previous research has studied the

effects of stakeholders on sustainability actions of companies, also in the context sustainability strategies of coffee businesses (Bager et al. 2020), in the context of coffee tourism (Candelo, Casalegno, Civera & Büchi, 2019), and with a view on farmer empowerment (Civera, De Colle & Casalegno, 2019). However, the application of stakeholder theory to sustainability standards in the coffee value chain is missing. In addition, a study that explores the sustainability strategies of coffee companies in Finland and their perceived stakeholder pressures and norms has not been conducted, to the best of our knowledge.

Research question: To what extent is the choice of different voluntary sustainability standards by coffee value chain (VC) stakeholders a function of "legitimacy trade-offs", in terms of balancing an organization's internal expectations and norms with external expectations and norms?

3 Methods

The study is implemented based on survey research. The survey research was executed through a self-administrative web questionnaire. A self-administrative survey means that the respondents can answer the survey by themselves without an interviewer, while an interview-administrative survey requires the interviewer to coordinate the survey (Andres 2012).

The survey-based method and more specifically the self-administrative web questionnaire was chosen as the data collection source for numerous reasons. As the topic of the survey was largely based on sustainability and responsibility of companies, it might be information companies would want to make look favorable for them. Therefore, making the questionnaire anonymous allowed companies to answer the questions as honestly as possible, without trying to practice greenwashing. Greenwashing is a phenomenon where companies might cover up their poor sustainability by exposing and communicating positive information regarding environmental performance (de Freitas Netto, Sobral, Ribeiro, & da Luz Soares, 2020). Second, a web questionnaire allows a larger number of respondents, as there is no need to conduct an interview. Self-administrative surveys allow the respondents to answer the questionnaire at their own leisure, which can lead to more reflective and thoughtful responses (Andres 2012). Survey research relies on standardization, as the questions asked and often also the answering options are determined by the researchers which means that we can get consistent answers to consistent questions (Sapsford 2007).

The questionnaire was structured as follows. The questionnaire started with an introduction of the study and the purposes. A successful introduction section introduces the topic and the researcher to the study participants so that the respondent can make an informed decision about whether they want to answer the questions (Peterson 2000). In addition, a good survey introduction informs about the effort and time it takes to complete the survey, assures confidentiality and anonymity

if the study requires it and contains a request to help (Peterson 2000). All the mentioned information was included in the introduction of the survey. Following the introduction, there was a question of consent about participating in scientific research, to ensure that the participants understand and are consent with giving information and the study analyzing and using it. After the questions of consent, the actual substantive question section followed. The substantive question section contains the questions that are critical to the study (Peterson 2000). The questions of the survey were constructed by keeping in mind the research question (Andres 2012). Questions to the survey were chosen and developed based on the research question and the chosen theories. The survey questionnaire was developed using constructs from previous literature (Schwartz, 1994, Buysse & Verbeke, 2003, Charan & Murty, 2018) The survey questionnaire consisted of 11 questions in total, that were grouped into three different sections. Most of the questions were unordered response questions and questions with rating scales. The rating scaling used was a five-point Likert scale. One of the questions of the survey was two-parted and had both a close-ended and an open-ended section, where respondents had the possibility to explain their answers. In addition, there were one open-ended question, where respondents had the opportunity to explain the effects the Covid-19 pandemic had on the sustainability strategies of their companies. At the end of the questionnaire, respondents had the opportunity to leave their email address for further contacting. In addition, respondents were offered an opportunity to leave open feedback or comments about the topic of the survey.

The web questionnaire was pilot tested by several people. During February 2022, the web questionnaire was sent out to 48 companies that operate in the coffee business in Finland. The companies were chosen by Food and Forest Development Finland for the web questionnaires. The web questionnaire was sent out to contact persons of each company, whose titles varied.

3.1 Analysis

After two weeks and two reminders, six companies responded by completing the survey (response rate: 8 %). The responses of the survey were transferred to an Excel-sheet for further coding and analysis. When analyzing Likert-scales, it is also important to acknowledge, that there is no mean as a central tendency as you cannot find an average of the scaling. Therefore, the measure used is median or the most frequent response. Furthermore, it has to be noted that due to the low response rate, only summary figures could be generated as no logistic regression analysis could be performed.

4 Results

The first question of the substantive section of the questionnaire asked basic identifying information about the company. The respondents were asked to reply either Yes or No to a set of statements about their company. The results showed that 100 % of the respondents were representing small companies and all the companies represented were founded after the year 1980. In addition, all the respondents represented a company that had their headquarters in Finland and over 50 % of their sales revenue in Finland. One of the respondents answered that their representative company was reporting under GRI (Global Reportative Initiative) standards as the other five did not. The final statement “Over 50 % of our packaging is recyclable” got 33 % No-answers and 67 % Yes-answers.

The second question “Please indicate the extent to which your company has implemented the following types of sustainability practices” was answered on a four-point Likert scale, ranging from Not at all implemented to Strongly implemented: industry leadership. The most implemented sustainability practice was “No child labour programme or policy”, as 67 % of respondents answered “Implemented” and 33 % “Strongly implemented: industry leadership”. The practice that was least implemented by companies turned out to be carbon offsets, that 50 % had somewhat implemented and the other 50 % not at all implemented. Overall social sustainability practices were more adapted than environmental sustainability practices.

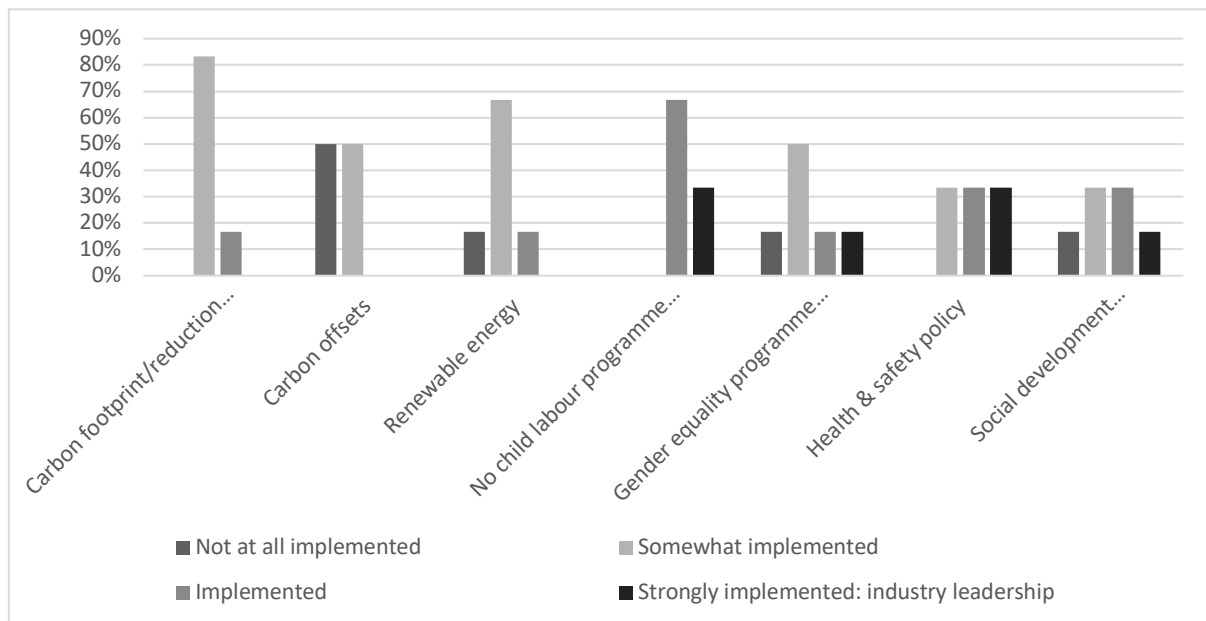
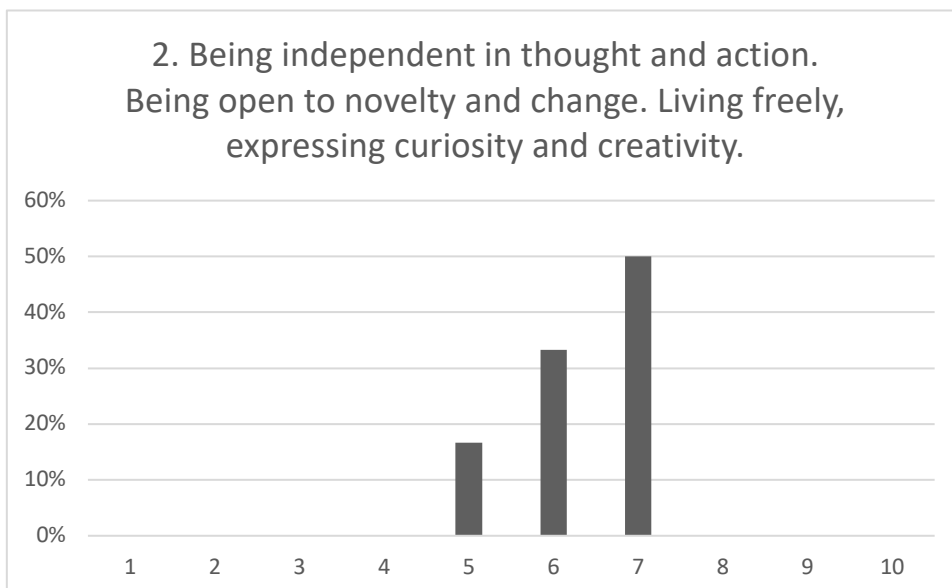
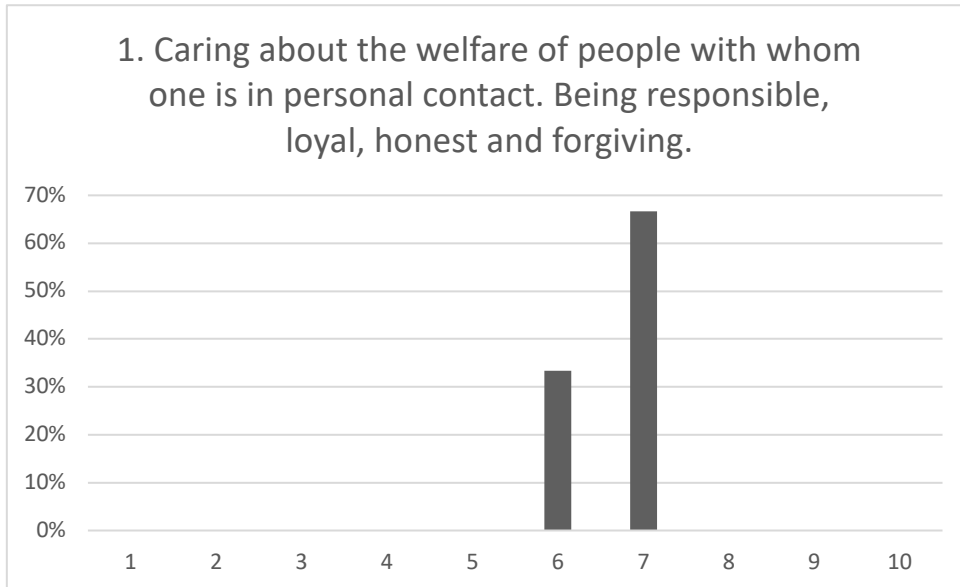


Figure 1: Please indicate the extent to which your company has implemented the following types of sustainability practices

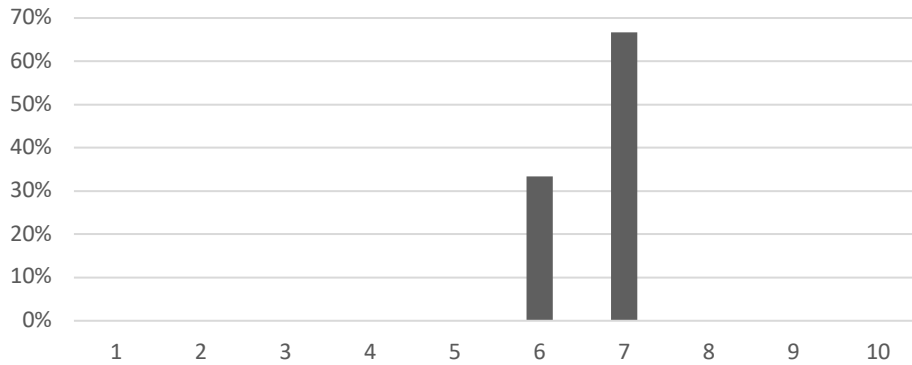
4.1 Personal values

The question about personal values was constructed based on the ten values of Schwartz (1994). The respondents were asked “Below is a list of ten universal values (values that people in virtually all cultures implicitly recognize). For each value, please state how important a given value is for you as a representative of your company”. The scale of each value was from 1 to 10, 1 meaning “Opposed to my values” and 10 “of supreme importance”. The two values that respondents perceived as the most important was “Caring about the welfare of people with whom one is in personal contact. Being responsible, loyal, honest and forgiving” and “Understanding and accepting all people, caring for their welfare and equality. Being intellectually and emotionally open to the environment and caring for nature.” with an average score of 6,7. The first one of the above values represents benevolence and the second universalism from the Schwartz (1994) values. The value with least importance according to the respondents was power from the list of Schwartz (1994). The value was presented as “Having social status and prestige, and winning influence over other people. Being rich and controlling resources”, and respondents answers gave an average score of 2,17. The value that divided the respondents the most was

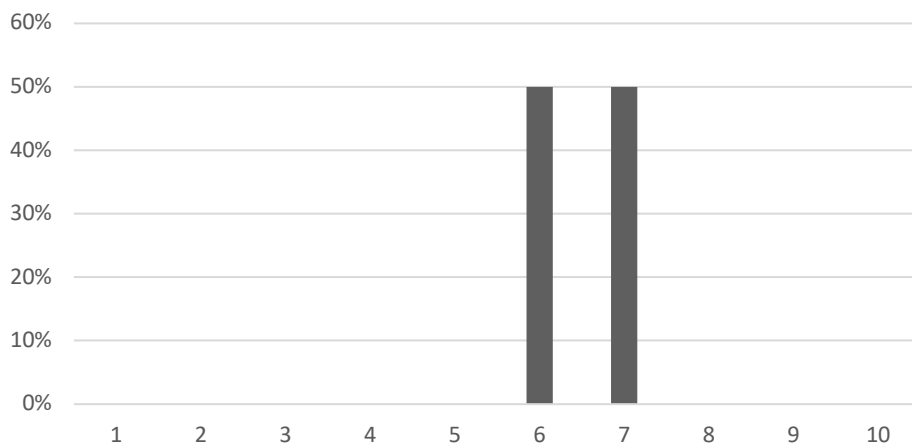
Achievement from the list of Schwartz (1994), which was presented as “Aspiring for impressive achievements. Demonstrating competence, excellence and personal success”. Every respondent gave a different response and the responses differed from 2 to 7.



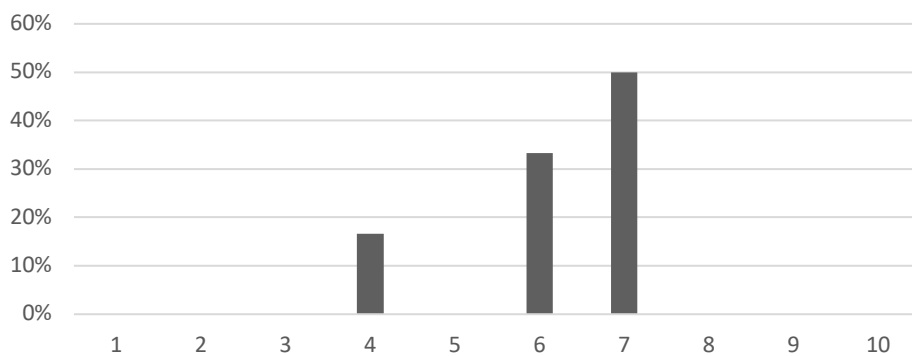
3. Understanding and accepting all people, caring for their welfare and equality. Being intellectually and emotionally open to the environment and caring for nature.



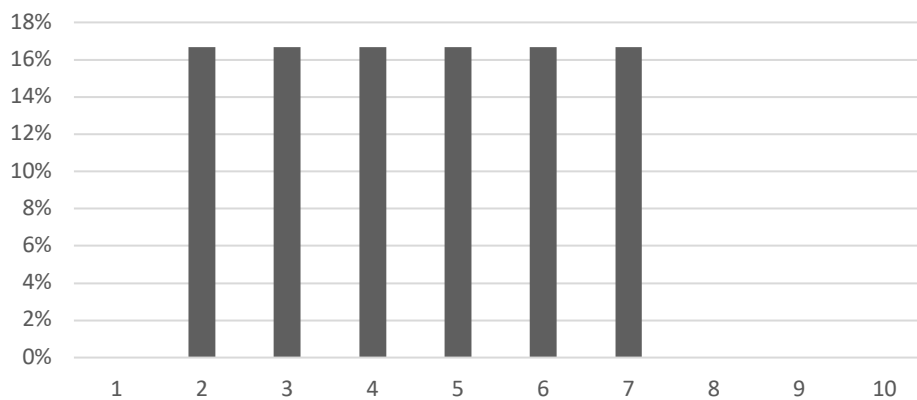
4. Living safely, in an organized, stable place. Keeping one's family secure and healthy.



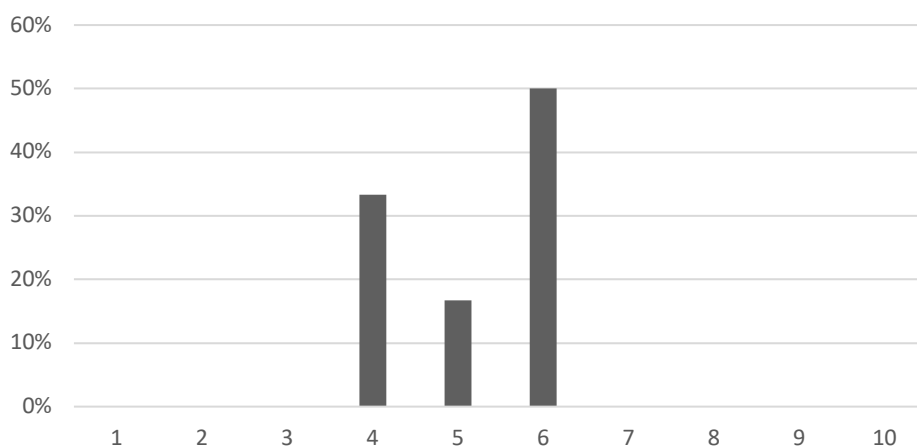
5. Obeying social norms and expectations and avoiding actions that are likely to upset others. Being polite and self-disciplined. Honoring parents and elders.



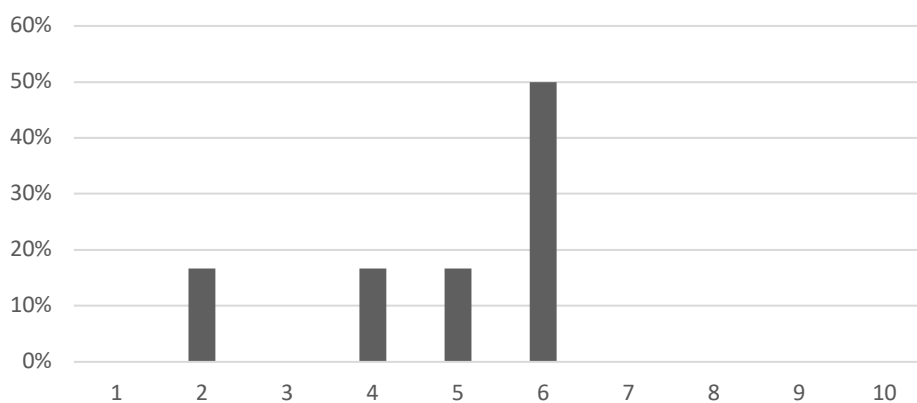
6. Aspiring for impressive achievements.
Demonstrating competence, excellence and
personal success.



7. Having fun and sensuous gratification. Enjoying
life, being self-indulgent.



8. Experiencing constant change, excitement,
novelty, and challenge in life. Being daring, living
a varied and exciting life.



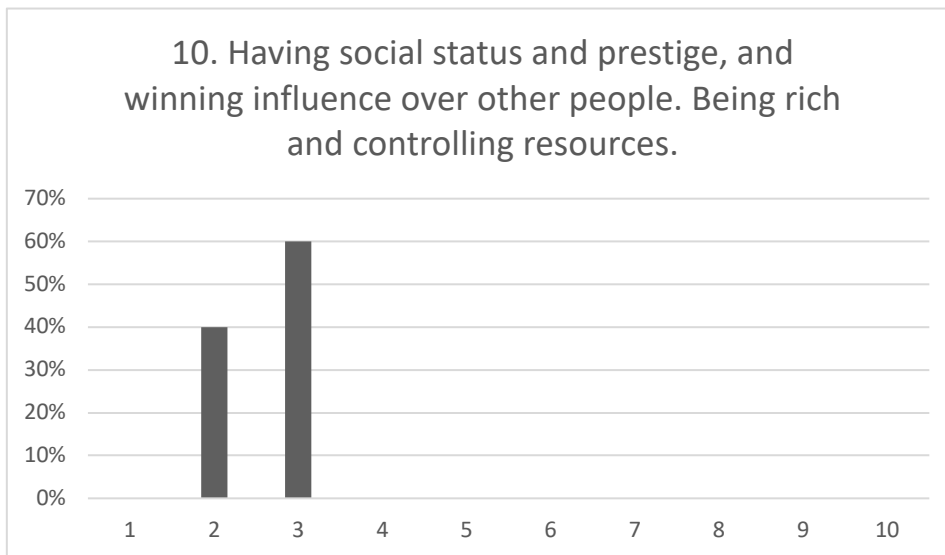
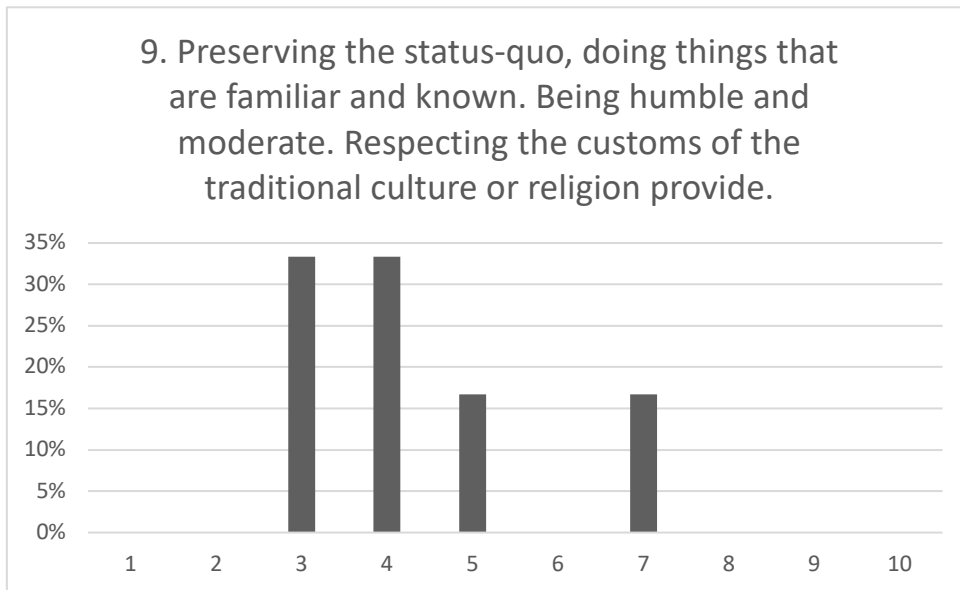


Figure 2: Below is a list of ten universal values (values that people in virtually all cultures implicitly recognize). For each value, please state how important a given value is for you as a representative of your company.

The following sections of the survey relate to stakeholder issues and institutional issues, hence stakeholder theory and institutional theory is used to motivate the responses.

4.2 Stakeholder theory

The respondents were asked to rate the importance of different stakeholders to their company's sustainability strategy. The most important stakeholders appeared to be domestic customers, with 50 % of respondents answering that the group was important and 50 % answering that the group was very important. Domestic suppliers was another important group, that gathered 67 % of very important answers, as well as 17 % of both Important and Slightly important. These findings support the findings of Zhu et al., (2008) that pressure from customers and suppliers can be influential on the in implementing green supply chain management practices. Zhu et al., (2008) also found that pressure from regulators was influential, which in this study is only partially supported. The importance of NGOs on sustainability strategies, highlighted by (Van Huijstee, & Glasbergen, 2008 & Bager, & Lambin, 2020) was in this study split between the respondents, as 17 % found NGOs not at all important, 17 % slightly important, 50 % moderately important and 17 % important.

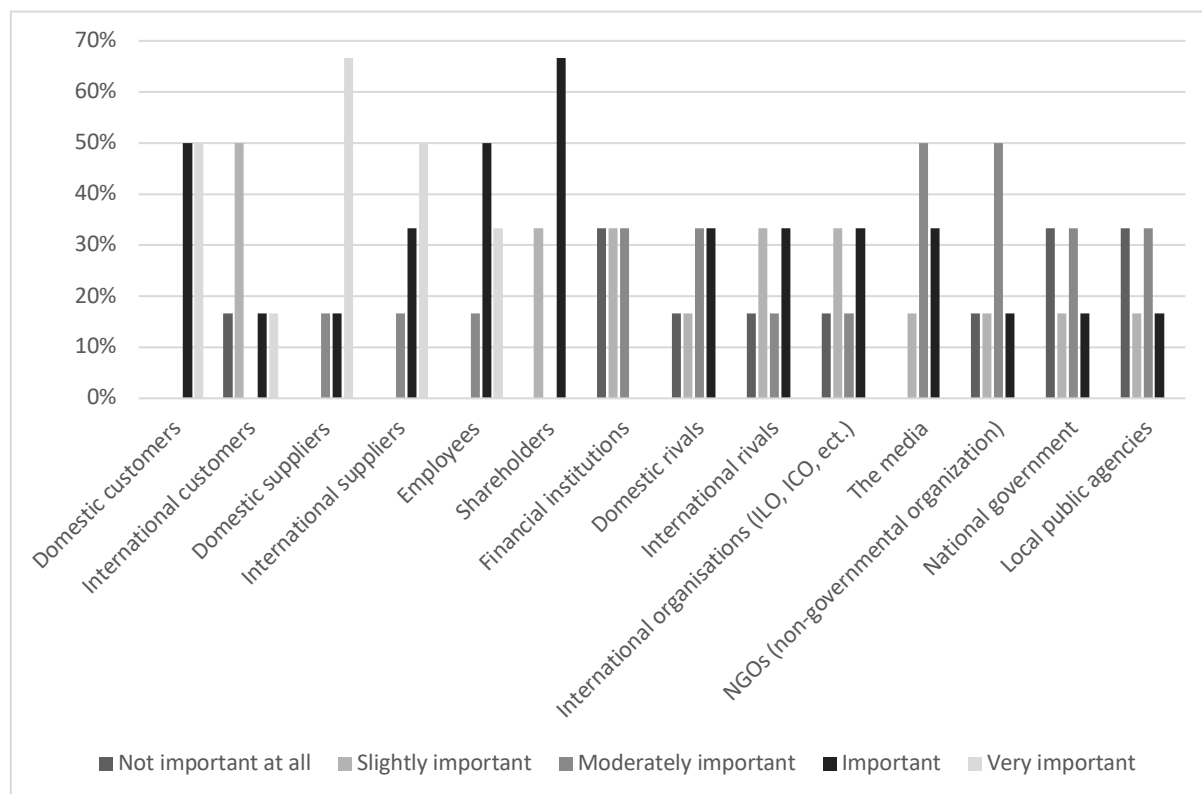


Figure 3: How important are the following stakeholders to the SUSTAINABILITY STRATEGY of your business?

After having asked the importance different stakeholders have on the sustainability strategy of companies, we moved on to ask more specifically on which sections of the sustainability strategy they have pressure on. The question was “Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing sustainability practices related to ENERGY MANAGEMENT AND ENERGY REDUCTION in Finland”. As the table shows, none on the respondents experienced any negative pressure from any of the stakeholders. From Financial Institutions, International organisations and NGOs, every respondent felt no pressure in either way. Domestic customers had strong positive pressure on 33 % of the respondents and employees on 17 %. Domestic suppliers had positive pressure on 67 % of the respondents and domestic customers, employees, domestic rivals and the media.

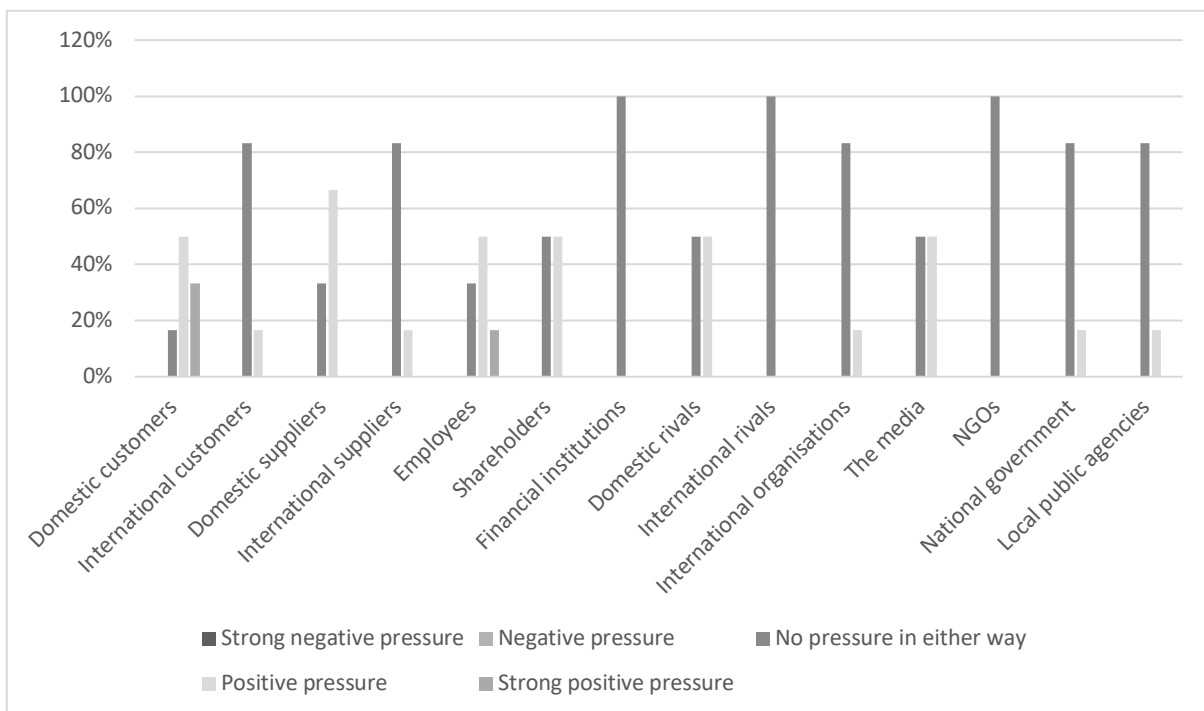


Figure 4: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing sustainability practices related to ENERGY MANAGEMENT AND ENERGY REDUCTION in Finland.

The question “Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing SOCIAL SUSTAINABILITY MEASURES (labor conditions among coffee farmers/ laborers in supplying countries)” showed that no negative pressure was experienced in this area of sustainability either by any of the respondents. Again, financial institutions, NGOs, the national government and local public agencies did not pressure the any of the respondents in either way. The most positive pressure again was experienced by domestic customers, as 67% of the respondents felt positive pressure and 17 % felt strong positive pressure. The pressure from employees was also relatively high, as 50 % of respondents felt positive pressure and 17 % strong positive pressure.

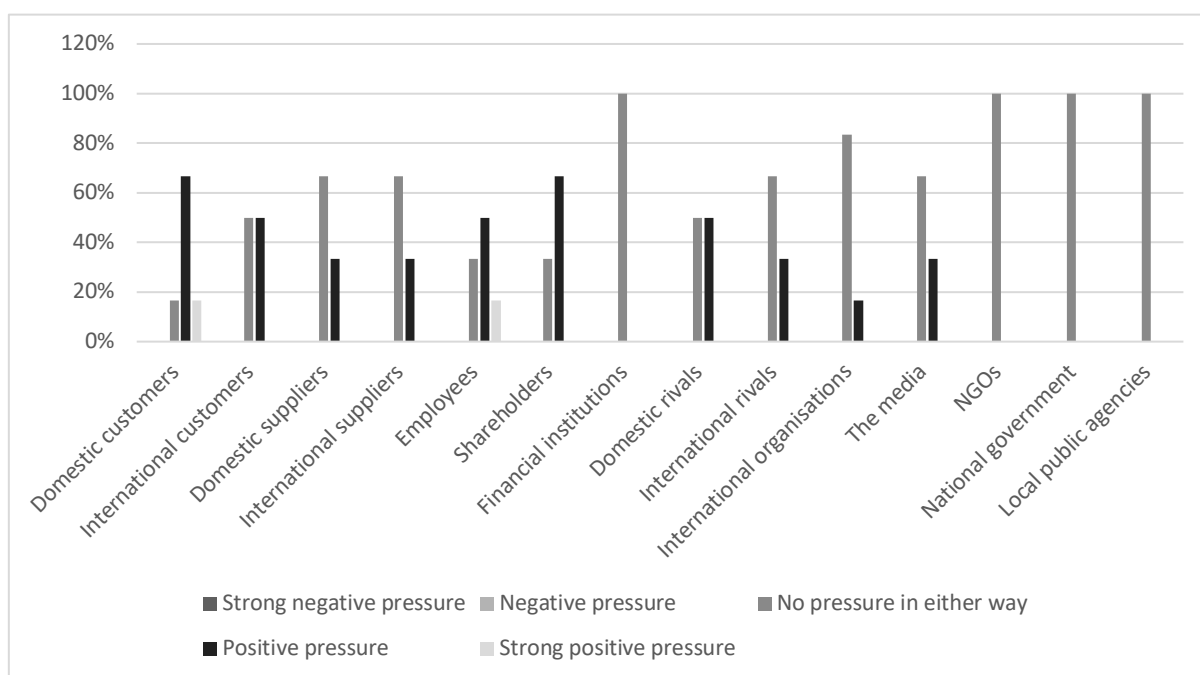


Figure 5: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing SOCIAL SUSTAINABILITY MEASURES (labor conditions among coffee farmers/ laborers in supplying countries)

Interestingly the question “Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing sustainability practices related to the RECYCLING OF WATER, PACKAGING AND PRODUCTION WASTE” offered different responses compared to the previous questions. Domestic customers

and employees were responded to have offered negative pressure on recycling of water, packaging and waste by 17 %. Another 17 % f experienced no pressure in either way from domestic customers and employees, 50 % experienced positive pressure and 17 % experienced strong positive pressure. Meanwhile, NGOs had positive pressure on 17 % of the respondents. Domestic rivals were responded to have had positive pressure on 17 % of respondents and strong positive pressure on 17 % of respondents.

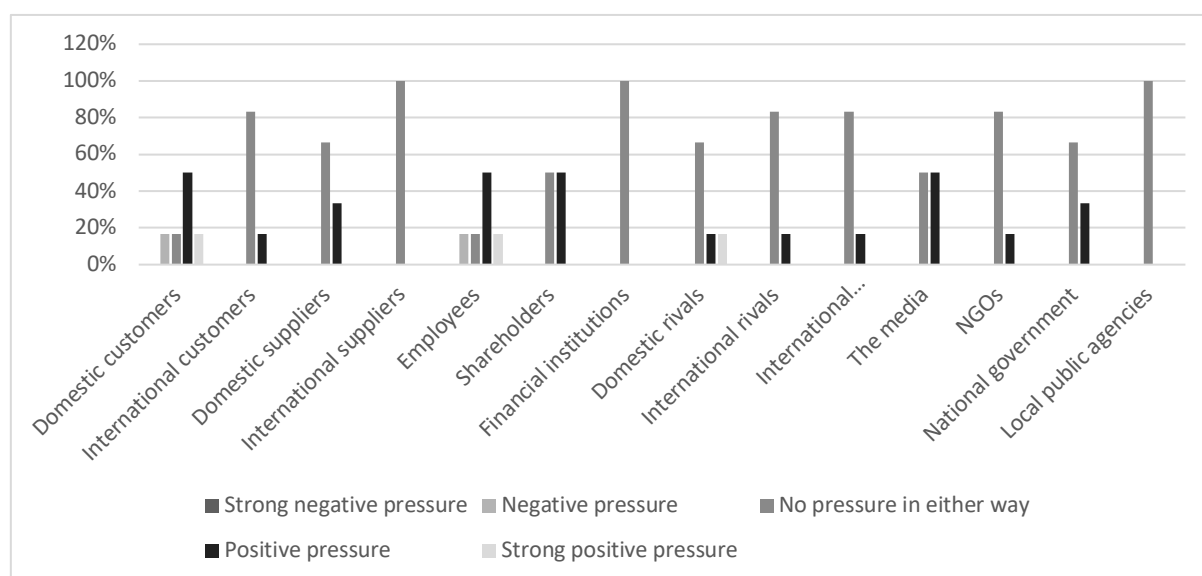


Figure 6: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to implementing sustainability practices related to the RECYCLING OF WATER, PACKAGING AND PRODUCTION WASTE

The results of this study show that external primary stakeholders, grouped by Buysse & Verbeke (2003) put the most positive pressure on the companies. However, the role of domestic customers and suppliers is much more important than the international customers and suppliers, which can be explained by the fact that most of the companies mostly operated in Finland as all of them had at least over 50 % of their sales revenue in the country. The results showing that customers have positive pressure on the sustainability of the companies, are similar to findings by Marshall et al., (2010), Betts et al., (2015) and Zhu et al., (2008).

Internal primary stakeholders are employees, financial institutions and shareholders (Buysse & Verbeke 2003). From the internal primary stakeholders, respondents experienced most pressure from employees, but also some pressure from shareholders. Financial institutions however, was not putting any pressure on any of the respondents. These findings are in line with (Marshall et al., 2010) who also found that internal primary stakeholders only partly had effects on the sustainability of the studied companies.

From an institutional theory perspective, normative pressure (pressure from customers and NGOs), seemed to be most effective, however mostly because of the customers rather than NGOs. Mimetic pressure (competitor activities) was also relatively effective, as rivals were experienced to have some pressure on the different sustainability strategies of companies. The results of the study were similar to the findings by Danese et al., (2019) and Tachizawa et al., (2015) as mimetic and normative pressure was much more significant on the sustainability strategies of companies than coercive pressure (pressure from government, environmental standards).

4.3 Voluntary sustainability standards

Question eight asked the respondents about the voluntary sustainability standards used when purchasing coffee in the companies. The most popular sustainability standard was Organic, that was used by 67 % of the companies followed by Rainforest Alliance/UTZ that was used by 50 % of the companies. Fairtrade and Bird Friendly were both used by 17 % of the companies. Certifica Minas and 4C were not used by any of the companies and 17 % of the companies did not use any sustainability standards at all.

8. Please indicate under which of the following voluntary sustainability standards/ schemes you purchased coffee/ coffee beans:

6 vastausta

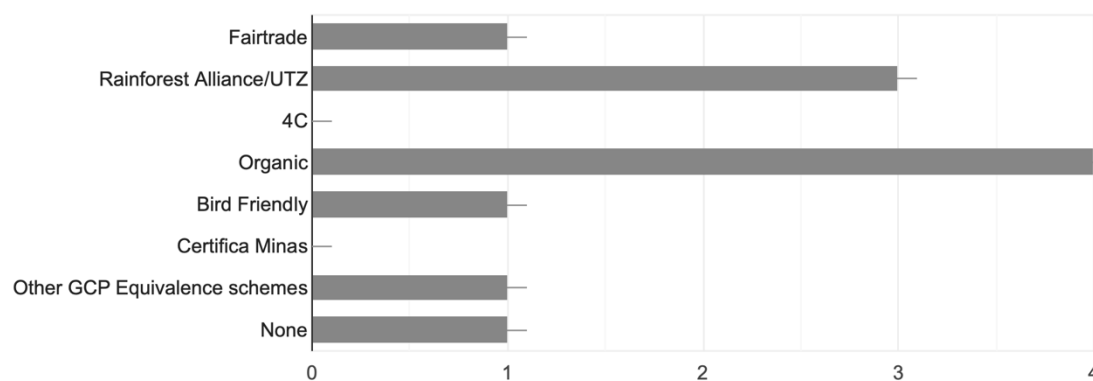


Figure 7: Please indicate under which of the following voluntary sustainability standards/ schemes you purchased coffee/ coffee beans

We asked how much pressure the respondents experienced from different stakeholders to adopt certain sustainability standards by asking “Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to adopting/not adopting the following sustainability standards:”. The standards we choose to ask more specifically about was Fairtrade, Rainforest Alliance and 4C.

From the three sustainability standards we chose, Fairtrade was the one that respondents felt the most pressure from stakeholders to adapt. The finding was interesting, considering that only 17 % of respondents had adapted Fairtrade in their company. 67 % of respondents felt positive pressure from domestic customers, while 50 % of respondents felt pressure from domestic rivals as well as the media. However, respondents also felt negative pressure on adapting Fairtrade. 17 % felt negative pressure from domestic customers, employees and the media.

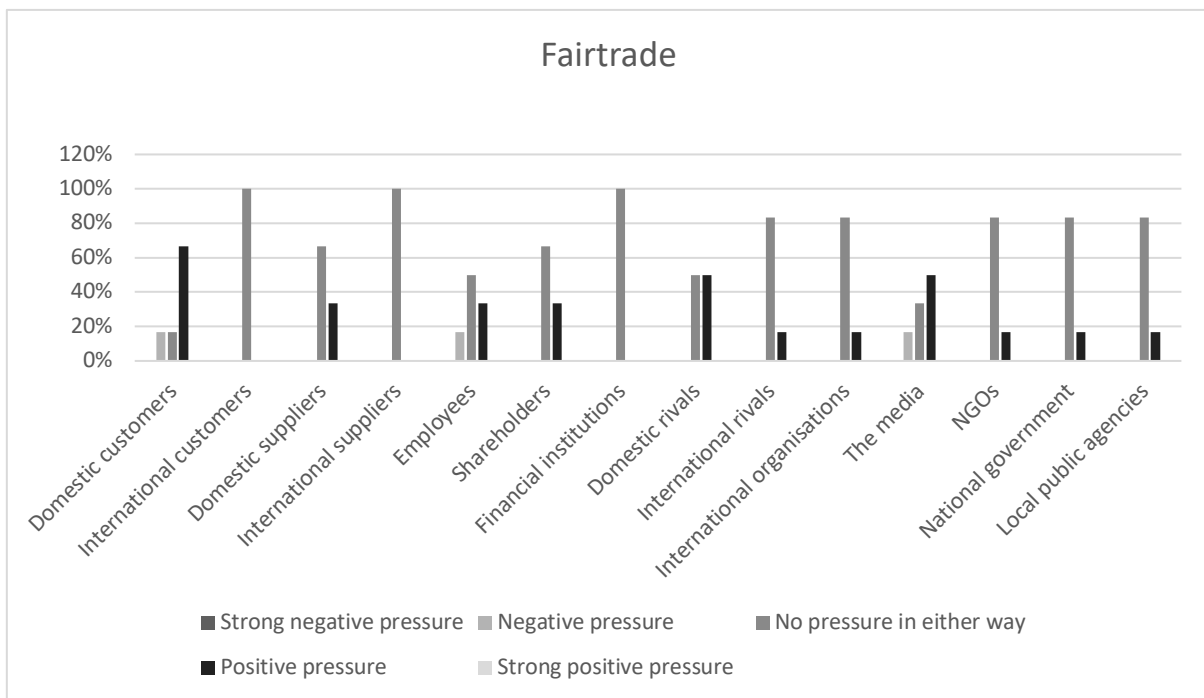


Figure 8: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to adopting/not adopting the following sustainability standards: Fairtrade.

Pressure to use Rainforest Alliance/UTZ was positively experienced 17 % by domestic customers, domestic suppliers, shareholders, international rivals, international organizations, the media and NGOs. Strong positive pressure was only experienced by 17 % from domestic rivals. Negative pressure to adapt Rainforest Alliance/UTZ was experienced by 17 % from both domestic customers and domestic rivals. Most of the responses were No pressure in either way.

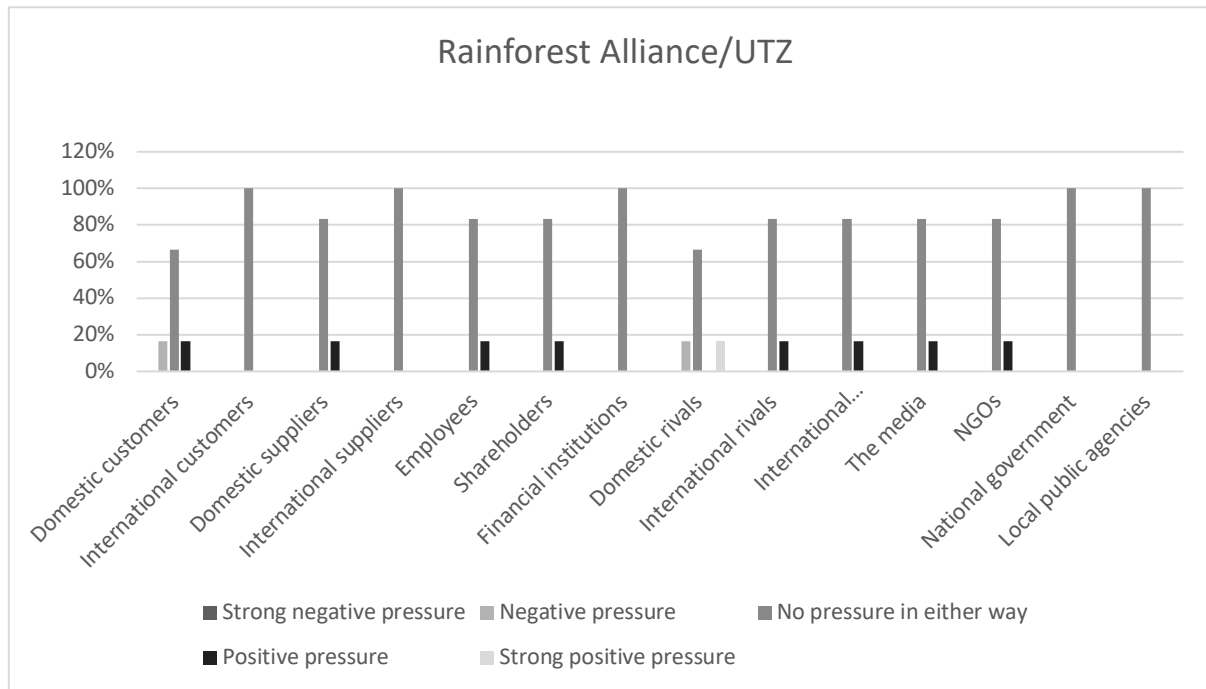


Figure 9: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to adopting/not adopting the following sustainability standards: Rainforest Alliance/UTZ

As 4C was not adapted by any of the companies, there were also not much pressure on adapting it. Only 17 % experienced positive pressure from employees and 17 % from shareholders. All the other responses were “No pressure in either way”.

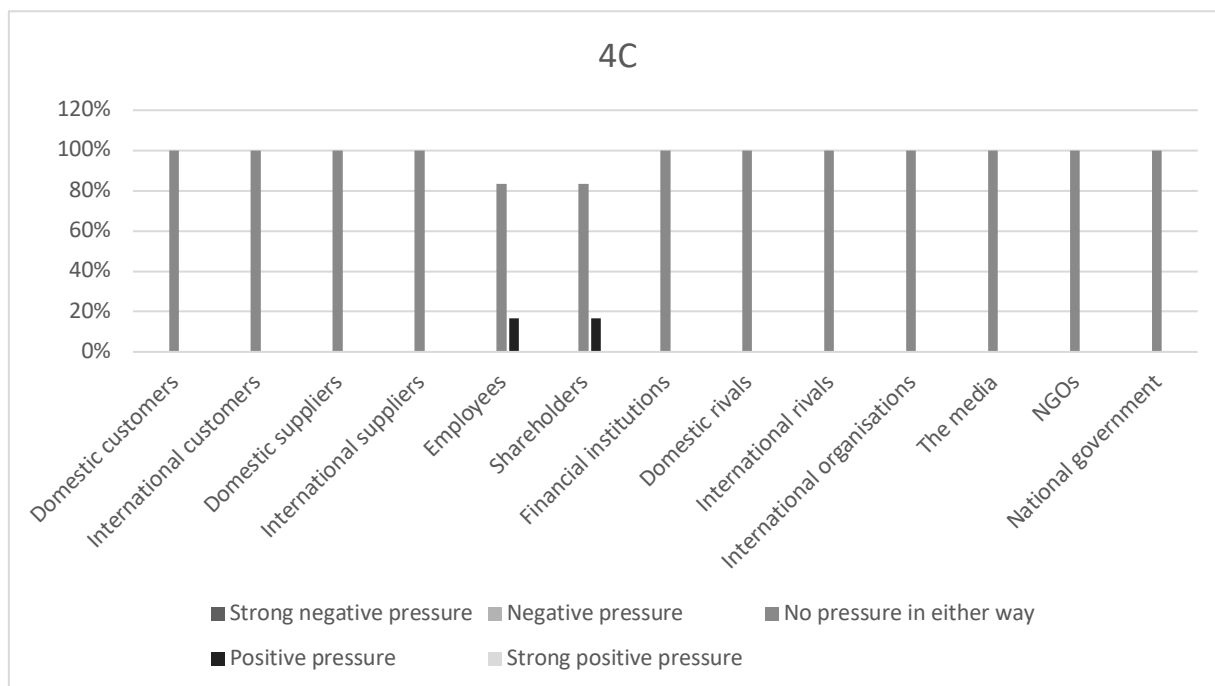


Figure 10: Please rate the pressure you experienced (2019-21) from various stakeholders on decisions relating to adopting/not adopting the following sustainability standards: 4C

Question 10, asking about the further need for coordination among certification initiatives was two-parted, and the second part of the question open-ended and allowed respondents to explain their answers. The first part of the question showed that 17 % Strongly agreed that certifications need further coordination and 33 % agreed, while the remaining 50 % did neither agree nor disagree.

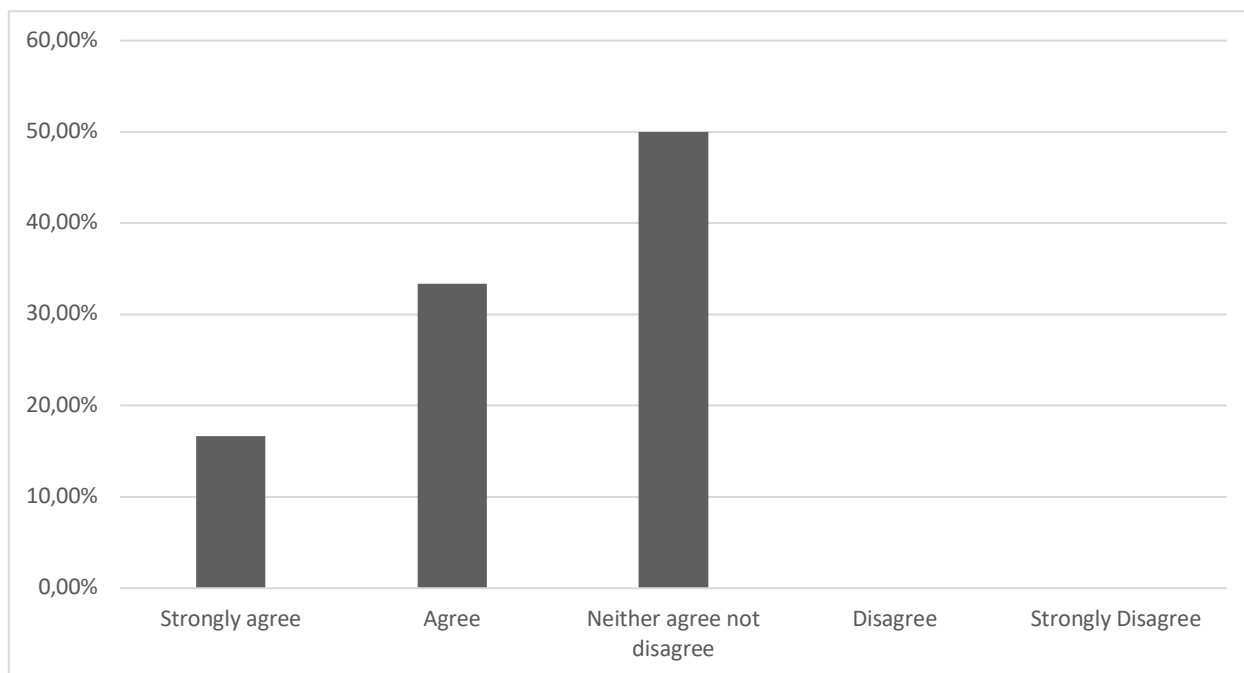


Figure 11: Please answer to the following statement: I see further needs for coordination among certification initiatives/ coffee certifications

The questionnaire highlighted that the respondents are not completely satisfied with the certification system in the coffee business at the moment. Some of the respondents claimed that they purchase their coffee directly from the producers, and this way ensured the quality and sustainability although it did not have a standard. The answers about direct purchase from the farmers were in line with findings from the study done by Gerard et al., (2019). The costs of certificates were brought up by several of the respondents as the certificates were seen as costly and expensive. The answers the respondents provided to the open-ended part of the questions were the following:

“There is no one good certification for specialty coffee”

” Most of our coffee comes from small farms or co-operatives that don't have the means to acquire certain certificates. It would be great to see the system developed to a point where it doesn't require as much resources (time, effort, money) that take their focus directly away from their core competence, which is growing the best possible coffee.”

“We should focus on strengthening the certifications we already have. No new costs!”

“It is hard for the customer to understand that if purchase coffee without middleman from an “organic” farm, but it does not have any of the well-known certificates like Organic or Fairtrade.”

“Our roastery is 100 % Organic, so the current state is good. In addition, we also use Fairtrade and Demeter.”

The last question of the survey addressed the Covid-19 pandemic, which began in 2020. The question was “Please explain in the following box whether and to what extent the coronavirus crisis has affected the implementation of your sustainability strategies”. 50 % of the respondents answered that the pandemic did not affect the sustainability strategy, while the other 50 % felt some effects.

“Slowed down”

“Largely. As a small business established in 2018 we’ve had to put all of our focus in maintaining our business in a way that allows us to survive the pandemic.”

“The corona virus made it more difficult to purchase coffee from certain countries and therefore we had to buy it from other places that were not that familiar and due to the pandemic we could not travel and visit these places. The purchase of packaging material was also slightly more difficult.”

The respondents also had a possibility to leave further comments at the end of the survey. Leaving a comment was voluntary, so only two respondents commented.

“A proper sustainability strategy is still on our to-do list”

“It feels like Finnish consumers do not yet care that much about ethical or ecological coffee. They buy coffee from small roasteries as more fancy coffee and are willing to pay more in these situations, but it feels like consumers do not care about the fact that the coffee is more expensive because the farmer gets properly paid. I think that the work of the coffee farmers should be highlighted more. I also think that it should be highlighted how the high-quality coffee differs from the bulk-coffee Finnish people usually drink.”

5 Conclusions

The overall aim of this study was to understand, which stakeholder groups were considered important to the adoption and implementation of sustainability practices in the coffee sector in Finland. More specifically, to understand to what extent the choice of different voluntary sustainability standards by coffee value chain (VC) stakeholders is a function of "legitimacy trade-offs", in terms of balancing an organization's internal expectations and norms with external expectations and norms. Since some internal stakeholders (employees and shareholders) and some external stakeholders (domestic customers) were heavily pressuring companies to adopt or not to adopt different standards, it seems like balancing between the needs and wishes of different stakeholders is something coffee roasters must face. This could especially be seen in the case of Fairtrade, where there was both negative and positive pressure to adapt the standard by both internal and external stakeholders.

The results of the study suggest that there are differences among the stakeholders, with respect to the pressure they experience from other stakeholders, largely as a function of whom they find important. Domestic customers was a stakeholder group that was perceived as constantly putting pressure on companies. This finding is not surprising, since customers are naturally very important for companies and their success. The findings are also comparable to the ones by Manning et al., (2012), in that consumer preferences together with marketing and positioning by buyers creates a selection mechanism for sustainability standards. Other stakeholder groups that were found as important were employees, domestic suppliers and shareholders.

The respondents had varying opinions on sustainability standards. While some of the companies adopted certifications, some did not. There was no certification that every company would have adopted. Certifications were seen to need further coordination and development but not new additional costs. Some of the respondents purchased their coffee directly from the producers and ensured that this was a 'proof of sustainability'. This shows us that there is not one single way to achieve sustainability

in the coffee sector, as several different standards work on the same issues and some roasteries also do the work themselves. Communicating sustainability and quality for consumers can be tricky, as the average consumer might feel overwhelmed by the number of standards and how well they work. This was also brought up by the respondents, who wished that consumers would understand, that coffee without labels can be sustainable too. The respondents also brought up that they wished that consumers would appreciate specialty coffee from small roasteries more.

6 Limitations

The most notable limitation of this study is the response-rate, which was very low. The questionnaire was sent to 48 companies, yet only 6 businesses replied, resulting in a response rate of 8 %. More responses would likely have allowed for greater diversity in responses and a broader, perhaps more representative, view of the Finnish coffee sector. We also did not get any of the large coffee companies of Finland to answer the survey. This could be concluded from the fact that every respondent answered that their company had under 50 employees. As a result of the low response rate, it was therefore possible to apply the usual statistical tests, to check for scale reliability, or to use logistic regression analysis for further analysis. Furthermore, given the limited responses from a limited number of coffee value chain stakeholders, it was also not possible to assess the extent of a possible legitimacy trade-off that was originally also the objective of the empirical investigation.

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