

Msc thesis

Negotiation processes in multistakeholder alliances

RUUD AANSTOOT
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Negotiation processes in multistakeholder alliances

The pathway between individual stakeholder goals and meeting joint sustainability goals

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Ruud Aanstoot

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Dr. Vincent Blok

Dr. Domenico Dentoni

MST- 80433

PREFACE

In august 2011 I started to orientate for a topic for my MSC-thesis. While I got a background in development economics and a specialization in management studies in my master, I tried to combine these areas in the topic. As a result of my orientation I got interested in the topic of intersectoral partnerships that deal with sustainability issues in global supply chains. Because I was fascinated by the fact that big multinational firms were willingly to invest millions of Euros in supply chain operations and collaborate in this with NGO's and (local) governments I decided to investigate the negotiation process between the different parties in order to achieve a win-win result. After working more than 7 months this topic I am still excited about this matter as it affects the lives of thousands of farmers and laborers in producing countries.

During this process I received assistance of many people. First, I would like to thank my supervisors, dr. Vincent Blok and dr. Domenico Dentoni, for their critical feedback, but also for inspiring me and helping me to bring the research to a higher level. I also want to thank all the managers and experts that were willingly to invest time in this research by participating in the questionnaires. Without their input it would not be possible to conduct this research. Finally, I want to give a special acknowledgement to my girlfriend as she always inspired me to be ambitious and to work towards a nice result.

To my readers I want to say that I hope that they enjoy reading this MSC-thesis and that it will contribute to solve sustainability problems in a more effective way in the future.

ABSTRACT

Multistakeholder alliances have gained recognition as valid mechanisms to develop responsible management practices towards sustainable development, although it is unclear what the link is between the individual goals that stakeholder parties have to join a multistakeholder alliance (MSA) and the way this is linked to the operationalization and definition of sustainability challenges the partnership aims to solve. To identify this link this paper develops news theory by investigating under which circumstances negotiation processes in MSA's lead to effective process in order to meet sustainability goals. Four similar multistakeholder alliances in international food supply chains were investigated, by using a grounded theory approach, to understand the negotiation process between individual stakeholder goals and meeting joint sustainability goals. This has exposed five conditions that positively influence the negotiation process. Moreover, the impact of the negotiation process on transaction costs, which are involved in integrating sustainability in the supply chain, was investigated. The most important findings have turned into 6 propositions that can be tested in follow up research.

Keywords: sustainable, multistakeholder, alliance, partnership, supply chain, negotiation, CSR, food

SUMMARY

Multistakeholder alliances have gained recognition as valid mechanisms to develop responsible management practices towards sustainable development, although it is unclear what the link is between the individual goals that stakeholder parties have to join a multistakeholder alliance (MSA) and the way this is linked to the operationalization and definition of sustainability challenges the partnership aims to solve. To identify this link this paper develops news theory by investigating under which circumstances negotiation processes in MSA's lead to effective process in order to meet sustainability goals. The research is conducted from a supply chain perspective because it is not anymore the individual firm that has to integrate sustainability in business operations but the entire supply chain.

The literature study shows that the most important transaction costs, which companies face to integrate sustainability policies in the supply chain, are: 1) power differences between supply chain partners, 2) a lack of capacity building, 3) underdeveloped interorganizational relationships, 4) different motives for sustainability and 5) insufficient monitoring. There is an increasing incentive for both commercial and non-commercial stakeholders to work together in order to lower the transaction costs and to be more effective in solving sustainability issues. For companies this increasing incentive can be described as a shift from CSR towards CSV (creating shared value) which means that sustainability becomes an integrated part of the core business of the company. Literature reveals five factors that influence the process from individual stakeholder goals towards meeting joint sustainability goals which are: communication, power, goal deviation, trust and renegotiation. Based on the literature study semi-structured questionnaires were conducted. Moreover, a secondary data research was carried out to improve the internal validity by studying multiple sources of evidence. The investigated MSA's are all active in global food supply chains and the alliances are coordinated and convened by a neutral partner.

The case studies show that the urgency for companies to deal with sustainability issues is mainly determined by the growing supply chain risks and consumer pressure that pressures the image of the firm. Moreover it can be shown that as the urgency increases this leads to a (growing) dependency of other stakeholder groups and therefore increases the need for collaboration. The empirical research has identified five conditions that positively influence the negotiation process: a low level of goal deviation, a low level of power deviation, a high level of trust, a high level of transparency in the communication and a high level of openness in the knowledge exchange between stakeholders. Most of these conditions were positively influenced by the coordination of a neutral convener which increased the levels of trust between stakeholders, coordinates knowledge exchange between stakeholder groups and lowers the level of goal deviation by handling strict selection criteria. It was found out that the high openness of knowledge exchange between stakeholder parties can lead to improved goals and activities which can make a MSA more effective over time. In other words, a neutral partner can help to create, improve and safeguard a common vision among stakeholders to deal collectively with sustainability issues in the supply chain. With regard to goal deviation it was found out that organizations with goals that deviate from the most powerful (commercial) stakeholder parties have lower influence in the negotiation process.

The investigated MSA's are able to have an impact on two kinds of transaction costs: a lack of capacity building and underdeveloped supply chain relationships. In line with the findings above 6 propositions have been created which can be tested in follow up research.

A limitation of this study is that there cannot be made conclusions about the relationship between reaching joint sustainability goals and solving sustainability problems. This is an important result as one of the findings of this study reveals that nearly nothing had changed on large plantations that had been certified. This shows that the relation between reaching sustainability goals and solving sustainability issues is unclear and needs to be investigated in follow up research.

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CHAPTER 1 INTRODUCTION AND PROBLEM STATEMENT

The world faces enormous challenges to deal with sustainability issues nowadays. Economic development, at this stage, is clearly not sustainable. Global challenges including natural resource depletion and social injustice are alarming issues that need to be solved for the benefit of the society, the private sector and the economy (C&E, 2010). While the meaning of “sustainability” has often been debated, it may be considered to be concerned with ‘meeting the needs of people today without compromising the ability of future generations to meet their own needs’ (World Business Council for Sustainable Development, 2005, p.2). Although emerging technologies could deal with sustainability related problems fairly well, the environmental problems of today necessitate more rigorous transitions in the coming decades, e.g. major changes in transport, agri-food systems and energy supply (Geels, 2010).

Traditionally, the responsibility for dealing with sustainability issues was attributed to governmental organizations. Recently, however, market parties and civil society organizations have also been invited to and have increasingly taken up their share of responsibility. Actors from other sectors of society will therefore enter the policy arena (Arts & Leroy 2006). Therefore, companies are being encouraged to shape the content of their corporate strategies to attain a higher level of mutuality between their own strategic needs and those of society, what sometimes is referred to as “corporate social responsibility” (CSR) (Porter & Kramer, 2006; Harmon et al. 2009). For quite some time, firms have been looking at issues which are broader than profits (i.e. housing for employees and sponsoring social programs). What is new is the intensity and breathe of the efforts made by private firms in addition to the increasingly strong societal demand for more ethical and responsible behavior (Nijhof et al. 2007). The efforts of the private sector can create significant environmental benefits, since millions of people use their products and rely on their services. Moreover, CSR policies can multiply throughout a company’s supply chain and policies introduced by market leaders often urge competitors to follow suit (Gemi, 2008). It has been recognized that sustainability programs have the potential to make a significant positive impact on supply chain practices (Auroi, 2003). For instance, Fair Trade requires producer groups ‘to create and maintain strong external ties with corporate buyers, development NGOs and other organizations’ within their supply chain (Raynolds et al.,2004)

The once adversarial relationship between NGOs and companies has changed in a more cooperative and dialogical relationship (Kourula and Laasonen, 2010). Nowadays there is an increasing form of collaboration between NGO’s, market parties and civil society organizations in order to find a common approach to issues that affect them all and that is too complex to be addressed effectively without collaboration. Collaboration inherently involves ‘more than one person or group working with another person or group, using their combined strengths to secure their own interests, or the interests of somebody or something else, or both’ (Murray et al, 2010). A number of terms, such as “partnership”, “cooperation”, “alliance” or “coalition” describe this phenomenon of different parties coming together to achieve a goal within a collaborative arrangement. ‘Given the sustainability and social responsibility agendas, the potential for collaborative possibilities, relationships and partnerships between organizations and interested parties would seem to be a logical step in addressing the challenges of sustainable development as it affects regional communities around the globe’ (Murray et al, 2010). Kourula and Laasonen (2009) call the rise of NGOs as relevant players, in addition to private and public sector actors, as one of the most significant processes related to the global environmental and social challenges of today.

Van Huijstee et al. (2007) point out the variety of concepts that is used to refer to these kinds of relationships (public, non-profit and business) in literature. In this study the term ‘multistakeholder alliance’ (MSA) will be used that is defined by Van Huijstee et al (2007:77) as following: *collaborative arrangements in which actors from two or more spheres of society (public, non- profit and business) are involved in a nonhierarchical process, and through which these actors strive for a sustainability goal.* However, this does not mean that other studies

reviewed use the same term. Heimnati (2002) defines multistakeholder alliances as 'processes which aim to bring together all major stakeholders in a new form of communication, decision-finding (and possibly decision-making) on a particular (sustainability) issue'.

It is obvious that there are some challenges to overcome in order to make multistakeholder alliances more effective instruments to tackle sustainability challenges. One of these challenges is that the link between individual stakeholder goals and the outcome of the multistakeholder alliance is unclear. In other words, it is unclear how stakeholders with different goals move to joint sustainability goals and how specific factors in this process affect the effectiveness of the MSA to deal with sustainability issues. This is an important challenge because 1) the contribution of MSA's on sustainability problems remains unclear and 2) the added value of a MSA remains unclear compared to the situation in which a stakeholder party tackles the problem without stakeholder collaboration (van Huijstee et al., 2007). To overcome this challenge the link between the individual motives that stakeholder parties have to join a MSA and the way this is linked to the operationalization and definition of sustainability challenges the partnership aims to solve should be clarified.

To understand the transformation of individual (sustainability) goals towards joint sustainability goals this paper will examine the issue of sustainability goals from a 'negotiation' perspective. Negotiation is 'a voluntary process of give and take where (all) parties modify their offers and expectations in order to come closer to each other' (Buckley and Ghauri, 1999: 3) Negotiation processes transform individual motives and goals in common agreements which aim solving sustainability related problems. The negotiation perspective reveals how goals of stakeholders are being diverged or converged during the process and how this affects the effectiveness of the alliance. This leads to the main research question of this paper:

Under which circumstances negotiations in multistakeholder alliances lead to effective processes in order to meet sustainability goals?

The paper will examine this question in a supply chain context, because it is not anymore the individual firm who has to integrate sustainability in business operations but the entire supply chain. Therefore (multinational) companies are not only being held responsible for their own operations, but are also for the socially and environmentally responsible practices of their global partners by stakeholders such as NGO's, customers, governments and the media (Andersen and Larsson, 2009). That the unclear contribution of sustainability projects in the supply chain is also a challenge is put forward by Halldórsson et al. (2009) who point out that, although many companies have done efforts to engage in CSR-related activities, there is often a gap between the agreed standards and the actual conditions in the supplier company.

The knowledge that this study will produce can help to overcome the challenges that multistakeholder alliances face and more specifically the problems that companies face in the supply chain to effectively attain sustainability goals and meet these goals. By using the negotiation perspective not only the outcome of stakeholder interaction in a MSA can be observed in detail, but also understand the influence which different stakeholders have in the creation and implementation of CSR policies to reach certain sustainability goals.

CHAPTER 2 INTEGRATION OF SUSTAINABILITY IN THE SUPPLY CHAIN

2.1 INTRODUCTION

This chapter will give a theoretical background of the integration of sustainability in the supply chain and will answer research question 1: What are the top 5 transaction costs that companies hamper in creating and implementing joint sustainability agreements in the supply chain? The outcomes of this chapter will be used in the empirical research to investigate whether the MSA's are able to have an impact on the bottlenecks that were identified in this chapter.

The chapter will first elaborate on the background of sustainable supply chain management. After this section 2.3 will give discuss the strategic options for vertical coordination in the supply chain. Then, section 2.4 lists the most important bottlenecks that companies face in creating and implementing joint sustainability agreements in the supply chain. Finally, section 2.5 gives a summary and conclusion on this chapter.

2.2 BACKGROUND – SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Simchi-Levi et al. (2002) define a corporation's supply chain as 'the series of companies, including suppliers, customers, and logistics providers that work together to deliver a value package of goods and services to the end customer'. Managing the supply chain is defined by Harland (1996) as following: *'the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers.'* Until recently literature discussed supply chain management from the perspective of cost efficiency, customer service and the implementation of integrative processes in the supply chain (Andersen and Larsson, 2009). Because many supply chains have been globalized by outsourcing activities to low-cost countries a renewed interest appeared of scholars to study the sustainable supply chain. Since problems in environmental or social performance in the supply chain can easily assail the brand image and consequently the sales of companies, supply chain performance becomes a critical competitive focus for companies with international supply chains. Literature provides many examples and definitions of 'sustainable supply chain management' which we define as *'the management of material and information flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e. economic, environmental and social, and stakeholder requirements into account'* (Seuring et al., 2008). This contrasts with the definition of supply chain management in a way that it puts focus on 3 elements that determine sustainable development. These 3 elements can be found in the triple bottom line (figure 1) which represents that organizations must link environmental, social and economic goals within a broader strategic perspective at the intersection of the triple bottom line. (Elkington, 1998; Carter and Rogers, 2008) That sustainable supply chain management is getting the new standard is being expressed by Savitz and Weber: (2006:xiv)

'Sustainable supply chain management is not simply a matter of good corporate citizenship – earning brownie points for reducing noxious emissions from your factory or providing health care benefits to your employees . . . Sustainability is now a fundamental principle of smart management.'

Figure 1 Triple bottom line (Source: website DNV)



Companies and their supply chain partners have found different answers to the new requirements which are related to sustainability. According to Closs et al. (2009) sustainability goals influence the environmental performance in the supply chain such as the component selection, materials sourcing, production, packaging, distribution, and recycling decisions. An example of this is Green Procurement, which refers to obtaining goods, suppliers and services that have no destructive effect on the environment. Moreover, sustainability goals may apply on the social performance of the chain. Examples are the human well-being of laborers in the chain and the ethical ramification of decisions. Finally, the economic performance relates to the long turn existence of the firms in the supply chain.

There is a growing interpretation by companies that managing the triple bottom line— focusing on economic, social and environmental performance (profit, people, planet)—will lead to improved efficiency and profitability on the long term (Closs et al., 2010). Salam (2009) states that that CSR has the ability to increase sales revenue and market share by improving customers’ perception of a company. Sustainability therefore, is not a goal on itself but is dependent of identifiable benefits of the action and complete commitment of the top management (Faisal, 2010; Rice, 2003). When one of these aspects is missing the statement of Murray et al. (2010) may hold who argues that in many cases the term ‘sustainability’ still has a particular focus, concerning whether the company can sustain itself and avoiding the debate on sustainability, which relates to sustaining the planet.

The most common used approach to boost sustainability in the supply chain is to use codes of conduct (Andersen and Larsson, 2009). A code of conduct can be defined as a number of environmental and social requirements that a firm’s supplier is expected to meet up (Mamic, 2005 ; Anderson and Larsson, 2009). Figure 2 provides an overview of the most important ethical issues in food supply chains.

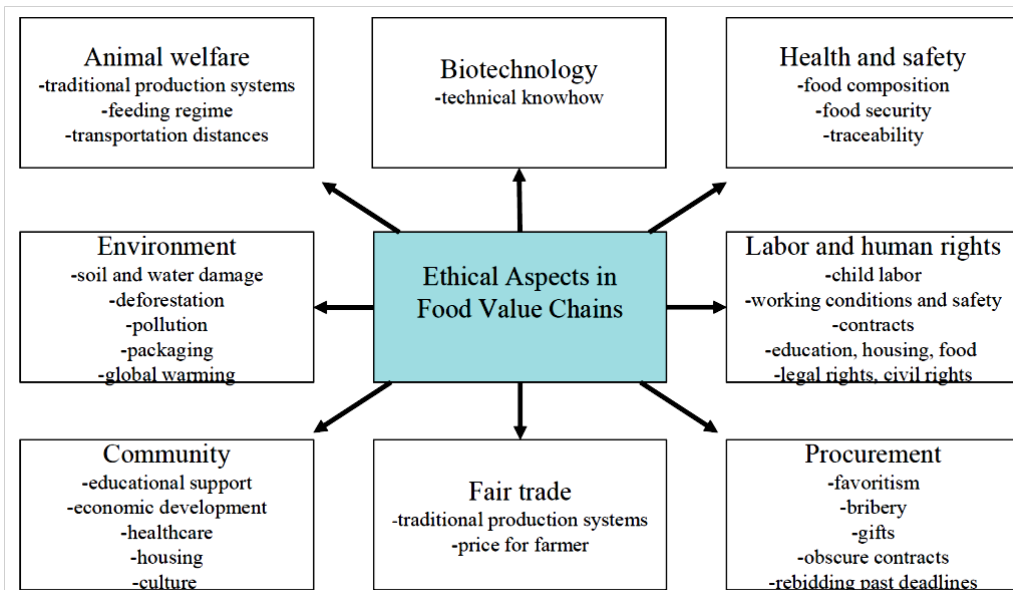


Figure 2: Ethical aspects in food supply chains (Adapted from Maloni and Brown, 2006 by Wageningen UR)

This section has shown the meaning of sustainable supply chain management which is based on the principles of the triple bottom line. It relates to the intersection of economic, ecological and social performances of supply chain operations, which has become a fundamental part of supply chain management.

2.3 STRATEGIC OPTIONS FOR VERTICAL COORDINATION IN A SUPPLY CHAIN

This section treats the strategic options for vertical coordination in a supply chain. Each strategic option has specific characteristics that determine the negotiation process of transactions between supply chain partners. This is a relevant issue because the strategic options may change as a result of sustainability policies in the supply chain (Ingenbleek, 2011, Fawcett et al., 2007). Knowledge of the strategic options gives an in-depth understanding during the empirical research of how the negotiation processes (i.e. the strategic options) changes as a result of the implementations of a MSA.

Figure 3: Strategic options for vertical coordination (Source: Peterson et al., 2001)

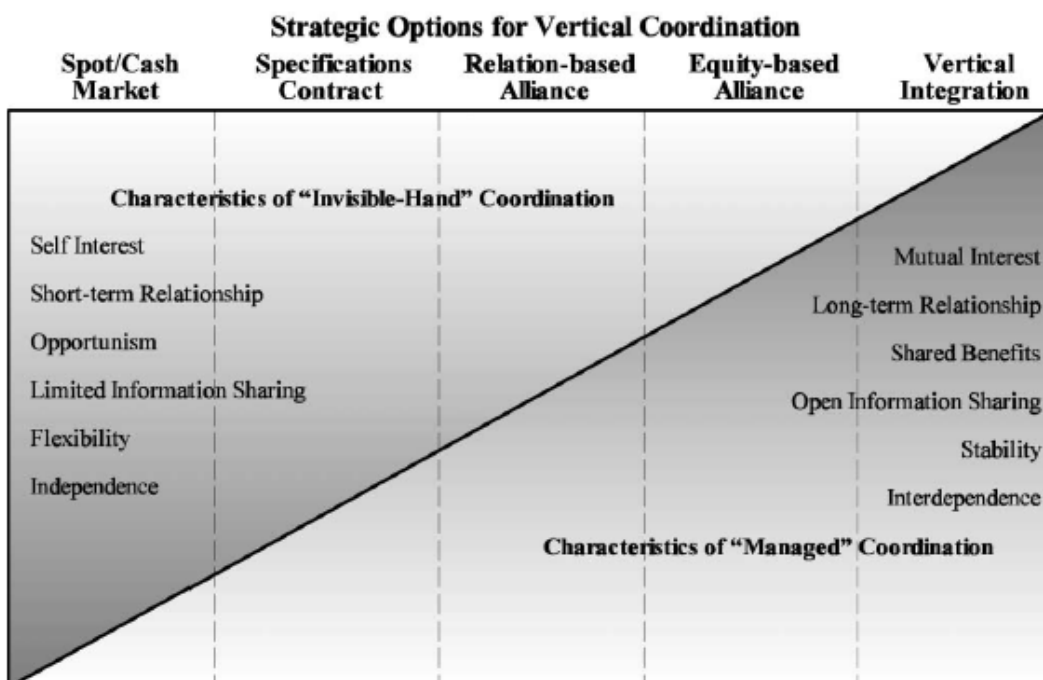


Figure 3 shows two extremes of strategic options for vertical coordination. At the one hand we see the spot market in which suppliers have to distinguish themselves from their competitors by following strategies that are driven by self-interest. This is referred to as the invisible hand coordination, which can be attributed to the work of Adam Smith, in which each individual actor follows its self-interest in order to obtain the best results. From a sustainability point of view this could mean that firms not enforce any codes of conducts to their suppliers, but simply pick the best supplier that fits their sustainability demands best. This happens mostly by demanding certain (public or private) standards to suppliers. This can urge competition among suppliers and consequently might give suppliers an incentive to use a differentiating strategy sustaining their businesses. A differentiating strategy means that the supplier differentiates its product based on sustainable features in order to be an attractive trading partner. Peterson et al. (2001) state that the only form of coordination is here (ex ante) the decision whether there will be a transaction (based on costs or other standards in terms of sustainability) and (ex post) the decision whether there will be a repetition of the transaction in the future when this is needed. Therefore the invisible hand coordination is characterized by short-term relationships, opportunism, limited information sharing, flexibility and independence. Williamson (1973) argues that the market working of the invisible hand might lead to better economic efficiency than (highly) coordinated supply chain strategy, although literature remains unclear whether this efficiency also applies on sustainability. Ingenbleek (2011) argues this strategy does not fit in every market with regard to sustainability, especially when there is 1) not enough competition and 2) when suppliers simply don't have enough resources and capabilities to change their operations.

The other end of the continuum shows a strategy that is the ultimate form of vertical integration. This means that all the operations have been integrated in one organisation. In this type of coordination there are no separate parties left that negotiate on decisions because there is one central coordination system that takes decisions which benefits the (whole) organization/supply chain. In other words there are no separate parties involved in the transaction but one centralized control organization. Most of the strategic options are 'hybrid' strategies (Peterson et al., 2001).

Although the general concept in literature leads to the idea that sustainable supply chains require integrated alliances (Carter and Rogers, 2008; Zailani et al., 2012) Ingenbleek (2011) states that a sustainable supply chain can be either achieved by choosing for a low vertical integration (e.g. the spot market) or a highly integrated vertical integration (e.g. a strategic alliance). He argues that a hybrid form of integration may lead to a 'lock in'. A lock in implicates that companies cannot easily switch to other suppliers on the spot market and the implementation of the CSR-related policy is likely to be sluggish (e.g. because of low commitment or opportunistic behavior).

Right from the spot/cash market lays the option for a specifications contract. In this strategy the coordination control is growing compared to the spot market. Parties have to negotiate (ex ante) on the detailed specifications of the contract. The contract execution will be monitored and based on these findings it will (ex post) be decided whether there will be re-negotiations in the future. Most of the times the specifications will become established over time and will be required as fixed standards in future negotiations (Peterson et al., 2001).

The third strategy is the relation-based alliance. In this form the firms that are involved share risks and benefits, stemming from mutually identified objectives. Martin et al. (1993) state that in relation-based alliance mutuality must exist for the 3 following factors: sharing benefits and costs, creating joint objectives and a cooperative monitoring process. In order to make this strategy successful it is required that there are definite achievements of mutual benefits. Therefore it is important that (ex ante) a good relationship between the involved parties is established that can identify mutual goals and commitment with respect to the alliance. Ex post, it is crucial that both the relationship and the transactions are being monitored. When there are no definite achievements of mutual benefits the alliance can be dissolved. Compared to the strategies on the left side (spot market and specifications contract) it is not necessarily the transaction that determines control but

the alliance itself (Peterson et al., 2001). Fawcett et al., (2007) state that the relation-based alliance is based on mutual interests/shared benefits, long term relationships, stability and a high level of interdependency.

The last two integration strategies are less common in supply chains (Trienekens, 2011). The equity based alliance requires shared equity between the organizations in a transactional relationship. Organizations come together in a new cooperative entity without giving up their own business identities (Peterson et al., 2001). The difference between this strategy and the relation-based alliance is the presence of a separate organization that acts as the joint agent in the coordination of transactions. The equity based alliance is characterized by clear cut definitions of responsibilities and decision rights. The agricultural cooperative is a well-known example of this supply chain strategy. Because the point of control is now decentralized it is not likely that ownership parties walk away because of their significant investments in the new independent identity. Most important decisions (ex ante) determine the negotiation process towards the legal structure (including all governance mechanisms) and the goals of the cooperation. The control of the transaction is being conducted (ex post) by monitoring mechanisms that will re-determine policies and procedures (Peterson et al., 2001).

This section has shown there are different levels of vertical integration in a supply chain to coordinate transactions. There are indications in literature that several options are being used in the implementation of sustainability related policies in the supply chain, although the majority of literature forecasts a shift to the right.

2.4 BOTTLENECK ANALYSIS

This section will list the most important bottlenecks that companies face in creating and implementing joint sustainability agreements in the supply chain. These bottlenecks can be seen as transaction costs, which are costs incurred in making an economic exchange. Williamson (1981) refers to these transaction costs as following: 'frequent misunderstandings and conflicts in an economic exchange that lead to delays, breakdowns and other malfunctions'. Based on this definition it is clear that the bottlenecks (i.e. transaction costs) that are identified in this chapter hinder the implementation of CSR agreements in the supply chain.

The first bottleneck to discuss refers to power differences and the consequences of wrong usage of power by the lead firm. According to Ciliberti et al. (2010) many negotiations towards joint CSR agreements in a supply chain are being led by one dominant firm, often called the lead firm (Faisal, 2010). This means that the firm should thus persuade supply chain partners to implement CSR vertically, or compel partners if persuasion is not effective. However, having a powerful position in a supply chain does not assure an effective elaboration of CSR related practices. Wrong handling of a high power position may lead to tensions between the dominant firm and supply partners as not every firm is in a position to follow.

Faisal (2010) has identified drawbacks for a dominant approach of the powerful lead firm. First of all, suppliers may be afraid to lose business contracts with the buyer and therefore opportunistic behavior comes at hand. Opportunistic behavior is defined by Pedersen and Anderson (2006) as 'self-interest seeking with guile'. Actors need a clear incentive to prevent them from opportunistic behavior. An example of opportunistic behavior is adverse selection which means that supply chain partners promise more than they can live up to in the negotiation process to assure business contracts (Ciliberti et al., 2010; Cramer, 2003). Secondly, a zero tolerance approach may lead to a limited availability of suppliers who can meet the buyer's requirements which is consequently proven to be commercially untenable (Jorgensen and Knudsen, 2006). Thirdly, non-compliant suppliers with low power (especially those in development countries) face the risk of being repudiated of the global supply chain. This may lead to a further degradation of their social and environmental standards. The third drawback leads to the second bottleneck to discuss, which is a lack of capacity building.

There is a limited availability of suitable suppliers (particularly in development countries) when there is a lack of capacity building. Even when suppliers in development countries are willingly to invest in sustainability they

often lack the resources and the capabilities to do so. Enforcing codes of conducts to supply chain partners in development countries is an enormous challenge because of a weak institutional structure and the involved suppliers are separated geographically, legally, economically, politically and culturally (Pedersen and Andersen, 2006). Companies underestimate the capacity building that is necessary to successfully implement CSR policies in development countries. Many suppliers need training and skill development for this, which is often not given by the initiating lead firms (Lee and Kim, 2009).

The third bottleneck that can be identified in literature refers to underdeveloped supply chain relationships. When the supply chain relationships are underdeveloped there is no common vision in the supply chain to deal with the sustainability issue effort. This results in a low level of commitment throughout the supply chain which lowers the effectiveness of the sustainability effort (Andersen and Larson, 2009; Lee and Kim, 2009). When companies do not work towards a common vision and a joint approach to deal with sustainability issues, CSR policies can result into a complicated web of agreements that lack cohesion.

Vivienne van Eijkelenborg, Managing Director of Difrax explains this as following:

A few years ago I took the initiative to develop a policy on corporate social responsibility for my own company and our suppliers. This policy had to be monitored and lead to a quality guarantee for our products. This turned out to be a hell of a job. Our biggest problem was to introduce one uniform policy among our suppliers. Of course, we were willing to take into account the diversity of suppliers and their different locations, but the question was how... On the basis of the first round of conversations we concluded that suppliers are already doing a lot of things. Some factories are audited every week or month by various other organizations, while others are not audited at all. The factories are familiar with all kinds of international codes of conduct in the area of corporate social responsibility and a number of them comply with some of the guidelines. However, one company was relying on one particular code, and a second on another code. It was really a mess. The question was how Difrax could proceed. We concluded that we are too small to carry out this task alone. (Cramer, 2008: 398)

This example shows that supply chain networks can comprise a variety of CSR agreements (e.g. different codes of conducts). It could therefore be problematic for the focal company to get suppliers aligned on joint agreements, since many suppliers have agreed on guidelines with other supply chain partners or organizations. In other words, there is a lack of a common vision in the supply chain.

Companies often underestimate the interorganizational connections that are required to establish good partnerships with their supply chain partners and competitors (Gold et al., 2009). In many occasions leading companies only negotiate on joint agreements with their first-tier suppliers. From a first-tier supplier perspective the goal is to respond to requirements of customer companies while at the same time they should manage sub suppliers' operations (Lee and Kim, 2009). Ideally, sustainability requirements should be passed on from first-tier suppliers to second tier suppliers. However, it is often unclear who is responsible for this and whether the suppliers are geared to pass on requirements because of vaguely defined arrangements between supply chain partners. Underdeveloped supply chain relationships result therefore into low levels of trust regarding the implementation of CSR related activities by suppliers (Lee and Kim, 2009). When the level of trust decreases the level of commitment towards the implementation of the CSR policy decreases also.

The fourth bottleneck to discuss relates to the differences in motives between supply chain partners to implement sustainability policies in the supply chain. The first aspect that influences the difference in motives is the level of reputational responsibility (Roberts, 2003). One of the most important motives for large (multinational) companies to integrate CSR in a supply chain is to avoid the risks that potentially harm the corporate reputation (Roberts, 2003). Amaeshi et al. (2008) challenge the notion that many pressure groups hold, that CSR practice is only restricted to global large firms and brands. It is argued that most of the companies in the supply chain are SME's (small and medium scale enterprises) and that these companies do

not get enough pressure to integrate CSR practices in supply chains. The second aspect refers to the lack of business opportunities on the suppliers' level. Moving downstream in the supply chain suppliers are generally less willingly to integrate CSR related activities. Cost minimization and the assurance of business contracts are usually given a higher priority than initiatives that benefit the entire supply chain (Faisal, 2010). This can be explained by the work of Pedersen and Andersen (2006) who have shown that introducing CSR related policies in a supply chain may cause imbalanced benefits. A sustainable product will generally lead to a better image of the lead firm while the supply chain partners only share in the indirect profits (e.g. more deliveries). When the suppliers have to share a disproportionate part of the costs while there is no clear business opportunity there is a low level of commitment to invest in sustainability.

The last bottleneck to discuss is the insufficient monitoring of agreements. There is often a gap between the expressed ethical standards and the actual conditions in the supplier company (Halldorsson et al., 2009). Measures are still scarce and rarely extend beyond first tier suppliers (Govaks, 2008). A good working monitoring device is required to check whether there exists a gap between expressed agreements and actual conditions. Moreover monitoring communicates commitment of the buying firm towards pressure groups and other stakeholders to establish a sustainable chain (Boyd et al., 2009). The inconsistency of monitoring suppliers by lead firms is highly criticized by scholars. Different monitoring, in terms of depth, breath and frequency, make it difficult for stakeholders to compare outcomes with other supply chains (Boyd et al., 2009). The call for better and more uniform ways of supplier monitoring is also growing among companies. This is shown by the statement of Michael Kobori, Vice President of Levi Strauss, who states that increasing the uniformity and effectiveness of supplier monitoring is a top priority for supply chain managers (Boyd et al., 2009). According to Cramer (2003) monitoring is correlated with levels of trust. When relationships are under tension, the transparency and trust between buyer and supplier are decreasing, hindering the efforts of the buyer to assess the performance of the supplier. In addition, Murry and Heide (1998) argue that high levels of monitoring signal forms of distrust from buyer towards supplier. Consequently the buying party will create a non-compliant attitude in further negotiation processes. Hence, too much monitoring can lead to a buyer-supplier conflict which has a negative impact on the execution of the agreements. Boyd et al. (2009) argue therefore that ideally firms should employ a low level of monitoring while assuring the compliance of suppliers by building long term, trustworthy relationships with supply chain partners. In addition, companies may lack the resources to monitor the activities of their supply chain partners. Especially when there are many suppliers in the form of outsourced contracts monitoring activities are expensive and complex (Roberts, 2003).

2.5 SUMMARY AND CONCLUSION

First, the chapter made clear that many supply chains shift to sustainable supply chain management in which the economic, environmental and social performances of the businesses operations are all integrated. Furthermore, the vertical options for coordinating CSR policies in the supply chain were discussed, varying from the spot market (the invisible hand coordination) to complete integration (the managed coordination). Finally, 5 bottlenecks were discussed that hinder the implementation of CSR policies in the supply chain. These bottlenecks are 1) power differences between supply chain partners, 2) a lack of capacity building, 3) underdeveloped supply chain relationships, 4) different motives for sustainability and 5) insufficient monitoring. These bottlenecks are considered as transaction costs hinder the implementation of joint sustainability agreements in the supply chain.

CHAPTER 3 BACKGROUND OF MULTISTAKEHOLDER ALLIANCES

3.1 INTRODUCTION

This chapter will provide a background study of the emergence of multistakeholder alliances and the motives of stakeholders to join a partnership. This answers research question 2: what kinds of partnerships exist that deal with sustainability? and research question 3: What are motives for stakeholders to join a multistakeholder alliance? Section 3.2 elaborates on the different kinds of partnerships that exist and section 3.3 discusses the different motives of stakeholder groups to enter an alliance. Finally, section 3.4 gives a summary and conclusion of this chapter.

3.2 BACKGROUND OF MULTISTAKEHOLDER ALLIANCES

According to van Huijstee et al. (2008) intersectoral 'partnerships' (i.e. multistakeholder alliances) have become real buzzword because of the growing interest in sustainability in societal and academic spheres. Van Huijstee et al. argue this growing interest can be explained by the 1992 World Summit on Sustainable Development (1992) in Rio de Janeiro, where global sustainable development was positioned steadfastly on the political agenda. It was argued that in order to reach sustainable development an active involvement of all spheres (public, non-profit and business) of society is needed. Due to a new understanding that sustainability challenges necessitate more intense interaction between different spheres the numbers of intersectoral partnerships are growing steadily. This of course, brings new challenges as Hudson (2009) points out that organizations have to accustom to the reality that solving problems requires collaboration rather than working alone.

It is self-evident that multistakeholder alliances come in many forms. Van Huijstee et al. (2008) state that 'these forms differ in the type and number of actors involved their intensity, scale, intentions and activities. Studying the governance processes in MSA's Vallejo and Hausselmann (2004) find varying characteristics of MSA's in terms of objectives, decision processes and the types of stakeholders involved. Characteristics can be distinguished between formal mechanisms (e.g. selection criteria and monitoring procedures) and informal mechanisms (see chapter 4). Objectives of MSA's can be globally orientated, like the Roundtable on Sustainable Palm Oil (Schouten and Glasbergen, 2010) or regionally orientated, like the multistakeholder approach on sustainable fishery in the Northwest Atlantic (Hartley and Robertson, 2005). Some partnerships become institutionalized platforms which involve complete sectors (Roundtable on Sustainable Palm) while others are a onetime collaboration between a company and a NGO.

The form of collaboration between a company and NGO has received particular attention in the literature as it is the most common form of intersectoral collaboration. The role of NGO's has changed from the lobbyist acting in the corridor to a more evident player in the field (Belou et al., 2003; Nijhof et al. (2007). This can be demonstrated by the conflict between Shell and Greenpeace in 1997 (Grolin, 1999). Shell had agreed with the British government to dump the redundant oil storage platform, after 3 years of scientific and technical evaluations. Greenpeace however, managed to create an immense pressure on Shell which resulted in enormous media coverage, protests of governments and a consumer boycott of Shell. Therefore, Shell had to reverse its decision to dump the oil storage. According to Grolin (1999) this case shows that the corporate legitimacy cannot longer rely anymore on merely scientific expertise and governmental approval. Businesses need now the direct approval of the transnational public, which implies a more important role for NGO's in creating corporate legitimacy.

3.3 MOTIVES FOR PARTNERSHIPS

In line with this the changing relationship between NGO's and companies, an increasing amount of firms identifies opportunities in collaborating with NGO are to tackle sustainability issues in the supply chain. This can be mainly explained because the agendas of companies have increasingly converged with those of NGO's. This is in line with what Porter and Kramer (2011) call this a shift from CSR towards NVC (New Value creation) or also called 'creating shared value' (CSV). They argue that CSR is an outdated model that was used by companies in the periphery of their business (sustainability means doing nice projects) instead of making it part of the core business. As a result, society began to comprehend that businesses make their profits at the expense of the broad society. The big problem behind this, Porter and Kramer argue, is that businesses look at value creation through a narrow lens of short term value creation while the effects for the society (e.g. the depletion of natural resources and the economic distress of communities) are negative on the long term. This withholds firms to run their businesses sustainable in the long run and therefore CSV aims to 'create economic value in a way that also creates value for society by addressing its needs and challenges'. In an interview with the Guardian, Porter states the following about CSR:

'It's not getting us there. It's well meaning, it's well intentioned, but ultimately it doesn't have enough impact. It's not focused on results, it's not scalable, it's not sustainable and therefore we actually have to see if we can move beyond that formulation of business's role. In a sense that's given business an easy role, it's a cop out. The CSR solution is fair trade; let's make sure the farmers get paid enough. And the CSV solution is transforming the productivity of the farmers and raising the quality so we can pay them a higher price because they have higher quality, and they can have higher incomes because they produce more. So that's the distinction between CSR and CSV.' (Website Guardian)

From the perspective of a company a partnership with an NGO is generally more effective in solving sustainability problems compared to a conflicting relationship with a stakeholder like a NGO (Nijhof et al., 2007). Partnerships can release a synergetic effect on solving problems as the characteristics and resources of different stakeholder groups can accomplish a synergetic and complementary effect. Still, Gemi (2008) argues that when a company or NGO is able to achieve a goal by itself there is generally no need to create a partnership. This indicates that both parties must identify a 'need' that requires cooperation with another organization. Chapter 2 has described that sustainability finds its roots in the triple bottom line (economic-environmental- and social performance) and it is likely that NGO's and governments have unique skills, expertise and resources the raise the bar on environmental and social performance of the company. Besides, synergetic cooperation can create business value. Examples are reduced impacts in the company's supply chain, reducing risks and (sustainable) market development (Halldórsson et al., 2009). Gemi (2008) also emphasizes on the relational advantages of a partnership. First of all, a NGO can provide an independent validation of a project. This means that it can validate the social and environmental benefits of a project as a 'third party'. Moreover, both parties may benefit of a partnership as the image and the credibility can be improved when their collaborative efforts harvest good results. As a last point Gemi (2008) argues that companies often prioritize short term day-to-day operations over a long term vision (which most leading organizations and companies have). A partnership generally addresses a long term sustainability goal which provides an external incentive for the company to accomplish long term goals.

3.4 SUMMARY AND CONCLUSION

The chapter has shown that the number of partnerships between intersectoral parties is growing due to a growing understanding that sustainability challenges necessitate more intense interaction between different spheres. The types of partnerships are varying in terms of form and goals. The role of the NGO has changed from a lobbyist in the corridor towards an evident player that gives firms corporate legitimacy. Companies are more open for collaborating with non-commercial stakeholders because of the shift from CSR towards CSV, which makes sustainability part of the core business of the company. When stakeholder parties identify a

'need' to cooperate the cooperation may benefit from complementary skills and resources. Moreover, the presence of non-commercial stakeholders can validate the benefits of a project as an 'independent party'. A last benefit of a partnership is an improved image and credibility when there are good achievements.

CHAPTER 4 NEGOTIATION PROCESSES IN MULTISTAKEHOLDER ALLIANCES

4.1 INTRODUCTION

This chapter describes, based on available literature, the most important factors that determine negotiation processes. These factors will be investigated to create a clear scope in the empirical research to identify how negotiation processes in MSA's move individual stakeholder goals towards joint sustainability goals. Theories have been investigated in negotiation theory and previous studies in the field of sustainable partnerships have been investigated. The findings in this chapter will give an answer on research question 4: What factors determine negotiation processes in multistakeholder alliances?

4.2 BACKGROUND

Negotiation is defined as a voluntary process of give and take where (all) parties modify their offers and expectations in order to come closer to each other (Buckley and Ghauri, 1999: 3) A multistakeholder approach should (ideally) result in a synergic win-win situation to solve sustainability problems in supply chains that cannot be solved effectively without collaboration. First, an agreement of common goals (goal alignment) has to be achieved and secondly a process in order to meet these goals should be determined (leveraging each partner's expertise and strengths) (Gemi, 2008). The following 5 factors will be discussed: 1) communication 2) power 3) trust 4) deviation of individual goals/priorities and 5) Re-negotiation.

4.3 FACTORS IN NEGOTIATION PROCESSES

4.3.1 COMMUNICATION

The first factor to discuss is communication. According to Aidar et al. (2004) a communication strategy in negotiation refers to the amount of information that is being shared during the negotiations. This can be a very direct way of communicating or a more indirect way of reaching a certain goal through negotiations. Both strategies can lead to good results, but it is required that enough information is shared to understand the priorities of the other party and to identify trade-offs that can lead to a beneficial outcome for both parties (Aidar et al., 2004). In other words, a transparent communication is required during the negotiations to create a trustworthy relationship on the long term. This is also in line with Fayse (2006) who state that the main obstacles to a fruitful discussion stem from a lack of genuine communication, e.g., participants will not speak openly about their objectives and will not consider other participants' interests. A successful partnership requires mutual willingness to understand the values, objectives and concerns of all partners (Gemi, 2008).

4.3.2 POWER

The second factor that is discussed is power. Power is defined as a relationship in which actor A, can get actor B, to do something that B would not otherwise have done (Pfeffer 1981). A second definition of power is given by Caniëls and Gelderman (2005) who show that power is strongly related with the level of dependency in relationships. Caniëls, and Gelderman (2005) explain this as following: 'a well-known definition is that the relative power of an organization over another is the result of the net dependence of the one on the other. If A depends on B more than B depends on A, than B has power over A'. Sasciaro and Piskorski (2005) explain this definition in more detail by referring to the theory of power-dependence relations of Emerson (1962). Central in the theory of Emerson is the statement that power is rather a property of the social relation than an actor's attribute. Dependency is shown to be a function of resource criticality and the availability of alternative

providers of critical resources. 'Actor A therefore, is dependent upon actor B (1) in proportion to A's need for resources that B can provide and (2) in inverse proportion of the availability of alternative actors capable of providing the same resources to A. Conversely, the dependence of actor B on actor A varies (1) in proportion to B's need for resources that A can provide and (2) inversely with the availability of alternative actors capable of providing the same resources to B' (Sasciaro and Piskorski, 2005).

There are different strategies in which parties can exploit their power in the negotiations to gain advantage over the other party (Aidar et al., 2004). Distributive tactics is a power strategy that aims at individual gains rather than creating a win-win situation (Pruitt, 1981). It is tried to blow away the other party by using positional and persuasive arguments that assent the status and power of the stronger party. Distributive tactics generally develop negative interorganizational perceptions which causes distrust (De Dreu et al, 2001.) In contrast with the distributive tactics there is a strategy which is referred to by Fawcett et al. (2007) as the 'win-win philosophy'. The goal of the negotiation is a 'synergistic creation of value'. In other words: by working together both parties are better off compared to the situation before the negotiations. This does not mean that there are no power differences. The willingness of the party to make concessions in the negotiations is of high influence. Consequently this means that powerful parties can have a compliant attitude (i.e. use a win-win strategy) when they identify win-win outcomes of collaboration (Mastenbroek 2011).

There can be identified different kinds of negotiation strategies that are being used by NGO's to influence the firm. Belou et al. (2003) identify NGO's either as polarisers or integrators. The polarizer strategy is in line with the 'distributive tactics' in a way that it aims to achieve change by disrupting the status quo through confrontation. The ability of the NGO to influence the image of the firm (as was demonstrated in the Brent-Spar conflict between Greenpeace and Shell) can create a higher power position (based on the definition of Pfeffer 1981). Still, this strategy is mostly not preferred as it leads to a conflicting relationship between the NGO and the firm. Consequently, resources and capabilities are not likely to be combined to create a synergistic solution. Nijhof et al. (2007) argue that there are two reasons why NGO's choose to be polarisers. First, not all NGO's are in a position to influence businesses through partnerships. Besides, not all NGO's have the intention to do so. Secondly, many companies give minimal attention to external parties as NGO's in establishing CSR-policies, although the number of relationships between NGO's and companies are growing last years. When the attacks of polarizing NGO's are unpredictable and damaging the image of the firm there is a higher incentive for companies to control their subversive remarks by entering a dialogue (Nijhof et al., 2007).

The second relationship between NGO's and companies is acknowledged as an integrative relationship. The aim of the relationship is to reach a win-win solution and there is an acknowledgement of interdependency between parties. Building these relationships can be a time-consuming effort to as they require mutual understanding and trust to be successful (Nijhof et al., 2007). This leads to the third factor that influences the negotiation strategy: trust

4.3.3 TRUST

Trust can have a different meaning in the non-profit sector and in the business environment. Trust in businesses is usually based on the constraining factors in contractual exchanges (the perfect contract does not exist). In other words, the expectancy that issues will be solved when proximity's occur which are not officially registered in contracts. Trust in the nonprofit sector is usually grounded on solidarity with the mission or on shared values (Selsky and Parker, 2005). Granovetter(1973) argues that personal contacts are crucial in establishing high levels of trust between organizations. When the trust increases, the transparency of the information exchange generally increases also (Grant, 1996). This can also be argued the other way around like Gemi (2008) who argues that a partnership requires reciprocal trust and respect, which demands a high degree of transparency from both sides. This can be challenging as partners may have synergies in certain areas and disagreements or adversarial relationships in others. 'In such cases, the partners must agree to disagree, while

maintaining trust within the scope of the project' (Gemi, 2008). It is particularly difficult when parties are not used to work together and might even be former 'enemies' (van Huijstee et al., 2007). Warner (2003) points out that 'hard ball' negotiators can create a situation of distrust where other stakeholders become non-transparent, lowering the chance to accomplish fruitful negotiations. Therefore trust is a prerequisite to identify the synergetic win-win solution in a partnership.

Measuring trust can be hard although there have been developed different methods to do so. Trust can be inferred from other acts of behavior. Rosen and Jerdee (1977) argue that trust can be inferred from the willingness of powerful actors to share the power with inferior parties in the decision making. Cook and Wall (1980) show that trust between mutually dependent groups in organizations can be placed along two dimensions: 1) faith in the intentions of the other organization and 2) confidence in the actions of the other organization.

4.3.4 GOAL DEVIATION

Different goals of stakeholders (i.e. deviated goals) make it harder to identify win-win solutions. Chapter 2 shows that companies in the supply chain may have different motives for the integration of CSR in the supply chain and that this can be a bottleneck in order to deal effectively with sustainability issues. The same can be argued for multistakeholder alliances because they do not always involve parties with shared values, shared goals or even the same interests and objectives (Murray et al., 2010). That the difference in ideologies and motives can be a constraining factor for collaboration is expressed by a senior director in a multinational company, talking about cooperating with NGO's in multistakeholder alliances:

'It's one thing involving NGOs in some of our activities: that's healthy and useful. But if it's about commercial risk, the company pays — and therefore there are real limits to how closely NGOs can be involved'. (Hudson, 2009:40)

According to Ingenbleek and Immink (2010) the willingness of an actor to make compromises in the negotiations is strongly influenced by the urgency that it perceives to deal with a certain issue. Urgency is being defined as 'the degree to which stakeholder claims call for immediate attention' (Mitchell, Agle, and Wood 1997, p. 864). High urgency indicates that a stakeholder assess the sustainability related issue as a 'critical issue', which indicates that solving the issue is time sensitive (i.e. delaying the claim is not accepted by the stakeholder) (Mitchell, Agle, and Wood, 1997; Ingenbleek and Immink, 2010). Consequently, when issues gain urgency, the willingness of an actor to compromise on a deviated issue will be higher than when the issue is perceived as a low urgency issue (Ingenbleek and Immink, 2010).

4.3.5 RENEGOTIATION

The last factor which is discussed in this chapter is renegotiation. The creation and implementation of sustainability goals is not (always) a linear process. Doz and Hamel (1998) state that 'managing the relationship over time is usually more important than crafting the initial formal design'. Therefore, this section identifies procedures in partnerships that lead to re-negotiations and revised conditions of goals and activities.

Literature reveals are two important factors that can trigger re-negotiations. First of all this is influenced by learning over time (Kuenkel et al., 2008) and secondly by process accountability. Studying the Common Code for the Coffee Community Association (a MSA in the coffee sector) Kuenkel (2008) concludes that motivations of stakeholders are changing over time as stakeholder groups go through a genuine learning curve. Based on instructive experiences revised goals are being determined.

Process accountability is a term that is used by Hamann and Boulogne (2008) and refers to the procedural aspects in MSA's that identifies to which extend parties are (still) committed to the agreements and whether goals are met indeed (monitoring/controlling mechanisms). Commitment is defined 'as a strong dedication to a decision to carry out a line of action' (Johnson, 1973). This shows that learning and processes accountability can either have a positive effect on the negotiation process (e.g. organizational learning, being more effective in the future) or negative (e.g. disappointing results and low levels of commitment).

4.5 SUMMARY AND CONCLUSION

The chapter has shown that 'negotiation perspective' explains the process from individual stakeholder goals towards meeting joint sustainability goals. There are 5 factors identified in literature which influence this process. The 5 factors identified are communication, power, deviation of goals and priorities trust and renegotiation.

First, a transparent communication is necessary to identify trade-offs that can lead to a beneficial outcome for both parties. Second, power is described as the net dependency of one actor of the other one. As a result the powerful actor gains influence over the less powerful actor. Power can either be used in the negotiations to aim at individual gains at the cost of the other party or in an interdependent manner that aims at synergetic win-win situations for both parties. Thirdly, trust is a prerequisite for a transparent communication between stakeholders. Interpersonal contacts between organizations increase the level of trust, but the level of trust goes down when disagreements arise between stakeholders. Fourthly, deviated goals make it harder for organizations to identify win-win solutions. When an organization perceives an issue as highly urgent there is a higher willingness of an organization to compromise with deviated goals of the partner organization. Finally it was point out that negotiation is not (always) a linear process. Two mechanisms, organizational learning and process accountability, may lead to renegotiations that results in new goals and activities.

CHAPTER 5 METHODS

5.1 CONCEPTUAL DESIGN

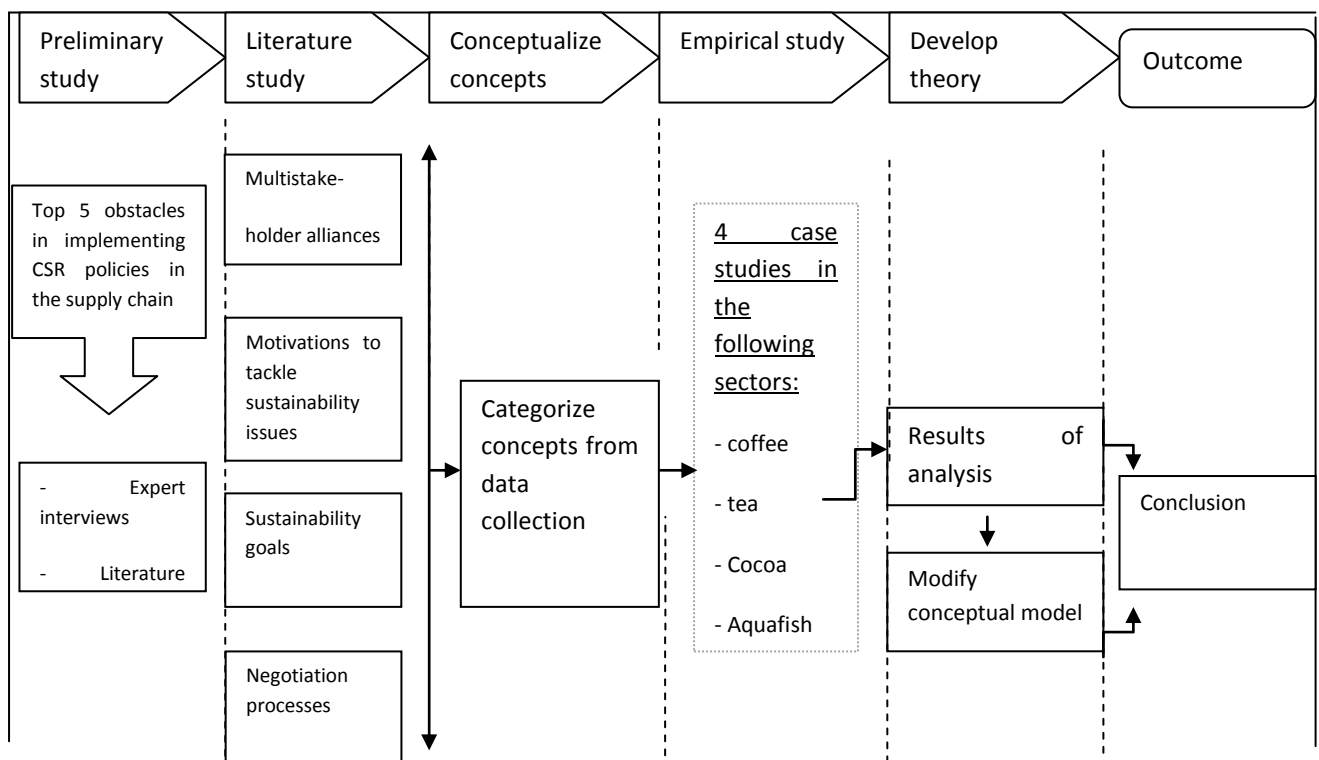
5.1.1 OBJECTIVE

The objective of this research project is to expand the theory of partnerships for sustainable development, by exploring how negotiation processes in multistakeholder alliances effectively move individual stakeholder goals towards meeting joint sustainability goals throughout negotiation processes. This theory will be expanded by investigating 4 different cases of multistakeholder alliances.

5.1.2 TYPE OF THEORY ORIENTED RESEARCH

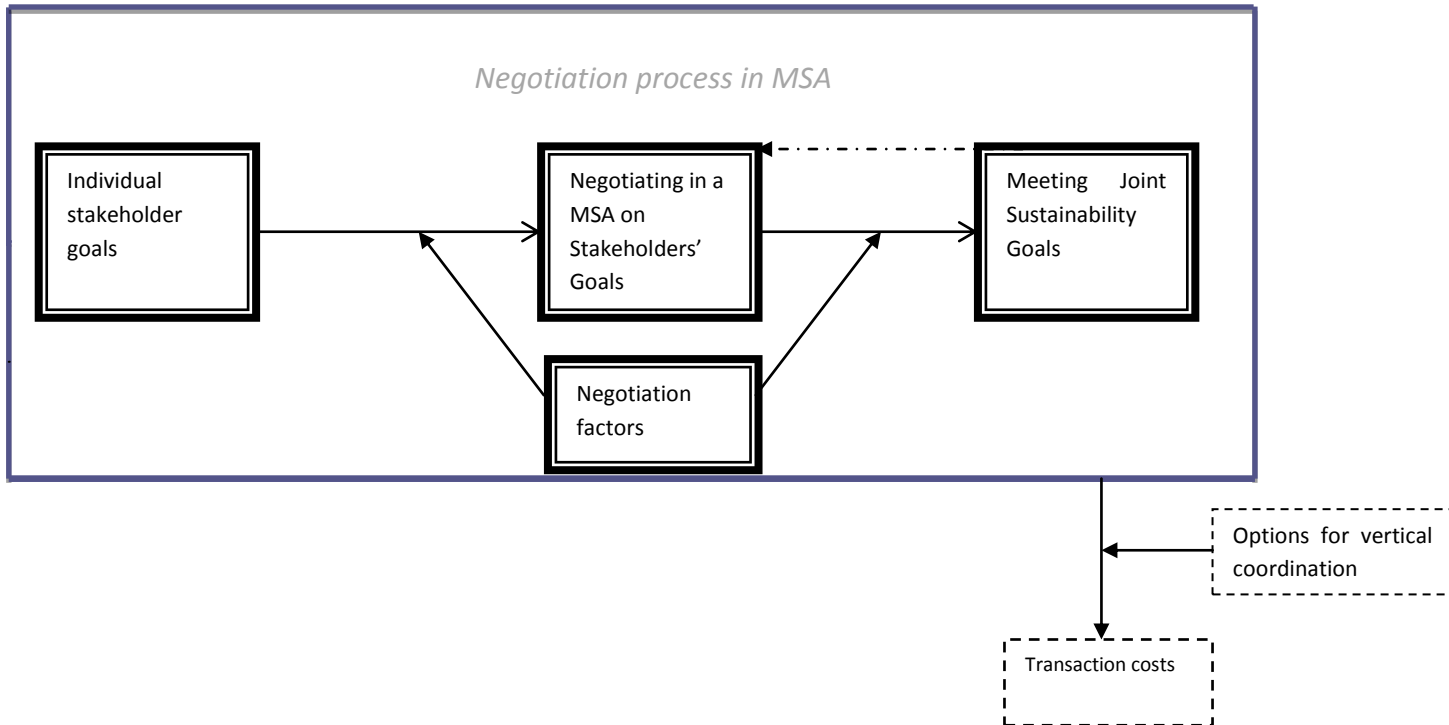
This study can be seen as an inductive form of theory developing by using the grounded theory approach. The grounded theory approach uses a constant comparison between empirical findings (in the form of case studies) and findings that can be found in literature research to create new theoretical insights (Verschuuren en Doorewaard, 2010). This is in line with the work of Eisenhardt (1989) who states that researchers who build theory based on case studies constantly compare data and theory in order to build a good theory. The “grounded theory” is recognized as the appropriate method to analyze and evaluate complex dynamic issues at the organization and inter-organization level where limited data points or cases are available (Stake, 1995; Westgren and Zering, 1998). The paper has therefore not started with forming hypothesis, because predetermined hypotheses result in a theory that is ungrounded from the data (Glazer and Strauss, 1967). The most striking outcomes of the case studies will be turned into propositions in a way that data collection, analysis, and theory stand in reciprocal relationship with one other (Bowen, 2006).

5.1.3 RESEARCH FRAMEWORK



The research framework is in line with figure 4 that explains how theories can be developed using case study research. An explanation of the research framework will be given in section 5.2.1

5.1.4 CONCEPTUAL FRAMEWORK



The conceptual framework shows that this study investigates what the most important factors are in the negotiation process that determines the pathway between individual stakeholder goals and meeting joint sustainability goals. Moreover, it is investigated whether and how the negotiation process in a MSA influences the transaction costs for implementing sustainability policies in the supply chain and the strategic options for vertical coordination.

5.1.5 RESEARCH QUESTIONS

Main RQ: Under which circumstances negotiations in multistakeholder alliances lead to effective processes in order to meet sustainability goals?

Sub research questions: (SRQ's)

A) Preliminary research: (Expert interviews & literature study)

SRQ1: What are the top 5 of transaction costs that companies hamper in creating and implementing joint sustainability agreements in the supply chain?

B) Literature study: (desk research)

SRQ2: What kinds of partnerships exist that deal with sustainability?

SRQ 3: What are motives for stakeholders to join a multistakeholder alliance?

SRQ 4: What factors determine negotiation processes in multistakeholder alliances?

C) Empirical study: (case studies)

SRQ 5: In what way does the negotiation process moves individual stakeholder goals towards meeting joint sustainability goals?

SRQ 6: What is the effect of negotiation processes in multistakeholder alliances on the transaction costs that companies face in creating and implementing common sustainability agreements in the supply chain?

5.2 TECHNICAL DESIGN

5.2.1 RESEARCH STRATEGY

In the first phase a preliminary study was executed, which is an exploration of bottlenecks (i.e. transaction costs) that companies hinder in implementing CSR policies by collaborating with supply chain partners. This is based on both a theoretical exploration and interviews with experts in the fields of supply chains and (sustainable related) management. The expert interviews were used as a safeguard to verify whether the transaction costs found in literature are accurately the most important costs. The preliminary study resulted in a top 5 of transaction costs that companies face in creating and implementing joint sustainability agreements in the supply chain. The outcome can be used in the empirical study to focus on those concepts that are expected to influence the effectiveness of the MSA's. After this the literature study gives insight in the different aspects of sustainability goals in multistakeholder negotiation processes, which also gave a clear focus for the empirical study..

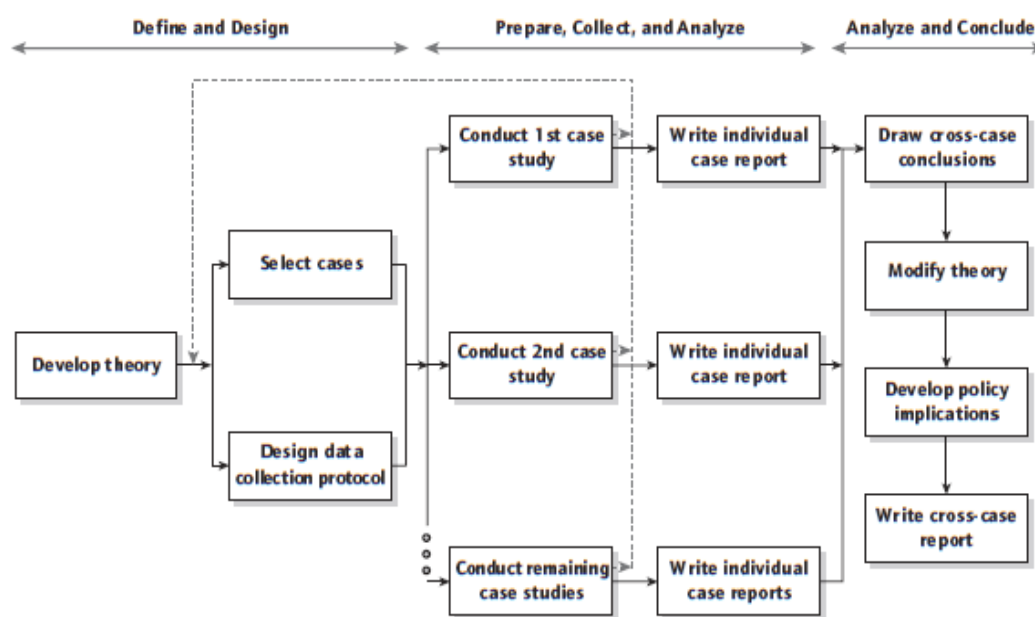
A case study method is used to create new data which can be used for the development of new theory. The strategy to use a case study approach for developing theory is in line with Flyvbjerg (2006) who argues that case studies are valuable at all stages of the theory-building process, but most valuable at that stage of theory-building. Four cases of multistakeholder alliances were selected and this is according to Yin (2002) a form of a multiple-case design (See figure 1). A multiple case study enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases. Because comparisons will be drawn, it is important that the cases are chosen carefully so that the researcher can predict similar or contrasting results across cases. The selection criteria that have been used for selecting the cases are discussed in section 1.3 'Selection criteria'.

For this study explanatory case studies are being used. These examine the data closely both at a surface and deep level in order to explain the phenomena in the data. Furthermore, explanatory cases are also deployed for causal studies where pattern-matching can be used to investigate certain phenomena in very complex and multivariate cases (Yin, 2002).

Case study evidence has been collected primarily via interviews with companies and experts and via documents (i.e. the secondary data study). Yin (2002) calls this 'collection data protocol'. The interviews (both in the preliminary study and the case studies) have been conducted in a semi structured manner to assure that there is space to identify new insights which could not be found in literature. The factors that were measured in the case studies via the interviews are being discussed in section 5.4. A secondary data study was also conducted to identify contrasting or confirming findings on company websites, news paper articles etc.

For each case an individual case report is constructed in the form of a table that lists the variables that were found. These tables can be found in appendix I. Based on these reports cross-case conclusions were drawn. This strategy is in line with the case study method of Yin (2002) and is shown in figure 1. Verschuren and Doorewaard (2010) call this approach the ‘hierarchic method’, in which the research project is carried out in two stages. Just as in the method of Yin (2002) first separate cases are examined as if they belong to a series of single case studies; however it is essential in this method that cases are studied independently from each other. The results of the cases can be used as the input for a comparative analysis of the coherent body of all cases that are involved. By doing this the researcher can obtain explanations for the similarities and differences between the different cases.

Figure 4: Case study method (Yin, 2002)



5.2.2 RESEARCH MATERIAL

Desk research:

- Scientific articles using the WUR Digital Library: especially the on-line databases such as ABI/Inform Global, Scopus and Web of Science. These search engines are have specific interest in business related topics and are therefore a good source of information. However, also other academic search engines will be used, such as Google Scholar.
- Scientific articles using relevant journals, such as the Journal of Management and the Journal of Organization Studies.
- Books on negotiation theory, sustainability motives etc.

Case study research:

As described in section 5.2.1 the case study materials exist out of two basic elements: the transcripts of the interviews and the secondary data. The secondary data research was conducted on the internet by investigating websites, reports, news paper articles, business reports etc. A

5.2.3 INTERNAL AND EXTERNAL VALIDITY OF CASE STUDY RESEARCH

Verschuuren and Doorewaard warn that a possible disadvantage of the case study is the problem that the external validity of the results is often under pressure. Generally this means that the fewer cases studied, which is often needed for achieving in depth knowledge, the more challenging it is to apply the results to a broader cases of interest. In this study we are developing new theory on how negotiation processes in MSA's affect sustainability goals. Therefore follow-up study may be required to test whether the theory holds for broader cases of interest. Although Yin (2002) argues that using replication logic in multiple cases the candidate theory gains external validity by testing and modifying the theory. Therefore, relationships are only described as replicate ones when causal patterns can be demonstrated in at least two cases.

Yin (2002) points out that for an explanatory case study like this (which aims to explain why 'x' leads to event 'y') the internal validity is an important concern. Yin (2002) argues that when the investigator incorrectly concludes that there is a causal relationship between 'x' and 'y' without knowing that some third factor 'z' may actually have caused 'y' the candidate theory has failed to deal with some threat to internal validity. Therefore, when studying the relationships in the conceptual model (see section 2.4) we have to be aware that there may be other variables that influence the relationship between individual stakeholder goals and meeting joint sustainability goals. However, Verschuuren and Doorewaard (2010) argue that the internal validity is less of a problem compared to the external validity, since case study research uses in depth research in a small number of research units. Therefore relationships between 'x' and 'y' and potential influences of 'z' are likely to be found using intensive data generation. The external validity is brought up by selecting cases in the same kind of supply chain and with generally the same kind of characteristics (see section 5.3).

5.3 SELECTION CRITERIA

This section will elaborate on the selection criteria that were used for this study.

The preliminary study has given a clear view of the most important bottlenecks that arise when companies attempt to sustain their supply chains. With an eye on these bottlenecks it can be concluded that one of the problems in international supply chains is that supply chain partners in less developed countries have low capabilities, a low-power position and a weak institutional environment which have a negative influence on the integration of sustainability policies. Therefore the first selection criterion is that part of the supply chain (especially the upstream 'producing' part) is located in a development country. This gives the opportunity to study the influence of a multistakeholder alliance on this vulnerable part of the supply chain.

The second selection criterion is in line with our definition of multistakeholder alliances which implies that there are arrangements in which actors from two or more spheres of society (public, non- profit and business) are involved in a nonhierarchical process, and through which these actors strive for a sustainability goal (Van Huijstee et al. 2007: 77). More precisely we are interested in multinational companies, as literature shows that most companies involved in MSA's (especially in international supply chains) are multinationals that have the proper resources and opportunities to invest in an alliance. Picking cases that involve multinational companies gives a good foundation to compare the different cases.

The third selection criterion that is being used is that the picked supply chains are related to food. As we want to compare the supply chains, a better foundation for comparison is being created when all the alliances are part of the same sector. The preliminary study has shown that the food sector knows many initiatives that aim

at sustaining the production on different levels in the supply chain. From a more practical point of view there are relatively many alliances that are related to food, compared to other sectors.

The fourth selection criterion is that all the MSA's are part of an IDH program. This improves the internal validity because all the cases share a particular characteristic which gives a better understanding of the factors that influence negotiation processes under particular circumstances. Besides, the IDH programs involve many companies, governments and NGO's that have their own agreements under the IDH umbrella. This gives the opportunity to collect evidence from different perspectives and 'sub-alliances'.

A summary of the selection criteria:

- 1) Supply chain is partly located in development countries (i.e. southern countries)
- 2) A multistakeholder alliances that involves a multinational company
- 3) Food supply chains
- 4) Stakeholder parties are part of an IDH alliance

5.4 QUESTIONNAIRE

The questionnaire was conducted in a semi-structured manner. This section explains which variables were measured and how each variable is defined. The questionnaires can be found in Appendix III and the outcomes of the questionnaires in Appendixes I and II. Not all the outcomes of the questionnaire will be used in the analysis as the grounded theory approach uses a broadly orientated scope to develop new theory.

PB- The procedural bottlenecks refer to the transaction costs that arise when companies or other stakeholder groups want to create or implement sustainability related policies in the supply chain. For example, a weak institutional framework in a producing country makes it more difficult for companies to implement certain sustainability policies in these countries.

SB- Sustainability bottlenecks refers to the sustainability problem in the supply chain. These can either have a social, ecological or economical character. This discernment is based on the triple bottom line which is discussed in section 2.2

P- Power refers to two aspects. First, power is described by dependency relationships. (Actor A therefore, is dependent upon actor B (1) in proportion to A's need for resources that B can provide and (2) in inverse proportion of the availability of alternative actors capable of providing the same resources to A.) Secondly, power refers to the influence that stakeholder groups have during the negotiations. (Influence refers to the relationship in which actor A, can get actor B, to do something that B would not otherwise have done). These concepts are discussed in section 4.3

G- The sustainability goals are divided in 3 subcategories: 1) 'goals for tackling sustainability problems' refer to the general goals that organizations or companies have to deal with sustainability. This is discussed in section 2.2. The second category addresses the motives that stakeholder groups have to be part of the IDH alliance. The motives for partnerships are discussed in section 3.3. Finally, 'goal deviation' discusses the outcomes of the case studies that apply on deviated goals that different stakeholder organizations have to either deal with sustainability or to join the IDH program. This also refers to the urgency that stakeholders perceive to tackle a problem and reveals the different priorities and interests that stakeholders have in tackling bottlenecks. The deviation of goals and priorities is discussed in section 4.3.4.

T- Trust between mutually dependent groups in organizations are placed and measured along two dimensions: 1) faith in the intentions of the other organization and 2) confidence in the actions of the other organization. Trust can apply either on the IDH program or trust in a (potential) partner. This is discussed in section 4.3.3.

R- Supply chain relationships describe the change in relationships between supply chain partners as a result of the IDH programs. The outcomes will be analyzed by using the strategic options for vertical coordination that are discussed in section 2.3.

I- Impact describes the factors in the IDH program that have an impact on either the transaction costs or the sustainability bottlenecks. Impact is defined as the ability to remove bottlenecks in the supply chain, which helps to understand the effectiveness of alliances.

Formal governance mechanisms:

S- Selection criteria refer to the requirements that stakeholder parties have to meet in order to be proficient to enter the IDH program. This reveals the characteristics of the stakeholders that are involved in the IDH programs.

M- Monitoring procedures are can be subdivided by learning over time and by process accountability. Process accountability refers to the procedural aspects that identify to which extend parties are (still) committed to the agreements and whether goals are met indeed. Monitoring procedures influence re-negotiations. This is discussed in section 4.3.5.

RE- Renegotiation processes refer to the process of subsequent negotiations between stakeholder groups in order to define new goals and activities. The renegotiation process is influenced by monitoring procedures. This is discussed in section 4.3.5.

5.5 REMARKS OF THE EMPIRICAL PROCESS

As table 2 shows, 12 organizations were contacted for an interview. The only interview that was canceled was the interview with Solidaridad. The organizations were first contacted via email and after this an interview was conducted, either face to face or via the telephone. The transcripts of these interviews were sent back to the organizations to verify the answers that were given.

Table 2: Overview of interviews

Name	Organisation type	time-span	method	date	supply chain type
IDH	Governmental	1 hour	face2face	31-jan	Tea
SOMO	NGO	1 hour	face2face	2-feb	Tea
Sara Lee	Company	30 min	telephonic		Tea
deRuijter	Company	1 hour	face2face	1-feb	Cacao
MARS	Company	45 min	telephonic		Cacao
Solidaridad	NGO	45 min	telephonic	26-jan	Cacao
IDH	Governmental	1 hour	face2face	31-jan	Cacao
Ahold	Company	45 min	telephonic	1-feb	Aquafish
WWF	NGO	1 hour	face2face	30-jan	Aquafish
IDH	Governmental	1 hour	face2face	31-jan	Aquafish
IDH	Governmental	1 hour	face2face	31-jan	Coffee
Sara Lee	Company	45 min	telephonic		Coffee

CHAPTER 6 RESULTS

6.1 INTRODUCTION

This chapter discusses the findings of the case study research. The structure of the findings is in line with the conceptual framework (section 5.1.4). This means that first the goals which firms have to deal with sustainability issues will be discussed in section 6.3. After this the (5) factors that influence the negotiation process will be discussed in section 6.4. Finally the influence of the negotiation process in a MSA on the transaction costs, that have to be made for implementing sustainability policies in the supply chain, will be discussed in section 6.5. The chapter will start with section 6.2 that gives background information about the empirical findings with regard to the factors that were investigated.

6.2 BACKGROUND OF THE RESULTS

An overview of the detailed results of the case study research can be found in Appendixes I and II. The primary focus of the empirical research is to identify the most important factors that influence the negotiation process and consequently have an influence on the transaction costs of implementing sustainability policies in the supply chain. The negotiation process is defined as the pathway between individual stakeholder goals and meeting joint sustainability goals (see the conceptual framework in section 5.1.4).

To show the most important findings in one overview, table 3 is created (see section 6.4.6). The goal of this table is to explain the relationship between the identified status of a factor in the case studies and the influence this particular status has on the negotiation process. Five influencing factors were identified which are power deviation, goal deviation, trust, communication transparency and the openness of knowledge exchange. For each factor it was investigated whether the cases show a high level, a low level or a 'medium' level of the respective variable. For example, case A shows a low level of trust and case B shows a high level of trust. Secondly it was investigated whether a low, medium or high level of a certain variable has a positive, negative or an unknown influence on the process. Because some cases showed varying levels of one type of variable (for example the level of trust is low in the beginning phase, but high in a later phase) it was also investigated whether the status of a variable changed during the process and which factors influenced the changing condition of a variable.

6.3 SUSTAINABILITY GOALS

This section elaborates on the most important sustainability goals that firms have and how this influences the need to collaborate with other stakeholders. This answers the first part of research question 5: in what way does the negotiation process moves individual stakeholder goals towards meeting joint sustainability goals?

The case studies show two very important factors that influence the decision of companies to invest in a sustainable supply chain and to collaborate in this with other stakeholder groups. The first factor refers to the increasing supply chain risks in food chains. Companies want to secure the quality and quantity of the supply of their food commodities. The increasing risk is caused by a higher global demand for food commodities, while the supply is stagnating because of unsustainable production methods in producing countries.

Joost Oorthuizen, general director of IDH states the following about this:

'When nothing changes the production will stagnate and the quality will go down. To illustrate this, an example can be given between the cocoa yields in Indonesia and Cote d'Ivoire. While the yield per hectare in Indonesia is around 1000k, the average yield per hectare in the second country is only 300 k. Accordingly, the chocolate producers which rely on suppliers in Cote d'Ivoire have a problem. A high quality delivery is essential for firms;

therefore there is a high willingness to pay a fair price to the cocoa farmers. This means that firms understand that a high quality product and a stable supply of commodities can only be assured when farmers receive a decent income and support is given to produce in a sustainable way. IDH sees the growing awareness of firms as the most important motivator for sustainable supply chains' (Website Onze Wereld)

As a consequence of the growing supply chain risks many lead companies see the field of sustainability as a 'pre-competitive area'. Lead companies are those companies that pull initiatives for sustainability most prominently by investing large amounts of money in the supply chain and by releasing the sustainability goals in public. As the supply chain risks treat the positions of all the firms it is in the interest of all the companies that both the quality and quantity of the supply go up. Section 6.5.4 describes into detail why only investing in the own suppliers does not solve the (sustainability) problems for the firm.

The second factor that influences the decision to invest in sustainability is the growing consumer awareness with regard to sustainability. IDH refers to this aspect as the 'license to operate' for companies. The urgency of sustainability issues may differ per country. For example, in Germany the ecological problems are a pressing issue, while in Great Britain the focus is much more on social sustainability issues in the sector. Some NGO's have focused on the creation of broad consumer awareness in order to put pressure on the firm. Ellie Arps of WWF states about this:

'WWF has focused initially on the consumer. When consumers start demanding sustainable commodities it will influence the supply in the long run. Creating higher consumer awareness is therefore a strategy which WWF has prioritized... The chronology of 1) creating consumer awareness and 2) collaborating with commercial parties to create a sustainable supply chain is the most common approach.'

That the attempts of NGO's to create higher consumer awareness were successful is confirmed by Menno van de Vlist, marketing/PR manager at H.J. Heinz.

The ongoing discussion of the impossibility to produce fair chocolate, which was propelled by NGO's and the media, was an incentive for H.J. Heinz to obtain comprehension with regard to the sustainability problems in the cocoa chain...The company noticed signals of concerned consumers who were questioning whether the products of H.J. Heinz includes 'fair' chocolate.

Consumers stand at the top of the supply chain. Companies have therefore a clear incentive to protect the brand image of the firm. When the company receives negative attention because of unsustainable practices in the supply chain the brand image can be assailed which can lead to lower sales.

Based on the two motives that were discussed in this section the following proposition is composed:

Proposition 1: The factors that influence the sustainability goals of firms most strongly are increasing supply chain risks and upholding a sustainable brand image towards the consumers.

As a result of the two (strongest) motivations that were discussed above many firms started to work with external certifiers (e.g. UTZ and Rainforest Alliance) to make operations in the supply chain more sustainable. This is expected to be more effective and more credible than using own labels. All the cases that were investigated work on the principle of certifying food commodities in order to solve sustainability problems in the supply chain. These labels are expected to be a win-win solution for firms because it is expected that the quality and quantity of the supply goes up (i.e. supply chain risks decrease) as a result of the capacity building programs that are provided by the certifying NGO's. Moreover it shows the consumer that the commodity was produced in a sustainable manner (i.e. it builds a sustainable image) because the certification is given by a third, independent party. A more detailed description of the influence that external labels have on the transaction costs can be found in section 6.5.

When companies perceive the problems in the chain as pressing issues sustainability becomes a strategic decision at CEO level, which measures out short term costs against long term benefits. Pressing issues refers to the situation in which the commercial interests of the firm align with sustainability problems. While in the past sustainability was not (always) a core part of the business strategy (i.e. companies where conducting (isolated) projects) lead companies start to focus on a total system change in which sustainability requirements should become the mainstream standard. This shows a shift from CSR to creating shared value (CSV). In CSV the company integrates sustainability in all the business models and therefore the need for collaboration with other stakeholder increases. After all, the company lacks the skills and resources to move business operations in the supply chain in a sustainable contemplate. Moreover, companies have a clear incentive to work with external certifiers as was explained above. This leads to the following proposition:

Proposition 2: When the urgency of companies to deal with sustainability issues increases the dependency of other stakeholder stakeholders increases to achieve sustainability goals.

Proposition 2 will be further explained in section 6.4.2 'Power deviation'.

6.4 FACTOR THAT INFLUENCE THE NEGOTIATION PROCESS

This section describes the factors that have an influence on the negotiation process in MSA's. It gives answers part of research question 5: in what way does the negotiation process moves individual stakeholder goals towards meeting joint sustainability goals? Every subsection will end with a summary and conclusion.

6.4.1 GOAL DEVIATION

Table 3 reveals that the cases illustrate both low levels and high levels of goal deviation. In most cases goal deviation is low and not a problem in the negotiation process. It is obvious that a low level of goal deviation makes it easier for stakeholders to identify joint (win-win) goals and activities. The low level of goal deviation is influenced by the selection criteria that IDH uses. This assures that only those companies, NGO's and governments enter the programs which have a vision and ambition to reach an unprecedented supply chain transformation (website IDH).

In the investigated cases the agendas of the NGO's and companies that joined the IDH programs have converged because the problems in the supply chain directly threat the (long term) existence of the firm. However there were some relationships between stakeholder groups that are characterized by higher levels of goal deviation which will be discussed in this section.

There could be identified some NGO's that focus on particular issues of sustainability like gender or discrimination. Aldin Hillbrands, Senior Manager Product Integrity for Ahold states about this:

'It is important that NGO's in Europe start working together and create a unified vision. NGO's have very different agenda's and that is not something what companies are looking for. Especially when the company operates in many countries.... From a company's perspective this has a negative influence on the possibilities for collaboration with NGO's.'

When NGO's focus too much on their own agendas they will not be selected by companies as a partner to collaborate with. According to New Foresight (a consultancy company who coordinates the creation of the IDH coffee program) this can be mainly attributed to the negative experiences that companies had with NGO's in the past. Some NGO's lacked the right negotiation skills and were only focusing on their own goals in an inflexible manner. Besides, firms perceive a low level of dependency of the NGO's in setting the goals for the alliance. This shows that goal deviation is related to power relationships. The less powerful party is eradicated

of the process as the most powerful party cannot identify a win-win situation that contributes to the own goal of the stakeholder party. The NGO is termed as less powerful because there are often alternative organizations for the company to work with and NGO's have generally less resources and possibilities to deal with sustainability issues in the supply chain compared to companies (see also section 6.4.2 'power deviation').

Sanne van der Wal of SOMO states the following about the deviated goals between SOMO and companies:

From the perspective of SOMO the priorities in the Tea program were mainly aligned with the agendas of companies... The more complicated issues like gender and discrimination have been postponed, because these were low priority issues for the companies and IDH. The agenda of IDH is adapted to the idea that companies have to support the goals and use their market power to achieve the goals.'

This shows that NGO's which focus on deviated issues, with regard to the more powerful parties in the MSA, have lower influence in the negotiation process. The discussed findings in this section lead to the following proposition:

Proposition 3: Stakeholders that focus on goals that deviate from the most powerful party will have lower influence in the negotiation process.

To summarize this section, the deviation of goals between stakeholders in the cases was generally low. In the few examples that could be given of deviated goals between stakeholders it could be shown that the less powerful party has lower influence on the negotiation process.

6.4.2 POWER DEVIATION

Power will be discussed as the level of dependency of another party in order to reach the own sustainability goals. Table 3 shows that a low level of power deviation has a positive influence on the negotiation process. When power deviation is low, the relationships between stakeholder groups can be described as interdependent. In other words, it is impossible for a stakeholder to reach a sustainability goal (effectively) without collaboration. This can be stated for both commercial and non-commercial stakeholders.

To start with the perspective of non-commercial stakeholders, the cases show that most governments and NGO's realize that a system change for sustainability will only work out when this is pulled by a market mechanism. During the interviews some managers referred to the sustainability initiatives like 'fair trade' that were never able to become a mainstream label as it was not supported by the companies. That is why the strategy of WWF, discussed in section 7.2, is aimed to influence the consumer, which consequently creates a pressure on the company to pull the initiative. Non-commercial stakeholders don't have the resources to make the necessary investments and when sustainability is pulled by the market mechanism 'sustainability' is assured of a market share. Esther Luiten, senior program manager of the program on aquaculture states about this:

'For the ASC label we can use the power of the supermarkets. Only by using a label the demand can guide the supply of sustainable fish. Most of the fish is not sold via the fish traders, but in the supermarkets. The supermarkets don't want any scandals, they will benefit from clear, transparent trademarks. As the supermarkets were the stimulators behind the MSC label it will also be the case for the ASC label.' (website Ipsnews)

At the other hand companies lack the specific knowledge and skills to tackle sustainability problems and to organize capacity building programs. Jordy van der Kamp, senior program manager of the IDH tea program says about this:

'Companies operated too much in an isolated way in the past. This approach was too expensive, not scalable and not credible... When companies started to work with (certification) NGO's their approaches to deal with sustainability issues became more effective and their brands became more appreciated and accepted by society.'

This statement also shows that firms are dependent of the legitimacy of non-commercial stakeholders in order to be credible towards the consumers. Moreover it shows that in order to increase the quality and quantity of the (total) supply, firms are dependent of other companies because the problems for the firm are not solved when only the own suppliers produce in a sustainable manner. Esther Kruiper, CSR manager for coffee and tea in Sara Lee says the following about this:

'The problem is that a single company cannot have enough impact on the supply chain... The IDH tea program could have more impact when more companies would participate and the market pull for sustainability would be bigger. When more companies are involved the individual interests of companies will be aligned with the general interests of the market.'

The statement shows that as the market pull for sustainability increases the impact of programs on sustainability problems in the supply chain can increase also. In that case, the individual gains intersect with the gains of the entire supply chain.

Hence it is clear that both commercial stakeholders and non-commercial stakeholders benefit when there is a low power deviation between stakeholder parties. In that case all parties win by collaboration. When a party has enough power to reach its own goal there will be no collaboration.

To summarize this chapter it can be concluded that the stakeholders in the investigated cases generally perceive a high level of dependency of other stakeholder parties. This has a positive influence on the negotiation process as stakeholder parties are open-minded to identify win-win solutions that benefit all parties.

6.4.3 TRUST

Table 3 shows that in most cases the levels of trust are high and that in two cases low levels of trust could be transferred into higher levels of trust.

There are a few aspects that increase the level of trust. First, many companies see sustainability as a pre-competitive topic. This means that there is less fear that information or activities are directly used for commercial purposes. As Daan de Wit, head communications of IDH, puts it:

'The area of sustainability is not a competitive one. The competition between rival corporations will take place in a later phase; during marketing and the determination of prices.' (Website Onze Wereld)

Still, the level of trust has to grow during a series of meetings because firms have to work with rival companies. There is a generally a low level of trust between competitors in the initial situation because companies do not often discuss sustainability issues without the attendance of a neutral party who has an expertise in sustainability. Lucas Simons, director of New Foresight states about this:

'We come from the age of competition, so building is trust is a hard process in a context where competitors fight each other out of the market... From the perspective of a company a neutral party can be trusted faster than a competitor and can be a mediator that strengthens the ties between companies. The neutral party can help to make transparent and neutral decisions which increase the level of trust.'

A neutral environment has generally a positive influence on the level of trust because it creates an opportunity for companies to meet. When people meet face to face this generally lowers the level of suspicion, especially

when there can be identified joint problems and joint benefits of collaboration. It is important that there is transparent information sharing and that there is mutual understanding for the motives and problems of the other party.

A low level of trust between companies and governments is a problem as this prevents the stakeholder parties from interaction and identifying win-win solutions. The levels of trust between companies and the governments went up in the cocoa and tea program. This was mainly the result of neutral parties (e.g. IDH or the Dutch embassy) that gave companies a higher level of credibility with regard to their intentions. Peter van Grinsven, sustainability manager of Mars states about this:

'Governments in producing countries can be skeptical about the motives of a big American multinational who invests millions of dollars in the cocoa sector. The suspicion and uncertainty of a government goes down when non-commercial parties like IDH or the Dutch Embassy are involved in the project and verify the credibility of these investments.'

This statement shows that the credibility of companies can be increased when they collaborate with a non commercial stakeholder. As a result more opportunities can be found for collaboration with (local) governments in producing countries. This is also in line with the changing attitude of governments in producing countries as is explained by, Jonas Mva Mva, senior program manager of the IDH Cocoa program:

Now there is a realization on a government's level that the environment is changing and that governments need to walk hand in hand with other stakeholders. They see the importance of working with the private sector in order to solve problems. Platforms are being created where various stakeholders come together... The proof of that is Mars itself signed a contract with the government of Cote d'Ivoire and Kraft is cooperating with the Cocoa Board in Ghana now.

There is a growing understanding and belief that both parties (governments & companies) benefit from collaboration as both parties benefit from more productive and sustainable production methods. To reach this collaboration, a high level of trust is a necessity; otherwise there will be no interaction or an exchange of ideas.

Based on the empirical findings the following proposition has been shaped:

Proposition 4: A neutral party that functions as a mediator between stakeholder parties in the negotiation process increases the level of trust between these stakeholder parties.

Looking to table 3, it can be concluded that the levels of trust are high or could be increased in most of the cases and that this is highly correlated with a transparent communication between stakeholder parties which is in line with findings in literature. A neutral environment creates an opportunity for (formal) enemies to exchange ideas and goals face to face, which increases the level of trust. A non commercial stakeholder party can give a company a higher level of credibility with regard to the investments in sustainability, which creates new opportunities for stakeholder collaboration.

6.4.4 COMMUNICATION

Table 3 shows that a high level of transparency in the communication has a positive influence on the negotiation process. This result is in line with the findings in literature (see section 4.3.1.)

Looking to the previous section it can be made clear that the level of transparency in the communication is interrelated with the level of trust between stakeholder parties. That a high transparency has as positive influence on the negotiation process is made clear by Jordy van Honk, senior program manager of the Tea program:

'Companies are generally not used to work together with their competitors and therefore have a reserved attitude in sharing information. However, it is necessary that companies are transparent on their conduct of business. For instance, what is the country of origin of your products. In order to start a program with companies it is required that companies are transparent about the origin of their commodities.'

When stakeholders are intransparent during the negotiations there is little space to identify joint goals or benefit of collaboration. Normally, competitive companies do not discuss sustainability problems directly with their competitors. Even though companies see the field of sustainability often as a 'pre-competitive' issue there is some level of fear that the information that is shared can be used against the firm by the competitor.

In the cases there could not be identified any (significant) problems that resulted from a low level of transparency in the communication process between stakeholders. This may be attributed to the fact that the stakeholders in the IDH programs are all motivated to solve the sustainability problems in the supply chain and that in most cases the level of trust between stakeholder parties was high. The findings in this section are in line with the expressions of two NGO's that pointed out most companies were less transparent in the discussions with them in the past. According to these NGO's the openness in the communication increased when the perceived urgency of the companies to deal with the sustainability issues went up.

6.4.5 OPENNESS OF KNOWLEDGE EXCHANGE

The openness of knowledge exchange could only be determined for the cocoa and tea cases, because the coffee and aquaculture programs are still in the beginning phase. Knowledge exchange is based on the experiences that stakeholders had in the implementation process of sustainability goals in the supply chain. Both cases show a high level of openness in the knowledge exchange. This is aligned with the overarching goal of the IDH programs, which is to bring learning points of stakeholders to the public domain to benefit the entire sector. To reach these learning points IDH provides case studies, workshops, and feedback discussions with professionals (website IDH). That this is beneficial for stakeholders is put forward by Peter van Grinsven, manager sustainable cocoa supply, of Mars:

'The learning concept of IDH is a unique concept... The goal of the IDH program is not primarily to reach a certain amount of farmers, but to create a learning experience that result into outcomes that can be broadly applied in the sector. This is important for companies, because there is usually not a lot of communication between competitors that work on sustainability programs at different times and in different countries. The knowledge exchange programs of IDH can be used by all the companies which can make the whole sector more effective in solving sustainability issues.'

This statement shows that a MSA can be used as a 'knowledge center' which can benefit all other stakeholder parties in the supply chain that work on sustainability. Jordy van der Honk, senior program manager of the IDH tea program, states that there should be made a distinction between output goals and outcomes. While an output goal states that an x amount of farmers could be trained and certified, the outcome goals refer to the effect that this training and certification have on the sustainability problems in the chain. On this moment, the only conclusions that can be made about the effectiveness of different approaches can be based on output data, while the ambition of IDH is to conduct researches that explain the relationship between the MSA and outcome.

The knowledge exchange is also stimulated by the research of critical NGO's that are involved in partnerships. SOMO found out that little to nothing had changed on large tea plantations that received a sustainability certificate. The critical report of SOMO in the IDH tea program lead to a more broadly request of companies to a study that investigates the impact of sustainability labels on social issues on (large) tea plantations. This shows

that companies are open minded to improve their sustainability programs by collaboration or analysing feedback of other stakeholder parties as this helps them to be more effective in the future.

Summarised, this section has shown that stakeholders are interested in a high level of knowledge exchange as this helps them to be more effective in reaching sustainability goals in the future. This is possible because the field of sustainability is seen as a pre-competitive issue. This leads to the following proposition:

Proposition 5: A high level of knowledge exchange between stakeholders leads to an increased effectiveness of the MSA in the future.

6.4.6 OVERVIEW OF THE EMPIRICAL FINDINGS

This section shows the table that reveals the most important relationships between 5 factors in the negotiation process and their influence on the negotiations. These relationships have been discussed in the previous 5 (sub) sections. Studying table 3 directly shows that there are 5 conditions that have a positive influence on the negotiation process which are:

- a low level of power deviation between stakeholder parties
- a low level of goal deviation between stakeholder parties
- a high level of trust between stakeholder parties
- a high level of transparency in the communication between stakeholder parties
- a high level of openness of knowledge exchange between stakeholder parties

The table symbols are explained on the next page. Moreover the relationships between the findings in table 3 and the empirical findings (see appendix I and II) are revealed in table 4.

Table 3: Overview of the influence of negotiation factors

	Tea (observed)	Impact tea (+)	Impact tea (-)	Cocoa (observed)	Impact Cocoa (+)	Impact cocoa (-)	Coffee (observed)	Impact Coffee (+)	Impact coffee (-)	Aquaculture (observed)	Impact aquaculture(+)	Impact aquaculture (-)
Variable:												
Power deviation												
Between companies	-		(+)	-		(+)	-		(+)	-		(+)
Between companies and NGO's	-		(+)	-		(+)	+/- ?			+	(?)	
Goal deviation	+/- (-)		(+)	-		(+)	+/- ?		(+)	+/- (?)		(+)
Trust	+/-	(+)	*t*	+/-	(+)	(-)	+/-	(+)	*t*	+/-	(+)	*t*
Communication transparency	+/-	(+)	?	X	X	X	+/-	(+)	*t*	+/-	(+)	(?)
Openness of knowledge exchange	+	(+)		+	(+)		X	X	X	X	X	X

Explanation of the table symbols

X: the variable could not be observed

Observed Row

- + : case shows a high level of (fill in variable)
- +/-: case shows both a high level and a low level of (fill in variable)
- : case shows both a low level and a high level of (fill in variable)

Impact row (+)

The influence of a high level of (fill in variable) on the negotiation process:

- (+): a positive influence on the negotiation process
- (-): a negative influence on the negotiation process
- (?): the influence on the negotiation process is unknown

Impact row (-)

The influence of a low level of (fill in variable) on the negotiation process:

- (+): a positive influence on the negotiation process
- (-): a negative influence on the negotiation process
- (?): the influence on the negotiation process is unknown

t: a low level of (fill in variable) has initially a negative influence on the negotiation process but shifts into a high level of (fill in variable) which has a positive influence in a later phase.

Table 4: The link between table 3 and the empirical findings

	Tea (observed)	Variables tea (+)	Variables tea (-)	Cocoa (observed)	Variables cocoa (+)	Variables cocoa (-)	Coffee (observed)	Variables coffee (+)	Variables coffee (-)	Aquaculture (observed)	Variables coffee (+)	Variables coffee (-)
Variable:												
Power deviation												
Between companies	-		TP4	-		OP2, OP3, OI5, OR1, OR4	-		CP1, CP2		AP2, AP4, AP5	AP1, AP3
Between companies and NGO's	-		TP2, TP2, TP4	-		OP4	+/-	CP3, CC1	CP3, CP4			
Goal deviation	+/-	TG8, G12, G15	TG1	-		OI2, OI5	+/-	CG3, CC1	CT1		AP5	AG6, AG1
Trust	+/-	TT1, TT3	TT2	+/-	OT1, OT2, OT3, OT4	AT1	+/-	CT2, CT3	CT1		AT3	AT1, AT4, AT5
Communication transparency	+/-	TC1, TC2, TC3	TC4,				+/-	CC2, CC3	CC2		AC1	AC2
Openness of knowledge exchange	+	TRE2, TRE3		+	ORE1							

Table 4 shows the link between the findings in table 3 and the empirical outcomes (Appendix I and II) on which the findings in table 3 are based upon.

6.5 INFLUENCE OF THE MSA'S ON THE TRANSACTION COSTS

This section will discuss the impact of the investigated alliances on the transaction costs (i.e. bottlenecks) that companies hinder in the creation or implementation of sustainability goals. This will give an answer to research question 6: What is the effect of negotiation processes in multistakeholder alliances on the transaction costs that companies face in creating and implementing common sustainability agreements in the supply chain?

For each section a reference will be made to the variables in the tables of analysis (see Appendix II). By doing this it clear where the empirical findings are based on. The categorisation of transaction costs are based on the outcome of chapter 2, which investigated the most important transaction costs that hinder companies to create and implement sustainably policies in the supply chain.

6.5.1 A LACK OF CAPACITY BUILDING

(APB1, OSB5, OPB5, TSB1, TSB4, CPB3)

A lack of capacity building is clearly a bottleneck in the investigated supply chains. In many producing countries farmers receive little support of the institutional environment to improve the production methods. This means

that without the help of other parties it is nearly impossible for farmers, especially smallholders, to meet the requirements of sustainability labels.

There are a few methods that are being used to overcome this bottleneck. First, the companies work with external certifiers (e.g. UTZ and Rainforest Alliance) that have an expertise in capacity building programs. Capacity building programs enable farmers (especially smallholders) to meet requirements which would be impossible for them without the assistance of other parties. The certifying organisations often work with NGO's like Solidaridad and Oxfam Novib who have specific knowledge and experience in training farmers on a local level. These programs have a positive influence on the relation between the producer and the institutional environment. For example, in the cocoa sector multinational firms cooperate with local fertilizer companies to assure the access of farmers to fertilizer and to develop a fertilizer that particularly suits the growth of cocoa trees.

There is a growing recognition that 'just training a farmer' is not enough. Therefore, IDH and the involved companies work together with governments in producing countries and semi-governmental organizations to create long term relationships. An example is Kraft who works together with the cocoa Board in Ghana. In the past, the governments in producing countries generally did not like to work together with multinational companies. Today, the level of trust between governmental organizations and multinational companies has grown bigger and there is a growing conviction that collaboration creates a win-win situation. This kind of collaboration gives opportunities for both companies and governments to jointly improve the institutional environment.

When farmers act not professional the relationship between the farmers and the institutions is often characterized by low levels of trust. For example, farmers do not pay back their loans and use weak business models which give farmers an unprofessional image. When farmers use better business models, as a result of their training, the relationship with the institutional environment can improve. Especially, when multinational companies are willing to invest money in a farm this communicates a higher level of credibility from the farmer towards institutions. In that case a bank might be more willingly to invest in a farmer.

This section has shown that the lack of capacity building can be overcome when companies collaborate with non-commercial stakeholders. By conducting capacity building programs in producing countries the production methods of farmers can be improved which helps them to meet sustainability requirements of certifying organisations and firms.

6.5.2 DIFFERENT MOTIVES FOR SUSTAINABILITY

(TPB3, CI3, AI3)

To increase the productivity and quality of the supply it is important that the farmer has a compliant attitude to invest and to cooperate with NGO's and companies in order to meet the requirements of a label (i.e. to work on a sustainable production process). Two examples show that compliance is related to the economic benefits that can be identified. This shows a difference in motives for sustainability in the supply chain. First, in the coffee sector prices for coffee have increased readily last years as a result of the growing demand. Therefore, coffee farmers receive much higher prices compared to previous years. This decreases the willingness of farmers to invest in sustainability. Hence, the incentive to use a certification label decreases when the market price goes up. The second example refers to the tea program. Will Battle, senior supply chain manager at Sara Lee, states that there is a relationship between the market (buying) power of a company and the compliance of a supplier to invest in sustainability:

'The most difficult part will be the last end. In 2020 you can get 80% done. This is already a hard process, but the last 20% of particularly smallholders will be very hard. For example, specialty blends. If you buy only a small percentage of someone's tea you have a smaller leverage with them to get them to move to a sustainable

production template. How do you influence them when you only buy a small percentage of them? It is easy to buy sustainable tea from someone else, but you have to ask yourself if you are really doing the right thing ‘

The examples show that there are circumstances in which (in particular small) farmers have a non-compliant attitude to invest in sustainability. In these cases it is still a hard and costly job for companies to move their producers to a sustainability template.

The tea case shows that consumers and companies in Asia have a low interest in sustainability. The lower interest in sustainability results into a lower market pull for sustainable products, which results in low investments of companies in the supply chain. This is also one of the problems that could be identified for the introduction of the ASC label as Western Europe (with a high interest for sustainability) loses part of its market share to countries in which sustainability is not so much of a topic. Jan Gilhuizen, senior manager of the IDH aquaculture program states about this:

‘Europe is losing its market share readily to other countries that have a lower interest in the sustainability aspects of farmed fish commodities. Consequently the market power of Europe is decreasing and countries who necessitate lower requirements gain market power’

This section has shown that alliances are partly dependent of the willingness of companies or suppliers to invest in sustainability which might be hard to influence. In other words, not all stakeholder parties have an incentive to work on sustainability. Based on the empirical findings it is unclear what the influence is of the IDH programs on this bottleneck.

6.5.3 INSUFFICIENT MONITORING

(APB1, TPB1, TPB2, TG13)

In all the cases multinational companies build on external labels. As part of this, the monitoring is outsourced to external organisations. In theory this should lead to improved monitoring results as is expressed by Will Battle, senior supply chain manager at Sara Lee:

‘The company achieves much more when it is part of an alliance. If you are working alone you have to visit your tea estates once in a couple of years to make sure that what is happening there is in line with your expectations. If you are a particular tea estate and you are visited by your own company than you also expect that you are visited by your other buyers which can be 20 other companies who all want something slightly different. If you are part of an alliance than at least you can think of a sustainability program or code that is beneficial for everyone. This means clear criteria for the estate to follow and one questionnaire that you have to fill in and one visit every couple of years.’

However, it is still unclear whether outsourcing the monitoring process to a third party results in higher quality monitoring. Especially because the critical report of SOMO pointed out that little to nothing had changed on large tea plantations that were certified by an external organisation. The effect of MSA’s and certification on monitoring procedures has to be investigated in follow up research.

6.5.4 POWER DIFFERENCES IN THE SUPPLY CHAIN

(AP1, AP3, AR1, AR4, AR5, OR1, OR2, OR3, OR4, CP1, CR1, CR2, TR1, TR2)

Power differences are not a bottleneck in the way it was described in the literature study. In fact, the power differences between the lead firm and the suppliers have shifted into interdependent relationships. This can be understood better when the supply chain relationships are being discussed in the context of the strategic options for vertical coordination (see figure 3 in section 2.3).

When the supply is under pressure, companies are increasingly dependent of their suppliers. This is in line with the second proposition which states that when the urgency of companies to deal with sustainability issues increases the dependency of other stakeholder stakeholders increases to achieve sustainability goals. Therefore it is in the interest of the firm to collaborate with other stakeholders to make suppliers more productive in order to secure the long term supply of the company. As Peter van Grinsven, manager sustainable cocoa supply for Mars puts it:

'Certification works, but the capacity building programs often lack the power to make farmers more productive. Therefore, Mars wants to collaborate with industrial partners to give productivity a more prominent objective of the capacity building programs. Sustainability also means that a farmer is economically profitable'

This expression shows 3 aspects that are typical characteristics of the 'managed' coordination (see figure 3, strategic options for vertical coordination): mutual interest, shared benefits and interdependence. This is in line with the vision of creating shared value: what is beneficial for the farmer should be beneficial for the firm and the other way around.

Looking to the options for vertical coordination the coordination mechanism has the characteristics of the 'managed coordination' (mutual interest, shared benefits, long term relationships etc.) while the transaction is carried out on the spot market or by using a specifications contract. Lead companies buy their food commodities of their first tier suppliers who buy it either on an auction (tea) or via a trader (cocoa, fish and coffee). In some cases companies make specific contracts with farmers or cooperatives to secure the supply, especially when the product differentiates in taste. This is not preferred for all of the commodities as the price for the contracted commodity is higher than the price that a result from the market mechanism. More importantly there is a high risk when a company only focuses on specific suppliers as there is a risk for crop failures in food supply chains.

It is a challenge for companies to secure the supply of certified products. Companies pay a certain amount of money to the certification NGO like UTZ or Rainforest Alliance. This allows the companies to use the sustainability label on the packages for a certain amount of products. In theory this payment equals the (minimum) costs that the certifying organization has to carry out the capacity building programs that are necessary to enable a certified production process. Nevertheless, companies are still responsible to secure this supply. This can be a challenging task as there are also companies on the market that don't have the right to use certification but still choose to purchase sustainable commodities. In other words, the power of the capacity building programs is smaller than the growing demand for sustainable commodities. This explains that it is in the interest of all the firms (particularly those firms who want to buy certified commodities) that the total supply of commodities goes up.

Nevertheless, free rider companies have a lower leverage with farmers to secure the supply. Therefore, many companies focus on the development of preferred buyer relationships. To reach preferred buyer relationships companies have an incentive to invest in the own suppliers first. Moreover, (intermediate) supplier companies (e.g. Cargill is a supplier of Mars) also have an incentive to invest in sustainability when the lead company does so. When the demand of the lead company changes it is in the interest of the supplier that it can deliver according to the new requirements of the customer company.

The farmers benefit particularly in the situation that the demand is bigger than the supply, because the commodity prices increase. Certified products yield a premium on the market, but it is unclear whether this is still the case in the longer run. The vision of creating shared value, is not to pay the farmer a higher price, but to improve the productivity and product quality of the farmer.

To summarise this section, the level of interdependency between supply chain partners is increasing as a result of the stagnating supply. As a result the relationship between the lead firm and the farmer has the characteristics of the 'managed' coordination. Many first movers focus on long term relationships with their

suppliers in order to become a preferred buyer. There is a general shift from a 100% spot market to a combination between a spot market and specifications contract that involves most of the characteristics of the managed coordination option.

6.5.5 UNDERDEVELOPED INTERORGANIZATIONAL RELATIONSHIPS

(OI5, TPB4, CPB1)

Underdeveloped supply chain relationships are a bottleneck that can be solved by the MSA's that were investigated. The most important factor that has a positive influence on this bottleneck is the presence of a neutral partner that convenes different stakeholder groups and generates a momentum around the creation and implementation of sustainability goals.

According to IDH the independent efforts of companies are not effective, not scalable and relatively expensive. This is also the belief of most of the companies who enter an IDH alliance. In order to reach a common vision the level of trust between organisations should be high. Section 6.3 has shown that a neutral partner has a positive influence the levels of trust between stakeholder groups. Higher levels of trust lead to a more transparent communication and consequently to opportunities to agree on common goals.

The learning experience of partnerships that belong to IDH programs are analyzed and published as 'open source innovations' that benefit all the other companies. In that case, all stakeholders can benefit more clearly from each other and collaboration becomes even more attractive. Besides, it helps to create a common vision (tackling all the issues in the supply chain) instead of focusing on issues that only influence the direct business opportunities of the firm. The learning aspect in the IDH programs also points to the coordinating role of a 'neutral' party. The new IDH program that is being developed for coffee has a lot of interest of potential partners. Not every firm can join, but this is not reckoned to be necessary. Organizations and programs can be carried out separately, as long there is mutual recognition that there is a joint goal and there is an organization that coordinates the path towards this goal. Sharing lessons and sharing responsibilities should be coordinated to make collaboration more effective.

Another factor that improves a common vision is that IDH starts its programs with an extensive bottleneck research in which all relevant stakeholders are approached to give feedback. Based on this research the priorities of the program are set. For example, one of the most important bottlenecks that IDH found out for the cocoa supply chain is that cocoa farmers are not acting professional and don't use good business models. Therefore, in consultation with stakeholder groups, one of the most important goals of the IDH cocoa program was determined to make cocoa farming an attractive and professional business in Africa. This example shows that a neutral organisation, which is a convenor and not an implementer, can create and safeguard a common vision that is in the interest of all the stakeholder groups. Moreover, IDH can safeguard this vision by determining which parties enter the alliance and which parties receive funding of IDH.

To summarise this section, the MSA's that were investigated have a positive influence on the bottleneck of underdeveloped interorganizational relationships. This can mainly be attributed to higher levels of trust, a high level of knowledge exchange and a central vision that is created and safeguarded by a neutral organisation.

CHAPTER 7 DISCUSSION

The goal of this research is to explore how negotiation processes in multistakeholder alliances effectively move individual stakeholder goals towards meeting joint sustainability goals throughout negotiation processes. An insight in this process is not a 'goal in itself' but it should lead to an understanding in the factors that make MSA's effective instruments to deal with sustainability issues. Based on the empirical findings it is important to make some critical notions about the findings of negotiation processes and the relationship with solving sustainability issues. Although the investigated programs were obviously successful in achieving output goals (e.g. training x amount of farmers or certifying x amounts of commodities) it remains still unclear what the precise effects are of reaching these goals on the way sustainability issues are solved. As is recognized by the senior program manager of the IDH tea program, there are many assumptions about the effects different programs have on sustainability problems, but it still has to be proven whether these assumptions hold. For example, does certification leads to better social conditions for laborers on the long term? This can be a complicated issue to solve as there are many (unknown) factors that may influence (solving) sustainability problems like market prices or climate conditions.

The empirical findings show that it cannot be proven that the investigated MSA's positively influence the monitoring process of business operations in the supply chain. Actually the opposite holds. The only evidence that was found showed an alarming relationship between the certification of large tea plantations and no change in the social conditions of laborers on these plantations. Therefore it is wrong to claim, based on the empirical findings that the factors that have a positive influence in reaching sustainability goals directly contribute to solving sustainability issues. It is more accurate to state that these conditions (i.e. factors) have a positive influence on reaching joint sustainability goals which have a positive influence on two kinds of transaction costs which are 1) a lack of capacity building and 2) underdeveloped organizational relationships. But then again, it is questionable whether lowering the transaction costs has (always) a positive impact on solving sustainability problems. Still the case study research has revealed that collaborating with other stakeholder groups is necessary for all stakeholders to solve sustainability issues as the sustainability problems grow. In that sense it can be stated that a MSA is more effective in solving sustainability issues than working on this alone. It is clear that no organization has all the capabilities and resources to solve these problems without collaboration and therefore an (effective) negotiation process is an important and relevant topic for organizations to take into account in order to solve sustainability problems.

Limitations of this research:

There are a few limitations that should be taken into account with regard to the results of this research. First, two alliances (coffee and aquaculture) that were investigated were still in the beginning phase. This gave a limited insight in the factors that influence the negotiation process and the way this influences transaction costs. Secondly, the cases involve only companies that are 'front running' companies in the field of sustainability. In other words, companies that have a little or average attention for sustainability in the supply chain were not interviewed as they will not be accepted in IDH programs. This might give a biased representation of the willingness of companies to invest and collaborate in the field of sustainability. Thirdly, the MSA's that were investigated were all coordinated and lead by a neutral party which limits the external validity of the outcomes with regard to MSA's that operate without a neutral (convening) party.

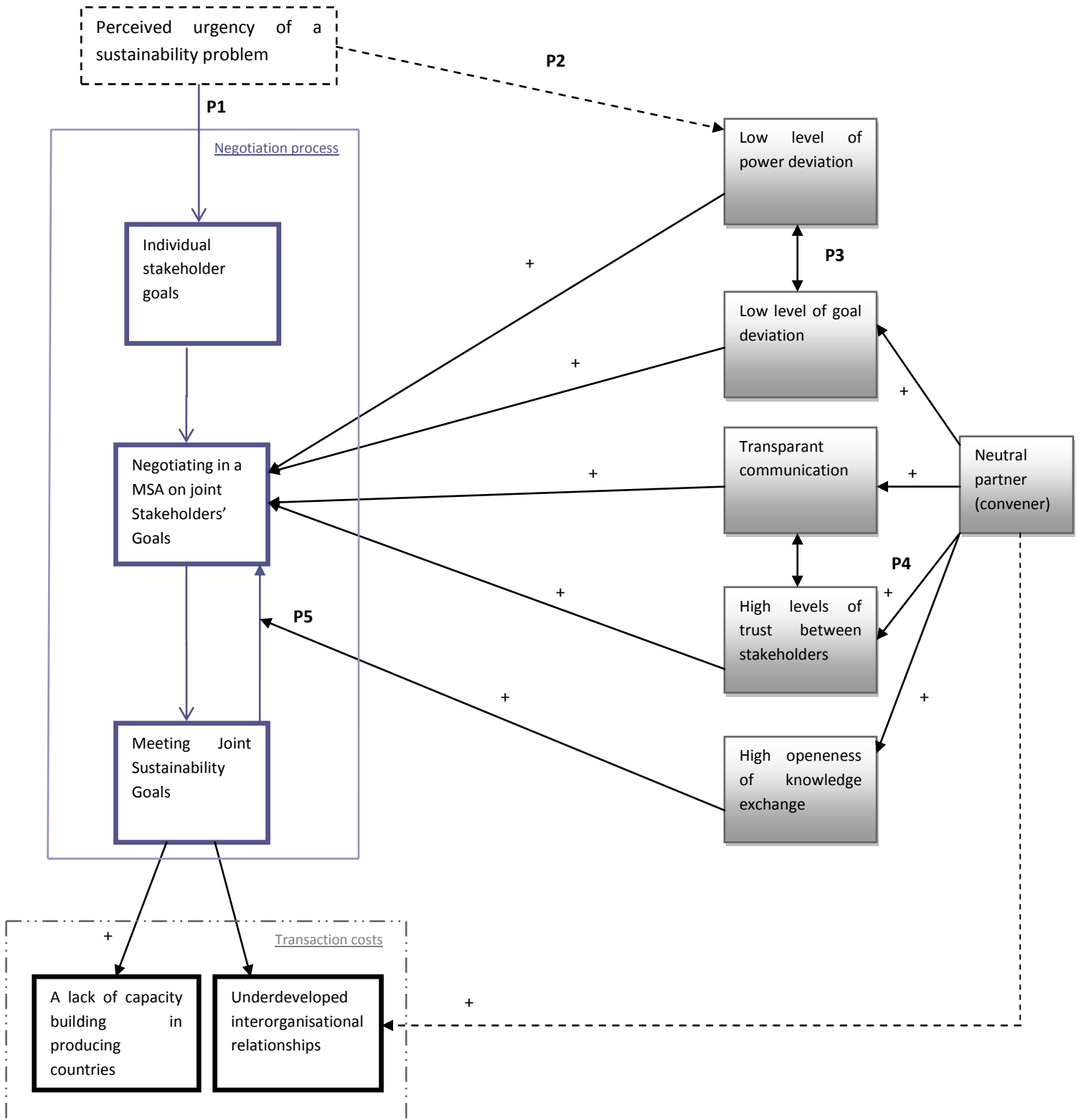
Opportunities for further research:

The discussion above leads to an important topic that has to be investigated in follow up research: the impact of MSA's on sustainability problems. From the perspective of society it is not only important that the supply of food commodities is secured today. The fundamental issue behind preserving our food consumption is that the sustainability problems should be solved to create a sustainable food supply on the long term. Especially because the global demand for food is rising fast. To investigate the relationship between MSA's and their impact on the sustainability problems it is crucial to investigate re-negotiation processes and monitoring procedures. Investigating these two processes in MSA's reveal whether a MSA is able to have an impact on sustainability problems and what the most important lessons and bottlenecks are in this process. Moreover, it is important for companies to know whether using an external sustainability label has more impact on the sustainability problems than using an own label or approach. This stands apart from the question which label is more credible.

CHAPTER 8 CONCLUSION

The most important conclusions of the research will be discussed in this chapter. The empirical findings will be discussed by referring to the conceptual model below.

Figure 5: Conceptual model



The goal of this paper was to identify the most important factors that influence negotiation processes in MSA's to find out under which circumstances negotiation processes lead to effective processes in order to meet joint sustainability goals. First, the literature study has shown that the most important transaction costs that companies face to implement sustainability policies in the supply chain are: 1) power differences between supply chain partners, 2) a lack of capacity building, 3) underdeveloped supply chain relationships, 4) different motives for sustainability and 5) insufficient monitoring. There is an increasing incentive for both commercial and non-commercial stakeholders to work together in order to lower the transaction costs and to be more effective in solving sustainability issues. Literature has revealed five factors that influence the process towards meeting joint sustainability goals which are communication, power, goal deviation, trust and renegotiation.

Both literature and the empirical findings show that the agendas between commercial and non commercial stakeholders diverge when commercial stakeholder groups perceive the issue as urgent. The case studies show that this urgency for companies is mainly determined by the growing supply chain risks and consumer pressure that assaults the firms' image (p1). Moreover it was shown that as the urgency increases this leads to a dependency of other stakeholder groups and therefore increases the need for collaboration (p2). Five conditions are defined which have a positive influence on the negotiation process. These conditions are 1) a low level of power deviation, 2) a low level of goal deviation, 3) transparent communication, 4) high levels of trust between stakeholders and 5) high openness of knowledge exchange. Most of these conditions were positively influenced by the coordination of a neutral convener (IDH) which increased the levels of trust between stakeholders (p4), coordinated knowledge exchange between stakeholder groups and lowers the level of goal deviation by handling strict selection criteria. In other words, a neutral partner can help to create, improve and safeguard a common vision among stakeholders. With regard to goal deviation it was found out that organizations with goals that deviate from the most powerful (commercial) stakeholder parties have lower influence in the negotiation process (p3). Moreover it was found out that a high openness in the knowledge exchange between stakeholder parties can lead to improved goals and activities, which can make a MSA more effective over time (p5).

The investigated MSA's were able to have an impact on two kinds of transaction costs: a lack of capacity building and underdeveloped supply chain relationships.

The following propositions have been created based on the empirical research. These propositions reflect the most important findings of this study and can be tested in follow up research.

Proposition 1: The factors that influence the sustainability goals of firms most strongly are decreasing supply chain risks and upholding a sustainable brand image towards the consumers.

Proposition 2: When the urgency of companies to deal with sustainability issues increases the dependency of other stakeholder stakeholders increases to achieve sustainability goals.

Proposition 3: Stakeholders that focus on goals that deviate from the most powerful party will have lower influence in the negotiation process.

Proposition 4: A neutral party that functions as a mediator between stakeholder parties in the negotiation process increases the level of trust between these stakeholder parties.

Proposition 5: A high level of knowledge exchange between stakeholders leads to an increased effectiveness of the MSA in the future.

Managerial implications

From a managers perspective it is important to be effective in solving sustainability problems that threat the position of the firm and the well-being of the supply chain. This study has given different factors that are of influence for companies that have to deal with these problems. The most important findings are that a neutral (non-commercial) partner can be beneficial in order to create stronger ties with other organizations and companies in order to identify win-win solutions. The studies show that many firms have an interest in intersectoral collaboration but that underdeveloped relationships (i.e. low levels of trust) prevent the firms from working together. This is an important notion as this study has shown that the higher the urgency is for a company to deal with a sustainability issue the more they become dependent of other companies and organizations to deal with the issue. The study has shown that collaboration can be beneficial in two areas. First, the necessary capacity building can be conducted more effectively with non-commercial stakeholders than when the company would do this alone. The capacity building programs can be higher scalable and effective when they are aimed to develop all the farmers in the chain rather than just the 'own suppliers'. Secondly, when there is a joint vision and approach to deal with sustainability issues the company can synchronize the efforts with other projects and initiatives and the company can learn from the experiences of other stakeholder groups in order to be more effective in solving sustainability issues in the future. This shows the true meaning of pre-competitiveness: all companies benefit when they work together and share knowledge and experiences.

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Website SOMO: www.somo.nl

Website WWF: <http://www.wnf.nl/nl/home/?splash=1>

Interviews preliminary study: (transcripts only available for supervisors)

Ingenbleek (2011)

Trienekens (2011)

Interviews case studies: (transcripts only available for supervisors)

See Appendix I and II

(The interview with Solidaridad was canceled)

APPENDIX I TABLES OF ANALYSIS

Appendix I contains the most important findings of the case studies. A more elaborated description of these findings can be found in appendix II.

1. AQUACULTURE (A) – TABLE

Procedural bottlenecks: (PB)
<ul style="list-style-type: none"> The investments for smallholders to meet the requirements of labels are often too high. (APB1) It is questionable whether a label can also solve social problems in producing countries. (APB2)
Sustainability bottlenecks: (SB)
<i>Social:</i>
<ul style="list-style-type: none"> Poor working circumstances of smallholders in development countries. (ASB3)
<i>Economic:</i>
<ul style="list-style-type: none"> Relative low payments to smallholders. (ASB3) Smallholders lack professional skills and business models. (AI5)
<i>Ecological:</i>
<ul style="list-style-type: none"> Intensive aquaculture coincides with the pollution of the culture water by an excess of organic materials and nutrients that are likely to cause acute toxic effects and long term environmental risks. (ASB1) Shrimp farming causes deforestation. (ASB2) -Environmental degradation by releasing excess nutrients from food into the environment, which can limit the amount of oxygen available to aquatic plants and animals (ASB4)
Power: (P)
<ul style="list-style-type: none"> A label that is wanted by the most powerful party in the supply chain (retailer companies) can guide the supply. The supply chain partners are chiefly dependent of the demand of retailer companies. (AP1) NGO's are dependent of multinationals in a way that the priority of the company should be in line with the agenda of the NGO.(AP2) The companies are dependent of each other in a way that the effectiveness of the investments will be much higher when they act together. (AP3) Companies not always perceive a high dependency of NGO's in terms of specific knowledge and resources. The pas has learned that NGO's cannot always live up the expectations. (AP4) NGO's are dependent from both companies and certification organizations. (AP5)
Sustainability goals: (G)
<i>Goals for tackling sustainability problems:</i>
<ul style="list-style-type: none"> The growing interest of firms that invest in sustainability can be mainly explained by the by the growing alignment with self-interest. Especially to protect and uphold brand image. (AP2) Sustainability is now part of core business of many companies (AG1) Retailer companies want a sustainability label that is both economically attractive and is broadly accepted by society (NGO's and consumers). (AG2) Companies have learned that own labels are not as strong as external (more credible) labels. (AG3) The decision to invest in sustainability is a consideration between short term profits and long term and improving the long term position of the firm. (AG4) NGO's put pressure on companies in two phases. In phase one the consumer becomes aware of the problems in the supply chain and becomes increasingly critical. In phase two both the consumers and the NGO's put pressure on the company, which should increase the willingness of the company to invest in sustainability and cooperate with other organizations. (AG7)
<i>Goals for (joining) the IDH Aquaculture program:</i>
<ul style="list-style-type: none"> WWF and IDH have founded ASC because they uphold the belief that there can come one mainstream label (like MSC) in the aquaculture supply chain that makes global trade more sustainable. (AG5)

<ul style="list-style-type: none"> Companies are interested to work with non-commercial stakeholder parties because the image of the firm improves when the media communicates alignment with non commercial parties. (AG8)
<ul style="list-style-type: none"> Companies find IDH an attractive partner because of the co-funding principle. (AR4)
Deviation of goals:
<ul style="list-style-type: none"> When NGO's are focusing too much on their own specific issues and are not united with other NGO's they are less attractive for companies to collaborate with. (AP5)
<ul style="list-style-type: none"> Different motives behind sustainability are not a problem, as long as one can agree on reaching the same goals. (AP6)
<ul style="list-style-type: none"> NGO's use sustainability arguments that are not relevant for the own organizational goals, but should convince companies to participate in sustainability efforts. (AP6)
Trust: (T)
<ul style="list-style-type: none"> Not all NGO's have trust in the ASC label, as they argue that a label will primarily benefit the most powerful parties in the supply chain. (AT1)
<ul style="list-style-type: none"> A label can help, but it should be a credible label. Critique of NGO's or non-compliant supply chain partners during the implementation phase can undermine the credibility of a label. (AT2)
<ul style="list-style-type: none"> Because companies see sustainability as a pre-competitive area it is possible to work with your competitors to tackle sustainability issues in the chain. (AT3)
<ul style="list-style-type: none"> A new sustainability label has to prove its self on the market before all stakeholders have enough trust in it. When a label never has been tested, the trust of companies in a label decreases because the profitability of investments is very uncertain(AT4, AT5)
Renegotiation: (RE) STILL IN INTRODUCING PHASE
Communication: (C)
<ul style="list-style-type: none"> Companies get a more compliant attitude in discussions with NGO's when sustainability treats the commercial interests of the firm. (AC1)
<ul style="list-style-type: none"> A low transparency how discussions lead to decision making lead to insecurity of the influence of the organization on the decision and consequently lowers the level of trust in the outcome of the process. (AC2)
<ul style="list-style-type: none"> When representatives of smallholder groups are not part of the negotiation process of defining the requirements of a new label the insecurity increases whether smallholders can live up the requirements. (AC3)
Selection criteria: (S)
<ul style="list-style-type: none"> When a company is willing to invest in its own suppliers to implement the ASC label the company can receive both financial help as expertise of WWF and IDH. When companies invest in their own suppliers, the ASC label is assured of market pull. (AS1)
<ul style="list-style-type: none"> Only the fish farms that have an economically sustainable business model will receive support of WWF and IDH. (AR2, AR3)
Monitoring procedures: (M) STILL IN INTRODUCING PHASE
Impact on the bottlenecks: (I)
<ul style="list-style-type: none"> It is necessary that firms cooperate with non-commercial stakeholders in order to create a credible label, which is one the biggest challenges in the sector right now. (AI1)
<ul style="list-style-type: none"> The IDH program has two clear benefits. First, the goal is to make the label mainstream (as also happened for the MSC label) so it becomes the minimum level of requirements. The second goal is to accelerate the process of sustainability by the co-funding principle. (AI2)
<ul style="list-style-type: none"> When the market power shifts to parts of the world that have less critical requirements it is uncertain whether the ASC label can influence these markets. (AI3)
<ul style="list-style-type: none"> A new label will first be adopted by the bigger producers. It takes to time to get the smallholders along. (AI4)
<ul style="list-style-type: none"> Smallholders can be more easily certified when they are part of a cooperative. A group manager will be responsible for the certification process and the farms will be controlled randomly. (AI4, AI5)
<ul style="list-style-type: none"> In the end it is the market working that determines the success of a label. When a label gains 'brand awareness' more parties will be interested in using and investing in the label. (AI6)
<ul style="list-style-type: none"> When market parties are already involved during the creation phase of a new label the usage and effect of the label is expected to be bigger (AI7)

<ul style="list-style-type: none"> When companies and NGO's communicate measurable goals it will be easier to test the goals and to understand the impact on sustainability problems.
Supply chain relationships: (R)
<ul style="list-style-type: none"> It is expected that the introduction of a new sustainability label will deliver a premium on the market, but it is unknown whether this holds for the long run. (AR1, AR5) Although the retailer companies are powerful, they are also uncertain whether the requirements of the ASC label are feasible for the farmers in the chain. The critique of some NGO's points out that a label will only benefit the big companies in the chain. (AR4)

2. COCOA (O) – TABLE

Procedural bottlenecks: (PB)
<ul style="list-style-type: none"> It is hard to reach all the farmers because they are badly organized and there are many small scale farmers. (OPB1) There is not enough capacity to train all the farmers as the demand for sustainable cocoa is rising very fast. (OPB2) Certified cocoa is not separated from 'normal' cocoa, which makes it hard to assure that supplied cocoa of a company is truly produced sustainable. (OPB3) Some governments have had a non compliant attitude to deal with sustainability problems. (OPB4) There is a weak institutional environment in producing countries to stimulate solving sustainability problems. For example, banks are not willing to provide loans to farmers. (OPB5) Sustainability was not an issue for companies because the supply chain was not transparent. (OPB6)
Sustainability bottlenecks: (SB)
<i>Social:</i>
<ul style="list-style-type: none"> Low payments to cocoa farmers lead to poverty and are an incentive for child labour. (OSB2)
<i>Economic:</i>
<ul style="list-style-type: none"> The global demand for cocoa is rising, while the global supply is decreasing. (OSB1) Cocoa farmer is not an interesting profession for young generations which threatens the long term supply of cocoa on the world market. (OSB5) Low cocoa prices have lead to a low level of innovation on the cocoa farm. (OSB5, OSB6) Farmers are not professional. (OC1)
<i>Ecological:</i>
<ul style="list-style-type: none"> Bad agricultural production techniques cause soil exhaustion and deforestation. (OSB3) Moulds destroy harvests (OSB4)
Power: (P)
<ul style="list-style-type: none"> Companies admit that they are dependent of the complementary skills of NGO's to build capacity and to understand problems on a local level. (OP1) Farmers and NGO's are dependent of the market power of companies above in the chain and their willingness to invest in sustainability. (OP2, OP3) Companies want legitimacy for their sustainability efforts and therefore take the vision of NGO's into account in creating and executing sustainability goals. (OP4)
Sustainability goals: (G)
<i>Goals for tackling sustainability problems:</i>
<ul style="list-style-type: none"> There are two main forces behind the interest of companies to invest in sustainability. 1) The decreasing supply vs. a growing demand of cocoa and 2) the decreasing quality of the production. (OG1, OG2) CSR is now an integral part of doing business for an increasing amount of companies. (OG5) Real change in the field of sustainability requires that companies identify a commercial opportunity in sustainability. Consequently, sustainability should become mainstream. (OG7) It is expected that free rider companies will come along in the future because of NGO pressure. (OG6) The first priority for companies was to make the supply chain transparent and to identify which

problems are part of the supply chain. This was pressured by both consumers and NGO's. (OG8)
<i>Goals for joining the IDH Cocoa program:</i>
<ul style="list-style-type: none"> The goals of the IDH Cocoa program are aligned with the goals of the companies. (OG3)
<ul style="list-style-type: none"> Companies appreciate the attitude of IDH. IDH understands that companies need to make profits, but also want to this in a sustainable manner. (OG5)
<ul style="list-style-type: none"> It is in the interest of all companies to work together in order to lower the costs of sustainability investments. (OG6)
<ul style="list-style-type: none"> The match funding principle of IDH is a positive incentive to get companies and stakeholders aligned. Match funding lowers the risks of investments and help to focus on the long term. (OG9)
<i>Deviation of goals:</i>
<ul style="list-style-type: none"> All stakeholders have an own perspective on sustainability issues. Goal alignment was a hard process, but there is consensus on the top 5 bottlenecks that require the highest priority. (OG4)
<ul style="list-style-type: none"> Even when stakeholders agree about goals or priorities the implementation phase shows that stakeholders have their own vision and approach in tackling bottlenecks into practice. (OG4)
<ul style="list-style-type: none"> The most important goal of IDH is to improve the only weak part of the supply chain, the producing part. All programs and activities should be subordinated to this goal.
<ul style="list-style-type: none"> The goals of NGO's are now aligned with the commercial interests of multinational companies (OI2)
<ul style="list-style-type: none"> Companies put pressure to focus more on economic aspects as productivity in the capacity building programs because of the conviction that market power is in the end the most important catalyst for sustainability. (OI6)
Trust (T)
<ul style="list-style-type: none"> The level of trust between companies and governments of producing countries has grown and this has a positive influence on tackling sustainability issues. (OT1)
<ul style="list-style-type: none"> When stakeholders sit on the same table this has a positive influence on the level of trust between them. (OT1)
<ul style="list-style-type: none"> NGO's and governments are often suspicious towards the goals of companies to invest in sustainability. IDH as a neutral partner helps to make 1) the motives of the companies more credible and 2) to arrange meetings between different kinds of stakeholders. (OT2)
<ul style="list-style-type: none"> When farmers cooperate with their buying companies this has a positive influence on the level of trust between the farmers and the financial institutions who are more willing to provide loans. (OT3)
<ul style="list-style-type: none"> Neutral parties can function as a broker between stakeholder groups who stand far away from each other. (OT4)
Renegotiation (RE)
<ul style="list-style-type: none"> New goals or activities can be discussed based on the unique 'open source learning model' of IDH. Normally competitors do not communicate with each other about their learning points, but now it is coordinated from a central point and the new innovative models benefit the entire sector. (ORE1)
Communication (C)
<ul style="list-style-type: none"> The first phase of the IDH Cocoa program was aimed to identify the most important bottlenecks in the supply chain and to reach consensus on these bottlenecks. (OC1)
<ul style="list-style-type: none"> Generally, companies are impelled to communicate with their own stakeholders (farmers, supply chain partners, NGO's and governments) and to show their plans to IDH for approval. (OC2)
Selection criteria (S)
<ul style="list-style-type: none"> Companies have to write a proposal which includes their goals and investments. Based on this information IDH decides on entering the program. The goals should be clearly aligned with the main goal of the IDH program and tackling the bottlenecks that were identified. (OS1)
Monitoring procedures (M)
<ul style="list-style-type: none"> The general objective of the program is to find innovative business models that help tackling the sustainability problems. Therefore, different models are being tested and the outcomes of different programs are being put on the public domain. (OM2)
<ul style="list-style-type: none"> There generally is a high level of commitment of the stakeholders involved is perceived as high because of the high involvement in discussions and workshops to improve the sustainability efforts. (OM1)
Impact on the bottlenecks (I)
<ul style="list-style-type: none"> The cooperation between (big buying) companies and NGO's can train farmers. The result of this is a higher quality and a better use of the environment during the production process. (OI1)

<ul style="list-style-type: none"> • The alliance acts beyond simply certification. Certification does not address economic aspects which are necessary to improve the position of the farmer. (OI3)
<ul style="list-style-type: none"> • The following (sub) goals: number of company partners, number of farmers in training and purchases of certified cocoa were highly overachieved in 2010. (OI4)
<ul style="list-style-type: none"> • Before, sustainability efforts were often carried out independently of each other. IDH synchronizes these efforts by coordinating all the programs from a central vision that is being supported by most of the stakeholders. Therefore parties are being brought together more easily. (OI5)
Supply chain relationships (R)
<ul style="list-style-type: none"> • Investing only in your own supply chain partners doesn't solve the sustainability problems in the supply chain. It is in the interest of all the companies that all farmers grow to a higher level of producing cocoa. (OR1)
<ul style="list-style-type: none"> • Certified cocoa delivers a premium on the market, but it is uncertain whether this will hold in the long run (OR2)
<ul style="list-style-type: none"> • For the first tier suppliers of lead companies (for example, Cargill is a first tier supplier of Mars) it is attractive to invest in sustainability as this might give them a preferred supplier position as the demand for certified cocoa is very high. (OR3)
<ul style="list-style-type: none"> • Having the right to use a label on your product does not mean that this can always be obtained on the market as the demand for sustainable cocoa is much bigger than the demand. (OR4)
<ul style="list-style-type: none"> • When the demand grows compared to the supply, supply chain relationships become even more important to secure the supply. (OR4)

3. COFFEE (C) – TABLE

Procedural bottlenecks: (PB)
<ul style="list-style-type: none"> The current supply chain still rewards unsustainable behavior. Therefore, CSR will not mean a system change, but independent projects with relative low impact (CPB1)
<ul style="list-style-type: none"> Labels and companies operate in a separate way which makes working on sustainability inefficient and hinders mainstream sustainability (CPB2)
<ul style="list-style-type: none"> The institutional environment of farmers in producing countries hinder farmers to be more sustainable . (CPB3)
Sustainability bottlenecks: (SB)
<i>Social:</i>
<ul style="list-style-type: none"> In times of low coffee prices the farmers received relative low margins for their coffee which resulted in poverty for coffee workers and producers. (CSB2)
<i>Economic:</i>
<ul style="list-style-type: none"> The global demand for coffee is bigger than the supply of coffee (CSB1)
<i>Ecological:</i>
<ul style="list-style-type: none"> Wrong usage of fertilizers and chemical pesticides. (CSB3) Wrong irrigation techniques. (CSB3) Deforestation, soil acidification and river pollution (CSB3)
Power: (P)
<ul style="list-style-type: none"> Companies are dependent of each other in shifting the whole supply chain in a sustainable system (system change). The party who does this alone, loses. (CP1)
<ul style="list-style-type: none"> Companies above in the supply chain are powerful compared to other supply chain parties in a way that they can change of supplier. (CP2)
<ul style="list-style-type: none"> NGO's are dependent of the decisions that companies make to invest in the supply chain. NGO's have less decision power than companies in the coffee program.(CP3)
<ul style="list-style-type: none"> Companies are dependent of NGO's in the phase of capacity building. Specifically of knowledge & expertise and for the creation of a highly credible label. (CP4)
<ul style="list-style-type: none"> Companies are not anymore dependent of the NGO's in appointing the critical issues in the supply chain. (CC1)
Sustainability goals: (G)
<i>Goals for tackling sustainability problems:</i>
<ul style="list-style-type: none"> Companies hold the belief that investing in the social and environmental arena leads to a higher economic sustainability of the farmers (improved quality and productivity). (CG1)
<ul style="list-style-type: none"> Sustainability goals are partly dependent of macro-economic fluctuations that influence the price level of commodities. (CG2) For example, when there are high coffee prices on the market the incentive to invest in sustainability will generally be lower for a farmer. (CG4)
<ul style="list-style-type: none"> Companies want to secure the long term supply for a reasonable price. (CG2)
<ul style="list-style-type: none"> A recognition of a 'critical state' is necessary before companies will invest serious money in sustainability. When companies hold the conviction that the using the old (i.e. current) business model will be profitable, companies will not consider shifting to a new business model via cooperation with competitors. (CT1)
<i>Goals for joining the IDH Tea program:</i>
<ul style="list-style-type: none"> Joining a coffee alliances will create a higher understanding of which methods or partnerships are most effective in solving sustainability problems.
<i>Deviation of goals:</i>
<ul style="list-style-type: none"> When NGO's focus too much on their own particular agenda's this can lead to 2 consequences. 1) deceleration of the goal alignment with other stakeholders 2) companies lose interest for the perspective of NGO's in the process of goal alignment when they are not flexible.(CG3)
Trust (T)
<ul style="list-style-type: none"> Because the partners of the involved companies are competitors who fight each other on the marketplace it is hard to trust each other. (CT1)

<ul style="list-style-type: none"> • A neutral partner in the alliance helps to create higher levels of trust. (CT2)
<ul style="list-style-type: none"> • Effective cooperation requires trust of stakeholder groups in the governance structure of the alliance. (CT2)
<ul style="list-style-type: none"> • Creating trust is a process. Trust in each other generally increases when stakeholders meet face to face and are transparent about their problems and motives. (CT2, CT3)
Renegotiation
<ul style="list-style-type: none"> • STILL IN INTRODUCING PHASE
Communication (C)
<ul style="list-style-type: none"> • NGO's do not always have the necessary negotiation skills which may lead to uncomfortable and confusing encounters between companies and NGO's. (CC1)
<ul style="list-style-type: none"> • Neutral platforms (like IDH) are important for companies because they can only directly communicate with their competitors in the platform. (CC2)
<ul style="list-style-type: none"> • The neutral party should have enough knowledge and semblance to lead the discussions and decision making in an alliance that involve companies. (CC3)
Selection criteria (S)
<ul style="list-style-type: none"> • The possibilities of NGO's to enter the process of goal alignment are low compared to those of companies. A neutral partner (e.g. New Foresight or IDH) can give legitimacy to the alliance. (CS1)
Monitoring procedures (M)
<ul style="list-style-type: none"> • There will be periodically meetings between the involved companies to monitor the results and activities of the alliance. Companies have an open-minded attitude to find the most effective methods that tackle sustainability problems in the supply chain. (CM1)
Impact on the bottlenecks
<ul style="list-style-type: none"> • The program is meant to find (the most) effective methods to tackle problems in the supply chain. This means a focus that goes beyond standards. Companies are increasingly aware that standards do not solve all problems. Therefore there will be a more broad focus on capacity building and cooperating with local governments to improve the institutional environment of farmers. (CI1, CI2)
<ul style="list-style-type: none"> • It is important that a sustainable 'system' also works when the macro economic circumstances change. (CI3)
Supply chain relationships (R)
<ul style="list-style-type: none"> • The coffee market changes from 100% spot market towards a form of specific contracts. Scarcity on the market is responsible for this shift.(CR1)
<ul style="list-style-type: none"> • Scarcity of supply shifts the negotiation power of the lead firm towards the farmer.(CR1)
<ul style="list-style-type: none"> • First movers (in sustainability) have advantage over followers. The advantages are an improved brand value and preferred access to sustainable sources. The disadvantage is the possible free riders effect. (CR2)

4. TEA (T) – TABLE

Procedural bottlenecks: (PB)
<ul style="list-style-type: none"> The monitoring on large plantations is not capable to identify social problems that are still present. (TPB1)
<ul style="list-style-type: none"> The origin of the tea is sometimes hard to identify because the supply chain is non-transparent. (TPB2)
<ul style="list-style-type: none"> Sustainability is not an important topic in producing countries with large domestic markets. (TPB3)
<ul style="list-style-type: none"> A company alone cannot have enough impact on the problems in the supply chain without cooperation with other companies. (TPB4)
<ul style="list-style-type: none"> When companies work alone it is 1) relatively expensive and 2) incredible and 3) hard to make big scale progress. (TPB5)
Sustainability bottlenecks: (SB)
<i>Social:</i>
<ul style="list-style-type: none"> Sex discrimination, poor working conditions and inadequate provisions. (TSB2)
<i>Economic:</i>
<ul style="list-style-type: none"> Low tea prices on the world market (TSB1)
<ul style="list-style-type: none"> Lack of market information/access (TSB1)
<ul style="list-style-type: none"> No technical knowhow and no access to technical training (TSB4)
<ul style="list-style-type: none"> Producing tea is getting a less attractive profession in producing countries, which lowers the supply of tea compared to a growing global demand (TG3)
<i>Ecological:</i>
<ul style="list-style-type: none"> deforestation and an intensive use of chemicals harm the environment. (TSB3)
Sustainability goals: (G)
<i>Goals for tackling sustainability problems:</i>
<ul style="list-style-type: none"> The goal of a company to join the IDH tea program is to increase the volume of certified tea. (TG2)
<ul style="list-style-type: none"> The goal of tea packing companies to invest in sustainability is to secure the long term supply of tea. Therefore, a goal is to make tea producer an attractive profession in producing countries. (TG3)
<ul style="list-style-type: none"> There needs to be a cost-benefit strategy behind the investments in sustainability as the consumer is mostly not willing to pay more money for certified products. There is no clear proof that sustainability leads to higher sales. (TG9, TG14, TG17)
<ul style="list-style-type: none"> Sustainability or CSR is increasingly becoming part of the core business of companies. This means it will be integrated in all business operations. (TG12)
<ul style="list-style-type: none"> When the high investments of Unilever (market leader in tea) resulted in a higher market share the conviction of the competitors grew stronger to follow a same kind of strategy. (TT2)
<ul style="list-style-type: none"> Smallholders increasingly see the benefits of cooperating with NGO's and companies in improving the production methods. (TG18)
<i>Goals for joining the IDH Tea program:</i>
<ul style="list-style-type: none"> Because sustainability is seen as a pre-competitive issue, cooperating with other companies is preferred over competition in this area. It is believed by companies that working together with other stakeholders gives a synergetic solution (1+1=3). ((TG4 ,TG5)
<ul style="list-style-type: none"> The primal interest of companies involved in the alliance is to invest in their own suppliers because this makes it easier for the company to buy certified tea. Still there is a conviction that sustainability problems will only be solved when all the suppliers in a chain are being supported, therefore it is in the interest of the company to have many companies involved in the alliance. Then, private interest becomes general interest.(TG6, TG7)
<ul style="list-style-type: none"> Because IDH has connections with governments in producing countries these stakeholders can be involved in companies' projects. (TG5)
<ul style="list-style-type: none"> Both NGO's and companies have developed a conviction that cooperating leads to better result than fighting each other. (G16)
<i>Deviation of goals:</i>
<ul style="list-style-type: none"> The goals of the IDH tea program are aligned with the goals of the companies tackle sustainability

issues. (TG1)
<ul style="list-style-type: none"> The urgency to deal with sustainability problems in the supply chain differs among companies. Therefore not every company perceives the necessity to make sustainability is top priority. (TG8)
<ul style="list-style-type: none"> The urgency of companies to deal with sustainability is being influenced by the pressure of NGO's. (G8, G11)
<ul style="list-style-type: none"> NGO's have specific agenda's (e.g. gender issues) which have lower priority for IDH and companies in the alliance. (G12)
<ul style="list-style-type: none"> Companies and consumers in different countries focus on different kind of issues. For example, in the UK there is a clear emphasis on social issues while in Germany the ecological issues are more important. (G15)
Power: (P)
<ul style="list-style-type: none"> Ngo's influence consumers to buy sustainable products. Companies are in turn dependent of the demand of customers. (TP1)
<ul style="list-style-type: none"> Companies are dependent of NGO's for 1) specific knowledge about tackling sustainability problems, 2) addressing critical points (agenda setting) 3) networks to deliver practical initiatives. (TP2, TP4)
<ul style="list-style-type: none"> Companies are dependent of certifying organizations (e.g. UTZ) to communicate a credible sustainability label to an increasingly critical consumer. (TP3)
<ul style="list-style-type: none"> All stakeholders (who acknowledge sustainability problems in the supply chain) are dependent of the willingness of companies to buy 'sustainable' commodities. A market pull is necessary for transferring sustainable commodities to the mainstream market. (TP4)
Trust: (T)
<ul style="list-style-type: none"> When other companies release their sustainability goals in public it is expected that there is a high level of commitment to reach these goals. (TT1)
<ul style="list-style-type: none"> The conflict between Unilever (who left the Ethical Tea Partnership) and the other tea packing companies was settled in the IDH Tea program. This seemed to be mainly a interpersonal conflict, because the conflict was solved when persons were replaced. (TT2)
<ul style="list-style-type: none"> When companies invest a lot of money this already shows a high level of commitment as it represents the belief that tackling issues is given a high priority. (TT3)
Renegotiation: (RE)
<ul style="list-style-type: none"> A central theme for the re-negotiation about new activities are the new budgets. Generally, companies are reserved in spending too much money, so this is clearly a challenge in the negotiations (TRE1)
<ul style="list-style-type: none"> Critical reports of NGO's lead to input for re-negotiations. Companies are aware that that the quality of implementation projects and sustainability labels should be high to remain credible. (TRE2)
<ul style="list-style-type: none"> Learning and innovation are important goals of IDH programs, therefore re-negotiation about new activities is an important way to be more effective in tackling sustainability issues. (TRE3)
Communication: (C)
<ul style="list-style-type: none"> IDH offers as a neutral platform where different companies can speak with each other. Companies generally cannot meet each other 1 to 1 because of 1) antitrust laws and 2) low levels of trust. (TC1)
<ul style="list-style-type: none"> Transparency of companies in the negotiation is important, but is hard to reach as companies are afraid that information can be used against them by competitors. (TC2)
<ul style="list-style-type: none"> The openness of companies has increased in the dialogues with NGO's when more proof was fetched by NGO's that sustainability problems are real issues in their supply chains. (TC3)
<ul style="list-style-type: none"> The decision making in the IDH tea program is not always clear and transparent because there is one organization (IDH) who makes decisions. (TC4)
Selection criteria: (S)
<ul style="list-style-type: none"> The criteria for a business entering the IDH program are based on 1) market power of the company, 2) the usage of a new or innovative business model to tackle sustainability problems in the supply chain and 3) the willingness of a company to invest money in the programs (IDH will finances a maximum of 50%) (TS1, TS2)
Monitoring procedures: (M)
<ul style="list-style-type: none"> Learning has an important role in the alliance by having a monitoring group that critically monitors the results and activities of the programs. This is important, because the activities should lead to both an improvement of the position of the farmer and to a the long term improvement of the companies' position. (TM1, TM2)

Besides, specific studies are being executed to test the impact of ..
Impact on the bottleneck: (I)
<ul style="list-style-type: none"> The IDH program goes beyond certifying companies, as this is not enough to deal with complex sustainability problems. Companies invest in cooperation with NGO's in producer support programs. Furthermore, the farmer also needs assistance once it meets the requirements of a label. Also, the auditing of the farmers will be analyzed critically. (T13)
<ul style="list-style-type: none"> It is important to focus rather on 'outcome' than on 'output'. For example, the amount of farmers that are certified do not directly say something about the impact on sustainability problems. Until now the program can only draw conclusions about output data. More in-depth research is required to comprehend the impact of programs of sustainability issues. For example, research of Somo reveals that little has changed with regard to social issues at large tea plantations which are certified by Rainforest Alliance(T14, T17)
<ul style="list-style-type: none"> It is unclear what the 'added value' is of an IDH program as many companies have sustainability issues on their agenda and have interaction with stakeholders. (T15)
<ul style="list-style-type: none"> The win-win situation of the IDH tea program is that the position of both farmers and companies can be improved. (T16)
<ul style="list-style-type: none"> The certification programs give more transparency. Companies receive more data about challenges and issues that are going on at the farmers level. (T18)
<ul style="list-style-type: none"> Auditing suppliers is getting a lot easier for companies when this is done by external certification organization. It is also beneficial for farmers when there are unambiguous requirements and auditing. (T19, T110)
<ul style="list-style-type: none"> It will be hard for companies to certify the last 20% of farmers. Especially when a company buys a small percentage of tea it is harder to get a producer in a sustainable production template. (T111)
Supply chain relationships: (R)
<ul style="list-style-type: none"> Because most of the tea is bought at the auction, investments of companies in sustainability may result in free riders effects. (TR1)
<ul style="list-style-type: none"> Because the demand of certified tea is high there will be paid a premium in some cases to a farmer that can deliver certified tea. This is premium will be paid to secure the supply. The vision for the farmer on the long term is that certified tea will give higher yields and better quality, which will consequently give a higher income to the farmer. (TR1, TR2)
<ul style="list-style-type: none"> Most of the suppliers that are being certified trade with companies who invest in their own suppliers in the IDH Tea program. (TR2)

APPENDIX II OVERVIEW OF THE TABLE SOURCES

1. AQUACULTURE (A)

Procedural bottlenecks

PB1- According to Gullbrandsen, a scholar working for the Fridtjof Nansen Institute in Norway, the investments are often too big for smallholders in order to meet the requirements for eco-labels like MSC or ASC. <http://www.supermacht.nl/schone-schijn-othermenu-32/60-duurzaamheid/377-albert-heijn-en-wnf-schone-schijn-met-duurzame-vis>

PB2- A technical solution like the ASC label is unable to solve the social problems of the smallholders in development countries, it only serves the goals of the large firms. (Natasha Ahmed, Asia Solidarity Against Industrial Agriculture) <http://www.ipsnews.be/artikel/duurzame-kweekvis-kans-en-bedreiging-voor-aziatische-kwekers>

Sustainability bottlenecks

SB1- Intensive aquaculture coincides with the pollution of the culture water by an excess of organic materials and nutrients that are likely to cause acute toxic effects and long term environmental risks. (De Schryver et al., 2008)

SB2- Shrimp farming causes deforestation. <http://ibbu.nl/~fmulder/pivotx/?e=935>

SB3- Poor working circumstances of smallholders in development countries. Also relative low payments to the smallholders for the farmed fish. <http://ibbu.nl/~fmulder/pivotx/?e=935>

SB4- Environmental degradation by releasing excess nutrients from food into the environment, which can limit the amount of oxygen available to aquatic plants and animals. Besides this organic waste, harsh chemicals and antibiotics from shrimp farms may pollute the water. Aquifers supplying water to shrimp farms can be drained. <http://www.idhsustainabletrade.com/kweekvis-sustainability>

Power

P1- According to Esther Luiten (IDH) the ASC label benefits from the powerful positions of the supermarkets (e.g. Ahold) that are involved in the MSA: "For the ASC trademark we can use the power of the supermarkets. Only by a trademark the demand can guide the supply of sustainable fish. Most of the fish is not sold via the fish traders, but in the supermarkets. The supermarkets don't want any scandals, they will benefit from clear, transparent trademarks. As the supermarkets were the stimulators behind the MSC label it will also be the case for the ASC label." <http://www.ipsnews.be/artikel/duurzame-kweekvis-kans-en-bedreiging-voor-aziatische-kwekers>

P2- NGO's are dependent of the powerful position of the retailer companies in particular, who sell most of the fish. According to Oorthuizen, general director of IDH, the growing interest of multinational firms can be explained by the growing alignment with self-interest. Albert Heijn wants to express to the consumer it is a supermarket that sells products which are 'oke'. This means more sustainable trademarks that express to the consumer the product is healthy, delicious and is made in an environmental-, animal-, social friendly manner. The self-interest of the firm has the highest priority. http://www.onzewereld.nl/index.php?page=3_1&articleId=819 NGO's are dependent of multinationals in a way that the priority of the company should be in line with the agenda of the NGO. For the case of Ahold, cooperating extensively with WWF, this means that Albert Heijn has the goal to sell 100% sustainable fish products in 2015 and the goal of the WWF to protect the oceans and shores and to stimulate responsible fishing methods. <http://www.msc.org/nieuws/nieuws/wnf-en-albert-heijn-sluiten-overeenkomst-duurzame-vis-nederlandse-mosselen-met-msc-keurmerk-bij-albert-heijn>

P3- The companies are dependent of other companies in the sector of investing in sustainability. When more companies cooperate the costs go down, there is a higher effect and there is less fear for free rider effects. Retailers are also the demanding party that moves their traders in action towards the suppliers. However, the traders cannot do this without the help of the retail companies and NGO's. (Interview IDH Aquaculture)

P4- Companies are dependent of NGO's in development countries to build the required capacity for (especially small) fish farmers in order to meet the ASC requirements. (Interview IDH Aquaculture. Because WWF is a global organization the NGO can demand the help of 'local' WWF establishments in producing countries. The companies do not have the appropriate skills and resources to train farmers. (Interview WWF)

P5- There are two reasons why companies are not very dependent of NGO's during the negotiations. First of all the NGO's do not have the specific knowledge to deal with complex sustainability problems in development countries. This requires specialized organizations. Besides,

experiences of the past have learned that NGO's cannot always live up to the expectations they give. The second reason is that NGO's are not united and all have their own specific agenda's. This makes working with NGO's less attractive for companies in the supply chain who are better organized now and are more adapted to each other. (Interview Ahold)

P6- WWF is dependent of an external certifying organization (ASC) in order to bring a credible label on the market. This was also the case for MSC and FSC. This organization should be responsible for the tractability and the auditing. WWF is also dependent of the retailer companies for the success of the label. The call for a fish label starts with the consumer and goes via the retailer to the trader. The trader is the party in the supply chain that directly demands certified fish of the producer. (Interview WWF)

Deviation of goals

G1- Sustainability is now core business to secure the supply of the companies. This is positive, since the goals of the company are aligned with public goals (like some of the millennium goals). (Interview IDH Aquaculture)

G2- In the case of farmed fish the retailers have pressured the introduction of a strong mainstream label for aquaculture. For retailers is important to sell 'good' fish to the consumer to uphold a sustainable image to the increasingly critical consumers. Therefore the retailers are the driving force behind the creation of the ASC label. They want a label that is both economically attractive and is broadly accepted by society (consumers). (Interview IDH Aquaculture)

G3- In the past all the retailers had their own labels and auditors. This has been brought to external certification organizations because independent certification is more credible. (Interview Ahold)

G4- All the Dutch retailer companies have the goal to sell 100% sustainable fish products in 2016. This is a decision that has to be made on CEO level. The short term profitability of the firm decreases, since sustainability costs money. The long term position of the firm however is expected to be better because of a better image and lower risks of the supply. (Interview Ahold)

G5- WWF and IDH are the founders of ASC. Both organizations have the goal to make supply chains sustainable. WWF is a global organization with a big network and great capacity. Formally IDH is the financier of programs that transfer supply chains into more sustainable chains. The goal is not only to make the supply sustainable fish in the Netherlands, but to transfer the whole trading in the global supply chain into more sustainable trade. (Interview WWF)

G6- The goals of WWF and the companies do not differ that much: creating sustainable supply chains. Although the motives behind these goals might be different this should not be a problem, as long as you reach the same goal every party is satisfied. One of the arguments that WWF uses towards business is the necessity of assuring the supply in the long run. Although this is not very important for a NGO this argument is being used to get along companies. (Interview WWF)

G7- A NGO in West Europe generally uses a strategy to work with companies in two phases. During the first phase the goal is to make consumers more concerned with regard to sustainability issues in the supply chain (for example, overfishing and harming the oceans). The ASC label is now a consumer label; the consumer can make the obvious choice to buy sustainable farmed fish. When companies receive pressure from both the customer and the NGO on the field of sustainability they are more willing to work together with a NGO to create a sustainable supply chain. Besides, companies are aware of the risks of scarcity or high prices for their supplies. Bringing a label on the market in cooperation with market parties can be successful as was seen with the success of the FSC label which was introduced 9 years ago.

G8- For companies it is important that they work with IDH and WWF. The image of the firm is increasing when the media confirms that a company is working with non-commercial parties to increase the sustainability of their products in the supply chain. (Interview WWF)

Trust

T1- Not all the NGO's support the ASC label, especially not those in development countries. The critique of the MAN suggests that the food multinationals are in a high power position because of their investments in the ASC certification institute. The MAN mocks the position of the WWF manager that directed the process of round table discussions. The manager was part of the CEO of a large aqua fish multinational that was accused several times by infringing the labour rights and polluting the environment. <http://www.supermacht.nl/schone-schiin-othermenu-32/60-duurzaamheid/377-albert-heijn-en-wnf-schone-schiin-met-duurzame-vis>

T2- It is easy to copy a label, but it is hard to introduce a label that has the commitment of the all the stakeholders involved. Still this is very important for the retailers not to receive negative responses during the implementation phase of critical NGO's and supply chain partners with a non-compliant attitude. A label should always be credible towards the consumer. (Interview Ahold)

T3- It is possible to work together with your competitors on the field of sustainability because it is seen as a precompetitive issue. This was also the case for food safety issues where (retailer) companies also cooperated to jointly improve the food safety of the products in the supply chain. (Interview Ahold)

T4 -Ahold trusts ASC because it has trust in the MSC label. However there are a few important obstacles that need to be overcome. The first obstacle is the few staff members of ASC. The market value of the label has not been proved yet so there is no income to pay for staff members that should coordinate the labeling and do the auditing. Besides, many potential investors have low interest to invest in a label for aquaculture, because aquaculture has generally a negative image. Furthermore, there are still discussions going on between different stakeholder groups about the logo. And most importantly, the label has never been tested. Therefore it is uncertain what the effect is of the label on the price, the market and on the feasibility for producers. Therefore, Ahold is also open-minded for other labels for aquaculture. (Interview Ahold)

T5-The introduction of a label can be hard because the label has to prove itself on the market. Companies are generally willing to invest in support programs to introduce the ASC label, especially with an eye on smallholders, but this is also a calculation of efficacy. With a new label the profitability of an investment is insecure. Especially for small or medium companies who have less resource this is an obstacle that can be overcome when a label proves to be successful on the world market. The co-financing principle of IDH works to make companies willingly to invest. (Interview WWF)

Communication

C1- In the beginning phase of discussions between NGO's and companies, the companies had a defensive attitude towards the imputations of NGO's. However, when both the quality and quantity of supply run back companies get more open minded to find a solution together with NGO's. (Interview IDH Aquaculture)

C2-The negotiation process for designing the criterion of the ASC label took 8 years. Business agree this period was way too long and there should have been used a clear time schedule to reach the goals. This should be a transparent process with the goal of consensus. However, there was not always intelligibility about how decisions were made and how ASC dealt with feedback or comments. So, the level of transparency was not very high. Furthermore there were not enough representatives from producing countries to give feedback. With so many stakeholders involved from different spheres it is always difficult to reach consensus about the prerequisites of a label. (Interview Ahold)

C3-The most important issue is not that smallholders have been part of the negotiation process. The most important issue is the question whether they will be able to meet requirements that have been defined during the negotiation process. This is a responsibility that NGO's now feel. Assuring access to the ASC label requirements for smallholders (Interview WWF)

Re-negotiation -

Selection criteria

S1- When a company is willing to invest in its own suppliers it will receive help from IDH and WWF to implement the ASC label. By doing this the ASC label is assured of a market. (Interview IDH Aquaculture)

Monitoring/commitment procedures

Impact on the bottlenecks

I1- Mulder, CEO of Anova, expects that the ASC label will replace all the existing labels that are available in the aqua fish sector. It is essential for companies to work together with organizations like IDH and WWF to assure the ASC label is credible. Creating a credible label is one of the most important challenges of the industry today. <http://www.idhsustainabletrade.com/en/aquaculture>

I2- Without the IDH program the sector would also work on sustainability, but IDH aims to accelerate this process. The most important focus is to make sustainability mainstream, instead of keeping it in a niche market like Max Havelaar. The goal for the implementation is to copy the process of the MSC label. Right now it is hard to sell your fish in Europe without the MSC label, so it clearly is a mainstream market right now. (Interview IDH Aquaculture)

I3- One potential problem for the ASC label is that Europe is losing market share. Other markets have generally a less critical attitude towards sustainability and do not demand lower requirements. Consequently, Europe is getting less market power to work on sustainability. (Interview IDH Aquaculture)

I4- One of the challenges for the success of the ASC label is the certification of small farmers. It is expected that first the bigger companies will use the ASC label and the rest of the market follows suit later. Therefore cooperatives of farmers will be created by the help of companies, NGO's and local governments. Farmers will be certified as a cooperative and the fish farms will be monitored randomly by ASC. (Interview IDH Aquaculture)

I5-The priority of the ASC label is to certify the top 20% of the market. Just as we have seen for the MSC label, the rest of the market will follow. The main problem for smallholders is they are not professional. For example, there is no data available about costs and activities. To solve this, there will be worked on group certification of smallholders with a group manager who is responsible for the all the members. By random auditing ASC can audit whether the prerequisites of the label are met indeed. (Interview Ahold)

I6- The market working determines the success of the label and whether there will be a higher price for certified farmed fish (when the demand is bigger than the supply). When the label yields more brand awareness more parties will be interested in investing and using the label. And in term, more brand awareness leads to a higher demand for 'sustainable' products. (Interview WWF)

I7- When companies are already involved during the set up of a label there is a more market power when the label is being implemented. Companies will not shift to other suppliers to get certified supplies, but invest in their own suppliers. By doing this the sustainability problems will not be shifted to other areas, but sustainability problems will be dealt with on a larger scale. (Interview WWF)

I8- It is important that both companies and NGO's create measurable goals. By doing this the goals can be tested and it is clear whether goals have been met or not. This is now more often the case than in the past. (For example, Albert Heijn has the goal of selling 100% sustainable fish in 2015). With clear measurable goals companies are also committed, because these goals are publicly announced.

Supply chain relationships (R)

R1- In the beginning phase it is expected that there will be paid a higher price on the market for ASC certified farmed fish. However, in the long term a premium will disappear when ASC becomes mainstream. Then it becomes the minimum level of requirements. (Interview IDH Aquaculture)

R2- For some smallholders it is doubtful if they have a good business model to compete with large, intensive fish farmers in the future. Only the smallholders that have good business models will receive money for investments. For example for shrimp farming smallholders usually have good business models in contrast to Pegasus. (Interview IDH Aquaculture)

R3- Aquaculture is for some fish species only profitable when it happens in an intensive manner, which requires large investments. Therefore, vertical integration takes place among many large fish farmer companies to control the whole process of farming fish. (Including the feeding, distribution, packaging etc.) (Interview IDH Aquaculture)

R4- The retailer companies are powerful since they buy large quantities of fish. The first tier supplier is mostly not the party that farms the fish. When the criterions of the ASC label are so high that fish farmers cannot live up to the requirements the retailer companies also have a problem. ASC will then become niche instead of mainstream. To prevent this scenario Ahold works with IDH and WWF to implement support programs in the supply chain. The implementation of a new label takes time, money and resources and the retailer companies are aware that they need to invest in this also. IDH is an attractive party because they double the investments of the companies. Most of the fish is being bought in large quantities of dedicated suppliers. There are long term contracts with these suppliers. Therefore these suppliers will not be exchanged very soon when they cannot deliver ASC labeled fish to Albert Heijn. (Interview Ahold)

R5- It is expected that the price of ASC fish will be higher in the first phase, but it is uncertain whether this holds in the long run. (Interview

2. COCOA (O)

Procedural bottlenecks

PB1- Cocoa farmers are mostly small scale farmers and badly organized. Consequently it is hard to reach the farmers and give farmers training. (de Vries, UTZ certified) <http://www.volkskrant.nl/vk/nl/2844/Archief/archief/article/detail/1977510/2011/05/06/De-duurzame-cacao-komt-er-aan.dhtml>

PB2 -There is a capacity problem in training farmers in order to increase sustainability in the supply chain. When the demand of certified cocoa is increasing many farmers need to be trained and assisted, as they can help other farmers in turn. (Manu, Solidaridad) <http://www.volkskrant.nl/vk/nl/2844/Archief/archief/article/detail/1977510/2011/05/06/De-duurzame-cacao-komt-er-aan.dhtml>

PB3- Sustainable cocoa is being mixed with non-certified cocoa during the distribution process. Thus it is not possible to guarantee the sustainability of a certified product as it may also contain 'non sustainable cocoa'. (de Vries, UTZ certified)

PB4- National governments have a non-compliant attitude to help the farmers and there is political instability. For example it was promised that the government would provide free pesticides to battle the moulds. However, these pesticides were never provided. (Perk Solidaridad) <http://www.trouw.nl/tr/nl/4324/nieuws/archief/article/detail/1618457/2009/10/31/Chocola.dhtml>
<http://www.mvonderland.nl/product-dienst/cacao>

PB5- There is a weak institutional environment. For example, banks are not willing to provide loans to farmers and there were no fertilizer companies active in the cocoa sector. (Interview IDH Cocoa)

PB6- Sustainability was for companies not an issue because the supply chain was not transparent. In other words, companies simply bought their cocoa commodity. (Interview Heinz)

Sustainability bottlenecks

SB1 -The production of cocoa producers in Africa is decreasing, while the demand for cocoa is increasing. (IDH website)<http://www.idhsustainabletrade.com/cocoa>

SB2 - Small scale farmers receive a very low payment which is an incentive for child labor in some African countries. <http://www.between-us.nl/547/duurzame-cacao-ben-toch-zeker-sinterklaas.htm>

SB3 -Bad agricultural production techniques cause soil exhaustion and deforestation. <http://www.between-us.nl/547/duurzame-cacao-ben-toch-zeker-sinterklaas.htm>

SB4 - Harvests are being destroyed by moulds. <http://www.solidaridad.nl/cacao/wat-is-er-hand>

In African countries the cocoa farmers are getting older and older and there is no future when a young generation see's any opportunities in this business. Nothing is done in improving the cocoa farm. This means, that there can be production in the next 10 to 15 years, but after that it will dry. (Interview IDH Cocoa)

SB6- The gap between demand and supply besides the low level of innovation in the producing countries are the most important factors that influenced the sustainability issues in the chain from a company perspective. (Interview IDH Cocoa)

SB7-The price for cocoa was good, but in the last ten years the demand has increased and no research has been done to the cocoa trees. Therefore, sustainability problems in the cocoa sector have become primarily an issue in the last ten years and more knowledge has to be developed in order to understand and tackle all the problems. (Interview IDH Cocoa)

Power

P1- Lead companies (e.g. Mars) admit that they are dependent of the complementary skills and resources of other organizations in the form of partnerships in order to effectively solve the sustainability problems in the supply chain. Examples are the partnership that Mars has with ICI (International Cocoa Initiative), which is part of UTZ, that is specialized in exorcising child- and forced labor of the supply chain. Solidaridad is specialized in training farmers on a local level in cooperation with local organizations. <http://www.mars.com/netherlands/nl/commitments/sustainability/cocoa-sustainability.aspx>

P2 - Companies have the market power and are therefore powerful in solving problems. However, they have no experience or specific skills in capacity building and they are in the implementation dependent of the specific skills and experience of NGO's. Therefore it has to be a joint effort of companies, NGO's and other relevant stakeholders in order to solve the sustainability issues. Alone they cannot do it. This creates a win-win situation. (Interview IDH Cocoa)

P3- NGO's are depending of companies on 1) the willingness to pay a higher price for 'sustainable' cocoa and 2) the investments of the private sector for capacity building. (Interview IDH Cocoa)

P4- For companies it is important to create legitimacy in the long run by having the approval of NGO's and take their vision into account. (Interview Mars)

Deviation of goals

G1- Companies have a high incentive to create sustainable supply chains because the supply of their commodities will stagnate in the short term with growing demands and a decreasing production. The quality goes down and the production hampers. Therefore companies are willing to cooperate with NGO's and other organizations, but also with their competitors. A company alone cannot make enough progress to tackle the issues in the supply chain. Sustainability is therefore not a competitive area, this is will be the case in marketing and price formation (deWit, IDH)

http://www.onzeweerd.nl/index.php?page=3_1&articleid=819

G2- Companies now see that if they keep doing business as it is right now in a few years there will be scarcity in resources. (Interview IDH Cocoa)

G3- The goals of the alliance are aligned with the objectives of the companies. For example, Mars has the goal to use 100% sustainable cocoa in 2020. Heinz (de Ruijter) wants to buy 100% sustainable cocoa in 2015.

G4- All stakeholders have their own vision on the bottlenecks and the solutions. Therefore, it was a big challenge for IDH to reach consensus with the majority of stakeholders on the top 5 bottlenecks in the cocoa supply chain with regard to sustainability. The 5 areas of consensus are now the building blocks of the IDH program. Even when there is consensus stakeholders have their own vision on tackling these bottlenecks in practice. However, when parties have different end goals it does not mean they shouldn't work together. (Interview IDH Cocoa)

G5- Companies appreciate the attitude of IDH. IDH understands the motives of businesses (creating profits) while they also understand that it is important for business to do this in a 'sustainable' manner. This goes beyond CSR. Creating and maintaining a sustainable supply chain is now an integral part of business. (Interview Mars)

G6- It is in the interest of companies (who already invest in sustainability) that all the companies invest in sustainability to lower the costs. There are still free riders, but because of NGO pressure it is expected that these companies will come along in the future to invest in certified cocoa. (Interview Mars).

G7- Real change requires two factors. First of all, there should be a commercial interest for companies (sustainability goals should be aligned with the company's agenda) and secondly 'sustainability' should become the mainstream norm on the market. Otherwise, sustainability is only being used to keep up appearances. (Interview Heinz)

G8- When companies were confronted with external pressure to deal with sustainability issues the first priority was to make the supply chain transparent. This pressure comes both from NGO's and consumer who clearly communicate to the company that they expect 'good' cocoa in the products. The consumer became more aware of problems in the cocoa chain because of critical research of NGO's. (Interview Heinz)

G9- One thing that helps companies think in the long run and in the common interest, rather than in the self interest, is the match funding principle of the IDH. This can be seen as a positive incentive in getting companies aligned. In the short term investing in sustainability is very expensing. So companies think about free riders effects. Therefore investing is a risk and match funding lowers this risk. (Interview IDH Cocoa)

Trust

T1- There used to be a low level of trust between the companies and the governments of African countries. This can be seen as a power conflict between the multinational companies and the governments. In the past, multistakeholder platforms were not accepted by the governments; they didn't like sharing power (they were the only party investing in the sector) because they distrusted the companies. Now both companies and governments realize that it is crucial to work together. Sitting on the same table and discuss issues in the cocoa sector helped restoring levels of trust between the companies and the governments. The prove of that is Mars itself signed a contract with the government of Cote d'Ivoire and Kraft is cooperating with the Cocoa Board in Ghana now. (Interview IDH Cocoa)

T2- For companies it is generally hard to work with parties that deliver public goods (e.g. NGO's and governments) because these organizations hold a suspicious attitude towards the businesses. Because of the collaboration with IDH (as a 'neutral' party) the connection to these organizations can be made more easily. The credibility of the motives rise when IDH is a partner and this creates more and new encounters with potential public partners. (Interview Mars)

T3- The level of trust between financial institutions in farmers increases when farmers work together with their customer companies. Furthermore, certification provides more data about the farmer towards external parties. Farmers become more aware that credibility is important to both financial institutions and their suppliers to have a good business. (Interview Mars)

T4- Neutral parties can help to create new partnerships. Two examples of Mars can clarify this. In Vietnam Mars cooperates with the national government. There is no experience in this and there is a suspicious attitude towards other countries and companies, especially towards American multinationals. The involvement of the Dutch embassy in the public-private project helps to take away suspicion and uncertainty. In Ghana the Dutch embassy also works as a broker between the company and governments in Africa by cofounding and provide new contacts to the company. The legitimacy of the company's efforts rise when it becomes clear that there are also clear benefits for other parties.

Communication

C1- In the first phase of goal alignment IDH facilitated various discussions with and between all relevant stakeholder groups. This has led to a list of bottlenecks that the IDH program will tackle. The most important bottleneck is that farmers are not professional, they lack access to important resources like planting material and the enabling environment (politically and legally) was not there. (Interview IDH Cocoa)

C2- After that, companies became the most important partners of IDH. This means that the companies are being stimulated to go to the countries of origin to negotiate with the governments, the farmer organizations and all the involved stakeholders. The involvement of farmers is essential because they are the beginning of the chain, and the party that is dealing with the sustainability issues on a production level. Improving the position of the farmer is the most important goal of the IDH Cocoa program. (Interview IDH Cocoa)

Re-negotiation

R1- The learning program of IDH is unique in a way it provides the entire sector with knowledge and new innovative models. It is very important that this happens from a coordinating, overarching organization. Normally competitors do not communicate directly about their learning with competitors or do projects take place in different countries and during different time periods. Now the learning is coordinated from a central point, and benefits the entire sector. The learning and evaluations of IDH can be used for new goals and activities to more effectively in the future in tackling sustainability goals (Interview Mars)

Selection criteria

S1- First of all the goals of the companies are being compared to the goals of IDH. So how much are they aligned with what IDH wants to achieve, which is making cocoa farming financially sustainable, so making farmers businessman. That is the main purpose of what the cocoa program does, building a sustainable chain bottom up. When we look at the supply chain, the only part of the chain that is weak is the farming part; they are no business men. Companies write a proposal of their goals and investments and this will be approved or rejected by IDH. The activities of the companies, will be mapped via Key Performance Indicators (KPI's) and based on these indicators, together with the sustainability goals of the company IDH decides on the participation. (Interview IDH Cocoa)

Monitoring/commitment procedures

M1- IDH generally observes a high commitment of the private sector in tackling the sustainability issues. This can be seen in the high level of participation in (voluntary) workshops and discussions with stakeholders and the big investments that various companies are executing right now in the sector. Besides, a healthy, sustainable sector is in the self-interest of the companies. (Interview IDH Cocoa)

M2- The general objective of the program is to find innovative business models that help tackling the sustainability problems. Therefore, different models are being tested and the outcomes of different programs are being put on the public domain. (Interview IDH Cocoa)

Impact on the bottlenecks

I1- The productivity of the farmers are increasing because of investments of the alliance. When farmers are trained and use new production techniques the soil can be used much longer for producing a higher amount of cocoa beans. This training can be provided when the big buying companies are collaborating with NGO's. (van Grinsven, Mars)

<http://www.trouw.nl/tr/nl/4324/nieuws/archief/article/detail/1618457/2009/10/31/Chocola.dhtml>

I2- The alliance is successful in tackling sustainability issues because these issues are now clearly aligned with the interests of multinational companies like MARS. A sustainable chain is necessary to meet the growing global demand of cocoa. (Perk, Solidaridad) For example: the vision of Mars is aligned with the vision of the Rainforest Alliance: productive, profitable cocoa plantations where strong communities arise that preserve the nature for future generations.

<http://www.trouw.nl/tr/nl/4324/nieuws/archief/article/detail/1618457/2009/10/31/Chocola.dhtml>

I3- The alliance acts beyond simply certifying sustainable products. The certification of commodities does not address the economic components like quality, production and productivity. These components are directly linked to sustainability and do not only combat

poverty as a growing productivity decreases the pressure on biodiversity. (Van Grinsven, Mars)

<http://www.trouw.nl/tr/nl/4324/nieuws/archief/article/detail/1618457/2009/10/31/Chocola.dhtml>

A higher price for (certified) cocoa implicates also that farmers are going to invest in their own communities. Therefore the community empowerment projects take care that farmers invest higher earnings in the right way. (Interview Mars)

I4- The following goals: number of company partners, number of farmers in training and purchases of certified cocoa were highly overachieved in 2010. These were the goals of the first program. However, the primary goal is not to fulfill these goals but to test and develop different business models that help overcome sustainability problems. By doing this 'learning' is becoming an open source innovation that benefits the entire sector. (Interview IDH Cocoa)

I5- In many cases sustainability programs are carried out independently of each other. IDH synchronizes these efforts by coordinating all the programs from a central vision that is being supported by most of the stakeholders. Therefore parties are being brought together more easily. (Interview Mars)

I6- According to the companies, certification should focus more on productivity (i.e. economic sustainability). Therefore the companies put pressure on the certifying organizations to give productivity growth a more prominent place in the capacity building programs. Sustainability means in the end also that a farmer can make a good living out of the business. (Interview Mars)

Supply chain relationships

R1- Multinational companies above in the chain (e.g. Mars and Kraft) do not only invest in their own suppliers as this not solves their problem. It is in the interest of the whole sector that all the farmers grow to a new level of producing cocoa. Therefore it is in the interest of all the companies that 'learning' can be distributed to the entire supply chain. (Interview IDH Cocoa)

R2- The demand for sustainable cocoa is still much bigger than the supply of sustainable cocoa. Besides, the complete demand for cocoa is growing also, especially in Asian countries. Therefore certified cocoa delivers a premium on the market, but it is uncertain whether this premium remains on the long term. . The demand for sustainable cocoa in 2020 will be around 1.5 million tons and the supply will only be around 500.000 tons. This still means a gap of around 1 million tons according to research of TCC. (Interview IDH Cocoa)

R3- There is less competition now for low cocoa prices. The point of competition moves towards industrial countries in terms of distribution, technology and factories. For the first tier suppliers of big companies above in the chain it is also interesting to invest in sustainability as the demand for certified cocoa is growing very hard for their customer companies. These suppliers can obtain a 'preferred' position when they can fulfill the demand for sustainable cocoa. (Interview Mars)

R4- When a company wants to use a certification label (e.g. UTZ) on their packages the company should pay an amount of money to the certifier who uses the money to build capacity (e.g. train farmers). Besides this money a premium is paid to the supplier for 'certified' cocoa. Still the company has to arrange the required certified supply with their suppliers. This is a hard job, because the demand for certified cocoa is much bigger than the demand. Therefore, relationships with suppliers become even more important. Despite sustainability costs money it is believed that the investment is necessary to obtain the market position. (Interview Heinz)

3. COFFEE (C)

Procedural bottlenecks:

PB1- The supply chain 'system' rewards unsustainable behavior. Cheaper supply means more business. As long as companies are being rewarded for unsustainable behavior sustainability only comprises projects instead of a system change. This can be referred to as the tragedy of the commons. If companies are not being rewarded for the right (sustainable) behavior the mainstream business sticks in the old system and this will not result in long term change with regard to sustainability problems. (Interview New Foresight)

PB2- The different sustainability standards in the coffee sector are a problem nowadays. Companies start to develop the impression that when you use standards you are sustainable. This does not necessarily hold. Labels and companies operate too much in a separate way. This is inefficient and hinders mainstream sustainability. The most important thing is that the institutional environment is being improved in the producing countries. (Interview New Foresight) 'The four main standards that include independent monitoring and certification are Fairtrade, Organic, Rainforest Alliance and Utz Certified. Foci and requirements have differed considerably, reflecting the divergent origins and objectives of the organizations involved. (Kolk, 2010) Labels are also part of marketing, and therefore each company builds on a specific label. However, it is hard to predict whether these labels will cooperate in the future. Sustainability is generally a 'non-competitive' arena, but companies still have their 'own' labels. (Interview Sara Lee)

Sustainable bottlenecks:

SB 1- Economic sustainability: The demand of global coffee is greater than the supply of coffee.
<http://www.idhsustainabletrade.com/koffie>

SB2 - Social sustainability: The coffee farmer receives a relative low margin for trading the coffee compared with suppliers downstream. This results in high poverty in the coffee producing sector. (Is this still the case with high coffee prices on the international commodity market???) <http://www.solidaridad.nl/koffie/wat-is-er-hand> & Interview New Foresight)

SB3 - Wrong usage of fertilizers and chemical pesticides, over-irrigation, deforestation in Indonesia due the expanding coffee cultivation and soil acidification and river pollution in the process of digestion. <http://www.idhsustainabletrade.com/koffie>

Power:

P1 - All the companies discern the deterioration of the supply chain but there is no single party that can accomplish a system change. The party who tries it loses, so the companies are dependent of each other. Projects are generally unable to achieve change on a meso level, thus have a lower impact. (Interview New Foresight) The companies hold the conviction that sustainability problems can only be tackled when the entire supply chain works on the problem. (Interview Sara Lee)

P2 - Companies above in the chain are powerful because their suppliers should be facilitating the demands of the companies. When a supplier cannot deliver certified commodities it will be replaced for a supplier that can do so. (Interview New Foresight)

P3 - Companies have a lower influence in the decision making. There is only one NGO (TCC) involved in the alliance in the decision making progress. (To understand this into more detail, see 'communication') (Interview New Foresight)

P4 - In the capacity building companies are dependent of the skills and resources of NGO's. (Interview New Foresight) NGO's have specific qualities that can be used in capacity building. For companies it is important that labels and projects are trustworthy and have real impact. Otherwise the label or the company may lose its credibility. (Interview Sara Lee)

Deviation of goals:

G1 -The belief (of companies) is that the investments you make in the environmental and social area (especially for farmers in development countries) are being compensated by a higher economic sustainability, so a higher productivity and higher quality. (Roozen, general director Solidaridad) <http://www.idhsustainabletrade.com/koffie>

G2 - The goals are partly dependent of the macro economic circumstances. The coffee crisis in 2002 made many companies aware that the low coffee prices lead to very unsustainable circumstances in producing countries. The coffee prices on the world market are now relatively high. This means that there is a lower incentive for farmers to invest in sustainability as the price they receive for the coffee on the market is high. (Interview Sara Lee) For companies above in the chain this means an incentive for backward integration. Backward integration means building preferred relationships with suppliers and invest in higher quality/quantity coffee production. When companies do not invest in sustainability this means an even higher coffee price in the future or a limited supply. (Interview New Foresight)

G3 - Several times, NGO's are focused on their own particular agenda's. This can make them less flexible in a negotiation process and this attitude can decelerate the process of creating joint goals. Companies may lose interest when NGO's focus too much on their own agenda's. (Interview New Foresight)

G4- All the coffee companies (above in the chain) benefit from a healthy coffee sector with enough, high quality supply for all of them. (Interview New Foresight) For a farmer, investing in sustainability is not attractive when there are high coffee prices because it means a lot of work to do and audits of external organizations. (Interview Sara Lee)

Trust:

T1- We come from the age of competition, so it is hard to trust your biggest competitors in the market. A prerequisite for cooperation is the recognition of a 'critical state'. When companies reckon that there is enough profit in the old (unsustainable) business model they will not consider the shift to a new business model via cooperation. (Interview New Foresight)

T2 - A third (neutral) party is important for a trustworthy cooperation for different kinds of reasons. First of all the neutral party (in this case New Foresight) puts sustainability issues on the agenda and creates a common connection among companies and organizations to tackle the problem. Besides, a neutral party can be trusted more easily and it's mediation role brings different parties together. Furthermore, the neutral party can help to make transparent decisions in a neutral manner, which increases the level of trust in the collaboration. Therefore, companies should not only have trust in each other, but also in the governance structure of an alliance. (Interview New Foresight)

T3 -Building trust is a process. Companies should shift their focus from costs and profits to other factors. Meeting your competitors face to face helps in this. When you can look your competitor in the eyes you can see that it has the same troubles and wishes like you. This leads to less adverse behavior and to higher levels of trust. (Interview New Foresight)

Communication:

C1- Not all NGO's have the proper skills for negotiations with a company because they do not speak the right business language. This can lead to uncomfortable positions when NGO's sit on the same table as their formal enemies. Furthermore, NGO's are not necessary for appointing critical issues with regard to sustainability. Companies in the coffee sector are now aware of these issues because of their experience with sustainability projects and collaboration in the last ten years. (Interview New Foresight)

C2 -Platforms like the IDH coffee program are important for companies because they cannot directly communicate with their competitors but in a platform. (Interview Sara Lee) For companies it is hard to talk openly with your competitors. (Interview New Foresight)

C3- The neutral, mediating party (in this case New Foresight) should have enough experience and appearance to dispute the contentions of parties. When a mediating party has enough experience it can explain the consequences of potential decisions. The neutral party has no opinion on the outcome, but it is responsible for the process behind making decisions. The decision lies with the companies, who are the initiators of the alliance. (Interview New Foresight)

Re-negotiation: -

Selection criteria:

S1- In the coffee program of IDH the role of the NGO's is relatively small. Because organizations like IDH or New Foresight are already 'neutral' platforms the NGO's are not necessary in the process of goal alignment for legitimacy. (Interview New Foresight)

Monitoring/commitment procedures:

M1 -The aim of the alliance is to increase the amount of coffee sales from 8% to 25% in 2015. To reach this, different pilots of initiatives and interventions will be evaluated in the alliance to find the most effective ways to reach the sustainability goal. The attitude of the companies is open minded in this. There is a conviction that the most effective activities should be executed. There are a few encounters each year in which learning processes are being discussed and activities will be improved and adapted. (Interview New Foresight)

Impact on the bottlenecks:

I1- It is hard to say if the goal of selling 25% green coffee sales in 2015 will be achieved, but it is clear that there is an open, energetic attitude of companies to reach this goal. This means there are more investments than ever before. Besides, the program works beyond standards and therefore recognizes that standards cannot solve all the problems. Capacity building programs are necessary to train farmers. To tackle more sustainability programs there will be more collaboration with local governments to improve the institutional environment for farmers. (Interview New Foresight)

I2 -The coffee program will be working on the effective implementation of standards, improving access to finance for farmers, and mitigating the effects of climate change. (<http://www.idhsustainabletrade.com/koffie>)

I3- The most important issue now is to improve the sustainability efforts. Therefore it is crucial to investigate which projects and partnerships have most impact on issues. (Interview Sara Lee)

I4- It is crucial that a sustainable system also works when the economic circumstances change in the supply chain. For example with high coffee prices right now it is hard to pay more for certified coffee for all parties as farmers already receive a decent price for 'regular' coffee.

Supply chain relationships:

R1- The market is changing from a 100% spot market towards a market in which part of the market is being assured via long term contracts with specific suppliers. The market price for coffee is being determined mainly on the spot market and partly in specified contracts when companies directly invest in 'preferred suppliers'. However, this has a risk that when competitors find out about this they can also buy from the farmers without having the investment costs. Especially when the price of coffee is high and there is scarcity of coffee big companies have a tendency to secure the supply via long term contracts. The negotiation power then shifts towards the farmer because companies above in the chain compete for the coffee. (Interview New Foresight) Preferred relationships always carry a risk because when the competitor offers a higher price the farmer will move away. A fully guaranteed supply is impossible. (Interview Sara Lee)

R2 -Being a 'first mover' in sustainable coffee has two advantages. First, it improves the brand value of the company. Secondly, there is a preferred access of sustainable coffee for first movers. (Interview New Foresight)

4. TEA (T)

Procedural bottlenecks

PB1- The monitoring of 'certified plantations' is not sufficient. According to Somo certifiers like the Rainbow Alliance are influenced by their partner companies and therefore the monitoring is not 'deep enough' to discover the real problems. Especially the conditions of temporarily laborers on plantations are bad according to Somo. This is confirmed by findings of Unilever who state 'that Rainforest Alliance certification did not necessarily mean that suppliers to Unilever comply fully with the social component of the certification requirements, since permanent workers were being replaced by casual, temporary workers who had fewer rights.' (Report tea sustainability, Unilever) <http://somo.nl/news-nl/somo-in-de-pers-1/hier-is-weinig-duurzaams-aan-foute-thee-unilever-krijgt-onterecht-keurmerk/view>

PB2- Non transparent supply chains make it hard for lead firms to identify the origin of the tea production. <http://www.solidaridad.nl/thee/wat-is-er-hand>

PB3- The main challenge for a sustainable tea market is to create growing interest in 'sustainability' in countries like India, China and Turkey where tea is mainly sourced internally in the country. Mark Birch, global category supply manager for Tea at Unilever states it as following: 'The majority of producers supplying the domestic market in India do not see the relevance of sustainable practices. Resistance to certification is particularly high, as standards conflict with some current agricultural practices, such as the use of Paraquat.' http://www.duurzaamaandeel.nl/website/var/assets/public/publications/companies/unilever/idh - unilever_sustainable_tea.pdf

PB4- A problem is that one (or two) companies do not have enough impact on sustainability problems in the supply chain. This means that all the companies should work together in order to tackle problems for all the farmers, instead of only the own suppliers of the company. When more companies would work together sustainability would be more in the interest of the whole supply chain instead of a few companies. [\(Interview Sara Lee\)](#)

PB5- Companies were not effective in the past because they operated independently. When you tackle a problem by yourself it is 1) expensive 2) incredible and 3) you cannot make big scale progress. This was also partly a problem of the ethical tea partnership. When the companies started to work with external certification organizations they became more effective and their brands were higher appreciated and accepted by society. [\(Interview IDH Tea\)](#)

Sustainability bottlenecks

SB1 - Tea producers receive a low price for their tea which results in under investments in the tea plantations and consequently in a low quality product. (Report Somo, 2008)

SB2 - Sex discrimination, poor working conditions and inadequate provisions (such as deficient toilets) are common. <http://www.idhsustainabletrade.com/thee-sustainability>

SB3 - deforestation and an intensive use of chemicals harm the environment. <http://www.idhsustainabletrade.com/thee-sustainability>

SB4- Smallholders have their own, specific problems which are low level of farmer organization, lack of market information, access and (technical) training. Low productivity and low prices versus high production costs. (Report tea sustainability, Unilever) http://www.duurzaamaandeel.nl/website/var/assets/public/publications/companies/unilever/idh - unilever_sustainable_tea.pdf

Power

P1 - NGO's stimulate companies to invest in sustainable supply chains (stakeholder pressure). NGO's realize that investing in sustainable projects is meaningless when companies do not demand sustainable commodities. Therefore, the NGO's communicate the need for sustainable products towards the consumer which in turn creates a business opportunity for the company. This is confirmed by Leijnse (global brand manager of Lipton) who states that consumer increasingly require that the product is being produced in a sustainable manner. <http://www.idhsustainabletrade.com/>; <http://www.solidaridad.nl/cacao/wat-doet-solidaridad>

P2 - NGO's (e.g. Solidaridad) investigate the possibilities there are for companies to apply sustainability certifications (e.g. UTZ or Rainbow Alliance) on its suppliers. NGO's deliver 1) specific knowledge of sustainability related problems in the supply chain and 2) have experience in working with projects on (on a local level) that help farmers and suppliers to increase the sustainability in the supply chain.

Unilever states about this:

Increasingly, we are trying to build partnerships that endure over several years with inter-governmental and non-governmental organizations and which can undertake practical action as well as inform our understanding of the issues. Our partners bring expertise on specific questions as well as the networks to deliver practical initiatives on the ground. <http://www.idhsustainabletrade.com/>

P3- Also companies need certifying NGO's (e.g. UTZ and Rainbow Alliance) to communicate sustainability to the customer via an independent label. Unilever identifies a growing interest of the consumer how the tea has been produced and therefore they require that companies operate in a sustainable manner. The company therefore thinks that the investments in sustainability will be paid back by higher sales. Unilever therefore sees the cooperation with certifying NGO's (e.g. Rainbow Alliance) creates a win-win situation for the farmers, the customers and the company. <http://www.idhsustainabletrade.com/>

P4 - For two points the companies are dependent of NGO's. First, NGO's address critical points. The collaboration with NGO's started with the addressing critical points ten years ago. Even today they keep pointing out critical issues like the SOMO report of Rainforest plantations in Africa. Still, a prerequisite for investments of companies is that there is a market for these 'problems'. Companies don't invest in markets where they do not buy tea. Furthermore, NGO's are necessary for creating solutions. Solidaridad is an implementation partner of Sara Lee by training small coffee and tea farmers and improving the production by this. This delivers more income in the long run for the company. (Interview Sara Lee)

P5 - Companies and NGO's are interdependent in solving sustainability problems. Companies are dependent of the specific knowledge and capabilities to solve problems and to train farmers. NGO's are primarily dependent of the budgets of companies and the willingness of companies to buy sustainable tea instead of ordinary tea on the market. When there is no demand for sustainable (certified) tea from business it will never become a mainstream commodity (Interview IDH Tea)

Deviation of goals

G1- The goals of the alliance are aligned with the objectives of the companies. For example, Lipton Tea (Unilever) has defined the following goals with regard to sustainability in the tea sector:

- to source the tea in all Lipton tea bags from Rainforest Alliance Certified™ estates by 2015.
- to source 100% of Unilever's tea, including loose tea, sustainably by 2020.

<http://www.unilever.com/sustainability/environment/agriculture/tea/>

Sara Lee states about the following about its goals with regard to sustainability in the tea sector:

In 2010 Sara Lee became the first to bring to market UTZ CERTIFIED Good Inside(R) tea as part of its long-term commitment to achieve full certification.

<http://www.teacoffeecocoa.org/tcc/News/Coffee/Sara-Lee-Launches-Ambitious-Five-year-Sustainable-Coffee-Plan>

Goals of the Alliance:

- Increase the income of 310.000 farmers
- 365,000 tons certified tea from smallholders, 150.000 hectares of sustainable land use
- 22% world tea export certified.

G2 - The most important goal of Sara Lee right now is to increase the volume of certified tea. The company thinks it is important that smallholders get a change to improve the quality and production of tea and by doing this receiving a higher price for their tea. Therefore the cooperation (the Douwe Egberts Foundation) works together with UTZ and Solidaridad to help the farmers to obtain certification. For a tea packing company it is important to secure a long term high quality supply of tea. (Interview Sara Lee)

G3 -Tea is a very labor intensive industry. Therefore in some producing countries like Indonesia tea producers switch to less labor intensive crops like palm oil. So, the total tea production is expected to decrease. Therefore the company wants to make sure that producing tea is an attractive alternative for people in the producing countries. (Interview Sara Lee)

G4 -Sustainability is a pre-competitive area for Sara Lee. This means that the company prefers to cooperate with other companies instead of compete in this area. (Interview Sara Lee)

G5 -There are different reasons for Sara Lee to participate in the IDH tea program. First of all cooperating with other stakeholders can give synergetic outcomes (1+1=3). Furthermore IDH can involve the local governments in projects, for example national reference groups. Finally, it is nice to have many project in development countries, but in the end it is crucial that there is a market that demands sustainable products. The market mechanism is therefore the starting point. (Interview Sara Lee)

G6. The priorities are different when the alliance wants to invest in countries where the involved companies have no suppliers. To reach consensus it is important to have a good governance structure with clear decision rights. However it is not always clear how decisions are being made and what the influence is of different parties. (Interview Sara Lee)

G7) It is not in the interest of Sara Lee that only the 'own' suppliers become sustainable. There is a conviction that the sustainability problems need to be tackled for all the suppliers and companies in the tea supply chain. Only this will truly solve the sustainability problems. (Interview Sara Lee)

G8) Not all the tea companies notice the same urgency to deal with sustainability problems. Some companies however are convinced that the supply should be secured to have good business in the long run. Not all companies are aligned on this point. In the Netherlands there is relatively high stakeholder pressure to work on sustainability as a company. Still, there is a broader growing awareness that sustainability is going to play a more important role. Especially with growing demand in Asia, where consumers increasingly demands higher quality products. (Interview Sara Lee)

G9) Most of the consumers are not willing to pay more for sustainability. On the other hand consumers are disappointed when they find out that an A-brand did not solve sustainability problems. In the business to business market (e.g. hotels and restaurants) there is a clear demand for sustainable products, because the image of these firms is also at stake. (Interview Sara Lee)

G 10- IDH focuses on the millennium goals 1, 7 and 8. IDH is facilitated by the Dutch government who wants to create a platform where NGO's and companies meet each other. (Interview IDH Tea)

G 11-The urgency for companies to work on sustainability issues are stimulated by the reports of NGO's who highlighted the problems in the tea sector. (Interview IDH Tea)

G 12 - Sustainability or CSR is increasingly becoming core business of companies. It is not anymore a secondary objective, but really core business. When a CEO deals with CSR this means that it becomes a relevant and important objective for all the establishments of the company. (Interview IDH tea)

G 13- The most important goal for Somo is to investigate the impact of sustainability labels on issues and the way these labels are being monitored and used on large tea plantations. However, these specific issues were not the first priority of IDH and therefore this specific research did not become part of the IDH Tea program. This is the same for Oxfam Novib who wanted to implement a gender program under the umbrella of IDH, this was not possible. (Interview Somo)

G 14- Sara Lee does not have the idea that sustainability can be used for sales right now. The company can use the UTZ logo on the tea packages in the shops, but it chooses to not do that because it might mislead the consumer. There is still a long way to go to reach 100% sustainable tea supply. Besides, the position of the company in partnerships is not being brought forward in a dominant way. (Interview Sara Lee SWI)

G 15- Every party has a different opinion on sustainability. Some companies are more focused on the ecological side while some companies and markets are more oriented on social issues. For example in Germany there is a relatively low focus on social issues while there is intense attention for the ecological aspects. For the UK there is a reverse situation. So when there is a different focus this creates a certain tension between companies. Companies have different views on how things should be implemented. However, this is inevitable. (Interview Sara Lee SWI)

G 16 -NGO's may have noticed that they can get more done when they cooperate with companies rather than fighting them. But it is also the other way around. If you are really going to make a difference in the tea supply chain than the headline 'child labor in the tea sector in Kenya' does not help anybody if a company stops buying the tea. (Interview Sara Lee SWI)

G 17- You know that your customers are not willing to spend more than a certain amount of money for their daily cup of tea. Therefore there is a certain limit to what companies can do because consumers will stop buying tea if you charge costs for sustainable tea which are too high. Then no one benefits, because you are stopping to buy the tea as a company also. Therefore it is hard for a tea packer to find the right balance between investing money in the chain and try not to charge your customers for that. On the other hand there is a risk that there is not invested enough from the ground to really change things. (Interview Sara Lee SWI)

G 18- Kenya Tea Development Agency Ltd (KTDA) is the Leading Management agency for the small scale tea farmers in Kenya. According to KTDA it is very important for the smallholders in the tea sector that they cooperate with different stakeholders in the sector like procurement managers and organizations like ETP and IDH. According to KTDA smallholders now increasingly see that investments help the farmers to gain both a high quality yield and means a higher income. Because purchasing companies change (i.e. they want to buy sustainable products) the price for sustainable certified products goes up. Buyers now compete on the auction to get sustainable tea. <http://www.idhsustainabletrade.com/tea>

Trust

T1 - The NGO's are very committed to make markets more sustainable, this refers to their reason for existence. Some companies have announced publically announced their sustainability goals. When companies didn't do this it is harder to see whether they have a high level of commitment to meet sustainability goals. (Interview Sara Lee)

T2- In the first phase of the TIP program there was a conflict between Unilever and the companies that were organized in the ETP (Ethical Tea Partnership). Unilever had chosen for Rainforest Alliance as an external certification. This resulted in a higher market share. Therefore the companies became aware that they needed to follow the same strategy. Unilever and the ETP found each other again on the negotiation table of the IDH program. Based on a study of New Foresight (Constancy Company), who identified the top 10 sustainability problems, the companies agreed to focus on improving the position of smallholders in the supply chain. (Interview IDH Tea)

T3- When companies are willing to invest high sums of money in tackling sustainability problems there will generally be a high level of commitment, because it shows that the companies believe that these investments are necessary to solve high urgent problems. (Interview IDH Tea)

Re-negotiation

RE1- Renegotiation about new activities or new goals automatically leads to negotiations about budgets. This can be a hard process as companies are afraid to invest too much money compared to the benefits that these investments may yield in the future. (Interview IDH Tea)

RE2- Reports of critical NGO's like SOMO lead to re-negotiations. Companies are aware that the quality of implementation projects and sustainability labels should be high to remain credible. Right now it is often unclear what the real impact is of certification and training on sustainability problems. (Interview IDH Tea)

RE3- Learning leads to improved efforts in tackling sustainability problems. IDH organizes strategic reflection, promote joint learning, facilitate innovations and help strengthen capacities in the sector programs. IDH collects and exchanges knowledge and best practices which we capture in joint publications with research institutes, like case studies and theme booklets. We develop learning programs in order to develop the capacities of supply chain agents. We initiate and facilitate research into cost efficiency of certification and verification systems, into new good agricultural practices and in new methods for including smallholders. Each year a large-scale congress on international supply chain management inspires the business and promotes sustainable trade.

Communication

C1 -IDH offers a neutral place where competitors can speak each other. It is hard for companies to speak 1 on 1 with each other because of anti-trust laws. This means that companies are not allowed to set up agreements about prices, volumes etc. to prevent cartels. IDH facilitates the conversations and has technical knowhow, but it is essential that companies obtain also ownership over the projects. This takes time as the trust in each other has to grow, they are not sitting on the same table with their competitors on a daily basis. Every initiative has to be approved by the IDH before it becomes officially part of the IDH program. (Interview IDH Tea)

C2 -For companies it is hard to be transparent during the negotiations because the information can be used against them by their competitors. It is necessary that companies have a certain level of transparency, for example about the land of origin of the tea production. (Interview IDH Tea)

C3 -In the first encounters between tea companies and NGO's (Oxfam Novib & Somo) the companies stated that they did not recognize the problems. When more research was conducted by NGO's and reports were published the companies became more open-minded (data helps), but were still afraid to lose image. (Interview Somo)

C4 -Decision making: the process of decision making is not always transparent as IDH decides what kind of projects can be part of the IDH program and can receive co-funding. It became clear at that time for NGO's that IDH focuses primarily on the market pull of companies in the IDH Tea program (Interview Somo) The process of decision making with regard to priorities and decisions is not always clear. (Interview Sara Lee)

Selection criteria

S1 -IDH is looking for companies that have either an interesting business model (with regard to sustainability) or are a big player on the tea market that can have significant impact on tackling sustainability problems. The TIP should have enough power and relevant business models to reform the market in a way that sustainability is integrated in mainstream tea trade. (Interview IDH Tea)

S2 - It is a requirement that companies are co-investors of the programs. IDH will invest a maximum of 50%. Therefore, it is expected that companies who invest money in their sustainability projects are committed to good results. Besides, they also help to design the projects, so this represents a high level of involvement. (Interview IDH Tea)

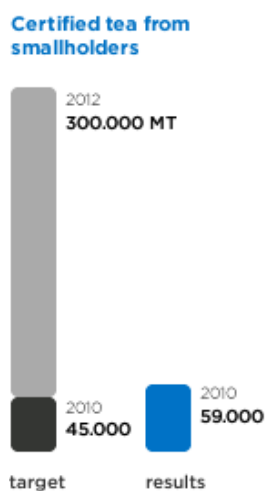
Monitoring/commitment procedures

M1 -The Tea Improvement Program has installed a reflection group that critically monitors the strategy and progress of the Tea Improvement Program. Organizations such as Hivos, Landelijke India Werkgroep, TCC and others are participants. The Reflection Group is open to any organization that wants to cooperate through reflection in mainstreaming sustainable tea production and consumption through public-private partnerships. (Website IDH)

M2- The programs that have been running have learned that the programs should be more bottom up instead of only top-down projects. This requires more ownership and responsibility for parties at the production side in development countries. For example in Kenya, the Kenian Tea Development Agency, with over 600.000 farmers, has to come in a lead position to deal with sustainability problems. (Interview IDH Tea)

M3 -Learning is important for companies as the targets of big tea companies have not met so far. Therefore it is important to prove that certain business models (like certification) work for both tackling the sustainability problems and the long term position of the firm. (Interview IDH Tea)

Impact on the bottlenecks



11- (see figure)

12- By working together with a NGO a company can achieve nice results, but when more companies get involved the results can become much bigger. When there are more companies involved, other issues will be solved than the suppliers of the two companies who are now directly involved. Still there should be a market pull for sustainability. (Interview Sara Lee)

13- For both farmers and the investors (mostly the tea multinationals) it is important to investigate the impact of certification programs on the quality and quantity of the tea production. It is important because these programs should both improve the position of the farmer and the investments of tea companies should lead to clear benefits (in the future). Sustainability goes beyond 'just certifying'. A company has to invest directly in sustainability (e.g. producer support activities). Also when a farmer is certified it often needs assistance. Furthermore, it is essential that auditing programs are being critically The speed of the IDH program was very good, thousands of farmers were trained the last 2/3 years. analyzed. (Interview IDH Tea)

14- However there is a distinction between 'output' (how many farmers did you train) and 'outcome' (what are the results of training these farmers). Especially the outcome is important, because it shows the real impact of programs on problems. There can only be made conclusions based on output data, so impact studies are being started to investigate the outcome of projects. This is a hard job because there are many other variables that can influence the position of farmers or the yields like rainfall or a change in global demand for tea. (Interview IDH Tea)

15- It is uncertain whether IDH is really necessary for the cooperation between different stakeholders in the tea sector. Still, the process of creating a sustainable chain has accelerated by the role of IDH, especially because of the co-financing ideology. Also in other sectors companies work together to certify their producers with the most strict certification labels. So, companies have sustainability already on the agenda and the money of IDH is an extra stimulant to invest in sustainability. (Interview Somo)

16- The win-win situation of the IDH program is that both the position of farmers and companies is improved. Companies secured their supply and farmers increase the productivity and quality of their yields. Still, there more research is required to confirm this causal hypothesis. (Interview Somo)

I7- One of the aspects that really should be improved is the auditing by certifiers (e.g. UTZ and Rainforest Alliance). Research of Somo shows that the auditing on large plantations is not able to detect major problems like discrimination, gender problems and (too) low earnings of workers. Somo is not against the independent certifiers, but the impact of the labels on the situation of workers on plantations should be evaluated critically. (Interview Somo)

I8- The partnerships help creating a more transparent supply chain. We have a lot more data. Now I can click on every one of my suppliers and see exactly how they perform and what their challenges are. (Interview Sara Lee SWI)

I9- For example, it is impossible for the company to monitor all the activities in the chain to check for issues like child labor. The company buys from about a 120 different tea estates. However, when the company cooperates with a certifying organization like UTZ who audits the activities in the chain there is a certainty that there really is a certain level of sustainability. This gives the company the opportunity to have more impact in what is basically a non-competitive environment. (Interview Sara Lee SWI)

I10 - If you are part of an alliance than at least you can think of a sustainability program or code that is beneficial for everyone. This means clear criteria for the estate to follow and one questionnaire that you have to fill in and one visit every couple of years. Then the estate can focus on important business: make good tea and get more money in the market. That really benefits the people that work for the estate. If they can sell more tea and sell it for a higher price in the market that is the most important thing of all. When an alliance has enough buyers it is both good for the buyers and for the farmers. (Interview Sara Lee SWI)

I11 -The most difficult part will be the last end. In 2020 you can get 80% done. This is already a hard process, but the last 20% of particularly smallholders will be very hard. For example for specialty blends. If you buy only a small percentage of someone's tea you have a smaller leverage with them to get them to move to a sustainable production template. How do you influence them when you only buy a small percentage of them? It is easy to buy sustainable tea from someone else, but you have to ask yourself if you are really doing the right thing. (Interview Sara Lee SWI)

Supply chain relationships

R1- Companies partly buy their tea directly of the factories that are located in the area of the plantations. Consumers are used to the specific taste of a tea blend, so the company has to assure the supply of certain plantations. Therefore, the tea packers (like Unilever and Sara Lee) will first invest in the most important tea plantations (in terms of volume). Still companies buy the biggest share of their tea via the auction (e.g. Unilever 60%). So when Unilever invests on the general market this causes free rider effects. Companies will not buy all their tea directly from the producer, because market mechanism will not extort a (relatively) lower price. Right now certified tea does not deliver a premium on the world market, but the advantage for producers who work on sustainability is that mainly the quality and the yield per hectare rise, so consequently their income. (Interview IDH Tea)

R2- There is a code which needs to be implemented before a tea estate or smallholder becomes certified. That code should enable the farmers to have a superior quality of existence. So if you are buying from a certified tea estate you are encouraging a positive environment and set of regulations for the workers. We also pay a premium, but that premium is directly negotiated with the tea supplier. Anyhow, the suppliers get more money if they were not certified. It is difficult to say how much more money they get for certified tea. There working circumstances are also improved, so that means two positive consequences. (Interview Sara Lee SWI)

APPENDIX III QUESTIONNAIRE QUESTIONS

Interview IDH

Time span: 1 hour

A. Background of the interviewee

- i. What is your position within the company/NGO/IDH?
- ii. Can you describe your engagement in this program?

B. Sustainability problems in the supply chain

- iii. What are the biggest problems in the *name commodity* supply chain with respect to sustainability?
- iv. Which sustainability problems in the *commodity* supply chain does *your organization* perceives most urgent to tackle?
- v. What problems has *name multinational* encountered in the past when it tried to tackle sustainability problems in the supply chain?

C. Negotiation process

- vi. What are the selection criteria that allow stakeholders to enter the alliance?

Communication & Trust

- vii. How do stakeholder parties communicate during the process of creating the goals of the alliance? Who makes the final decision?
- viii. Do you have faith in the expressed intentions of multinational X/NGO Y to solve problems in the supply chain?
- ix. What were the biggest obstacles to be overcome when stakeholders were negotiating on the goals of the alliance?

Power

- x. Which party has the most influence in the process of goal creation?
- xi. To what extent are multinational companies dependent of NGO's to solve the problems in the supply chain?
- xii. To what extent are NGO's dependent of multinational companies to solve the problems in the supply chain?

Renegotiation

- xiii. What kinds of procedures are available that monitors the results? How can these measurements lead to new goals and activities? Does learning lead to new goals and activities?
- xiv. Are there procedures that check the commitment of stakeholders in reaching the goals? To what extent are your partner organizations committed to reach the goals in your opinion?

D. Impact of goals on problems

xv. Until now, is the alliance able to meet the goals that it created? If goals were not met, what are the obstacles that hinder this?

xvi. Is the alliance able to solve problems that could not be solved by *name multinational* in the past when it tried to tackle sustainability problems in the supply chain?

xvii. How has the alliance changed the relationship between the lead firm and the producers in *name development countries* changed?

xviii. What can make the alliance more effective in the future to solve sustainability goals in the supply chain?

Interview firm

Time span: 30-60 min

A. Background of the interviewee

i. What is your position within the company?

ii. Can you describe your engagement in this program?

B. Sustainability problems in the supply chain

iii. What are the biggest problems in the *name commodity* supply chain with respect to sustainability?

iv. Which sustainability problems in the *commodity* supply chain does *your organization* perceives most urgent to tackle?

v. What problems has your company encountered in the past when it tried to tackle sustainability problems in the supply chain?

C. Negotiation process

vi. Deviation of goals

vii. What is the motivation of your company to enter the alliance?

Communication & Trust

viii. What were the biggest obstacles to be overcome when you negotiate with stakeholders in the alliance on creating joint goals?

ix. Did you work together with your partner organizations in the past? What are your experiences about this collaboration?

Power

x. In what aspects is your company dependent of capabilities or resources of NGO's to solve the problems in the supply chain?

Renegotiation

xi) To what extent are your partner organizations committed to reach the goals in your opinion? How do you determine this?

D. Impact of goals on problems

xiii) Is the alliance able to solve problems that could not be solved by your company in the past when it tried to tackle sustainability problems in the supply chain? Why?

xiv) How has the alliance changed the relationship between your company and the producers in *name development countries* changed?

xv) What can make the alliance more effective in the future to solve sustainability goals in the supply chain?

Interview NGO

Time span: 45 min – 60 min

A. Background of the interviewee

i. What is your position within the NGO?

ii. Can you describe your engagement in this program?

B. Sustainability problems in the supply chain

iii. What are the biggest problems in the *name commodity* supply chain with respect to sustainability?

iv. Which sustainability problems in the *commodity* supply chain does *your organization* perceives most urgent to tackle?

v. What problems has *name multinational* encountered in the past when it tried to tackle sustainability problems in the supply chain?

C. Negotiation process

Deviation of goals

vi. What is the motivation of your organization to enter the alliance?

vii. Why do you think that firms are interested to cooperate with your organization to solve sustainability problems in the supply chain?

Communication & Trust

viii. How do you communicate with other stakeholder parties during the process of creating the goals of the alliance?

vix. What were the biggest obstacles to be overcome when you negotiate with stakeholders in the alliance on creating joint goals?

x. Did you work together with *name multinational* in the past? What are your experiences about this collaboration?

Power

xi. In what aspects is your company dependent of capabilities or resources of the multinational companies to solve the problems in the supply chain?

Renegotiation

xii) To what extent are your partner organizations committed to reach the goals in your opinion? How do you determine this?

D. Impact of goals on problems

xiii) Is the alliance able to solve problems that could not be solved by your company in the past when it tried to tackle sustainability problems in the supply chain? Why?

xiv) How has the alliance changed the relationship between the *name lead firm* and the producers in *name development countries* changed?

xv) What can make the alliance more effective in the future to solve sustainability goals in the supply chain?

Interview Preliminary study

--- Explain background of the research and goal of the interview ---

Goal: find out whether expert findings contrast with literature findings. Moreover, additional evidence is collected in order to strengthen the arguments that were made based on literature research.

Semi structured interview

- i) (Background of the interviewee) What is your expertise with regard to supply chain collaboration? More specifically with sustainable supply chain management (or CSR initiatives that involve supply chain management)?
- ii) What are the most important motives for companies to engage corporate social responsibility in their business models? How does this influence supply chain management?
- iii) How is the supply chain strategy (of a multinational) being defined? What is the influence of stakeholder pressure on this?
- iv) How do supply chain partners negotiate towards common sustainability agreements? (e.g. codes of conducts or green purchasing)

- v) What are important factors in supply chain collaboration in order to successfully achieve common sustainability agreements ? (See previous questions)
- vi) What are bottlenecks in supply chain collaboration in order to successfully achieve common sustainability agreements?
- vii) To what extent are the following factors of influence in the negotiation process between supply chain partners towards common agreements? (Discuss/explain them one by one)
- *Power differences between supply chain partners*
 - *Different motives for sustainability (e.g. reputational vulnerability and identified business opportunities)*
 - *Complicated web of suppliers and agreements (e.g. outsourcing in international chains)*
 - *Insufficient monitoring of agreements*
 - *Supply chain relationships*

APPENDIX IV BACKGROUND OF THE CASES

CASE 1 CACAO SECTOR

Most of the cacao (70%) of the supply is being produced in West-Africa. Although the global demand for sustainable cocoa is growing each year by 2 to 3% the production in West-Africa has decreased by 2% last years. There are complex economic, environmental and social issues that give growing pressure to the producers in Africa to supply the global market in a sustainable way. (Website IDH)

One of the initiatives that aim to sustain the cacao supply chain is the cacao improvement program which involves many companies and NGO's. The program focuses on the largest producing countries of cocoa: Ghana, Indonesia, Nigeria, Cote d'Ivoire, Cameroon, and Ecuador.

The goals of this program are to train over 50.000 farmers, certify at least 30.000 farmers (with UTZ label) and by this a great availability of UTZ certified cocoa will be available on the global market. The parties that are aligned in this program account for approximately 30% of the global cocoa market.

The alignment and creation phase is from 2008-2011. The vision is that this coalition will be recognized in 2012 as a major force behind the up scaling of certification, increased market demand for certified chocolate, the institutionalization of sustainability in the sector, and the dissemination of innovative sustainability practices. (Website IDH)

Partners in the Cocoa alliance :

Type of stakeholder	<i>Companies</i>	<i>NGO's</i>
	Ahold	Solidaridad,
	Armajaro	Oxfam Novib
	Cargill	Utz Certified*
	Ecom	WWF
	Friesland Campina	
	Mars	
	Heinz	
	Nestlé	

**Note: UTZ functions mostly as a sustainability trademark in this alliance.*

Selected organizations in this sector for an interview:

MARS

The goal of MARS is to use 100% of certified cacao in 2020. This is an important ambition, since MARS is one of the biggest users in the world of chocolate and its plant in Veghel (the Netherlands) is the biggest chocolate factory in the world. In 2012 the Netherlands is the first land in Europe that can buy MARS products that have been produced with 'sustainable cacao'. The ambition of MARS is to create a sustainable cacao sector in a socially, economically and ecologically responsible manner. This implies the working conditions of employees along the chain, fair trade and sustainable agriculture. (Website MARS) Challenges in the producing part of the supply chain are aligned with these ambitions: deforestation, soil exhaustion and dire labor circumstances of smallholders.

First of all the sustainable produced cocoa is being certified by UTZ and the Rainforest Alliance. However, it is important to support the production of sustainable cacao and this is achieved by cooperating with the IDH and specifically Solidaridad. Moreover, MARS has given the initiative to develop 'Cacao Development Centers' which aims at improving working conditions for farmers in a economically, ecologically, and social way by introducing new agricultural techniques and train farmers. The goal is to reach at least 50.000 farmers, however they expect to reach many other farmers by cooperating with other companies and organizations in the chain.

Mission statement: To strengthen our position in the marketplace by developing high quality relationships with our suppliers and customers and earning a reputation of dependability, innovation and exceptional performance."

Vision: create "mutuality of benefits" for all stakeholders

Number of employees: Over 65000

Turnover: Over 30 billion Euros (2010)

HEINZ (DE RUIJTER)

De Ruijter is the first company in the Netherlands that brings sandwich fillings to the consumer that entail sustainable cacao. Since September 2011 the chocolate products of de Ruijter are UTZ certified. This chocolate exists only partly of sustainable cocoa as the supply of this is still limited. The goal of de Ruijter is to sell all of their chocolates products with 100% sustainable cocoa before 2015.

The company imports a large amount of cacao from West-Africa, especially from Cote d'Ivoire which is world's largest cocoa grower. Problems that farmers face are soil exhaustion, aged cocoa trees which threat the quality of the cocoa production and give farmers lower income as the global demand for cocoa is increasing every year. Therefore de Ruijter cooperates with NGO's as Solidaridad and UTZ to set up programs that give farmers the ability to produce higher quality products. These investments are good for both the companies and the farmers. The quality of the production increases and the farmers are able to raise their income, which means that the living circumstances can be improved. UTZ functions as an independent inspector who controls whether the cocoa is truly produced in a sustainable way.

Mission statement: As the trusted leader in nutrition and wellness, Heinz – the original Pure Food Company – is dedicated to the sustainable health of people, the planet and our Company.

Vision: We define a compelling, sustainable future and create the path to achieve it

Number of employees: 45.000

Turnover: Over 9 billion Euros (2009)

SOLIDARIDAD

Solidaridad became famous by founding the brands Max Havelaar and Oké Fruit. Their ambition is to eradicate poverty and the best way to do this is through fair and sustainable trade. By doing this the NGO wants to improve the living circumstances of people in development countries. It works together with the companies that were listed in the IDH cocoa improvement program above. Solidaridad works mainly with local parties in Afrika to train local farmers and to create a higher transparency to improve the negotiation position of local farmers. By providing training and help the farmers are able to meet the requirements of UTZ Certified (the independent certificatory in the chain). Besides, the rain forest can be preserved (almost the entire rain forest in Cote d'Ivoire has been cut down last years) and the living circumstances can be improved. To reach this it is crucial that major companies like Mars and Heinz invest in this also to assure a steady demand for sustainable cacao (Website Solidaridad).

Mission statement: To combat structural poverty and to promote peace and justice. A mission that sustainable economic development can go a long way towards fulfilling. Solidaridad's program is based on the following convictions:

- There is only one Earth, and it is our task to look after it for our children.
- Poverty is degrading and should be eradicated from the world.
- The balance between 'growth' and 'distribution' can only be preserved if the poor themselves are the agents of development.

Vision: Solidaridad is inspired by the vision that sustainable production in agriculture and industry, combined with fair trade in the products of these activities, can make a significant contribution to combating poverty and preserving people's environment, in the context of a globalizing economy. Creating a living wage and humane working conditions for people in developing countries provides the basis for a decent existence and the conditions for putting a stop to the wholesale theft of scarce natural resources.

CASE 2: TEA SECTOR

There are some issues in the tea sector that ask for serious measurements. The low tea prices in the last years have had a serious effect on the sustainability of the chain, directly affecting the lives of plantation workers and small-scale farmers in tea producing countries. The most important tea producing countries are India, Sri Lanka, Vietnam, Indonesia, Kenya and Malawi in which millions of people are dependent of tea picking and processing. (SOMO, 2008) The most important problems now are a downward spiral of low quality, poor yields, deforestation and an intensive use of chemicals. Because of the low prices for tea only minor investments have been made which caused a situation in which many farmers work with outdated production methods. Consequently this has a negative effect on the quality of the tea and the average yield per hectare. (Website IDH)

A study from SOMO shows that the working circumstances of the most vulnerable parties in the chain (small holders and tea pickers) are severe. Moreover, the study shows that the tea chain is being controlled by some powerful multinationals which can have a serious influence on the price. While the prices of tea have dropped considerably real auction prices were about half of the tea prices in the 1980's. Retail prices have remained stable which indicates an unbalanced value chain.

To stop the negative tendency some of the major tea importing companies (Unilever, Sara Lee and Twinings, responsible for 40% of the western market for black tea) have formed an alliance with NGO's which is called the Tea Improvement Program (TIP). The goals of the alliance are to train hundreds of thousands of tea farmers in Asia and Africa to craft a socially just and environmentally sustainable tea economy. The goal is to certify around 25% of the tea export as sustainable. The greatest challenge for the TIP is to involve key players in the Indian and Chinese tea market, the largest countries in the world in tea consumption and production (Website IDH).

Partners in the alliance:

Type of stakeholder	Companies	NGO's	Industrial organizations
	Unilever	Rainforest Alliance	KNVKT
	Sara Lee	UTZ Certified*	
	Twinings	Ethical Tea Partnership	
	Simon Lévelt	Oxfam Novib	
		SOMO	
		Solidaridad	
		BothEnds	
		Landelijke India Werkgroep	
		Fair Food	
		Tropical Commodity Coalition	

**Note: UTZ functions mostly as a sustainability trademark in this alliance.*

Selected organizations in this sector for an interview:

SARA LEE

Sara Lee is with a market share of 65% the main player in the Dutch tea market, followed by the retailer Albert Heijn (15%) and Unilever (5%). (IDH Sector overview, 2011) Sara Lee has the ambition to achieve a fully (UTZ) certified tea procurement. To proof this ambition, Sara Lee was the first tea company that brought to market UTZ certified good inside tea. At the end of 2011 about one third of the European tea volume tea is certified tea and is sold as part of the brands 'Pickwick' and 'Hornimans'. (Website Sara Lee) Furthermore Sara Lee is involved in the Ethical Tea partnership (which is partly sponsored by the IDH) and is the main funder of the Douwe Egberts Foundation. Via these initiatives and partnerships Sara Lee tries to enhance working conditions of small coffee and tea farmers in countries of origin. To achieve a sustainable tea product the company cooperates in particular with UTZ, a foundation that is dedicated in creating sustainable supply chains.

Mission statement: To simply delight you... every day

Vision: To be the first choice of consumers and customers around the world by bringing together innovative ideas, continuous improvement and people who make things happen

Number of employees: 21.000

Turnover: 6.8 billion Euros (2011)

SOMO

SOMO is an independent, non-profit research and network organization working on social, ecological and economic issues related to sustainable development. Since 1973, the organization investigates multinational corporations and the consequences of their activities for people and the environment around the world. (website SOMO) SOMO examines the specific properties of the tea sector, especially the influence of international trade and distribution on the production process and the production circumstances in developing countries. The NGO has a critical view on the powerful position of multinational companies in the tea chain. They state that the crisis especially hits employees at tea plantations as well as small tea producers, while (multinational) tea companies benefit from the low raw material prices, which are not passed on to consumers. Still SOMO has been involved in the formulation and implementation of initiatives in the area of CSR in the coffee and tea sector.

Mission statement: SOMO strives toward global economic development that is sustainable and fair and toward the elimination of the structural causes of poverty, environmental problems, exploitation and inequality. Through research targeted at achieving sustainable change and strengthening cooperation, SOMO seeks to offer social organizations worldwide, especially those in developing countries, the opportunity to promote sustainable alternatives and to provide a counterweight to unsustainable strategies and practices of multinational corporations.

Vision: In SOMO's vision, strong civil society organizations are the initiators and drivers of positive change. Such change is initiated on the basis of reliable information and close cooperation and is guided by the principles of social and economic justice, sustainable development, transparency and fair distribution of power.

CASE 3: COFFEE SECTOR

The coffee program of the IDH is a multistakeholder alliance that involves the coffee industry, trading partners, governments and NGO's in a public-private cooperation. The founding companies for this program are Nestlé, Sara Lee, Tchibo and Kraft Foods. Together these companies are responsible for the purchasing of 30% of the global coffee production. In 2011 partners are still being engaged.

The coffee producing countries are facing under investments, poor production practices and problematic climate conditions. Consequently, the global production of coffee is below demand. This is a problem, especially because the demand for coffee in emerging markets is growing at a steady pace. That this is a challenging issue is expressed by Tijmen de Vries, Secretary General of the Royal Dutch Coffee and Tea Association (KNVKT) as following:

'Taking into account the market situation in the coffee sector, it will be increasingly difficult to meet the growing demand for sustainably grown coffee. The need to address the sustainability issues in the coffee sector on a much larger scale and in a pre-competitive way is evident.' (Website IDH)

In recent years major coffee roasters have made serious commitments to increase their purchasing of sustainable coffee. However, the producing countries need help in establishing a sustainable coffee production. An important focus of the program is to increase production, yields and export availability of sustainably grown coffee. Collectively the partners aim to increase sustainable green coffee sales from the current 8%. The ambition is to reach 25% in 2015. The companies recognize that the use of standards and labels alone is not enough. Instead it aims at creating a overarching, holistic strategy which is needed to transform the coffee sector. (Website IDH)

The design for this alliance ends in 2011. The implementation phase will be run between 2012 and 2016. Ted van der Put, program director of IDH says about this program: *'We are excited to develop this program together with committed coffee industry, trade and export partners, governments, NGO's, trade unions and standard setting organizations, to move the coffee sector towards mainstream sustainable production practices. Around the core of scaling up sustainable production, we will be working on the effective implementation of standards, improving access to finance for farmers, and mitigating the effects of climate change.'* (website IDH)

Partners in the alliance:

Type of stakeholder	Companies	NGO's	Industrial organizations
	Nestlé	Tropical Commodity Coalition	KNVKT
	Sara Lee		ECF
	Tchibo		GIZ
	Kraft Foods		

More partners are currently being engaged.

Selected organizations in this sector for an interview:

SARA LEE

In the period between 2006-2011 Sara Lee became the largest purchaser of sustainable coffee (UTZ certified logo). The company has the ambition to triple the amount of sustainable coffee purchased. Therefore a new five-year plan has been created to achieve this ambitious goal. Frank van Oers, chief executive officer of Sara Lee's international beverage and bakery businesses states about this: *" By providing coffee growers visibility five years out and publicly committing to buy very large quantities of certified coffee we can contribute to improve sustainability in the mainstream coffee market worldwide."* (

When goals are met indeed this means that over 20% of the entire annual coffee volume is certified as sustainable produced coffee. Compared to standards of its competitors (Sara Lee ranks third worldwide in coffee volume behind Kraft Foods and Nestlé) in the mainstream coffee sector this means Sara Lee processes relatively most sustainable coffee. Just as in the tea-sector the company works closely with UTZ, but it announced that it is open to work with other organizations and partnerships such as Rainforest Alliance and the coffee program of the IDH. (Website Sara Lee) The sustainability report of Sara Lee (2011) states that the company ' strives to reach out and develop meaningful relationships with our stakeholders – our employees, business partners, suppliers, customers, consumers, communities and other organizations, governmental, nongovernmental and academic. We seek to dialog and collaborate on a basis of mutual respect and trust to achieve positive change and business success.

Mission statement: To simply delight you... every day

Vision: To be the first choice of consumers and customers around the world by bringing together innovative ideas, continuous improvement and people who make things happen

Number of employees: 21.000

Turnover: 6.8 billion Euros (2011)

CASE 4: AQUACULTURE SECTOR

Almost half of the fish we are consuming nowadays is farmed fish, also referred to as 'aqua culture'. As the global demand for fish has been increasing last years, aquaculture has increased with a growth rate around 8% per year since the 1970's Especially in development countries the growth in aquaculture to deal with the shortage in protein food supplies. However, when aquaculture is growing so does the impact it has on the environment. The biggest problem is related to waste water management, excess of organic materials and nutrients are likely to cause acute toxic effects. (De schryver et al., 2008 and IDH website) Other problems are related to the use to the protection of coastal areas in general, the use of antibiotics in the fish farming and the working circumstances for laborers which are part of the aquaculture supply chain in developing countries.

To increase both the demand and supply of sustainable farmed fish the Aquaculture Stewardship Council was instituted in 2009, cofounded by the IDH and WWF. The council builds on the success of the MSC label, (Marine Stewardship Council) which certified wild caught fish and has successfully created retail demand for certified (sustainable) fish. For example, the partnership between MSC and Ahold has increased public awareness in the Netherlands regarding sustainable seafood by introducing many certified products to its assortment.

The ASC label is based on criteria which were defined by over 2000 representatives from companies, NGO's and research institutes. This is called the 'stakeholder dialogues' and was facilitated by WWF USA. Supermacht (an organization that critically reviews the powerful position of supermarkets in the supply chains) criticizes the effectivity of the ASC label. This critical view is supported by Lars Gulbrandsen, a scientist of the Fridtjof Nansen Institute in Norway who criticizes both the MSC and ASC label. He argues that a label like MSC and ASC is being used for promotional ends by big, powerful fish companies. The small fish producers don't have the proper capabilities and resources to meet the demanded requirements. Consequently, this strengthens only the position of big, powerful fish companies as they can improve their competitive position using the label. In a reaction on this Esther Luiten, program director of the IDH program of aquaculture states the following: 'almost all the farmed fish originates from development countries these days. Many small fish farmers are responsible for over 75% of the global production value of farmed fish. That these small farmers may not always have the proper capabilities or resources is a serious risk. On this point, the ASC-label still has to prove its value.' Luiten admits that the involvement of small fish farmers is indispensable. Therefore the partnerships that involve the IDH specifically assist smallholders. When this is truly working the ASC-label becomes an opportunity for the small businesses.

The IDH aquaculture program contributes to a wider integration of the ASC certification by supporting fish farmers in Asia with complying with the ASC standards. This should lead to a better quality product which in turn strengthens the farmers' relationship with processors. This enables famers to get better access to finance and market access through the ASC label. The processors will be able to add a higher value to their product by exporting certified fish products to Europe. The aquaculture program of the IDH aims to certify 15% of the European import of tilapia, shrimp and pangasius in 2015. Constant Mulder, CEO of Anova Seafood says about the aquaculture program:

'We expect that the ASC label we are building with WWF and IDH will become mainstream and replace all other responsible farmed fish labels'. (Website IDH)

Partners in the alliance:

Type of stakeholder	Companies	NGO's	Trademarks
	Ahold	WWF	ASC
	Anova		
	Heiploeg		
	Metro/Makro		
	Nutreco		
	Ogilvy		
	GIZ		
	Birds Eye Iglo		
	QUEENS		
	Seafood Connection		
	Binca		
	Profish		
	Superunie		
	Mayonna		
	Foppen		
	Culimer		

Selected organizations in this sector for an interview:

AHOLD:

Ahold has developed a progressive policy in the field of sustainable fish last years. The company acknowledges the importance of sustainable fish catch/farming and therefore it wants to be a frontrunner in the field of sustainability in the fish sector. Vulnerable fish species will not be sold and sustainable alternatives will be sought. To reach this the company made agreements with the WWF. Agreements have been made to track the origination of fish species and stimulating the suppliers towards sustainable activities. Besides this, the company invests together with the IDH and WWF in projects that stimulate sustainable fish farming. This creates a 'sustainable alternative' on the market. For example: Ahold only buys yellow fin tuna of a WWF project in the Filipinos. In these kinds of projects local fishers are being assisted to meet the requirements for ASC/MSC certification. While Ahold has, in cooperation with WWF, expanded its assortment with sustainable fish last years (MSC certified) the same should be done for aqua fish with the ASC label (website Ahold).

Mission statement: Our mission is to become the world's best and most successful food provider

Vision: Our vision is to offer all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – better choice, better value, better life, every day.

Number of employees: 122.000

Turnover: 23.12 billion Euros (2010)

WWF:

WWF is one of the founders of the ASC-label (together with IDH). Therefore it is content to cooperate with companies as Ahold (who is the largest retailer of fish in the Netherlands) to create a higher level of awareness among consumers. According to WWF labels like MSC and ASC are important because it guarantees the customers that they really buy a sustainable product. Working with companies like Ahold is in line with the strategy that the NGO chooses to conserve the ocean, which is defined as one of the world's most ecologically important regions (website WWF). By working in partnership with other organizations it wants to reach the following goals:

- Protect and restore species and their habitats
- Strengthen local communities' ability to conserve the natural resources they depend upon
- Transform markets and policies to reduce the impact of the production and consumption of commodities
- Ensure that the value of nature is reflected in decisions made by individuals, communities, governments and businesses
- Mobilize hundreds of millions of people to support conservation

Mission statement: WWF's vision is to build a future in which people live in harmony with nature.

Vision: WWF's mission is to conserve nature and reduce the most pressing threats to the diversity of life on Earth.