



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.



Transnational Private Regulation: Evidence from the Coffee Industry

Kaisa Sorsa¹ and Juha Kettunen^{2*}

¹Faculty of Life Sciences, ICT and Business, Turku University of Applied Sciences, Finland.

²Development, Turku University of Applied Sciences, Finland.

Authors' contributions

This work was carried out in collaboration between the authors. Author KS designed the TPR Inno project and wrote the first draft of the manuscript. Author JK supervised the writing, managed the literature searches and edited the manuscript. The authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJAEES/2015/18286

Editor(s):

(1) Angel Paniagua Mazorra, Centre for Human and Social Sciences, Spanish Council for Scientific Research, Spain.

Reviewers:

(1) Fernando José Cebola Lidon, Faculty of Sciences and Technology, New University of Lisbon, Portugal.

(2) Anonymous, Crop Research Institute, Czech Republic.

Complete Peer review History: <http://www.sciencedomain.org/review-history.php?id=1060&id=25&aid=9397>

Original Research Article

Received 13th April 2015

Accepted 12th May 2015

Published 25th May 2015

ABSTRACT

Aims: The purpose of this paper is to analyse the self-coordination of private regulation and self-regulation schemes in food industry to promote sustainability.

Study Design: This study uses sustainable development to achieve a common goal for the business and public sectors. Different steering mechanisms and diversification emerge even though there is a need to achieve cohesion among them.

Methodology: The study uses different theoretical viewpoints of regulatory governance, club theory and positioning following the methodology of theory triangulation. These theories and cohesion mechanisms will be discussed when the sustainability standards are analysed. The analysis is based on the evaluation of the emergence, implementation and enforcement of the best-known certification schemes in the coffee industry.

Place and Duration of Study: The empirical data of this study was collected in the international research project, 'Transnational private regulation and system level innovations in global food value chains' at the Turku University of Applied Sciences from 2011 to 2014.

Results: Positioning among customers is a very important marketing approach when there are several competing certification schemes. The national aspects of consumer behaviour should be

*Corresponding author: E-mail: Juha.Kettunen@turkuamk.fi;

taken into account in standardization. The survey of Finnish consumers indicates that Food from Own Country, Nordic Ecolabel and Fairtrade were the best known sustainability labels in Finland.
Conclusion: The study is valuable for those who want to improve private regulation throughout the global value chains.

Keywords: Sustainability; environment; green politics; governance; club theory; positioning.

1. INTRODUCTION

Sustainability is a common goal for the private and public sectors. Despite decades of legislation, numerous indicators show continued degradation of air, water, land and biodiversity. These declines impose serious costs on society by threatening ecosystem goods and services, public health and ultimately the wellbeing and survival of humanity [1]. A variety of steering mechanisms has been developed both at international, national and local levels by the actors in the private and public sectors. The activities in the private sector are called 'transnational private regulation'. The regulatory standards constitute the regulatory governance system [2], which is layered with multiple rules and policy instruments throughout the global value chain [3].

The purpose of this paper is to analyze how the self-coordination of private regulation takes place and to identify the drivers of self-coordination in order to achieve better outcomes for society and to promote corporate sustainability. There is a need to analyze the evolutionary phases of the schemes individually and collectively. The schemes seem to evolve from the pre-development phase to the more mature phase and saturation according to the typical diffusion of innovations [4].

Regulatory governance and actors who are engaged in regulatory standard settings and other stages of the regulatory life cycle involve all the functions of the administrative regulation in domestic legal systems such as rule making, rule promotion and implementation, monitoring, the adjudication of compliance and the imposition of sanctions [5,6]. Many transnational private regulations were antecedents for public regulation and improved companies' management systems. These are some of the criteria that can be used in 'proactive law'. Proactive law is empowering, enabling, dynamic and user-friendly. All of these elements can be found when transnational private regulation is analyzed from the perspectives of processes or contents [7].

Club theory was developed in economics to describe goods that were excludable. It is possible to exclude people from using goods by denying them access. These goods are shared by more people than those who typically share a private good but fewer people than those who typically share a public good [8]. According to club theory, clubs are either private or public institutions for producing and allocating goods. The schemes of transnational private regulation are clubs that require companies to incur costs not required by law and that lead to the production of positive environmental or social externalities.

Positioning is a marketing strategy in which a brand occupies a distinct position, relative to competing brands, in the mind of the customer [9]. As private regulation schemes are market-based instruments, it is reasonable to study regulatory instruments from a marketing perspective. Positioning as a strategic cohesion method is discussed in the context of private regulation. Many schemes of transnational private regulation have a logo, trademark or collective trademark for marketing purposes; the oldest ones, such as Fairtrade, have developed into brands.

The empirical evidence of this study was collected in the international research project 'Transnational private regulation and system level innovations in global food value chains' (TPR Inno project). The Turku University of Applied Sciences was the leader of the project; researchers and professors from the European University Institute in Firenze and the Trento University in Italy were partners. The project was funded by the Finnish Funding Agency for Innovations (Tekes). The aim of the project was to analyze the importance of transnational private regulation and contractual networks for the system level innovations and transition to sustainability.

The remainder of this study is set out as follows. The next section describes the methodology and literature review of the three theoretical models

of cohesion mechanisms and dynamics. The regulatory governance, the club theory and positioning are introduced in the section. Section 3 analyses the coffee industry and presents the civil society initiatives and cohesion and industry-oriented schemes. It also presents empirical evidence about sustainability schemes in Finland and discusses the results of study. Finally, the concluding section summarizes the results of the study.

2. METHODOLOGY

The study uses different theoretical viewpoints of regulatory governance, the club theory and positioning following the methodology of theory triangulation [10]. Any case study finding or conclusion is likely to be more convincing and accurate if it is based on several sources of information [11]. According to Eberlein et al. [12], individual theoretical perspectives may not capture the full range of shifts within the constellations of organizations and their cognitive and normative structures. Different perspectives help researchers re-characterize problems in order to achieve improved outcomes for society. It is, thus, essential to draw on multiple perspectives.

2.1 The Regulatory Governance

Regulatory researchers are interested in governance mechanisms and in finding out which regulatory strategies can solve complex socio-technical problems. The socio-technical regime is a cluster of a society's technology, regulation, user practices and markets, cultural meaning, infrastructure, maintenance networks and supply networks [13]. Regulatory theory is commonly focused on public regulation from the top down. Regulatory innovations, however, are more typically created from the bottom up [14]. This study contributes to the regulatory theory by absorbing new ideas from the marketing literature.

The company analysis at the micro level sheds light on why companies implement transnational private regulation [15,16]; the socio-technical meso level analysis reveals the perspective of the rule makers. Macro level analysis focuses more on the public-private relationship [16]. It is necessary to understand why rule-takers, companies implementing transnational private regulation, comply with the rules. In order to understand that, club theory is used to understand the close collaboration between companies and rule makers.

2.2 The Club Theory

The voluntary clubs of the transnational private regulation are important policy instruments, because they can induce participating companies to produce positive environmental externalities not only in response to legal mandates but also to exceed them. They implicitly respond to the externality problems, which result from the failure of government to enact or enforce regulations. In return, voluntary clubs provide branding benefits such as the shared reputation and goodwill to participating companies that emanate from their association with the voluntary club brand. It is evident that both public and private organizations can fail. Therefore the scholarly and policy challenge is to identify the conditions and institutions that lead to success and failure.

Club goods provide excludable benefits that are given only to club members, unlike pure public goods that are made available to all [8,17]. Club goods are non-rivalrous in that what one individual consumes is also available to others. The central purpose of voluntary clubs is to produce positive social externalities. Voluntary clubs provide club goods to companies that produce positive externalities beyond what government regulations require. Unlike in traditional economic clubs, membership costs in voluntary clubs are not direct payments to sponsors. Rather, they are the monetary and nonmonetary costs of adopting and adhering to the membership requirements of clubs [18]. Club theory, however, does not explain the co-evolution of different voluntary clubs. Positioning is used to explain this perspective of transnational private regulations.

2.3 Positioning

Positioning is a marketing concept that outlines what a business should do to market its products or services to its customers [9]. In the transnational business, the new certification scheme is a product which the standard setting organisation produces for the potential customers in order to improve the sustainability of the customers and whole society. Competitive positioning is about defining how the organisation will differentiate its offering and create value for itself and for the society. In positioning, the marketing department creates an image for the product based on its intended audience. In the case of transnational private regulation, the standard setting organisation assesses the

markets for standards like a marketing company. There is a need to make strategic decisions about how to compete with existing certification schemes.

There are three possible ways to differentiate the certification scheme [19]:

- **Product:** The first positioning decision relates to the product scope of the standard. Some of the initiatives used in coffee industry are generic and can be used in other product groups. Some schemes focus only on food and agriculture.
- **Activity:** Another way of positioning is the activity scope. Standard organisations have activities of marketing, labelling, certification, verification and accreditation. A broader understanding of the activities undertaken by a given organisation is an important prerequisite to interpreting the functioning of the organization within the market.
- **Target:** The third positioning relates to targets: the actors whose behaviour the standard aims to change and to whom the benefits of the standards will be marketed.

Positioning depends on the risk or opportunity management [7]. If it is focused only on risk-management between companies, there is usually no logo or trademark for the scheme. If the scheme focuses on the consumer markets and uses certification as a differentiation tool, there is a need for a logo for marketing purposes. A characterization of industry and product coverage could be a starting point for the positioning of a given scheme.

Positioning is one important element of competitive strategies by which organisations differentiate their products from others to meet customer needs [20,21,22]. Positioning has not been previously discussed in the regulatory governance literature to explain the governance interactions. According to Schneiberg and Bartley [23] it is not known how regulatory forms co-evolve, hybridize, compete and reshape organizational behaviour. This study contributes to the discussion on the dynamic nature of transnational private regulation in order to achieve cohesion.

3. RESULTS AND DISCUSSION

3.1 Civil Society Initiatives and Cohesion

Table 1 depicts the evolutionary phases of the Organic Agriculture, Fairtrade and Rainforest Alliance, which are the most important standards of the corporate social responsibility in the coffee industry from the viewpoint of civil society. Fragmented groups of national and other local initiatives were born independently from each other at the beginning of the pre-development stage of the sustainability initiatives. The aim was to combine the fragmented approaches under a single brand and proceed towards a more goal-oriented operation. After the proliferation of sustainability schemes the positioning of the scheme has become a prerequisite for success.

The International Federation of Organic Agriculture Movements (IFOAM), also known as Organic Agriculture has played a major role in the development and coordination of local organic agriculture associations worldwide. It created the framework for the international standard for organic farming. The members of the IFOAM organization base organic agriculture on the IFOAM norms. The IFOAM norms comprise the IFOAM Basic Standards for Organic Production and Processing and the Principles of Organic Agriculture.

In 1997, IFOAM created a daughter company, the International Organic Accreditation Services (IOAS), which has since then offered accreditation services to its clients called the IFOAM Accredited Certificated Bodies. Certifiers can have their processes audited against the IFOAM Accreditation Requirements. In 2005, IFOAM created the Principles of Organic Agriculture, an international guideline for certification criteria. Typically, the agencies accredit certification groups rather than individual farms. In 2012, IFOAM united 870 affiliates such as members, associates, and supporters in 120 countries and it is a focal global meeting point for organic agriculture.

The most important standards of corporate social responsibility in the coffee industry can be divided into two groups based on their core focus. The first group is dedicated to social issues and food safety; the priorities of the second group are environmental issues. The development of these schemes began with the environmentally focused organic movement,

Table 1. Evolutionary phases of fair trade, organic agriculture and rainforest alliance

	Organic agriculture	Fairtrade	Rainforest alliance
Goal	The goal is to balance and optimize agriculture with the environment.	The goal is to help producers because of their desperate status by changing the trading system.	The goal is to integrate biodiversity management with farm management.
Pre-development phase	Organic Agriculture was developed in England and in other parts of Europe 1940-1970. Actors were farmers. Distribution channels were short and included direct selling and special retail shops.	Charity and good will were practiced 1960-1980. Actors were Alternative Trade Organizations and volunteers based on social movement. Distribution channels were short and included World Shops.	Rainforest Alliance protected rainforests 1970-1980. Actors were groups of scientists, activists and farmers in Los Angeles. Distribution channels were based on sustainable partnerships.
Take-off phase	Institutionalization took place 1971-1990. Independent national certifications were started during the 1970s by the coordination of IFOAM. Actors were guided by government guidelines given in 1980.	Institutionalization took place from 1980. The Max Havelaar label was introduced in 1988. Fairtrade Labelling was put into operation in 1997 and coordinated by FLO. Actors were political organizations which joined the movement and retail companies.	Institutionalization started in 1992. First certifications took place in 1996. Sustainable Agriculture Network (SAN) took responsibility about the coordination in 1987. Actors were conservation and development networks.
Acceleration phase	An institution IOAS was established in 1997. Public laws were stipulated during 1991-2001 and at the European Union level 2005. Distribution channels included special retail shops and grocery stores.	An institution FLO-CERT was established in 2003. Distribution channels included new marketing approaches and new forms of co-operation.	International Standardization Committee was established for auditing 2007. Change of the label was changed so that Green Frog became new Rainforest Alliance seal. Distribution channels included large and medium-sized companies.
Stabilization phase	Since 1991 in the countries of the European Union	Since 2006	Since 2005

Source: Compiled from Sorsa [24]

followed by the socially focused Fairtrade movement and the environmentally focused Rainforest Alliance. These schemes had a long initial phase. The organic movement started in the 1950s and Fairtrade in the 1970s. The common denominator for the Organic Agriculture and Fairtrade is that their initial phase started by a loose alliance of local actors. There were organic associations and co-operative movements of Fairtrade in different countries.

Fairtrade's transition can be characterized from its pre-development to its take-off phase as 'evolutionary transition' [25] where the outcome was not planned. After the take-off phase, the management of the scheme became more goal-oriented (teleological), even though the diffuse goals and visions of the end state were guiding and orienting the strategic decisions. The pre-requirement for the use of more goal-oriented development has been the establishment of the

standard setting organization either based on membership, secretariat or association format. The visibility was improved in 1988, when the Max Havelaar label, the first Fairtrade certification mark, was officially launched.

From the institutionalization perspective, 1989 was a watershed year, when the International Fair Trade Association (IFTA), now World Fair Trade Organization (WFTO), was established by fair trade pioneers as the first global fair trade network. The second defining aspect of the take-off phase was introduced in 1997. It was an improved coordination of 17 national initiatives under the unified banner of Fairtrade Labelling Organizations International (FLO). Two primary goals of forming new international organizations were to develop greater consistency in the standards and certification process [26,27]. With the formation of the organizing body, the FLO, producers gained a larger say in fair trade policy

and it became easier for the movement to speak with one voice. National labelling organizations, however, remained responsible for the promotion of fair trade in their respective countries and still owned their national labels and logos [28]. FLO-CERT has acted as the inspection and certification body for labelled Fairtrade since 2003.

3.2 Industry Originated Schemes

Two applicable standards of the coffee industry -- UTZ Certified and Common Code for the Coffee Community Association (4C) -- were initiated through industry-led dialogue and cooperation. UTZ was launched in 2002 as Utz Kapeh, which means 'good coffee' in the Mayan language. From its inception, UTZ Certified has positioned itself as a mainstream program. It aims to address a large volume of coffee to make sure it is sustainable. Its primary emphasis is on traceability and production practices and processes [29]. The initiative operates business to the consumer, developing standards, providing certification and marketing the UTZ label through and with its partners, in order to ensure sustainable agricultural practices. It is designed to improve the terms of trade for producers, but it neither intervenes in price negotiations nor sets a premium as Fairtrade does.

A Belgian-Guatemalan coffee grower, Nick Bocklandt, and a Dutch coffee roaster, Ward de Groote, proposed the UTZ together. Since the market launch in 2002, UTZ Certified has grown to be one of the world's leading sustainable coffee programs. They established the UTZ program to bring 'sustainable quality' to the worldwide market. All UTZ units are annually certified and reviewed by third-party auditors. UTZ also offers a separate Chain of Custody certification. The initiative applies the identity preservation and segregation models of supply chain traceability to all its products. Membership fees constitute the primary source of revenue for UTZ [19].

The UTZ Certified scheme positioned itself remarkably well in 2008, when UTZ became the largest certification program in terms of certified coffee available. Its original purpose, the differentiation strategy by positioning, was to operate in large estates though small-scale producers were later on allowed to become certified. The expansion has been remarkable since the foundation of the organization in 2002. UTZ adopted a strongly market-oriented value chain approach from the start.

Civil society-originated initiatives and the company-led initiatives now operate as non-profit organizations, most of which have some multi stakeholder representation in their implementation process. The past decade has seen the rise of greater involvement and leadership from the private sector in the development and implementation of voluntary sustainability standards [7,19].

The objective of the 4C was set in 2004 to reach greater sustainability for mass-market coffee through a code of conduct that applies globally and through corresponding support for the entire coffee industry. The socio-economic circumstances of small-scale coffee producers are to be improved through the introduction of standards and through large-scale training on how to apply them. The objective is to strengthen the organizational structures of producers and reduce the cost of coffee growing in order to enable producers to increase their incomes. The role of the 4C was to complement the other coffee industry sustainability standards. From the stringency point of view, it is also the minimum standard but it contributes to compliance with public standards.

Compared with the other standards of corporate social responsibility, 4C evolved in the public-private-partnership process in which the role of public sector organizations played an important role, either by financing or supporting the training of the small-scale farmers in complying with code criteria. It is argued that compliance with the 4C makes it easier to obtain certification by other, more stringent schemes. The development of 4C demonstrates how actors in the coffee industry and stakeholders have positioned their efforts to the standardization gap which had not attracted the other standardization actors before. Their focus is not on the frontrunners of the sector but instead on the actors who are at the rear of the sustainability process.

3.3 Empirical Evidence about Sustainability Labels

The TPR Inno project of the Turku University of Applied Sciences and its partners included a semi-structured survey where the representatives of companies were interviewed. The TPR Inno project focused on two global value chains (coffee and sugar) and three international but the more local value chains (fish, fast food and beef). Food safety and sustainability were identified as problems which need system-level solutions.

The common result of the company interviews was that the consumer demand is a necessary pre-requirement for transition to sustainability, because food processors do not produce products which the customers do not buy. An exception was the coffee business. Coffee roasters and retail chains have introduced many more sustainably certified coffee brands, but there is not yet much demand for these brands. The study also analyzed how well customers knew the sustainability standards and their contents. The evidence indicates that consumers have a rather weak acquaintance with sustainability labels.

The TPR Inno project also made a detailed survey of its consumers. According to the survey, consumers still base their purchase of coffee and other food mainly on quality and price. Sustainability as a single item is ranked in fourth among the preferences of consumers. Thus sustainability has reached a notable position, but is not yet at the top of preferences. This does not mean, however, that the sustainability does not matter. Rather, it means that consumer behavior is a complex phenomenon and compounded by many issues.

Table 2 presents the consumer acquaintance with the most important sustainability labels in Finland in 2012. The perceptions of Finnish consumers on certified products and buying behavior were collected at the 2012 Turku Food and Wine Fare, where 1331 respondents completed the survey. The labels Food from Our Own Country (Ruokaa omasta maasta), Nordic Ecolabel (Ympäristömerkki) and Fairtrade are well known and received the highest scores from consumers. The same labels also earned the highest average scores among all the positive statements. The lowest scores were given to the labels of the UTZ Certified and Marine Stewardship Council.

The results of the study indicate that there are companies which proactively anticipate change (rather than react to it) and they adopt and implement standards even though there is not yet enough demand in the market. The private Pirkka label of the retail trade company K Group offers five coffee brands all of which are certified either by Organic Agriculture, Fairtrade or UTZ. The same occurrence of the certification can be found in the fast-food chain. The two most popular fast-food companies in Finland, McDonalds and Hesburger, offer only sustainably labelled coffee. This means that these

companies have made a strategic decision to promote sustainability in their restaurants even though the demand from consumers does not yet justify this decision. McDonalds sells UTZ certified coffee and Hesburger only Fairtrade and Organic labelled Paulig Mundo coffee in most of its restaurants.







The promotion of sustainability with the club theory can be reflected according to which voluntary clubs provide branding benefits such as the shared reputation and goodwill that emanate from the association of participating companies with the voluntary club brand. All these companies are leaders in their market segments; their company brand and product brands are very well known. These companies are frontrunners in the Finnish food business, which can be seen in their marketing strategies of certified products as well. This means that the key players in certain product markets can accelerate the diffusion of the system-level innovations.

The changes in the environment disproportionately influence the behavior of people. Nudges often influence behavior by changing the way choices are presented in the environment better than placing restrictions or changing economic incentives. As the companies do not offer non-certified alternatives they set a default rule for customers to buy certified products. Customers can choose non-certified products if they go to other fast-food restaurants. In some cases, such as in the case of Kesko, there are many non-certified coffee brands available.

The oldest initiatives, IFOAM, Fairtrade and Rainforest Alliance, were established principally as civil society movements seeking to exert influence on private sector activity and they positioned themselves to be generic schemes to be used in several product categories but on the niche markets. During the last decades, even the older schemes moved from an initial focus on providing a platform for product differentiation toward a focus on large scale transition in mainstream supply, with sustainability standards setting baselines for sustainable practice [19,30,31].

Early standards initiatives such as IFOAM and Fairtrade were inspired by movements regarded as alternatives to mainstream markets. The vast majority of newer initiatives focus strictly on the mainstream integration at the outset of the

Table 2. Consumer acquaintance with sustainability labels in Finland in 2012

	Fair-trade	UTZ certified	Marine stewardship council	Food from our own country	Nordic ecolabel	EU organic
						
I recognize the label and know its meaning, %.	79	11	15	91	88	36
I purchased a product or service recently carrying this label, %.	49	6	7	78	58	20
It is easy to find understandable information about this label, %.	55	6	10	79	63	21
The aim of this label is to change the world and not only sales promotion, %.	67	16	15	44	49	24
The promises of this label are probably true, %.	55	14	20	73	63	25
I trust on the information disseminated by this label, %.	52	11	17	77	65	26
If I knew better the contents of the label, I bought more products carrying the label, %.	30	55	54	18	15	41
Average	55	17	20	66	57	26

Source: Authors elaboration

standards-development process, which is a feature that has significant impacts on the way systems are being designed and implemented today. Before the Rio Earth Summit, two of the initiatives launched focus on niche markets, but not later than 2000, all initiatives focused on mainstream markets [19].

When positioning is considered from a single scheme perspective, the Rainforest Alliance had to position its scheme with Organic Agriculture and Fairtrade, UTZ with all of them and 4C with all these. One of the critical criteria was the pricing. Fairtrade guaranteed the minimum price, but UTZ and Rainforest Alliance and others did not. Other positioning related questions were focused on the several other dimensions like environmental or social dimensions, part of the value chain or the whole value chain and which regulatory functions to carry out [31]. Even though these decisions are crucial at the beginning of the initiative they are not stable. Standardization organizations check the contents of their standards and their focus areas as well as their organizational structures in the cycle of

every three to five years in order to proactively manage their relationship with their stakeholders [7].

Many private regulation schemes are providing different approaches to sustainability for small and medium-sized organizations. The approaches enable adjusting the scheme based on how the change uniquely impacts the target group. This is called “user friendliness” in proactive law [7]. By focusing on the effects of individual change, a rule-maker will build a more complete view of the change and better engage each of the target groups.

From 2000 to 2010, there was an exponential growth in the number of certified coffee sales. This means that the implementation of the schemes has been successful. It also illustrates the global picture, the direction in which the sales of sustainability labelled coffee are moving. It does not, however, explain how the certified products have gained market shares from traditional products in different countries where the coffee is consumed. The proliferation of

certified coffee has grown in Finland after 2005, not as a consequence of the high consumer demand but as a consequence of the push strategy used by major market players like the retailer Kesko, the fast food restaurant McDonalds and the roaster Paulig.

4. CONCLUSION

This study analyzed the schemes of self-coordination and private regulation in food industry to achieve better outcomes for Finnish society. Positioning is very important when there several certification schemes are competing for the same targets groups. Two strong coffee certification schemes have successfully used positioning to promote sustainability. Organic Agriculture and Fairtrade have achieved a solid place in the global markets. The implementation of the sustainability schemes at the national level is influenced by the market profile including the size of companies, competitors and the stage of business growth. The implementation is also influenced by the target of the scheme, the consumer behavior and public sector activities.

The difference between private and public regulation is that private companies are able to segment their target groups, but the public regulator is not. This enables looking at the individual impacts that may be either radical or incremental depending on the company and consumer behavior. The national differences in consumer behavior should be taken into account when the standardization organization assesses the role of companies and the effectiveness of its scheme even though a single market like Finland might have a minor importance from the viewpoint of the owners of the transnational private regulation. The survey of Finnish consumers indicates that the labels Food from Own Country, Nordic Ecolabel and Fairtrade were the best known sustainability labels.

Sustainable trade is possible when all the stakeholders in a value chain take responsibility. The transition to sustainable markets depends on the interaction among companies committed to the corporate social responsibility, good governance by governments and the involvement of civil society organizations. Leading brand owners are increasingly demanding certified products and using independent third-party standards to provide traceability and assurance of good farming. Certification is not the end of the process. It is rather the first step in the improvement and a common tool to

communicate sustainability values throughout the global value chains.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Markowitz KJ, Koparova MR. Compliance is essential to the environmental and financial integrity of carbon markets. INECE special report on climate compliance, United Nations Climate Change Conference in Copenhagen - COP 15. Accessed 2 July 2009. Available:<http://inece.org/climate/SpecialReportClimateCompliance.pdf>
2. Abbott KW, Snidal D. Taking responsive regulation transnational: Strategies for international organizations. *Regulation & Governance*. 2013;7(1):95-113. DOI:10.1111/j.1748-5991.2012.01167.x.
3. Bartley T. Transnational governance as the layering of rules: Intersections of public and private standards. *Theoretical Inquiries in Law*. 2011;12(2):517-42.
4. Rogers E. Diffusion of innovations. New York (NY): Simon and Schuster; 2003.
5. Levi Faurer D, Starobin SM. Transnational politics and policy: From two-way to three-way interactions. *Jerusalem Papers in Regulation & Governance*, Working Paper No. 62, February 2014, The Hebrew University, Jerusalem; Accessed 13 March 2015. Available:<http://regulation.huji.ac.il/papers/jp%2062.pdf>
6. Abbott KW, Snidal D. The governance triangle: Regulatory standards institutions and the shadow of the state. In: Mattli M, Woods N, editors. *The politics of global regulation*. Princeton (NJ): Princeton University Press; 2009.
7. Sorsa K. Kansainvälisen kaupan arvoketjujen sääntely. Yhteiskuntavastuun ja ennakoivan oikeuden tarkastelua. Turun yliopisto. Sarja C Osa 320; 2011a. Accessed 13 March 2015. Available:<https://www.doria.fi/bitstream/handle/10024/72411/diss2011Sorsa.pdf?sequence=1>. Finnish
8. Buchanan JM. An economic theory of clubs. *Economica*. 1965;32(125):1-14.
9. Lamb CW, Hair JFJ, McDaniel C. *Essentials of marketing*. Cincinnati (OH): Cengage South-Western; 2009.

10. Denzin N. The research act. Englewood Cliffs (NJ): Prentice Hall; 1984.
11. Yin RK. Case study research: Design and methods. Thousand Oaks (CA): Sage Publications; 2009.
12. Eberlein B, Abbott KW, Black J, Meidinger E, Wood S. Transnational business governance interactions: Conceptualization and framework for analysis. *Regulation & Governance*. 2014;8(1):1-21. DOI:10.1111/rego.12030.
13. Geels FW. From sectoral systems of innovation to socio-technical systems: Insights about dynamics and change from sociology and institutional theory. *Res Policy*. 2004;33(6/7):897-920. DOI: 10.1016/j.respol.2004.01.015.
14. Sorsa K. Standardit sääntelyinnovaatioina. In: Pakarinen, A, Hyvärinen A, Ervasti K, editors. *Lainvalmistelu, tutkimus, yhteiskunta*. Jyrki Talan juhlaKirja. Turun yliopisto, oikeustieteellinen tiedekunta. 2011; 2011b. Finnish.
15. Sorsa K. Itsesääntely- ja yhteissääntely arvoketjussa. Toimialakohtaista tarkastelua. Oikeuspoliittisen tutkimuslaitoksen tutkimustiedonantoja No. 100; 2009. Accessed 13 March 2015. Available:<http://www.optula.om.fi/material/attachments/optula/julkaisut/tutkimustiedonantoja-sarja/10EjS4pVf/Itsesaantely.pdf>. Finnish
16. Sorsa K. The role of multinational enterprises in promoting system level innovations in the Finnish food value chains. Conference proceedings, New Delhi, India, Multinational Enterprises and Sustainable Development (MESD) Conference 12.–14.12.2012; 2012.
17. Kaul I, Grunberg I, Stern MA. Global public good: International cooperation in the 21st century. New York (NY): Oxford University Press; 1999. Accessed 13 March 2015. Available:<http://web.undp.org/globalpublicgoods/TheBook/globalpublicgoods.pdf>
18. Prakash A, Potoski M. Collective action through voluntary environmental programs: A club theory perspective. *The Policy Studies Journal*. 2007;35(4):773-92. DOI:10.1111/j.1541-0072.2007.00247.x.
19. Potts J, Lynch M, Wilkings A, Huppé H, Cunningham M, Voora V. The state of sustainability initiatives review 2014: Standards and the green economy. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED); 2014. Accessed 13 March 2015. Available:http://www.iisd.org/pdf/2014/ssi_2014.pdf
20. Porter ME. The competitive advantage of nations. London: Macmillan; 1990.
21. Kettunen J. Competitive strategies in higher education. *Journal of Institutional Research*. 2002;11(2):38-47.
22. Ortega MJR. Competitive strategies and firm performance: Technological capabilities' moderating roles, *J Bus Research*. 2010;63(12):1273-81. DOI:10.1016/j.jbusres.2009.09.007.
23. Schneiberg M, Bartley T. Organizations, regulation and economic behavior: Regulatory dynamics and forms from the 19th to 21st century. *Annual Review of Law and Social Science*. 2008;4:31-61. DOI:10.1146/annurev.lawsocsci.4.110707.172338.
24. Sorsa K. The evolution of CSR standards in the coffee value chains – Transition pathways to sustainability. Social Science Research Network, September 12, 2012. Accessed 12 May 2015. Available:<http://ssrn.com/abstract=2145307>
25. Loorbach D, Rotmans J. The practice of transition management: Examples and lessons from four distinct cases. *Futures*. 2010;42:237-46. DOI:10.1016/j.futures.2009.11.009.
26. Reed D. What do corporations have to do with fair trade? Positive and normative analysis from a value chain perspective. *J Bus Ethics*. 2009;86:3-26. DOI:10.1007/s10551-008-9757-5.
27. Segerlund L. Making corporate social responsibility a global concern: Norm construction in a globalizing world. Farnham: Ashgate publishing; 2010.
28. Giovannucci D, Koekoek FJ. The state of sustainable coffee: A study of twelve major markets. Cali: Printing Feriva S.A; 2003.
29. Blackmore E, Keeley J, Pyburn R, Mangus E, Chen L, Yuhui Q. Pro-poor certification: Assessing the benefits of sustainability certification for small-scale farmers in Asia, *Natural Resource Issues* No. 25. Accessed 13 March 2015. Available:<http://www.european-fair-trade-association.org/efta/Doc/Propoorcert-IIED.pdf>
30. Sorsa K. Self-regulation in global value chain: A trade barrier or an opportunity for public-private co-operation? In: Tala J, Pakarinen, A, editors. *Better regulation: A*

- critical assessment. National Research Institute of Legal Policy. Research Communications 105/2010; 2010a.
31. Sorsa K. Itsesääntely ja yhteiskuntavastuu. Ministry of Employment and the Economy. Työ- ja elinkeinoministeriön julkaisuja, Kilpailukyky 45/2010; 2010b. Finnish. Accessed 13 March 2015. Available: https://www.tem.fi/files/27451/TEM_45_2010_netti.pdf Finnish.

© 2015 Sorsa and Kettunen; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:

The peer review history for this paper can be accessed here:
<http://www.sciencedomain.org/review-history.php?iid=1060&id=25&aid=9397>