Certification: a Sustainable Solution?

Insights from Dutch Companies on the Benefits and Limitations of CSR Certification in International Supply Chains
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Research commissioned by MVO Nederland, and carried out by a team of students of the Maastricht University Premium Project.

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Executive Summary

General Comments Regarding Certifications
Certifications, in theory, help companies become more socially responsible. At the very least, they offer a starting point for businesses to build competitive advantages that ultimately improve the way they meet customers’ needs and expectations. Moreover, certification is a good way for companies to start addressing sustainability issues as it serves as a learning tool within all sectors. It also helps companies embed CSR and sustainability initiatives into everyday business practices in order to build capacity in this direction. Lastly, certification can also be a helpful tool for networking.

For newcomers and SMEs, getting a certification is similar to joining an exclusive group. It immediately boosts their image and offers credibility to their sustainability claims, thus building trust among their stakeholders. Moreover, for businesses, especially in the B2B area, certifications serve as a signalling mechanism to provide them with credibility. However, this is only the case when certifications are seen as reliable and adhering to internationally recognized standards. Companies engaging in global business face higher risks depending on their position in the supply chain and the products they are sourcing. This is particularly so for MNCs who are more prone to fall under public scrutiny from NGOs and civil society. This is less of a concern for SMEs, but they nevertheless make use of CSR certification when they source products in the global supply chain.

In deciding whether or not to be certified, companies should first assess the situation, taking into account all factors and challenges of certification, alongside their advantages. Certification as it currently stands generally requires too much time investment for smaller companies especially considering that many MNCs often do not have special sustainability departments like large companies do. Thus, certification could become an even more viable option for SMEs if certification boards, took into account that SMEs vis-à-vis MNCs often do not have the financial capacity to join these certifications and therefore, should not be expected to be able to meet the same requirements imposed on MNCs.

Amidst the Existing Certifications, the Lack of Cooperation and Coordination Between the Various Schemes Appear to be a Growing Concern
Across industries, joining certification schemes and labelling products with logos indicating that the product/service is eco-friendly or socially responsible are often hailed as proof of a company’s commitment to sustainability. Certifications are often portrayed as a strategic investment, which increases visibility of the supply chain and enhances product traceability. Reasons for SME certification varies across sectors and markets (B2B vs. B2C), though all touch on the three bottom lines to some extent. Customers are an important part of the reasons why companies opt for certification and labelling for industries. Consumers, however, do not explicitly ask for certification and labelling and this lack on consumer awareness or interest in addition to the increasing proliferation of labels, logos and certifications is leading to a choice overload problem. This reality calls for either a reduction in the number of certifications that exist or the need for more cooperation amongst the existing certification standards.

Moreover, in the current ‘certification market’, different schemes seem to be competing for members. As more and more certifications emerge, with varying focuses and entry levels, the question arises on how legitimate all of them are. A growing concern is that in their competition, certification schemes deliberately offer lower standards in order to create a larger membership. At the least, this competitive market creates a less transparent and confusing reality for both firms and consumers. Especially consumers can be seen to have increasingly less faith in sustainability
claims as their overview of the origin of products decreases. There should therefore not only be more transparency towards firms, but also towards customers on what a standard aims for. Transparency can (partly) replace the burdensome and costly process of auditing.

**Intrinsic Motivation is the Key to Whether Certification is Successful**

If sustainability is driven exclusively by external factors (i.e. customer requests), companies sometimes hide behind a label that purports to offer legitimacy to their claim, without actually embedding sustainability in their core business. As a result, there is still a perception that certification is merely a compliance scheme that requires additional action if it is to make ‘real’ impact. In the end, the crucial element for reaching sustainability through certification is the intrinsic motivation of the companies. In other words, the condition necessary to make certification successful is for the companies to see certification merely as a starting point in the process of becoming more sustainable, and not as a goal in and of itself. Having said so, this means that certification is not necessary for *every* business. If a company has the aforementioned intrinsic motivation and truly desires to be sustainable or to be socially responsible, then there is no real need for that company to be certified.

**Beyond Certification, There are Other Options**

To add to the last point about companies not having to certify, this report observed a growing trend across many sectors that serves a similar purpose to certification, but is definitely not as cost-prohibitive for the companies. This trend was the option for companies to profile themselves by “sharing their story” via their website or on the products themselves in lieu of a label. While this option has more room for abuse, for SMEs that cannot afford to certify, the art of storytelling is an option worthy of serious consideration. Moreover, for companies who, in general, have less complex international supply chains and more direct ties to their suppliers than their larger counterparts, offering transparency can set the firm apart from the more standardize model of the MNC.

In addition to storytelling, there are other options such as strategic networking or employing transition and support programs for suppliers. What these options have in common is that they all require businesses to invest in a stronger, more direct relationship with their suppliers. In other words, rather than getting certified and being periodically audited, these options has to do with taking the time to train and explain to the stakeholders in a supply chain about the importance of sustainability and how - in the long run - it could lead to higher returns for them as well. Lastly, these alternatives would also allow the SMEs to speak to different clients or consumers about what meaningful actions they are taking in order to create awareness.

“Let's use labels [...] as a starting point. Although sometimes consumers can not see the forest for the trees, labels do have an awareness function. For companies as well: they know what the minimum is to be allowed to ride along. Openness and transparency are perhaps the real solution to the problem, but we're not there yet. Until then we have to make do with the intermediate solution of using certificates and labels. This interim solution itself will however evolve as well. There are several initiatives in sectors that wish to set up an industry-wide standard. A standard that will raise the level of sustainability and make the individual labels in the industry redundant. Hopefully precisely this type of initiatives will bring us closer to the ideal situation [...] where there are no labels needed anymore.”

* Nelleke Jacobs - MVO Nederland
1. Introduction

Is it worth it for businesses to be certified? The lawyerly answer to this question is that it depends and the objective of this report is to determine what it depends on. But before diving into the inquiry, a brief background first: certification schemes that aim to promote and enhance sustainability initiatives or ecolabels that signal to stakeholders about a company’s commitment to such initiatives are ubiquitous in our marketplace today: “In a globalized market where quality is difficult to assure and supplies are insecure, market-leading firms are developing business cases for improving social and environmental sustainability, including using standards and certification in ways not foreseen a decade ago” (Steering Committee of the State-of-Knowledge Assessment of Standards and Certification [henceforth “Steering Committee”], 2012). This phenomenon can be evidenced by the fact that we are not just talking about our coffees being fair trade, but we are witnessing the growth of the certification business into just about every sector from seafood to harvested wood, which begs the question: what impact is this certification proliferation having on sustainability and businesses? The focus of this report, commissioned by MVO Nederland and Maastricht University’s PremiUM Program, will be on the latter question of what impact certification schemes are having on businesses.

1.1 What is Certification?
The intended purpose of this report is not to provide an elaborate explanation of what certification is, but it is necessary nonetheless for us to establish some working definitions for basic terms that we will be utilizing throughout this report so as to avoid any unnecessary confusion down the line. When people think of certifications, an average consumer might assume that a certification and a label are essentially the same things. To clarify, we must distinguish between standards, certifications and labels. First, a standard establishes a set of requirements (i.e. no child labour shall be used in the manufacturing process). Second, a certification provides assurances that the company seeking the certification is in compliance with a particular standard (i.e. – preferably – independent monitors/auditors inspect a company and attests to the fact that no child labourers were employed at the manufacturing plant). The last, and the most prominent, is the label, which are often logos placed on the company’s products (or on the company’s website) to signal to its consumers or its suppliers/competitors that they are certified or are in conformity to some set of standards. The focus of this report, as the title indicates, will be on certifications, but in some context, terms such as “certification schemes” might encompass one or more of the aforementioned standards, certifications and/or labels.

1.2 Background - Why this Research was Carried Out
At the initial phase of developing a sustainable value chain, one of the instruments most commonly turned to is certification. Facing CSR challenges by formulating a certification scheme is a way for a group of organized companies to start a broad discussion, setting a baseline and creating a level playing field (MVO Nederland, 2013).

Unfortunately, costs for individual companies tend to be very high. Also, the development of a certification scheme can be a slow and unwieldy process, due to a lack of stakeholder reimbursement, rivalry among participating parties or other occurring hurdles in the development or implementation phase. In many occasions, the certification process does not lead to the full assurance and transparency companies, NGO’s, B2B and B2C customers and governments are looking for (MVO Nederland, 2013).
Given its proliferation, certification must serve some purpose or serve some benefit, and indeed, it would be difficult to argue that it does not serve any purpose at all as “voluntary standards and certification systems have existed for decades to affirm product safety, quality, and production practices”. Furthermore, many proponents of certification schemes hail the development and the growth of these instruments in a variety of ways: “Standards and certification systems have introduced a new form of partnership between civil society organisations and leading businesses, shifting the landscape of sustainable production and consumption in important ways” (Steering Committee, 2012).

Moreover, the general perception of these certification schemes tend to be positive, as there are myriad of reports claiming that there are “substantial evidence of improvements in social, environmental, and economic practices resulting from certification at the site level…”, though most of these reports are quick to caution that these benefits are not absolute. Also, it appears that voluntary standards and certifications are most effective as part of a suite of integrated public and private sustainability tools (Steering Committee, 2012).

At the other end of the spectrum there are the sceptics as well: “The evidence based to judge whether certification systems achieved their claimed social, environmental, and economic benefits at the level where they work appears relatively robust, but it is difficult to draw conclusions with confidence given the variability in methodology” (Steering Committee, 2012).

There are equally convincing voices that would argue that we should resist the urge to certify and label everything as it has a crowding out/watering down effect on certification schemes in general. Many of the argument of this elk tend to point to the proliferation aspect of the certification as the underlying cause of many of these concerns.

For many years, companies, platforms and other players have been looking for other ways of effectively organizing sustainability in (inter)national value chains; both industry broad and product based (for instance construction vs. concrete, apparel vs. cotton). One of the solutions is so called multi stakeholder round table/ dialogue constructions (i.e. Palm Oil and Coal). Other options are soft-law constructions (OECD/ILO/ISO), international contract law adaptations and practice based company networks that focus on a long term improvements, often connected to a certification scheme (such as Made By and IDH). The ICSR program of MVO Nederland-together with groups of change focused entrepreneurs - will be developing new, innovative ways of getting a sector moving towards more sustainable ways of working together with (SME’s in) developing countries (introducing the approach of Transition Management) (MVO Nederland, 2013).

In developing these new interventions, instruments and organisation models, there is great need for knowing more about the factors that lead to successes and failures of predominating solutions, in this case focusing on Certification programs. This needs a multi disciplined approach, combining insights from economics, business administration, law, international relations and organisational science.

1.3 Research Question
As supported by many other reports and existing literature in this area, our working hypothesis from the beginning was that while many companies are motivated by “externally driven impulses” to become certified (i.e. signal to competitors/customers, increasing profits, etc.), the companies that certify, not because they have to, but because they intrinsically want to be sustainable were the companies that could make certifications “work” (Ye, 2014).
Our main research question is as follows: *What specific factors in the process of developing, implementing and executing sustainable value chain certification programs, lead to successes and failures in the performance on corporate social responsibility (CSR)* of target companies?

With this broad question in mind, the report will also address a series of sub-questions, including but not limited to:

1) What conditions must be met for certification to be useful?
2) What are some of the common challenges, limitations or pitfalls associated with certification schemes?
3) Is joining a certification scheme really beneficial for companies and if not, are there viable alternatives to certification?
4) What are the similarities/differences in the answers to the previous questions across various sectors?

1.4 Methodology

At the onset, we must admit that this report was designed, not with the intent of conducting a large-scale qualitative or quantitative analysis about the impact of certification in general. As further explained in chapter 2, attempting such an endeavour would be an act of futility, even if we had all the time and manpower in the world, as certification cannot be said to be either good or bad.

In other words, certifications can be good if used in a good way, but it can be just as bad if used incorrectly, hence our sub-question of when is certification useful and when is it not? In answering the when question, we realized, even from the very early stages of this research (as many other researchers in this field have experienced first hand), the difficulty that comes with attempting to measure the true impact of certification on businesses and their sustainability initiatives: “Serious methodological challenges linked to the complexity and dynamic nature of ecosystems and communities also limit the potential for academically rigorous, experimentally designed and controlled studies of long term, large scale impacts” (Steering Committee, 2012).

Faced with this complexity and due to our time and budgetary constraints, the project team brazenly decided to forgo any quantitative analysis all together. Instead, the team opted to try an über-qualitative approach: what we essentially decided to do was to turn this report into a platform where businesses could voice their opinions about certifications and their experiences with them unfiltered for the most part. After listening to their opinions on certification schemes and asking the companies only a handful of targeted questions, we were able to collect a series of fascinating insights, which we were then able to analyze and utilize to answer the aforementioned research questions.

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1 In this report, we use the term CSR to describe the idea of sustainable (triple P) behaviour within companies. The European definition of CSR is: Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on society. As evidence suggests, CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. [http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm)
Focus on Dutch Businesses

To provide a bit more detail, the way in which the project team designed the project was for the team to carefully select a handful of representative Dutch companies based on the invaluable advice offered to us by various experts in the field. In total, the team interviewed 20 Dutch companies in a 5-month span, some with certifications and some without. Some that were generally optimistic about certification and some that were not. There were big companies and there were not so big companies. Some well-known companies, some not so well-known companies. Above all, the team was cognizant about providing a platform for these Dutch businesses to voice their thoughts, opinions and at times, frustrations about the certification scheme. Thus, parts of this report, admittedly, were extremely anecdotal, but that was by design. It is our contention, nevertheless, that our report will add value to the conversation regarding the impact of certifications by sharing with the general public a unique opportunity to tap into the minds of an eclectic group of Dutch businesses that are striving to be sustainable.

With Attention Paid to the SMEs

In addition to focusing on Dutch companies, we were also focused on how certification schemes impacted Small-and-Medium-sized Enterprises (henceforth SMEs). This decision was based on the fact that SMEs account for more than 90% of all enterprises globally and play an important role not just in business, but also in promoting sustainability (Fisher et al., 2009; Jenkins, 2009). Moreover, specifically in the Dutch/European context, paying attention to the SMEs is crucial for two very specific reasons: The first reason is that SMEs account for 99.8% of total enterprises in Europe and The Netherlands, as indicated by the report published by the European Commission in 2013 (figure 1.1).

Table 1.1: SMEs in the Netherlands - Basic Figures (European Commission, 2013)

<table>
<thead>
<tr>
<th></th>
<th>Number of enterprises</th>
<th>Number of employees</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Netherlands EU27</td>
<td>Netherlands EU27</td>
<td>Netherlands EU27</td>
</tr>
<tr>
<td>Number</td>
<td>Share</td>
<td>Number</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>602,149</td>
<td>91.6% 92.1%</td>
<td>1,438,484</td>
</tr>
<tr>
<td>Small</td>
<td>45,079</td>
<td>6.9% 6.6%</td>
<td>1,102,544</td>
</tr>
<tr>
<td>Medium-Sized</td>
<td>8,497</td>
<td>1.3% 1.1%</td>
<td>1,012,041</td>
</tr>
<tr>
<td>SME’s</td>
<td>655,724</td>
<td>99.8% 99.8%</td>
<td>3,553,069</td>
</tr>
<tr>
<td>Large</td>
<td>1,514</td>
<td>0.2% 0.2%</td>
<td>1,804,649</td>
</tr>
<tr>
<td>Total</td>
<td>657,238</td>
<td>100.0%</td>
<td>5,357,718</td>
</tr>
</tbody>
</table>

The second reason for us to focus our interviews mostly on SMEs was due to the fact that although SMEs do comprise an overwhelming majority of enterprises operating in the Netherlands, when it comes to the issue of CSR, they are often neglected, much to our detriment: “The current body of literature mainly addresses CSR in the context of large multinationals. Considering their large cumulative influence and fundamentally different composition of SMEs in terms of size and resources, they are bound to face different challenges in their pursuit of CSR” (Ye, 2014). This general omission of the SMEs’ perspective in our dialogue regarding certification inspired us to design our report in a way that would capture the voices, the concerns and in many cases, the optimism that these Dutch SMEs have regarding certification schemes.

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2 We are especially grateful for the help provided by Michiel van Yperen, Gerard Teuling, Marjolein van Gendt and Saskia Pepping from MVO Nederland; and Christine van Basten-Boddin, Sybren de Hoo and Jan Eijsbouts from Maastricht University.
The Interviews
After carefully selecting companies to interview, as facilitated and guided by the experts mentioned above, the project team chose three sectors (agri-food, fashion and tourism) and selected companies and other relevant organisations to contact and interview (listed in Appendix 1). Prior to the interview, the team sent out a general questionnaire that listed the type of questions that the team members would be asking them about during the interview so as to give the businesses time to prepare an answer. A sample questionnaire is replicated in Appendix 2 of this report.

1.5 Caveats
Although previously mentioned in the methodology section, it is worth reiterating here the difficulty of making generalized statements when it comes to how certification measures impact businesses. Even when the scope of our research is narrowed down to Dutch businesses – and mostly SMEs at that - this concern will inevitably remain. With this in mind, it must be mentioned that while we stand by our conclusion in the end, the comments made by our interviewees – made as an individual and not necessarily as the representative voice of their respective organisations - should be taken with a grain of salt where necessary, given that some of our questions required disclosure of their business practices and preferences. In addition, given that our interviews were limited to companies in only three sectors - agri-food, fashion and tourism - it is entirely feasible that the experiences of Dutch SMEs in other sectors vary to some extent. And since mostly sustainable frontrunners were interviewed for this research, most of which use CSR certification or are experts on this subject, their opinion about certification is likely to be more positive than the opinion of the large number of mainstream (largely uncertified) companies that we did not talk to.

However, it is our contention that this report still threads a rich tapestry that depicts the unique insights that various Dutch businesses have encountered when dealing with the certification procedures.

1.6 Road Map
Having covered the required introductory remarks, the final subsection of this Chapter will provide a brief overview of what the reader can find in the remainder of this report. Chapter 2 will cover some general aspects of certifications from why businesses certify to what types of certifications are available, relying mostly on existing literature as our primary source of information. The sector specific analysis will begin with Chapter 3, where Andreea Ungureanu and Katherine Pitman will describe issues specific to the agri-food sector, looking specifically at the cocoa and palm oil industries. Shifting gears to the fashion sector, Moniek Vroomen and Ping Su will talk about the clothing industry by looking at materials such as cotton and leather in Chapter 4. Our last sector-specific analysis will be on the tourism industry, which will be analyzed by Eliza Charlemagne in Chapter 5. Chapter 6 will provide a comparative analysis of the different industries to highlight any similarities and/or differences in how companies in these different sectors perceive certification. This chapter will also answer some of the key questions about when certifications are indeed useful and when they are not and what conditions increase the likelihood of the certification’s success. Finally, Chapter 7 will offer our concluding remarks along with some relevant takeaways for companies and certification boards alike.
2. Certification in General

Certification is a self-regulating instrument often governed by private parties. The purpose of certification is to inform customers, suppliers and other stakeholders in the supply chain about the characteristics of a product, or process by which, a particular product was made (Hooijdonk, 2013). The first certified commodity to enter mainstream supermarkets was Max Havelaar’s certified coffee in 1988, with the rationale “help is nice, but a fair price for [...] coffee is even better” (Max Havelaar, 2014). This first step in certification lead not only to the development of the highly recognized international organisation, Fairtrade International, but it also kick-started the growth of certification schemes and labels that are available today.

Certification and labelling schemes have not only grown in number, but the types of commodities and processes that are now certifiable are diverse, and the list is impressive. The most recent count indicates there are over 450 labels and certification schemes spread across 197 countries and 25 different industry sectors (Ecolabel Index, 2014), representing a wide range of products and services such as agricultural produce, forestry, textiles and more recently, even tourism.

Part of the reason for this proliferation is that certification schemes provide benefits to many of the stakeholders in the supply chain. For companies, certification serves as a means to indicate, promote and prove their commitment to sustainability. For consumers, certification provides a form of assurance that the products they choose have been produced by businesses in an ethical and responsible manner. For producers, in as much as the proponents of certification claim, certification improves their overall quality of life, as well as the product quality. The proliferation of the certification schemes and their alleged benefits aside, it is important to note at the onset that the increase in companies choosing to certify is also controversial, with some stakeholders (mostly NGOs) questioning their motives.

From an academic perspective, the proliferation of certification schemes creates a different kind of a problem; how can such a diverse range of schemes be categorized and classified? As recent research has shown, “there are deep differences among [the certifications], not only in their outcomes and structures but also in the incentives and effects” (Gándara, 2013). While the dissection and systematic categorization of the various certifications may be useful for some, this - almost impossible- task falls beyond the scope of this report. Instead, the objective of our research is to present to the audience the unfiltered voices of businesses, their experiences of certification schemes, and the reasons why they have chosen to use, or not to use, certification.

That is not to say that a basic summary of the kinds of classifications that are out there is not required. Indeed, those classifications most commonly acknowledged provide a useful means by which, for example, a certification scheme that is provided by an independent body can be differentiated from those which are entirely administered within a company. This chapter will therefore start by briefly defining ways in which a certification can be classified. It is important here to note that although we will provide the basic definitions for these terms in this chapter, many - if not most - of the businesses consulted during the process of the research were not, in general, very interested in these classifications.

After defining the basic classifications of certification scheme, the chapter will continue by showcasing the general motivations - why businesses choose, and want - to be certified, as well as some of their general limitations. While each of the subsequent chapters will provide further details of sector-specific motivations and limitations, we believe that it will also be beneficial for the
reader if the general trends were summarized at the onset. This chapter will also summarize the key pieces of existing research upon which this report builds.

2.1 What Types of Certifications Are Out There?
Certification is generally defined as an instrument providing consumers and the industry with a degree of assurance that a particular company’s products and/or services meet a specific set of minimum standards. However, there are different ways that certification can make these assurances. The aim of this subsection is to highlight some of the most common ways in which certification can be divided and categorized.

Before diving into the differences, it is important to consider the general characteristics that many certification schemes have in common.

- First, when it comes to certification, there is usually a standard setting body that develops and publishes the standards. Many of these bodies set standards through stakeholder participation, so as to ensure the standards created are not arbitrary or unattainable.
- Alongside the standard setting body, a certification body serves as the decision-making body, and determines whether the business seeking certification is in compliance with the standards set.
- These decisions are based on the results of audits (i.e. reviews or assessments), which confirm whether a company’s business practices or services adhere to the standards set.
- Once certified, some certification schemes provide labels that companies can place on their products (or websites) to indicate their compliance.

Having briefly discussed the similarities of most certification schemes, we will now point out the differences.

Classifications Based on Who Certifies You
This question essentially revolves around who certifies the businesses and there are generally three different ways in which a company can be certified. In the case of first-party certifications, a company simply assure that the goods or services that they offer meet a particular standard (i.e. self-regulation). Although this method of certification is arguably the least credible option, that is not to say that it is unpopular. The next level of certification and arguably a slightly more credible form of certification is the second-party certification. In this case, an organisation or an association that the company is a part of, assesses and evaluates the company to ensure that it meets the established standards. While it is a step up from self-regulation, it is not entirely independent. The most credible means of certification is the third-party certification scheme. This type of certification requires an independent, neutral third party to set standards and evaluate the company’s compliance.

Classifications Based on What You Are Certifying
Another way to classify the type of certification is to focus on what is being certified. Some certification is product-based. As the name suggests this kind of scheme awards certification to companies depending on whether the product being made conforms to a particular standard. This standard may be based on safety, quality or related to some form of sustainability. On the other hand, some certification is process-based, in which entire companies (or single production facilities) are certified for their compliance to standards that focus on the process of manufacturing or producing a particular product. An example of this is the ISO14000 series, which certifies companies

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3 Although this paragraph is discussing some of the similarities, when it comes to the issue of labels, it is worth stressing here that some certifications schemes, such as any provided by ISO, do not offer any labelling.
on their environmental management system, or SA8000, which certifies production facilities on compliance with labour standards.

There is a significant difference emphasized between product-based and process-based standardization and certification. Process testing is more complex. As Jef Wintermans (Modint) explains: “It is a rather different matter if you attempt to improve social conditions or harmful substances. Chemical standards of a product are rather easy to investigate: you can check whether a product was exposed to certain production processes, the concentrations of chemical substances and so on. But if you take a pair of jeans from retail, there is no way to see in which social conditions this product was made”.

Indeed, when looking at a product, it is impossible to see how workers were treated, under which circumstances the raw materials were procured and which wages were earned. Moreover, the harmful substances in a product tell little about workers’ safety conditions, or how wastewater got exposed of: “You have to look at chemical management, quality management, performance on environment management: the entire production process” (Jutta Knels, OEKO-TEX).

It is important to note here that one approach to certification is not necessarily better than the other, but that these differences in focus and approach need to be understood when selecting a certification.

**Classifications Based on the Number of Issues**

This classification, as the name hints, is relatively straightforward and deals with the question of how many issues the certification represents. There are single-issue certifications and multiple-issue certifications. For example, Rainforest Alliance focuses primarily on conserving biodiversity in the production of tropical plantation products, whereas the EU Ecolabel deals with certifying a wide range of non-food and non-medical product groups from detergents to laptops on environmental criteria. Other frequently used certifications focus mainly on labour and/or human rights standards, such as BSCI or Fairtrade. What complicates this otherwise seemingly clear definition is when the certification represents buzz words like “sustainability”, which can mean a plethora of different things. Therefore, an attempt to classify such certification schemes as either single-issue or multiple-issue certification would be, at least for the sake of our particular research, an exercise in futility.

With this in mind - and also being cognizant of the fact that there are numerous other ways that a certification scheme can be categorized, for example national versus international, including stakeholder consultation or not, etc., the subsequent chapters will provide a list of relevant certification schemes within their sectors.

**2.2 Certification vs. Sustainability**

Both companies and consumers sometimes confuse having certification with running a sustainable business. However, as several of our interviewees underlined, there is a difference between the two terms and having a certification does not, necessarily, ensure sustainability. The recent State of Sustainability Initiatives Review (Potts et al., 2014) is quite pessimistic about this, stating that “voluntary sustainability standards offer an important contribution to the green economy, but cannot be assumed to deliver sustainable development outcomes”.

Taking an economic standpoint regarding sustainability, Dave Boselie from IDH points out the importance to revisit the way sustainability in business practices is regarded: “What we do now is to certify coffee and cocoa cooperatives, call them sustainable if they send their kids to school, use
the fertilizer in the right way—and all kinds of criteria—which are very important. Well, first of all, we might call them [the cooperatives] sustainable, but they are still extremely poor, they are defaulting, they have bad management, they are going bankrupt. We have completely forgotten the business perspective of the cooperative. I think we should first go back and ask “are you a good company?” And after that: “How are you taking care of your people and the environment?”.

Tackling the issue from an environmental standpoint, Jos Harmsen (Max Havelaar) elaborates that full sustainability means taking a look at the full spectrum of activities employed in the supply chain: “How you behave in transport, in how you use cars, airplanes, how you respect the employees, what you serve in your canteen, the use of materials of wood in your company or offices—there is much more than just certification of one element of your business.”

Sustainability, therefore, tackles a higher array of issues related to the success of businesses. Certification, in itself, is a tool to be used by companies wishing to improve their CSR practices and ensure ethical standards. It can be used by companies and organisations alike in their pursuit of sustainability along the supply chain—a view which will be found throughout this report.

**Box 3.1**

“Sustainability will become a qualifier. So that means credible sustainability, which does not equal certification, because somehow we think that once you are certified you are sustainable, but that is a big mistake that we are making there. But sustainability will become a qualifier. If you as a brand or a company cannot show your contribution to society more and more, then you will be wiped out of the market, there will be no more room for you at some point. That is less a consumer drive, but it becomes a general market expectation.”

Lucas Simons, NewForesight

### 2.3 Recent Research on (the benefits of) CSR Certifications

The 2014 State of Sustainability Initiatives report found that sustainability standards have experienced incredible growth throughout the last decade, and have forcefully penetrated mainstream markets. At 41% annually, the growth rate for standard-compliant production in 2012 far outweighed that of conventional commodity markets (2%) (Potts et al., 2014). The strongest growth has been in palm oil (90%), which is followed by sugar (74%), cocoa (69%) and cotton (55%). The report also found that despite this growth, such markets continued to experience a situation of supply exceeding demand for standard-compliant production, with the majority of this supply coming from the more developed, export-orientated economies in Latin America.

**Managing Complex Supply Chains**

Sustainability standards are strengthening the reliability of market claims (through increasingly independent monitoring and enforcement processes) and the opportunities for stakeholder participation in decision making along the supply chain (Potts et al., 2014). Because of the increasing attention being given to CSR, stakeholders increasingly have both, direct and indirect influence on the advancement of different certification schemes.

From an economic standpoint, certification schemes reduce information asymmetry and therefore reduce the transaction costs encountered when dealing with unfamiliar companies in the supply chain. By demanding certification from second tier companies in the supply chain (a company’s suppliers), companies can also impact indirectly on the actions of third tier companies, who then
must comply with the standards of their customers (Ciliberti et al., 2009). This gives them greater leverage on the supply chain.

Tackling such complex and diverse issues as they occur along the production line is not a job that can be done by any one stakeholder or part of the supply chain. Therefore, knowledge and resource sharing is a crucial mean by which standards can be implemented and the best practice shared (IDH, 2013). To this extent certification schemes can also benefit their member companies by facilitating the exchange of knowledge and expertise that they and their members hold. It is these factors that bring the added value to certification for companies who do not have a strong hold over the supply chain and therefore have limited leverage.

**Certification for Profit**
There is also substantial evidence that companies with sustainability records do better over long term. For example, companies on the Dow Jones Sustainability Index outperformed companies on the “regular” Dow Jones Index by 36% over the period 2005 - 2007 (Ciliberti et al., 2009), and findings for an 18-year period show that High Sustainability firms dramatically outperformed the Low Sustainability ones in terms of both stock market and accounting measures (Eccles et al., 2011). The Sustainable Trade Initiative (IDH) has also found that brands with high social equity have higher preference scores among consumers (IDH, 2009b).

**Do Certifications Actually Make a Difference?**
For companies and their stakeholders alike, one of the key questions is whether certification is worth all of the hassle that the business must go through. In other words, to what extent is certification auditing reliable, relevant and trustworthy enough to significantly contribute to the realization of accountability for sustainability?

This problem is closely related to the issue of transparency, as even the work of accreditors and certifiers is not always transparent, and indeed some certification boards are not independent (Sroufe and Curkovic, 2008). Similarly, the way in which a certification board adopts an auditing method can influence the actual impact it has on a company. This only serves to increase uncertainty about how control and compliance can be guaranteed.

**Proliferation of Certifications: Are there Too Many Labels?**
While the availability of a number of certification initiatives is beneficial for competition among certification boards, too many certification schemes will “lead to lower confidence among various stakeholders and finally to lower acceptance and increase confusion for the customers” (Scarlat et al., 2011).

Standards set within certification schemes are in decline, as standards attempt to target mainstream markets. A key finding of the SSI report was that while voluntary standards do encourage investment, the ability of such standards to achieve investment from companies is highly dependent on the credibility and trust that such schemes have to deliver on their claims to sustainable outcomes on the ground (Potts et al., 2014). With hundreds of sustainability standards out there, it is becoming even more important to determine and communicate those factors which make a particular certification scheme credible and trustworthy; “the claim of any single label becomes weaker with every new logo appearing on the market” (IDH, 2013). This is a key issue proposed within three of the most recent reports from IDH.

Moreover, an increasing amount of certification schemes, each with different requirements, can increase the risk of inconsistency and the contradiction of standards (Scarlat et al., 2011).
Delivering Long Term Change is a Marathon, Not a Sprint

This issue of credibility is also picked up within the ISEAL 2013 Annual Report. The four goals guiding ISEAL’s work are impacts, adoption, credibility and effectiveness. They state that “delivering long-term positive change is the mark of a good sustainability tool, but demonstrating conclusive impacts is a marathon, not a sprint” (ISEAL, 2013, P15). While there is agreement over a broadly defined need for companies to sustainably and responsibly source their products, it is both the planning and implementation of such standards within companies and the enforcement of these standards down the supply chain that takes the most time, effort and training (IDH, 2009a). Certification at its best is not a goal, but a means to an end; a means to achieve sustainable sourcing (IDH, 2009b).

Are Certifications Cost-Prohibitive?

In many cases, certification schemes cover one particular issue, such as community involvement or gender equality, rather than the complete spectrum of CSR issues (European Commission, 2005). For many companies, it is impossible to become certified with several types of certification due to their high cost and administrative burden. This necessitates cooperation among different certification boards to increase the possibility for companies to ensure a major part, or the whole of their supply chain.

The high cost and substantial administrative burden associated with certification could discourage SMEs to get certified. With both, internal and external audit fees and the constant possibility that standards will be increased, it is - especially for SMEs - not easy to continue to develop products and expand markets while attempting to remedy noncompliance issues (Sroufe & Curcovik, 2008). For some companies, their existing systems already exceed the requirement of certification (Sroufe & Curkovic, 2008), and therefore specifications defined by private parties might not suffice (Baarsma, 2003).
3 The Agri-Food Sector

3.1 Introduction

There is a substantial body of research concerning the effects of sustainable supply chain certification in the agri-food sector, as well as a high degree of coverage from civil society and international governance organisations. Similarly, large trans-national companies (TNCs) invest significant resources into communications regarding their CSR and certification initiatives. There is far less information, however, concerning the strategies SMEs engage in while tackling certification and sustainability in their supply chain. With a focus on three commodities - cocoa, coffee and palm oil - this chapter discusses the challenges and opportunities that Dutch SMEs experience in their quest for certified products, as well as industry trends that will shape the future of tropical commodities certification.

The Coffee Industry

The coffee industry has undergone significant changes in the past decades. Shifts in political and economic paradigms have enabled its transformation from a managed market - in which governments play an active role - to a free market, where producers and companies alike influence the price, supply and demand. This situation has tilted the power scale towards customers (both companies and end consumers, the great majority coming from developed countries); the market is demand driven, with producers having to more and more adhere to the requirements of buyers (Dingenen & Koyen, 2010). Nonetheless, producers face several challenges, especially when it comes to pricing, environmental practices and human rights. These challenges are some of the reasons that enabled certification to emerge.

The coffee industry is generally regarded as a forerunner for certification endeavours (Reinecke, Manning & Von Hagen, 2012; Kolk 2005), as it was the first commodity to enter mainstream supermarket channels (Ingenbleek and Reinders, 2012). Although certified coffee was previously considered a niche product only suited for exclusive retailers and coffee connoisseurs, the production of certified or verified coffee has increased from an estimated 15% to 40% of the general coffee production (between 2008 - 2012) and thus became a viable business opportunity for coffee companies across the world (Potts et al., 2014). The Netherlands is a leading example in early coffee certification. In the late 1980s the fair-trade movement, backed by Solidaridad, introduced their first certified coffee in Dutch supermarkets under the label Max Havelaar (Ingenbleek and Reinders, 2012). Since then, consumption of certified coffee has steadily increased, reaching 25% of the Dutch market (Kolk, 2011).

The Cocoa Industry

Unlike large, industrialized crops, 80 - 90% of cocoa comes from small farms, totalling around 5-6 million farmers worldwide (World Cocoa Foundation, 2014). The Netherlands is one of the largest worldwide cocoa importers (Potts et al., 2014), most of which is destined for export. The country also accounts for 13% of the global grinding, making it thelargest processing country by volume (World Cocoa Foundation, 2014). The Netherlands ranks in the top 5 for demand of post-processed cocoa products worldwide (butter, powder, cake and paste) (World Cocoa Foundation, 2014). In lieu of the important role that the Netherlands plays on the global cocoa market, the Dutch Ministry of Agriculture, Nature and Food Quality (LNV) has signed a letter of intent to reach full sustainability by 2025 (Rijksoverheid, 2010). Various major players on the cocoa market, including nongovernmental institutions, certification boards and multinational companies joined the government for this initiative.
The Palm Oil Industry
With a yield that is 5-10 times greater per hectare than other vegetable oils, high nutritional benefits, relatively long shelf life and malleability within confectionary as the only oil, which is solid at room temperature (Levin, 2012), palm oil remains a highly valued product within the food industry.

From the perspective of businesses engaging in SSCM and CSR initiatives, palm oil presents a significant challenge. As it is agriculturally viable only in equatorial climates, there is little possibility to shorten supply chains. The primary producing countries are Malaysia and Indonesia which together make up for 89% of global production (Potts et al., 2013). This means any suppliers or manufacturers in the Netherlands must participate in a global supply chain.

Palm oil production has been highly controversial. Significant media coverage by environmental NGOs such as Greenpeace highlighted the damaging effects of palm oil production “with respect to
land use change, rights of indigenous people and local communities, deforestation, peat land conversion, loss of biodiversity, greenhouse gas emissions, [and] waste management” (Chandran, 2014). Indeed in 2009, only 3.3 million of the 46.6 million tons of palm oil produced worldwide was sourced sustainably (Searle, 2010), indicating the scale of the problem RSPO aims to tackle.

![Figure 3.3: The palm oil supply chain (adapted from Chee Guan & McKay, 2011)](image)

In 2013, the global production of palm oil was estimated to be 56.2 million tons, with projections that the industry will grow 40% by 2020. Global production has almost doubled every ten years since 1950. The Netherlands is Europe’s largest importer and processor of palm oil, with domestic disappearance (consumption, loss and waste) doubling since 2006 to 1.3 million tons (Gerasimchuk & Koh, 2013).

### 3.2 Certification Schemes

As coffee and cocoa crops originate predominantly in low-income countries (i.e. Brazil, Colombia, Vietnam), issues such as child labour, fair pricing and environmental impact are of utmost importance. Certification bodies were set up with the clear goal of tackling these issues. In essence, they address the triple bottom line - people, planet, profit - through carefully crafted programs aimed at improving the practices within the cocoa, coffee and palm oil industries.

The coffee industry has a wide array of certifications in place, with the cocoa industry following suit. For SMEs working within these industries, the important certification and labelling schemes are the ones set up by independent bodies (i.e. NGOs). Though there is an increasing variety of certification schemes, four main ones emerge as being popular choices: Fairtrade, Rainforest Alliance, Organic and UTZ Certified. They all address similar industry specific challenges: child labour, fair payment, environment impact of production. For palm oil, certification is only now emerging. RSPO is arguably the most relevant certification scheme, widely adopted by large companies.

**Fairtrade International**

One of the first certification boards, Fairtrade International was set up in the Netherlands in the 1970s under the name Max Havelaar. It is currently one of the largest international, third party certification bodies, which sets standards for a large variety of products, from fruits, spices and herbs to sports balls, gold and cotton. The main focus is on tackling poverty and supporting the sustainable development of small producer organisations in origin countries, by ensuring that a Fairtrade Minimum Price or a Fairtrade Premium is paid by buyers. Fairtrade also tackles the
sustainable, social and environmental development of producers and their organisations, thus making it multiple-issue certification. Its standards are applied to producers and distributors alike and compliance is verified by Fairtrade audits (Fairtrade International, 2014).

**Rainforest Alliance**
RA-Cert is a certification scheme that primarily aims to conserve biodiversity, but deals with other issue such as improving livelihoods and promoting sustainably. Given that it aims to address ecological, social and economic issues, this could be characterized as a multiple-issue certification. RA-Cert is a globally recognized, third-party certification scheme that has both product and process based requirements in order for the company and its products to be certified (Rainforest Alliance, 2014).

**Roundtable for Sustainable Palm Oil**
RSPO is an international multi stakeholder organisation and certification scheme for sustainable palm oil. RSPO’s approach is one of “an inclusive process aiming to bring together and influence as large as possible a subset of standards initiatives and other stakeholders in a particular industry” (Derkx, 2013). RSPO certification includes eight best-practice principles for growers and millers wishing to become certified, and three standards through which businesses further down the supply chain can buy into and support the RSPO certified producers. RSPO (2011) lists positive impacts in regards to operations (efficiency, auditing systems, and accident rates), community relations (fewer social conflicts), staff and labour arrangements (lower turnover, higher motivation), and revenue, market and capital access (RSPO certified producers become eligible for IFC and Equator Bank loans) (RSPO, 2014).

![Figure 3.4: Supply chain systems and corresponding certificates for sustainable palm oil (Source: SIIJ, 2014).](image-url)

<table>
<thead>
<tr>
<th>RSPO SUPPLY CHAIN SYSTEMS</th>
</tr>
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<tbody>
<tr>
<td>1. &quot;Segregated&quot;</td>
</tr>
<tr>
<td>Certified palm oil is kept apart throughout the supply chain.</td>
</tr>
<tr>
<td>2. &quot;Mass Balance&quot;</td>
</tr>
<tr>
<td>Certified palm oil is mixed in with conventional palm oil but monitored administratively.</td>
</tr>
<tr>
<td>3. &quot;Book and Claim&quot;</td>
</tr>
<tr>
<td>Certified palm oil is not kept apart; Suppliers sell certificates to users; Claimed volumes are matched.</td>
</tr>
</tbody>
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<tr>
<th>PRE-APPROVED MARKET CLAIMS (see “RSPO Guidelines on Communication &amp; Claims”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>This product contains [only...%] RSPO-certified sustainable palm oil</td>
</tr>
<tr>
<td>This product/brand/company advances (or equivalent) the production of RSPO-certified sustainable palm oil (equivalent to ...% of the palm oil utilised)</td>
</tr>
<tr>
<td>This product/brand/company advances (or equivalent) the production of RSPO-certified sustainable palm oil (equivalent to ...% of the palm oil utilised)</td>
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<tr>
<th>REQUIREMENTS (see “RSPO Supply Chain Certification Systems”)</th>
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</thead>
<tbody>
<tr>
<td>All operators in the chain need to be RSPO members (except subcontractors)</td>
</tr>
<tr>
<td>All processors in the chain need to be RSPO-supply chain certified (except subcontractors)</td>
</tr>
<tr>
<td>Up to final refinery, owners report all shipments and deliveries to the UTZ online monitoring system</td>
</tr>
<tr>
<td>Certificate purchases through online GreenPalm system</td>
</tr>
<tr>
<td>Claimed oil volumes cannot exceed certificates obtained</td>
</tr>
<tr>
<td>One in ten end-users is independently audited</td>
</tr>
</tbody>
</table>

RSPO (2014) lists positive impacts in regards to operations (efficiency, auditing systems, and accident rates), community relations (fewer social conflicts), staff and labour arrangements (lower turnover, higher motivation), and revenue, market and capital access (RSPO certified producers become eligible for IFC and Equator Bank loans) (RSPO, 2014).
UTZ Certified
UTZ Certified is an international certification scheme, which originated in the Netherlands. It focuses on encouraging initiatives that develop sustainable farming methods for coffee, cocoa and tea. With its standards, UTZ Certified also tackles the social, economic and environmental issues that producers in developing countries are facing. Though it is an independent certification body, it does use third party auditors to check up on the performance of UTZ Certified companies (Utz Certified, 2014).

4C Association
4C Association is a third-party, multi stakeholder organisation that brings together companies from all parts of the supply chain in the coffee industry. Its main purpose is to improve economic, social and environmental conditions for producers in developing countries, thus tackling multiple issues. It has developed the 4C Code of Conduct, a set of principles that establish the baseline for sustainability in coffee. Though 4C does not have a label, it is viewed by the industry as a good starting point for companies wanting to embark on sustainability (4C Association, 2014).

3.3 Motivations for Certification
The coffee and cocoa industry benefit from a complex array of certification schemes that companies can adhere to in order to better meet their internal sustainability agenda. The palm oil industry, on the other hand, has only one prevalent certification. Though the end results might be similar - participation in the certification of choice - the motives behind choosing certification vary from one industry to another. While for some companies certification is embedded in their core culture, driven by the business leader, others embark on this path to better meet customer requirements. As this section unfolds, we will explore the main factors that fuel the drive for companies to get certified.

Interviews were conducted with SMEs operating in the cocoa, coffee and palm oil industries. Additionally, a large trader which takes a keen interest in sustainability, certification board representatives and experts in certification, particularly in coffee and cocoa, were interviewed. This approach brings forth different perspectives on certification and sustainability, helping us to shape a broad picture of what is happening in these industries.

Enabling SMEs to be Part of a Sustainable Supply Chain
Certification schemes simplify the global supply chain for coffee, cocoa and palm oil. In essence, they serve as a tool to be used for developing sustainable business practices; ensure the coherent development of the supply chain; help companies estimate future supply and ensure the standard quality for their products. By bringing all relevant stakeholders to the table, certifications encourage the development of long term relationships between farmers, traders and companies located at different ends of the supply chain, thus enhancing knowledge exchange, collaboration and transparency. Certification, therefore, sets up a framework for a sustainable supply chain, but it is up to each company to determine the extent to which it makes use of this tool.

Companies can opt for a distant relationship with their suppliers, choosing to trust the label the product is sold under. In this case, companies buy their certified products from their suppliers (i.e. cocoa or coffee traders), which ensure the provenance of the product and back up that claim with the use of certification. Certification, in this case, acts as a guarantee of origin and is also a way for SMEs to showcase their efforts in sustainability.
Box 3.2

“For large multinationals, it’s different because they have the power, the money and influence and presence to go back the value chain and set up program and know where your coffee comes from, etc. But if you are a small company, it is very difficult to go back in your value chain and demand transparency and let alone demand changes - because who are you? You are just not big enough. So certification is a very simple way of them to say “Look, this is what I am doing. I am adding my two cents and I am responsible, so you can continue to buy my product”.”

Dave Boselie, IDH

For SMEs, dealing directly with larger traders is a challenging approach. Simone de Visser from Delicia points out that this is mostly due to the inequality of the relationship: purchasing departments of trading companies are key players in the negotiation process, while SMEs have less power due to their limited financial strength. There is “little room for negotiation”, making it difficult for the SME to have a say on product price or make extensive inquiries into certification impact and sustainability issues. Due to their size and limited resources, SMEs might not always have the option to go back in their supply chain and demand changes in the way certification is employed by their partners.

Driving Sustainability through Strategy and Culture

Strategic foresight and company culture are key elements that help position sustainability at the core of the business, thus ensuring a company’s positive overall impact. In itself, certification is viewed as a first step and a tool that can help build these two elements. Culture is built on the core values of a company and is the vehicle that drives everyday activities. In the working environment, culture shapes employee behaviour, their interaction with customers and overall engagement with the company. Statements such as “we want to be an example to the industry” (Manon Dautzenberg, Blanche Dael) inspire employees to look beyond the basic requirement of certification and do their best to truly delight customers, while setting a new standard for their industry.

Certification standards ensure companies to define a clear strategy and quantifiable sustainable objectives. Furthermore, they help group similar initiatives and create synergies that ultimately drive company sustainability (Box 3.3).

Box 3.3

“All the things we did, they felt natural to us, so we could really have an “umbrella” and put all these elements on it and together, it’s our story. And we want to publish it as our story. So it helps us to gather all the small things we did and make bigger steps in the future.”

Manon Dautzenberg, Blanche Dael

The companies we interviewed place corporate social responsibility at the heart of their business: be it in the vision and mission, - thus emphasizing that responsibility is at the core of the company - or as an important part of the overall strategy and everyday business. As the representative of Tony’s Chocolonely stresses: “We think it [CSR] should be an integrated approach and part of it is business as usual, but you take your responsibility. We do not have a CSR officer or a CSR agenda because it’s part of the way we work.” However, as Tony’s Chocolonely representative states: certification alone, just adhering to a code of conduct is not sufficient for development. It is one of several tools that can be used.’ Certification can prove an effective learning tools, that offers the
mechanism for companies to adhere to sustainable business practices and ensure the origin of their products.

There is also an indication that companies choose certification schemes that reflect what they want to communicate about themselves, so the costs of compliance are low. Certification in this regard is more about translation of standards into an ‘international’ language. Indeed, companies will take on standards that they can manage - either because they are committed to the changes, because the changes are small, or because they can pass the costs on. Discussing Bisschopsmolen’s efforts to become certified through the schemes relevant for their business, Monny Hasseleers said: “They [certification audits] are not a big challenge because [sustainability] is part of our core scheme, so we also know where our producers are, where the products come from - we have the personal connection, so when there is a question we say, we have the phone number go talk to him, go check it! So there is no problem.”

**Leaders as Promoters for Certification**

The owner or leader of a SME has a strong impact on the company and its strategy. Their vision of society and the role companies should play in communities translates into the way they drive their businesses, their vision and values. As emphasized by the Blanche Dael representative: “We want to contribute to the world, not just make money. That’s the difference when you have a family business”. This focus on long term benefits, rather than short term gains, enables owners to build a sustainable company, which is actively seeking to have a positive impact on society. As such, business leaders or owners are important drivers for companies to get certified. They serve as a guiding force of the company’s sustainability policy by initiating the proceedings to get certified. Furthermore, they remain active ambassadors throughout the process, serving as a catalyst for the process and a role model for employees: “They are looking for generations, they do not want to do something short term, long term is their vision” (Manon Dautzenberg, Blanche Dael).

**The B2B Market - Competitive Advantage or Industry “Must Have”?**

The mantra “our customer is king” is paramount for today’s business world, as more companies pay attention to customer demand in a bid to maintain fruitful business relationships. For the industries of coffee, cocoa and palm oil - plagued by social, environmental and economic issues - certification can be used as a tool to develop trust between business partners. The question remains, however, is certification a competitive advantage or has it become a market requirement?

There is significant debate over this topic. Experts and larger companies regard certification as a business to business (B2B) requirement, emphasizing that an increasing amount of companies require it from their partners (Box 3.4). Certification has been described, in essence, as a must-have for companies - both small and large - that want to ensure they stay in business in the years to come. For SMEs, however, certification is not yet regarded as an “industry standard”. They do acknowledge the growing demand from the customer side, but also emphasize that they still have customers who opt for uncertified products.
“In the B2B market, [certification] becomes even more of a qualifier. If you are not certified, then you are losing market share. You need to have at least one or multiple products that are certified. I mean, if you are a deliverer of coffee to other businesses, then look around you. If you go to a client and it says: “We sell only fair coffee - it can be Rainforest, Fairtrade or UTZ, everybody has their own choice, but it has to be certified”. If you don’t have that product in your portfolio, you just lost a huge client. Certification has been revolutionizing particularly the B2B market. If you don’t have it now, then you are out of the race and losing market share rapidly.”

Lucas Simons, NewForesight

The Blanche Dael representative hinted at a potential typology for businessmen who might go for certified products: “Younger people are looking differently at it (sustainability)... They look more for information, they are used to shop around’. Therefore, it is the younger generations that take an active step towards sustainability and translate that into their business practices. They make use of available resources and information to make sensible decisions. These are the ones that drive the demand for certification and are willing to invest in building up long term relationships with suppliers and companies that can provide sustainable products”. This is further confirmed by Susan de Visser from Delicia: “Employees talk with supplier or clients on CSR developments. Price is not the only thing being watched. Sustainability is an important additional factor for decisions.”

At the same time, however, SMEs also deal with customers who are not showing high interest in certified products, but are rather focus on price. Especially in these sectors where no large commitments have been made, such as coffee. This gap between purchase intention and purchase behaviour of certified products leads to a certain unbalance on the market. As mentioned during the interview with Amtrada, there is an oversupply of certified coffees. Traders which have to deal with these imbalances, adapt by offering a product portfolio that includes both certified and uncertified products. The last still being the largest market. Traders won’t change the market for sustainable products. For this demand has to be created downstream. Either by the industry through commitments or through consumer pressure.

Though clearly customers are key drivers for businesses, they might not always take into account sustainability issues and might be more price sensitive that they would like to admit. For the palm oil sector, certification in general was perceived as more useful to new customers or people not personally acquainted with companies. Companies felt that individual connections and good contacts are equally or more important to certification. This was both seen from the perspective of companies trying to attract stakeholders, staff and investors, and as stakeholders or customers themselves (Box 3.5). Susan de Visser from Delicia explained “we look for long term relationships, so we can be in good contact with [them] ... the price needs to be OK, but sustainability is also a part of it - we look if they have activities on sustainability”.

It seems that certification schemes and labels have an increased importance in the B2B market, as some of the customers are actively asking for them. This can be linked to their individual sustainability roles and aim to ensure the provenance of ingredients, as well as their ethical sourcing. In this context, certifications indeed enhance producer-customer relations, acting as a tool for the former to support claims of sustainability.
Box 3.5

“We decided to do that [certify] one year ago, at that time, we checked with some producers and they were very surprised that we were asking them questions, so we thought maybe it’s not a good time to do this right now, one year later, we know consumers are more aware of sustainability issues and some producers are also more aware: ‘OK I’m running a business but I also need to think about people, planet, profit, CSR, and how I do that?’ and then we also tell them ‘yeah OK we already do that’, we tell them the process: ‘maybe we can inform you about how to do it, how to pick it up’, so it’s not a real addition, so what you do is you advise them, and as you advise someone your also getting an impression of what they’re doing’.

Monny Hasseleers, Bisschopsmolen

The B2C Market - Are End Consumers Ready for Certification?

While in the B2B market, there is a noticeable trend for consumers to request certified products, the situation is very different on the Business to Consumer (B2C) market. Prior research shows that 30% of customers are aware of social and environmental issues; out of these, a considerable low percentage (about 5%) translate it into their buying behaviour, due to the “values-behaviour” gap (Kolk, 2011).

The B2C market seems more sensitive towards product quality (Box 3.6). By themselves, the presence of certification labels on a package is not a key factor that determines the purchase decision. Companies need to do more to showcase they engage in sustainable business practices. To mitigate that challenge, companies now make use of social marketing tools and storytelling techniques to increase awareness for sustainable products and also create a compelling story that customers can engage with. This is increasingly easy for companies who place CSR at the heart of their business - their whole image, from vision and company culture, to products and employee interaction complement each other and work together to build a strong, unique story.

Box 3.6

“Influencing consumer behaviour probably has to do a bit with educating them, but there is an element of marketing. There is always some dissonance between what the consumer says when you ask him and his actual buying behaviour. So I think it also goes back to proper marketing of sustainable products. Can you sell it well, can you capture more value out of the pocket of the consumer to make this happen?”

Dave Boselie, IDH

The low awareness of consumers does bring forth an interesting factor: the role of civil society. On the one hand, as experts seem to agree, it is the civil society - be it NGOs or public opinion - that drives the initiatives to make companies accountable for their business practices and pressure them into having an ethical conduct. On the other hand, the civil society can also be responsible for raising awareness for consumers, educating the market and ensuring sustainability becomes a relevant topic on the public agenda. As Dave Boselie argues: “There are a number of drivers for companies to engage in sustainability investments. One could be public pressure, because they are social hotspots. I can think of no sector where the industry is not challenged on dealing with child labour, accusations, or where they are not challenged because of the low income of small farmers in South Africa. Sometimes, the civil society is driving the agenda and companies need to respond.”
Marketing Benefits vs. Trust Building as Drivers for Certification?

Given the current status quo of the coffee and cocoa markets, i.e. that a large part of the market is CSR certified, a new question emerges: can companies still benefit from the marketing outcome of certification? (Box 3.7)

**Box 3.7**

Q: “Is it worth getting certified?”

A: “Yes it is worth it. In the beginning we were ahead of other companies. Customers wanted to do business with us because of the sustainable cocoa. In the beginning we were ahead of the competition. Now everyone is UTZ certified.”

_Susan de Visser, Delicia_

Certification was initially a differentiator. 5-6 years ago, companies embarking on certifications and labels were regarded as “innovators” and customers had a positive reaction towards these initiatives. However, as the market evolved, the marketing or branding advantage diminished. The main advantage for companies to get certified has therefore shifted from developing marketing benefits to developing trust of customers – on both the B2B and the B2C market. As one of our interviewees explained, labelling ensures the credibility of the sourcing process: “Consumers want to trust a brand. But they don’t want to think about what a brand is actually doing. So in our opinion, a consumer just wants to buy a specific coffee because they can trust the brand. They would be very disappointed if they would read in the newspaper there is an article about that particular coffee linked to child labour. Then the brand is harmed. The company understands that system and wants to prevent their brand from being damaged”. Certification might not be a major driver for the majority of customers to choose a certain product, but CSR certification is a useful tool that helps companies further build trust with consumers.

### 3.4 Limitations of Certification

_Certification - A Goal in Itself_

As it was underlined during our interviews, there is a widespread risk among the industries that certification becomes a goal in itself. Rather than being used as tool for continuous improvement, companies seem to regard it as a ‘stamp’ and ‘check-point’ they can tick off their sustainability list. This opinion stands out across sectors, as companies engage in green-washing and often use labels to promote unsubstantiated claims.

The general stand among interviewed companies within the cocoa and coffee sector is that certification is a first step. It helps build capacities within an organisation and can be an effective learning tool. However, they do generally not view certification as an end result. Being a sustainable company translates into ethical business practices which take into account their overall impact on society and the environment. Voluntary certification and labelling serve as a mark of this positive involvement and add credibility to a company’s statement. Developing a close relationship with suppliers, ensuring sustainable sourcing of products, placing CSR at the core of company culture and communicating these efforts in a compelling way to end consumers might be some of the ways small companies can show their commitment to sustainability.
Q: “How do other companies treat certification?”
A: “It depends on the company. In general, in the last couple of years, companies use certification as a quick win situation, where they thought [if we embrace certification], our CSR agenda on cocoa is a tick on the box, so to say. In the last few months or last year, a lot of questions came up about certification in the industry - about lack of impact, that certification itself is not sufficient, there is still a lot of poverty even if there is certification. We think that is a little bit unfair. Because we always have said certification is a good starting point. It sets the right preconditions to further development. You have to see it like a school diploma. When you have a school diploma, you know you have some capabilities, but you are still not a millionaire. So, if you want to be rich and prosperous, you have to work hard. You have to do something with the things you have learned. And that’s how we see certification.”

Arjen Boekhold, Tony’s Chocolonely

**The Cost of Certification**

The certification process in itself proves to be complex - it is a long path, which involves financial investments, considerable human resource allocation, participation and preparation of annual reviews and audits. These overall costs and efforts (including resource allocation) can be daunting to small companies, who have to juggle everyday activities with a limited number of employees. As a medium sized company, the representative of Delicia pointed out: “There is no financial effort, there is more you pay for the fee, for the audits and you have to pay more for the cocoa, so the price is either paid by the customer or yourself.” This point is further emphasized throughout the interviews.

“Knowledge and competences on standards” are, as Dave Boselie mentioned, one of the challenges that SMEs face: “Having a quality manager who knows about standards and knows how to implement them is something to help build an internal control system. The second disadvantage is the costs - the conversion costs, the recurring costs of audits and inspections.”

There is a fine balance to be achieved between sustainability and profit. Especially SMEs might face challenges, both financially and logistically that make it difficult for them to get certified. As small companies juggle limited resources with delivering high-quality products, the effort implied by certification could prove too much, especially when they want to be fully involved in sustainable practices and develop close relationships with suppliers and local communities. As the representative of Tony’s Chocolonely pointed out: “Finance is also a problem - we want to invest in production countries, but as a small company, opportunities are limited.”

**Box 3.9**

“We have set our goals and we made agreements with producers on additional premiums we pay or additional projects we support. And there are some things, which are unconditional - for example, 1% of our turnover, we donate to the foundation, which impacts the community of the farmers we work with. It doesn’t matter what the profits are in one year, we always donate the 1%”.

Arjen Boekhold, Tony’s Chocolonely

A similar situation can be identified in the palm oil industry. Indeed, although the costs of RSPO certification are comparable with that of UTZ, the benefits - as a way to procure customers in either the B2B or B2C context - are proportionally lower. This is due to two factors. Firstly, the nature of palm oil as a constituent product means that it is never likely to be a unique selling point.
on a B2C basis, and therefore there is low demand for certification moving up the supply chain. Secondly, that as a constituent product, the physical amounts of palm oil used by companies becomes very small, and therefore the relative costs of certification compliance increase: “certification involves, well you have to be clear about what’s coming in what’s going out, the management market and your trading system and a lot of these small organisations, they know about auditing, it means a lot of hassle and well they can be a bit reluctant on that” (Anonymous company).

The comparative dominance of RSPO within the palm oil industry and its endorsement on a national level within the Netherlands has also helped to both raise the profile and develop normative standards by which companies operate with regards to palm oil, thus helping SMEs to both overcome their low power in the supply chain and increase the impact of their labelling on B2B and B2C relations, as the market does not suffer from certification fragmentation.

In general, certification bodies in the agri-food sector are doing their best to adapt to these market conditions and determine flexible solutions through which certification will not be so cost prohibitive for companies (Box 3.10).

**Box 3.10**

“If you are a really small enterprise, then we have even an exception. You have two types of costs if you want to get UTZ Certified. Internal costs, to get administration running [...] sometimes of course you have to adapt something in your operations. If you spend some time on it, you can manage. It is not about euros, it is more about time. Then you have the second type of costs which are auditing costs. So you have to hire an external auditor to audit you if you really comply to the chain of custody of goods. For the latter one, we can understand that you cannot spend several thousands of euros if you are only selling some bags of coffee. So the exception for very small roasters is that you need not be externally audited. You have to live up to the UTZ requirements, but you need not be audited [...]. For them, we trust more on their self assessment. But once again, this is really for the really small roasters.”

Sven Drillenburg, Utz Certified

**Product Quality and Certification**

Certification is a double-edged sword when it comes to quality: sometimes buying certified limits the options that companies have. As Lucas Simons emphasizes: “If you start with certification, there is less flexibility. There is not always that option available: you can no longer buy it from Uganda [in general], but you have to buy it from particular farmers in Uganda”. This does not seem to be a problem for large corporations, as they can be flexible in their blends, having identified ways to optimize the blends.”

For some SMEs, taste and product quality come first, as the Blanche Dael representative underlines: “We are very choosy on quality. Arabica is a small segment of the market. We have a high standard of quality - so if there is a coffee of the same standard and certified, only then we will choose the certified.”

**Limited Knowledge Exchange & Cooperation**

Training, networking and support for the transition towards certifiable standards are therefore crucial to the success of such schemes over the long term and in particular in the case of SMEs. In the coffee and cocoa sectors, companies seem to experience a limited collaboration within the industry. Interviewed companies all noted the lack of cooperation among companies in the same
sector. “Chain collaboration is still missing I think. There is still too little shared knowledge and every company invents their own CSR goals”, as pointed out by the Delicia representative. As Tony’s Chocolonely also underlined: “We really need the other companies to come together to really change the sector. One of our biggest challenges right now to be in dialogue and to contact other companies to take steps we think they should take to create a genuine impact throughout the industry.”

Some of the best and worst feedback regarding certification schemes concerned the assistance provided to companies in achieving compliance. To the contrary, when asked how certification bodies could improve their practices, extending this kind of support, education and training to the producers was one suggestion, indicating a feeling that there was often unbalanced support and scrutiny of practices between companies towards traders, processors and retailers than there was towards producers.

This lack of cooperation limits SMEs to take full advantage of potential opportunities. Though SMEs expressed their inclination towards knowledge exchange and community building, their position in the supply chain makes it difficult for them to initiate such initiatives. Therefore, the need arises for certification bodies to encourage collaboration among participating companies within the cocoa and coffee industries and to create networking tools that can further enhance knowledge transfer.

**Fragmentized Certification & Low Consumer Interest**

The low awareness about the challenges with sourcing products makes it difficult for customers to truly understand what lies behind the labels exhibited on product packaging. Due to this, customers are less aware of what the motives and advantages of certification are. Secondly, the large complexity of certification schemes available, their philosophies, values and approaches make it difficult for B2C consumers to make an informed decision with minimum effort (Figure 3.5).

For companies seeking to achieve some form of certification, highly fragmented certification in some industries is perceived as limiting the strategic gains companies make through certification. Indeed, choice overload is a substantial problem for companies wishing to communicate, particularly on a B2C basis, as such a low proportion of consumers are willing to spend time researching and searching for products that conform to particular certification standards.

![Figure 3.5: Examples of different CSR product labels for (Dutch) consumers.](image)
Low Traceability and Trust
Companies see an added value in certification as a means to trace goods and overcome information asymmetry. In comparison, the trust in schemes that do not provide this transparency is low. In terms of the cost benefit analyses companies perform, these concerns over the real impact that certification schemes have for the producers has therefore reduced the amount companies are prepared to invest in certified produce. While some SMEs may view certification schemes as a means to gain leverage on the supply chains, the extent of this power is often very limited.

Greenpeace (2013) highlights the limitations that RSPO has encountered in enforcing certification standards on the production side, leading to low credibility of RSPO and even statements that it is another form of green washing. Among the companies interviewed, low traceability within the RSPO scheme has meant there is low trust among some companies over the sustainability or real impact of the RSPO certified products, particularly on the livelihoods or farmers in producing companies. Both Susan de Visser and Monny Hasseleers shared these doubts.

3.5 Industry Trends & Emerging Alternatives

Sourcing of Sustainable Complementary Goods
Though cocoa and coffee are indeed the primary goods, there are other ingredients that go into the final product – from raw ingredients to wrapping, cups or sugar bags. A trend evidenced while talking to SMEs was their attention to the whole variety of materials. Of course, this approach also has its challenges. Certification is not available for all products or ingredients, although companies do their best to choose the ones that have a positive impact on society. For certain products (i.e. recyclable paper cups) demand is higher than supply, therefore making it challenging to balance business requirements and stock planning. As more companies turn to sustainable options, producers should look into further ways of developing this market.

However, as studies points out (SustainAbility, 2014), certifying every product and production facility across the globe, can prove an elaborate, cumbersome goal which might not achieve its purpose. First of all, the wide variety of labels and certifications already available on the market confuse customers, as previously emphasized. In the end, over-certification can indeed dilute the impact of labels and make it difficult for companies to stand out, and customers less likely to notice.

Secondly, tracing the ingredient within each product would be a challenge in itself. As companies emphasized, they will look for the best products and the story behind them (Box 3.11).

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**Box 3.11**

“If there is a certified product, ingredient, we put in there. But this is not the only condition. First, we think to see if we think ourselves the story behind the ingredient is ok [i.e. origin of the product], and if we think we have a good impact with buying the ingredient. Then, for example, the next step is if there is fair-trade available, we buy it as fair-trade.”

*Manon Dautzenberg, Blanche Dael*

As Susan de Visser describes, despite substantial coverage of palm oil from environmental groups in the media, RSPO as a certification body remains somewhat unknown within the industry and, in particular, among consumers. This perceived low awareness and also low benefit is in part due to
the nature of palm oil use as a constituent rather than a whole product: “Yes it is growing, you hear more on the news and on the radio, and our retailers are interested in RSPO palm oil... we have certification for UTZ, but not for Fairtrade International and RSPO, because our products contain little palm oil, customers don’t ask for RSPO palm oil, so we buy sustainable but we don’t have certification”.

The further a company resides up the supply chain, the smaller the amount of palm oil they require, the lower the perceived need to certify their produce. This was discussed as a key reason why larger companies are more likely to become certified than smaller ones, as they are more likely to come under scrutiny for the large amounts of palm oil they use. The growing publicity is however assisting companies to think strategically about their future image and actions, and to plan to incorporate sustainability initiatives into their constituent products.

Though certification of all complementary goods is problematic and sometimes unfeasible, some SMEs are starting to pay more attention to the sustainability of the goods required for their end product.

**Additional Auditing From B2B Customers**

From an organisational standpoint RSPO should have been effective in overcoming the ‘limited buy in’ (Derxk, 2013) that can occur as a result of too stringent standards. Indeed, while the interviews indicate low penetration of RSPO into the Palm Oil sector as a whole, this is set to rapidly change over the next 5 years, as all the major companies have made pledges to go 100% sustainable produce by 2020. However, the low standard for entry into RSPO certification, in particular the Book and Claim system, has generated criticisms regarding two points. Firstly, as stated previously, such schemes make certification as a process less credible, and are widely regarded as a form of green washing. Companies acting as customers therefore do not take certification on face value, but frequently supplement this with their own auditing processes, resulting in additional time and costs for both suppliers and consumers along the supply chain. Susan de Visser explains: “When we want to help the farmers we need to use suppliers who are also in the sustainable business. It’s difficult to know exactly what they are doing.... we ask for it [certification], we check [for certification] when we do new business if they are sustainable partner, and with audits we check if they are really doing it.”

**More Direct Relationships With Suppliers**

As SMEs are facing several challenges with certification, especially pertaining to costs, a multitude of standards to comply to and limited knowledge exchange, direct sourcing can be identified as an interesting alternative for those companies which want to engage in sustainable business practices. Simplifying your supply chain by direct sourcing, in essence, means establishing contact with producing communities - be there farmers or cooperatives - and working together to develop sustainable practices. It basically by-passes certification, but still ensures high standards for business conduct.

Developing long-term relationships with suppliers is also a solution to circumvent the problem that SMEs in general do not have much influence/power in their supply chain. This is shown by some of the business practices of SMEs such as Tony’s Chocolonely (see Box 3.3) and Blanche Dael. Their focus has been on developing a long-term relationship with the companies that supply their coffee and cocoa. Careful consideration is taken when choosing suppliers: the quality of product and their capabilities to meet the demand, as well as the ethical circumstance under which they operate their business.
Certification AND long term relationship building help SMEs to develop a sustainable, trustworthy supply chain. This way, smaller companies circumvent potential challenges that arise by doing business in an international environment and ensure the long term security of their supply. This view is further emphasized by the Amtrada representative, who makes a valid point about the advantages of developing long term relationships with certified farmers: “There is certain loyalty. Our coffee farmers present their coffee first to us because they get a premium. So we know we can always get the coffee, we have a certain volume, which we can also get. [this is] risk management: you get a dedicated supply chain, which you can control in terms of quality and volume. Even if you can’t sell, saying that you are going to cut off these farmers because you can’t sell would also hurt your business, because you lose your dedicated supply chain, so you lose this kind of inflow of coffee which you’ve been always getting. You need the loyalty with the farmers”.

Box 3.12

“The second cooperative, we work with because we are really proud of what they do - they are independent and very standing up for themselves. That’s special in the cocoa industry. But because they are coming up for their own farmers and their own organisation, not many companies want to work with them - they would rather have cooperatives which are weak and don’t stand up for themselves. So they [cooperative representatives] make it too difficult, which is not true. They are just cocoa farmers, like cocoa farmers should be.”

Arjen Boekhold, Tony’s Chocolonely

Box 3.13

Q: Should all SMEs get certified?
A: “Only when it benefits the players in the supply chain. For example, when you have a very small company - it is impossible and costly to be certified. But they [smaller companies] have direct relationships and perhaps they have a bigger impact in the way they work than the larger companies. Not everyone should be certified, but everyone should be able to show its impact and its responsibility”.

Arjen Boekhold, Tony’s Chocolonely

Key elements of building long term relationships are trust and demonstrating genuine interest, which is developed over time. As both of these require time and extensive collaboration, their development is further impeded by the distance between buyers and producers (both geographical and within the supply chain). SMEs go to great lengths to bypass these challenges. As evidenced by Tony’s Chocolonely: “We have real direct relationships. We have weekly contact with each other. We build up our own networking in both Ghana and Ivory Coast which we can use...we have network of local NGOs and local consultants. But we also travel now and then to really build personal relationships with all the people involved in the industry.”

Local Community Involvement to Achieve More Sustainability Impact

Looking beyond certification, in a broader sense, means tackling the underlying issues that lead to problems in the cocoa, coffee and palm oil sectors. As was underlined during the interviews, much more needs to be done than just certification to ensure sustainable business practices: “Many companies think certification is a goal in itself, but it is a means for further development of farmers or producers. When you are certified, it is just a start, but much more things need to happen”.

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Looking beyond certifications, companies take the next step to increase quality of life in the areas where they are sourcing the raw products. Initiatives (i.e. financing local schools, developing a strategy to help farmers obtain certification) help the development of local communities, beyond certification as stressed by Tony’s Chocolonely’s representative: “It is easy to get a child out of the cocoa field, but where is it going to when there is no school or no other preconditions where they can build a future upon”.

Box 3.14

“So we see certification as one of the tools in our package that helps us achieve full sustainability. If you take cocoa, we still believe that certification is an important element, but we have added a productivity package, we have also started to work on social schemes like child labour and gender because we believe that compliance programs like standards alone will not deliver all of that. So we see it as an important component, but needs to be combined with other interventions.”

Dave Boselie, IDH

Big companies are taking the lead in developing programs in sourcing countries through which schools are built, etc. What about SMEs? How do they approach this matter, given their limited resources? As the companies we interviewed underlined, some engage with local communities and build schools. Blanche Dael is a good example, having set up a foundation through which they are directly helping local communities with educational initiatives (Box 3.15). Similar initiatives can be especially observed among small and medium sized companies that take an active step in corporate social responsibility and embed it in their corporate culture. Companies with this CSR mindset are oriented towards building long term relationships with farmers.

Box 3.15

“IT is important to have an answer to what do you do for environment and people. We have a problem in the industry because child labour is an issue in the supply chain we are, so we can show them that except for being critical to our broker about where the coffee comes from and what the conditions are like locally, we try to help the children there by our own foundations and (our partners’) foundation. We want to go back into this [supply] chain and feel responsible for it, not only at the end.”

Manon Dautzenberg, Blanche Dael

Private Labels

Increasing amount of companies start their own certificates/labels. Multinationals, such as Starbucks and Nestle, were pioneers in this. This trend underlines the growing importance of certified coffee - a market that can no longer be considered a niche, but rather an attractive one, which presents interesting opportunities to businesses (Potts et al., 2014). Companies make use of existing tools on the market to craft their own certification tools. As such, certification bodies and their standards can serve as learning tools and best practice examples which companies can use as the basis for their own standards and KPIs.

However, opinion is still divided when it comes to the effectiveness of these programs. Some congratulate companies on their active involvement, while others are more reserved and state that

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4 A performance indicator or key performance indicator (KPI) is a type of performance measurement. KPIs evaluate the success of an organisation or of a particular activity in which it engages.
this should not be an opportunity to by-pass the system: “This should not replace certification, nor should it enable people to hide behind their program. We heard a lot of promises of the last 20 years, but not all came true”.

Credibility, therefore, surfaces as a major challenge to private labels. A potential solution for that would be setting up third party verification, from independent bodies that ensure the sustainability promises are kept. As such, companies might not agree that they need to get verified externally, they can organize it their self. Although there is no consensus on whether private labels have a truly positive impact, it is undeniable that it is a trend currently picked up by companies.

**The Transformative Future of Certification Boards**

Considering the challenges that certification schemes face, as well as the emerging alternatives to certification as described before, the role of certification boards might change in the future, as emphasized by some of our interviewees. As Lucas Simons puts it: “Certification programs will probably become a service provider. They can say, for example ‘We are very good at traceability. And so, within this mix, we offer a traceability solution’. Others will say ‘We are not very good at verifying/auditing the standards, but we are very good at capacity building’. Probably, the certification programs over time will become service providers in certain areas for the new way of bringing sustainability to the fields - rather than ‘everything is done by certification programs’”.

When asked about the future of certification boards, other interviewees tend to emphasize the incremental innovation of certification schemes, consisting of improvements in the areas of data collection and auditing, a better measurement of the impact on both farmers and companies, further collaboration among different bodies (i.e. through initiatives such as international ISO standards for the cocoa industry). As Jos Harmsen points out, the future of certification boards might be targeted towards a general certification of the supply chain, rather than individual components, thus increasing the efficiency and impact of certification: “it doesn’t make sense anymore to certify every single packages, but it is more important that the behaviour of a big company is going in the right direction and that the whole sector is going to change towards a more sustainable way”.

**Box 3.16**

“The fundamental question that we ask if whether or not certification still has a role to play when it comes to being a source for change or an instrument of change. SMEs need it for the B2B market, that might be true, but that doesn’t mean you are actually an instrument of change for the farmer. There might be other things. There is an issue of costs. Most of the money that is being spent on certification goes to the auditor rather than the farmer. So this is really a decision that we need. There are so many challenges that certification problems face, that I think most of them are concerned about the future.

Dave Boselie, IDH
3.6 Conclusions

As business practices in the agri-food sector evolve and encompass global supply chains, the issue of sustainability and certification grows in importance. This is especially the case for industries such as cocoa and coffee, where sourcing occurs in developing countries, that where issues pertaining to child labour, unfair pricing and environmental topics are bound to occur.

From an SME perspective, certification is a first step towards sustainability. When used as a tool, it works together with other factors such as company culture, leadership and a sustainability-oriented strategy, to create added value. It can help companies gain a better overview of their supply chain and create long term, sustainable relationships with partners. This, in turn, ensures access to high quality products that meet business requirements. For SMEs, embedding sustainability into the core culture is an efficient approach that further enhances the effects of certification. Indeed, as SMEs grow and interact with stakeholders, this culture of sustainability is translated into their business relationship management.

Some SMEs get involved at the bottom of the supply chain, seeking to invest in local communities and develop personal relationships with farmers. In this approach, certification is indeed regarded as a first step; a learning tool to be utilized in order to build capacity within the company and to enhance growth.

As certification further develops and increases in recognition, customers themselves start requesting it. SMEs active in the B2B sector note that customers demands were (and sill are) an important reason to get certified, as they receive requests for certified products that meet their quality expectations. Certification in itself helps companies verify and substantiate sustainability claims, especially when dealing with new customers or suppliers.

The fact that companies are pushed by external drivers - their customers - to go for certification, and this can be problematic when certification moves from being a strategic tool to an end goal, rather than being a means to express and translate a company’s core business principles. The discussions with the companies have revealed a perception that such responses are more associated with MNCs than SMEs. In the case of RSPO this lack of external drivers can be viewed as an opportunity. Those companies wishing to engage in certified produce (MB or SG) through RSPO, are more likely have such sustainability values within their core business, and thus communications in the B2B context using RSPO are likely to be more legitimate proof of a company’s credibility.

The complexity of the certification schemes and the abundance of information available on sustainability issues cause further confusion on the mind of private consumers. Though they may be aware of sustainability issues, a small percentage of them actually bridge the gap between values and behaviour, and actively use labels for purchasing decisions. As such, companies start engaging with social marketing and storytelling techniques to enhance consumer awareness and emotional attachment by showing the story behind the product. With regard to the future of certification boards, this will include improvements in the areas of data collection and auditing, a better measurement of the impact on both farmers and companies, and further collaboration among different certification bodies.

SMEs seem to mitigate these hurdles by embedding sustainability into their core values and going beyond certification to engage with local communities and foster knowledge management.
4 The Fashion Industry

4.1 Introduction

Responsible production in the fashion industry has long been a high profile issue. Child labour, the presence of harmful chemicals in garments and tragedies such as the 2013 Rana Plaza factory collapse have raised questions at company, consumer and political levels about the impact of global outsourcing strategies.

The global garment sector’s supply chain encompasses both developed and developing countries. Since the 1980’s, textile, leather and clothing manufacturing for western countries is predominantly carried out in low-income countries. Consequently, issues of supplier-buyer partnerships have become globalized and complex. Whereas people used to “know” where their clothes came from, it now more difficult to discover where clothes and their raw materials originate. For companies, it is increasingly difficult to look beyond second tier relationships. In a sector which encompasses, among others, agricultural, industrial and chemical processes, the lack of transparency throughout the supply chain causes both frustration and a sense of alienation for individuals on both the buying and supplying ends.

The complexity of the supply chain brings with it different and specific issues. This chapter focuses on the various production stages, as well as different forms of raw materials (cotton, man-made materials and leather). Whereas issues of cotton cultivation and treatment are rather well established in consumer awareness, consciousness about leather production issues has only recently gained ground. Issues of animal rights also deserve attention in the sustainability debate.

Standards and certificates in the fashion industry have played a crucial role in pushing for more transparency in the supply chain. This chapter will outline how certification fits into the complex issues in the textile, leather and clothing (henceforth TLC) sector.

Issues in the TLC Supply Chain

The global TLC supply chain has produced different issues throughout the last three decades. The main points are outlined below.

- Issues of human and labour rights such as low wages, long hours, child labour and a lack of social security are a major focus of the international community, which have pushed major brands into ensuring better working conditions for their workers (see Nilsen, 2013; “Clean Clothes campaign”). However, the specific labour issues connected to the different stages diverge significantly. For example in cotton production, the main focus is on paying fair prices to small farmers. In manufacturing, the main criticisms concern non-compliance with human rights issues such as fair wages, working hours, the right to organize and a safe working environment.
- Wet textile processing is extremely water polluting, putting strain on the environment as well as the living conditions of the communities surrounding textile factories (Ahmed et al., 2011).
- Cotton production, which in its conventional form includes the use of pesticides, is the cause of rural groundwater pollution (Organic Cotton Facts, 2010).
- The extended supply chain of clothing and textiles has increased the industry’s carbon footprint worldwide (Organic Cotton facts, 2010).
- The use of pesticides in generic cotton production poses a threat to the health of cotton workers (Organic Cotton Facts, 2010).
The use of chemical dyes not only causes health threats to the workers in dye factories and local communities affected by the polluted water, but the chemicals can also affect the health of the consumers (Greenpeace, 2013).

Especially since the 2013 collapse of the Rana Plaza garment factory in Dhaka, Bangladesh, brands and international rights organisations have been pressing for immediate action to ensure fire and construction safety in factories, leading to recent calls for the immediate closure of non-compliant factories (Butler, 2014).

Factory work in the final production stages of both textile and leather products has the greatest problem with labour and construction safety issues.

These above mentioned issues are generally connected to different stages in the TLC supply chain (figure 4.1 and 4.2). Note that the leather production process from phase 3 onwards resembles the cotton supply chain from the dyeing, bleaching and printing process onwards.

Leather production involves the processing of a by-product from the meat industry into a useful and valuable material in leather industry (UK Leather Federation, 2010). The fact that the raw material in leather products originates from a different supply chain altogether makes this sector slightly more fragmented and less transparent.

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**Figure 4.1: The Leather Supply Chain (Source: Gombault & Begeer, 2013)**

**Figure 4.2: The global cotton supply chain (based on Pruzan-Jorgensen, 2010)**
4.2 Certification Schemes

Ecolabel Index (2014) identifies 108\(^5\) labels and certification schemes in the TLC sector. These schemes include both national and international standards, each with a different focus, with some more specifically aimed at textile production. Within those schemes that do specifically target textiles, there are eight labels identified which focus on the supply chain of carpets and flooring textiles specifically, two private labels (NIKE Considered Design and Timberland Green Index), and five schemes focusing on organic cotton (including BMP Certified Cotton and COOP Naturline). Other focuses lie on the entire supply chain (i.e. EcoProof; GOTS; Made in Green), environmental impacts (Naturtextil), CO\(_2\) emission (CarbonCare; Carbonfree), health (Healthy Child Healthy World) and recycling (Fairwertung). The most commonly used certificates or supply chain initiatives in the TLC sector (including leather) are described below.

**Better Cotton Initiative (BCI)**

BCI is a certificate which labels sustainable cotton products. The standard originated as a multi-stakeholder initiative to improve sustainability issues in the cotton production stage. BCI aims to improve the three pillars of cotton production: environmental, social and economic through building capacity on the cotton production level and engaging actors throughout the supply chain. Textile and clothing companies can become members in order to aid BCI's capacity-building practices. Moreover, they can commit to buy a certain percentage of BCI certified cotton.

**FLOCERT**

FLOCERT is a global certification and verification body, with the main role of independently certifying fair-trade products. They offer a range of other business services too, helping producers and traders meet specific social and environmental standards. FLOCERT verifies standards set by Fairtrade International for fair wages and environmental sustainability in the production process, specifically in agricultural stage. It is based on the ISO 65 standard. In textiles, this applies mainly to cotton production processes and standards. Textile and clothing companies certified with FLOCERT can get guidance and training in sourcing strategies and moving towards fair-trade standards.

**Global Organic Textiles Standard (GOTS)**

GOTS is a holistic standard for organic fibre products. A GOTS certified product contains at least 70% organic fibre and adheres to a variety of social and environmental standards throughout its whole production. GOTS aims to provide organic and socially responsible clothing. Their legislation fee is kept low for all enterprises in the supply chain to be able to be able to acquire it; certification is conducted through third-party auditing. In order for a business at the end of the chain to be able to be GOTS certified, all of their relevant suppliers are required to carry the label as well.

**OEKO-TEX**

OEKO-TEX aims with the OEKO-TEX Standard 100 Certification to build a protection shield against harmful substances in products. They aim to gradually improve the chemical standard of the whole textile supply chain worldwide. Sustainable Textile Production (STeP) is the new production based OEKO-TEX certification system for brands, retail companies and manufacturers from the textile chain who want to communicate their achievements regarding sustainable production to the public in a transparent, credible and clear manner. With STeP, companies receive an assessment tool and certification about the process organisation to validate the environmental performance and social responsibility in the complexity of the production sites.

\(^5\) As of June 22, 2014. Total number of labels in the Ecolabel Index = 458.
**The Leather Working Group (LWG)**
LWG is a group of brands, retailers, product manufacturers, leather manufacturers, chemical suppliers and technical experts that have worked together to develop an environmental stewardship protocol to promote improvement in the tanning industry. This scoring system enables leather manufacturers to assess themselves against best practice and through benchmarking with themselves and their peers with rating level from Gold, Solver to Bronze (LWG, 2010).

**Business Social Compliance Initiative (BSCI)**
The Business Social Compliance Initiative is a leading business-driven initiative for companies committed to improving working conditions in factories and farms worldwide. BSCI offers guidance to firms in making their supply chains more sustainable, they monitor (audit) suppliers of their members on compliance with the BSCI Code of Conduct and they provide training for factories to help them improve their CSR performance.

**Fair Wear Foundation (FWF)**
Fair Wear Foundation (FWF) is an independent, non-profit organisation that works with companies and factories to improve labour conditions for garment workers. FWF keeps track of the improvements made by the companies it works with (based on their Code of Labour Practices). And through sharing expertise, social dialogue and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies.

**Made-By**
Made-By is a label for sustainably produced clothing. The Made-By organisation measures, records and maps a brand’s progress according to their certification and use of textiles. A so-called ‘score card’ is created which signals performance to consumers and other firms. This is a consulting organisation.

The above mentioned initiatives show only a small selection of the wide variety of product and process-based certificates and labels to choose from in the fashion sector. As mentioned in chapter 2, this report does not compare characteristics of the different certification schemes. Rather, it investigates why certain certifications and initiatives were chosen by entrepreneurs, and how this reflects the fragmented nature of the global fashion industry.

### 4.3 Motivations for Certification
The fashion industry’s supply chain is highly fragmented. Its supply of raw materials ranges from organic to man-made fibres. As the textile and clothing industry globalized rapidly in the 1970’s, cotton production, leather tanning, dyeing, finishing and tailoring was increasingly outsourced. For the Dutch clothing and textiles market, this means that the whole process of garment production happens predominantly oversees (primarily in Southeast Asia). As the Netherlands used to have a rather lively textile industry itself, this trend of outsourcing brought with it a decreased transparency throughout the production chain.

Dutch SMEs in this sector are mostly textile and clothing suppliers, brands, retailers or consulting firms. For the purposes of this report, SMEs that have good connections with their own suppliers, prefer to keep close relations with their clients, AND participate in certification schemes, were interviewed. Some of those interviewed sell responsible clothing, but not all of these have opted for certification. The reasons for and frustrations with certification that these companies have, provide the report with a deeper insight in the factors which motivate SMEs to become certified. Although this selection might cause a bias towards a more progressive attitude towards sustainability, we
believe the insights gathered from these interviews provide helpful insights for less progressive companies, as well as the sector as a whole.

Interviews were also conducted with several standardization and certification bodies, as well as industry organisations, in order to gain a comprehensive insight into the reasons for choosing certification in the TLC sector.

**Guidance for Implementing High CSR Standards**

The first reasons to select certification can be seen from an internally-driven search for increased impact: they offer guidance for the firm on internal and supply chain improvement. Both of the textile and clothing suppliers interviewed see social and ecological responsibility as their core business. Moreover, both are Global Organic Textile Standard (GOTS) certified. JJH Textiles chose to add a Business Social Compliance Standard (BSCI) membership to this, while EcoRepublic chose Fairtrade International’s FLO-Cert. These are the kind of companies that value strict standards, and see certification as a way to achieve a real sustainable impact.

When asked why they chose specifically GOTS and FLO-Cert, both suppliers mention the strict rules as a big plus. As Andriana Landegent, founder and owner of EcoRepublic, explains: “FLO-Cert is very strict in their standards for production circumstances: it is the whole Fair-Trade story.” About GOTS, Han Hamers (JJH Textiles) adds that: “Everybody talks about having bio-cotton. But GOTS monitor and control the process. Everybody can say that they offer bio, but GOTS is a real good one in this”.

EcoRepublic operates under an internally-driven high responsibility approach, Adriana Landegent explains, and can thus comply with the highest standards offered by, for example, GOTS and FLO-cert. Carlien Helmink, co-founder owner of Studio Jux, explains: “We do not consider any trends when choosing for labels or certificates. Our choice springs from our own standards and motives to work sustainably”. They offer a responsibly made collection with a transparent supply chain and a ‘good story’. These three interviewees all selected standards that reflected their own beliefs.

On the strictness of standards, Han Hamers explains that “these ones are worth their money. They are more than worth it. BSCI is very good at auditing, and they guide you through all sorts of complexities. So it’s not just about being able to show a certificate of some Dutch club, who announce when they will audit a firm”. Indeed, Han Hamers mentions BSCI’s focus on labour conditions as a big plus; the international regulation of social issues is a necessity for him. He also hopes to be able to certify his business for Cradle to Cradle (C2C) certification, which looks at the complete production cycle in its sustainability of resource (re)use: “It is hard to become C2C certified, their standards are very high, but it will be worth it.”

**Box 4.1**

“There are different certifications for tannery, in fact, they are just different tanning methods, by choosing a specific certification, you are choosing which procedures you want to follow.”

*Marja Baas, MYOMY Do Goods*
Satisfy B2B Buyers Demands
The second reason for certification is to be able to satisfy the demand from B2B buyers: clients demand certain CSR certificates from their suppliers.

Andriana Landegent is very outspoken about her motivations: “I have international certificates, GOTS and FLO-Cert, partly because my clients want it. I have known the suppliers I work with for a long time, and I know their values and ethics. It is not for them, and not for me. One of my clients is a Made-By member. I show them my certificate, and they show it to Made-By to prove that their collection is up to par with Made By standards”. Through her sustainable business philosophy, Andriana Landegent says she is able to meet these standards easily (Box 4.2).

Box 4.2

“Most of my clients know me, and know my relations. There are just two who need me to be certified: one requires GOTS, the other FLO-Cert. I have those. But there were also clients who needed me to be BCI certified. Those standards are much lower, so why would I pay for that? I know suppliers who have five certificates. I think that is absurd. Still their client wants it, so that is that.”

Andriana Landegent, EcoRepublic

Claudia Kersten, regional representative and marketing director at GOTS, reminds us that “it is a buyer driven market, and also the certification is buyer-driven”. As Han Hamers explains, his predominantly German clients demand BSCI membership: “In Germany, the first thing they ask me if I want to supply to them is if I am BSCI certified. There, if you are not a BSCI member, there is no need to approach them”. Certificates such as FLO-Cert, GOTS, OEKO-TEX and BCI are meant for business to business relations. Certification then becomes a tool to signal compliance to a client’s standards: “Nobody enjoys this process of monitoring, administration and receiving audits, but it is common practice in an industry where there is a constant race to the bottom. Currently, price and revenue are still the leading motivations for sourcing” (Michiel van Yperen, MVO Nederland).

Certification and CSR for B2C
The third reason businesses seek certification is to respond to consumer demand, or at least signal responsibility to consumers, customer organisations and NGOs.

Certification schemes such as GOTS, FLO-Cert, BSCI and OEKO-TEX are not aimed at informing the consumer (Fliess et al., 2006). They are aimed at improving the transparency and compliance along the supply chain for businesses. Some of them however have gained consumer recognition. Furthermore, at both the national (Made-By, FairWear) and international (Max Havelaar) levels, new organisations and labelling schemes have emerged which are more concerned with communicating their efforts to the outside world.

If bigger brands are connected to a certain certification, label or membership, they are often required to source from suppliers with the same or recommended labels. The brands’ labels and memberships are predominantly aimed at positioning themselves in a certain way for their consumers, however: “If you ask a person on the street about their choices for sustainable fashion, you will get a politically correct answer. If they are in the shop, however, they do not know or do not care about sustainable choices. For example, they assume H&M is the worst choice you can make, whereas they are one of the leaders in sustainability” (Marieke Weerdestein, Program Manager for Sustainable Fashion at Solidaridad).
A recent study (NCDO, 2013) suggests that in the Netherlands, consumers do place a value on fair fashion. Theoretically, it is true that consumers have the potential to influence brands’ sourcing strategies through their consumption patterns. However, when it comes to fashion, considerations such as appearance, quality and price are the leading considerations in consumption. In practice therefore, consumers do NOT let sustainability considerations lead their buying choices. Moreover, due to a multitude of labelling and certification schemes, focusing on a multitude of elements in the production chain, as well as the fragmentation of the value chain, it is practically impossible for consumers to have proper insight into the origins of the products they buy. This adds to the growing scepticism of consumers about brands and retailer’s claims to sustainability and CSR (Dossier Duurzaamheid, 2013).

Jef Wintermans (Modint), thinks that certification will not make a massive positive impact on a company’s revenue: “it is not so that CSR will mean that a customer will buy your products, because CSR often means more expensive. The customer base which is really engaged with that cause is still small”. He does however call certification and the certification process a ‘license’ for a firm to remain in business. Customer associations and NGOs, namely, do push businesses to be fairer and more sustainable: “if you signal to be working on making your supply chain fairer and more sustainable, institutes such as Greenpeace will not bother you with any non-compliance on that part”.

Benefits of Certification for Networking
Ester Wiersma from Traced Good emphasizes the effect certification has on a company’s networking capabilities. She explains that by becoming certified, companies gain access to useful information, including information on other members and their suppliers. In addition, certification helps companies to identify target groups, specifically groups of consumers that focus on sustainability (Box 4.3).

Box 4.3

“Certification programs help us in networking, accessing new information and having joint action with other organisations or enterprises. For example, by joining Fair Wear Foundation, we could join a forum in Berlin to get more valuable connections, and with MVO Nederland, Traced Good is trying to set up a project that aims at upgrading tanneries by linking with the Leather Working Group.”

Ester Wiersma, Traced Good

4.4 Limitations of Certification
The previous section outlined some of the motivations and advantages of certification for SME. For SMEs however, certification can also have considerable limitations and disadvantages. It can also affect the sustainability of the supply chain. The current section will outline the frustrating aspects of certification identified by the interviewees.

The Inadequacy of Auditing
Although a particular certification might provide the required standards and coverage required by a company, it is not guaranteed that such standards are met, monitored or enforced. Also, just auditing does not guarantee that the factory owner/manager understands why the CSR demands are important for the client, and beneficiary for employees, the environment, etc.
The Step-by-Step Plan for Sustainable Procurement advises companies to: “enter into discussion with the supplier on these subjects and explain as well as possible why you want to have this information, what you are going to do with it and what the benefit is for the supplier” (MVO Nederland, 2014).

Box 4.4 indicates the extent to which weak auditing processes can undermine the enforcement of certification standards. Announced auditing, according to Han Hamers, defies the purpose of monitoring and auditing itself. However Claudia Kersten states that, especially with regards to social issues, “auditing is just for the moment. The firm gets a pass/fail mark. You do not know whether the standards are upheld throughout the year. Also, firms ‘take more care’ when the audit is announced: they make sure all the books are in order and that everything is ready for the auditor’s visit”. Still, she does see value added in periodical, announced audits: “The effect will be lasting either way: the things they fix for the audit will possibly remain fixed when the auditors are gone”.

Kersten’s observation mirrors Fair Wear Foundation’s view of auditing, which should go past coercion towards collaboration. Their “Fair Wear Formula” (2010) initiative states that managers are generally more open to collaboration and workplace improvements when audits are announced. It must be stated, however, that this observation is not an experience shared by all actors in the TLC sector and temporary fixes to please auditing parties often remain just that.

While there are some companies who believe in the benefits of frequent auditing in general, it is contradicted by others, as Michiel van Yperen explains when describing his experiences with the ineffectiveness of auditing in the textile industry: “Auditing and certification has become an industry in itself and is very costly for brands, retailers and factories. Also the reliability of the system can be questioned as auditing is often subject to misleading practices. Some auditing systems do look beyond the audit and help factories to improve. But the real breakthrough is transparency and long term relationships between buyer and supplier based on trust. The core question is ‘am I able to talk seriously about the bigger picture of CSR with my factory owner? Can we co-create and co-invest in a better factory together?’ Some front running factories in China already refuse to cooperate in audits in the belief that this money could be better invested in real improvements. ‘Come see my factory and talk to my workers’, is a statement you can expect from these factory owners. Some brands and retailers are already taking this lane. Companies as G-star, H&M and Studio Jux started to make their supply chains transparent and disclose their 1st tier suppliers. You can find on their websites the contact data of their factories in the world, visit them and read about their CSR performances. This saves a lot of auditing costs and they build their system on trust instead of mistrust.”

Box 4.4

“Legitimacy of a brand depends mostly on the amount of members the certificate has. Most of these certificates, however, make an appointment for when it would suit the factory to be audited. In the past, some recognizable brands, which were attached to established organisations as well were exposed to have been using child labour for years. Everybody in India knew what was going on, except for the auditing organisation: they were asking if it would suit the brands if they would pay a visit”.

Han Hamers, JJH Textiles
A Multitude of Certifications
Apart from the frustration with auditing practices, the interviewees agree that the increasing amount of certification schemes available poses a problem for themselves, consumers, and the industry as a whole: “There are so many certificates, that the consumer does not know what to do with them anymore. If the industry itself cannot figure it out, then how should consumers?” (Andriana Landegent). Indeed, it is easy to see why a multitude in certification schemes, all with different standards, focuses and entry levels, creates confusion with both the consumer and industry. The question is, which certificates are legitimate? Each new certificate creates a larger pool of standards, expectations and values, in which even the most popular schemes will have to compete: “If you have a proper certificate, but only one or two companies adhere to it, what is the benefit of the certificate then?” (Jos Cozijnsen).

Box 4.5 shows how BCI, which is perceived to be lower standard than the other certifications available, can still exert considerable influence as a result of its popularity. This issue, along with the annually increasing amount of certifications, organisations and standards to choose from, does not add to the transparency of the sector or the companies’ trust in certification.

Box 4.5

“One of my clients needed me to be BCI certified. But I already had another certificate with higher standards [...]. The Better Cotton Initiative has such a low hurdle, it has absolutely no added value for me. Of course, the publicity and recognisability it offers is also very important, but their standards are very low. BCI started as an initiative for department stores to show to their consumers that they were doing a great job. However, they created BCI because FLO cert was too high a standard for them”.

Andriana Landegent, EcoRepublic

Even with a wide array of available certifications pertaining to the leather industry, it is still frustrating for companies to find “a proper one”, as Inge op ten Berg from FairForward confirmed. As a result, companies are challenged to determine which certification scheme is best for them, when the market is so fragmented. According to the companies interviewed in the leather sector, a more comprehensive certification is needed. However, this view is not shared by all interviewees. Claudia Kersten from GOTS, Jutta Knels from OEKO-TEX and Jos Cozijnsen in his role as a consultant all see certification as something, which is ‘extra’. While there are certain standards, which should be - and increasingly are - universal, each certification scheme has their own approach, and therefore companies can choose the ones which are most valuable for them.

Box 4.6

“Even in the Netherlands, the Raad voor Accreditatie (Council for Accreditation) has to admit that about 30% of all certificates are fake. They do not add anything. Certificates give a certain sense of validity. We thus need to be aware of what a certificate adds and not blindly trust in its legitimacy”.

Jef Wintermans, Modint

Insufficiency of Standards
Second, although there are many certificates, the standards seem insufficient for companies who are trying to do more (box 4.7). Han Hamers, for example, has initiated a sustainable dyeing house in India. He explains: “If you do something new, as we do in India, you cannot certify this. We have
developed a certificate ourselves, because we want to show the environmental impact of what we do. If a client orders a product, they receive a certificate about how much water they saved by ordering this product. It is a fun way to engage the buyer with our product as well.”

Marieke Weerdestein, however, warns us that “you cannot certify water use and CO₂ emissions. They are very product and process dependent”. Jos Cozijnsen adds that we should be wary to “not over-certify the industry”. Indeed, certifying everything could result in too strict standards being set, limiting a company’s freedom to grow and innovate.

In the leather industry, this issue arises especially in the primary stages of production. Inge op ten Berg explains that leather producers and retailers currently have little to no input on the conditions in which animals are raised: “For the slaughtering phase, animals are primarily raised for meat instead of hide, which gives the stakeholder in the leather industry minimized influence in this process. The tannery process is a dangerous and poisonous activity, and stakeholders in the leather industry could and should endeavour to make it more sustainable. However, the current situation is not overly positive”. Consequently, making leather production fully sustainable through standardization remains difficult without more intersectoral collaboration.

Lastly, Andriana Landegent warns us to be very critical of what a certificate really stands for, and what is not included: “Nobody knows what biological dyeing is. Everybody thinks GOTS means natural, but it only means it is bio cotton: it can still be full of chemical dyes”.

**Box 4.7**

There are too many certifications but at the same time there are too few, because existing certifications can’t cover the whole supply chain, or just focus on social issues or environmental issues, not both.

Matthea van Staden, Mongolian Horse Hair Company

**Certification as a Goal?**

The role of certification for a sustainable TLC industry comes down to the kind of intentions the companies involved have. When signalling CSR, preference is either given for the ‘risk-managing’ certification approach, of the forward-looking ‘good story’ approach (Michiel van Yperen, MVO). For many suppliers, the top-down approach to setting standards - transferring the responsibility to suppliers - means that certification is increasingly a goal to reach in order to be able to acquire an order. Suppliers therefore reduce the risk of losing essential business by becoming certified.

Jos Cozijnsen (Goodfibrations) calls for initiatives not to agree upon the tools for reaching sustainability, but on the goal of reaching sustainability: “Initiatives have to start collaborating in the setting of collective goals. Certificates and labels are tools, but they are too often used as a goal. What goal are you [actually] striving for, and is your approach the best way to reach this? Business conduct should once and for all steer away from ducking rules and start making them”.

Although most interviewees think that certification in itself has the potential to be “a proper tool if you lose sight of where your products come from since they can aid in creating a more transparent supply chain” (Jos Cozijnsen), they look critically upon standardizing sustainable supply chain management schemes. With cost being the dominant motivator for sourcing, CSR becomes a tool to apply and signal proper conduct, rather than a means to ensure tangible benefits for society and the environment. “Certificates and labels are tools: they help you to reach a certain sustainability goal. However, they are themselves too often used as a goal, and once the membership is renewed for
another year, there is no need to look at improvement” (Jos Cozijnsen). Box 4.8 elaborates upon this dilemma.

**Box 4.8**

“Often, certification is seen as the solution for everything. Rather, it is the solution for parts: as far as they apply to the final product, certification is a reliable tool to monitor for environmental compliance. If it is about the substances, you can easily check this by sending samples to a third party. However, if environmental standards refer to water use and discharge, for example, this is hard to standardize. Social issues such as stakeholder engagement are impossible to standardize in a certificate.”

*Jef Wintermans, Modint*

**The Cost of Certification**

According to previous research (chapter 2), cost is a relevant factor in choosing certification. However, in the interviews conducted, this concern was mainly expressed with regards to the smaller, export oriented factories in developing and emerging economies.

Jos Cozijnsen (Goodfibrations) states that “Businesses are too reluctant to invest in certification. Money should not be an issue for certification”. However, both producers claim to have no issue with paying the price for certification, *as long as they provide added value*: “These ones are worth the cost. It’s more than worth it. They are very good at auditing, and they guide you through all sorts of complexities” (Han Hamers). Andriana Landegeent, although willing to pay, seems rather sceptical about the actual added value of certification: “If you look at the member list of GOTS, and think about the fact that they all pay 5,000 euros a year to be certified, a lot of money is going to an organisation that checks your books once a year. But the people for whom these certificates are actually meant, for the producers and manufacturers in Bangladesh, India, Vietnam etcetera, they are the ones that cannot pay it. Even if they wanted to, they just cannot pay it. We have two, GOTS and FLO-cert, so we pay 12,000 euros per year. That is okay, but for the general Indian supplier, this is too much. That is their whole annual revenue. So only the bigger ones who export to the west can afford to certify.”

Similarly, Dutch SMEs might also struggle with paying the annual certification fees. Lonneke Verbunt, founder and owner of the Haarlem-based boutique Brand Mission, perceives the high costs of certification as an obstacle for the small fashion labels her store represent: “GOTS certificates are way too expensive for SMEs. When selecting brands, we only look at their supply chain: is it transparent, are social conditions fair, and do they use bio cotton?”

Interestingly, the cost-aspect of GOTS is discussed by Claudia Kersten from GOTS herself, stating that GOTS is actually designed to be affordable for all actors in the supply chain: “In GOTS, you do not need a complete traceability system. You only have to look at your last supplier to know that the whole supply chain is responsible. For an SME I believe this is very important. It saves time and it saves money. The license fee is the same for everyone (120 euros per year), it does not matter whether you are small or big. Certification then happens through a third party. Costs for certification and auditing depend on the firm’s stage in the supply chain, the integration of the standard in your production process and so on. These costs are higher for larger firms, and for production companies upstream. Still, they also have more means: this ultimately makes the certificate more accessible”
We must therefore conclude that there are still different perspectives between the designers and users of the standards on the actual accessibility of the standard itself. Jutta Knels, managing-director at OEKO-TEX, did mention that in regards to their standard, certification might make less sense for SME than for large enterprises, as certification is too expensive. Moreover, due to their smaller overall impact, she also sees less need for SMEs to certify than for MNCs.

Han Hamers provides a different angle on why manufacturing companies might fail to certify: “It is not that these companies cannot pay certificates. It’s a question of wanting to pay. Why would you pay five thousand or seven thousand euros per month when your clients do not ask for it, while every month enough orders are coming in anyway?”. Indeed, as seen in sections 2.3 and 4.3, buyers and investors have a dominant influence on the sustainable practices of a company, but if they do not push for certification, or even discourage it by demanding low production costs and short delivery times, what incentives remain?

Additionally, the higher price of sustainable products for the end-customer is not so much a result of the higher productions costs (mainly cased by the costs related to CSR certification), but more a flaw of the textile system, as explained by Michiel van Yperen: “The retail price is a mark-up of fixed percentages throughout the value chain. For example, if 5% extra salary is paid for a living wage then all subsequent steps are also multiplied by 5% giving you a unreasonable final price.”

Box 4.9

“The Leather Working Group (LWG) is more beneficial for big companies because the cost is too high and the standards are too rigid. For example, LWG requires factories to be located in a certain vicinity to a hospital; otherwise, an ambulance should be parked in the factory, which is too costly and complex for SMEs.”

Marja Baas, MYOMY do goods

Box 4.10

“Our message to companies is: do not implement CSR practices because we advise it. If you value the future of your company, you have to adapt. It really is survival of the fittest here: it is fine that you can produce in Asia due to globalization, but the consumer will also figure out when something goes wrong more quickly.”

Jef Wintermans, Modint

Unrealistic Top-Down Demands

This research set out to cover the advantages of and frustrations about certification for Dutch SMEs. The top-down nature of the global supply chain, in which companies pose demands on their suppliers for both, certification compliance and cost reduction, is mentioned as the greatest challenge for moving towards more sustainable supply chains. The interviewees, who are all CSR-driven entrepreneurs, state that social and environmental concerns most often have to be addressed on the basis of making or saving profit. Han Hamers (JJH Textiles) explains how he struggles with getting the client excited about green sourcing: “Sometimes it is a bigger effort to persuade a client how important green is, but if they are convinced they also become more enthusiastic about it. They want to carry it out, and use it for marketing purposes”. Indeed, the added value of green sourcing is often not recognized, especially when the benefit for the client is not immediately clear and the sustainable practices go beyond what is ‘necessary’ by certification standards.
According to Han Hamers, Dutch buyers are primarily focused on how to get the price per unit down when issuing orders. The idea that sustainability and ‘bio’ has to be more expensive frustrates him: “Everybody wants CSR, and they all claim the environment is so important, but only if the price is not affected. However, that is how it is. Price is most important in textile. But it is such a misconception that an environmentally sustainable approach has to be more expensive. On the contrary: it can get much cheaper! It all comes down to quantity.”

Andriana Landegent (EcoRepublic) adds: “[…] we biological suppliers are only just now emerging in the fashion industry, and moving away from the ‘geitenwollen sokken’ image⁶. It is still a struggle in bio-land. I had to negotiate for three years until I got my first Dutch order […] The supply chain is no longer about the relation. They will find somebody else if they do it for two cents less. On a large order, this is a lot of money”. Indeed, Han Hamers adds: “Sometimes we do use polluting dyeing houses in Bangladesh for our orders. This has to do with the fact that the buyer cannot or will not spend a little bit more for an order.” But also: “If you have convinced a buyer about your added value, they will stick with you” (Han Hamers).

Relationships with producers and suppliers, or even with the product, are often missing from buyers’ sourcing strategies: “Because the textile industry disappeared from the Netherlands, all the knowledge about the product disappeared too. Very few people know how a piece of clothing is sewn anymore. We have become the heads and tails of the industry, but we have no knowledge of the body anymore. When the product comes back from the factories, it might not satisfy the demands. But that is because the demands were not realistic” (Andriana Landegent).

Jef Wintermans reminds us: “Of course a Dutch company can set the rules under which it wants its product produced. The next issue then is how to communicate this to the Asian producer in order to ensure the standards get implemented.”

4.5 Industry Trends & Emerging Alternatives
This section will focus on the alternatives to certification raised during the interviews.

Box 4.11

“Greenpeace can say: “we do not want...” and “we do not like...” and “stop it”. We at OEKO-TEX have another job: we have to set the standard for the textile industry and we have to convince them to go further every year. Each year we update our criteria and make sure the bar gets set higher.”

Jutta Knels, OEKO-TEX

Setting the Standard
The first interesting trend in certification of the fashion industry is the changes in certification standards themselves as a reaction to demands of the market. Andriana Landegent recalls why certain standards for sustainable dyeing were changed: “When the colour white could not be achieved through the higher standards, they loosened them, allowing the textiles to be bleached and dyed twice instead of just once. You could say that this makes the practices less sustainable, but you can also get into a whole new market. Hotels, for example, would now buy sustainable textiles where they first would not because these textiles were not white enough”.

⁶ This is a Dutch denigrating expression, signalling a person is a naïve, semi-soft person; leftist idealist; unworldly reformer characterized by alternative, lumps or wool socks. Source: www.etymologiebank.nl.
In many of the interviews sustainability is still regarded as a secondary concern after profit. Setting a standard which is both feasible and progressive therefore remains challenging for the sector.

Transparency & Storytelling

Section 4.3 outlined how consumers’ recognition and perceived legitimacy can be a great driver for certification, especially for brands. However, mainly due to the lack of transparency in the supply chain, media representation of the textile industry in recent years, and the overload of eco-labels and certificates, consumers do not know about the sustainability of a brand, or are suspicious about the claims a company makes about its sustainability.

Jutta Knels from OEKO-TEX states that certification is driven by proactive companies: “...those who do more. The consumer will see that they do more and will be willing to pay more”. She explains that “Supplying to the ‘informed’ customer is only possible if the customer is willing to be informed and make concessions. This remains a problematic issue due to the lack of transparency in the chain”.

In reality, consumer rarely make a pure rational choice that based on characteristics of the product (price, quality, sustainability, health, etc.). They will decide to purchase a product based on a complex combination of several intangible parameters, such as: fashion & trends, peer recommendation or even peer pressure, attractive packaging, good product story, habit in buying similar products previously, availability in shops nearby, ethical values, etc.

As ethical fashion tycoon Kate Hamnett puts it in an interview with Source magazine: “There’s no place for the ‘Eco’ look. People don’t buy clothes out of pity – they buy clothes to look great. It has to be fashion and quality first, and incidentally sustainably made” (Hamnett, 2012).

Retailers in sustainable fashion try to respond to the lack of information, transparency and knowledge on responsible fashion. Two small retailers (Goodfibrations and Brand Mission) were interviewed to determine whether their perspectives differ. Both respondents were resolute that the story behind a product is more important than the certificate itself: “Some of our brands do not have certification, but due to our close relation with them, and the relation they have to their suppliers, we know exactly how their clothes are made” (Jos Cozijnsen, Goodfibrations).

Goodfibrations emerged from the realization that sustainable fashion was available, but had to be marketed. They aim at providing a full range of sustainable fashion: from big brands such as American Apparel who are gradually improving the sustainability of their supply chain, to small, recycling brands such as Daniel Kroh who makes jackets from used workers’ clothes. The choice to look at certification therefore depends on the relationship they have with the brand and the transparency of their supply chain. Jos Cozijnsen sees a great benefit in the fact that they sell their fashion through a web shop: “The consumer can read the stories behind the brand, search the web and compare. This is a big difference from normal shops, where people touch the clothes, feel and see them, but where their information about the production of the clothes is restricted to a label, one or two sentences or nothing at all.”

Brand Mission and Goodfibrations both have taken it as their goal to increase the profile of sustainable clothing as fashionable products. While these products might or might not have certification, they all have a good story to tell.
Box 4.12

“If you have a certificate on bio cotton, that is great. But it does not show you where the garment got tailored, or under which labour conditions. What I believe is much more important, is open and transparent communication. To say: there is no perfection. It is important to communicate where you have produced, if the facilities are audited, which issues you encountered, how you tackled them, with which stakeholders you collaborated, How the system can be improved and so on.”

Sabine Van Depoele, BSCI

Han Hamers (JJH Textiles), Andriana Landegent (Eco Republic) and Carlien Helmink (Studio JUX) also operate their manufacturing facilities both under certification and on a ‘good story’ basis. Still, as stated above, the percentage of customers who not only state to find responsibility in the chain important, but also act on this statement, is still low. A good story, then, will only reach those people who actively look for it. All the other consumers become disenchanted by the façade of sustainability behind which many brands tend to hide. Although NGOs and consumer organisations can have great impact on brand behaviour, there is little evidence to suggest that in the current economy, individual consumer action will make great changes in TLC outsourcing.

From Western Imposed Standards Towards Global Collaboration

While standards on both environmental and social issues are rapidly rising for export-orientated production, the interviewees agree that for internal production and trade in emerging markets and developing countries, these standards are still lacking. Achieving a sustainable fashion industry therefore requires global collaboration to raise standards. This collaboration must be supported by a wide range of actors in the supply chain because consumers and brands are still focused primarily on price.

The top-down ‘setting of standards’ has been an issue of debate in CSR certification. On the one hand, there is a concern that this creates skewed relationships between buyer and supplier, leaving little room for cooperation towards increased sustainability. Marieke Weerdestein warns us about this: “What happens very often is that a problem is identified on the highest level, such as labour conditions, child labour etc., and the factories are being told to fix this. At the same time, the lead times and all conditions remain the same. The factory has no idea how to solve the problem, so the easiest solution is to hide the issue as well as possible. It is very much a top-down process; nothing is constructed. As long as the factory does not agree on the problem identification, there is no way to find a solution. We believe that there should first be a collaboration between buyer and supplier to identify the problems, and then discuss what the causes might be and how they can best be tackled”.

Andriana Landegent calls this ‘western arrogance’: the belief that western society can impose its values on their partner in a developing or emerging economy: “For example: If you pay the parents a decent wage, the children do not have to work. The parents do not earn enough money, so it becomes a necessity. You have to change the circumstances before you can pose expectations. People so easily take a stand, without ever having seen the true conditions in which people live.”

To the contrary, Jef Wintermans from Modint does not see these standards as ‘western’, but as universal: “All standards I know are more or less based on the ILO conference from the UN. This is not Western thought, this is global thought. Also Sabine Van Depoele (BSCI) argues on this: “I believe that wherever you look in the world right now, that there is a general agreement on aspects such as child labour, fair wage, chemical use and all such issues. The goal is clear; it is just that
everybody sees a different road to get there. There is a certain lack of awareness on the risk of production methods”.

The issue is one of power within the supply chain: although the goals are common, the more powerful buyers often impose their expectations on companies further up the supply chain. Within the leather industry, the low influence that downstream companies have on slaughterers further up the supply chain is connected to the low traceability of goods within the supply chain. Collaboration in this sector would increase transparency and ultimately, the sustainability of the sector as a whole. By cooperating with the meat industry, the leather industry could improve traceability throughout the supply chain. Some companies, such as Organic Leather, have tried to start this process, creating direct links between several organic farms and tanneries.

All interviewees stated that more collaboration is needed between the different institutions, certification boards, governments, NGOs and firms of smaller and bigger sizes. While SMEs can become leaders with regards to sustainable fashion, their impact upon other brands within the industry is limited, without more opportunities for different actors to share experiences. The road towards full cooperation and internally driven sustainability, however, remains a long one.

4.6 Conclusions
The TLC sector covers many different processes (cotton production, leather treatment, spinning, weaving, dyeing, printing, cutting, and sewing), all of which have their own social and ecological impacts. The complexity of this industry has resulted in a multitude of different certification schemes, which either target different aspects of the production process, different sectors of the industry or different issues within the supply chain as a whole. Due to the fragmented nature of the TLC supply chain, it is difficult to develop one certificate which is all-encompassing. Many of the interviews discussed the need to standardize the entire process, from cotton to consumer. Still, as the fashion industry is extremely varied, from material to style to price range, standardization will remain difficult to obtain. Moreover, we believe that collaboration towards better practices, not just standardization without regard for local realities, is how a move towards sustainability can be made.

In general, certification is perceived as an effective tool to increase transparency in the supply chain. It forces communication between different partners, especially with regards to the processes used in manufacturing. While standard setting is not necessarily seen as a bad thing, there should be collaboration towards standards that are more appropriate to the context of production in developing countries.

For SMEs, it might be more effective to operate on a basis of a ‘good story’. In general their supply chains are shorter and less complex, which makes it easier for them trace their goods than it is for MNEs. They are able to signal responsibility through keeping a transparent supply chain and open communication to their clients and partners. In a sector in which transparency is increasingly expected from consumers and the international community, we see that the story behind the garment becomes more and more important. Although ‘mainstream’ fashion consumers may not be ready to go completely green yet, there is promising evidence that sustainable initiatives are being met with growing enthusiasm and praise.
5 The Tourism Industry

5.1 Introduction
According to the United Nations World Tourism Organization (UNWTO), international tourism generated $1.4 trillion US dollar (app. 1.03 trillion euro) in export earnings in 2013, and accounts for 29% of the world’s exports of services (UNWTO, 2013a). With a growth from over 650 million people travelling internationally at the beginning of the century to over 1 billion travellers in 2012 the tourism sector is one of the largest and fastest growing industries worldwide (UNWTO, 2013b). Currently, tourism ranks fifth in the worldwide export category after fuels, chemicals, food and automotive products. For developing countries tourism is seen as a viable option for economic growth and thus ranks first.

In the Netherlands, tourism is an important sector for the economy, with an annual turnover of €37 billion (Government of the Netherlands, 2014). It accounted for 29% of gross domestic product (GDP) in 2012 and generates 413,000 jobs, representing 4.5% of total employment in the Dutch economy (OECD, 2014). According to the most recent Eurostat data, Dutch tourists accounted for the highest percentage (52%) of outbound holiday trips, increasing the need to minimize adverse impacts to sustainability (Eurostat, 2013). Because of the importance of the tourism sector to the Dutch economy, there is a growing demand for companies to certify themselves and/or their products in this sector.

Characteristics of the Tourism Sector
The tourism supply chain comprises of a wide range of actors, each operating in the various sub-sectors of the industry. Figure 5.1 provides a simplified overview of the tourism supply chain and illustrates how some of these actors within the tourism sector are interlinked and interact with each other.

Figure 5.1 The Tourism Supply Chain (Piboonrungroj, 2009)
The global tourism industry provides services in two ways:

- Directly to tourists that individually arrange for their travels, buying air/train/bus tickets, accommodation, local transport, guides & sightseeing trips, etc.
- Indirectly via tour operators that provide tourists with packages that usually contain two or more of the above mentioned. Within their supply chain, the tour operator enters into contractual relations with suppliers (i.e. airlines, hotels and local tour agents) in order to offer their holiday packages. These suppliers in turn contract other suppliers who service their business needs, such as in-flight caterers, customer service agents for visitors, food and beverage services, tour guides, etc.

**Ecotourism or Sustainable Tourism**

Within the tourism sector, an important distinction should be made between 'sustainable tourism' and 'ecotourism'.

The United Nations Environmental Program (UNEP) defines sustainable tourism as: “Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities” (UNEP, 2005). According to UNEP (2014), sustainable tourism should:

- Make optimal use of the environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity;
- Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance;
- Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment, income-earning opportunities and social services to host communities, and contribute to poverty alleviation.

The International Ecotourism Society defines ecotourism as: “Responsible travel to natural areas that conserves the environment and improves the welfare of local people” (2014). Hence, ecotourism is particularly differentiated from the wider concept of sustainable tourism through the following principles:

1. Active contribution to the conservation of natural and cultural heritage;
2. Inclusion of local and indigenous communities in its planning, development and operation, contributing to their well-being;
3. Interpreting the natural and cultural heritage of the destination to visitors;
4. Lending itself better to independent travellers, as well as to organized tours for small size groups (UNEP, 2014).

### 5.2 Certification Schemes

**The Global Sustainable Tourism Council**

Within the tourism sector one of the most important certification schemes existing today is that of the Global Sustainable Tourism Council (GSTC) - an international body established under the umbrella of the United Nations (UN) and tasked with establishing and managing standards for sustainable tourism. The GSTC has developed two sets of criteria, each setting minimum requirements that any tourism business should aspire to reach in order to be sustainable: the GSTC Criteria for Hotels and Tour Operators and the GSTC Criteria for Destinations. As gathered from an interview conducted with Randy Durband, CEO of the GSTC, “the GSTC criteria are intended to be holistic.” The criteria “use the very broad definition of sustainable tourism to include all elements
of sustainability” - local community impacts, carbon reductions, respect for cultural and natural heritage, environmental preservation. Within the GSTC, an accreditation panel “seeks to recognize standards and certification programs that are credible, transparent, impartial, and comply with the GSTC criteria for sustainable tourism.” The GSTC therefore acts as an overarching certification body for the tourism sector, providing independent third party verification of certification schemes. Certification schemes can become either a GSTC Recognized Standard or a GSTC Approved Standard (GSTC, 2014).

In the GSTC system, certification schemes for the tourism sector can choose to become a GSTC Recognized Standard or a GSTC Approved Standard. To help generate an understanding of the difference between these two categories of certifications, Randy Durband, CEO of the GSTC, explains: “it’s a matter of degree. GSTC Recognized simply means that the certification body is using the GSTC criteria as a basis for their certification process. GSTC Approved means that its more integrated. Approved means that the GSTC criteria are not simply used but that it’s integrated into the full process and rigorous check lists and analysis of the recipient of the certification process [take place]. It’s more embedded into the full review. That requires on sight, face-to-face process by interviewing the people doing the certification. It’s a more in-depth verification of the GSTC criteria being applied.”

Having clarified this difference, another important distinction to be made is that between GSTC Recognized Certifications and Non-GSTC Recognized Certification - the reason for this distinction being that in the tourism sector more and more certifications are becoming a GSTC Recognized Standard. Randy Durband explains that: “the main difference is that by not having this recognition, the certification body cannot make the initial case that their own processes are independent and neutral. At the approval level, their clients are allowed to use the GSTC logo. So, by using the logo they will further strengthen either the end-user, such as the hotel, or the certification bodies and verification of their service. It’s to have that there to show to the world that their work is of a high quality and meets high international standards.”

**Travelife Sustainability System**

Travelife offers two separate but interrelated sustainability systems, aimed at travel companies and accommodations (Travelife, 2014):

- Travelife for Tour Operators and Travel Agencies
- Travelife for Hotels and Accommodations

**Travelife for Tour Operators and Tour Agents** is operated by ECEAT-Projects. This system provides online training and practical tools for sustainability planning, management and reporting. The training and tools are suitable for companies of any size and cover all management fields of the travel business including office operations, supply chain, destinations and consumers. The Travelife management requirements comply with ISO 14001 and EMAS III standards. The performance requirements include the full set of ISO 26000 and OECD Corporate Social Responsibility guidelines which include labour conditions, human rights, environment, biodiversity and fair business practices. Travelife for Tour Operators and Tour Agents has received GSTC Recognized status in 2013.

The Travelife certification program follows a three-stage approach:

- **Stage 1: Travelife Engaged**
  
  In the first stage the company commits itself and introduces the appropriate management procedures. An appointed Sustainability Coordinator obtains the personal Travelife
certificate and elementary steps and good practices are implemented. During this ‘engagement’ stage the company itself is not rewarded yet.

- **Stage 2: Travelife Partner**
  Based on a sustainability report and compliance with basic requirements assessed by Travelife, the company will reach the Travelife Partner status. This status enables the company to communicate its sustainability commitment and achievements with the support of the Travelife Partner logo. The company is now qualified to work step-by-step towards the final stage.

- **Stage 3: Travelife Certified**
  In the third stage, the company’s compliance with the international Travelife standard for travel companies will be evaluated by an independent auditor based on an on-site assessment. The requirements are stronger than the basic requirements of the Travelife Partner stage. Successfully completing the third stage will be awarded with the Travelife Certified status. With your Travelife Certified award logo you can communicate your excellence in sustainability to your clients and other stakeholders.

**Travelife for Hotels and Accommodations** is a certification system that helps hotels and accommodations manage and monitor their social and environmental impacts and communicate their achievements to customers. It aims to provide companies with realistic sustainability goals, tools and solutions to implement positive change within their businesses and supply chains. The system is managed by ABTA – The Travel Association in the UK. Travelife for Hotels and Accommodations provides a range of support to help members progress towards their third party audit, including an online sustainability checklist based on European and International standards, which enables properties to manage their performance and their monitor progress. Once subscribed, properties receive a full, third party, environmental and social audit, and if they fulfill the requirements of the sustainability system criteria, they may achieve Bronze, Silver or Gold awards. This award can then be highlighted in their brochures, on their websites or other guest communications, as well as displaying their award plaque in a public area of their property. Travelife for Hotels and Accommodations is the only certification system that works in partnership with tour operators, both in the UK and internationally, who all use Travelife to manage their supplier hotels and accommodations. Travelife for Hotels and Accommodations received GSTC Recognized status in January 2012 (Travelife, 2014).

**Green Key**
Green Key is a certification scheme that predominantly focuses on the environment and environmental preservation. The Certification sets different criteria for hotels, campsites, attractions, restaurants and small accommodations. Erik van Dijk from Green Key explains that the Netherlands is “the only country with a bronze, silver and gold model, where the more optional [criteria] you have, you grow from bronze to silver to gold.” (Green Key, 2014)

**Biosphere Responsible Tourism**
Biosphere Responsible Tourism is a certification scheme that aims to set requirements for the environment, social and economic areas of sustainability. There are different types of certifications namely, Biosphere Destination, Biosphere World Class Destinations, Biosphere Hotel and Biosphere House. Biosphere Responsible Tourism is a globally recognized, third party certification scheme. It cannot be determined whether this certification scheme has process based or product based requirements because the criteria are not published on their website. Biosphere Responsible Tourism is a GSTC Approved Standard (Biosphere Responsible Tourism, 2014).
TourCert
TourCert is a certification scheme that aims to support tourism enterprises to optimize their environmental, social and economic impacts. The official website for TourCert is only available in German, thereby limiting the information that can be extracted. TourCert standards include TourCert for Accommodations, TourCert for Travel Agents and TourCert for Tour Operators. Each standard applies different conditions and criteria for the collection of information and certification (TourCert, 2014). According to DestiNet Portal for Sustainable & Responsible Tourism, TourCert is a European recognized certification scheme (DestiNet, 2014). TourCert for Tour Operators is a GSTC Recognized Standard.

EarthCheck Certified
EarthCheck Certified is a certification scheme that primarily aims towards environmental management issues such as energy and water consumption, waste management and pesticide use, but deals also with social and cultural issues. EarthCheck Certified Company is particularly geared towards certifying companies. Beginner companies can receive EarthCheck Bronze Benchmarked and frontrunner companies can receive either EarthCheck Silver Certified, EarthCheck Gold Certified or EarthCheck Platinum Certified. EarthCheck Certified Company is a globally recognized, third party certification scheme (EarthCheck, 2014).

5.3 Motivations for Certification

Certification as an Educational Tool
Certification can serve as an instrument setting a step-by-step process for introducing sustainability into a company’s business activities and operations, as Tanja Roeleveld (Landal Green Parks) explains: “We look at it [certification] as a very good tool to help us, in a broad way, to work on sustainability. […] It is really practical and has check lists [so] people really understand the broadness of sustainability […] it gives management tools.”

Certification functions as an educational tool through its practicality. It acts as a medium to help translate sustainability from a theoretical understanding into the kind of business conduct required to put sustainability into action. Through certification, companies make use of check-lists which help to pin down the measures required to achieve sustainability within each part of their operations. For small companies, certification has been proven to provide these kinds of benefits because, as Paulien van der Geest (Footprint Travel) adds: “It can help you to make sure that you did all the [required] steps to be a good business. [In other words], to become sustainable it can help you to make a good check-list […] It can help us to develop ourselves.” As a management tool, certifications act as a catalyst for bringing changes into a company’s internal policies and management systems (Box 5.1).

Box 5.1

“By following all the necessary steps to become ‘Travelife Certified’, we were forced to implement our CSR-strategy and work out all kinds of procedures throughout the whole company. In order to pass the audit and get our ‘Travelife Certified’ status, we had to prove that our sustainability policy was indeed in place and efficacious in the different parts of our company. It was quite an effort to get there but it really forced us to think about all the different aspects of our business. […] not only think, but also act, by making a policy, writing it down on paper, checking it, monitoring it, etcetera.”

Gert Nieuwoer, SNP Reizen
On the basis of these remarks, certification acts as a driving force pushing companies to make changes internally so that sustainability is incorporated on all levels of business operation. Through auditing, certification also acts as a watchdog ensuring that companies actively engage in taking concrete steps towards becoming a sustainable company.

Certification is often a logical next step for companies wishing to be classified as frontrunners in sustainable tourism. These are the companies that help steer the wheel of development, promoting and encouraging best business practice in sustainability. Gert Nieuwboer states: “Since SNP Reizen is a member of the ANVR, we play an important part within a group of 15-20 tour operators that are trying to stimulate sustainability in tourism. We belong to a front-runner group. Therefore, it was quite a logical decision to become one of the first to be certified in the Netherlands.”

Elise Allart emphasizes that: “As a frontrunner in the Dutch tourism sector [...] we are setting the example. We have to be really careful with which certifications we choose because if we do not certify, then companies will question why we have chosen to not certify with that particular certification.”

Certification can also act as the key to gain access into different networks. Femke de Vries (Koning Aap, Shoestring & YourWay2Go) mentions that, as a result of certification they received the ‘Rank a Brand’ Award, and joined the MVO Nederland Tourism Network. In this way certification as a networking tool allows companies to get to know each other and to establish business relationships with each other.

**Certification as to Prove Legitimacy Towards Customers**

Companies often wish to identify themselves as ‘a sustainable company’, both to industry and consumers. These companies also wish to distinguish themselves from others. For companies that wish to take a genuine interest in and step towards sustainability, making these claims appear legitimate can therefore be a real challenge.

Certification has emerged as a means for companies to add credibility to their sustainability claims and overcome such obstacles. In this way certification acts a language in which companies can communicate their sustainability in both the business-to-consumer (B2C) and business-to-business (B2B) market. Sustainability claims are given more power as a result of certification, because it involves independent third party validation.

Femke de Vries (Koning Aap, Shoestring & YourWay2Go) states that certification “proves that what you do is good, [meaning], that you make an effort and that you live up to certain standards.” Paulien van der Geest agrees: “I think certification is mostly there to say we do the basic good stuff. [...] Certification can help to fulfil our promise to our customers as good as we can.”

**Box 5.2**

“For [our] business-to-consumer [B2C] market, they don’t trust what we say [and therefore] certification is the only thing we have to prove that what we are saying is true. Certification does not create more business, but it creates more credibility.”

*Elise Allart, TUI Nederland*
CSR certifications also operate as a means to show consumers that a company meets the minimum requirements necessary to be considered sustainable. Gert Nieuwboer (SNP Reizen): “for us, the benefits of certification have also been to the outside world - it’s an image thing. About having this Travelife certified status which you use in your external communication.”

Independent third party verification of a certification itself offers the platform to help further reinforce the validity of a company’s sustainability claims. Gerben Hardeman (ANVR): “The advantage with certification is independency, meaning that with being independent certified, you have some extra credibility than with certifying yourself - credibility also for transparency of the data that you as a company provide because they are checked by someone else.”

According to Randy Durband (GSTC), tourism certification schemes want to become GSTC Recognized in order: “to internationalize their products and to give it more credibility that an independent third party organisation has examined what they do and to prove to the world that these minimum global standards are being applied.” This shows how independent third party verification of certification schemes, such as the GSTC, help to ensure that certifications themselves meet and effectively maintain sustainability requirements and standards. By having such an overarching body, companies can in turn rely on such verification to help reinforce their sustainability claims.

**Certification as Business-to-Business Supply Chain Management**

As certification places requirements and standards on companies, these requirements and standards in turn influence the way in which companies interact with their suppliers. Companies become more aware of the type of suppliers they deal with and often place expectations on these suppliers to engage in business conduct that contributes to their own aim of sustainable tourism. Elise Allart (TUI) states that: “By 2020, we aim to achieve that in order to do business with TUI you should have a label. Currently, we have 600 accommodations certified, which is less than 10%, but I believe that in 2020, if you want to do business with TUI, you need to have a certification. If you do not have Travelife certification or another label, then you cannot do business with TUI.”

By setting standards and expectation that suppliers must adhere to in order to do business, certification pushes companies to take greater responsibility for the management of their supply chains. Therefore, in the business-to-business (B2B) market, when a company is certified, it aims to do business with suppliers that also take sustainability into account. Certification in this way is a mechanism which both, creates a company brand, and ensures that sustainability is implemented downstream the supply chain. Tanja Roeleveld (Landal Green Parks) adds that for the B2B market the need for certification “is even more direct, [...] you often deal with companies that say you need to be certified otherwise you cannot be our supplier.” Although requiring suppliers to have a certification in order to do business with the company may work for larger suppliers, for small suppliers it might be a struggle to comply (Box 5.3).

**Box 5.3**

“Our suppliers are very small family owned businesses and they don’t have all these measures and policies; [...] Some of these places don’t even have hot water or electricity [...]. Sometimes these local agents do not have a certification but they do have a program for development in eco-friendly, development of workers, non-profit activities, etc. It is not always a certification but that we know that they have a policy in place.”

Paulien van der Geest, Footprint Travel
The point to be drawn from this statement is that requiring suppliers to be certified in order to do business may not always be a realistic approach given the (cultural) context within which some of these suppliers operate. Therefore, when setting standards and requirements for their suppliers companies should aim toward having realistic expectations that require a supplier to meet, at the very least, a minimum level for sustainable business conduct.

5.4 Limitations of Certification

Low Public Awareness of Certifications
For certification to effectively fulfil its purpose of pushing the market towards choices that encourage sustainable tourism, certification schemes will need to actively communicate their standards (and related labels) to the public. Failure to do so places additional pressure on companies, which have to rely on their own resources to raise this awareness and create a marketing advantage for their company. Certification as it currently stands does not help certified companies to distinguish themselves on the market from companies that are not certified.

Femke de Vries stresses that certification needs to create more awareness: “Certifications need to improve their marketing. We can scream that we have a certification but if the certification itself does not communicate to the public what their standards are then for us it is no use.” Gert Nieuwboer agrees: “the public does not recognize Travelife Certified; they don’t know what it means so we have to explain it.”

The common theme throughout this discussion is that certification needs to raise public awareness about the meaning behind their labels and the standards which companies are required to uphold. Raising public awareness can also potentially serve as an effective means to strengthen the use of certifications in overcoming false signalling or illegitimate use of certification logos by companies.

Certification does not Increase Competitive Advantage nor Business
In addition to the lack of public understanding of different certification schemes and the meaning behind their labels, certification in the B2C market does not create a real impact on consumers’ choices and behavioural habits. Within the tourism sector therefore, consumers do not demand certification from companies, nor are their choices and decisions influenced by certification. Ultimately, what attracts consumers are prices and attractiveness of holiday packages.

Elise Allart (TUI) explains: “At the moment certification does not give competitive advantage over other businesses because customers are not asking for certification in the tourism sector. Customers are more interested in the price; the lowest price offered.” In addition to economic considerations, Femke de Vries states: “I don’t think people choose us because we are certified. They choose us because we have really nice tours […] and programs.”

In competing with other businesses on the market, Paulien van der Geest (Footprint Travel) mentions: “I don’t really think CSR certification helps you to compete with other businesses.” Gerben Hardeman (ANVR) strengthens this point by adding: “there is no proof that certified tour operators are doing better business-wise.” Gert Nieuwboer (SNP Reizen) provides further insight through his own experience by emphasizing that certification does not increase competitive advantage, and therefore, it does not increase business: “I must be honest that being Travelife Certified has not helped us to compete with our direct competitors that are not certified. […] Certification did not bring us a lot of business. It’s not translated in turnover.”
Box 5.4

“At the moment, research shows that it is 15-20% of the people who really find it important to live a sustainable life - it is specifically these people who will look at certifications. [However], research also shows that it is 50-60% of people who say that they think sustainability is important but don’t make specific choices based on that. Consumers don’t choose us because we are Green Key certified.”

Tanja Roeleveld, Landal Greenparks

Certification is Difficult for SMEs

Becoming certified has often proven to be a time-consuming and expensive journey for companies, especially SMEs.

Owning and operating a small company, Paulien van der Geest (Footprint Travel) mentions: “We did not finish the process for Fair Trade Tourism South Africa because, as a small company, it is too much work on our hands and we simply do not have the time to do it. [...] I mostly see the big companies doing it because they have a specific market and also have the people and time to do it.”

In relation to the time and staff needed to do certification, Gert Nieuwboer (SNP Reizen) adds: “The certification process cost us a lot of working hours which I never calculated. To get the Travelife Certified status has been at least 3-4 months’ work for one person in total. We divided it over six different people so we could divide the work load.”

For very small companies a lack of available staff makes compliance often an individual responsibility that requires a lot of paperwork. In addition to having enough staff, certification also requires staff members with specialist knowledge and experience, who can address the issues contained within certification standards. For SMEs, especially small companies, these specialized departments simply do not exist, as Paulien van der Geest explains: “After three days I was still at point one. It [Travelife] was completely made for huge companies with a different finance, different IT, and a different human resources [department]. I thought that’s not for me - we had to do so many things that are not applicable to our small company.”

In addition to being time consuming, certification also consumes a lot of the company budget. Costs incurred include the costs for certifying (i.e. registering with the organisation that issues the certificate), costs for auditing and costs for investment to live up to the certification standards and criteria. With regard to the last type of costs, Gert Nieuwboer mentions: “Certification is absolutely worth the investment, but it should not become more costly because 5-6,000 euros annually for a company like SNP Reizen is quite a lot of money. If it becomes more costly then we will reach a point where we start thinking whether it is not too expensive. 5-6,000 is quite expensive already for the size of my company... ”

If 5-6,000 euros investment is expensive for a medium-sized company like SNP Reizen, one can imagine that the costs for smaller companies in order to bring the company up to standard are even more difficult to manage. Therefore, the budget required to meet the standards required for certification can have as a cost prohibitive effect on SMEs.

7 Depending on the characteristics of the certification scheme, costs for auditing might be included in the registration fee.
The example of Erik van Dijk (Box 5.5) points out how much investment is required from a company to meet just one of the criteria set by certifications. While 30 or 40 thousand euros may not be much for larger companies to invest in meeting a criterion, it is a comparatively large investment for SMEs that are working with smaller budgets.

**Box 5.5**

“One of the main challenges is the idea of light bulbs - LED bulbs - and sometimes it requires a lot of investment [from the accommodations]. We ask how many years do you need for that and then we give them that - why? - because we want to keep them on board and we know that they have a hard time in realization of all the lights in the building. [...] But there are also hotels who say okay and then they invest 30 or 40,000 euros in changing the light bulbs.”

Erik van Dijk, Green Key

In relation to the costs to certify, costs vary a lot between different certification schemes, and not all of the have separate entry levels for smaller companies. Some certifications are very expensive, such as Green Globe, but others, such as Green Key, are not so expensive and therefore less cost prohibitive on SMEs. Tanja Roeleveld explains: “If you look at, for instance, Green Globe, it is approximately 3,000 euros and maybe that is too much. But if you look at Green Key, it is 700 euros for big companies and just 100-200 euros for smaller companies. I think it probably depends per certification. But for Green Key, I think it works well that they have entry levels for different sizes of companies.”

Regarding the costs of auditing, Elise Allart stresses: “External audits are expensive. If I were to have an external audit for our sustainability report I would have to pay 20,000 euros. If I were to pay for these external audits I will have nothing left to contribute to sustainable tourism efforts. Price is probably the biggest issue for these SMEs.”

We can safely conclude that certification comes with a lot of costs. However, even those certification schemes targeted to SMEs can become cost prohibitive when taking into account all costs incurred on companies to certify, both direct, such as membership costs and auditing costs, and indirect such as costs associated with standard compliance, such as staff time and investment in compliant technology.

**Too Many Different Certification Systems**

Over the years, the number of certification schemes created for the tourism sector, locally and internationally, has grown. When asked whether there is a need for more certifications to come into existence for the tourism sector, Tanja Roeleveld (Landal Green Parks) responds: “No. In general, I think there is really enough. I think that if there are to be more certifications it will be confusing for consumers as well because then it will become more and more difficult to understand the differences between the certifications.”

Femke de Vries (Koning Aap, Shoestring & YourWay2Go) agrees: “if you have too many certifications then consumers and other stakeholders won’t see the difference anymore.” And Elise Allart (TUI) adds: “there is no need for more certifications in the tourism sector [because] for me, it is already difficult to tell people [about the existing certifications].” There is no need for more certifications in the tourism sector because the more certifications there are in the market, the greater the risk that there is ‘oversaturation’ within the sector, increasing confusion amongst consumers and companies as to how labels or certifications compare to each other.
Gerben Hardeman explains: “What you see is that labels are vague about what they mean to the customers. Since there are too many labels, the label itself is losing its credibility.” By having a plethora of labels, the likelihood that existing labels will lose their authority and value is increased. For the B2C market, more certification labels will only widen the knowledge gap for consumers, because no clear distinction can be made between one scheme and another. This further depreciates the added value that certification labels provide in communicating meaning to consumers; the result being that labels lose their characteristic of being unique. As certification schemes are beginning to overlap, the necessity for creating new certifications becomes redundant.

On the other hand, Elise Allart raises a very interesting point: “Certification is worth the investment because [since] we are Travelife Certified, we can get certified easier with other certification schemes.” The idea behind this argument is that, as more certification schemes are created, companies take on more of a role as ‘consumers’ within the certification market - once a company has reached a certain level of certification, they have more power to shop around for the kind of criteria they wish to meet, or they have the option to change between one certification scheme and another more easily - as they have already born costs to change their practices so as to become compliant. This has both positive implications for SMEs - who may be better able to find a scheme which suits their needs- and potentially negative implications for the standards which certifications set - greater competition is likely to have a downward pressure on standards, as schemes try to gain the most companies.

Lack of Collaboration
Another problem in tourism certification, is that different organisations are not working together, as Gerben Hardeman (ANVR) explains: “What I find very hard in certification is that the different certification parties are not working together. There is a huge protectionism where everyone protects his own logo. For example they could cooperate better in the auditing process. […] Certification programs could and should cooperate in a much more efficient way.”

Rather than having more certifications and labels, existing certifications should therefore work together to create a solution to the increased confusion amongst consumers, the overlap of certification, increased costs for companies wanting to certify, and the likelihood of creating a ‘certification market’ where companies can shop around for the ‘best fit’ criteria. Getting these certifications to collaborate or integrate with each other has proven to be what Randy Durband (GSTC) calls an “agonizingly slow process (Box 5.6).”

He stresses: “the issue that they don’t see the value of having a single global label and supporting us in our effort is a frustration. I think it has to do with competitiveness. Whether they are a profit or a non-profit organisation, they are competing with each other in the market place. To me, it is unfortunate because I think the world could do with a few less certification bodies because there are so many - there are 150 existing. As part of their competition they need to promote their own brand or logo. So they are protective of that logo and/or brand and therefore resistant to that international or globalized brand.”

Protectionist behaviour and competition amongst these different certification labels can lead to both confusion for the target groups and waste of financial resources to certify. Gert Nieuwboer (SNP Reizen) states that as a company operating in the tourism sector, “I am in big favour of collaboration or integrations of different labels. However, there is also a lot of politics, money, etc. involved which makes this not an easy wish.”
**Box 5.6**

“GSTC has been proposing for years to have a GSTC label that is the one international label to reduce that confusion [for consumers]. We faced a lot of resistance from certifiers because they’re competing on the market place for their own label. [...] We are in a situation where we believe that having one label, i.e. GSTC label, would be a good unifying label. We are an NGO, i.e. non-profit, so we don’t care about promoting ourselves for any commercial value. [...] We are hoping to move into that direction but the process for that has been agonizingly slow.”

Randy Durband, GSTC

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**Limited Impact of CSR Certification**

Stemming from the observations under section 5.3, it is generally believed that certification is a way to overcome ‘green washing’ by companies because it is an instrument that sets standards for sustainable tourism and helps to distinguish those companies practicing genuine sustainable tourism from those that are not. In this way, certification can be seen as a means to help protect the integrity of companies that are sustainable and also provide proof that they are indeed taking sustainable tourism into account.

**Box 5.7**

“There is no certification scheme, which will ever show how great the progress is that we made towards the current issue with elephant strides - There is no certification which covers the effort we made to really improve this [issue]. Nor, is there a certification that shows the impact we had on [fighting] child sex tourism. [...] Certification is one of the means to show the outside world that what I say about sustainability is correct, but it only says something about certain parts of the business. Certification does not cover everything we do.”

Elise Allart, TUI Nederland

While certification may help overcome ‘green washing’, the question that remains is whether certification is in fact resulting in responsible business conduct, and through that in an improvement of (local) environmental and/or social impact. Most respondents think that the way to make this happen, is when certification criteria become more strict, as Randy Durband (GSTC) explains: “I believe very strongly that over time certification should always become more rigorous. The frustration [with certification] is that standards vary and there might be some organisations that are not certifying as rigorously as others whereas they should.” According to GSTC, the GSTC criteria are the guiding principles and minimum requirements that any tourism business or destination should aspire to reach in order to protect and sustain the world’s natural and cultural resources, while ensuring tourism meets its potential as a tool for conservation and poverty alleviation (GSTC, 2014).

The need for certification to become more rigorous becomes evident when Gert Nieuwboer points out that “if you look at the website of any tour operator, he can have 6-7 labels on his website that gives the impression that the organisation is sustainable, when in fact he may not be so very sustainable in his operations.” The underlying message here is that in addition to becoming more rigorous, certification schemes need to become more transparent about their processes and procedures as well.

It is clear that although certification can serve as an instrument to overcome ‘green washing’ by companies that make false claims as to their sustainability, there is an increased need for
transparency of these certification processes, so that consumers and stakeholders are aware of what they are buying into. This transparency is necessary to overcome false signalling and illegitimate use of certification logos/labels by companies that no longer participate in these certification schemes (box 5.8), which can be seen as a form of ‘green washing’.

**Box 5.8**

“[In the event that a company does not uphold the certification criteria and standards] we give them warnings and after the third time we [...] give notice that we withdraw their membership [...] There is one judicial problem - the Green Key plaque is ours but when the plaque is on the wall of the accommodation then it is theirs. So, we are not allowed to remove the plaque because this is illegal [...] That is why we introduced since 2009 the number of the year on the Green Key plaque. Every year we renew the plaques with the relevant year. So for the participants that are Green key they will get a new plaque for 2015 saying ‘Green Key 2015.’”

*Erik van Dijk, Green Key*

**Too Much and Irrelevant Criteria**

One of the disadvantages of CSR Certification as mentioned by the respondents is the high number of (sometimes irrelevant) criteria, that are also outdated (Box 5.9 and 5.10).

Generally speaking, certification criteria require regular updating in addition to reducing the total number of criteria. According to Gert Nieuwboer (SNP Reizen): “The quantity of the criteria also made it [certification] serious in the past.” However, while the number of criteria may impact how seriously certification schemes are taken by companies, he adds that; “I personally think there are criteria that are not as relevant as others. Some of them are very difficult to prove or to live up to. Some of them are a bit away from the daily practice of a tour operator. [...] Generally, I agree that there should be a focus more on quality than on quantity.”

In setting certification criteria therefore, certification bodies should bear in mind how relevant such criteria are to the target group. Thus, rather than having many different types, there should be more of a focus on the actual content of these criteria.

**Box 5.9**

“My personal frustration with certification is the work load which is high. [...] When I look at some criteria that we thought out in the 1990s [I just think] it’s useless [now]. [...] I really want to look with my board and the international organisation how we can do it with maybe less criteria but still with the quality of the label.”

*Erik van Dijk, Green Key*

The conclusion drawn here is that when setting criteria, certification bodies should remain realistic in their approach; they should bear in mind how the demands they place on companies affect their core business, and whether companies can still generate profit. Certification bodies should aim to offer more guidance to companies regarding how they can meet sufficient criteria so as to promote sustainability, but in such a way that is both relevant and responsive to the contextual realities of the tourism sector.

Different labels and certifications have different ambitions. They either orientate their standards towards ‘the mass’ of the tourism sector or towards the front runners. The problem with the first approach is that when focusing on certifying ‘the mass’, certification standards can become so low
so as to not make any significant impact on company standards at all. According to Elise Allart: “It should not be too easy for everybody to get certified [...] By certifying companies that are not at a certain level of sustainability, the certification loses its value.” Paulien van der Geest agrees: “For certifications, I am not too impressed because sometimes it’s quite easy to get it or sometimes it’s just a lot of paper work.” While it is agreed that certifications should encourage ‘the mass’ to get certified, there is also a need to ensure that companies being certified are challenged to improve their sustainable performance continuously.

Box 5.10

The most important thing is that you have a balance between asking a company how sustainable they are without forgetting that they are a tour operator and not some NGO that does only voluntary work. [Certification boards] should take into account the types of companies and also that it is not their sole aim to be sustainable. [Certifications] should not make it too easy to get certified but should require that certain criteria should be met in order to get certified. 150 criteria [for Travelife] went a bit too deep and detailed. For example, how you should separate paper waste - I don’t think that actually tells anybody how sustainable you are as a tourism company.”

Femke de Vries, Koning Aap, Shoestring & YourWay2Go

5.5 Industry Trends & Emerging Alternatives

For a company that wants to be sustainable, certification may not always be the most suitable solution. According to Gerben Hardeman, “we have to broaden our scope in order to inspire and motivate more companies to integrate sustainable tourism in their daily practices.” Though certification is one means for companies to integrate sustainable tourism in their daily practice, Femke de Vries stresses that, “you don’t need to have a certification to be sustainable.”

This section will focus on the alternatives, which were being offered during the interviews, as well as main industry trends that came up during all interviews.

Transparency & External Communication

The main reason why companies in the tourism sector want to become certified is because they wish to communicate their sustainability performance (or efforts) towards both B2B and B2C clients, and other business partners. As mentioned regularly in the interviews, many companies started using alternative ways for communication and transparency, mainly because of the limited effect that CSR labels have on consumer awareness and behaviour.

Companies might choose the following alternative ways to communicate their sustainability efforts:

- Apply for awards that focus on sustainability;
- Engage in sustainable activities (such as ngo campaigns) that focus on influencing the public opinion;
- Create a sustainability report that is publicly available on the company’s website to increase transparency and enhance external communication to consumers and interested stakeholders;
- Explain to consumers in an inspiring way the story behind the products (story telling).

For her company, Elise Allart (TUI) explains: “[...] for the outside world I use both awards and certification schemes. [...] Being sustainable involves them all: certification, awards and reporting. The Sustainable Tourism Annual Report we produce is another way in which I can prove that what I
am doing is sustainable. [...] Transparency is about communication and certification, and reporting is part of being transparent.”

Gerben Hardeman adds: “A company can specifically communicate to external stakeholder what measure are taken regarding sustainability. They can communicate in their implementation of codes of conduct, the involvement of local suppliers, etc. To consumers, they can communicate in an inspiring way, not talking about the criteria they met, but how their way of working and developing holidays enhances the customers’ experience.”

The alternatives suggested are to increase and enhance external communication to consumers, local suppliers and interested stakeholders. For companies this means more stakeholder involvement when developing such codes, in particular with regards to using local suppliers. In relation to consumers, this means creating and advertising holiday packages in such a way that makes sure the company’s sustainable and ethical practices are clear.

**Collaboration and Networking**

Gert Nieuwboer thinks that participation in networks and other collaborative activities between tourism companies is a valuable addition to certification: “Additional to Travelife Certified, we are also a partner to the MVO Nederland Tourism Network and we also participate in the frontrunner group at ANVR. Moreover, we participate in the project Carmatop in which we are developing a carbon calculator for tour operators.”

Paulien van der Geest adds that networking can facilitate finding sustainable business partners: “the other approach is just using you own good sense and networking to find a company that suits you. [...] i.e. through MVO Nederland Tourism Network or the Child Protection Code I heard of a conference that I thought is really good to receive information especially since we are a really small company.”

While some interviewees, such as Gerben Hardeman and Elise Allart, share the opinion that there are no alternatives but rather ‘additions’ that can supplement certification, some of the other options available to companies include:

- Becoming a member of a sustainability-oriented network for front runners, and possibly develop new activities or projects together, based on a sustainable business case;
- Developing tools for sustainable tourism in cooperation with other companies;
- Subscribing to codes that specifically target sustainability issues, i.e. the Child Protection Code.  

*From Third party Auditing Towards Self-Assessment*

In addition to these suggestions, Randy Durband highlights that the “most important is monitoring the supply chain - the most powerful I think is developing and monitoring the whole supply chain.” Traditionally, monitoring within a certification scheme is managed by the third party that audits products, processes and production facilities.

As an alternative, companies that do not wish to be certified, but still want to manage their business and supply chain sustainably, will carry out the monitoring process by themselves. Actively engaging in monitoring the supply chain will increase the likelihood of suppliers adhering to

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8 The Child Protection Code is an international industry-driven initiative with a mission to provide awareness, tools and support to the tourism industry to prevent the sexual exploitation of children. The goal of the Child Protection Code is to work with travel and tourism companies to combat child sex crimes in the sector. More information available at: [http://www.fairtrade.travel/news/entry/ftt-calls-industry-to-protect-children-against-sex-tourism](http://www.fairtrade.travel/news/entry/ftt-calls-industry-to-protect-children-against-sex-tourism)
standards and codes of conduct implemented by the company. As gathered throughout the
interviews, some examples of mechanisms to monitor the supply chain include: on-site field
research, setting up sustainability teams where feasible, creating contracts with suppliers that
include clauses on sustainability in which the conduct and efforts required from suppliers is clearly
stated, and/or requiring suppliers to report on their sustainability, supplemented by documentation
to prove such.

Additional Services by Certifying Organizations
In order to service the above mentioned group of companies (that want to be sustainable, but not
necessarily through certification), certifying organisations develop additional services.

As briefly outlined in section 5.2, certain certification schemes offer multi-level systems for
companies that want to join. For example, Travelife offers three levels: Travelife Certified,
Travelife Engaged and Travelife Partner. The last two packages do not require certification, but can
service the needs of companies that do not (yet) wish to be certified. The benefits of becoming
Travelife Engaged or Partner include gaining access to Travelife trainings, best practices and tools,
networking with other companies that have joined the Travelife community of companies, and
guidance on improving sustainability performance. These benefits, however, are cheaper than
certifications (app. 100-300 euros per company per year).

For Green Key, Erik van Dijk points out that: “our criteria are freely downloadable on the internet
so some companies just download it and do it themselves but don’t ask for our labelling.” Access to
these certification criteria can act as a form of guidance for companies wishing to incorporate
sustainable measures into their business practices. However, some certification schemes do not
readily publish their criteria publicly, making these initial efforts impossible.

Engage With Local Business Partners
Another way for companies that wish to be more sustainable, but want to avoid the hassle of
certification, is to engage more directly and more actively in their supply chain.

Paulien van der Geest explains: “What is for me the most important way is that when we find these
partner/local agents that they are thinking in the same way and making the same sort of decisions.
[...] I am happy if my local agent sometimes tells me about things I find [that] look nice, but are in
fact not good. [...] Most important for me is when they [local partners/agents] can advise me on
programs I have heard about but that are really not good because of, for example, animal cruelty,
local community disturbance by tourists, etc.”

On the basis of these remarks, it is clear that certification does not necessarily ensure awareness
for business partners or suppliers. This awareness is necessary when wanting to tackle some issues
such as child labour, child sex tourism or animal and wildlife abuse. The alternative suggested is to
actively engage with local partners or local suppliers during the decision-making processes, and
when creating holiday packages for tourists.

5.6 Conclusions
Currently ranking fifth in the world export category and accounting for 29% of gross domestic
product (GDP) for the Netherlands, the tourism sector is one of the largest and fastest growing
industries worldwide. While certification schemes have existed for many years, it has been only
recently that they gained traction amongst stakeholders in the tourism industry. In the Netherlands,
the use of certification by companies has gained momentum in the tourism sector as a result of the
current developments taking place. Companies are increasingly trying to make sustainability part of
their core business. In this respect, certification has emerged as a means to encourage profit-making in a more sustainable way.

The certifications that currently exist for the tourism sector focus either on eco-tourism, placing a strong emphasis on environmental conservation of natural areas and indigenous communities, or sustainable tourism, taking into account the three dimensions of sustainability in more depth. As gathered throughout the interviews, factors which encourage the movement towards sustainable tourism include, but are not limited to, consumer expectations of businesses to be more sustainable and company interests in both protecting their image and responding to media pressure. For the tourism sector, certification has been proven to play a direct role on the B2B market, aiding companies to establish business relationships often inspired by sustainable business practices.

Regarding the limitations to certification, the interviews conducted reveal that for the B2C market certification does not directly increase business profit nor does it have a significant impact on consumers’ choices when booking holiday packages, simply because consumers are not asking for it. This limitation is further impacted by the lack of public awareness and understanding of different certification labels.

A recurring theme throughout the interviews is that the market for certification faces risks of oversaturation, increasing confusion amongst consumers and creating inefficient overlaps between different certification schemes. The root cause of these risks is the current protectionist attitude of certification bodies towards their own labels. Certification schemes find themselves competing on the market to attract companies, shifting from being non-profit organisations promoting sustainable tourism, into business entities fighting to protect their own commercial interests.

Those individuals interviewed thought that the solution to a lot of the problems with certification is collaboration and integration. It is believed that collaboration and integration benefits consumers, companies and certification bodies themselves. It benefits consumers because they are no longer presented with an overload of labels to choose from. It benefits companies because they no longer need to create separate budgets to cover the costs of auditing, membership and investment for each certification. It benefits certification bodies because they can complement each other, evaluating their similarities and differences, shifting away from creating a ‘certification market’ where companies can shop around for the ‘best fit’ criteria, and paving the way for one internationally recognized label.

SMEs wanting to certify but which lack the appropriate finances, time and labour to do so, can make use of lower entry levels in certification, allowing for membership and gradual certification through necessary guidance, training, tools and networks. Companies also reveal that you do not necessarily need to be certified to be sustainable, as long as you are able to communicate your CSR wishes down the supply chain effectively. Some of the alternatives explored include accessing certification criteria publicly available on the internet and making the necessary changes at your own prerogative, engaging local suppliers and allowing these local suppliers to share their knowledge on local cultural and context-specific issues.

Finally, the communicational benefits of certification can largely (and sometimes even more cost effectively) be replaced by more transparency, for instance by means of applying for sustainability awards, publishing sustainability reports, product story telling in order to engage consumers, and participating in front runner networks.
6 Learning Points

The chapters up to this point described various issues relating to certification in three specific sectors: agri-food, fashion and tourism. From these accounts, we were able to uncover some of the sector-specific benefits and limitations of certification as experienced by various Dutch businesses and certification boards. Relying on their experiences, this chapter will now aim to merge and subsequently extract shared opinions and common concerns, which will allow us not just to conduct a comparative analysis of certification across various sectors, but also extrapolate various learning points on how companies can better utilize certifications moving forward.

6.1 When Certification is Useful

As mentioned in the introductory chapters, certifications - at least in theory - help companies to become more socially responsible. But as the previous chapters have also indicated, there are times when certifications fail to achieve their intended goals and instead, render frustrations and difficulties for the companies. Before addressing these problem cases in paragraph 6.2, however, this section will focus on the positive experiences that companies are having with certifications and when they are proving to be useful.

When Certifications Serve as a Learning Tool

Many of the companies across all three sectors we interviewed noted that certifications aid companies in their attempts to tackle sustainability challenges because certifications can serve as invaluable learning tools. Certification also helps companies to embed CSR and sustainability into everyday business practices and builds capacity in this direction. Certification accomplishes this by providing a step-by-step guideline to facilitate companies to internalize various sustainability standards. The training that some certification schemes require is also perceived as benefit, although this particular point was heard more in some sectors than in others. For example, in the fashion industry, although the training aspect of certification was mentioned, this came up less frequently than the use of certification as a means to improve transparency and network.

When Certifications Serve as a Networking Tool

In all but one of the industries, the companies we interviewed stated that certification served as a helpful networking tool. In the leather industry, for example, certifications granted access for companies to new information and collaboration that was only attainable by joining a group of other certified businesses. In the palm oil and tourism sectors, certifications such as RSPO and Green Key were also perceived as particularly useful networking tool for companies with similar values and goals to come together. The fact that certifications bring a group of likeminded companies together working towards a common goal was generally seen as a positive factor for companies that decided to certify. The companies interviewed in the fashion industry similarly stated that joining a certification allowed them access to a member list of other similarly conscious businesses and suppliers, which serves as a practical tool to navigate the complex supply chains of the garment industry. Here, stakeholder engagement and collaboration were seen as a key point in most certification schemes. The Dutch Task Force on Sustainable Palm Oil, for example, serves as the standard bearer for improving these aspects.

At the opposite end of the spectrum, the businesses from the coffee and cocoa industries that we interviewed generally noted that there was no common communication platform in their sector and felt that the networking factor was not as relevant relative to the other sectors. This could possibly be explained by the fact that the coffee and cocoa sector has a certification proliferation problem, which we will address later on.
When Certifications Provide Legitimacy and Competitive Advantage

Not only are certifications useful as a networking tool, but especially for businesses that are just starting up or for SMEs, getting a certification is akin to joining an exclusive group, which almost immediately boosts the company’s image and offers credibility to their sustainability claims. This, in turn, helps the certified businesses to build trust amongst their stakeholders. In other words, for businesses, especially in the B2B context, certifications serve as a signalling mechanism to announce to stakeholders that they are - to varying degrees - serious and committed about sustainability initiatives, which is a competitive advantage vis-à-vis non-certified companies. It is worth nothing here, however, that this is only the case when certifications are perceived as legitimate, meaning that the certification has some international recognition with independent auditing and monitoring procedures.

Particularly in the textile industry, the credibility issue seems to play a dominant roll. For example, certain standards are often required for suppliers to even obtain orders. An interesting contrast here is by juxtaposing this to the coffee and cocoa industry where similar measures were not identified. One caveat to this general observation is that in the B2C sector, where consumers are less aware of sustainability issues the types of certifications that are available, the competitive advantage might not be as noticeable as in the B2B sector, where the other stakeholders and competitors know and deal with the same certification schemes. Although this is not to say that there are no competitive advantages for certification in the B2C context, certifications and labels do not drive purchasing preferences as much as in the B2B sector and offer only a limited competitive advantage, especially in the coffee and cocoa sector.

In the B2C context, what does drive purchasing behaviour, at least from the accounts we heard during our interviews, is the trust factor. Certification, according to many Dutch companies, serves as a guarantee to the other contracting party that the brand is doing the right thing. Granted, certifications and labels alone do not create consumer trust, but it does contribute. What we heard from more than a handful of businesses on this point was that they perceive consumer awareness about sustainability issues to be on the rise. If this account indeed reflects reality, it is possible that certification can start playing an even larger role in creating trust and thus drive purchasing behaviour even in the B2C context as well. Especially in the textiles and clothing industries, for example, initiatives such as Fair Wear and Made By has received increased consumer recognition and some consumers are choosing to shop with their conscious.

When Certification Serves as a Risk Management Tool

Many of the companies we interviewed expressed that certifications can also be a useful risk management tool, especially for larger business that deal with multilayer supply chains. For MNCs that have suppliers and manufactures all across the globe, certification can serve as a checklist to limit their exposure to liability. Rather than starting from scratch, a certification that essentially informs the businesses of issues that they must be aware of and procedures to minimize their risks, as some of the interviewees noted, is of tremendous use.

While certification can be extremely useful as a risk management tool for those with a complex supply chain, this particular benefit might not be as beneficial for SMEs that often tend to have a smaller number of stakeholders in their supply chain. In other words, for SMEs it is possible to develop long-term relationships, ensure the transparency and originality of their products and engage in ethical business practices, without having to certify. This point will be revisited in the section below about when certification is not useful.
6.2 When Certification is Not Useful

As the previous section illustrated, certification can be a very useful instrument for companies, but that is not to say that every business should certify as there are risks and costs associated with the certification process as well. This subsection will now summarize some of the costs or other disadvantages associated with certification that businesses should take into consideration when conducting their cost-benefit analysis.

When Certifications are Too Broad or Too Narrow

The introductory chapters briefly covered how certifications can be classified according to the issues that they aim to achieve. With regards to multi-issue certifications, the concern voiced by some of the companies that we interviewed was that they could be too broad. Especially in the coffee and cocoa industries, certification schemes have evolved to addressing all three of the “triple Ps” - people, planet, profit. On the other hand, single-issue certifications face the antithetical problem that they can be too narrow. For example, certification schemes in the tourism sector still heavily focus on environmental sustainability, but not necessarily on social issues (i.e. labour rights; impact on local communities). Though there is a gradual shift towards including social concerns as well, this trend could possibly lead to the problem of over-breadth. While the companies that we interviewed in the tourism sector felt that there should be a greater push towards certification covering wider issues, over-expanding the issues that the certification addresses could make the certification too broad, thus leaving companies with the goldenilocks paradox.

When Certifications are Cost-Prohibitive

To be rather blunt, many certification schemes are expensive and the process that companies must go through to be certified is extremely time-consuming. Most of the smaller companies that we interviewed complained about these hurdles in one way or another and conveyed the difficulty of the process especially considering the fact that their profit margins are already so tight. Many SMEs also felt that there is no sense in certifying, if in the process of trying to do the right thing, the business goes bankrupt. This point rung particularly true in the coffee and cocoa industry, where it was pointed out by few of the businesses that certification might be the necessary “cost of doing business”, but not every company has to nor should they have to certify.

This is not to suggest that all SMEs were simply turned off by the costs of certifying. In the tourism and textile industries, for example, companies mentioned that the investment to certify is worthwhile only when the certification is “up to standard”. They elaborated that “up to standard” generally means that there is international credibility, a progressive attitude and the existence of proper standards. In other words, SMEs do not see any sense in certifying with the “lesser” certification and believe that if they are going to certify, they as might as well certify with a credible certification scheme even if it does mean that it is more expensive.

A proposal that some of the SMEs suggested regarding this issue was for certification boards to create a different process or a different standard that would be more feasible for SMEs. This is not a proposal to lower any standards, but just to create a standard that is specifically catered for the needs of smaller companies. Given that the time needed to invest in certification as it currently stands is often too demanding upon SMEs and they are unlikely to have special unit within the organisation purely devoted to compliance as is often the case with the larger companies. Therefore, it is crucial to investigate how SMEs can be supported in their aims to be more sustainable without overburdening them with a large administrative load.
When Certifications are Not Independent

The introductory chapters touched upon how certifications can be categorized depending on who certifies the companies (i.e. first party, second party and third party certifications) and our interviews revealed - though probably not surprisingly - the answer to the question of who certifies the company plays a key role in determining whether certifications are worthwhile. In the coffee sector, for example, private labels emerged as MNCs were pushed to show their commitment to sustainable development. Similar trends have also emerged in the textile sector, as more recognizable brands build certifications with lower standards of their own. Many companies that we interviewed, most of them being SMEs, were inherently suspicious of these private labels, which are essentially first-party certifications. Although private labels may actually render some benefit, generally speaking, companies that we interviewed believed that certifications with independent, third party audits are more worthwhile, compared to private labels. This point relates to our next learning point about the legitimacy of these first-party certifications.

When Certifications are Merely a PR Campaign

Certification and other CSR measures often fail to achieve its true objectives if they are treated as mere ‘PR’ tools. The same goes for sustainability initiatives that are driven purely by external factors (i.e. customer requests). While solely focusing on extrinsic motivation might still bring about some positive benefits, if and when certification becomes a compliance scheme offering ‘false’ security to consumers, this could have a negative impact on the notion of consumer trust, the importance of which was mentioned earlier.

Box 6.1

“I was a member of Max Havelaar for two years [...] they do a lot for consumer awareness, so that is good, but essentially, it is a PR organisation. They do not stimulate the supply chain, or change it [...] They are marketers, they do it for the consumers. [...] For me, they are not relevant. At least, that is how I see it in textile, they got big with food so it might be completely different there.”

Andriana Landegent, EcoRepublic

The unfortunate reality is that there are companies that hide behind labels that purport to offer legitimacy without the companies actually having to embed sustainability into their core business. Not only should these companies be named and shamed, but these certifications schemes should be publicized to reveal what they truly are, which is nothing more than a substance-free PR campaign. Companies would better off not certifying at all if the certification schemes that they join are these PR certifications. To borrow the term from the previous learning point, PR-based certification schemes are clearly not “up to standard”.

When Certification is Looked Upon as the Panacea

What it ultimately comes down to is that certifications cannot resolve all of our sustainability problems and they should not be treated as a panacea. Most important: certification does not solve unethical sourcing strategies, such as demanding too short delivery times or too low prices, which will force suppliers into unsustainable business practices (low wages, excessive overtime, etc.)

Buyer’s sourcing strategies is one of the largest and most overlooked problems in the textile the sector according to Andriana Landegent of EcoRepublic (Box 6.2), and how companies abuse certification schemes can exacerbate this problem. Han Hamers explains this problem using biological cotton as a certified good that some companies use not just for the sake of sustainability,
but in order to increase revenues: “There is one company which is big on bio cotton, and that is C&A, which sells for the same price as others. But if you approach high fashion brands, the price skyrockets. It is ridiculous. The shop justifies a higher price by pointing out that this is indeed bio cotton. Yes, this is bio cotton, but it is absurd to conclude that it has to be more expensive. The company sees a niche, and sees an opportunity to make more money. This t-shirt costs us about 75 cents more to make, and they add 50 euros to the price simply because it is bio cotton”. This is a problem where the certification process is abused, where companies simply use it to raise revenue.

Box 6.2

“Everybody likes to talk about what the others are doing wrong, but nobody looks at themselves. You would not believe how high the margins are for brands, which purchase my clothes. They need to sell the product for three to four times the buying price, or even more. That is ridiculous. Everybody is talking about the product, about who made it from which resources and how all of that can be improved, but nobody looks at the sourcing strategies themselves. And the buyer knows how much he can pay for a t-shirt. But if he can and should pay €2.00 for a t-shirt, he will shop around for somebody that can do it for €1.75, all the while keeping the same set of demands regarding quality, colours, finish, CSR and whatnot”.

Andriana Landegent, EcoRepublic

Figure 4.3: Production costs of a t-shirt. Prices mentioned are estimates. Available at: [http://news-by-design.com/a-14-t-shirt/](http://news-by-design.com/a-14-t-shirt/)
6.3 Observation & Analysis

Having spelled out some key learning points about when certification is useful and when it is not, this section will highlight some of the shared opinions and common concerns that many of the companies that we interviewed had.

Collective Challenges and Frustrations

Some of the common frustrations that the companies all shared were the high levels of bureaucracy associated with the certification process and the focus on the procedural compliance rather than its practical implications. This latter point can be illustrated by how even traditionally outcome-based certifications like OEKO-TEX in the fashion industry have started shifting towards a process-based certification. Moreover, there were a handful of businesses that stated that they did not feel the need to certify because they were not convinced about the benefits of certification. What seemed to fuel this type of scepticism towards certification was the concern of the certification proliferation and the fragmentation that it creates and this scepticism extends to consumers as well: Teun van Keuken’s recent article in De Volkskrant for example, urged consumers to raise their awareness about certifications in order to become less susceptible to the often-misleading claims of certification schemes and labels (Van der Keuken, 2014).

A reoccurring concern that we kept hearing over and over again during our interviews was just how fragmented and decentralized the certification schemes have become (with the exception of the palm oil industry, which only has one major certification scheme). As more and more certifications pop up (especially with the advent of first party, private certification schemes), it is becoming increasingly difficult for companies and consumers alike to stay updated on what the myriad of certifications all stand for. Faced with this conundrum, what many of the companies that we interviewed wanted was more cooperation and coordination amongst the various certification schemes, whether spearheaded by companies or certification boards. The dire need for this cooperation is stressed by the fact that some of the certifications today overlap in terms of their targeted goal (i.e. sustainability), which basically means that some of the certifications are working against each other and creating needless inefficiencies.

The Emergence of the Certification Market

As more certifications and labels become available, what we discovered is the emergence of a ‘certification market’, where companies become consumers that ‘shop’ around for the most ‘suitable’ certification scheme. Upon entering the certification market, companies are confronted with a multitude of labels and standards, each providing different services, and this complex landscape is difficult to navigate creating a potential for a choice-overload.

In the interest of fairness, it is important to note here that the emergence of the market in and of itself is not necessarily bad. For example, in the tourism sector, the emergence of this market was perceived as a positive development, with one particular interviewee noting that as more certification schemes enter the market, the more choice the companies have to shop around. However, this is a double-edged sword scenario, as the power of certification lies for the most part with the number of companies that the certification has, which means it is in the interest of certification schemes to have as many members as possible. This competitive aspect of the certification market could cause certification boards or standard setters to lower their standards in the hopes of attracting more businesses, thus creating an incestuous relationship between certification boards, auditors and businesses, which could weaken the notion of their independence and weaken the impact of these certifications.
Certification Does not Ensure Sustainable Behaviour

While certifications do in fact facilitate companies to become more sustainable, it is not a prerequisite to becoming sustainable. This should provide some comfort to SMEs that may not have the resources necessary to certify. Moreover, just because a company is certified, does not mean that they are more sustainable than those that are not. Ultimately, what is important for companies is the intrinsic motivation to want to be sustainable. If that will is present, then certification can serve as a learning/networking tool that also provides a checklist of things that companies should keep in mind. But even without joining a certification scheme, sustainability goals are attainable. Many of our interviewees stressed the importance of transparency in increasing the business’ legitimacy and building trust with their customers. Taking this point to heart, the good news for businesses that cannot afford to certify is that in order for a company to be transparent and sustainable, they need not be certified. Certification can certainly act as a tool to offer proof of sustainable and responsible business, but it is not a solution in and of itself. Proof of real corporate responsibility comes from core business values, long-term investment and the realization of tangible changes in conditions ‘on the ground’.

Chapter 7 will elaborate on the industry trends identified in the interviews, and what changes we expect to happen in CSR certification in the near future.
7  The Path Forward

At a relatively early stage of our interviewing process, we noticed that many of the companies that we interviewed, regardless of their sector, had one particular view about certification in common: They believed that certification is merely a tool, which can facilitate a company’s sustainability initiatives, but is not a prerequisite for achieving sustainability, and cautioned that it should not be considered as a one-size-fits all type of a solution for every type of business.

Most - if not all - of the companies that we interviewed stated that what is a prerequisite, however, is the intrinsic motivation for companies to want to be more socially responsible, which is not something that certifications can ensure or establish. In other words, the conditions necessary to make a certification useful or successful comes down to whether or not the companies see certification not as a goal, but as a means to facilitate their sustainability initiatives [IDH, 2009b].

With regards to the future of certification, there are generally two alternative approaches that can be derived from both literature and the voices collected during our interviews as presented in previous chapters: 1) set up support programs that improve the effectiveness and efficiency of CSR certification; and 2) alternative approaches, like transition processes and/or networking that generate similar or more impact, will make CSR certification (partly) redundant in the future. Examples of both approaches are explained in the paragraphs below.

Transparency & Storytelling for B2C
From its very nature, certifications and labels are inherently external. Certifications, labels and logos are all ways to signal to the external world that the company is doing something good or sustainable.

The reason for companies in labelling sustainable products with CSR certificates appears to be very ineffective, and even leads to confusion amongst consumers. CSR certification schemes that are most effective are either invisible, linked to major and well-known brand names, and (almost) comparably priced to the less sustainable alternative (for instance: Utz Certified). Or are combined with a story about the philosophy of the brand or the origin of the product (i.e. small farmer profile).

Even when companies are certified and can place a label on their product, they frequently look for more evidence of their sustainable practices - they search for a story to tell about their product. Indeed, this production story is in fact viewed as more crucial than certification for SMEs, particularly given the present economic climate. Monny Hasseleers says “in this recession period, I think it’s about telling your story, showing the customers that you’re very passionate.”

Storytelling seems to work better than using CSR labels especially in the B2C market. In light of this fact, the relevant question becomes whether a company’s story is credible enough that consumers believe it? And is the story compelling and convincing enough to incentivize consumers to purchase the product? Experts believe that the answers to these questions underline the main strength of SMEs over their larger competitor (Box 7.1).

9 Read more about storytelling in this interesting article that explains how a shop in Japan is selling second-hand products: http://blogs.reuters.com/great-debate/2014/11/21/think-holiday-shoppings-soulless-this-japanese-trend-can-fix-that/.
Box 7.1

“I think the strength of small enterprises is knowing your suppliers, knowing your origin, knowing the practices so I think in terms of credibility, their strengths is that they know what is happening in their supply chains much better than a company that has 100 suppliers and hundreds of thousands of ingredients that they source. So I think one strength of an SME is trust, transparency, and control over the business. Of course, they need to prove it. But I think they have an advantage there compared to multinationals. It’s a personalized business”.

Dave Boselie, IDH

Cooperation & Coordination

Summarizing the findings of the previous chapters, this report reaches one maxim, which is that in our present case, less is better: in the current CSR certification market there are too many certifications that the companies can choose from and this is creating a confusion and a choice-overload for both consumers and companies, which suggest that there is a dire need for a reduction in the number of certifications. This importance for us to address these matters has also been substantiated by a recent weblog from MVO Nederland (Jacobs, 2014).

Both buyers and producers are faced with many overlapping but non-aligned standards. This results in increased management costs and complexity for all stakeholders, including buyers, certification companies and suppliers. Since there seem to be many points in common in terms of the basic requirements of both private and public standards, harmonization would seem to be an achievable and desirable objective (UNIDO, 2010).

Many of the interviewed companies stated that rather than developing more certification schemes for them to choose from, they would prefer to see more cooperation and collaboration amongst the existing certifications. An initiative like the Global Sustainable Tourism Council (GSTC) in the tourism sector, which is essentially a certification of certifications would go along ways to standardize the standards and aim to resolve the problem of fragmentation. This is especially true for the coffee and cocoa sectors, where certification schemes are in frustrating abundance. In this quest to reduce the number of and to harmonize certification schemes, certification boards must do their part to work with each other and to set a common standard. Alternatively, cooperation could take the form of combined auditing: “The joint objective is to reduce costs for farmers wherever possible, looking at, for example, combined audits” (Utz Certified, 2014).

Another example of harmonization in the certification industry is the Global Social Compliance Program (GSCP). The GSCP is a business-driven program for the continuous improvement of working and environmental conditions in global supply chains. The GSCP was created by and for global buying companies wanting to work collaboratively on improving the sustainability (social and environmental) of their often-shared supply base. To this end, these companies are working on harmonizing existing efforts to deliver a shared, global and sustainable approach based on consensus and best existing practice (GSCP, 2014).

To sum up, what we need now is not more labels (especially private labels), but for companies in various sectors to throw their support behind a few legitimate certifications so as to weed out the certifications lacking in substance. Cooperation in CSR certification preferably will lead to the evolution of certifications into sector-wide (umbrella) initiatives, combined with more openness and transparency.
Networking & Transition Programs

Some of the challenges that SMEs face in their quest for sustainability are very similar to those faced by large companies. However, due to economies of scale, there are some problems that are unique to SMEs, but at the same time, there are some advantages as well that can only be exploited by SMEs. Some of these differences include, but are not limited to: impact on the business (i.e., less risk of damage to reputation in case of small companies), impact on society (in most cases much smaller in the case of an individual SME) and in the way SMEs deal with these issues. Specifically with regards to the last point, SMEs do not always have sufficient resources to be able to afford extensive studies on the production chain, certification or long-term investments. Also, SMEs generally exert less influence on producers, because of their smaller purchasing power. On the other hand, SMEs can operate in a much more flexible manner than large companies and thus able to set up fully sustainable business models much faster.

This is precisely why it is so important for SMEs to form partnerships with other companies (and NGOs) through industry initiatives, industry associations and entrepreneurial networks. Entrepreneurs can participate in sessions on specific topics, networking events and more intensive programs. Through these types of collaboration and cooperation, SMEs can improve CSR standards throughout the sector.

Although some interviewees opined that networking is not an alternative to certification, but rather an ‘addition’ that can supplement certification, a number of companies contradicted this opinion by stating that they already use other networking options as an alternative to certification. For example:

- Becoming a member of a sustainability-oriented network for frontrunners, and possibly developing new activities or projects together, based on a sustainable business case (i.e. MVO Nederland Transition Program).
- Developing sector wide tools for implementing sustainability (i.e. Good Practice Guidance for Mining & Biodiversity).
- Subscribing to codes and guidelines that specifically target sustainability issues (i.e. Child Protection Code for the Tourism sector).

More Direct Relationships With Suppliers

As confirmed by several interviewees, a particular certification might provide the required standards and coverage that companies ought to comply with, but that fact alone does not guarantee that those standards are being complied with, monitored or enforced. Also, simply auditing the companies on a periodic basis does not guarantee that the factory owner/manager truly understands why the CSR demands are so important for the client and beneficial for their employees, the environment, etc.

Box 7.2

“Incidents in global supply chains have created an increased realization that certification and audits do not have to lead to any significant results. At Solidaridad, we do not believe that certification is the future. However, people cannot quite agree on what the solution should be.”

Marieke Weerdestein, Solidaridad
Social audits have become a burgeoning practice within the garment and sportswear industry. Tens of thousands of social audits are commissioned annually by hundreds of brand-name companies or retailers. In order to solve these problems (i.e. inefficiency and ineffectiveness often seen with CSR certification schemes that mandate costly and possibly counterproductive auditing procedures), businesses need to invest in more direct relationships with suppliers. Shortening the supply chain (by eliminating unnecessary middlemen) and making the commitment to be more involved with the contact with suppliers would go a long ways in achieving this goal.

While highly regimented auditing procedures could increase compliance with standards periodically (coinciding with the time of auditing visits), a more effective way to increase compliance in the long run and in a more consistent manner would be for the businesses to work together with the suppliers in achieving more sustainable production processes. This also allows buyers to explain to the suppliers why some labour and environmental standards are important and how a supplier, by improving their sustainability impact, could also save costs (i.e. energy savings) and improve performance (i.e. satisfied personnel, better quality products, more efficient production processes, etc.). In this new integrated supply chain model, the necessity of certifying and auditing diminishes.

Support Programs for Suppliers
The argument for a more direct cooperation becomes even stronger when buyers assist suppliers in improving business practices by means of providing support programs. Some organisations like Solidaridad has already put this theory into practice and as a result has seen some positive effect. A good example of this is the Coffee Support Program that was implemented by Solidaridad in East Africa, which focused on training and capacity building linked to Utz and Fairtrade certification and diversification (CIDIN, 2014). Already in 2004, Dale Neef described in his book The Supply Chain Imperative the ideal way to work together with suppliers (Box 7.2), but unfortunately the traditional compliance-based auditing system is still very common.

Box 7.2

“Companies need to make it as easy as possible for their important suppliers to meet these standards. They also need to provide suppliers with incentives [...] and to make it clear that adherence in their own self-interest. [...] It makes sense to encourage suppliers - especially in developing countries- to take responsibility for their own improvements in these areas.”

Dale Neef, 2004

As explained in a recent IFC Report (Molenaar et al, 2013), experiences show that the delivery of training and capacity building is a much more important catalyst for suppliers to not just learn about the standards, but for businesses to inculcate the value and the importance of these standards into the supply chain. The question arises, however, as to whether these “other instruments” can make commodities sustainable without requiring third party standards and costly certifications to provide an endorsement. With regards to this question, the aforementioned IFC report states that, in a sector where farmers are organized, they receive a greater share of product value, and where the product - through enhanced quality and better production techniques - receives a price premium of world markets, there could be much more “sustainability” than when certifications are given to products and regions. Where there are social programs of this nature, sustainability can be further enhanced. This finding was confirmed in the recent IDH Impact Studies: the combination of both certification and training delivered the highest sustainability impact. Key success factors in these circumstances are local ownership and embedding of new sustainable production practices (IDH, 2013).
Certifications can Change Laws

There is one aspect of certification that this report has thus far neglected, which is the impact that some certifications can have on legislations enacted by governments, which could in turn affect the way in which businesses deal with certifications in the future. This point can be best illustrated by the impact that the B Corps certification (managed by B Lab, a non-profit organisation that certifies companies with the B Corps certification) has had on legislations in the United States. The basic aim of B Corps certification is to “build a more inclusive, resilient, and sustainable economy” by giving companies the opportunity to “voluntarily [meet] higher standards of transparency, accountability, and performance” (B Corporation, 2012). According to B Lab, there are over 990 companies from 32 countries in over 60 industries that are currently registered as being B Corp certified.

The easiest way to conceptualise what they aim to do is the following: “B Corp is to business what Fair Trade certification is to coffee” (B Corporation, 2014). While the aim of this certification may not be anything special or particularly different from many of the other existing certifications, this particular certification and the organisation behind it, has played a pivotal role in changing the landscape of sustainability legislations in the United States, namely the emergence of legislation allowing companies to register as a “benefit corporation”.

A benefit corporation is not a certification scheme, but an actual legal status and a new way to incorporate a company, which is administered by the states (Benefit Corp, 2014). In other words, a company can become a benefit corporation, not by being certified, but by registering and incorporating with the state as a benefit corporation. These companies state within their articles of incorporation, their commitment to sustainability. Any corporate actions that contradict this commitment would be considered ultra vires and thus grounds for having their incorporation rescinded by the state. Currently, there are over 500 registered benefit corporations operating in the US and according to a 2012 White Paper written by a group of US practitioners, benefit corporation “is the most comprehensive yet flexible legal entity devised to address the needs of entrepreneurs and investors and, ultimately, the general public” because benefit corporations “offer clear market differentiation, broad legal protection to directors and officers, expanded shareholder rights, and greater access to capital than current alternative approaches” (Clark, Vranka, et al., 2012)

The emergence of benefit corporations can directly be attributed to the efforts of B Lab, the non-profit organisation in charge of the B Corps certifications, given that B Lab developed the model legislation for benefit corporations. The support by B Lab thus facilitated “marshal[ing] support for the passage of benefit corporation legislation” (Benefit Corp, 2014) in many states across the US. B Lab’s active support for spreading benefit corporation legislation across the US demonstrates that private initiatives like certifications can transform into legislations that could fundamentally change the way in which businesses conduct their business. As more and more companies decide to certify as B Corps or decide to register as benefit corporations, it is likely that this positive trend could grow in popularity thus affecting Dutch businesses as well in the near future.

Concluding Remarks
In conclusion, it is worth reiterating that certifications and labels are tools that can facilitate businesses’ quest to meet their sustainability goals. It would be difficult to deny that the proliferation of various certification and labelling schemes have sent a strong signal to shareholders

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10 The text in this section has been replicated in parts from Mark Kawakami’s forthcoming PhD thesis with his permission.

11 Currently, there are 20 states in the US, including the District of Columbia, that legally recognizes this particular incorporation.
across the business world that consumers and entrepreneurs demand businesses to think seriously about sustainability. This proliferation, however, is a double-edged sword in that it can also create confusion in the form of coordination and choice-overload problems not only for businesses, but also for suppliers and consumers alike. Therefore, the decision whether or to certify - especially for SMEs - must be a carefully made one that takes into consideration the various costs and benefits associations with certifying. Even in the event that a business decides not to certify, that does not mean that their sustainability initiatives are bound to failure. To the contrary, there are other viable options like storytelling, strategic networking or employing transition and support programs for suppliers that could serve a similar - if not a more meaningful - purpose vis-à-vis certification. What matters in the end are not the tools or the instruments that business choose in their path towards sustainability. While having the right tool would indeed facilitate the process, what is most important is the intrinsic motivation and the commitment that businesses have to be sustainable.
Appendix 1: List of Companies & Organizations Interviewed

Agri-Food
- Blanche Dael: Manon Dautzenberg
- Delicia: Susan de Visser
- Tony’s Chocolately: Arjen Boekhold
- Anonymous Company (Palm Oil)
- Bisschopsmolen: Monny Hasseleers
- Utz Certified: Sven Drillenburg
- IDH: Dave Boselie
- NewForesight: Lucas Simons

Fashion
- Brand Mission: Lonneke Verbunt*
- BSCI: Sabine Van Depoele*
- JJH Textiles: Han Hamers*
- EcoRepublic: Andriana Landegent*
- FairForward: Inge op ten Berg
- GoodFibrations: Jos Cozijnse*
- GOTS: Claudia Kersten
- Modint: Jef Wintermans*
- Mongolia Horse Hair Company: Matthea van Staden
- MVO Nederland: Michiel van Yperen
- MYOMY do goods: Marja Baas
- OEKO Tex: Jutta Knels
- Solidaridad: Marieke Weerdestein*
- Studio Jux: Carlien Helmink*
- Traced Good: Ester Wiersma
- Anonymous Chinese Production Company (Leather goods)

Tourism
- Green Key (Stichting KMKV): Erik van Dijk
- Koning Aap, Shoestring and Yourway2Go: Femke de Vries
- Landal Green Parks: Tanja Roeleveeld
- Dutch Association of Travel Agents and Tour Operators (ANVR): Gerben Hardeman
- Global Sustainable Tourism Council (GSTC): Randy Durband
- MVO Nederland: Saskia Pepping
- TUI Netherlands: Elise Allart
- SNP Reizen: Gert Nieuwboer
- Footprint Travel: Paulien van der Geest

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12 The interviews marked * were conducted in Dutch. The author of the chapter subsequently translated them. Participants approved this use of quotations.
Appendix 2: Sample Interview Questionnaire

**ANVR - The Netherlands Association of Travel Agents and Tour operators**

This research aims to provide some narratives of SME’s experiences with CSR certifications and standards. By comparing three different sectors, namely textile agriculture and tourism, we hope to better understand what works for whom and why.

**Warm-Up Question**

1. How did you become a Project Manager for sustainable Tourism at the ANVR?

**ANVR - Branch Organization**

2. In 1995, ANVR became the first travel industry organisation in the world to develop a sustainable tourism policy for its members. What prompted ANVR to actively get involved with sustainable tourism? Are there any ongoing trends in the tourism sector that impact ANVR’s decision to develop sustainable tourism policy?
3. What is ANVR’s motivation for taking a leading role in CSR initiatives?
4. As the representative of the Dutch travel industry, what is your business philosophy?
5. How have you translated your business philosophy to the various different companies operating in the travel industry?
6. Why does ANVR mainly focus on the Dutch outbound travel market?
7. Are there any behavioural trends of companies in the outbound travel market that frustrate you? Can you give an example?
8. What do you consider to be the ideal company operating in the travel industry?

**CSR Practices**

1. Are corporate social responsibility considerations (a balance between profit, environmental and societal impact) an integral part of the decision-making process and the planning of activities within Dutch travel companies? How do you balance your CSR considerations with your bottom line (i.e. profit)?
2. In light of the various sustainability efforts that ANVR is involved with (i.e. CBI and ANVR cooperation, IDH program, ECO- Innovative initiative, INTOUR, Travelife…) what have these CSR or certification measures actually done to increase business in the travel industry? Can you provide me with a specific example?
3. Do you think there is a need for improvement of the current CSR initiatives in place? Do you have any frustrations with the current CSR initiatives?
4. What do you consider to be the best practice in the tourism industry? Why?
5. How have the companies you represent reacted to the various CSR initiatives you have in place? Are there any concerns which companies raise? How have you addressed these concerns?
6. If you had to choose, what is the most important aspect of conducting a responsible business? What about getting a better image, maximizing revenue, environmental benefits, and/or social benefits?
   a. Concern for the environment
   b. Concern for human rights
c. Stakeholder requests (i.e. consumers, partners...)

d. Legislation and regulations

e. Competition with other businesses

f. Wanting to be a frontrunner

g. Corporate identity

h. Other

7. What frustrations do the companies you represent have with CSR?

Certification - Sector Specific: Tourism

8. As a representative of the Dutch Travel industry, what do you take into account when developing and setting CSR standards for the tourism sector?

9. What are the trends taking place in the travel industry that is having an impact on the decision of the companies you represent to certify or not to certify?

10. How do you deal with companies that are reluctant to certify? Do you have experiences with companies that are reluctant to certify? Which types of companies are reluctant (i.e. SMEs, MNCs, etc.)? Approximately how much percentage is reluctant? Why were they reluctant?

11. Have you embarked on any missions to increase company participation in any CSR certification programs?
   a. If yes, Can you give an example to illustrate how you have done so?
   b. If no, why not?

12. What motivates companies to choose a specific certification scheme? Are there any alternatives companies can choose? Why do you think companies choose alternatives?

13. When developing and setting these certification standards, do you take into account the size of a company?

14. On average, how much does it cost to certify?

15. You speak about using labels (in Dutch: “keurmerken”). Does this mean you favour using labels more than certifications? Why do you not favour certification?

16. As a branch organisation, does your view on certification impact your advice to the companies you represent that wish to embark on CSR initiatives?

17. How do businesses engage their suppliers in upholding CSR certification standards in the supply chain?

18. What are your own experiences with certification?

19. How do certifications help SME to compete with larger tourism organisations/companies?

20. Do you think that CSR certification has a cost prohibitive effect on SMEs?

21. Has ANVR taken this into account in CSR certifications schemes? How?

22. Do you believe every company should be certified? Why yes, or why not?

23. Do you think CSR certification is a viable option for SME?
   a. If no, why is it not a viable option for SMEs? If not, what are alternatives?
   b. If yes, do you think that the current CSR certifications in place cater to SMEs or should there be a difference?


Clark, W.H., Vranka, L. et al. (2012). The need and rationale for the benefit corporation: Why it is the legal form that best addresses the needs of social entrepreneurs, investors, and, ultimately, the public? Available at: http://www.benefitcorp.net/attorneys/benefit-corp-white-paper.


