HARVARD | BUSINESS | SCHOOL

Hot or Not? What Makes Product Categories Attractive to Fair Trade and Eco-labeling Organizations

Kristin L. Sippl

Working Paper 19-023

Hot or Not? What Makes Product Categories Attractive to Fair Trade and Eco-labeling Organizations

Kristin L. Sippl
Harvard Business School

Working Paper 19-023

DRAFT: UNDER REVIEW

Hot or Not? What Makes Product Categories Attractive to Fair Trade and Eco-labeling Organizations

This paper probes extant theory on product diversification in the empirical realm of fair trade and eco-labeling organizations (i.e. certification organizations). While much is known about diversification in for-profit firms, less is known about the more complex choices faced by hybrid organizations that balance social and economic objectives and curate symbolic, values-based portfolios. By process-tracing original interview data from three leading certification organizations, the paper finds that certification organizations prefer to diversify into product categories with three features: high levels of fit with the organization's current clients, campaigns, and strategies; appealing market features, defined as highly integrated, predictable, low-risk supply chains and non-luxury status; and skillful activists who deploy discourse and resources strategically. Organizational fit and market features often drive decisions, but a product lacking these can still become certified if the product activist is skillful enough. The data did *not* fully support hypotheses on the primacy of exogenous opportunity structures and consumer values in diversification decisions. The findings contribute to the broader literatures on institutional entrepreneurship, market categories, and social movements. They also help activists and managers appraising this business and policy tool understand its potential and limits, guiding certification's trajectory towards the markets its best suited to serve.

A new trend in the United States' $79 billion dollar wedding industry is to align the event with sustainable lifestyle aspirations (Chabra 2016). For woke couples looking to source wedding purchases in ways that minimize environmental harm and support sustainable livelihoods, the array of fair trade and eco-labeled product choices is vast, yet not complete. Couples can buy wine, flowers, apparel and gold wedding rings certified by Fairtrade International. They can serve fish certified by Fair Trade USA or beef certified by the Rainforest Alliance, which also offers certified honeymoons. They cannot, however, buy certified diamonds, serve certified chicken, take pictures on certified smart phones or adopt certified pets because the organizations running these programs have not diversified into these markets yet. In a world filled with problematic products, why is there such variance in certified product supply? Will consumers one day be able to buy all of their goods from ethically certified sources? Or are there limits to the span of categories for which certification is a good fit?

Diversification is a tricky aspect of strategic innovation that only becomes more complicated when organizations employ logics beyond profit maximization (Anderson et al. 2014, Fosfuri et al. 2016, Seong and Godart 2018). For profit-maximizing firms, history is replete with examples of both wise and unfortunate diversification decisions (Berg 2016). Giorgio Armani successfully diversified from menswear to beauty and homegoods, but Hollywood movie studios rejected the scripts for Star Wars and Seinfeld which were then made into hits by competitors (Elsbach and Kramer 2003, Lee et al. 2018). Hybrid organizations that combine financial and social objectives face the same forecasting challenges as for-profit firms, plus the additional challenge of managing the symbolic nature of their products and the value frictions that introducing new ones can trigger (Battilana and Lee 2014; Fosfuri et al. 2016, Lee et al. 2018).

While there are several varieties of product certification and labeling organizations, all can be classified as hybrid organizations because they aim to achieve pro-social goals via markets. This paper studies a specific and increasingly common variety: non-governmental, non-profit social movement organizations that write standards for multiple products, recruit supply chain actors to comply, use third-party auditors to verify compliance, and label approved products with their logos. The diversification decisions of these organizations are interesting because their missions are broad enough to encompass nearly any problematic product. Their decisions are also important because their design makes them better positioned than other private regulatory programs to create meaningful change. By foregoing government involvement, they may fill the gaps left by governments either unwilling or unable to manage global supply chains. And by separating rule-writers, rule-takers, and rule-auditors, they minimize conflicts of interest.

Despite the academic attention paid to both diversification and hybrid organizing, little is known about diversification in certification organizations. Certification research is plentiful (Bartley 2003, Distelhorst and Locke 2018, Levy et al. 2016, Locke 2013, Ponte and Vestergaard 2011, Toffel et al. 2015, van der Ven et al. 2018, Vogel 2005). Yet the closest it comes to analyzing diversification is Auld's (2014) study on organizational proliferation within (not across) sectors, Bennett's (2017) study on certification's struggle to diffuse into the cannabis sector, and Delmas and Mantes-Santos' (2011) study on a different type of standard-setting organization's diffusion across countries. No papers address how existing certification organizations evaluate and choose between product category candidates, despite the impact these choices have on the ability of consumers to exercise ethical consumption, the ability of businesses to profit from better behavior, and the ability of governments to manage sustainability challenges. This paper therefore asks: When certification organizations pursue growth via product diversification, what factors influence their diversification decisions?

The answers to this question are drawn from case studies of diversification decisions in three leading certification organizations: Fairtrade International, the Rainforest Alliance, and Fair Trade USA. Using data from original interviews and organization documents, the paper explores the degree to which extant hypotheses on diversification in for-profit, hybrid, and social movement organizations are present in the certification organization case. It further identifies new factors shaping decisions that are currently missing from the literatures. Specifically, it finds that product candidates are most attractive when they have three attributes: high levels of fit with the organization's current clients, campaigns, and strategies; appealing market features, defined as highly integrated, predictable, low-risk supply chains and non-luxury status; and skillful activists who deploy discourse and resources strategically. While organizational fit and market features often drive diversification decisions, a product candidate lacking these attributes can still be deemed attractive enough to certify if a product activist is skillful enough.

To conclude, the paper explains its contributions to the literatures on certification, diversification, and hybrid organizing, and its connection to the broader streams of research on institutional entrepreneurship, market categories, and firms' responses to social movements (Durand and Georgallis 2018, Durand and Khaire 2017, King 2008, Micoletta et al. 2017, Navis and Glynn 2010, Sine and Lee 2009, Weber et al. 2008). Unlike extant studies that focus on a single organization or product category, this paper takes a comparative approach spanning organization and product cases. The findings provide an example of market category creation rather than emergence (Durand and Georgallis 2018) and indicate that certification organizations behave more like traditional, profit-focused businesses than Fosfuri et al.'s (2016) propositions predict. The findings enable scholars to say something they were not able to say before: certification organization diversification decisions are typically based on three factors, which make some products inherently more attractive than others.' Finally, the paper highlights paths for future research, and explains how managers of all types of organizations can use these findings to become more effective and efficient problems solvers, enhancing the wellbeing of both humans and the environment.

Theories of Diversification and Certified Product Supply

The strategy literature on organizational change is clear: product diversification is often key to an organization's growth and success, especially in hybrid organizations because intra-industry scaling is often more challenging than in traditional businesses (Anderson et al. 2014, Berg 2016, Christensen and Raynor 2013, Fosfuri et al. 2016, Seong and Godart 2018, Walske and Tyson 2015). Certification organizations have been putting this advice into practice since their emergence in the 1980s. Fairtrade International diversifies to remain “fresh” and “relevant” (FLO 2003, Lamb 2008, Respondent 3). Fair Trade USA envisions a future in which consumers “shop responsibly in every product category” (Walske and Tyson 2015). And the Rainforest Alliance formally seeks ideas for new products prior to its annual strategic planning meetings (Respondents 7, 12, 14).

While these decisions on *whether* to diversify are easy, decisions on *how* to diversify are more complicated. For some certification organizations, product portfolios are curtailed by their mission. For example, the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) were founded specifically to encourage the sale of sustainable wood products and wild-caught fish (respectively), so the range of appropriate products to certify is narrow. For other certification organizations, missions are so broad that nearly any problem product is a candidate. Fairtrade International (FLO), Fair Trade USA (FTUSA) and the Rainforest Alliance (RA), for example, all aim to foster sustainability by transforming worker experiences and land-use practices, but do not specify the products to target to do so. The drivers of their diversification trajectories are therefore a mystery, and their product portfolios are matched and mismatched in puzzling ways.

Table 1 displays samples of three portfolios to date. All organizations chose to certify some problematic products (e.g. coffee, flowers, palm oil) and ignore others (e.g. diamonds, pets), while decisions diverged on other products (e.g. fish, gold, tourism, cotton, rubber) despite the similar sustainability challenges posed by all of the products in the table. What drives these diversification decisions? Are some products inherently more attractive to certification organizations than others? Or are all diversification decisions subjective?

Table 1. Diversity in Certified Product Supply					
	Certification Organizations				
Products	FLO	RA	FTUSA	FSC	MSC
Coffee	X	X	X		
Flowers	X	X	X		
Palm Oil	X	X	X		
Wine	X		X		
Cotton	X		X		
Rice	X		X		
Gold	X				
Cattle		X			
Tourism		X			
Rubber		→ FSC		X	
Fish			X		X
Wood	Pilot only	→ FSC		X	
Seaweed					X
Diamonds					
Mobile Phones					
Pets					
Furs					
Chicken					

Factors External to Organizations

Prior to the mid-1980s, the diversification decisions of businesses were explained via theories of industrial organization and population ecology (Lockett and Morgenstern 2009). These theories see organizations as black boxes that should behave identically in response to a candidate market's incentive structures. Porter (1979) advises focus on "five forces" in the market: current and potential competitors, likely supplier behavior, likely consumer behavior, and whether substitute products exist. Some recent research of particular relevance to certification focuses on consumers. Christensen and Raynor (2013) encourage organizations to ask themselves what "jobs" consumers need to get done, Navis and Glynn (2010) focus on "interested audiences," and others argue that consumers are less pro-social when making luxury purchases (Achabou and Dekhili 2013, Davies et al. 2012, Janssen et al. 2014). Durand and Georgallis (2018) use social movement organization (SMO) support of an industry as proxy for public demand for it, arguing that the more prominent SMOs are in the industry, the more attractive the industry is to firms.

Social movement scholars suggest foci, too. Keck and Sikkink (1998) argue that the public is most likely to support issue campaigns focused on bodily (versus psychological) harm, notorious (versus new) offenders, purposeful (versus systemic) harm, and marginalized populations. Other social movement scholars focus on shocks to the institutional field that make it more attractive, such as natural disasters, new regulations, technological innovations, or attention from respected organizations (Battilana et al 2009, Bloomfield 2017, Carpenter 2014, Cooley and Ron 2002, Micelotta et al 2017, Tarrow 2005). This thinking gives rise to a first hypothesis:

H1: Certification organizations diversify in response to external market structures.

Factors Internal to Organizations

While theories of external opportunity structures appear well-suited to explain cases of certification organization convergence on attractive products (e.g. coffee), they say less about cases of divergence (e.g. gold) because, ceteris paribus, all organizations should behave the same way in light of the same incentives, 'herding' in a field until a point of saturation. Instead, decisions on some products vary.

Wernerfelt (1984) argues that in the case of businesses, this makes perfect sense: organizations are *not* black boxes and should diversify according to their unique resource endowments. This resource-based view (RBV) or "theory" (Barney 1991) of the firm grew into a vibrant stream of management research, generating the aligned advice that firms should diversify based on their core competencies and dynamic capabilities (Lockett and Morgenstern 2009). Firms should leverage the excess capacity generated by their strengths and invest in a related industries to make use of economies of scale (Fosfuri et al. 2016).

Other scholars share this internal gaze, yet focus on different factors, namely an organization's historical and sociological institutions (Auld 2014, DiMaggio 1988, Schein 2004, Suddaby et al. 2010). In this view, early organizational rules that dispersed organizational power among specific actors combine with an organization's espoused values, behaviors, and assumptions (which Schein 2004 defines as its culture) to shape how it responds to external incentives. Path-dependencies emerge and create a diverse array of organizational behavior.

This view is prevalent in recent research that is directly relevant to certification organizations. Carpenter (2014) uses it to explain that advocacy organizations diversify into new human security issues subject to the constraint that new campaigns cannot distract resources from or be at odds with existing campaigns. Fosfuri et al. (2016) present these same ideas through the case of social enterprise Atayne, maker of athletic clothes made from an eco-friendly fabric. This fabric was sought after by car interior companies, but Atayne declined diversifying in this direction because driving is bad for human health and the environment, and therefore counter to their mission of supporting active, sustainable lifestyles. Because of such value frictions, Fosfuri et al. (2016) predicts that hybrid organizations will base diversification decisions less on internal resources and more on consumer values than traditional firms, while remaining primarily beholden to their mission. Auld (2014) studies certification organizations specifically, using their early choices on voting rules and issue coverage to explain varying rates of certification proliferation within industries. Taken together, these studies give rise to a second hypothesis:, which might compete with or complement the first:

H2: Certification organizations diversify in response to internal organizational attributes.

The Role of Agency

A final perspective balances this focus on structures by assessing the roles played by agents. Whether internal or external to the organization, agents in the form of activists or institutional entrepreneurs aim to create change by overriding institutional incentives or rewriting institutions altogether (Battilana et al. 2009; Micelotta et al. 2017). Such institutional change (of which diversification is one example) is often attempted but not always successful, with outcomes often attributed to characteristics of the agent.

Elsbach et al. (2003), for example, find that regardless of content, screenplay pitchers are most persuasive when decision-makers stereotype them as creative and collaborative as opposed to "robots," "salesmen," or "charity cases." Busby (2007) similarly found that credentials, celebrity status, "unlikely leader" status and similarity to decision-makers boosted persuasiveness; and Battilana et al. (2009) and Carpenter (2014) add that position within social networks can matter too. Other researchers focus on discourse and framing strategies (Benford and Snow 2000, Kaplan 2008; Lee et al. 2018), advising to emphasize the target's values and capacities (Bob 2005), incremental as opposed to radical changes (Suddaby and Greenwood 2002), tailoring diagnostic, prognostic, emotional, technical, and moral components of pitches to the target (Suddaby and Greenwood 2002, Busby 2007, Joachim 2007, Carpenter 2014), and deploying analogies (Etzion and Ferraro 2010). In the realm of certification, Auld (2014) notes that a famous bagpiper asked the Forest Stewardship Council to certify a particular species of tree. But beyond this, the story of individual agency in certification diversification decisions is largely missing from the literature, and may help explain the puzzling cases of divergent certification organization decisions on products that fit well with many organizations and present promising opportunity structures. This need for the story of agents gives rise to a third hypothesis:

H3: Certification organizations diversify in response to product activist campaigns.

Methodology, Data, and Case Background

Because this study is exploratory in nature, these hypotheses are used to probe the boundaries of extant theories on diversification and hybrid organizing (Mahoney 2000). They guide data collection and analysis with the goal of generating clear independent variables suitable for future quantitative testing. Research began by selecting a small number of certification organization cases so that in-depth process-tracing of their product diversification decisions could be undertaken.

The paper focuses on non-governmental, third-party, multi-product certification organizations with similar mission statements. Non-governmental means that they neither exist under the umbrella of a sector of government (such as the US Department of Agriculture's Organic or Department of Energy's EnergyStar programs) nor have government representatives as voting members of the organization (such as International Standards Organization (ISO) or

International Federation of Organic Agriculture Members (IFOAM) have). This narrow focus is necessary because such government involvement likely shapes decision-making processes. The ‘third-party’ criterion refers to organizations that split the rule writing, complying and auditing tasks among actors to minimize conflicts of interest. Of course many organizations are increasingly multi-stakeholder, which erodes this value in exchange for others that also may enhance program effectiveness. At a minimum, the criterion eliminates analysis of programs launched by trade associations, such as the Responsible Jewelry Council (Auld et al. 2018) or Programme for the Endorsement of Forest Certification (PEFC) (Auld 2014). Finally, the paper focuses on multi-product certification organizations with similar missions yet diverse product portfolios to maximize research efficiency (within one organization, many diversification decisions can be studied with many variables held constant).

These criteria result in a population of about 20 organizations, and the top three most recognizable in the United States in 2009 (BBMG 2009) were sampled for analysis: Fairtrade International, Rainforest Alliance, and Fair Trade USA. Fairtrade International (FLO) was established in 1997 in Germany to unite the smaller, nationally-focused certification organizations that had emerged across Europe and North America since 1988 (FLO 2018). Since its initial focus on food and drinks, it expanded to include products like apparel, homegoods, and jewelry. Fair Trade USA (FTUSA) was the United States outpost of FLO until 2011, when it split to become its own competing organization. It has retained many of the same products as it had under FLO, but has made some unique choices, too. Rainforest Alliance (RA) was founded in 1986 at a conference convened by a group of activists to deal with the growing problem of tropical deforestation (RA 2018). From their headquarters in New York, the organization has expanded from forest certification (which they now partner with Forest Stewardship Council to govern) to standards for flowers, palm oil, tea, tourism, beef and leather. All three organizations’ mission statements are housed in Table 2, and they all operate in roughly the same ways. Each organization selects a product category to govern and writes standards for ethical production with economic, social and environmental components. An audit is required to become certified (usually paid for by the producer), then producers can sell on the terms specified in the standard. Subsequent supply chain actors must follow chain of custody procedures to track the product through arrival at the retailer. The retailer pays a license fee to the labeling organization (referred to in this paper as the certification organization) when the product is sold.

Table 2. Certification Organization Mission Statements, mid-2017	
FLO	“connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.”
FTUSA	“enable sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, consumers, industry and the earth”
RA	“conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior.

Data on how these three organizations make diversification decisions comes from 11 semi-structured interviews (5 in person, 4 through video-Skype, 2 by phone) conducted by the author between December 2014 and March 2015. Respondents were central to diversification decisions on either specific products or a range of products, depending on the organization's bodies and processes. FTUSA has a specialized 'new products' team that vets candidate products. FLO is more complicated, with a "Strategy Unit" formally tasked with vetting candidate products in addition to their other duties, and their General Assembly (comprised of producers and retail clients) and Board vote on the team's recommendations (Respondents 1, 2). Yet the Strategy Unit solicits and receives ideas from a vast array of organizational actors, such as producers or staff in the United Kingdom branch (Fairtrade Foundation), which used to serve informally as a research and development group for new product ideas. RA's decisions are made by their 'leadership team' at their annual "management retreats" after a survey is sent to most segments of the organization soliciting ideas (including on new products) to be discussed at it.

To create the sample, a member of each of these teams was contacted and asked to suggest additional respondents with ample first-hand experience with new product choices (snowball sampling method). The resulting respondent pool contained 15 leaders across the three organizations. Interviews ranged in length from 45 minutes to 2 hours, and were recorded and transcribed, resulting in 120 pages of single-spaced text. The data was coded according to emergent themes, and the sample was capped once the recommended respondents had already been interviewed and data became repetitive (triangulation). The interview questions generating the data were both open-ended and directed at specific product decisions or hypotheses:

- *"What makes a candidate product attractive?"*
- *"Where do ideas for new products typically come from?"*
- *"Why did gold succeed as a product candidate?"*
- *"How did the launch of the United Nations Convention on Mercury effect your decision on gold?"*

Product categories discussed include flowers, cotton, beef, leather, seafood, timber, diamonds, gold and tourism. Gold featured prominently in discussions for three reasons. First, it is one of the most divergent products to be certified by a major organization, meaning it is different in potentially important ways from other certified products and certified by only one organization out of the three studied. Second, artisanal and small-scale gold mining (the size of operation that is certified) is the leading cause of global mercury pollution, a problem of growing concern to the international community that governments are struggling to address by themselves (Selin 2014; Sippl 2015). Third, gold certification is an extreme case of the puzzle analyzed in this paper: the product fits the mission of all three organizations, and there is no obvious reason why FLO chose to certify it and RA and FTUSA chose not to, especially since the operating budgets of the latter organizations are much bigger than FLO's.

Results

The first hypothesis on market structures was moderately supported, whereas the second and third hypotheses on organizational attributes and activists were fully supported. Overall, the data provides important clarifications to existing hypotheses about product diversification. Typically, organizations begin decisions by brainstorming products that fit with their organizational interests. After that they consider specific market factors, although surprisingly *not* the institutional 'shocks' that feature prominently in other studies. Activists can disrupt this process at any stage by changing the reality or perceptions of existing incentive structures. In some product cases (e.g. gold) they made an otherwise unattractive product attractive enough to become certified.

Organizational Factors First

When organizations assess candidate products to certify, the first thing they consider is organizational fit, defined here (in line with the data) as a product's fit with current clients and campaigns, and the organization's preferred strategy for launching products. The most attractive products to organizations are those that existing clients (e.g. producers, wholesalers, retailers) already make or sell. In part this is driven by ethics—several respondents felt a moral commitment to deepen benefits to those they had already promised to help. But it is also driven by the organizational need to survive. Retailers are often the organizations' biggest sources of income: licensing fees comprise 80% of FTUSA's budget, RA's biggest donors are its commercial clients, and FLO's decisions are often based on "which accounts we need to keep" (Respondent 5). RA explains that it "takes ten times more effort to recruit a new customer than to keep an existing one," and believes it is "unfair" to "poach" resources generated by one client to bring benefits to another (Respondent 12). FTUSA's Respondent 6 echoes the sentiment: "We don't think it's fair to take money that's supposed to be servicing existing categories and put that towards new pursuits." Their CFO summarized the thinking across the three organizations, which closely matches the diversification reasoning of traditional profit maximizing businesses: "If we are in a certain product segment, we can then more easily extend to a closely related product area... If we already have a relationship with a brand partner, it is easier to extend into a new product category for that brand and then grow our business sustainably and profitably." (Walske and Tyson 2015).

Evaluations of cattle, tourism and gold exemplify this thinking. Cattle was very attractive to RA because many of their coffee farmers also grazed cattle and several RA brands sold coffee as well as milk and beef (Respondents 7, 9). Tourism was similarly attractive to RA because certified tours could take place within RA-certified farms and forests, bringing producers more money and RA additional advertising (Respondent 7). By the same reasoning, gold was deemed *unattractive* to RA because few existing clients produced or sold it, and farmers frequently fought with miners over land access and use. Farmers have called miners "criminals" (RA 2013) who "come, mine, and leave" (Respondent 1) without respect for property boundaries, which jeopardizes the certification status of farms (Respondent 14). FLO's producers and retailers likewise denounced the idea of certified gold because of this animosity, and because it did nothing to further their interests while threatening to pull attention and resources away from their endeavors (Respondents 1, 3). Both factions voted against gold in the 2007 General Assembly meeting, but because producers did not have the 50% share of votes they enjoy today (Bennett 2015), these groups could not block gold's adoption. Gold went on to become certified for other reasons, but had the vote occurred today, gold would likely *not* be certified because of these clients' views (producers now hold more power on the Board as well).

After serving existing clients, the next factor considered when organizations evaluate product candidates is whether the right commercial partners to launch the new product are present. What constitutes 'right' is different for each organization. FLO prefers having small-scale retailers in place for two reasons: first, FLO believes the (inevitably necessary) large-scale partners will only become licensees once they see the product succeeding in the marketplace; and second, FLO believes small-scale partners are more willing to use ethics to differentiate themselves (Respondents 2, 3, 4). Conversely, FTUSA and RA welcome small-scale partners, but *require* large-scale partners to launch a new product. Unlike FLO, these organizations believe "mainstreaming sustainability" by "tilting the needle" in markets is their mission[1] and reason that

[1] This is cultural belief; these phrases and ideas are not written or represented in their actual mission statements.

the larger the actor the larger the market share acquired. RA's "ability to influence" (Respondent 12) is central to their diversification decisions: they "do not focus on niche markets" (Respondent 7). FLO confirmed this point about RA, guessing that RA would never launch a new product without "two to three large companies signed on ahead of time" and noting that FLO was different in this regard. FTUSA put the point succinctly: without large-actors demanding a certified market, "it's a no-go for the project" (Respondent 6).

Both FTUSA and RA used the lack of large retailers and large NGOs demanding certified gold as a reason for not choosing it. FTUSA's Respondent 6 explained that "there wasn't a big enough player and a big enough group of jewelers that would want to do it in a big enough way." RA said it needed "strong advocacy from lots of actors in place for a campaign to work, and we don't have that yet with mining…Not enough actors care enough" (Respondent 14). FLO, by contrast, felt that the few small jewelers it had in place were sufficient to move forward on the product. FTUSA diversified into homegoods (e.g. rugs, linens, curtains) around the same time, which it deemed a "really good investment" because large US retailer West Elm signed a multi-year contract to sell certified goods (Respondent 6).

The last piece of organizational fit is how well the product aligns with existing issue and product campaigns. This reasoning closely matches the reasoning used by traditional profit-maximizing organizations. In the case of gold, FLO 'liked' that gold was associated with child labor, a priority issue for them, but did not like its fit with other products: "It doesn't cross-pollinate, like you can't do a coffee promotion and then have a gold promotion because the imaging, the branding, and values are completely different for gold…We have to work in a different way, so there's a lot of hidden cost" (Respondent 3). One such cost is "internal capacity gaps": FLO knows "everything about agriculture, but gold? It takes more energy to find the right answers because it doesn't come naturally" (Respondent 3). Another cost is building the right support structures in producer countries. RA preferred products sourced from countries in which they already had infrastructure, staff, and good government relations (e.g. Brazil, where much of their certified cattle comes from).

Market Factors Second, and Only Certain Ones

Respondent 3 summarizes the cross-organizational primacy of internal factors when making diversification decisions: "We should spend our scarce resources doing what we already do, better." At the same time, factors external to certification organizations also shape decisions, and organizations are willing to take risks on products that are not perfect organizational fits. Prior to FLO's ten year anniversary, for example, the organization reflected on how to move forward strategically. They deemed their basic model a success, but worried about how to stay "fresh" and "relevant" (Respondent 3). They decided on the goal of diversifying into a "non-food product" by 2008, representing a likely departure from their and their clients' specialties (FLO 2003). When considering such departures, the external incentives provided by (certain) market structures matter. Organizations come close to acting like black boxes by unanimously preferring products with the following four attributes: high levels of industrial integration and predictability, non-luxury status, and political neutrality.

When making diversification decisions, organizations "look a lot at the complexity of supply chains" (Respondent 6). The more vertically integrated the chain (i.e. the fewer links), the fewer "product transformations and hands the product goes through," which keeps prices from "compounding and pricing it out of market" (Respondent 6). The more horizontally concentrated the market (i.e. the fewer sellers), the fewer licensees required to gain market share (important to some but not al organizations). RA cited tea as an attractive market because only five key brands were needed as partners to certify around 17% of the world's tea (Respondent 12). Coffee (certified by all organizations relatively early) was compared favorably to tourism (certified by only one organization relatively late) for complexity reasons: "it's easier to track certified coffee because the industry's more unified… in tourism, the informalization and fragmentation’s very difficult to work with… It’s difficult to get the entire industry to commit to something” (Respondent 7).

A second certification organization preference is for products with steady, predictable supply. Retailers like this because it enables them to use cost-minimizing “just-in-time” inventory strategies, which depend on accurate estimates of quantities and lead-times (Amengual et al. Working Paper). Certification organizations interested in providing producers with price floors like predictability because it enables them to calculate the full cost of ethical production, defined as the investment of resources needed to make a unit of product using safer, cleaner technology and with respect for human rights (Respondent 3). This helps organizations like FLO set their minimum price for fairly predictable products like coffee, flowers, and wine. Setting this price for less predictable products, such as fish and particularly gold, makes calculations challenging. In the gold case: “A big controversy was on the need to calculate the minimum price as a percentage rather than a fixed rate. That's why our voting members from France didn't want to do gold. In France the idea of a safety net is critical. But for gold, since there's an element of pot-luck about it, and one day you can get 150 grams and the next day you can get 600 grams with the same amount of effort, it went around in circles about what's the basic investment to get one gram of gold. You just can't estimate it. It depends on geology, geography, machinery... just too many factors at play. So rationally, a percentage makes sense. But emotionally, for some it’s all about this safety net” (Respondent 3). “The Austrians said if there's no minimum price, it cannot be fair trade” (Respondent 2).

A third preference switches focus from supply to demand characteristics. Two out of three organizations specifically mentioned preference for non-luxury goods, where a luxury good is defined, roughly, as a product possessing higher levels of quality than others in its category, with elements of exclusivity (usually via price) and interactional meaning (via status symbolism) (Vickers and Renand 2003). Intuitively, the high sentimental value of luxury goods ought to make them good fits for certification because consumers likely care more about the story behind such products and are willing to higher prices for them. However, both FLO and FTUSA were clear that they prefer *non*-luxury products because of three aspects of consumer psychology: price sensitivity, contamination effects, and the “values-action gap.”

While Hainmueller et al. (2015) show that consumers are willing to pay around 10% more for ethically certified coffee, it is unknown whether this willingness to pay extends to products with higher price points. FLO’s experience with gold suggests there are limits: “When we launched gold jewelry, the gold price was astronomical, so asking people to pay that plus a 10% premium on top… it made certified gold unaffordable and unmarketable” (Respondent 3). Consumers complained about gold’s high price in FLO’s customer survey, so FLO changed the premium from 10% to a lower and fixed amount. Since sales improved immediately, FLO concluded that “price had been a barrier” (Respondent 3).

A second reason certification organizations are reluctant to work with luxury products is what this paper calls contamination effects. Once a consumer is educated about the negative social and environmental issues associated with a product, they are likely to experience negative feelings (e.g. guilt, sadness) whenever they see it, especially if the product is in their home. If the product is cheap enough, they can assuage their feelings by purging their home of ‘bad’ products and refilling it with certified versions. As the price and sentimentality of products rise, however, the more difficult purging becomes. FLO reasoned, for example, that consumers were unlikely to throw out their wedding rings or even favorite pairs of jeans, raising concerns about certifying gold and cotton. Once consumers learned that gold was a major source of mercury pollution (UNEP 2013), FLO worried consumers would feel bad every time they saw their wedding ring, resent FLO for this, and stop buying FLO-certified products altogether (Respondent 3). In other words, luxury products are less likely to be purged and more likely to contaminate consumer feelings about certification across product categories.

Third even if purging *were* possible, certification organizations worry that consumers are simply less pro-social when buying luxury goods. FLO cited academic research by Morae et al. (2012) that suggested a "values-action" gap thwarts ethical luxury purchases. In Respondent 3's understanding of it, "when consumers make those big and really expensive investments, they're more likely to make a decision on price, design, and aesthetics rather than values."

On top of consumer psychology factors, luxury goods are also unattractive because they are bought less frequently than other products. Certification organizations started out by specializing in "fast-moving-consumer-goods" (FMCG) and built funding structures and expertise around them (Respondents 3, 6). FLO and FTUSA, for example, rely on licensing fees that accrue when products are sold to consumers (as opposed to bought from producers). Slow moving products therefore create cash-flow problems (Respondents 3 and 4). Respondent 3 explains via the gold case: "If you have too much milk on your store shelf, you put it on discount to get it off the shelf before it expires. But if you're a jeweler, you can just keep gold there until the consumer asks for it. So a lot of jewelers invested in Fairtrade gold, and they still have it, unsold! The miners got their premiums, but we're not breaking even." FTUSA shared concerns about gold's speed, but for different reasons: "Gold's turn-over's really small...the impact opportunity was pretty low unless we could get a big player" who could offset low frequency of sale with high volumes of customers (Respondent 6). FTUSA summarized their and FLO's views on luxury goods: "higher value commodities are just harder to work with in the marketplace" (Respondent 6).

The fourth and final market-factor preference is for products that are politically neutral. All three organizations prefer to work in markets that are less "politicized" and where production occurs in contexts that are relatively safe, both physically and financially. RA advised to "not be naïve" with respect to gold: "there are countries that are in the back pocket of the mining industry in a way that they aren't in the back pocket with agriculture and forestry, and mining companies have big resources in terms of communication and legal capacities" to push back once issues in the industry are exposed (Respondent 14). Similar complaints were launched by FLO against diamonds.[2] When considering gold, FLO hired a mining consultant who advised that FLO "was not yet strong enough to take on the diamond industry" because it is "highly politicized," and FTUSA thinks "the politics behind diamonds are intense and slightly dangerous… We're pretty mindful about where we send our people…Risk issues are a huge factor" (Respondent 6).

To summarize, that data showed that degrees of industrial integration, supply predictability, non-luxury status, and political neutrality all shaped diversification decisions. Unlike in other studies, the data did *not* show that peak events cause organizational herding in markets, and that consumers care about some social and environmental issues more than others. When respondents were asked open ended questions about what makes product markets attractive, and why some are chosen over others, none mentioned the launch of regulations, a rise in media attention due to a major event, or attention from major organizations or individuals as reasons. This contrasts with studies such as Carpenter (2014), in which human security organizations readily mentioned regulations and attention from network leaders as drivers of diversification trajectory. Respondent 12 explained that RA watches some groups such as Oxfam, World Wildlife Fund (WWF), and Greenpeace "very carefully," but Respondent 9 emphasized that "there's not really an 'oh we need to go in that direction' kind of thinking… We're now moving toward high conservation value areas but not *because of* WWF...you take into account what's happening and ask whether it makes sense right now."

[2] The Kimberley Process for the diamond industry is not a third-party certification system such as the programs studied here, but rather a partnership between countries and mining companies focused on creating a paper trail. See Haufler (2009).

Activists Matter Too, and Occasionally the Most

Some product cases lack attractive market features and do not fit well with organizations, yet manage to be selected for certification anyway. In these cases, individual product activists swayed diversification decisions. The mere presence of activist was not enough, however. Successful activists compensated for product deficiencies by using specific discursive strategies and supplying organizations with needed resources.

Discursive strategies were both visual and verbal. In the gold case, the activist came from outside of the certification organization and sought to convince Harriet Lamb—then leader of FLO's UK marketing branch and soon after FLO's CEO—that certifying gold was a good idea (Valerio 2013). The gold activist was friends with a fashion designer that Lamb was actively trying to recruit. Since Lamb enjoyed doing business at social events, the designer planned to host a dinner party at which she and Lamb would discuss ideas. The gold activist asked his designer friend for an invitation and she agreed. He then attended the party dressed in a way he hoped signaled both his creative and rebellious sides, and tried to be seen in conversation with important guests. According to Lamb, the strategy worked. Lamb recalls that the idea to certify gold emerged at "that chance meeting at Katherine Hamnett's house" during which she saw "Katherine's friend" (the gold activist) "lounging on a sofa, trendy shirt unbuttoned revealing his large chunk-chain necklace…chatting with a leading social activist…" (Lamb 2008). These visual cues helped Lamb stereotype the gold activist as a 'creative type' and similar to the people FLO already sought to work with—winning strategies according to the entrepreneurship and social change literatures.

Additionally, the gold activist used verbal strategies known to work well. In conversations with Lamb, he solidified his status as a rebel and unlikely leader as well as an authority on gold by explaining his journey from being a high school dropout to a jewelry store owner (Respondent 4). He also used more positive and prognostic than negative and diagnostic frames during the pitch, focusing more on the benefits that would flow from gold certification than the problems uncertified gold was currently causing. While discussing benefits, he further chose to focus on issues FLO especially cared about: he talked about how certification would improve the lives of children (a major goal for FLO) rather than about how it would help the environment (Respondent 4). Finally, he guessed that basing his call to action on morality rather than statistics would work best with FLO, claiming that FLO had a "moral imperative" to certify gold because it was the only organization with enough label recognition to do it (Respondent 4).

Other Respondents involved in the gold case report that this moral appeal in particular (Respondent 1, 3, 4) and the discursive strategies more generally convinced Lamb to champion gold as FLO's next product. Gold was successful because of "Lamb's relationship with the activist…they are both innovators... both people who not only have big ideas but know how to turn ideas into products" (Respondent 1). They just "hit it off" (Respondent 3).

In the flowers and tourism cases, the successful activist used similar discursive tactics to nudge RA's diversification decisions (Respondent 7). The activist began his research on the most strategic products to certify while in graduate school, and was subsequently hired by RA. Like the gold activist, in each product pitch he focused on benefits more than problems, noting, for example, how tourism on farms and in forests would bring income and advertising to existing clients. He also tailored the philosophical versus technical focus of his pitch to the organization he was targeting. RA is often referred to as a more "technical" organization than FLO (Respondent 7, 3), so his flower pitch emphasized the supporting statistics and financial gains that would accrue from diversification in this direction (Respondent 7).

In addition to using strategic discourse, successful activists also offered resources that lowered the financial and psychological costs of certifying their championed product. FLO's gold activist wrote a new certification standard for gold based on FLO's standards for other products, relieving the organization of this extra work. He further organized mining activists and experts into a registered non-profit organization that would provide capacity building services to miners, since FLO had no expertise in this industry. Finally, he provided proof-of-concept to FLO by bringing a piece of gold sourced from a ready-to-go supply chain (i.e. one operating in accordance to the new gold standard, from mine to market) to his final meeting with Lamb. This left little for FLO to do but say 'yes.'

Similar resource strategies were used in the successful flower and tourism cases. The activists' graduate school research provided both the business case for market entry and the industry expertise RA otherwise lacked. The volunteer managed the development and eventual launch of flowers in addition to his other duties (saving RA time and labor costs), connected RA to his contacts in Costa Rica (where the two products would launch first) and secured a grant from JP Morgan to fund tourism. In Respondent 7's words: "a little bit of funding and volunteer work always helps" a product's candidacy.

A case of failed activism also emerged in the data and is suggestive of support for the above mentioned tactics via their absence. The idea of gold certification was also pitched to RA, but by a different activist (Respondents 5, 7, 9, 12, 14). There are many reasons why RA declined certifying gold, but unlike in the FLO case, the activists' tactics were not powerful enough to overcome them. Unlike in the successful cases, the idea was pitched through RA's typical process (at the annual leadership retreat) instead of through unconventional channels. The pitch emphasized the activist's (admirable) seniority and history of service in RA rather than portraying him as an unlikely leader or 'creative type.' It further was overly diagnostic, emphasizing mining's harm to RA's mission more than gold certification's potential to serve it. Finally, the activist had no expertise in mining or jewelry, and offered no resources (e.g. a research report or connection to other experts) to offset this. While this pitch data is not determinative, it is suggestive of the idea that some activist tactics may shape diversification trajectory more powerfully than others.

Discussion:

Overall, the data reveal insights about the drivers of diversification decisions generally (across products) and in specific product cases. The specific product cases enabled process tracing of the factors identified generally, demonstrating how the factors operationalized into causal mechanisms (Mahoney 2000). Most product cases were positive as opposed to negative cases, i.e. the outcome of interest was present (Mahoney and Goertz 2004): the product was added to the organization's portfolio. The gold case was helpful in that it served as both a positive and negative case: it was added by FLO, but rejected by RA and FTUSA. The findings are summarized in Table 3, which shows the most common explanations given for product attractiveness generally, the five products discussed in depth, and the degree to which each product possessed the attractive factor when the decision to certify it was made (and in the case of gold, when it was rejected by RA and FTUSA).

Ideally, there would be more negative product cases to process-trace, e.g. FLO's choice to *not* certify beef and RA's choice to *not* certify cotton. Nevertheless, Table 3 presents an interesting pattern. When favorable organizational and market factors were present, activists were not. And when products *lacked* favorable organizational and market factors, strong activists *were* present. While alone these observations are simply correlations, process-tracing reveals a causal story true for these cases and perhaps generalizable to others: Favorable organizational and market factors are often jointly sufficient to explain diversification decisions; absent these, a strong activist is necessary and can be sufficient to explain diversification decisions. The gold case provides an extreme example: gold had nearly none the favorable organizational and market factors identified, yet it had a particularly strong activist, and in the end was certified.

Table 3. Drivers of Diversification Decisions in Certification Organizations								
		CERTIFIED MARKETS						
Favorable Factors:		**Cattle RA**	**Cotton FLO**	**Flowers RA**	**Tourism RA**	**Gold FLO**	**Gold (not RA)**	**Gold (not FTUSA)**
Organization	**Fit Factors**: Clients, Campaigns, Launch Partners	X	X	X	\	`		
Market	**Supply Factors:** Integration, Predictability, Neutrality	X	X	X	\			
	Demand Factors: Non-Luxury	X	\	\				
Agent	**Activist Factors:** Discourse, Resources			X	X	X		
X = Fully Present; \ = Somewhat Present; ` = Barely present (1 out of 3 factors)								

Conclusion:

This paper sought to probe extant theory about product diversification in the empirical realm of hybrid organizations. The data collected on diversification in certification organizations is sufficient to provide important clarifications on existing hypotheses. Regarding Hypothesis 2, certification organizations diversify *primarily* in response to internal organizational factors, *specifically* the product's fit with current clients and campaigns, and the organization's preferred strategy for launching new products. Regarding Hypothesis 1, certification organizations diversify *secondarily* in response to *some* external market structures: industrial integration, supply predictability, political neutrality, and non-luxury status are preferred, whereas opportunity structures formed by shocks to the institutional field do not shape product preferences.[3] Regarding Hypothesis 3, certification organizations diversify in response to product activist campaigns *when* activists use discourse strategically and offer resources to lower entry costs.

[3] except when new market or issue entrants serve as launch partners, as in Hypothesis 2.

These clarifications make two contributions to research on organizations. First, they show that some—but not all—aspects of diversification and hybrid organizing theories extend to value chain governance via product certification and labeling. While consumer values factor into diversification decisions, certification organizations prioritize internal interests and resources, acting more like traditional firms than Fosfuri et al. (2016) propose they might. At the same time, certification organizations act less like traditional firms *and* social movement organizations in their indifference to external market opportunity structures such as new regulations and technology, media attention, and network effects. Second, the clarifications add fresh insights into the product attributes that make markets more amenable to market-based governance mechanisms. While organizational fit factors and the (potential) power of activists are less surprising because they support strands of extant theories, the findings on the influence of industrial integration, supply predictability, non-luxury status and political neutrality on product decisions are brand new to the certification, diversification, hybridity and social movement literatures.

These contributions constitute early steps toward building a coherent theory of ethical consumption via certification, and highlight three paths for future research. First, certification organization preferences for non-luxury products and their indifference to external institutional shocks warrant further investigation. Regarding the latter, are certification organizations different than pure social movement or hybrid organizations in ways that create this divergent response? Regarding the former, the non-luxury preference is clearly held by certification organizations, but is it warranted? Organizations are basing these beliefs on studies that could benefit from updates and robustness checks, such as Davies et al.'s (2012) survey of likely consumption behavior of 200 shoppers from the UK. Future research could test the relationship between pro-sociality and luxury consumption experimentally or using actual consumption data, and with a larger, more diverse sample.

Second and third, future research should test the generalizability of this study's findings as well as the fate of certification in new product categories. Do the factors that drove diversification decisions in this paper's product-organization dyads hold across different dyads? A large-n quantitative exploration of the factors identified in this paper would be useful, as would research on the success of products that were not attractive according to organizational and market factors, but *did* have strong activists. Do activists help bring true winners into being, or do they artificially prop up products ill-suited to certification, wasting precious resources? Case studies on the fate of gold and tourism would be illuminating. And the focus on effects would help connect the certification research in the management and policy literatures, fostering generative interdisciplinary conversations.

In addition to helping scholars, this paper and line of research helps an array of stakeholders learn about the conditions under which certification is smart solution to problem products. Managers of brands, social movement organizations, hybrid organizations, and government bureaucracies all face the same conundrum: if a certified version of their target product does not currently exist, *should* it exist? Before investing the time and energy into a product pitch to a certification organization, managers can use this paper's list of factors to assess whether their product is a good match for this tool, and if so, how best to construct the pitch. While some may dream of a parallel economy in which every product has an ethically certified counterpart, this paper joins others (e.g. Bennett 2017, Bloomfield and Schleifer 2017) in suggesting that there may be limits to certification's diffusion. Such research helps both humans and the environment by guiding certification and other market-based policy tools towards the problem products they are best suited to govern.

References

Achabou, M. A., & Dekhili, S. (2013). Luxury and sustainable development: Is there a match?. *Journal of Business Research*, *66*(10), 1896-1903.

Amengual, M., Distelhorst, G., & Tobin, D. (Working Paper). Incentivizing Labor Compliance through Global Purchasing Practices. *Revise and resubmit*.

Anderson, N., Potočnik, K., & Zhou, J. (2014). Innovation and creativity in organizations: A state-of-the-science review, prospective commentary, and guiding framework. *Journal of management*, *40*(5), 1297-1333.

Auld, G. (2014). *Constructing private governance: The rise and evolution of forest, coffee, and fisheries certification*. Yale University Press.

Auld, G., Betsill, M., & VanDeveer, S. D. (2018). Transnational Governance for Mining and the Mineral Lifecycle. *Annual Review of Environment and Resources*, *43*.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, *17*(1), 99-120.

Bartley, T. (2003). Certifying forests and factories: States, social movements, and the rise of private regulation in the apparel and forest products fields. *Politics & Society*, *31*(3), 433-464.

Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing–Insights from the study of social enterprises. *The Academy of Management Annals*, *8*(1), 397-441.

Battilana, J., Leca, B., & Boxenbaum, E. (2009). How actors change institutions: towards a theory of institutional entrepreneurship. *Academy of Management annals*, *3*(1), 65-107.

BBMG, 2009. *Conscious Consumer Report*. http://earth911.com/home-garden/top-10-green-labels-guide/

Bennett, E. A. (2018). Extending ethical consumerism theory to semi-legal sectors: insights from recreational cannabis.*Agriculture and Human Values*, *35*(2), 295-317.

Bennett, E.A., 2015. Fairtrade International Governance. *Handbook of research on fair trade*, Edward Elgar Publishing: pp.80-101.

Benford, R. D., & Snow, D. A. (2000). Framing processes and social movements: An overview and assessment. *Annual review of sociology*, *26*(1), 611-639.

Berg, J. M. (2016). Balancing on the creative highwire: Forecasting the success of novel ideas in organizations. *Administrative Science Quarterly*, *61*(3), 433-468.Bloomfield, M. J. (2017). *Dirty gold: how activism transformed the jewelry industry*. MIT Press.

Bloomfield, M. J. (2017). *Dirty gold: how activism transformed the jewelry industry*. MIT Press.

Bloomfield, M. J., & Schleifer, P. (2017). Tracing failure of coral reef protection in nonstate market-driven governance. *Global Environmental Politics*, *17*(4), 127-146.

Bob, C. (2005). *The marketing of rebellion: Insurgents, media, and international activism*. Cambridge University Press.

Busby, J. W. (2007). Bono made Jesse Helms cry: Jubilee 2000, debt relief, and moral action in international politics.*International studies quarterly*, *51*(2), 247-275.

Carpenter, C. (2014). *"Lost" Causes: Agenda Vetting in Global Issue Networks and the Shaping of Human Security*. Cornell University Press.

Chhabra, Esha. 2016, 'How The $50 Billion Dollar Wedding Industry Could Be A Platform For Philanthropy,' *Forbes,* 30 July.

Christensen, C., & Raynor, M. (2013). *The innovator's solution: Creating and sustaining successful growth*. Harvard Business Review Press.

Cooley, A., & Ron, J. (2002). The NGO scramble: Organizational insecurity and the political economy of transnational action. *International Security*, *27*(1), 5-39.

Davies, I. A., Lee, Z., & Ahonkhai, I. (2012). Do consumers care about ethical-luxury?. *Journal of Business Ethics*, *106*(1), 37-51.

Delmas, M. A., & Montes-Sancho, M. J. (2011). An institutional perspective on the diffusion of international management system standards: The case of the environmental management standard ISO 14001. *Business Ethics Quarterly*,*21*(1), 103-132.

DiMaggio, P. (1988). Interest and agency in institutional theory. *Institutional patterns and organizations culture and environment*, 3-21.

Distelhorst, G., & Locke, R. M. (2018). Does Compliance Pay? Social Standards and Firm-Level Trade. *American Journal of Political Science*, *62*(3), 695-711.

Durand, R., & Georgallis, P. (2018). Differential firm commitment to industries supported by social movement organizations. *Organization Science*, *29*(1), 154-171.

Durand, R., & Khaire, M. (2017). Where do market categories come from and how? Distinguishing category creation from category emergence. *Journal of Management*, *43*(1), 87-11

Elsbach, K. D., & Kramer, R. M. (2003). Assessing creativity in Hollywood pitch meetings: Evidence for a dual-process model of creativity judgments. *Academy of Management journal*,*46*(3), 283-301.

Etzion, D., & Ferraro, F. (2010). The role of analogy in the institutionalization of sustainability reporting. *Organization Science*, *21*(5), 1092-1107.

Fairtrade International (FLO) (2003). 'A quantum leap in the impact of Fairtrade labeling: FLO's Strategic Plan 2003-2008.' Accessed in June 2015 from : www.fairtrade.net.

Fairtrade International (FLO) (2018). Website accessed August 2018. http://www.fairtrade.net/

Fosfuri, A., Giarratana, M. S., & Roca, E. (2016). Social business hybrids: Demand externalities, competitive advantage, and growth through diversification. *Organization Science*, *27*(5), 1275-1289.

Greenwood, R., Suddaby, R., & Hinings, C. R. (2002). Theorizing change: The role of professional associations in the transformation of institutionalized fields. *Academy of management journal*, *45*(1), 58-80.

Haufler, V. (2009). The Kimberley process certification scheme: an innovation in global governance and conflict prevention. *Journal of Business Ethics*, *89*(4), 403-416.

Janssen, C., Vanhamme, J., Lindgreen, A., & Lefebvre, C. (2014). The Catch-22 of responsible luxury: Effects of luxury product characteristics on consumers' perception of fit with corporate social responsibility. *Journal of Business Ethics*,*119*(1), 45-57.

Joachim, J. M. (2007). *Agenda setting, the UN, and NGOs: Gender violence and reproductive rights*. Georgetown University Press.

Kaplan, S. (2008). Framing contests: Strategy making under uncertainty. *Organization Science*, *19*(5), 729-752.

Keck, M. E., & Sikkink, K. (1998). *Activists beyond borders: Advocacy networks in international politics*. Cornell University Press.

King, B. G. (2008). A political mediation model of corporate response to social movement activism. *Administrative Science Quarterly*, *53*(3), 395-421.

King, B. G., & Pearce, N. A. (2010). The contentiousness of markets: Politics, social movements, and institutional change in markets. *Annual review of sociology*, *36*, 249-267.

Lamb, H. (2008). *Fighting the Banana Wars and other Fairtrade battles*. Random House.

Lee, M., Ramus, T., & Vaccaro, A. (2018). From Protest to Product: Strategic Frame Brokerage in a Commercial Social Movement Organization. *Academy of Management Journal*, (ja).

Levy, D., Reinecke, J., & Manning, S. (2016). The political dynamics of sustainable coffee: Contested value regimes and the transformation of sustainability. *Journal of Management Studies*, *53*(3), 364-401.

Locke, R. M. (2013). *The promise and limits of private power: Promoting labor standards in a global economy*. Cambridge University Press.

Lockett, A., Thompson, S., & Morgenstern, U. (2009). The development of the resource-based view of the firm: A critical appraisal. *International journal of management reviews*, *11*(1), 9-28.

Mahoney, J. (2000). Strategies of causal inference in small-N analysis. *Sociological Methods & Research*, *28*(4), 387-424.

Mahoney, J., & Goertz, G. (2004). The possibility principle: Choosing negative cases in comparative research. *American political science review*, *98*(4), 653-669.

Micelotta, E., Lounsbury, M., & Greenwood, R. (2017). Pathways of institutional change: An integrative review and research agenda. *Journal of Management*, *43*(6), 1885-1910.

Moraes, C., Carrigan, M., Bosangit, C., Ferreira, C., & McGrath, M. (2017). Understanding ethical luxury consumption through practice theories: a study of fine jewellery purchases. *Journal of Business Ethics*, *145*(3), 525-543.

Navis, C., & Glynn, M. A. (2010). How new market categories emerge: Temporal dynamics of legitimacy, identity, and entrepreneurship in satellite radio, 1990–2005. Administrative Science Quarterly, 55(3), 439-471.

Ponte, S., Gibbon, P., & Vestergaard, J. (Eds.). (2011).*Governing through standards: Origins, drivers and limitations*. Palgrave Macmillan.

Porter, M. E. (1989). How competitive forces shape strategy. In *Readings in strategic management* (pp. 133-143). Palgrave, London.

Rainforest Alliance (RA) 2013. *Annual Report.* https://www.rainforest-alliance.org/annual-reports/2013

Rainforest Alliance (RA) 2018. Website accessed August 2018. https://www.rainforest-alliance.org/

Respondents 1-15. (2015). Affiliates of Fairtrade International, Fair Trade USA and the Rainforest Alliance. Some respondent affiliation information is available from author, but anonymity will be protected. Interview data available from author.

Schein, E. H. (2010). *Organizational culture and leadership*(Vol. 2). John Wiley & Sons.

Selin, H. (2014). Global environmental law and treaty-making on hazardous substances: the Minamata Convention and mercury abatement. *Global Environmental Politics*, *14*(1), 1-19.

Seong, S., & Godart, F. C. (2018). Influencing the Influencers: Diversification, Semantic Strategies, and Creativity Evaluations. *Academy of Management Journal*, *61*(3), 966-993.

Sine, W. D., & Lee, B. H. (2009). Tilting at windmills? The environmental movement and the emergence of the US wind energy sector. *Administrative Science Quarterly*, *54*(1), 123-155.

Sippl, K. (2015). Private and civil society governors of mercury pollution from artisanal and small-scale gold mining: A network analytic approach. *The Extractive Industries and Society*, *2*(2), 198-208.

Suddaby, R., Elsbach, K. D., Greenwood, R., Meyer, J. W., & Zilber, T. B. (2010). Organizations and their institutional environments—Bringing meaning, values, and culture back in: Introduction to the special research forum. *Academy of Management Journal*, *53*(6), 1234-1240.

Tarrow, S. (2005). *The new transnational activism*. Cambridge university press.

Toffel, M. W., Short, J. L., & Ouellet, M. (2015). Codes in context: How states, markets, and civil society shape adherence to global labor standards. *Regulation & Governance*, *9*(3), 205-223.

United Nations Environment Program (UNEP). (2013). Global Mercury Assessment 2013: Sources, Emissions, Releases and Environmental Transport. Geneva: United Nations Environment Programme. Available here: http://www.unep.org/PDF/PressReleases/GlobalMercuryAssessment2013.pdf

Valerio, G. (2013). *Making trouble: Fighting for fair trade jewellery*. Lion Books.

van der Ven, H., Rothacker, C., & Cashore, B. (2018). Do eco-labels prevent deforestation? Lessons from non-state market driven governance in the soy, palm oil, and cocoa sectors. *Global Environmental Change*, *52*, 141-151.

Vickers, J. S., & Renand, F. (2003). The marketing of luxury goods: An exploratory study–three conceptual dimensions. *The Marketing Review*, *3*(4), 459-478.

Vogel D. 2005. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. New York: Brookings Inst. Press

Walske, J., & Tyson, L. D. (2015). Fair Trade USA: Scaling for Impact. *California Management Review*, *58*(1), 123-143.

Weber, K., Heinze, K. L., & DeSoucey, M. (2008). Forage for thought: Mobilizing codes in the movement for grass-fed meat and dairy products. *Administrative Science Quarterly*, *53*(3), 529-567.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, *5*(2), 171-180.