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# Linking local experiments to global standards: How project networks promote global institution-building

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## KEYWORDS

Global standards;  
Global institution-building;  
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**Summary** Global regulations, such as social and environmental standards, often result from project-based multi-stakeholder initiatives. Many initiatives fail because key stakeholders cannot be mobilized, or partners are incapable of establishing common ground. We show that local development projects aimed at testing and implementing new practices at the local level and strategically coordinated project networks linking local projects and project partners together across national boundaries can facilitate global institution-building. Based on a longitudinal case study of the emergence of the Common Code for the Coffee Community, we develop a process model of global standard development and discuss in particular the importance of global project networks as intermediary organizational forms. We inform research on global standard development and institution-building, and project-based learning and coordination across national boundaries.

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## Introduction

In recent years, multinational corporations (MNCs), nation states, and non-governmental organizations (NGOs) have become increasingly engaged in regulating transnational affairs and institution-building, e.g. by setting up global standards (e.g. Bartley, 2007; Dahan, Doh, & Guay, 2006; Djelic & Quack, 2003; Djelic & Sahlin-Andersson, 2006; Gerpert, Matten, & Walgenbach, 2006; O'Rourke, 2006). Effective global standards regulating production and trade practices, labor and environmental conditions are typically based on a negotiated consensus between key interest groups along the value chain (Bartley, 2007; Dahan et al., 2006; Fransen & Kolk, 2007). The Common Code for the Coffee

Community (4C), whose development we discuss in detail in this paper, is an interesting recent example of such initiatives: it is designed to abolish the worst forms of child and forced labor, improve general working conditions (e.g. Kolk, 2005), and regulate product quality and growing practices in the coffee sector (Muradian & Pelupessy, 2005). More than other initiatives in this sector, 4C is built on common ground shared by roasters' associations, local producers, and other stakeholders, and has therefore been expected to become an effective global standard regulating the mainstream coffee value chain (Kolk, 2005).

The increasing importance of global standards such as 4C urges for a better understanding of *how* such standards are developed. Previous studies on standard-setting indicate that a key driver of this process is 'institutional entrepreneurship' (DiMaggio, 1988; Garud, Jain, & Kumaraswamy, 2002; Garud, Hardy, & Maguire, 2007), which refers to the more or less coordinated and skilful effort of individuals and organizations to build, shape, and change institutional norms, practices and regulatory frameworks, including global standards. One

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key element of institutional entrepreneurship is the mobilization and commitment of critical stakeholders needed to establish new institutions (Fransen & Kolk, 2007; Hemmati, 2002; Lawrence, Hardy, & Phillips, 2002; Wijen & Ansari, 2007). Interestingly, however, the very practices of mobilizing and getting critical stakeholders involved in institution-building processes are only little understood. Also, scholars have only started to comprehend the specific challenges of global as opposed to local or national institution-building (Bartley, 2007; Dahan et al., 2006), where institutional entrepreneurship seems to be ever more important and challenging (Fransen & Kolk, 2007).

This study contributes to this recent stream of research by investigating the importance of multi-stakeholder projects and project networks as organizational forms in the process of global institution-building. Based on the inductive case of the emergence of the 4C standard, we show how the initiation of local multi-stakeholder projects may promote institution-building at the global level. This process is facilitated by the strategic formation and coordination of 'global project networks' – sets of longer-term project-based relationships linking projects and stakeholders together across local and national boundaries. By applying and combining concepts from research on multi-stakeholder processes and institution-building (e.g. Djelic & Sahlin-Andersson, 2006; Edmunds & Wollenberg, 2001; Garud et al., 2007; Hemmati, 2002), and research on projects and project networks as organizational forms (Manning, 2010; Windeler & Sydow, 2001), we promote a better understanding of the role of project-based coordination and learning in global institution-building and transnational affairs in more general.

### Global institution-building as a project-based multi-stakeholder process

The emergence of global standards and other forms of transnational regulation is a growing research field that spans across the social sciences (see, e.g. Djelic & Sahlin-Andersson, 2006). This is because it addresses the fundamental question of how transnational affairs in general and the global economy in particular can be regulated (Djelic & Quack, 2003). Global standards are a particular form of transnational regulation or governance (Djelic & Sahlin-Andersson, 2006; Huelssse & Kerwer, 2007), and an important example of a global institution in terms of a system of norms, rules and regulating bodies (Geppert et al., 2006; Maguire & Hardy, 2006). As a common feature, global standards are based on legally non-binding, voluntary rules, which are applied beyond national borders and which are often, but not always, formalized in certain ways. They can be more or less institutionalized in the sense that they can become taken-for-granted in social practice, involving the threat of sanctions in cases of violation. Compliance is assured or promoted, for example, by socialization, by normative pressures and by linking compliance to resources, e.g. membership or certifications.

In this study, we examine the process of global standard development. Previous research has pointed at the importance of institutional entrepreneurs in promoting institutional change, including the change of social practices, norms, cognitive and regulatory frameworks (DiMaggio,

1988; Garud et al., 2002, 2007; Greenwood & Suddaby, 2006; Scott, 1995). Institutional entrepreneurs in the context of global standard-setting can be 'public' or 'private' actors, including nation states and government agencies, MNCs, local producers, NGOs and others (e.g. Djelic & Sahlin-Andersson, 2006; Huelssse & Kerwer, 2007), who individually or collectively promote institutional change by setting or changing agendas and by mobilizing and committing (other) critical stakeholders to establishing new standards (DiMaggio, 1988; Garud et al., 2007). While the importance of mobilizing stakeholders in global standard-setting has been recognized (e.g. Fransen & Kolk, 2007), there is little understanding of how stakeholders get mobilized, involved and coordinated in this process.

In the following, we show that multi-stakeholder processes promoting standard-setting and institution-building are often coordinated by means of collaborative projects. Projects are an important organizational form used to get multiple stakeholders involved in joint endeavors (see also Gray, 1989). Projects can be defined as temporary systems established to accomplish often complex and partially unique goals and to concentrate resources and efforts towards these goals (Lundin & Söderholm, 1995). We particularly focus on 'development projects' which typically involve multiple stakeholders joining resources to bring about social or economic change for the benefit of particular target groups, e.g. in developing countries (Hirschman, 1967). Institution-building projects are special development projects aimed at changing rules, norms and regulations, e.g. by setting standards (Perkmann & Spicer, 2007). Development projects have been mostly studied at the local or national level, whereby local authorities and organizations often collaborate with foreign agencies and partners (e.g. Hirschman, 1967). Development projects have been traditionally aimed at improving infrastructure, water supply, etc. (see, e.g. Hirschman, 1967); today, they also address institutions, e.g. legal systems, production methods, and labor standards. In recent years, MNCs have become increasingly interested in participating in local development projects. Reasons include rising concerns with social responsibility, but also with access to resources, e.g. natural resources and labor.

Recently, more and more development projects not only address local or regional economic development, but are designed to promote and regulate global economic exchanges. Some of them involve government agencies, business associations, firms and NGOs (e.g. Geppert et al., 2006). For example, the foundation of the 4C Association which today administers the Common Code for the Coffee Community (4C) was such a 'global (development) project' (Orr & Scott, 2008) that not only involved stakeholders from different fields and national contexts, but whose objectives and impact also reach across national borders. The success of development projects in general and global development projects in particular depends on the effective involvement of powerful and legitimate actors representing key interest groups (see, e.g. Hirschman, 1967), and the establishment of common ground among these actors (Gray, 1989). These processes have been studied to some extent, e.g. in the context of large-scale construction and infrastructure projects (e.g. Hellgren & Stjernberg, 1995; Pitsis, Clegg, Marosszeky, & Rura-Polley, 2003). Findings suggest for example that joint interests of stakeholders in project objectives help

concentrate participants' attention and resources and guide collaborative action even under high uncertainty (e.g. Pitsis et al., 2003).

However, previous studies on development projects say little about how critical stakeholders get mobilized and committed to project goals – e.g. the development of a global coffee standard – in the first place. To understand this, we need to study particular projects, such as the foundation of the 4C organization, as historically embedded (Engwall, 2003). We show that in fact *sequences* of both local and global projects, as well as a global project network linking projects and participants together over time played an important role in mobilizing and committing stakeholders to the 4C process. Furthermore, we develop the notion that institutional entrepreneurs thereby take the role as 'project entrepreneurs' by repeatedly initiating more or less related projects involving different partners. Before we study this process in greater detail, we introduce the particular case of the Common Code for the Coffee Community.

### The case of the Common Code for the Coffee Community (4C)

The Common Code for the Coffee Community (4C) aims at fostering social, ecological and economic sustainability in the 'mainstream' coffee value chain including production, post-harvest processing and trading (see Table 1). 4C has been implemented, since 2007, through a non-profit membership association which is financed by its members and managed by three chambers representing three main stakeholder groups: traders/buyers, producers from main growing regions and civil society (e.g. NGOs). The Code consists of two basic components. First, it defines unacceptable practices – the 'worst forms of social, environmental and economic practices', which are defined according to UN conventions and national regulations in producing countries (see Table 1). Unacceptable practices include e.g. the worst forms of child labor, bonded and forced labor, forced eviction, failure to allow trade unions, lack of potable water for employees or use of banned pesticides. Secondly, 4C provides a so-called 'code matrix' which assesses and tracks social, economic and environmental sustainability performance of its members through a traffic light system (see Table 1). The long-term success of 4C as a mainstream code depends on attracting a critical mass of members along the global value chain. Its 37 founding members, including major coffee roasters and producers' associations from major growing regions (see Table 1), already represent 65% of the potential worldwide demand for 'green coffee' and 50% of coffee supply (4C-Association, 2007).

Although the 4C criteria have been criticized for being less stringent when compared to other voluntary standards in the sector (see, e.g. Bitzer, Francken, & Glasbergen, 2008; Kolk, 2005), 4C is unique in terms of its leverage (planned implementation by 80% of coffee sector in coming years), its independence from consumer behavior (e.g. it does not depend on goodwill from ethically motivated coffee drinkers like Fairtrade), and its joint development by multiple stakeholder groups, including the major multi-national roasters, local producers from major coffee growing regions, governmental organizations and, to a certain degree, NGOs. In other words, 4C stands in many ways for a new quality of global

industry self-regulation along the value chain. This makes 4C an interesting case to study. Cases should be special to give interesting insights about a little understood phenomenon (Siggelkow, 2007), such as the effective development of global industry and sustainability standards, but they should also allow for analytical generalization (Yin, 2003). That is, they should help build and elaborate theoretical constructs or hypotheses that may guide research in other contexts (Diesing, 1971; Eisenhardt, 1989). Based on the case of 4C, we derive a process model that can inform future studies on global standard-setting and institution-building in similar contexts (Diesing, 1971), e.g. the tea and cocoa value chain, but also on global institution-building in more general.

### Data and methodology

In what follows, we analyze in detail how the 4C standard has been developed as a result of a project-based multi-stakeholder process. In particular, we focus on the involvement of industry stakeholders in local and global development projects in the 4C process as well as the formation of a global project network linking projects and stakeholders together over time. We show how this process has been facilitated by an institutional entrepreneur – the German development agency GTZ ('Deutsche Gesellschaft fuer Technische Zusammenarbeit') – who took the role of a project initiator and network coordinator (see below).

We use multiple sources of empirical evidence for a rich description of case data (Yin, 2003). On the one hand, we use 4C membership documents and evaluations (from the 4C website), and comprehensive data of more than 30 4C-related development projects, including objectives, launch year, location, target group, and participants. Project data is made available by the GTZ online. We use project data in particular to understand how particular partners, e.g. MNCs, local coffee producers, and the GTZ, got involved in related collaborative projects over time. Project affiliation data, i.e. data on actor participation in projects, is often used in studies examining the emergence of project-based relationships and networks (e.g. Schwab & Miner, 2008; Soda, Usai, & Zaheer, 2004; in general Breiger, 1974). Although we do not perform a 'network analysis' in the narrow sense based on project affiliation data (see, e.g. Breiger, 1974), we use information about repeated project collaboration of particular partners as piece of empirical evidence for constructing our process model and for discussing the importance of global project networks as organizational forms in this process.

On the other hand, we carried out 14 semi-structured expert interviews (average length: 1 h; total: 20 h). We conducted interviews at three different points in time: 2001/2002, 2006/2007 and 2008. The first series of interviews was conducted by the first author with GTZ project managers and representatives of three companies involved in local development projects with the GTZ. At that time, projects were locally oriented, and 4C was not yet envisioned as a global standard. Interviews focused on the initiation of collaborations within particular national contexts, e.g. the improvement of coffee growing practices in Peru. Importantly, when the global 4C initiative took off, these early projects were enacted as important experiments and experiences for the multi-stakeholder process. The second series of interviews (conducted by the second author in 2006/2007)

**Table 1** The common code for the Coffee Community (4C) and 4C membership rules.

Topic	Description (taken from official 4C documents) <sup>a</sup>
Preamble of 4C Association (4C-Association, 2008a), p. 1; updated from 4C-Association, 2006a, 2006b, p. 1)	<p>“The Common Code for the Coffee Community (4C) Association’s approach to sustainability builds on the Millennium Development Goals of the United Nations, which aim at sustainable livelihoods, and has <b>social, environmental and economic dimensions</b>:</p> <p>Coffee production can only be sustainable if it allows for <b>decent working and living conditions for farmers, their families and employees</b>. This includes <b>respect for human rights and labor standards</b> as well as a decent standard of living.</p> <p><b>Protecting the environment</b> such as primary forest and conserving natural resources such as water, soil, biodiversity and energy are keys to sustainable coffee production and post-harvest processing.</p> <p><b>Economic viability is the basis for social and environmental sustainability</b>. It includes reasonable earnings for all in the coffee chain, free access to markets and sustainable livelihoods.</p> <p><b>The objective of the Code of Conduct of the 4C Association is to foster sustainability in the ‘mainstream’ green coffee chain and to increase the quantities of coffee meeting basic sustainability criteria within all three dimensions. [...]</b>” “The 4C Association and the application of the Code are open to voluntary participation by all stakeholders in the coffee chain who comply with its principles.”</p>
Qualification for Participation (4C-Association, 2008a, p. 18; 4C-Association, 2006a, 2006b, p. 3)	<p>“Participation in 4C is open to all stakeholders in the green coffee chain. For practical reasons, the minimum trading quantity will be one full container load. Each stakeholder’s decision to participate in 4C is completely voluntary, as is any individual stakeholder’s decision to continue or terminate participation at any time. The following entities may qualify as participants:</p> <ul style="list-style-type: none"> <li>producers and groups/organizations of producers supplying green coffee in excess of one full container load;</li> <li>post-harvest processing facilities (such as mills);</li> <li>traders, exporters, importers and processors of 4C green coffee;</li> <li>roasters, including roasting retailers and coffee bar chains, buying 4C green coffee.”</li> </ul>
Founding Members (excerpt from 4C-Association, 2008b, p. 9)	<p>Asociación Nacional de Café Guatemala, Associação Brasileira da Industria de Café, Bernhard Rothfos GmbH for and on behalf of Neumann Kaffee Gruppe, Café Africa, Christliche Initiative Romero, Complete Coffee Limited, Conselho Nacional do Café, Coop, Cooperativa Cuzcachapa de R.L., Cooperativa de Cafeicultores e Agropecuaristas, Ecom Agroindustrial Corp Ltd, EFICO S.A., Federación de Cooperativas Agrícolas de Productores de Café de Guatemala, Federación Nacional de Cafeteros de Colombia, Flanders International Cooperation Agency, Kraft Foods Global Inc., Löffbergs Lila AB, Millenium Management Consultants, Nestlé SA, Norwegian Coffee Association, Olam International Limited, Simeon Onchere, Pesticide Action Network UK, Sara Lee International, Sri Saroso, Albrecht Schwarzkopf, Tchibo GmbH, Vietnamese Coffee and Cocoa Association, VOLCAFE Ltd., Zambia Coffee Growers’Association (...).</p>
Rules of Participation (4C-Association, 2008a, pp. 18, 19)	<p>“Participants commit themselves to the principle of continuous improvement of coffee quality as understood under the Code which shall include the quality of the product and the quality of production and processing methods on their way towards sustainability. The Code establishes standards that participants agree to adopt. (...) Participants will exclude unacceptable practices as contained in the “Unacceptable practices” of the Code Document. With regard to the 4C supply chain, participants will adhere to applicable national and international law and relevant international conventions, including the ILO conventions, the OECD Guidelines for Multinational Companies and applicable antitrust legislation.”</p> <p>“Members of the Common Code for the Coffee Community acknowledge that the application of sustainability practices according to the Common Code may have an impact on the costs of production of coffee on its way towards sustainability. Buyers agree that suppliers of 4C coffee need to be adequately rewarded for their efforts to comply with 4C requirements (...), including the appropriate costs of verification. The process of negotiating between buyers and sellers of this coffee shall build on transparent market information and will incorporate the good faith of the individual buyer and seller.”</p>



Table 1 (Continued)

Topic	Description (taken from official 4C documents) <sup>a</sup>
Organizational structure	<p>The organizational of the 4C institution is based on tri-partite governance: The <i>General Assembly</i> is the highest authority of the institution and consists of all members of the 4C Association. The main decision body is the <i>4C Council</i>, which consists of 17 ordinary members in the three stakeholder chambers. The <i>Executive Board</i> has three members – one from each chamber – and includes the Chairperson of the Technical Committee and the President of the Mediation Board. The <i>Executive Board</i> directs the agenda. The <i>Technical Committee</i> develops and modifies the Code of Conduct and evaluates the impact of 4C services (tools, documents, capacity building activities). The <i>Mediation Board</i> is responsible for the mediation and resolution of conflicts. The <i>4C Secretariat</i> is responsible for the administrative work, such as coordinating and intensifying the partnership and enabling consensus based decisions.</p>
Unacceptable practices (4C-Association, 2008a, p. 6)	<p>“The 4C Association excludes the worst forms of social, environmental and economic practices in the production, post-harvest processing and trading of green coffee, called unacceptable practices. Definitions are primarily based on the UN Human Rights Declaration as well as existing UN conventions and standards and, usually, national legislation. The exclusion of unacceptable practices must be documented in the self-assessment report. They include: worst forms of child labor, bonded and forced labor, trafficking of persons, prohibiting membership of or representation by a trade union, forced eviction without adequate compensation, failure to provide adequate housing where required by workers, failure to provide potable water to all workers, cutting of primary forest or destruction of other forms of natural resources that are designated as protected areas by national and/or international legislation, use of pesticides banned under the Stockholm convention and listed in the Rotterdam Convention on Persistent Organic Pollutants (POPs), immoral transactions in business relations according to international covenants, national law and practices”.</p>
Traffic light system (4C-Association, 2008a, p. 15; 4C-Association, 2007)	<p>“Referring to a comprehensive concept of sustainability, the 4C Association builds on social, environmental and economic dimensions, as set out in the Code Matrix. The concept of sustainability is specified in the following Code of Conduct which consists of categories, principles and criteria. Categories refer to the main aspects of the production, post-harvest processing and trading of green coffee. Principles are positive statements indicating the desired performance for each of the practices listed. To assess the performance of a <i>4C Unit</i>, criteria specify the compliance with the requirements of these Principles. [...] This is shown in a “<b>traffic light system</b>”, illustrating the <b>concept of continuous improvement</b>:  Red indicates that the current practice must be discontinued.  Yellow indicates a practice that needs to be further improved within a transitional period.  Green reflects a desirable practice.  The process of continuous improvement provides the basis both for strengthened cooperation along the supply chain and for competition on the new understanding of quality. In this inclusive system of the <i>4C Association</i>, unsustainable practices as formulated in the red Criteria are acceptable, if there is at least the same number of green criteria in the same dimension. This situation indicates the status of “<b>average yellow</b>”, which allows the actors along the chain to market their coffee as 4C compliant coffee.”</p>
Dispute settlement (4C-Association, 2006a, p. 8)	<p>6.1 In case of disputes related to the application of these rules among participants, they are encouraged to seek amicable settlement (...).  6.2 Failing that, participants’ disputes will be submitted to a mediation group to be constituted from the Steering Committee of the 4C Initiative. If mediation fails, participants subject themselves to external arbitration (...).  6.3 Participants accept that the ultimate consequence for disregard of these rules is exclusion from the 4C system. However, the participant in default will have reasonable opportunity and support to remediate its failure (...).  6.4 The Steering Committee will appoint an ombudsman of high moral and professional standing whose main role will be to emit a binding opinion about the interpretation of the spirit of the 4C Code (...).”</p>

<sup>a</sup> Sources: 4C-Association (2008a, 2008b, 2006a).

explicitly focused on the development of the 4C process. Interviewees included the GTZ 4C project manager and representatives of the industry and the producers' stakeholder groups. In 2008, the first author conducted a follow-up interview with the current 4C Director of Operations, in order to review and discuss the current status of standard implementation and upcoming challenges.

We transcribed the interviews verbatim and analyzed them using summary tables. To increase reliability, both authors independently screened interview data and then discussed interpretation. Interview statements were further double-checked with archival documents, in particular 4C documents, project descriptions and evaluations. There is however one limitation which we would like to mention upfront. While the interviews gave us important insights into the 4C process from the viewpoint of the GTZ and industry representatives, we lack interview data from representatives of coffee growing regions and NGOs, partly because access to interview partners was very difficult to get. We partly compensated for this by discussing the involvement of these stakeholder groups with GTZ and industry representatives, and by screening other studies as well as press releases on 4C. However, we are aware that our interview design, rather unintentionally, might reflect the dominant role of MNCs in the discursive formation of 4C (see also [Levy, 2008](#)). However, we argue later on that the involvement of coffee producers from early on helped develop a governance structure that somewhat balances different interests and power asymmetries in the value chain.

The empirical analysis starts with a historical introduction of the field of coffee production and its participants. In particular we discuss economic relations along the value chain, past institutional regulations and the role of the development agency GTZ as a temporary field participant and institutional entrepreneur. Following that, we analyze the 4C multi-stakeholder process. From our analysis we derive a model of global standard development as a project-based multi-stakeholder process thereby linking empirical data to abstract concepts and relationships which can inform future research ([Eisenhardt, 1989](#); [Yin, 2003](#)).

## The field of coffee production, its history and constituents

Coffee is one of the most important and most frequently exported and traded commodity products worldwide ([FAO, 2008](#)). Commodity products, such as water, rice, coffee, tea, and oil, are typically characterized by the availability of large quantities and the overall homogeneity of product quality. They are tradable, and prices are largely dictated by global demand as well as institutional regulations. Coffee is produced in more than 60 countries and generates income for more than 100 Million people worldwide. The largest coffee exporting regions in terms of volume are Brazil (30%), Vietnam (15%) and Colombia (10%); however, the largest greater region growing and exporting coffee is Latin America ([FAO, 2008](#); [ICO, 2008](#)). At the other end, the top coffee consuming (and importing) countries are USA, Germany, Japan, Italy and France, making up almost three quarters of world consumption.

Most studies that examine the structure of the global coffee industry take a value chain perspective which allows

to identify participants in the industry by their role in the process of coffee-making and their economic position as supplier, buyer and intermediary (see, e.g. [Levy, 2008](#); [Petkova, 2006](#)). At the upstream end of the value chain, small producers and farmers are responsible for growing and harvesting coffee plants. Coffee plantations are typically owned privately or by cooperatives which the farmers belong to. Coffee must be shelled and classified prior to export which is done by coffee processors who often work on the same plantations. Processed beans are then traded by exporting companies to intermediaries or directly to importers, mostly in advanced economies. They sell and deliver coffee to roasters who generate by far the highest margin in the value chain. The largest roasters/distributors are Kraft Foods, Nestlé, Sara Lee and Procter & Gamble. Packaged coffee is then sold to consumers through retailers. Because of the characteristics of coffee as a commodity, the large supply of coffee beans and the increasing concentration of economic power down the value chain, coffee growers are under enormous cost pressure.

From an organizational field perspective ([DiMaggio & Powell, 1983](#)), which looks at the institutional embeddedness of industries, the coffee industry is not only constituted by roasters, exporters and growers, but also by regulating bodies. Most importantly, in 1962, 58 producing and consuming countries set up the International Coffee Agreement (ICA) to regulate prices in the coffee industry and to protect growing regions from significant price fluctuations. Objectives of the ICA included stability of coffee prices, a long-term equilibrium between production and consumption, and adequate supply to consumers at equitable prices ([Pichop & Kemegue, 2005/2006](#)). To supervise and administer the ICA, the International Coffee Organization (ICO) was founded under the auspices of the United Nations in 1963. Most importantly, the ICA involved a quota system which regulated the annual export volume as well as prices for each participating country. Over time, however, but in particularly in the 1980s, the ICA gradually lost its legitimate role as a regulating body. In particular, coalition prices increasingly deviated from free market prices as exporters from producing countries began to trade with non-member importing countries for lower prices. At the same time, the demand for Arabica coffee increased which was produced to a significant extent in non-member countries ([Daviron & Ponte, 2005](#)). The worldbank's policy towards market liberalization also put pressure on many developing economies to oppose the ICA ([Akiyama, 2001](#)). In 1989, members of the ICO failed to negotiate a new agreement, so that the quota system was abandoned.

Following the dismantling of the ICA, which institutional theorists may call a critical event (e.g. [Hoffman, 1999](#)), price competition increased significantly among coffee growers ([Muradian & Pelupessy, 2005](#)), resulting in a shift of economic power from coffee growers to roasters ([Petkova, 2006](#)). In addition, the market entry of new regional players in the last two decades, e.g. Vietnam and Indonesia, has resulted in an oversupply situation making coffee growing and export even more competitive (e.g. [MacDonald, 2007](#)). Interestingly, though coffee roasters have benefitted from the abolishment of the quota system and from falling prices, the cost pressure also led to quality problems. In order to reduce costs, many farmers stopped investing in quality control and sustainable

growing practices, and labor conditions deteriorated. At the same time, consumer awareness of working practices in development countries increased. In particular, NGOs played an important role in holding large MNCs, such as coffee roasters, accountable for working practices along the value chain. These factors combined, and the inability of producing and consuming countries to regulate the industry through intergovernmental agreements since the dismantling of the ICA in 1989, has led to a shift from intergovernmental to 'private' and multi-stakeholder initiatives towards regulating the coffee industry (see, e.g. *Petkova, 2006*). Examples include Fairtrade, Utz Kapeh, Corporate Codes of Conduct and 4C (see for a list *Kolk, 2005*).

Yet, governments and inter-governmental relations continue to influence, although more indirectly, working and trading practices in the coffee industry. Since the end of the Second World War, but more systematically since the 1960s, governments from advanced economies have spent part of their annual budgets on development and aid programs in Third World countries, based on bilateral intergovernmental agreements (e.g. *Hirschman, 1967*). The German Ministry for Economic Cooperation and Development (BMZ), for example, administers the development budget for the German government. Based on bilateral agreements, it carries out development and financial aid projects through state-owned development agencies, such as the KfW bank and the German Technical Development Agency (GTZ – Deutsche Gesellschaft fuer Technische Zusammenarbeit). The GTZ, in particular, has acted as an institutional entrepreneur in the coffee industry, as we show below, by initiating series of development projects aimed at implementing sustainable coffee practices; by building up a global project network with MNCs; and by leading the global 4C initiative. As an external player, the GTZ has become an important constituent of field practices and governance structures of coffee production, alongside industry players.

The GTZ was founded as a non-profit government agency by the German Federal Government in 1974 to provide services and expertise to communities and organizations in developing countries to help them reduce poverty and improve living conditions on a sustainable basis (*GTZ, 2009*). The GTZ is fully owned by the German Federal Government and is headquartered in Eschborn, near Frankfurt, in Germany. The majority of assignments come from the BMZ. However, the GTZ also collaborates with the European Commission, the United Nations, the Worldbank and the private sector. Because of its strong links with the German government and representative bodies in foreign countries, the GTZ has been able to build a global structure of offices in 92 countries in Africa, Asia, Latin America and Eastern Europe. Currently, about 12,000 employees work for the GTZ on a permanent and temporary basis in over 120 countries. Similar to UN agencies, such as UNDP or UNIDO, the GTZ is engaged in a number of development fields, including rural development, infrastructure projects, peace building and crisis prevention, political reforms, education, health systems, social security, natural resource management and others. In recent years, promoting economic development and employment has become a major area of development cooperation.

In 1999, the BMZ launched the Public Private Partnership (PPP) program which further emphasized economic development as part of development cooperation. The PPP program

was set up to mobilize external funding for projects of mutual interest for private companies and public partners (*BMZ, 2002*). Typical PPP projects target qualification of the local workforce and sustainable working and production practices. Since the PPP program started, the GTZ has initiated more than 800 development projects (status in 11/2008) in collaboration with private companies from Germany and abroad. One area in which the GTZ has repeatedly initiated and implemented PPP projects is rural development and agriculture which reflects the need of developing countries for support in promoting the marketability and sustainability of their agricultural products, such as cocoa, cotton, and coffee. Whereas in the past, GTZ projects in this field entirely depended on public funding, since 1999 the GTZ has managed to increasingly involve private companies who contribute financial resources and expertise.

### The development of 4C as a project-based multi-stakeholder process

Next, we examine in more detail how key stakeholders, including coffee roasters, local coffee producers and governmental agencies, in particular the GTZ, jointly engaged in a process that finally resulted in the development of the global 4C standard. We look at four sub-processes which started subsequently, but which continue to jointly drive the 4C process until today. These processes involve certain forms of multi-stakeholder involvement and coordination which have become important ingredients of the 4C process: (1) the repeated initiation of local coffee development projects; (2) the formation of a global project network; (3) the initiation of the global 4C development project; and (4) the implementation of the 4C standard through a standard organization. In our analysis, we focus in particular on the facilitating role and impact of the GTZ as an institutional and project entrepreneur in the 4C process. Thereby, we discuss how project-based relationships developed across national borders, between MNCs, the GTZ and local partners, and how they facilitated the development of the 4C standard.

### Back to the roots: the initiation of local coffee projects

The first important form of stakeholder involvement and coordination related to the 4C process were collaborative development projects at the local/national level. Like typical development projects (e.g. *Hirschman, 1967*), they were targeted at improving social and economic conditions – here: in the coffee sector – within national contexts. They were initiated by the GTZ, and involved local partners as well as particular coffee roasters (see *Table 2*). The first projects started long before 4C was envisioned as a global standard, yet they already addressed important sustainability issues, such as production practices and labor standards (see *Table 2*). One particularly interesting collaboration was a series of projects in Latin America involving the GTZ and Kraft Foods (1994–2002). We use this project-based collaboration as an example of how key partnerships formed which later became important drivers of the 4C process.

It is the year 1994/1995: Five years earlier, the ICA was dismantled which has resulted in increasing price competition

**Table 2** Local development projects related to 4C with GTZ involvement<sup>a</sup>.

Start time <sup>b</sup>	Partners	Country	Objective
Local development projects prior to the foundation of 4C Association (selection)			
1996, 1998/99 (multiplier)	GTZ/Kraft Foods, PPP; local farmers groups; local coffee association	Peru	Improvement of coffee quality, introduction of sustainable production methods. Project builds on previous projects on organic coffee.
2000	GTZ, Sara Lee, GEPA, Asproma (coffee producers umbrella organization) (PPP)	Colombia	Export promotion, product development, organic coffee production; strong focus on economic and agricultural dimension of improvement, social and ecological dimension partly addressed.
2000	GTZ, Douwe Egberts, Kraft Foods, TAM LAM Pepper Comp. (PPP)	Vietnam	Improvement of coffee production, processing and commercialization, organizational strengthening and establishment of management capacity; enhance sustainable production of coffee.
2000	GTZ, Neumann Group, PPP; local partner NKG-finca La Puebla	Mexico	Introduction of local certification system for social and ecological standards in coffee production. Project provides important experience for 4C and serves as a model.
2000 (multiplier)	GTZ, Neumann Group, local producers, PPP	Uganda	Increase the revenues of coffee farmers through an improved production, through certification and marketing of organically produced Robusta coffee.
Local development projects testing or addressing 4C sustainability criteria (selection)			
2003 (multiplier)	GTZ, Sara Lee, DE University of Wageningen, EDE Consulting, TAM LAM Pepper Comp. (PPP)	Vietnam	Improve the quality of coffee in the Tam Lam region and implement sustainably quality standards to contain and control the ecologically negative consequences of the fast-growing coffee sector.
2003	GTZ, Kraft Foods Germany, Amber Foundation, Amber Corporation AG, NGOs Oromia Coffee Farmers Cooperative Union (PPP)	Ethiopia	Implementation of a quality control system, promotion of environmental friendly producing practices and protection of genetic biodiversity as well as training and education. Focusing on mainstream coffee in one of the project components (Oromia). The steering of the project via a multistakeholder-group serves as a model for further 4C-related Projects.
2004	GTZ, Neumann Group, EDE Consulting, Son La Coffee and Fruit Tree Company (PPP)	Vietnam	Knowledge transfer based on Son La experiences will be disseminated to national institutions, ministries and the 4C project through a coordination post at VICOFA.
2006 (multiplier)	GTZ, Kraft Foods Germany and other organizations	Ethiopia	Establishing the 4C verification for Mana and a quality assurance system. Steering of the project via a multi-stakeholder group provides model for other 4C projects.
Projects after 2006 (in progress at time of writing)	GTZ, Tchibo, Kraft Foods, Netherlands Royal Dutch Coffee Trade and others	Uganda, Indonesia, among others	Testing 4C sustainability concept in different local contexts; implementation through multi-stakeholder groups; all 4C sustainability criteria addressed.

<sup>a</sup> Project data partly based on *4C-Association (2006b)* and singular project reports and evaluations.

<sup>b</sup> Project duration usually up to three years.



in the coffee sector (see above). In Latin America many coffee growers have not been able to keep up with increasing competition and have partially exited the coffee business to shift to the more lucrative coke business. Facing this trend, the governments of Colombia, Bolivia and Peru have sought opportunities to help former coffee growers return to the coffee business and to prevent the reinvigoration of the drug business. One of their contact partners in this effort would become the German agency GTZ who has been an active foreign partner in development projects for many years. Initial talks resulted in project proposals targeted at establishing organic coffee growing practices (*café organico*). By learning these practices, coffee growers would develop specialized skills needed to market high-quality organic coffee, giving them an incentive to stay in business.

The project *café organico* raised a considerable interest among multinational coffee roasters who had started to develop long-term business relationships with Latin American growers. Concerns about the decreasing quality of coffee led them to think about new brands, e.g. organic coffee, which could be marketed in a premium consumer segment. The German coffee roaster Jacobs (later owned by Kraft Foods) was one of these companies. Even before *café organico* started, Kraft and GTZ representatives had engaged in talks about possibilities of collaboration. At that time, however, institutional constraints would hinder a formal cooperation between GTZ and private companies. The GTZ project manager remembers:

“From the beginning we [Kraft and GTZ] tried to plan this project together. [...] Without success unfortunately. There was too much resistance from the Federal Ministry for Economic Cooperation and Development (BMZ). [...] Cooperating with private corporations was a taboo at that time. [...] Furthermore, we were heavily criticized and attacked by [a big NGO], who got angry about the GTZ trying to work together with such a big investor.”

However, GTZ and Kraft representatives kept in contact and maintained what project researchers call a latent or sleeping relationship that can be reactivated once an opportunity arises for particular projects (Hadjikhani, 1996; Starkey, Barnatt, & Tempest, 2000). After three years, a follow-up project was initiated in Peru aimed at improving coffee quality and production practices. Follow-up projects are a typical practice in development cooperation. Project funding is usually provided for up to three years. After each project, experts evaluate project results, based on which decisions about follow-up funding are made. The GTZ launched this second project again without a private partner. However, Kraft and the GTZ decided on an informal cooperation, by using an external consultant and expert in coffee farming at that time, who had been hired by the GTZ in previous projects, and who had also worked for Kraft Foods.

“We hired an additional staff member who was paid by Kraft. [...] He was part of this sector wide initiative. Though he had a contract with GTZ, because Kraft wanted it this way, he was on Kraft’s payroll.” (GTZ project manager)

In 1999, the GTZ project manager applied for a third funding phase. At that time, the German Federal Ministry

for Economic Development and Cooperation (BMZ) launched the Public Private Partnership (PPP) program (see above). This program became an important institutional vehicle for the continuation of the collaboration between GTZ and private corporations, including Kraft Foods. The new project proposal now officially involved Kraft Foods as a project partner and envisioned the joint development of product quality standards for coffee from Peru on the national level, e.g. by means of training programs for coffee farmers in sustainable growing practices, and by providing nation-wide certification guaranteeing quality standards. One larger objective, from a development perspective, was to raise the stock market price for Peruvian coffee. Kraft saw the opportunity to establish prime trade relationships with certified coffee growers in Peru and to become their major global client. To set and implement quality standards on the national level, however, Kraft needed the GTZ as a public partner and bridging agent who had the legitimacy and competence to establish agreements and standards with national ministries, chambers of commerce and grower cooperatives:

“This is only possible with a local partner, with an organization present on the ground [...] with the necessary contacts to the administration, to officials, to the coffee chamber and to the coffee Junta. An organization like the GTZ brings along all the things which I would have a hard time figuring out for myself. [...] Finally, I learned that in the coffee sector – like in other fields – the GTZ has more know-how and competence than other organizations.” (Kraft manager)

“It is important for Kraft to involve the GTZ. You [as a private corporation] cannot do it on your own. You have to work with the GTZ as an institution, because otherwise you lack credibility and legitimacy in the eyes of the Peruvian Government. You need credibility to actually build up willingness on the government side to engage in changing legislature.” (GTZ manager)

Over time, the GTZ initiated over 30 projects in the coffee sector, partly with private partners, in multiple regions (see Table 2 for examples). Based on the practice of follow-up or multiplier projects, often times the GTZ would collaborate with the same partners, e.g. Kraft Foods, Sara Lee, and the Neumann Group (a collective group of coffee growers, roasters and suppliers), repeatedly on related issues in the same country, such as Peru, Colombia, and Vietnam (see Table 2). Thereby, GTZ managers have taken an important role in maintaining project-based relationships and in keeping contact with firm managers between past, present and potential future projects. Importantly, however, for a long time these project-based relationships primarily focused on the local improvement of coffee production in particular countries. Only later, their relevance for developing and implementing a global standard would become apparent.

### Transcending local boundaries: The formation of a global project network

Based on repeated project collaboration at the local level, a second related form of stakeholder coordination emerged in the 4C process: a global project network. Project networks

have been identified as important organizational forms in project businesses, e.g. in film production, construction, and research (e.g. Manning, 2005, 2010; Starkey et al., 2000; Windeler & Sydow, 2001). They are typically constituted by sets of longer-term, yet project-based relationships and provide a basis for project-based learning and repeat project collaboration between legally independent project partners. Project networks are often coordinated and maintained strategically by project entrepreneurs – individual or collective actors who repeatedly initiate projects, mobilize project partners, and maintain partner pools and core project teams within project networks beyond particular projects (Ferriani, Cattani, & Baden-Fuller, 2009; Manning, 2010; Manning & Sydow, forthcoming).

In our case, the GTZ took the role of a project entrepreneur forming and maintaining project network relationships with globally operating coffee roasters, local producers and local institutions (see Fig. 1). Importantly, rather than emerging locally or within a particular national context, this project network linked up partners across national boundaries and soon facilitated project collaborations in different parts of the world (see Table 2; see in more detail below). In addition, both the GTZ and local authorities in coffee producing countries maintained administrative ties to federal governments whose bilateral agreements further facilitated the repeated initiation of local coffee projects, e.g. by means of government funding. Interestingly, NGOs, who would later play an important role in the 4C process, did not initially take part in local projects. Yet, they remained an active agenda-setter and contributor in public debates on sustainability issues addressed in the projects (see Fig. 1).

In order to better understand how the global project network was formed and how it facilitated the 4C process, we now take a look at linkages between particular projects over time (see also Table 2). Prior research suggests that project network relationships emerge from – and in turn facilitate – repeated collaborations between core team and ad hoc project partners in related collaborative contexts

(Manning, 2010; Windeler & Sydow, 2001). In our empirical context, for example, the 2003 PPP project in Ethiopia (see Table 2) involves objectives and partners from previous projects in different local contexts. One key project objective – implementation of a coffee quality control system – follows up on a previous GTZ project in Ethiopia (1996) which was aimed at improving coffee processing and quality. For the 2003 project, however, the GTZ managed to involve Kraft Foods who had not been previously engaged in Ethiopia. Yet, their collaborative experience with the GTZ in other regions (e.g. Peru, see above) as well as their interest in strengthening supplier relations in Africa matched well with aspirations of local administrations and producer organizations to further improve coffee quality and expand export. This project was then followed up by a multiplier in 2006, which helped further elaborate a national coffee quality assurance system and align it with the global 4C standard which, in the meantime, was already being developed and implemented by the 4C association (see in detail below).

This example illustrates that longer-term project network relationships did not simply ‘emerge’ as an unintended consequence of repeated project collaboration. Rather, the GTZ strategically built up and maintained project-based relationships with critical partners, such as Kraft Foods, Sara Lee, and the Neumann Group, to initiate new projects, secure funding and link up global with new local partners (see for other examples, Table 2). This strategic orientation reflects three major objectives developed and shared by the GTZ and core partners over time: (1) project-based learning and application of ideas and practices across local contexts; and (2) coordination of local projects and trans-local project-based relationships towards longer-term global development objectives.

First, this global project network has facilitated the initiation of new projects in different local contexts, and the transfer of ideas from project to project. In other words, it has served as a relational system carrying social practices and ideas across local contexts (Giddens, 1990;

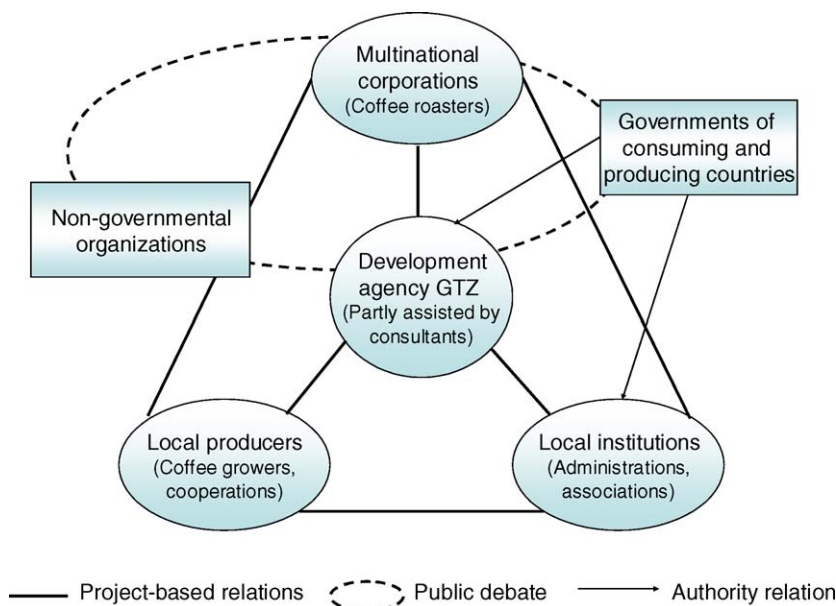


Figure 1 The global project network coordinated by the GTZ.

Scott, 2003). Prior research on project networks further suggests that singular projects initiated from networks are always to some extent unique, yet also connect with each other, in terms of objectives and team composition (e.g. Manning & Sydow, forthcoming). Similarly, in our context, project network partners have engaged in project collaborations in different local contexts in order to exploit and build on experiences from previous projects and local contexts. The 2003 PPP project in Ethiopia, for example, on the one hand, further developed a coffee quality control system which had been designed as a prototype in a previous project, but, on the other hand, also addressed growing practices protecting genetic biodiversity (see Table 2). Combining established and new objectives has helped network partners leverage existing expertise and collaborative experience, while exploring new domains and grounds for project collaboration. The global project network therefore generated an opportunity for project-based learning in the coffee sector, both on a local and global scale.

Second, the global project network has helped recruit and commit critical partners, in particular global coffee roasters, to a series of related collaborative projects and, eventually, to a global development objective – promoting sustainability in the coffee sector. Prior research suggests that collaborative experience and success can foster repeated project partner selection (e.g. Gulati, 1995; Schwab & Miner, 2008). Our data similarly shows that local coffee projects provided an experimental setting for developing trust and collaborative experience between both local and global project partners. Importantly, this not only facilitated repeated project collaboration, but also helped commit partners to longer-term development goals beyond particular projects. This very orientation and the related capacity of the network to coordinate local initiatives and project partners towards a global objective is a particular feature of this global project network. In other contexts, e.g. the film industry, project networks typically help project entrepreneurs repeatedly initiate projects of a similar type and generate revenue project by project, based on ‘economies of recombination and repetition’ (Davies & Brady, 2000). By contrast, the global project network maintained by the GTZ and core partners facilitated series of development projects which are not designed to be ‘ends in themselves’, but seen as ‘steps’ towards a longer-term development objective – sustainable coffee production. Public funding policies have accordingly prevented multiplier projects that simply repeat or continue previous projects; instead new projects have been expected to extend beyond previous initiatives. In addition, the gradual shift of debate and attention in the 4C process from local to global sustainability (see below) further pushed partners to coordinate local projects in the light of longer-term global rather than just local development objectives.

### Scaling up: The global development project ‘4C’

As project-based relationships between the GTZ and global as well as local partners got embedded into a global project network, an important basis was created for a third form of multi-stakeholder coordination: a global development project. Unlike local development projects, global development projects not only involve partners from different

countries, but also target development goals across national borders (see in general on ‘global projects’, Orr & Scott, 2008). The global 4C initiative is an example of such projects. Its main objective was to develop a global standard and standard organization for sustainable coffee production, partly based on local experiences. In the following, we discuss how multiple stakeholders got involved, and what role previous projects and established relationships played in facilitating project outcomes.

It is the year 2002: The GTZ has implemented a number of local development projects with private partners to improve local coffee growing practices. In the annual evaluation of the public private partnership (PPP) program, some projects are mentioned as good examples for successful collaboration with the private sector, e.g. the partnership with Kraft Foods in Peru. However, the evaluation also suggests that local PPP projects are limited in terms of promoting sustainability across the global value chain. Also, they partially subsidize foreign investment and promote free rider behavior (see, e.g. Altenburg, 2007). Policy-makers therefore call for a sector-wide solution to promote sustainable economic and institutional changes at the global level.

Many coffee roasters welcomed this policy shift, for they feared that local initiatives might be undermined by competitors from other countries, which was a main reason for the failure of the ICA quota system. In light of this, the GTZ and main coffee roasters in particular envisioned a baseline global standard for mainstream coffee production that, unlike Fairtrade and the ICA quota system, promotes quality improvement, better working conditions and sustainable growing practices without export and price guarantees for suppliers. In January 2003, the GTZ together with the German and European Coffee Association, whose major members (e.g. Kraft Foods and the Neumann Group) had already been involved in a number of local projects, launched a global project to develop a global sustainability standard – 4C.

“Through the experiences with different players, and in discussions with Kraft, Neumann, and Sara Lee, we had this idea: Why not try something big, something on a higher level with a structural impact, which is pre-competitive and includes all actors of the value chain, not just the private sector, producers or civil society. This is how a common vision, a common innovation evolved.” (GTZ 4C Project Coordinator)

The project was conceptualized as a multi-stakeholder initiative to secure legitimacy and to increase chances of successful implementation. It involved trade and roasters, producers, and civil society, in particular NGOs. A steering committee was set up to represent all these groups and to monitor the process. The GTZ coordinated the project and took a mediating role. Project partners were partially mobilized from previous local projects and related contact networks. Prior collaborative experience was particularly important for staffing the steering committee:

“Actors interested in participating didn’t only come directly from these projects, but were found in the wider network provided by these projects. That is for example how we mobilized the Colombian Coffee Federation (Federación Nacional de Cafeteros de Colombia) for the 4C

project which already knew our work from a previous project, where it was not directly involved. In the case of the Vietnamese Coffee and Cocoa Association (VICOFA) it was different. VICOFA was a direct partner in a former project.” (GTZ 4C Project Coordinator)

“It is important that institutions representing stakeholders in the steering committee have a certain background of cooperation with GTZ or in development cooperation in general. They need to have knowledge on former collaboration in small scale projects and they have to be willing to support the upscaling process.” (GTZ 4C Project Coordinator)

To represent the Civil Society group, the GTZ recruited a number of NGOs for the project, including Oxfam and Greenpeace. Unlike roasters and producers, the NGOs did not have much prior collaborative experience through local projects (see above). Reasons are manifold: First, the PPP program of the BMZ did not actively promote the engagement of NGOs. Second, many NGOs for a long time neither had the resources nor the intentions to participate in projects together with MNCs; some NGOs even actively opposed initial projects. Third, many MNCs would not acknowledge the legitimacy of NGOs as project partners, and preferred instead to work with government agencies, such as the GTZ. This lack of prior project involvement of NGOs became a significant source of conflict. In particular, NGOs lacked consensus as a stakeholder group about their position in the process. By contrast, MNCs had already established a common ground about a feasible standard that serves their own interests.

Table 3 displays a summary of main interest points by stakeholder group. Most importantly, producers sought to upgrade their position in the value chain, after losing power to roasters through the abolishment of ICA in 1989. NGOs, who had been actively pressing MNCs for many years to promote sustainable working and environmental conditions in supplier countries, favored a standard that meets important criteria along the social and environmental dimension of sustainability, including the improvement of farmers’ rights, health conditions, wages, and education. Roasters, in turn, saw the main benefit of a standard in stabilizing supply, improving coffee quality and in satisfying the call, by NGOs in particular, for greater social and environmental sustainability along the value chain.

After initial political battles between stakeholder groups, project participants, in particular the industry and producers’ groups came to an understanding about mutual interests and a doable solution that can satisfy stakeholders’ interests, while meeting sustainability criteria. Core of the solution was the foundation of the 4C Association and its membership rules as introduced earlier (see Table 1). Before this agreement was reached, some NGOs, e.g. Greenpeace, dropped out of the process. They did not see their initial demands met and perhaps saw themselves instead in a more powerful position as observers rather than as participants of the process. Because of lack of interview data, however, we need to be careful with this interpretation.

Importantly, the consensus among remaining participants was to a great extent grounded in bilateral discussions prior to this project and in experiences with promoting sustainable

business practices at the local level. In particular three local projects provided the basis for developing the 4C standard: the collaboration of GTZ and Kraft in Peru, the cooperation of GTZ with the Neumann Group in Mexico, and the collaboration of GTZ with Kraft and Douwe Egberts in Vietnam. The last project further allowed the GTZ to learn how to involve competitors (Kraft and Douwe Egberts in this case) in a multi-stakeholder process on a pre-competitive level. In other words, particular local projects got enacted as important experiments or ‘pilots’ based on which the 4C standard could be developed at the global level:

“Pilot projects have stimulated us in many ways. [...] There was this one project in Vietnam involving different roasters. We tested pharmaceuticals in this project. [...] This is something we now incorporated in our support component.” (Director of Operations, 4C Association)

“In order to successfully carry out such a strategic process, you need to lift the experiences gained on the micro, or say, project level to the macro level. That was our main task. An important precondition for this were our previous experiences with several stakeholders.” (GTZ 4C Project Coordinator)

This shows the importance not only of particular local projects in bringing about the standard but of the global project network that emerged from these projects and that was sustained mainly by repeated project collaborations under the leadership of the GTZ. This is because only through the project network were stakeholders able to develop project-based experience with different partners in different regions over time. For example, the Vietnam project, which became one role model for the standard, came about as a result of the mobilization of previous project expertise and partnerships from different regions. This finally underlines the importance of the GTZ as a project and institutional entrepreneur and facilitator of the process. On the one hand, the GTZ managed to bring stakeholders together in the process – prior to and during the global 4C initiative (Altenburg, 2007). On the other hand, the GTZ influenced the objectives of the 4C standard. For example, the understanding shared by industry and producers that economic, social and environmental sustainability should and can be implemented as a set of joint objectives very much followed prior 4C-related project proposals of the GTZ. It should be noted that these dimensions of sustainability were not ‘developed’ by the GTZ – rather they have been discussed in ongoing public debates, involving a range of participants, including NGOs. However, the GTZ helped through a series of collaborative projects with MNCs to ‘translate’ these dimensions into practical components of a feasible sustainable standard.

### Implementing a global standard: the 4C association

As a result of the global 4C project, participants formed the 4C Association in 2006 – a global standard organization which today administers and monitors the implementation of the 4C standard. This organization is the fourth and until today final form of stakeholder involvement and coordination. Unlike



**Table 3** Stakeholder interests.

Stakeholder group	Primary interests	Secondary interest
German Federal Ministry for Economic Cooperation and Development (BMZ)/German Technical Cooperation (GTZ)	Improve livelihoods of coffee farmers	Address and tackle structural disadvantages of producers in the coffee value chain/decrease asymmetries in income and power Stabilize prices of coffee
	Increase share of coffee grown sustainably	
	Exclude worst social and environmental practices	Increase coffee farmers income
Producers (local farmers' associations, such as "Association of Kilimanjaro Specialty Coffee Growers", "Cooperativa dos Cafeicultores do Cerrado Ltda.", "Federación Nacional de Cafeteros de Colombia")	Stabilize prices of coffee/tackle volatility	Augment productivity
	Increase coffee farmers income/obtain higher prices from buyers	Improve negotiation position
	Regain influence/power in value chain	Not being left out of a 'broader' movement Start dialogue with trade/industry
	Improve production/working conditions	
	Increase economic security	Lobby for more understanding for the situation of producers, particularly by trade/industry
Civil Society (NGOs, such as Oxfam, Rainforest Alliance, Christliche Initiative Romero (CIR), International Union of Workers (IUF))	Facilitate market access	
	Improve living and working conditions for coffee farmers	Get into dialogue with business
	Reduce environmental repercussions of coffee production and processing	Increase businesses responsibility/ownership for more sustainable coffee value chain
Trade/Industry (coffee roasters, retailers, export companies, such as Kraft Foods, Nestle, Sara Lee DE, Tchibo, Neumann Kaffeegruppe (NKG), Volcafe, Expocert, Lidl)	Influence trade and industry towards incorporating sustainable practices	
	Ensure incorporation of minimum criteria in Code of Conduct	
	Improve coffee quality	Increase efficiency and effectiveness of coffee supply chain
	Foster supply security – ensure quantitative and qualitative consistency in production and supply Risk management – ensure that supply base is 'scandal'-free. Exclude worst practices Deal with raising awareness and pressure by consumers and civil society organizations/reputation management	Draw on credibility given to the 4C by participating civil society organizations

previous forms, this association is not organized as a project or network, but as a permanent organization. Similar to industry associations, the 4C association regulates itself through membership rules, and is financed by member fees tied to sales generated by the respective member in the

coffee sector. The largest share comes from trade and industry. The 37 founding members of the association include the main roasters, producers' associations from main coffee regions, and a number of NGOs (see Table 1). The General Assembly is the highest authority and consists of all members

of the 4C Association. Each stakeholder group forms a chamber. The main decision body is the 4C Council which consists of 17 ordinary members in the three stakeholder chambers. The Executive board has three members (one from each chamber) and directs the agenda set by the Council and the General Assembly. Furthermore the association has established a technical committee to oversee and evaluate 4C services (tools, training, verification), a mediation board to resolve conflicts, and a secretariat to coordinate administrative work and external partnerships.

From the perspective of the GTZ, the main objective of setting up this organization is to help establish and implement 4C as a self-regulated standard and to 'transfer' ownership to the industry. GTZ representatives are very reflective about their role as temporary facilitators of this institution-building process from small-scale projects to a global sector solution – a model the GTZ now seeks to apply in other sectors. The GTZ 4C coordinator explains:

"Now the process will be completed and becomes operational. And, it will turn away from the project character – everything else would make no sense. And the ownership needs to be transferred to the sector. [...] I believe 4C is an exemplary process. You start with smaller projects, move to a strategic, sector level, and this upscaling process leads to institutionalization. This allows the public sector to provide conditions under which participating actors can bring themselves in with their ownership. [...] If you elicit such a process you always hope that you can create a framework which structures the process in a sustainable and enduring way."

At a closer look, however, the GTZ still takes an active, though less direct role in the 4C process towards greater sustainability in the coffee sector. For example, the GTZ has continued to initiate local development projects with private partners and has maintained project-based, transnational relationships with these partners (see Table 2). These projects partly started before the 4C Association was registered and often followed up on previous projects in the same region. Importantly, as the 4C standard is now being formally implemented by the 4C Association, these projects have taken a different role in the process. Prior to the standard, they were designed to develop more or less idiosyncratic sustainable practices in particular local contexts and, with hindsight, served as experiments guiding the process towards developing a global standard. Since 2006, these projects have been framed by the GTZ as local test projects for the implementation and further development of the global 4C standard, often in conjunction with other, yet related development goals, e.g. health education. However, they do not implement standards on behalf of 4C. Rather, they address sustainability criteria, help recruit members, and further elaborate different aspects of economic, social and environmental sustainability. The repeated involvement of pioneer MNCs, such as Kraft Foods, in these projects further promotes the establishment of 4C as a standard and the legitimacy of the 4C Association.

"Pioneers have a very important role, both within the Association as role models for other members, and in outside communication. [...] Other firms also approach

us, referring to these pioneers." (Director of Operations, 4C Association)

In other words, the promotion of sustainability in the coffee sector, which is a 'moving target', continues to rely on the co-existence and parallel use of different forms of stakeholder involvement and coordination: local development projects, a global project network, and a permanent global standard organization. It is thinkable that further development projects at the global level – similar to the 4C project – will be initiated to advance forms of standard regulation. The previous use of these more or less project-based organizational forms eases their repeated enactment as means of multi-stakeholder coordination, which allows for adaptability and innovation in establishing 4C as a mainstream standard and which matches well with the objectives of the 4C Association: Rather than simply administrating certificates based on a fixed set of criteria, the association's main goal is to promote greater sustainability over time, using new tools, quality assurance systems, production methods, training curricula, etc. By contrast, further initiatives taken by the ICO to regulate the coffee value chain, e.g. through the Coffee Quality Improvement Program (CQP), which was set up to raise quality standards and to ban low-quality coffee trade, have not succeeded. Some scholars (e.g. Daviron & Ponte, 2005) therefore expect adaptable multi-stakeholder initiatives outside the intergovernmental arena, such as 4C, to be more successful and to further question the legitimacy of the ICO as a regulating body.

## Discussion and implications

Our main objective has been to analyze global standard development and institution-building as a project-based multi-stakeholder process, and to understand how critical stakeholders get mobilized and involved in this process. In particular, we have examined the facilitating role of collaborative projects at the local level and global project networks connecting these local projects across local contexts in establishing a global sustainability standard. The development of the Common Code for the Coffee Community (4C) has served as an inductive case study to explore this process. In what follows, we develop from our inductive case a theoretical model of global standard development as a project-based multi-stakeholder process (see Fig. 2). We follow the method of 'analytical generalization' (Yin, 2003), which aims at linking empirical findings from a particular context – here: the coffee industry – to more abstract constructs which can be tested and further elaborated in other, more or less similar empirical contexts (see also Eisenhardt, 1989). We thereby balance the need for abstraction and concreteness (Sigelkow, 2007), and we incorporate concepts and categories from previous research into our model to contribute to an iterative process of theorizing (Diesing, 1971; Weick, 1995).

Our empirical case of 4C suggests that global institution-building in general and the development of global sustainability standards in particular can be promoted by four sub-processes which are characterized by particular forms of stakeholder involvement and coordination (Fig. 2). These processes start subsequently, yet co-evolve and feed into each other over time: (1) the initiation of local development projects addressing standards and institutions locally; (2) the

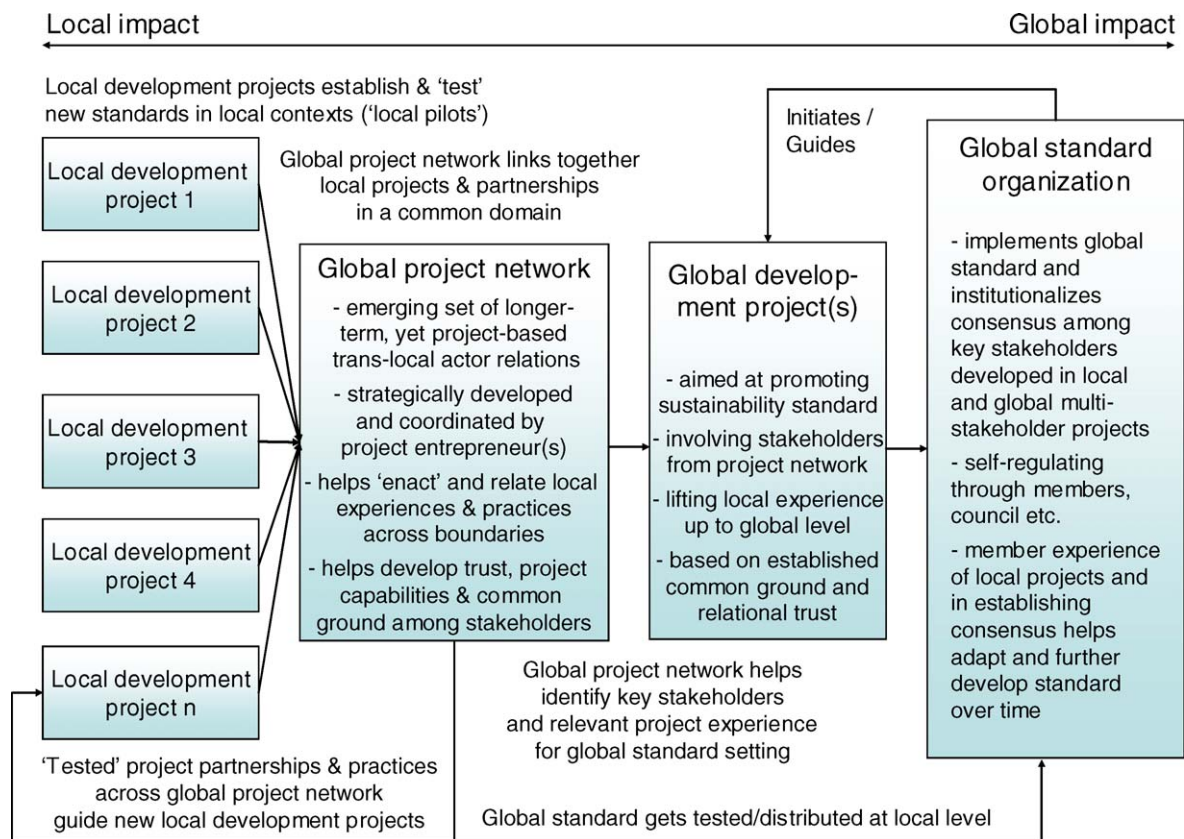


Figure 2 Global standard development as a project-based multi-stakeholder process.

formation of a global project network creating linkages between local projects and project partners; (3) the initiation of global development projects addressing standards and institutions globally; and (4) the set-up and operation of a permanent global organization regulating and monitoring standard definition and implementation.

*Local development projects* (Process 1, Fig. 2) can be the starting point of a multi-stakeholder process aimed at building global standards and institutions. Local development goals typically include changes in local economic, social and institutional structures (Hirschman, 1967), e.g. the coffee sector (Altenburg, 2007). Local development projects are to some extent ends in themselves as partners pursue objectives with particular local interests; yet, they may also take an instrumental role within a longer-term multi-stakeholder process. In the 4C case, initial local projects (e.g. café organico) were entirely aimed at improving local conditions for producers; only later they got enacted as 'institutional experiments' for a larger goal – promoting sustainability in the coffee sector worldwide. Project entrepreneurs, such as the GTZ, who repeatedly initiate projects and mobilize partners for these projects, can be important agents in this (re-)framing process. Local experimentation has been recognized as an important step in global institution-building (e.g. Evans, 2004). It may result in 'proto-institutions' (Lawrence et al., 2002) which can be enacted as templates for global initiatives. Examples in the 4C context include the development of a certification system for social and ecological standards in Mexico and of a quality control system in Ethiopia (see Table 2). Local projects may also become role models in terms of the process by which global goals are accom-

plished. One example is the multi-stakeholder steering committee in the Ethiopia project which has been regarded by 4C managers as a role model for the global multi-stakeholder steering committee.

The 4C case shows that successful local development projects often result in follow-up projects with the same partners – both within and across local contexts. In line with previous research, prior successful collaboration may generate trust making repeat partner selection more likely (Gulati, 1995). Importantly, repeat collaboration may also promote the formation of a longer-term *global project network* (Process 2, Fig. 2), as another element of a global rather than just local multi-stakeholder process. We defined global project networks, in extension to prior studies on this organizational form (e.g. Manning, 2010; Starkey et al., 2000; Windeler & Sydow, 2001), as strategically coordinated sets of longer-term, yet project-based relationships between legally independent partners which transcend national boundaries. Project networks are typically coordinated by project entrepreneurs who strategically build up pools of potential project partners with critical resources for the initiation of related projects. In our case, the GTZ takes the role of a project entrepreneur and network coordinator by building and maintaining project-based relationships with MNCs and local partners to repeatedly initiate projects addressing sustainability in the coffee sector. Every single project may differ to some degree from previous ones, in terms of scope, objectives and team composition. However, through the global project network, partners may create task- and team-related linkages between projects allowing them to build on established collaborative practices and prior project goals – both

within and beyond a particular local context. In other words, global project networks show features of relational systems carrying ideas and practices across geographic boundaries (Giddens, 1990; Scott, 2003). This capacity facilitates, on the one hand, the establishment of common ground among project partners about the feasibility and limitations of implementing standards in different locations (see in general, Gray, 1989); on the other hand, it stimulates project-based learning and what Svejnova, Mazza, and Planellas (2007) call 'theorization' of micro-level experiences towards a potential macro-level institutional solution.

As an intermediary organizational form, the global project network not only facilitates the repeated initiation of and mobilization of partners for partially similar, partially novel local development projects, but it also helps link and coordinate local development goals towards longer-term global development objectives – here: sustainable coffee production. This process (Process 3, Fig. 2) is further promoted by enacting a third form of multi-stakeholder coordination: a *global development project*. Unlike local projects, global development projects aim at fostering economic and institutional change at the global level, involving both locally and globally operating partners (see in general Orr & Scott, 2008). In our case, the global 4C project was initiated by the GTZ together with MNCs, NGOs, coffee producers and associations to develop a global sustainability standard and to set up an organization to administer this standard. Importantly, the mobilization of multiple stakeholders for this global development project was jointly facilitated by institutional support, including funding, and successful prior collaborations in multiple local contexts. In particular, local development projects served as low-risk institutional experiments for future global partners, whereas the emerging global project network helped connect local initiatives over time, establish trust and common ground, and sustain critical project-based relationships, which were eventually enacted for the global development project. In technology development, such a process of adaptively shaping and scaling up an emerging standard and embedding multiple actors in the process has been described as 'bricolage' (Garud & Karnoe, 2003). Importantly, this process is a combination of follow-up project opportunities and strategic agency. As project entrepreneur throughout this process, the GTZ helped maintain a 'going concern' among stakeholders (e.g. Lundin & Söderholm, 1995) and mobilize resources for follow-up collaboration.

As a result of the global development project, a self-regulating *global organization* was established in our case to administer further standard development and implementation. This is the fourth form of multi-stakeholder involvement we observed in the standard development process (Process 4, Fig. 2). Its self-regulation through tri-partite governance and membership-based funding allow it to operate without external support. However, the effectiveness of this organization seems to depend on a longer-term consensus among its founding members about their common goal – here: promoting sustainability in the coffee sector – and on the recruitment of new members who buy into this goal and adopt the standard. It also relies on the adaptation of standard elements to new technologies and environmental changes. In order to promote the adoption and adaptability of the standard, the 4C Association further interacts with the global

project network coordinated by the GTZ, and uses local development projects involving the GTZ and major industry players to test new sustainability tools and technologies, and to promote 4C as a standard in different regions. In other words, our case suggests that in the process of global standard development, different more or less project-oriented forms of multi-stakeholder coordination get enacted and established over time, yet continue to co-exist in support of standard development. This reflects the complexity of global standard development and the need, on the one hand, to continuously adjust and elaborate standards by launching and linking local experiments and global initiatives, and, on the other hand, to regulate and monitor standard-setting and implementation globally through a permanent organization.

These findings have important implications for future research on the development of global standards and institutional change. First, they indicate that a combination of local and global projects as well as global project networks – as flexible 'regulatory networks' (Djelic & Sahlin-Andersson, 2006) – can be important forms of stakeholder coordination and involvement in longer-term processes of institutional change. Project-based coordination, on the one hand, helps involve and bring together multiple stakeholders at different levels of engagement, e.g. local, regional and global, reflecting their interest, capacity and commitment to jointly engage in institutional change at particular points in time. On the other hand, carrying out and linking institution-building projects at the local and global level helps translate longer-term global objectives to local contexts and vice versa (see also Svejnova et al., 2007). The ability to pilot test new institutional regulations and practices through projects in different local contexts may also counteract the danger of 'decoupling' of institutional norms and actual business practices (Meyer & Rowan, 1977). Related research on MNCs (see, e.g. Kostova, 1999) suggests that the likelihood of global standards to be accepted and applied at the local level depends for example on local incentives and structures, and the compatibility with existing practices. Series of local experiments with different partners may help establish common ground and compatibility between global standard initiatives and local contexts. Future studies may further examine how local and global institution-building projects feed into each other over time.

Second, and related to this, our empirical case suggests that institutional entrepreneurs who promote institutional change – by setting agendas and mobilizing critical stakeholders and other resources (see, e.g. DiMaggio, 1988; Garud et al., 2007) – may take the role of project entrepreneurs by repeatedly initiating and creating linkages between projects involving different stakeholders to promote institutional change at the local and global level. Taking this role, which is partially driven by institutional conditions, e.g. project-based funding policies, may involve the application of certain coordination practices which can be typically found in professional project businesses. These practices include the formation and coordination of project networks – or here: a global project network – which are composed of longer-term core teams and partner pools that facilitate the repeat initiation of related projects (see also Starkey et al., 2000; Windeler & Sydow, 2001; for the film business; Eccles, 1981, for construction; Djelic & Ainamo, 1999 for fashion, and Manning, 2010, for European research). The use of projects



and project networks as organizational forms allows institutional entrepreneurs, such as the GTZ in the case of 4C, to better 'control' multi-stakeholder processes and the ways in which stakeholders get involved and contribute to the process (see for the case of cultural entrepreneurship DiMaggio, 1982). Interestingly, the GTZ thereby uses a form – or logic – of organizing typically found in more traditional development projects, e.g. infrastructure projects (see Hirschman, 1967). In other words, the practice of project organizing got enacted for institution-building from a different, yet related field context – a process called 'disembedding-reembedding' (Giddens, 1990) or 'logic transposition' (Djelic & Ainamo, 2005). As a result, both institutional change as a process and entrepreneurship as agency get structured in particular ways. As for the former, change seems to happen in an iterative fashion, combining project-based exploration and subsequent refinement. As for the latter, project-based institutional entrepreneurship involves periods of intense collaboration and periods of latency (see also Starkey et al., 2000), and relies very much on the ability of entrepreneurs to connect particular initiatives over time and commit partners for and beyond particular projects. We invite future studies to further examine how project and institutional entrepreneurship influence each other, and how entrepreneurial agency promotes, but is also conditioned by this process.

Our findings may also inform research on the project-based coordination of transnational affairs in more general, such as global construction and infrastructure projects, or the organization of mega events, e.g. olympic games (e.g. Pitsis et al., 2003). Most research on global projects has focused on projects themselves and their features vs. smaller scale projects within national or local contexts (e.g. Orr & Scott, 2008). Our study shifts attention to the embeddedness of global projects, e.g. the project 4C, in series of related projects that are initiated and coordinated by professional agencies, such as the GTZ. We propose that for repeatedly initiating projects in different locations in a particular domain, e.g. mega events, project entrepreneurs, e.g. event agencies, are likely to build up global project networks with both global and local, new and old partners they recruit and team up for particular projects. Similar to local project networks, global project networks reconcile the managerial need for stable project-based relationships with critical project partners, and for flexible resource allocation across collaborative and geographic contexts. Stable relationships and core teams within global project networks are likely to form in particular between globally rather than locally operating partners, such as the GTZ and MNCs in the case of the 4C process. As 'global' core teams sustain beyond particular projects and local contexts, they promote project-based learning and the development of collaborative capabilities project partners can leverage on over time (Brady & Davies, 2004; Davies & Brady, 2000; Manning & Sydow, forthcoming; Prencipe & Tell, 2001). However, the process by which project elements get 'translated' from one local context to the other needs to be better understood (Czarniawska & Sevón, 2005).

Future studies also need to address some of the limitations of this study. Our process model is based on a comprehensive, yet single case study of global institution-building in the coffee industry. Comparative studies in other fields, e.g. the tea and cocoa value chain, are needed to promote a

'generalization in small steps' (Diesing, 1971). For example, to what extent do actors, such as the GTZ, exist in other fields to take the role of an institutional entrepreneur promoting global sustainability standards by collaborating with MNCs and other critical stakeholders? How important was the concentration of key coffee roasters in Europe for the legitimacy of the German GTZ as project initiator and network coordinator? How does this situation compare with less concentrated industries? Also, what role do funding policies play in the process? In more general, comparative studies need to better capture the importance of economic structures and institutional conditions as drivers of multi-stakeholder processes and the use of particular forms of coordination, such as global project networks (see, e.g. on the institutional embeddedness of project networks and related organizational forms, Djelic & Ainamo, 1999; Sydow & Staber, 2002). Also, our study has neglected the role of discursive processes in institutional change (Zilber, 2007; Munir & Phillips, 2005). This relates to the importance of legitimacy-building (Djelic & Sahlin-Andersson, 2006), which has been discussed not least for the case of sustainability in the coffee industry (see, e.g. Levy, 2008; Petkova, 2006). For example, how do global project networks as organizational forms structure – and get structured by – discursive arenas? How does the inclusion or exclusion of stakeholders in project networks affect their legitimacy in ongoing debates? Finally, we invite future studies to further examine not just project-based, but other organizational forms in multi-stakeholder processes. We need to better understand how the parallel and/or subsequent use of forms of organization and coordination – both among and across stakeholder groups – promotes, but also constrains institutional change and the involvement of stakeholders in this process.

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