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A Club Perspective of Sustainability Certification Schemes in the Tourism and Hospitality Industry

Running Head: Certification Schemes: Membership Recruitment and Retention

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A Club Perspective on Sustainability Certification Schemes in the Tourism and Hospitality Industry

Abstract

Drawing on club theory, this study examines the challenges and opportunities facing a sustainability certification program, the Green Key scheme, in terms of its recruitment and retention of members within the Dutch tourism and hospitality industry. Extant literature on sustainability certification in this industry tends to focus narrowly on motivations and retention problems at the firm level, or else on drivers of or barriers to the adoption of sustainability certification schemes. The links between scheme design characteristics and scheme effectiveness and their implications for recruitment and retention thus have remained relatively unexamined. To address this gap, this study proposes a theoretical framework that highlights how different design features of sustainability certification schemes might inform the recruitment and retention challenges that scheme managers often face.

Keywords club theory; collective action; sustainability certification; hospitality; scheme design; tourism

1. Introduction

The recent emergence and proliferation of sustainability certification schemes seems to stem from the desire of businesses to contribute to sustainable development and address negative social and environmental externalities associated with their operations (Buckley, 2013; Dunk et al., 2016; Font and Harris, 2004; Font and Wood, 2007; Haaland and Aas, 2010; Jarvis et al., 2010; Margaryan and Stensland, 2017). Furthermore, the combination of market failures and limited government oversight has led to arguments that sustainability certification schemes can provide uniquely viable instruments for stimulating positive externalities while mitigating negative ones (Prakash and Potoski, 2007). These schemes, often voluntary in nature, constitute market-based instruments that identify sustainability principles and guidelines for firms to follow to become certified (Buckley, 2012; Font and Harris, 2004; Gössling and Buckley, 2016).

In the tourism and hospitality industry for example, firms historically have enjoyed economic benefits from exploiting environmental and social resources, without shouldering a corresponding share of the social and environmental costs associated with their operations (Potoski and Prakash, 2013).

Therefore, some hospitality and tourism firms seek sustainability certification, which may offer both market and nonmarket benefits (Buckley, 2002; Font and Harris, 2004). Arguably, sustainability certification schemes might quell criticisms of greenwashing, build corporate legitimacy, and enhance corporate reputations, thereby giving key stakeholders more confidence that firms are operating in a sustainable manner (Esparon et al., 2014). Similarly, the schemes may help the overall industry preempt or avoid more stringent government regulations (Ayuso, 2006).

The Green Key scheme is a prominent, international certification scheme that operates in 66 countries. Since starting in Denmark in 1994, it has attracted the participation of approximately 3,100 hotels and tourism establishments; in the Netherlands, the setting for this study, it has been operational since 2008,⁸ and it is more popular and visible than its main competitor in this market (Green Globe). The scheme is managed by a nongovernmental organization called Keurmerk Milieu Veiligheid en Kwaliteit.⁹ The 345 Green Key–certified hotels² in the Netherlands represent 9.9% of total hotels, and they each pay annual membership fees (ranging from 300 to 700 euros) that in turn provide the principal source of the scheme’s financing. On the basis of their compliance with mandatory, optional, or additional criteria, tourism establishments can earn certification at the Gold, Silver, or Bronze levels, and Gold is the most popular tier, achieved by 87% of certified hotels (cf. Sandoval and Prakash, 2016).

Yet despite this participation and anecdotal evidence that suggests schemes such as Green Key have generated significant enthusiasm, some industry actors have purposefully halted their participation (Dunk et al., 2016). Even as the Green Key scheme attracted participants in recent years, it also has encountered substantial recruitment and retention challenges. Among limited studies that explore determinants of scheme membership recruitment and retention, we know of none that systematically address the link between recruitment and retention efforts and scheme effectiveness (Dunk et al., 2016; Haaland and Aas, 2010; Jarvis et al., 2010). This gap is particularly problematic, because the efficacy of

⁸ See <http://www.greenkey.global/history/>.

⁹ See <https://www.greenkey.nl/watiscgreenkey>.

sustainability certification schemes can be evaluated differently, such as by sustainability performance, scheme design, or recruitment and retention (Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Koehler, 2007; Kollman and Prakash, 2002; Potoski and Prakash, 2013; Prakash and Potoski, 2007).

Therefore, to extend research on sustainability certification programs, we move beyond the firm level to focus on governance by schemes. We also draw on a novel theory of voluntary clubs to develop our analytical framework. Prakash and Potoski (2007) propose an integrative, deductive framework that details how voluntary clubs can engage in environmental governance; their framework was designed to explicate why some voluntary schemes are successful while others fail and how institutional arrangements might help address their challenges. This innovative framework has not been subjected to much empirical investigation, especially in hospitality and tourism settings (Buckley, 2002). Instead, most investigations address the fundamental role of scheme design elements for improving environmental performance (Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Koehler, 2007; Kollman and Prakash, 2002). Advancing knowledge in this domain requires a more robust theoretical and analytical framework that acknowledges how design features determine scheme efficacy, which also can reveal why some certification schemes struggle to retain existing members and attract new ones. Furthermore, by applying club theory to sustainability certification schemes in the hospitality and tourism industry, we address the notion that a scheme's reputation or credibility offers a good that is held in common by the certified hotels. These two issues, which relate fundamentally to design questions, influence the effectiveness of schemes and also provide a fertile ground for exploring the full range of antecedents of industry actors' decisions to join or leave sustainability certification schemes. Moreover, we shift the focus of attention away from motivations for and barriers to firm participation in green certification schemes (Dunk et al. 2016; Jarvis et al. 2010) and toward a broader understanding of how fundamental design features might influence member recruitment and retention and scheme efficacy.

2. Sustainability Certification Schemes from a Club Theoretical Perspective

Drawing on institutional economic theory (Buchanan, 1965; Cornes and Sandler 1996; Sandler and Tschirhart, 1997) and integrative environmental governance perspectives (Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Kollman and Prakash, 2013; Potoski and Prakash, 2013; Prakash and Potoski, 2007), we propose a theoretical framework for studying the efficacy of sustainability certification schemes, in terms of recruiting new hotels and retaining already certified hotels. We regard such schemes as typical examples of voluntary clubs that produce and appropriate club-specific goods, in exchange for members' commitment to pursue positive social and environmental externalities.

2.1 Club Pull Factors

Sandler and Tschirhart (1997) define clubs as formal, voluntary groups that produce and allocate goods that are neither entirely private nor entirely public. To understand the distinction between private and public goods, we adopt Buchanan's (1965) definitions, namely, that pure public goods imply that "consumption by any one individual implies equal consumption by all others," whereas purely private goods mean that "their consumption by one individual automatically reduces the potential consumption of other individuals by an equal amount" (p. 3). Club goods cannot be characterized as purely public or purely private goods, because they constitute excludable benefits, exclusively appropriated by their members, and non-members often are entirely excluded from them (Cornes and Sandler 1996; Sandler and Tschirhart, 1997). Sustainability clubs offer excludable benefits in the form of positive reputations associated with the voluntary adoption of and adherence to strict sustainability guidelines, or a sustainability reputation. Exclusion from these club benefits results from the imposition of membership costs and technical guidelines that define compliance to join. Once a firm becomes a member, the benefits are non-rivalrous; that is, the reward is shared by multiple club members at the same time (Sandler and Tschirhart, 1997), and rewards received by one club member do not reduce the potential for other members to access and utilize those same rewards (Buchanan, 1965; Sandler and Tschirhart, 1997). However, to be attractive, clubs must provide a better cost/benefit ratio than what non-members would be able to access.

Sustainability certification schemes allocate club goods to firms that integrate social and environmental actions into their core operations, beyond a minimum level of compliance with government regulations, and to those that pay membership fees (Prakash and Potoski, 2007). For many firms, joining such schemes thus offers an opportunity to build a positive image or sustainability reputation and maintain good relationships with various stakeholders (Bullock and van der Ven, 2020; Jarvis et al. 2010), especially if they operate in business-to-consumer markets (Khanna and Brouhle, 2009). Reputation benefits and greater exposure can be beneficial for both small firms, which seek greater recognition of their sustainability actions, and large firms, which often risk targeting by stakeholder activism if they are associated with scandals (Khanna and Brouhle, 2009). Membership also might help stakeholders determine which firms deserve their patronage (Frias-Aceituno et al., 2014; Karlsson and Dolnicar, 2016; King, 2007), because certifications grant consumers confidence that they are dealing with actors that integrate sustainability issues into their operations (Prakash and Potoski, 2007). Certification can verify firms' sustainability claims too (Buckley, 2002). Overall, obtaining certification should reduce the transactional costs stakeholders incur to gather information that enables them to differentiate sustainable firms from those that are unsustainable (Buckley, 2002; Bullock and van der Ven, 2020; Prakash and Potoski, 2007).

2.2 Problematicizing Sustainability Certification Schemes

Evidence about whether certification schemes actually alter firms' sustainability behaviors or offer tangible benefits to members is mixed (Babakhan et al., 2020; Font and Wood, 2007; Karlsson and Dolnicar, 2016), and anecdotal findings indicate that firms may be losing interest in such schemes (Dunk et al. 2016). To clarify these findings, we draw on club theory, which offers rich insights into factors that may explain why firms leave a club (Prakash and Potoski, 2007), including both the excludability and non-rivalrous nature of the benefits the clubs offer and the risk of shirking or free-riding behaviors.

2.2.1 Excludability and non-rivalrous goods

Certified firms expect exclusive, non-rivalrous brand reputational benefits, in exchange for their compliance with the schemes' standards and payment of membership fees (Cornes and Sandler, 1996; Sandler and Tschirhart, 1997). However, several factors limit such excludability and non-rivalry. First, many tourism and hospitality brands attain sustainability certification (Zielinski and Botero, 2015), such that it may be insufficient to establish a distinctive brand meaning and value—a limitation that is particularly critical to stakeholders' propensity to reward scheme members (Esparon et al., 2014; Font and Wood, 2007). Second, hotels may fail to reap the market benefits associated with being certified because the schemes fail to publicize specific attributes that might differentiate them from rivals. Weak scheme branding constrains the excludability and non-rivalry of any goods or benefits obtained in exchange for sustainability performance (Font and Harris, 2004), which in turn may discourage entry by new firms and retention among existing members (Font and Wood, 2007). Third, the non-rivalrous nature of the reputational benefit of being a club member implies that it is a good held in common (Prakash and Potoski, 2007), so members often face a collective action problem. Any individual firm's efforts to guard and enhance the reputational goods may be undermined if other firms exhibit actions detrimental to the scheme's reputation (Bullock and van der Ven, 2020). In this case, stakeholders find it difficult to differentiate credible firms, which actually meet the sustainability goals of the scheme, from those that fail to meet these objectives (Bullock and van der Ven, 2020; Margaryan and Stensland, 2017).

2.2.2 *Shirking as a precursor of free-riding*

One of the most significant challenges associated with collective actions—especially by companies that operate within the same industry—is that some participants engage in actions that enable them to free-ride and reap benefits without adequately satisfying the requirements of the collective action scheme. Free-riders can operate at lower costs, due to their lack of effort to satisfy the certification requirements, which grants them a competitive benefit in their markets. The challenge of shirking, which leads to free-riding (Prakash and Potoski, 2007), is prevalent for goods held in common (Buckley, 2002). These two related issues also tend to result from schemes' failures to adopt governance roles and correct

market failures (Darnall and Carmin, 2005). Despite the imposition of membership fees and sustainability criteria, some firms might join schemes to enjoy the brand reputation benefits, without living up to the schemes' standards (Prakash and Potoski, 2007; Sandler and Tschirhart, 1997). Such shirking may be intentional, though other firms likely shirk due to a lack of resources (Honey and Stewart, 2002). Fundamentally, shirking can be facilitated by the design of a scheme's standards (Font and Wood, 2007). In particular, Honey and Stewart (2002) distinguish performance and process standards for compliance. Performance standards impose obligations on firms to meet minimum thresholds for various sustainability parameters, usually organized according to a tier-based system that denotes different levels of performance (Font and Harris, 2004). Such performance standards may be easy to comply with, following an initial investment in sustainability initiatives. But they also might encourage shirking, especially among smaller firms with fewer resources, for which greater sustainability performance may require additional investments that they would find challenging (Honey and Stewart 2002; Potoski and Prakash, 2013). Process standards instead require firms to establish management systems that internalize any negative social or environmental externalities (Testa et al., 2018). The considerable investments required to adopt standards and a strict "identify-measure-act-review" process reduces the opportunities for firms to shirk their responsibilities (Font and Harris, 2004).

Due to shirking, some high performing firms might suffer damage to their reputations, because of their associations with the scheme. In the presence of information asymmetry, stakeholders face high transaction costs to obtain information about individual firms' performance (Potoski and Prakash, 2013; Sandler and Tschirhart, 1997), so they might prefer to spread the rewards evenly (Prakash and Potoski, 2007), rather than devote additional effort to punish shirking firms (Karlsson and Dolnicar, 2016). This outcome has relevant implications for scheme credibility and retention. First, firms that are strongly committed to sustainability may no longer perceive any need to continue their membership in a scheme that is not credible and that does not ensure fairness, so the more committed firms likely leave. Second, schemes that are not credible also are not attractive to new, potential members, especially if stakeholders

already are skeptical of their sustainability claims. The onus then falls on the schemes to establish a monitoring and sanctioning system that can prevent shirking by members (Potoski and Prakash, 2013) and thereby ensure their own credibility.

3. Methodology

3.1. Research Setting and Data Collection

An interpretative research paradigm provides us with an opportunity to understand individual perceptions of hotels' motivations to join the Green Key scheme and the operations and problems associated with this scheme (Burrell and Morgan, 1979). Understanding the efficacy of sustainability certification schemes for recruiting and retaining members involves complex, dynamic issues that require flexible research processes. Such flexibility is embedded in an interpretative research paradigm, such that it enhanced our interactions with study respondents (Yin, 2013) by granting them adequate opportunities to articulate their understanding of specific organizational issues related to the Green Key scheme.

We focus on 11 Green Key–certified hotels as our sample, ranging from small family-owned to large chain-affiliated hotels. This purposeful selection reflects our goal to gain diverse insights into an issue that remains relatively underexplored and their participation in the Green Key scheme (Yin, 2013). In 25 semi-structured interviews, we gathered responses from representatives of these selected hotels, a specialist with in-depth knowledge of the Green Key scheme in the Netherlands, and some customers. The hotel representatives were familiar with the Green Key scheme in their capacities as managers, owners, or persons responsible for the implementation of the scheme; the customers had stayed in Green Key–certified hotels. With this purposive sampling, we could interact meaningfully with participants and gain deeper insights into the studied phenomena, rather than seeking statistical representation of the overall population.¹⁰ To ensure anonymity, we assigned each respondent a code (see Table 1). The

¹⁰ For more details about the sample and data collection tools used, please refer to Table A1 in the supplementary appendix.

interviews took place from July 2017 to August 2018 and lasted from 10 to 78 minutes. Brief follow-up interviews with select hotel managers, lasting 7 to 15 minutes, were conducted in December 2018, designed to confirm if the hotels still intended to leave or had left the scheme.

Insert Table 1 here

Prior to this fieldwork, we developed an interview protocol¹¹ and pretested the data collection process. We obtained informed consent from all participants and recorded interviews with a digital sound recorder when possible; if respondents asked not to be recorded, we took extensive interview notes. We guaranteed all respondents' comments would be treated anonymously. In addition, we supplemented the interview data with information gathered from publicly available online resources and corporate documents provided by the hotels and relevant organizations. The transcripts totaled 113 single-spaced pages.

3.2 Data Analysis

Our analysis follows the principles of a grounded theory approach. We undertook an open, inductive coding process, focused on identifying first-order codes by reading and marking the interview transcripts, notes, and extracts from online resources. Next, we compared the resulting data fragments and sorted them, proceeding with this process in an iterative fashion until we could no longer identify new codes and we achieved the consolidation of the first-order codes. Regarding recruitment into the Green Key scheme, we identified 4 first-order codes. For the retention challenges, we created 12 first-order codes.¹²

Next, we applied a deductive approach, drawing insights from the theoretical framework developed by Prakash and Potoski (2007) and related literature (Darnall and Carmin, 2005; Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Koehler, 2007). On the basis of these theoretical insights, we identified second-order concepts and constructs. In an iterative process, we sought patterns and

¹¹ Please see supplementary data.

¹² Please see supplementary data.

recurring themes and compared them with concepts drawn from the theoretical framework, in an effort to develop more specific themes that we eventually would label second-order concepts. This step required a deeper review of the first-order codes, relating them to theory, to ensure the identified second-order constructs provided an explanation of the phenomena. We thus ultimately derived aggregate dimensions that align with the key themes of the theoretical framework (Corbin and Strauss, 1990).

Insert Figure 1 here

4. Findings

4.1 Green Key Scheme and Recruitment Antecedents: Pull Factors

In line with integrative club theory (Potoski and Prakash, 2013; Prakash and Potoski, 2007), we identify two fundamental factors that cause hotels to join the scheme, broadly categorized as the desire to enjoy reputational goods and the desire to contribute to sustainability as a public good.

4.1.1 Reputational goods for increasing market share and credibility

A significant number of the hotels in our sample joined the Green Key scheme in response to market pressures and to attain potential competitive advantages. They believed the potential reputational goods associated with the scheme's brand could increase their market shares, attract new business for them, help them appeal to sustainable investors, and enhance their presence in sustainability-related niche markets. These expectations arise because membership in the schemes allows firms to build on, enhance, and communicate their sustainability reputations to stakeholders. Respondents noted that being part of the Green Key certification scheme seemed vital to their firms' ability to attract new business from government agencies:

What was the primary reason? We thought that it would be handy to put a label on it, and back then it was required that some organizations like local municipalities only book with sustainable hotels. (P8)

The labels offer some form of approval. Otherwise, you get a lot of questions. You can claim that you are really sustainable but how can people know? It provides proof that you are doing the stuff you claim to do. (P11)

These assertions suggest firms respond to market pressures, including the Dutch government's public procurement policy, which demands that accommodation and hospitality services be procured only from hotels and accommodation providers with green certification (Witjes and Lozano, 2016). The Green Key scheme is well known in the Netherlands, so it is a preferred choice for many hotels that seek green certification.

Similarly, the respondents cite the need to attract green-conscious leisure guests as a reason to join the Green Key scheme. These owners/managers recounted their expectation that affiliation with the scheme would be fundamental to attracting such guests:

We joined the Green Key not just to be responsible, as we thought that it would attract leisure customers, especially the 'sustainability savvy' type. (P2)

The underlying assumption is that customers have grown increasingly aware of the importance of purchasing sustainable products and services (Margaryan and Stensland, 2017), and the Green Key certification arguably would render members more visible to such customers.

Another source of external pressure comes from parent hotel chains or franchisors. As managers of hotels affiliated with local and multinational hotel chains noted,

The idea to be Green Key certified came from above because they think it's important to participate; it is seen as proof that we are sustainable. (P15)

Look, it was argued by central management that we have to join the Green Key for our reputation; implementation and responsibility lies in the hands of the director for an individual hotel. (P14)

For the parent chains, certified affiliates provide an effective means to demonstrate their own image as sustainability-oriented for their stakeholders. By virtue of their size and visibility, the large chains constantly seek opportunities to develop competitive advantages, often based on sustainability reputations (Fanasch, 2019; Santos et al., 2018). A positive sustainability reputation also might serve as a useful risk management tool that would not be available to rivals who are not members of the certification scheme:

Our membership with the Green Key places pressure on us to find way of helping and living in harmony with communities in which we operate. I think this is what some of our competitors who are not certified by the Green Key would not do. (P6)

A few respondents also noted the need to meet the sustainability-related lending guidelines of large banks. That is, adopting the Green Key label has become a fundamental determinant in lending decisions by some major banks in the Netherlands:

We have new hotels saying that they went to a bank to get a loan for further development, after which the bank said to them, we want to work with firms that with an eco-label. The banks say that if you have to get money from us, we need to see your CSR policy. (P1)

When we contacted the bank for funding, they asked us to show proof of our sustainability agenda. They recommended that we work with the Green Key. (P16)

Large banks in the Netherlands also are founding members of the Equator Principles, which require signatory banks to report on their actions to address both direct and indirect sustainability risks associated with their operations. To comply, these banks have developed lending guidelines that put pressure on potential clients to demonstrate their own strategies to address social and environmental risks relevant to their operations. Most project financing in the Dutch hospitality and tourism industry does not comply with the Equator Principles, but many banks still demand that potential clients attain Green Key certification, to signal their sustainability. This requirement highlights the banks' evident belief in the certification scheme's ability to mitigate information asymmetries between firms and stakeholders (Conley and Williams, 2011; Weber, 2012). Especially when it is difficult to differentiate firms that are genuinely committed to sustainability from those that are not, banks can rely on the sustainability certification schemes, in an effort to exclude firms that are not genuinely committed to sustainability (Prakash and Potoski, 2013).

4.1.2 Desire to contribute to the public good

Personal values and a desire to generate positive social and environmental externalities are significant pull factors for joining the Green Key scheme (Williams and Schaefer, 2013). Some hotels even were founded on the basis of strong sustainability values, so they join the Green Key scheme because the

owners'/managers' personal values are congruent with the foundational values of the Green Key scheme. These owners/managers argue that the institutionalization of sustainability requires participation from a critical mass of business activists, because individual efforts are insufficient (Font and Harris, 2004). Therefore, sustainability efforts and the adoption of Green Key scheme requirements are self-fulfilling means to express their commitment and contribute to a better world:

It's my belief. I believe in people, in the planet, and in people. We joined to help change unsustainable production and consumption behaviour in this. (P11)

These owners/managers also may be dissatisfied with the status quo (i.e., unsustainable production and consumption of hospitality products and services). Their unconditional support of the scheme thus reflects their existing concern with the social performance of their hotels, rather than any financial benefits they might derive through their participation.

4.2 *Problematizing Design Features: Antecedents of Retention Challenges*

In addition to these pull factors, understanding the conditions that lead hotels to withdraw from membership in the Green Key scheme may clarify whether such schemes ultimately can meet members' expectations. We sought input from hotels intending to leave and from one hotel that already had withdrawn its membership. The findings suggest several drivers of the participants' plans to leave the scheme: the production and appropriation of non-rival and excludable goods (membership size and crowding) and the scheme's credibility for stakeholders and members, especially as it relates to shirking and free-riding, as well as the resultant effects on the scheme's own reputation.

4.2.1 *Challenges associated with non-rival and excludable goods*

As more firms, facing pressures to demonstrate their sustainability, joined the Green Key scheme, the membership rolls grew—an outcome celebrated by the scheme managers, who appreciated the increase in revenues generated by more membership fees. But this situation also created some challenges to the scheme's efficacy and long-term sustainability. A critical mass of members is necessary to establish the scheme's brand image, but beyond this point, the exclusivity of the reputational benefits of membership

starts to dissipate. In response, many hotels, especially those affiliated with multinational chains, began to question their continued membership, because the lack of unique reputational benefits limits the positive effects of membership on their performance:

Well, from our end we don't see why we should still be part of the scheme when a lot of hotels are serious about sustainability, while others are joining because they want to use the Green Key Silver and Bronze certificates to get government business. What is the point when some hotels with Bronze certification can be given business by the government that is similar to what is afforded to us with a Gold certificate? Because of this, we don't see much benefit anymore, as we must compete with literally any hotel claiming to have a Green Key certificate. (P7)

We note two critical implications. First, an unintended consequence of the internal tiered system (i.e., Bronze, Silver, and Gold) is that reputational benefits get shared equally among all members, even if they achieve significant performance differences. Such shared benefits, without hierarchical distinctions, can generate a sense of unfairness among higher ranking members and encourage inertia by firms that otherwise might seek more improvements to meet more challenging sustainability goals. The very design of the ranking system thus may be pushing members to adopt the bare minimum changes to acquire certification, because they can still share in the reputational benefits. Second, the scheme's financing model, which relies on membership fees, means that certifying more hotels is vital to its viability. The relatively low barriers to entry and failure to ensure exclusivity thus appears to have led to "over-crowding" in the scheme. When a significant proportion of hotels earn certification, membership goods are no longer unique. Especially among hotels that joined the scheme earlier, a common perception is that allowing more hotels to become certified has diluted the Green Key scheme's brand.

Moreover, two respondents representing hotels affiliated with large multinational chains question whether they even need to be certified to achieve an image as a sustainability-oriented hotel. For example,

We started the [name of in-house sustainability program] earlier than most certification programs, including the Green Key. We think we are far ahead of the Green Key. We will leave the Green Key soon and start adopting our in-house sustainability program. (P6)

This quote reflects the changing perception among some certified hotels about the reputational benefits they actually reap from sustainability certification schemes. Perhaps due to their sizes and affiliations and

the duration they have been part of the scheme, these hotels may have developed enough confidence in their own sustainability agendas to warrant a belief that they do not need an external label. It appears that early adopters, especially those that are affiliated with big multinational chains, were more cynical, seemingly because they compared the sophistication of the Green Key program against their parent MNC's sustainability program. Thus, robust, in-house sustainability certification programs that address issues advocated by the Green Key scheme may have been perceived to provide a better demonstration to stakeholders that the firm is committed to internalizing sustainability. The substitutability of the value derived from such internal programs alters the cost/benefit analyses associated with remaining with the scheme.

Respondents also noted constraints on their ability to leverage scheme benefits, due to bureaucratic procedures and unpredictable changes to scheme standards. Many of the respondents from small and medium-sized hotels that were intending to leave cited the amount of paperwork and difficulties navigating online data input systems, which left them insufficient time to engage in other business activities, as the following excerpts indicate:

I found it time-consuming, it took so much time. I did not like that. There was a lot of paperwork. I understand that it is necessary, but I did it myself, spending a lot of time on it. (P2)

To be honest, it was a lot of work, and there were a lot of forms. I had to get back to my work and log in and out, which took a lot of time. (P8)

Similarly, respondents identified their difficulties navigating unpredictable changes to the standards:

The challenge with the Green Key is that [administrators] change the criteria frequently. It is quite an annoying challenge to keep up with the changes that the Green Key asks us to make. (P4)

Such cumbersome procedures and unpredictable changes appear to place undue pressure on the owners/managers. When they perform their cost/benefit analysis, these owners/managers recognize a weak business case for continuing to participate in the scheme:

The costs incurred in ensuring that we report correctly to Green Key are very high; we can't afford this. If I were to tell you how much business this brings us, you would be so disappointed. Because of this, we have been looking for other certification schemes to join. (P12)

In contrast, the hotels that belong to large multinational chains worry about the lack of flexibility in the scheme standards, which they regard as stifling their hotels' innovative capacities:

The Green Key scheme is mostly focused on very rigid measures of sustainability performance. With this approach, it is very hard for a large chain like us, which believes in innovation and continuously improving upon our sustainability performance. (P17)

That is, the Green Key scheme guidelines do not appear to satisfy either small firms that prefer consistency or larger members that demand flexibility. Nor have they kept sufficient pace with the dynamic sustainability-driven demands of the ever-changing business environment. By leaving the scheme, some hotels can better benefit from chain-wide sustainability-related innovations in response to those demands.

4.2.2 Shirking and free-riding

In line with evidence that shirking and free-riding are significant challenges associated with collective action in sustainability governance settings (Buckley, 2002; Potoski and Prakash, 2013; Prakash and Potoski, 2007; Rivera, 2002), we find widespread indications of shirking and free-riding by members of the Green Key scheme. Such behaviors provide reasons for some hotels to leave. We identify two fundamental drivers of shirking and free-riding: the tier-based system and performance standards and inadequate sanctions.

As we have noted, the Green Key scheme uses performance-based standards to set three tiers, Gold, Silver, and Bronze, which initially were designed to facilitate membership:

There are small companies with an owner and maybe four employees. It depends on priorities, time and money; we see that if the manager desires Green Key, they would say we want that to be environmentally friendly it's in our company's DNA. These individuals are told that if they wish to do this, there are Bronze, Silver and Gold tiers. There are also participants who say that they want to enter the scheme and that they have done a lot until

now. They say that they want to start slowly with a Bronze designation and to over the next year secure Silver or Gold certification. (P1)

As an unintended consequence though, the tiered system provides a means for some hotels, especially those with Bronze certification, to shirk their sustainability-related obligations. In turn, other members express concerns about hotels that are not genuinely committed to sustainability:

You know, I had a talk with someone else, other hotels for example, and I asked them how do you manage with for example the low water pressure and things like that that Green Key asks you to do, and they told me that they do all the things that they have to do for the 'keuring' [monitoring] and then after they receive the certification they just change it back to the old ways.... So yeah, we will then have to figure out whether we have to still subscribe to this scheme or just leave it. (P20)

Nowadays the Green Key is like something that a hotel needs to show to customers that they are sustainability minded. What happens in reality is that little action is done. Managers already have in mind the things the Green Key people need to see in the questionnaire. The unfortunate thing is that some of these things are not really be implemented by the hotels. (P14)

Because the scheme's design creates reputational benefits that are non-rivalrous and non-excludable, Bronze-certified hotels with low levels of performance enjoy the same reputational benefits as Gold-certified hotels that are strongly committed to sustainability. The low performance standards and the possibility for Bronze-certified hotels to free-ride on the reputation of the scheme have left other members disillusioned and ready to leave (Honey and Stewart, 2002; Potoski and Prakash, 2013). In addition, varied performance levels could intensify consumer skepticism regarding whether the scheme is truly effective in terms of institutionalizing sustainability.

The scheme does little to sanction certified hotels that engage in free-riding either. For example, one hotel had withdrawn its membership but still displayed a Green Key label on its premises and website. A Green Key representative provided the scheme's general response to such behavior:

The hotel ... was once a Green Key-certified hotel but left for various reasons such as due to complaints related to low shower water pressure. It is a small family business. However, you see, the hotel still has the Green Key. It left in 2015. Every year it is supposed to receive a sticker. It doesn't have the 2016 and 2017 stickers. I see that the owner wants to promote his hotel using the Green Key sticker. (P1)

This blasé attitude is problematic for credibility, especially when we recognize that customers and other potential members already are concerned about the scheme's effectiveness at institutionalizing the sustainability agenda. Its credibility greatly suffers when customers and hotels discover that the scheme does not take any action against hotels improperly using the Green Key label.

In its monitoring efforts, the Green Key scheme uses an independent third-party system that determines whether a hotel complies with Green Key scheme requirements, and the assessment is good for the following three-year period:

The scheme uses external auditors. It works with another foundation that provides auditors. Every year, they are given the addresses of companies that need to be audited and then it's up to them. These independent auditors give the scheme advice on when a hotel should be certified. The scheme has to follow that advice. If they say a hotel doesn't meet the criteria, then they recommend measures to adopt. They are the ones that give the green light to issue certificates. (P1)

Although third-party monitoring clearly is a fundamental mechanism for guarding against free-riding and shirking (Darnall and Carmin, 2005; Koehler, 2007), monitoring compliance only during predetermined membership renewal checks may not be adequate to prevent shirking of sustainability-related responsibilities by hotels (Buckley, 2012). Furthermore, Prakash and Potoski (2007) suggest that effective monitoring systems must include public disclosures of the results of audits, so stakeholders can sanction the shirkers themselves. The Green Key scheme does not offer such disclosures; the lack of transparency surrounding the periodic audits may erode trust in the certification process and thereby render the scheme ineffective (Haaland and Aas, 2010).

4.2.3 *Weak Green Key brand reputation*

Overall, certified hotels consider leaving the Green Key scheme because its brand has not effectively influenced stakeholders in a way that provides the competitive advantage that the members initially expected when they joined. That is, they question the effectiveness of the Green Key brand's reputation for helping them achieve a competitive advantage over non-certified hotels, as confirmed by both a green certification scheme specialist and two hotel respondents:

The Green Key tries of course to raise awareness of its operations, but it's up to the company to do that if they want to. Green Key doesn't want to do a promotion because we are not like companies that have promotional budgets. (P1)

I think the Green Key people should communicate more to customers about what hotels with certificates have to do to get the certificates. Every day I see Green Key certificates criticised by customers and even by my colleagues in the profession. (P12)

Back in the days, Green Key certificate was asked for by government departments before they book a venue or rooms. Nowadays that's not really the case anymore. Of course we still have very few companies which only book sustainability certified hotels. (P6)

In particular, the lack of a clear branding strategy in the competitive green certification market (Font and Wood, 2007) appears counterproductive with one of Green Key's goals, namely, the production and appropriation of scheme benefits (Cornes and Sandler 1996; Prakash and Potoski, 2009; Sandler and Tschirhart, 1997).

Many owners/managers, especially those who cite their own enlightened self-interests and values, initially expected customers to prefer their offering, due to their Green Key certification, but they learned that few customers, including leisure guests, consider the certification in making their purchase decisions:

Like I mentioned before, we have been certified with the Green Key for a very long time, but it is hard to connect demand directly to Green Key. (P4)

We have not attracted more business because of the Green Key, definitely not. I don't think consumers look for that when they are booking with us. (P14)

The level of awareness within B2B markets is very high, but in the touristic markets, little value is attached to sustainability. (P1)

These views also highlight the presence of information asymmetries between the scheme and customers (Potoski and Prakash, 2013), which in turn underscores the crucial need for strong scheme branding to help certified hotels attract customers, beyond sustainability-oriented niche market buyers (Karlsson and Dolnicar, 2016). A vigorous, awareness-raising campaign about the importance of purchasing goods and services from Green Key-certified hotels arguably could change consumers' perceptions (cf. Gössling and Buckley, 2016), as illustrated by a respondent who predicted that a hotel that promotes its sustainability cannot provide a sufficient degree of comfort:

A leisure guest does not care about sustainability—they say, don't hassle me with your [sustainability program] information. I am here to enjoy my stay. (P14)

Similarly, some potential customers skeptically predicted that hotels might get certified, without really changing their behaviors, reflecting their doubts about the effectiveness of the Green Key scheme. They even alleged explicitly that hotels could be “hiding” behind the Green Key scheme to save costs and generate more profits:

I think hotels ask guests to sacrifice comfort because they cut costs on a lot of things. I think that means that their final goal is still to make more profits. It would have been better if their CSR activities were more visible, but not necessarily by showing that they are Green Key certified. (P22)

These consumer doubts likely stem from the free-riding and shirking behaviors we detailed previously. Because the Green Key scheme does not police the sustainability reputation claims that the hotels it certifies ultimately make, customers with limited information may find it challenging to differentiate those hotels involved in greenwashing from those genuinely committed to sustainability (Bullock and van der Ven, 2020; Margaryan and Stensland, 2017). Thus, such customers may be less likely to patronize hotels affiliated with the Green Key scheme.

5.0 Discussion and Conclusions

5.1 *Theoretical Implications*

This study contributes to extant literature in several ways. To extend understanding of sustainability certification schemes in the tourism and hospitality industry, we integrate several streams of literature and apply club theory to explain efficacy outcomes (Buchanan, 1965; Darnall and Sides, 2008; Potoski and Prakash, 2013). In particular, we consider how scheme design features fundamentally function as antecedents of hotels' decisions to join or remain with sustainability certification schemes (Koehler, 2007; Rivera, 2002), then link those specific design features to behaviors that can be observed in collective action settings involving heterogeneous actors (Honey and Stewart, 2002; Potoski and Prakash, 2013).

In this sense, our study departs from extant literature on green certification, which mostly investigates drivers of and barriers to the adoption of sustainability certification schemes using resource-

based and stakeholder perspectives (Dunk et al. 2016; Jarvis et al. 2010). We offer a broader understanding by drawing on club theory (Prakash and Potoski, 2007). Notably, we establish that the efficacy of schemes to retain members depends strongly on their designs, as well as their ability or failure to address challenges associated with collective action (Darnall and Carmin, 2005; Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Rivera, 2002). According to club theory, club members secure benefits from adhering to club requirements that depend on the club's reputation, which offers non-rivalrous but also excludable benefits (Prakash and Potoski, 2007). Accordingly, we add to evidence that suggests firms are withdrawing from sustainability certification schemes due to a lack of market benefits, high administrative workloads, or bureaucratic burdens (Dunk et al. 2016; Jarvis et al. 2010; Margaryan and Stensland, 2017); we show that the declining reputations of the schemes offer another reason to leave. Such declining reputations in turn result from several interrelated factors, including a lack of perceived exclusivity when more hotels join or collective action problems, such as shirking and free-riding.

In detail, some hotels that joined the Green Key scheme in the initial years of its operation consider leaving because they regard the Green Key brand as weaker, a view shared by certified and non-certified hotels and other relevant stakeholders. The scheme no longer appears as unique or excludable as it has been, largely because the size of its membership has progressively increased. Prakash and Potoski (2007) identify these challenges as inherent to growing schemes, and they propose that the strength and value of a scheme's brand tend to suffer as it grows. For Green Key scheme managers, the desire to secure more members and benefit from economies of scale to build the scheme's image and finance their operations may inadvertently have diminished members' capacities to attain sufficient reputational goods from their membership. As club theory suggests, reputational goods may be non-rivalrous, but a failure to restrict new members at some point will result in crowding. This aspect also reflects the challenges associated with the scheme's financing model, which relies on membership fees to sustain operations. In contrast, the challenges may be less pronounced for voluntary, publicly funded environmental programs, because their financial independence allows them to limit entry (Darnall and Carmin, 2005; Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010). The unrestricted entry of members into the Green Key

scheme also is associated with challenges for stakeholders, who struggle to identify which hotels are strongly committed to generating positive externalities and which ones are shirking or free-riding. This evidence provides support for Darnall and Sides's (2008) assertion that greater scheme participation by late entrants can have adverse effects, due to the strong incentives for these firms to free-ride or shirk.

In addition, we identify scheme branding as a fundamental determinant of membership, especially in congested markets, such as hospitality and tourism. Scheme branding is also integral to club theory (Prakash and Potoski, 2007), though it seemingly tends to be overlooked in voluntary scheme designs. Our interviews with members and managers reveal a vicious cycle, such that the lack of scheme branding ultimately contributes to weaken the scheme's brand even further. Promoting a certification scheme, using vigorous branding efforts, instead can have positive outcomes, generate confidence among scheme users, and encourage broader societal legitimacy (Font and Wood, 2007; King et al. 2005). If competition among sustainability certification schemes is strong, a tepid approach to branding instead can negatively affect the production and appropriation of reputational goods that serve to retain existing members and attract new ones (Potoski and Prakash, 2013; Prakash and Potoski, 2007). The declining brand reputation, due to some degree to scheme managers' failures to market the scheme, then compels hotels to rethink their participation, because alternative certification options appear more valuable. Although in the Netherlands, the Green Globe scheme is the only accessible alternative, but which has not proved very popular, such that it does not offer a viable alternative. As we note, many hotels joined the Green Key scheme in a strategic effort to obtain economic benefits and legitimacy (Darnall and Sides, 2008) and to demonstrate their sustainability orientation to stakeholders. Yet they may also have been implementing elaborate sustainability agendas before joining. Unsurprisingly, these respondents were the ones most likely to cite the Green Key scheme's declining brand reputation as a fundamental source of their intentions to leave. The exit of members from large hotel chains, due to the decline of the Green Key scheme brand, also aligns with the arguments that market demands and stakeholder pressure significantly inform hotels' participation in schemes (Dunk et al. 2016; Jarvis et al. 2010; Kollman and Prakash, 2002; Margaryan and Stensland, 2017).

Both rigidity and unpredictable changes to the scheme's standards can have negative impacts too (Koehler, 2007). These aspects are not evident in prior research that reflects a club theoretical approach (Potoski and Prakash, 2013). Yet our analysis suggests—as evidenced by the negative perceptions among many certified hotels of the scheme's standards—that the expectations of certified hotels before joining are incongruent with standard-setting mechanisms at the scheme level. In particular, the smaller hotels in our sample, with their limited resources, cite unpredictable changes to the standards and associated bureaucratic procedures as a relevant reason for their intentions to withdraw (Dunk et al. 2016; Jarvis et al. 2010). Potoski and Prakash (2013) might consider such behavior disingenuous though, because the hotels already have made investments to join and thus should be tied to the scheme. For resource-endowed hotels, it still may be possible to withdraw and seek participation in alternative schemes, especially if their cost/benefit analysis indicates that the Green Key scheme has failed to provide adequate opportunities for continuous improvement. These findings lend support to an argument by Darnall and Sides (2008) regarding the need for flexibility in the design stage. Flexible standard setting might provide sufficient room for sustainability-driven innovations by members, which can lead to enhanced sustainability performance. For large, chain-affiliated hotels, a lack of flexibility also might be at odds with their chain-wide sustainability agendas, which tend to be driven by research and development strategies. These contrasting orientations of smaller versus large, chain-affiliated hotels highlight the dilemma for sustainability certification schemes that seek to attract diverse members, with diverse needs and interests.

The collective action inherent to the Green Key scheme design is also associated with fundamental shirking and free-riding problems, which affect both retention and recruitment efficacy. In line with propositions by Prakash and Potoski (2007), we find that shirking is a pressing problem; some certified hotels express disillusionment with others' lack of genuine commitment to Green Key standards. When hotels receive Green Key certification, based on the promise that they will continue to adhere to the granted level of sustainability certification, they still may fail to live up to these commitments, whether because they lack the capacity or in a willful attempt to free-ride on the scheme's reputation. The

prevalence of shirking and free-riding stems from a combination of design factors, including the nature of the performance standards, insufficient monitoring and sanctioning systems, and a heavy dependence on membership fees.

In particular, the performance standards established in a tiered system can facilitate shirking (Font and Wood, 2007; Honey and Stewart, 2002). The tiered system adopted by the Green Key scheme denotes different levels of sustainability performance (Font and Harris, 2004), which seemingly was designed to be inclusive and encourage firms with limited capacities to work toward higher levels of sustainability (Darnall and Sides, 2008; Potoski and Prakash, 2013), in accordance with club theory (Buchanan, 1965; Cornes and Sandler 1996; Sandler and Tschirhart, 1997). But in practice, all the certified firms enjoy similar reputational goods. In the Dutch hotel industry, government agencies are only obliged to select hotels with Green Key certification, not those with a Gold label. Thus, Bronze-certified firms can easily (even if unintentionally) free-ride on the scheme's reputation, built by hotels that maintain higher levels of sustainability performance.

Another facilitator of shirking and free-riding involves the monitoring process and sanctions for non-compliance. Scholars have theorized about the role of third-party monitoring for reducing shirking and free-riding in voluntary schemes (Darnall and Carmin, 2005; Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010; Prakash and Potoski, 2007), the effectiveness of third-party monitoring and sanctioning mechanisms, and how such elements might affect recruitment and retention (Lenox, 2006). But we find that third-party monitoring has not been effective in addressing fundamental collective action challenges for the Green Key scheme, which relies on a third-party certification organization to assess hotels' compliance with standards over a three-year cycle. At face value, such monitoring may seem appropriate, but the long intervals between monitoring cycles give unscrupulous hotels clear opportunities to renege on their responsibilities. Furthermore, the effectiveness of third-party monitoring remains controversial (Darnall and Sides, 2008; Koehler, 2007). Even if some form of monitoring identifies certified hotels that are non-compliant, sanctions are rare, and the non-compliant hotels retain their benefits (Darnall and Sides, 2008). The scheme's dependence on membership fees may limit its

sanctioning ability, for fear of harming its financial position, but even when hotels leave, they often continue posting Green Key labels in their lobbies and websites. The prevalence of such unfettered shirking and free-riding seriously compromises the scheme's credibility and reputation among stakeholders, potential members, existing members, and customers (Koehler, 2007). Finally, the lack of public disclosure of third-party audit reports for certified hotels compounds shirking and free-riding challenges, because public disclosures constitute fundamental scheme design elements for limiting such behaviors (Darnall and Sides, 2008; Koehler, 2007). Overall, the findings offer micro-level insights into why certification schemes suffer declining popularity and credibility, due to some unintended consequences of their designs.

Our study also contributes to sustainability governance literature. The findings likely extend beyond the Green Key scheme in the Netherlands, such that they could have implications for various certification programs that attempt to discriminate the sustainability performance of different firms in a given industry. Previous studies that rely on club theory tend to examine the efficacy of environmental management systems at a macro-scale (Delmas and Montes-Sacho, 2010; Potoski and Prakash, 2013). Yet sustainability governance challenges are complex and require investigations that go beyond such a policy perspective (Darnall and Carmin, 2005; Darnall and Sides, 2008; Delmas and Montes-Sacho, 2010). Limiting assessments to the effectiveness of voluntary initiatives to achieve policy objectives, such as enhanced sustainability performance, cannot establish how individual actors' behaviors affect collective action mechanisms or whether sustainability certification schemes provide appropriate benefits to members. By examining design elements and collective action challenges, we seek to direct more attention to the efficacy of individual certification schemes, at the micro-scale, when it comes to recruiting and retaining members.

5.2 *Practical Implications*

For managerial practice, this study highlights the need to design scheme features carefully, because they are fundamental to the scheme's efficacy and ability to recruit and retain members. First, to avoid credibility problems related to shirking and free-riding, certification schemes should implement an

effective, regular, third-party monitoring and auditing system, reinforced by clear sanctioning mechanisms for shirkers and free-riders. The information from these audits also must be publicly disclosed to stakeholders, customers, and potential members (Margaryan and Stensland, 2017). Second, we caution schemes about the potential dangers of a tiered certification system. In particular, the Green Key scheme should re-evaluate the meaning of its club membership. For example, it might set uniform, relatively stringent standards for all hotels, to ensure they are acceptable to stakeholders, including customers (Dunk et al. 2016; Skinner et al., 2004). Third, if design elements are responsible for declining credibility, each Green Key national organization should leverage its valuable connections and periodically engage in peer reviews with other Green Key schemes in other countries. Such exercises can help them share best practices for dealing with issues of membership, free-riding, and shirking.

5.3 *Limitations and Areas for Further Research*

Several limitations of this study offer options for further research. First, we investigate a limited number of hotels, representing the Dutch hotel industry, which may limit the generalizability of the study's findings. With a comparative approach, continued research might address how different schemes operate in various sectors of the tourism and hospitality industry. Second, we solicited input from senior hotel managers, Green Key specialists, and other professionals, but we include only a limited number of customer interviews. Additional studies might integrate more and various types of customers, to clarify their perceptions of certification schemes and propensity to reward hotels that earn green certification. Third, we do not attempt to evaluate the efficacy of the Green Key scheme in terms of sustainability performance; it may be useful to conduct longitudinal studies that quantitatively investigate the sustainability and financial performance outcomes associated with adopting green certification schemes. Such studies also could establish compelling business and ethical cases for certification schemes.

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Table 1. Profiles of Respondents and Organizations

Code	Respondent's Position	Interview Duration (Minutes)	Type of Hotel/Firm	Certified Tier	Duration of Participation in the Scheme (Years)
P1	Green Certification Specialist	78	Certification organization	-	-
P2	General Manager	75	Small hotel	Gold	2.5
P3	Food and Beverage Manager	23			
P4	Green Key Coordinator	62			
P5	Head of Housekeeping Services	32	Facility management company (contracted)		
P6	Assistant General Manager	73	Multinational hotel chain	Gold	8
	Repeat interview	15			
P7	Head of Housekeeping Services	47			
	Repeat Interview	7			
P8	Operations Director	68	Medium-sized hotel	Silver	4
P9	Housekeeping Manager	26			
P10	Food and Beverage Manager	25			
P11	Owner	72	Small hotel	Gold	3
P12	Senior Hotel Manager	66			
P13	Manager	73	Small hotel	Bronze	2
P14	Sustainability Coordinator	59	Multinational hotel chain	Gold	6
P15	Director	64	Local hotel chain	Gold	5
P16	Hotel Manager	61	Small hotel	Silver	4
P17	Green Key Coordinator)	42	Multinational hotel chain	Gold	7
	Repeat Interview	15			
P18	Human Resource Officer responsible for Green Key training	39			
P19	Assistant General Manager	37	Small hotel	Silver	1
P20	Group Housekeeping Manager	45	Local hotel chain	Gold	4
	Repeat Interview	10			
P21	Guest	10	-	-	-
P22	Guest	23	-	-	-
P23	Guest	17	-	-	-
P24	Customer	34	-	-	-
P25	Customer	19	-	-	-

Figure 1 shows A Sample Data Coding Framework

