



Disclaimer: This chapter is published in B. Huybrechts (2012), “ Fair Trade Organizations and Social Enterprise - Social Innovation through Hybrid Organization Models”, Routledge, London and New York.

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Introduction

Among the recent initiatives that promote more ethical and sustainable production and consumption modes, Fair Trade (FT) is probably one of the fastest growing and most promising ones. Although the sales of FT products still represent a marginal proportion of the total trade in the world¹, their size², their growth rate³ and their symbolic content make them much more than an anecdotic phenomenon (Krier 2005; Nicholls and Opal 2005). Trade is a central element of FT, but it is not the only one. Indeed, the idea of FT is to use trade as a means to achieve the social mission of supporting small-scale producers in the South. And, beyond such support to producers, FT also aims to educate citizens and lobby governments and corporations to make international trading rules and practices fairer. From a conceptual standpoint, FT can be seen as a hybrid concept entailing at least three dimensions: an economic, a social and a political one. In various aspects, FT appears as a “social innovation” (Phills, Deiglmeier, and Miller 2008;

¹ If we compare FT sales in 2009 with world trade figures as provided by the World Trade Organization, the proportion varies between 0.03% (labelled sales) and 0.035% (estimate of total FT sales).

² In 2009, FT (labelled) sales reached €3.4 billion worldwide and €2.5 billion in Europe (FLO-I 2010); market shares ranged from 1 or 2% for several products up to 20% for coffee in the UK and even 50% for bananas in Switzerland (Krier 2005;2008; FLO-I 2010).

³ 30 to 40% annual growth for products labeled by Fairtrade International, previously FLO-I (figures based on the annual reports from 2001 to 2009).

Mulgan et al. 2007; Martin and Osberg 2007): through the reactualized ambition of using the market to pursue social and political aims; through the range of devices (re)invented to achieve this goal; and through the organizational models experienced by Fair Trade Social Enterprises (FTSEs) to implement these devices.

For several decades, FTSEs –broadly defined as organizations specialized in FT– have been involved in the import and distribution of FT products. While developing their own commercial capacities, FTSEs have been instrumental in the development of standards for FT. These standards led to the emergence of FT certification. The main certification model, the Fairtrade⁴ label, concerns products rather than organizations. In doing so, it has enabled corporations to engage in FT at the different levels of the supply chain⁵. The emergence of the FT label has had a deep influence on the whole FT movement, including FTSEs whether using the label or not. Hence, there has been an increasing diversification of the organizational landscape, not only through the coexistence of FTSEs and corporations, but also among the FTSEs. This book focuses on the latter diversification process and on its influence on the practice of FT as a hybrid concept.

Several authors describe the FT movement as divided in two strands opposing “pragmatist” and “radical” visions of FT (e.g., Raynolds and Long 2007; Renard 2003). The pragmatic vision puts the emphasis on increasing the FT market share to have more impact on the producers in the South. It is worth noting that several pioneer FTSEs have adapted their structure and functioning to collaborate and to compete with corporate players; new FTSEs have also be launched

⁴ Note that “Fairtrade” (in one word) is used to refer to the products certified by Fairtrade International. “Fair Trade” (in two words) remains the correct expression for designing the whole sector or movement, whatever the products and affiliations.

⁵ Retail, transformation, import, and also, as will be described in the first chapter, production.

specifically to address mainstream markets.⁶ The more radical vision sees FT mainly as a “*tool for modifying the dominant economic model*” (Renard 2003, 91). While selling FT products is important to support the producers, it is, in the first place, the concretization of a broader political project aiming to transform international trading rules and practices. A merely quantitative extension of FT is viewed as a threat to this transformational aim.

Typical descriptions of the FT movement associate the organizations dealing with labeled food products (FLO⁷) to the pragmatic vision and those working with handicraft products (many of which are members of IFAT-WFTO⁸) to the radical vision. This is an overly simplified picture. The main aim of this book is to show that FTSEs are situated all along a continuum between, put simply, “market” and “solidarity”. This is due to the evolution of FTSEs in very different directions, as well as to the emergence of new FTSEs whose structures and visions that do not necessarily fit into the existing categorizations. Moreover, the latest years have brought new debates and thus new divides among FTSEs, which have complexified the landscape and blurred the “pragmatist-radical” divide. As a consequence, we can observe a rich “organizational diversity” in the FT sector, even when focusing only on FTSEs. The purpose of this work is to look at how FTSEs, whatever their “affiliation”, concretely deal with the hybrid –economic, social, and political– nature of FT. Organizational models are chosen here as the main –albeit not exclusive– entry to examine how FTSEs “manage” such hybridity.

Research on Fair Trade

⁶ For instance, the British FT companies Cafédirect (coffee) and Divine (chocolate).

⁷ “Fairtrade Labeling Organizations International”, now “Fairtrade International”.

⁸ Initially “International Federation for Alternative Trade”, now “World Fair Trade Organization”.

Simultaneously to the commercial success of fairly traded products, research on FT has started to lift off from the end of the 1990s. Some of this work has been rather descriptive, presenting the principles and actors of FT (e.g., Moore 2004), its different supply chains (Warrier 2011), and the history and challenges of implementing FT in different countries (e.g., Davies 2009; Krier 2008; Becchetti and Costantino 2010; Özçağlar-Toulouse et al. 2010; Huybrechts and Reed 2010). From the early 2000s, several books have been written to digest the knowledge gathered on FT (e.g., Nicholls and Opal 2005; Reynolds, Murray, and Wilkinson 2007; Warrier 2011; Özçağlar-Toulouse and Béji-Bécheur 2008; Macdonald and Marshall 2010). A growing number of articles have been written⁹, and several academic journals have published a special issue on FT.¹⁰ FT is also increasingly discussed in academic conferences; a conference specifically focused on FT (the “Fair Trade International Symposium”) and organized by a network of scholars researching FT is also gaining increasing attention.¹¹

Most of the recent academic work around FT can be categorized into a number of key issues and levels of analysis, five of which seem particularly salient. A first series of studies examine the *concept* of FT, typically in the light of broader frameworks such as (business) ethics, sustainable development or economic theory (e.g., Maseland and de Vaal 2002; Hayes 2006; Zehner 2002; Steinrücken and Jaenichen 2007; Becchetti and Adriani 2002; Balineau and Dufeu 2010).

⁹ The website www.fairtrade-institute.org references more than 300 journal articles related to FT (counted on 22 June 2011).

¹⁰ Here is a non-exhaustive list of French and English-speaking journals which have published one or more special issue(s) on Fair Trade: Agriculture and Human Values, Canadian Journal of Development Studies, Cahiers Agricultures, Critical Perspectives on International Business, Development in Practice, Economie et Solidarités, International Journal of Tourism, Journal of Business Ethics (2), Journal of International Development, Journal of Strategic Marketing, Revue Internationale de Gestion, Sustainable Development.

¹¹ See www.fairtradeinternationalsymposium.org

Second, we find numerous analyses of the FT *movement*, often viewed as a social movement. This work looks at the evolution and challenges facing FT, with a focus on the changes and possible paradoxes induced by mainstreaming (e.g., Gendron, Bisailon, and Rance 2009; Hira and Ferrie 2006; Moore 2004; Charlier et al. 2007; Raynolds, Murray, and Wilkinson 2007; Renard 2003; Low and Davenport 2005a).

Related to the FT movement is the study of FT *certification*. Several authors look at how standards are constructed (and contested), how historical actors interact with corporations and public authorities, and how this influences distribution of value from producers to consumers (Reed 2009; Muradian and Pelupessy 2005; Smith 2010; Raynolds 2008; Jaffee 2007, 2010; Renard 2005; Hutchens 2009; Ballet and Carimentrand 2010).

A fourth issue, which has developed under the impulse of FT practitioners, is the strategies of *producers* and the impact of their participation in FT (e.g., Hopkins 2000; Ronchi 2000; Utting 2009; Ronchi 2002; Lake and Howe 1998; Jones et al. 2000).

Finally, a fifth major topic is that of *consumers*: their profile, their buying behavior and the marketing strategies aiming to increase FT consumption (e.g., Nicholls and Alexander 2007; Becchetti and Rosati 2005; De Pelsmacker, Driesen, and Rayp 2005; Moore, Gibbon, and Slack 2006; Nicholls 2002; Özçağlar-Toulouse, Shiu, and Shaw 2006).

This is, however, one categorization among others, recognizing that many other issues are dealt with in the FT literature, which has been developing fast over the last years.¹² In terms of participants in FT, there has been a lot of work on the two extremes of the FT chain –producers

¹² For a more complete review of the FT literature, see for instance, Lemay (2007).

and consumers. The “intermediaries” of the chain, mainly FTSEs in the North¹³, have received less attention. This does not mean that there has not been any work on FTSEs. Indeed, most work on FT involves, at a certain moment and to a certain extent, analyses of FTSEs. For instance, most impact studies start by examining the standpoint of the importing FTSE (e.g., Lake and Howe 1998); several consumer studies start by describing FTSEs’ marketing strategies (e.g., Doherty and Tranchell 2007); and any analysis of the FT sector as a whole requires commenting on the role of a number of key FTSEs. Nevertheless, taking FTSEs themselves as the central object of investigation is less common. What Davies and Crane (2003, 80) observed some years ago still seems valid at this date: “*there has been virtually no academic research focusing on the implementation of fair trade principles in [FT] companies*”. These authors provide an interesting study on ethical decision-making in the British FTSE Divine Chocolate. Moore and his colleagues (2009) take the case of FTSEs to illustrate SMEs’ responsible business practices. Nicholls (2005) cites a number of studies on different fields of management in FTSEs, including marketing: strategy, operations, and finance.¹⁴ Finally, several case studies focus on the description of particular FTSEs (e.g., Otero 2007; Hervieux 2008; Tadros and Malo 2002).

Still, the study of the structure and functioning of FTSEs appears as a much under-researched issue. The reason might be that these organizations are supposed to link the demand (consumers) and the supply-side (producers) under precise criteria fixed by the FT label or by a network to which they belong (Davies and Crane 2003). But as there is much latitude in this regard, the implementation of these criteria is likely to depend on the nature and the vision of the FTSEs.

¹³ In part of the literature on FT, and more broadly on development, the terms “North” and “South” refer to the geopolitical division of the world between, respectively and broadly speaking, “developed” and “developing” countries.

¹⁴ It is worth noting here that the perspective of organization theory is missing.

Different types of FTSEs have been highlighted in the context of more global descriptions of the movement (e.g., Diaz Pedregal 2007; Becchetti and Huybrechts 2008; Raynolds and Long 2007). However, most of these typologies are based on general observations of the sector; they assume particular goals or visions based on the FTSE's affiliation or distribution strategy and often lack a systematic and in-depth observation of the organizations. FTSEs are far from being "black boxes" that conduct FT activities in a homogeneous way. As already mentioned, they can be located along one, or even several, continuum(s). One entry to discriminate among FTSEs is their hybrid and innovative organizational models. This book departs from the observation of these different models. All these models seem hybrid in that they seek to combine, to various extents and with different priorities, the goals and dimensions inherent in FT. This book wonders whether these different models reflect and enable different ways of practicing FT and managing its hybrid nature (including the tensions that such hybridity may involve). In other words, it explores the different organizational avenues to the social innovation that FT embodies.

Book outline

This book is structured into three main parts. The first part is devoted to describing FT and FTSEs in an international (mainly European) perspective and to introducing their diverse organizational models. In the first chapter, the FT concept is examined and decomposed into an economic, a social, and a political dimension. Such a hybrid nature is not new. Indeed, other concepts and initiatives to which FT, and, more specifically FTSEs, can be affiliated, highlight specific ways for organizations to combine these three dimensions, suggesting that such combination requires –or is better achieved through– specific organizational models. The second chapter then presents the FT landscape in the North, particularly focusing on the four countries

included in this study: Belgium, France, Italy and the United Kingdom. The third chapter introduces the different organizational models of FT identified throughout the study, examining similarities and differences among countries, and suggesting possible explanatory factors. Different elements of the organizational model are first presented and categorized separately: the legal form, the architecture and the governance model. These three elements are then combined through a global taxonomy. The different categories obtained from this exercise are analyzed, as well as the possible evolution of FTSEs from one category to another.

The second part of the book uses theory and is made of four chapters (four to seven). The fourth chapter provides a global theoretical overview, introducing the three perspectives which will be used to interpret the observations. First of all, using *economic* new institutionalism, the fifth chapter tries to understand how the different organizational models constitute efficient institutional arrangements, in the sense that they enable the minimization of a number of transaction costs. The sixth chapter uses *sociological* new institutionalism, focusing on two dimensions to examine organizational diversity: a historical one and a geographical one. The seventh chapter departs from the case studies to introduce agency-based insights; it examines how FTSEs conceive their organizational models as “institutional bricolage” hybridizing different logics in the context of *institutional work*.

The third part, consisting of the last chapter, examines how organizational actors concretely shape their organizational model, give a meaning to it and use it as a strategic tool to gain power and promote particular visions of FT. Recommendations on how to articulate the hybrid dimensions of FT and deal with the possible tensions among them are then provided.

