

# **Fair Trade organizations as examples of social enterprises?**

## **Evidence from four European regions.**

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### *The Fair Trade organizational landscape*

Among the recent trends towards ethical and sustainable consumption, the development of Fair Trade is probably one of the fastest growing and most promising initiatives (Moore, 2004; Murray & Raynolds, 2007; Nicholls & Opal, 2005).

Fair Trade pioneers have mainly been Third Sector organizations, either nonprofits or cooperatives. In the latest years, however, the Fair Trade landscape has become much more diversified, including “for-profit” and “hybrid” firms active in the import and the distribution of fairly traded goods. Fair Trade thus appears as a “mixed-form market” (Marwell & McInerney, 2005), where old and new organizational forms coexist and combine economic, social and political goals (Becchetti & Huybrechts, 2007; Renard, 2003). Fair Trade organizations (FTOs), while seeing their economic activity put under pressure by the competition from for-profit firms (Moore *et al.*, 2006; Wilkinson, 2007), have simultaneously tried to increase their impact on producers in the South and to adopt governance architectures reflecting their multi-dimensional goals and involving the stakeholders reached by their activity (producers, consumers, State, employees, NGOs,...).

### *Fair Trade organizations as social enterprises?*

The nature of Fair Trade has already led FTOs to being taken as examples of “social enterprises” (Nicholls, 2006). This article aims to compare FTOs with definitions and theoretical frameworks of social enterprise (Dees, 2001; Defourny, 2001; Defourny & Nyssens, 2006; Mair & Marti, 2006; Nicholls, 2006). We particularly focus on the issue of “multiple goals” and “multiple stakeholders” depicted by the EMES network (Campi *et al.*, 2006; Defourny & Nyssens, 2006). In such sense, this perspective could allow exploring the diversified organizational landscape of Fair Trade beyond the issue of the legal form, based mainly on the criterion of profit distribution (Gui, 1991; Hansmann, 1980), and seeing FTOs

as innovative organizational models adapted to the pursuit of new and multi-dimensional challenges (Nicholls & Opal, 2005).

Thus, the basic research question is: to what extent can FTOs be considered as social enterprises? This question includes the following sub-questions:

- To what degree do FTOs combine economic, social and political goals?
- Which types of stakeholders are involved in the decision-making processes?
- Is there a link between the types of goals pursued and the stakeholders involved?
- Can goals and stakeholders be linked to other organizational features such as resources, legal form, age and size?

### *Multiple goals*

On the first question, our intuition is that most FTOs pursue social goals beyond their economic mission but that few FTOs also pursue political goals. Distinguishing these three categories of goals, we can consider that FTOs pursuing socio-political goals have a wider goal mix and are therefore closer to the ideal type of social enterprises. However, this involves defining “political goals” and exploring the different ways of pursuing such goals.

### *Multiple stakeholders*

On the second question, two levels of “stakeholders’ involvement” can be distinguished (Preble, 2005). If one considers the level of informal involvement in the organization’s activities, all FTOs may be considered as “multi-stakeholder”. However, when we consider more advanced forms of stakeholders’ representation, e.g. the presence of stakeholders’ representatives on the Board of Directors and on the General Assembly, it is likely that not all FTOs – still a majority of them – are multi-stakeholder. Again, different ways of involving stakeholders should be considered and attention should be paid to the types of stakeholders involved (and not only their diversity).

### *Linking goals and stakeholders*

It seems obvious that stakeholders’ involvement does not necessarily lead to an effective influence of these stakeholders on the shaping of organizational goals and strategies. Nevertheless, following the intuitions of the EMES network, which still need to be demonstrated (Campi *et al.*, 2006), we suggest that a multi-stakeholder configuration – either

formal or informal – increases the likelihood of having multiple goals taken into account. Such effect is likely to be more visible in bigger organizations than in smaller ones, where an individual – founder or manager – can gather different goal dimensions without involving external stakeholders.

### *Other organizational features*

Finally, we suggest that multiple goals and stakeholders are more likely to be found in FTOs relying on diversified resources (Gardin, 2006). Age and size are also supposed to have an influence: older and bigger FTOs are likely to pursue a wider range of goals and to adopt more complex governance structures. We do not believe, however, that the legal form plays an important role with regard to both dimensions – goals and stakeholders –.

### *Methodology*

In order to investigate these hypotheses, we study and compare more than fifty FTOs in four European regions: Belgium, France (Rhône-Alpes), Italy and the United Kingdom. Field studies have been conducted in 2007 with the directors of a sample of FTOs in each region. Both qualitative and quantitative information is gathered to bring elements of answers to our questions. In spite of obvious methodological limitations, our study contributes to the understanding of Fair Trade's organizational landscape and illustrates the dynamics of social enterprises as innovative organizational models.

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