

Fair Trade Organisations in Europe: **A Significant Field of Social Enterprise?**

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The Fair Trade (FT) “movement” or “sector” is evolving rapidly, in terms of both sales and public awareness. FT has become increasingly institutionalized and has appeared as one of the major initiatives using (and adapting) market mechanisms to pursue social purposes, i.e., poverty alleviation for small-scale producers in the South¹ (Moore, 2004; Nicholls & Opal, 2005; Raynolds *et al.*, 2007). To pursue this common general aim, however, Fair Trade Organisations (FTOs) have adopted very heterogeneous organisational strategies, which results in a diversified organisational landscape (Wilkinson, 2007).

The historical evolution of the FT movement explains much of this diversity. To put it simply, at the roots of the movement, we find pioneer nonprofit² organisations and NGOs having started a commercial activity to support their (often pre-existing) social mission. Later on, businesses have become increasingly interested in FT, either at the distribution level (supermarkets) or at the import or transformation level (mainstream businesses, including food multinationals). At the meantime, new businesses have appeared specifically and exclusively to market FT products. Some of these businesses, such as Cafédirect or Divine Chocolate, have been launched by pioneer FTOs themselves. In this article, we focus on organisations (either pioneers or newcomer businesses) totally involved in FT, thus excluding supermarkets or food businesses having only a part of their products FT labelled.

Given their multidimensional missions, combining economic, social and sometimes political dimensions, FTOs have been taken quite early as examples of “social enterprises” (SEs) and have contributed to the shaping of the SE concept. Such link has been made in a particularly explicit way in the United Kingdom, by both academics (e.g. Martin & Osberg, 2007; Nicholls, 2006) and practitioners. Following Dart (2004), the trend for FTOs to depict themselves (and to be depicted) as SEs could be interpreted as stemming from a research of legitimacy in an environment that promotes values of entrepreneurship and innovation.

¹ The terms “South” and “North”, most often used in the literature on Fair Trade, correspond to a geopolitical division of the world, between respectively “developing countries” and “industrialised countries”.

² We use the term « nonprofit » organisations instead of « not-for-profit » or « charity », as « nonprofit » seems the most commonly used in the economic literature.

However, if FTOs are considered as obvious examples of SE, there still needs to be explained carefully why this is the case, and to what extent. Is it the involvement in FT that makes the enterprises “social”, or is it a set of particular organisational characteristics shared by most FTOs, or is it a combination of both?³ If the fact of “doing Fair Trade” is not a sufficient basis for “being a SE” – as we believe it –, then what is it in FTOs that makes them eligible as SEs?

The answers to these questions are closely linked to the framework used to define SE. This is why we start by reviewing different conceptualisations of SE (part 1). In part 2, we recall the basics of the FT concept and the historical evolution of the movement. We then present our empirical data on FTOs in four European regions and our methodology. This allows us locating FTOs with regard to the main SE features identified in the literature. First, we explore the three dimensions possibly present in FTOs’ activities – economic, social and political –, linking them to elements from the various approaches of SE (part 3). Then, we examine the governance of FTOs, with a particular attention to the issues of the legal form and to the relationships with (and the possible involvement of) external stakeholders (part 4). Finally, part 5 explores to what extent the governance structure of FTOs might reflect their organisational priorities.

1. Theoretical framework

1.1. Three terms

The literature uses three different terms which, at first sight, might seem linked in a very simple way: “social entrepreneurship” is the dynamic process through which a specific type of individuals deserving the name of “social entrepreneurs” create and develop organisations that may be defined as “social enterprises” (Mair & Marti, 2006). However, in the literature, the use of one or another term is not anecdotic, as it is often linked to a different understanding of “SE”. In this article focusing on the organisational level, we prefer the term “social enterprise” behind “SE”. This does not mean that we will not also include theoretical contributions linked to the two other terms, seeing these as different entries to study, more or less, the same reality.

³ Most FTOs have a clear opinion with regard to this. For instance, Penny Newman, the former CEO of Cafédirect, declared during our discussion: *“It is clearly not because we sell FT products that we are a SE. Otherwise, any of the companies involved in FT could be considered as SEs. No, we are a SE because we have a social mission central to the company. Producers are the main beneficiaries of our activity and they are owners of the company. This would be unthinkable for traditional businesses”*.

1.2. Two approaches

The literature on SE is evolving in different ways and many scholars acknowledge that there is no unique and commonly accepted definition of what SE is and of what it is not. Broadly speaking, there seems to be a geographical divide between, on the one hand, American or anglo-saxon approaches, and, on the other hand, a typical European approach, carried by the “EMES network” (Defourny & Nyssens, 2008a; Kerlin, 2006; 2008).

Within the anglo-saxon literature, Dees & Anderson (2006) propose to distinguish two main schools of thought. The first one is called – reluctantly⁴ – “Social Enterprise” and focuses on the pursuit of the social mission based on the generation of an earned income. At its origins, the focus was on nonprofit organisations increasingly looking for new resources on the market for a more efficient and market-oriented behaviour (Skloot, 1983; Emerson & Twersky, 1996). Later, the observation that “for-profit companies” were increasingly including social purposes to their basically economic missions constituted a second major trend feeding this approach. As a result of these two trends, SEs are seen as emerging either from the social or from the business sectors, between which the boundaries are considered as blurred (“*sector-bending*”). Central to SEs is the idea of using business methods and generating own incomes to pursue more effectively social missions (Nicholls, 2006).

Second, the “Social Innovation” school of thought is based on the theories of entrepreneurship (primarily on J.S. Schumpeter but also on Peter Drucker) and focuses on innovation rather than on income generation. Dees & Anderson (2006, p. 45) state this as follows. “*The use of the term ‘social entrepreneurs’ to describe innovators pursuing social change helped to reinforce the idea that social entrepreneurship needs not to be framed in terms of income. It could be more about outcomes, about social change*”. Such approach has been embraced by various foundations supporting social entrepreneurs (Ashoka, Skoll, Schwab,...).

Dees & Anderson (2006) propose to focus on the intersection between the two schools as the most promising research area. Such intersection is called “Enterprising Social Innovation” and includes all the innovative initiatives that seek to create sustainable social change by

⁴ In a footnote (p. 41), Dees and Anderson explain that the term “Social Enterprise” has been chosen for this school of thought on the basis of a “convention”, probably rooted in the American practice. They admit that such term should ideally not be linked to one particular school of thought but that it should be left as a generic name. We fully agree with this last comment and follow Defourny & Nyssens who propose to call this school of thought the “Enterprising Nonprofit” school.

blending methods from both the business and the philanthropy sectors. According to Dees & Anderson, the frontiers between the two sectors are indeed blurred: instead of keeping them apart, it is more useful to insist on the “blended value creation” (i.e. creating jointly economic and social value) that can emerge from their intersection.

In Western Europe, the work developed by the EMES Network since the second half of the 1990s (Defourny, 2001; Nyssens, 2006) shed light on some features of SE that seemed underestimated or ignored by anglo-saxon approaches (Defourny & Nyssens, 2008a). First of all, based on extensive empirical research across EU countries, EMES authors suggest that most SEs do actually belong to the “Third Sector” (either nonprofit organisations or other organisational forms that limit the return on capital, for instance co-operatives). This does not mean that traditional business forms are excluded from the SE area, but rather that the primacy of social goals is better guaranteed by legal provisions than by the sole appraisal of managers or owners. In such sense, the EMES approach does not entirely subscribe to the idea of “blurring frontiers” among the organisational forms, as advanced by many SE authors.

Moreover, “Third Sector” legal forms adopted by SEs often involve specific governance models, i.e., a high orientation towards a participatory management process as well as a democratic decision-making process based on the “one member – one vote” principle. In line with the participatory and democratic nature of SEs’ governance, the authors of the EMES network observe that many SEs’ in Europe are “multi-stakeholder”, in the sense that they involve – formally or informally – a variety of stakeholders in their decision-making processes. This feature is presented as linked to the variety of goals often pursued by SEs. Although the link between “multiple stakeholders” and “multiple goals” sound theoretically interesting, it has not yet been demonstrated empirically (Campi et al., 2006).

The EMES authors mention a third multiplicity of SEs, namely in terms of resources. Although they stress the significant level of economic risk beared by all SEs, they insist on the diversity of resources (including non-market resources) that are mobilised in order to pursue the social aims. On this point, the EMES analysis differs from Dees & Anderson’s “Social Enterprise” school that focuses on the market as the main resource of SEs.

Finally, the EMES authors develop a detailed theoretical analysis of “innovation” in the context of SE (Defourny, 2001). This seems closer to the work of the “Social Innovation”

school, sharing common references in terms of innovation as central to entrepreneurship (e.g. Schumpeter's work).

In spite of the nuances across the different approaches and schools of thought, we see that there is a minimal common basis. Following Nicholls and Cho (2006), we retain three common features that seem central in the conception of SE:

- A primary aim of creating social value (possibly coexisting with – but in any case not subordinated to – other economic goals such as increasing shareholder wealth)
- A focus on innovation (the content and the degree of which may vary)
- A financial structure based at least partially on (if not restricted only to) market resources

2. Fair Trade and FTOs

Keeping the SE approaches in mind, let us now investigate the particular field which constitutes the aim of this article. We first briefly introduce the history of the FT movement. Then, we distinguish the different dimensions that we identify in the FT concept. Third, we present our sample of FTOs in different European regions.

2.1. The FT movement

Most authors locate the origins of the FT movement just after the Second World War, with experimental import and distribution initiatives carried by NGOs such as Oxfam and SERV (Diaz Pedregal, 2007; Moore, 2004; Nicholls & Opal, 2005; Raynolds *et al.*, 2007). Then, in the 1960s and 1970s, organisations emerged specifically to establish regular FT partnerships with producers in the South and to distribute their products in a more organised manner, i.e., through a network of “worldshops”. These organisations were called “alternative trading organisations” (ATOs), “*a name stemming from the early days of Fair Trade where ‘fair’ seemed too weak a description of the vision that these companies had*” (Moore, 2004). In Europe, the biggest FT pioneers (CTM in Italy, Gepa in Germany, Oxfam in the UK and in Belgium,...) joined together in the “EFTA”⁵ network in 1987. Two years later, “IFAT”⁶ was

⁵ European Fair Trade Association

⁶ Originally “International Federation for Alternative Trade”, later changed into “International Fair Trade Association”.

launched at a worldwide level, gathering producer organisations and importers and representing the first institutionalisation of the FT movement.

A second strong institutionalisation process emerged in the same period with the development of labelling schemes. Starting in the late 1980s with “Max Havelaar” in the Netherlands, different labelling initiatives appeared in each country and joined together into “FLO”⁷ in 1997. The emergence of labelling brought a fundamental change in the evolution of FT. Indeed, the possibility of having products recognised as meeting the FT standards by an external certifying body and not by the importer (or distributor) itself, as it was the case previously with so-called “ATOs”, opened the door of the FT sector to any company. Mainstream businesses, including supermarkets and food multinationals, thus started selling FT products, which resulted in a huge increase in the volume of FT sales.

Such evolution has divided FT in two main wings (Gendron, 2004; Moore, 2004; Nicholls & Opal, 2005; Raynolds *et al.*, 2007; Renard, 2003). On the one hand, an “integrated” system of ATOs and worldshops selling to sensitised consumers and gathered in the IFAT network. On the other hand, a “labelled” system including mainstream businesses selling products certified by FLO. The first wing is the home of craft products and is often associated with a political or “idealistic” vision of FT, based on personalised producer support in the South and advocacy and education in the North. The second wing mainly deals with food products and is associated with a commercial or “pragmatic” vision of FT, focusing on growing the market as the main strategy to improve the producers’ livelihoods.

While this “two-wing picture” is certainly still useful to understand, we feel that it has become insufficient to capture the whole diversity and complexity of the current FT landscape, especially when looking at national contexts. Indeed, a certain number of FTOs are linked both to the “integrated” and to the “labelled” systems (Raynolds & Long, 2007). For instance, Traidcraft in the UK or Oxfam Fair Trade in Belgium sell their products – some of which labelled, other not – both through specialised channels (worldshops, catalogues,...) and through supermarkets. In the same way, some businesses launched by pioneer FTOs themselves, such as Cafédirect or Divine Chocolate, have a strong mainstream positioning while at the same time being IFAT members and being partially owned by FT pioneers.

⁷ Fairtrade Labelling Organizations International

Moreover and most important, we find an increasing number of actors selling non-labelled FT products through a variety of channels, some of which can be “mainstream” (B2B sales for instance). In recent years, many small businesses have emerged in the FT sector without belonging to one of the traditional FT systems: they constitute what some start calling a “Third FT wave” – the first wave being the pioneers’ and the second being FT labelling and mainstreaming (Poos, 2008). These new companies have often established links with other FTOs, leading locally to the emergence of “bottom-up” networks.

Thus, even when excluding mainstream businesses that have only a part of their products labelled FT – as is the intent in this article –, we still find a very heterogeneous landscape of organisations positioning themselves differently towards FT. Before examining such positioning, let us first take a look at the FT concept and its multi-dimensional character.

2.2. The FT concept

The definition that gathers most agreement and is most widely used by field actors and academics (Moore, 2004) is the FINE⁸ definition:

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers - especially in the South. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

It appears from this definition and from the sector’s observation that FT is a highly multidimensional concept. From a theoretical point of view, FT combines elements that could be grouped under four main categories:

Trade: all the market activities (import, transformation, distribution) similar to any trading initiative. Albeit “fair”, FTOs are conducting trade and using market mechanisms (Nicholls & Opal, 2005). The positioning of trade in the strategy of FTOs, however, can vary on a continuum between “trade as a mean” and “trade as a goal” (Gendron, 2004).

⁸ FINE is an informal network gathering the four main Fair Trade umbrella organs: EFTA (European Fair Trade Association), NEWS (Network European Worldshops), FLO and IFAT (International Fair Trade Association).

Fairness: FT pretends to conduct trade under “fair” conditions. These conditions constitute the core of the FT concept: fair price, social premium, pre-financing, provision of market access, long-term relationship (Moore, 2004; Nicholls & Opal, 2005; Raynolds & Wilkinson, 2007),... These different tools are supposed to orient the trading relationship towards an effective socio-economic development for the producers in the South. This “bundle of fair characteristics” constitutes a specific – albeit invisible – attribute of FT products, differentiating them from “classical” products (Becchetti & Rosati, 2005; Wilkinson, 2007). However, the content and the impact of these “fair bundle” may vary across FTOs, even when a label tries to homogenise practices.⁹

Education: some FTOs, mainly the pioneer ones, conduct education campaigns directed to the consumers. These campaigns are intended to promote FT, and to educate citizens towards consumption habits that are more respectful for the environment and the people, especially in the South.

Advocacy: at the origins of FT, there is the intent of creating a new regulation framework for commercial exchanges. To that end, some FTOs are active in advocacy through lobbying public authorities and denouncing unethical trading practices. International FT networks such as FLO and IFAT (see footnote) also carry out such advocacy role.

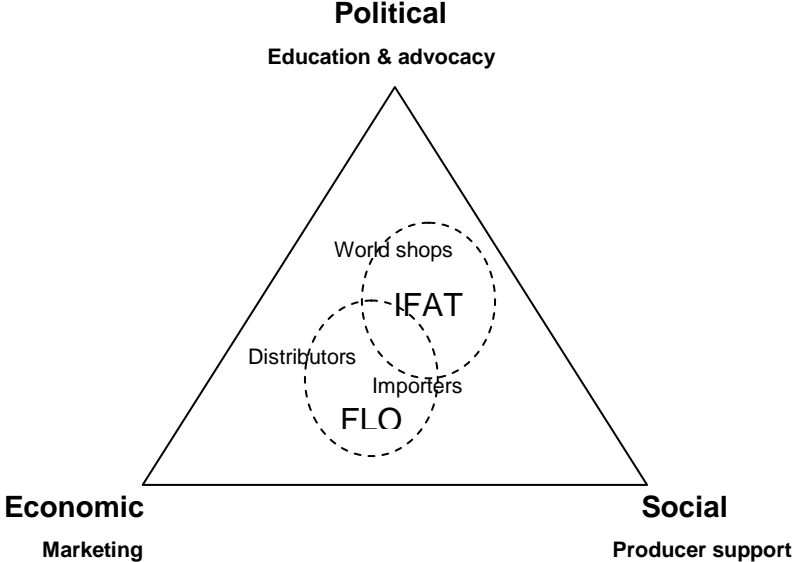
These four dimensions can be linked with the three main dimensions put forward by the EMES network for SEs: economic (= trade), social (= producer support) and political (= education and advocacy). In the practice of FTOs, these dimensions are often interrelated and sometimes undistinguishable (Wilkinson, 2007). For instance, presence on a trade fair can have both economic and political purposes. More fundamentally, the partnership with producer groups has both economic and social purposes, trade being considered as one of the means to achieve development.

Yet, from a conceptual point of view, it is useful to distinguish these different dimensions and to understand which of them are covered within the organisational goals and activities of each FTO. While many authors propose to posit SEs on a “continuum” between economic and

⁹ The main Fair Trade label is managed by “Fairtrade Labelling Initiatives International” (FLO) and applies to most food products (coffee, bananas,...). Such label guarantees the respect of a range of social and environmental standards, beyond which FTOs are free to bring additional producer-oriented benefits. The “Gold Standards” of the British Fair Trade coffee brand “Cafédirect” are an example of such benefits. In the craft sector, where no product-related label exists but where the “International Fair Trade Association” (IFAT) proposes a certification system for FTOs, producer support practices are even more heterogeneous among FTOs.

social focus (Austin *et al.*, 2006; Nicholls, 2006), we propose to add the political focus as a third dimension to describe the FT landscape. We thus obtain the following triangle:

Figure 1: The FT triangle



We can see that most FTOs combine the three dimensions in some way, even if the political dimension is sometimes absent. It is useful, however, to consider the extreme positioning corresponding to the three edges, even if they are not necessarily observed in the practice. Close to the “political” edge, we would find NGO-like FTOs focusing on education and advocacy as the most important tool to obtain more favourable trading conditions for producers in the South. Close to the “social” edge, we would find other NGO-like FTOs whose primary focus is on direct producer support. Some of these FTOs would be development NGOs that have added FT to their preexisting development projects with producers’ communities. Finally, close to the “economic edge”, we would find business-like FTOs operate in the context of “corporate social responsibility”. For these organisations, the social mission may be important but as a goal subordinated to their primarily economic missions (typically growing market shares or maximising profits).

The positioning depends partly on the economic function of the FTO. Indeed, an importing FTO that is in direct contact with producers is likely to give a stronger importance to producer support in its goal mix than a distributor that has no such direct relationship. In the other

sense, a network of worldshops that is in direct contact with consumers is more likely to engage in education activities than an FTO that does only import and wholesale.

Some authors consider that there is a tendency for FTOs to specialise on one particular dimension (Wilkinson, 2007). In the context of FT mainstreaming, a growing number of FTOs focus on developing new distribution channels in order to reach new, less sensitised consumers (Moore et al, 2006). This may lead to focusing more on the economic dimension, especially when an external label such as FLO guarantees the “fair quality” of the products. Finally, some pioneer FTOs, e.g. Oxfam UK, end up by leaving the trading dimension to others and specialising in education and advocacy (Wilkinson, 2007).

In the practice, however, while FLO can be considered as more economic and IFAT as more politically focused, most FTOs have a hybrid positioning and try to combine social, economic and sometimes political dimensions. In such sense, they seem close to the conceptualisations of SE, particularly the EMES approach emphasising the “hybrid” character of SEs (in terms of goals, resources,...). We could thus already consider that organisations located in the middle of the triangle can more easily be characterised as SEs than organisations located at the extremes. This very quick conclusion obviously needs to be nuanced and detailed further.

2.3. Our sample of FTOs

Our exercise of linking FT to SE is not only a theoretical one. We have indeed collected a rich empirical material to illustrate the different features presented above. This empirical material consists of document analyses (website, annual reports...) and semi-directed interviews conducted with the directors of 62 FTOs in four European regions: 14 in Belgium, 24 in France (Rhône-Alpes region), 12 in the United Kingdom (England) and 12 in Italy (Rome). In the four regions, lists of “100% FT” importers or distributors have been obtained through formal and informal FT networks or support organisations.¹⁰ Most organisations listed by these structures¹¹ have been contacted. The diversity of FTOs in our sample and their proportion with regard to the whole population of FTOs in their area¹² allow considering our results, if not totally representative, at least indicative of the trends in the sector.

¹⁰ The “Fair Trade Centre” in Belgium, the “Equisol” support association in Rhône-Alpes, the “British Association for Fair Trade Shops” in the UK and the “Roma Equa” network in Rome.

¹¹ I.e., organisations listed on their website or on their mailing list and claiming to be Fair Trade.

¹² Approximately 45% in England, 60% in Rhône-Alpes, 65% in Rome and 70% in Belgium.

The semi-structured interviews with the directors of a high number of organisations provide both quantitative survey results (e.g. resources, age or size) and rich qualitative insights (in terms of entrepreneurial dynamics, goals, governance structures,...). Such mixed information will now be used to try to answer the central question of this article: to what extent can FTOs be considered as SEs? We start by exploring how the three dimensions presented above are translated into the concrete activity of FTOs. Then, we examine the governance structure of FTOs and explore to what extent it may reflect FTOs' positioning.

3. Organisational dimensions

3.1. Economic dimension

The economic dimension, i.e., the trading activity of “enterprises”, allows distinguishing FTOs – as SEs – from traditional development nonprofits and NGOs.

Market activity

First, SEs are characterised by the fact that they operate as enterprises on the market, albeit with social purposes. According to the EMES approach (Defourny, 2001), this necessarily involves, at least, a continuous activity of production of goods and/or of selling of services. Such economic activity lies in the very definition that we have given of FTOs. Our sample includes only organisations active in the import, transformation and/or distribution of fairly traded goods. In such sense, support organisations or networks only active in advocacy cannot be considered as FTOs nor as SEs.

A second conception of economic activity, going a bit further, is reflected through the expression of “creating value” (Dees, 2001). If “value” is interpreted as the ability to generate incomes for the stakeholders throughout the supply chain, than most FTOs respect such criterion, with a particular attention to creating value for producers – although to varying degrees. If we consider value creation for other stakeholders, such as employees and shareholders, than we also see much heterogeneity. For instance, in our sample, only the bigger FTOs manage to pay market-level wages to their employees. Indeed, smaller FTOs often pay lower wages and some of the FTOs' entrepreneurs are clearly underpaid.

Following EMES, enterprise also means that there is a significant level of economic risk (Defourny, 2001). Unlike traditional social programs, SEs take risks and are not shielded from

the possibility of bankruptcy. Importing and distributing goods from small-scale producers in developing countries is certainly a very risky project with a high number of additional constraints: paying more than the market price, prefinancing the orders,... In recent years, a certain number of FTOs have collapsed, particularly in the craft sector where product constraints are numerous. In our Belgian sample for instance, one importer (Citizen Dream) and one distributor (Emile) of FT craft have gone bankrupt very recently. Other FTOs – in fact the majority of them – are struggling to balance their accounts. Very few of them manage to make regular profits; when it is the case, profit is generally limited. Even for bigger FTOs such as Traidcraft and Cafédirect, profits cannot be considered as significant nor as regular. The economic risk is particularly strong for small importers, even more for those importing craft goods from producer groups that have less export experience and in countries where there can be political (and thus economic) instability.

Finally, a third proposed criterion for pointing at the economic activity of SEs is the presence of a minimum amount of paid work (Defourny, 2001). In our sample, only 4 FTOs (6,5%) have no paid staff at all: SGAP 38, Ayllu and Artisanat Sel Grenoble in Rhône-Alpes, and D'ici d'ailleurs in Belgium. Even worldshops relying mainly on voluntary work (Artisans du Monde in France, Oxfam-Magasins du Monde and Wereldwinkels in Belgium, Zaytoun in the UK) have now, in their majority, at least one employee who coordinates the shop. While the average staff in our sample is only 2 full-time equivalents per organisation, the trend is towards an increase in paid staff and a strong decrease in voluntary work, parallel to the growth of the sector and its increased professionalism. Indeed, with the economic growth of FTOs, the organisational complexity increases and professional staff is necessary to coordinate the activities, especially for the economic functions.

Market resources

A large part of the anglo-saxon literature considers that SEs try to be “self-financed”, i.e. that they generate their own incomes through sales on the market (Dees & Anderson, 2006; Nicholls, 2006). Other authors, however, bring a more balanced view on the need to use primarily the market to generate incomes. Anderson and Dees, for instance, consider that the market can also create a dependency: “*no one complains that businesses are too ‘customer-dependent’*” (Anderson & Dees, 2006, p. 147). In their view, self-sufficiency is first about being sustainable, financially free and able to scale up the activity. SEs are thus most specific in their ability to raise a diversified income mix, including sales but also possibly non-

commercial resources such as donations, subsidies and voluntary work (Austin *et al.*, 2006; Defourny, 2001; Gardin, 2006).

FTOs necessarily have a significant part of commercial resources through the trade activity: in our sample, the average proportion of sales on total resources is 94%. The proportion of commercial resources is particularly important within the more recent FTOs: in our sample, nearly all FTOs created after 2000 are 100% sales-financed. When they have public subsidies, it is generally not because of their FT activity. FT pioneers are also increasingly relying on commercial resources (average proportion of nearly 80% for FTOs created before 2000). Non-commercial resources like private gifts (mainly in the UK) and public subsidies (mainly in Belgium) remain present, but concentrated in few FTOs and in very restricted degrees. Only in worldshops or community-based channels (e.g. FTOs linked to Churches) does voluntary work still constitute an important resource. Nevertheless, the market certainly remains – and even increases its position as – the main resource provider for FTOs.

3.2. Social dimension

Central to SE is the importance of the social dimension, that distinguishes SEs from traditional businesses. In the context of FT, the social dimension lies in the organisational missions but also in the very nature of the FT product.

Social value

The social mission is about “*aiming to benefit the community*” (Defourny, 2001), or in other words, “*creating social value for the public good*” (Austin *et al.*, 2006, p. 3). In the case of FT, this social value is constituted by the “fair” characteristic of the chain, i.e., the conditions that make FT a “better deal” for producers in the South. Most interviewed FTOs’ directors affirm that this constitutes the ultimate end of their venture: to improve the living conditions of growers and craftspeople in the South. It is not only about providing a better income for producers (which corresponds to “creating value”), but also to empower them and to leverage development opportunities for their wider communities.

While all FTOs in our sample claim to share this general mission, as we have already mentioned, concrete practices are very heterogeneous. Certain FTOs insist on raising the producers’ income, whatever the distribution of this income. Others foster the empowerment of the producers and the democratic control they should exert on their organisation. Some

FTOs require well-developed export capacities from the producers and thus work with medium-size and large organisations, while others focus on smaller and more marginalised ones. The first vision is close to FLO's discourse, while the second vision is rather carried by IFAT. However, it seems very difficult to discriminate FTOs based on the importance of producer support in their mission statement.

Social embeddedness

The social value of FT does not lie only in the organisations' aim to benefit producers' communities. The specificity of FT is that the social value is embedded in the product itself. FTOs are thus an example of what Mulgan (2006) and Alter et al (2006) call "embedded SEs". In other words, it is not only about generating an income to serve a social purpose, without any consideration on how the income is earned. Rather, it is about integrating the social purpose into the activity that provides the income: the act of selling fairly traded products is supposed to automatically benefit the producers who are behind these products.

This is coherent to recent economic analyses of FT products as "contingent goods" (Becchetti & Rosati, 2005). While not being necessarily different from a material point of view, FT products are very different through the conditions in which they have been produced. The quality of the product is thus linked to the production process, similarly to organic products. As FT products include a "bundle of social and economic characteristics" (Becchetti & Rosati, 2005), the trading of FT products can be seen as a form of "blended value creation" as developed by some SE authors (e.g. Emerson and Bonini, 2004).

Finally, it is easy to interpret the social embeddedness developed by FTOs as a specific form of innovation at the product's level. Such innovation is particularly central to SEs according to the "Social Innovation" school (Dees, 2001) and the work of EMES (Defourny, 2001).

3.3. Political dimension

Finally, the political dimension is an attribute of some SEs that distinguishes them even more sharply from traditional businesses (Nyssens, 2006). Nevertheless, it has received only little attention in the SE literature (Defourny & Nyssens, 2008b)

Political goals are present when there is an intent of acting on the wider system in order to change the context in which SEs operate (Martin & Osberg, 2007). As Austin et al. (2006, p.

9) state, « *an adverse context may often lead the social entrepreneur to change the context itself, as often the social problem is deeply embedded in contextual factors* ». In the case of FT, changing the context is at the very heart of the project, as we have seen it in the FINE definition. Indeed, FT has emerged precisely because international trade has been considered as “unfair” (Roozen & van der Hoff, 2001).

The softest way of conducting political action is through sensitising consumers in order to change their consuming habits (sometimes also their voting habits). This is shared by many FTOs, especially the pioneer ones who conduct wide-scale campaigns. However, some new businesses are also involved in educating consumers, although to a lesser extent than pioneers and through different forms (e.g. through the participation to a FT network such as BAFTS in the UK or Agices in Italy). Again, the problem is that political activities are sometimes very close to economic ones. For instance, is a campaign organised by an FTO to push consumers to buy FT products a political campaign or just a marketing action? Probably both.

A second type of political action is much more direct and involves only certain FTOs, mainly the pioneer ones. It consists of lobbying the government to make trade fairer and to push mainstream businesses (typically multinationals) to restrict their unfair practices. Initial lobbying campaigns of FTOs were very hard. For instance, Oxfam Fair Trade in Belgium has had a very hard denunciation campaigns against the coffee roaster Douwe Egberts. However, with the mainstreaming of FT products, campaigns have become less frontal, as multinationals have become partners of FTOs in the trading of fairly traded products.

The content and the outlines of advocacy campaigns depend very much on the national context of FT actors. While British and Belgian FTOs all agree on FT products being sold in supermarkets, it is far from being the case in France and in Italy. In these countries, a number of FTOs (for instance most Roman worldshops or the French FTOs belonging to the “Minga” network) are explicitly hostile towards supermarkets and mainstream businesses in general. In such case, political action is central to the FTOs’ missions.

4. Governance structure

Part of the literature on SE focuses on the governance model as a specific feature of SEs. This specific feature can be seen as a logical consequence of their specific social mission (Austin *et al.*, 2006). We will proceed in three steps. First, we will examine the leaders of FTOs as

“social entrepreneurs”. Then, we will explore the legal form they have chosen. Third, we will focus on the governance structures, particularly the Board of Directors, as one of the places where FTOs can involve the different stakeholders involved in or reached by their activity.

4.1. Social entrepreneurs

As Dees suggests, “*social entrepreneurs are one species in the genus entrepreneur*” (2001, p. 2). It seems rather easy to argue that the FT movement counts plenty of social entrepreneurs. We can indeed consider that virtually every FT venture is carried by one or several individuals who share most of the characteristics of social entrepreneurs.

Broadly speaking, there are two profiles of FTOs’ leaders. The first are social activists who have a strong ideal but lack experience and knowledge in the business world. Most pioneer FTOs, founded in the context of religious or other community-based organisations (Nicholls & Opal, 2005, p. 20), have such profile. The best example is probably Frans van der Hoff, the Dutch priest who has founded “Max Havelaar”, the first FT certification scheme (Roozen & van der Hoff, 2001). The second type of leader is very different and emerges from the business world. Let us for instance cite Penny Newman, former CEO of Cafédirect in the UK, who has recently been appointed as “Social Enterprise Ambassador”.

While most pioneer FTOs have been founded by social activists and new FT businesses are run by entrepreneurs with a business background, such distinction is not always clear-cut. Indeed, many pioneers have hired managers coming from the corporate world: Oxfam and Max Havelaar in Belgium, Traidcraft in the UK,... Conversely, entrepreneurs of new FT businesses sometimes have a strong degree of idealism, contrasting with traditional business entrepreneurs. Thus, while most FTOs’ leaders can be considered as social entrepreneurs, their background is not necessarily the same.

4.2. Legal forms

Beyond SEs’ leaders, there is often a group of individuals who have chosen a particular legal form for their activity. Most academic work along the 1990s has located SE within the nonprofit sector. Similarly, the extensive literature review by Weerawardena and Mort (2006) tends to observe that most authors speak (or think) of nonprofit organisations when describing or theorising social entrepreneurship. However, broader views of SE – shared by an increasing number of authors – mention the “blurring boundaries” among sectors and do not

link SE to a particular legal form. According to them, SEs can be either nonprofit, “for-profit” or public organisations (e.g. Nicholls, 2006; Peredo & McLean, 2006), when not hybrid organisational models (Austin *et al.*, 2006).

Coming to our specific field, what are the legal forms chosen by FTOs? The most striking observation is that legal forms are very diverse. Indeed, it appears that the FT activity can be expressed through nearly all organisational forms: nonprofit organisations (29% of our sample), co-operatives (10%), “for-profit”¹³ companies (29%) and individual ventures (7%).

Many FTOs also consist of two different structures with each a specific legal form: a nonprofit organisation and a co-operative (10% - e.g. Oxfam-Wereldwinkels and Maya in Belgium or Soligren in Rhône-Alpes), or a nonprofit with a “for-profit” (6% - e.g. Traidcraft and Twin in the UK). In such “FT groups”, the nonprofit entity focuses on the social and political dimensions while the commercial entity focuses on running the business.

4.3. Stakeholders’ involvement

Austin *et al.* (2006, p. 3) consider that “*the various financial and nonfinancial stakeholders to which a social entrepreneurial organization is readily accountable to are greater in number and more varied, resulting in greater complexity in managing these relationships*”. They add that SEs’ stakeholders are probably more heterogeneous and more willing to influence the organisation than traditional businesses’ stakeholders.

Because of stakeholders’ diversity and complexity, some authors consider that SEs are more likely than either commercial businesses or traditional nonprofits to be “multi-stakeholder”, i.e., to involve the various stakeholders in their decision-making processes (Campi *et al.*, 2006; Defourny & Nyssens, 2006). One way of doing so is to include stakeholders’ “representatives” in the decision-making structures such as the General Assembly and the Board of Directors. This may be considered as “formal involvement”. Other involvement strategies may be more informal, for instance through spontaneous dialogue with stakeholders (Charreaux, 1997). For instance, Traidcraft has developed a very ambitious program of annual

¹³ The term “for-profit” is not the best one as it assumes that the main goal of the organisations is to make profit, which can be questioned strongly in the case of Fair Trade and, more widely, SE. We use it reluctantly because it is the most commonly used in the economic literature and because alternative terms are also problematic, e.g. “business” (co-operatives are also businesses) or “corporation” (most FTOs are SMEs).

stakeholders' consultation. The comments and the advices given by the various stakeholders are taken very seriously into account in Traidcraft's strategy.¹⁴

Let us now explore who are FTOs' stakeholders. The first and main beneficiary category of FTOs is certainly producers. While the geographical distance makes producers' involvement uncommon for FTOs, a few cases of producers' representatives sitting on FTOs' Boards have been observed, mainly in the UK. In our sample, Cafédirect and Twin are the main examples of FTOs that have given shares to producers' organisations et have invited two of their representatives to sit on their respective Boards. Many other FTOs' directors have expressed the will to adopt a similar system in a near future.

However, producers' formal involvement is difficult to concretise. Beyond the issue of the geographical distance, another major difficulty lies in the choice of the representatives. When an FTO is working with a high number of producers' organisations, and even more in the case of different products, the question arises of how to choose legitimate representatives and how to ensure that the chosen ones will act in favour of all the producers and not only in their organisation's interest. That is why a multi-product FTO such as Traidcraft has preferred a systematic consultation of all the producers' organisations rather than inviting a few one on the Board: *"although the latter sounds politically nice, we are convinced that it does not allow producers expressing themselves as much as our stakeholders' dialogue process does"* (interview with Paul Chandler, CEO of Traidcraft).

A second important category is consumers. However, the problem there is that there are no representative bodies of FT consumers. The consumers' associations, besides not necessarily being representative of consumers, generally have a wide scope and are not only focused on ethical or FT consumption. This probably explains why no FTO in our sample – except Cafédirect – has consumers' representatives on its Board.

For FTOs working with volunteers, inclusion of volunteers on the Board is very common. Pioneer FTOs, particularly those having developed networks of "worldshops", generally have a strong volunteers' presence on their Board. These FTOs often establish systems of democratic representation of volunteers and employees at the General Assembly and on the Board. Examples of such FTOs include national pioneers such as Artisans du Monde in

¹⁴ Reports of Traidcraft's stakeholder dialogue can be downloaded on www.traidcraft.co.uk.

France or Oxfam in Belgium. Employees are also sometimes involved on the Board, at least as observers.

Some FTOs have, besides shareholders, private or public funding institutions represented on the Board. Most of these FTOs are relying mainly on sales and seem to have stronger needs for investment than FTOs relying also on non-commercial resources. The inclusion of financial institutions is a good illustration of the “resource dependency theory” (Litz, 1996; Pfeffer & Salancik, 1978): when dependent on a particular resource, an organisation will have an advantage in involving people who have can facilitate the access to this crucial resource. Thus, in this case, FTOs that have a permanent need for financial resources will tend to involve stakeholders who facilitate and secure access to financial resources.

Other often involved stakeholders are NGOs. For instance, the Belgian national labelling initiative “Max Havelaar” has invited NGOs on its Board to provide their experience but also their legitimacy. NGOs can, indeed, provide useful advice and give a moral caution with regard to the relationships with the producers in the South or in the context of education campaigns the NGOs can help to diffuse. Inclusion of partner organisations could also be seen as an illustration of the resource dependency theory, but broadening the definition of “resources” to non-tangible assets such as experience and legitimacy.

Finally, in smaller FTOs, it happens often that the Board only consists of the founder-manager, sometimes accompanied by relatives who have brought some money to the venture but do not concretely participate to the decision-making. These individual FTOs are closer to the American model of SE putting a high emphasis on the entrepreneur. By contrast, FTOs including producers, consumers or volunteers might be seen as closer to the European model of SE, where the emphasis lies rather in the collective dynamics and the participatory and democratic decision-making (Defourny & Nyssens, 2008b). FTOs with only shareholders, at last, are closer to the typical business structures.

5. Linking goals and governance

Now that we have reviewed the different possible dimensions of FTOs as well as the governance structures chosen, it is interesting to explore to what extent the latter reflects the former. In other words, we try to examine if the governance structure can be seen as a device through which the organisation expresses the goals it pursues.

5.1. Leaders reflecting FTOs' positioning?

Leaders with a business background could be considered as more focused on the business dimension than those with an activist background. In our sample, we find examples of very distinct profiles that have a strong influence on the FTO's positioning. For instance, most of the Roman worldshops' leaders are activists who are totally against FT in the supermarkets and who spend much time on advocacy campaigns. Similar examples are to be found in France or in the UK. In most cases, these FTOs are not economic success stories. In the other sense, certain business-minded leaders push their FTO in the sense of a more commercial profile. This is also observed for pioneer FTOs wishing to increase their business dimension (e.g. Oxfam-Magasins du Monde and Oxfam-Wereldwinkels in Belgium).

However, many managers of FTOs have a mixed profile and combine an attention to the different dimensions. Such mixed profile can be particularly useful in small businesses and quasi-individual ventures, where the influence of the leader on the FTO's behaviour is likely to be very strong. In bigger FTOs, often led by a coalition of people, the profiles can be balanced against each other, particularly when there are different departments. In "FT groups", we observe two possible choices: either appointing a "mixed profile" leader to run the whole structure (e.g. at Traidcraft, Twin, Oxfam-Wereldwinkels,...), or finding two specialists focusing on their specific entity (e.g. Miel Maya, Artisans du Monde,...).

5.2. Legal form reflecting FTOs' positioning?

Broadly speaking, we observe that nonprofit organisations are more active on socio-political issues, while businesses or individual ventures are more focused on business. However, all nonprofit FTOs do some business and all business-like FTOs have a minimal attention for the social and political dimensions of FT. Examples even exist of very business-like nonprofits (e.g. the "Fair Trade Organisatie" in Belgium) and of very politically engaged businesses (e.g. the members of the "Minga" network in France). Nevertheless, it appears that business-like FTOs are more restricted by their economic imperatives and are thus less involved in the political dimension of FT. On the other side, nonprofit FTOs rarely exceed a certain level of market dynamics. An interesting case is that of "FT groups". If we remember the triangle in Figure 1, we can analyse the emergence of FT groups as a strategy used to spread the organisation more widely onto the three different dimensions when a sufficient size is

achieved. Such groups can be seen as examples of the “innovative organisational architectures” built by SEs (Defourny, 2001).

Legal forms are often distinguished, in the economic literature, to point out what happens as to the allocation of profits (e.g. Hansmann, 1996). It is assumed that profit distribution is prohibited for nonprofit organisations, restricted for co-operatives and unrestricted for “for-profit” businesses. Is that difference observed in the case of FTOs? Not really. First, in our sample, very few FTOs make profits: most FTOs hardly reaching break-even. Second, the FTOs from our sample that manage to make profits nearly all reinvest these profits in the company, whatever the legal form. Examples of FTOs giving some financial return to shareholders are very few (as are the FTOs having shareholders at all). In our sample, only Cafédirect, Traidcraft and Oxfam Fair Trade do so certain years and always on the basis of a very small rate (up to 3%). Moreover, it happens that shareholders (up to 60% at Traidcraft) reinvest their financial return as a donation to the FTO.

Thus, while profit distribution is legally limited for nonprofit and co-operative FTOs, it seems to be also spontaneously limited in FTOs organised as traditional businesses. The authors of the EMES network consider that a legal framework is more powerful than a spontaneous discipline that depends on the manager’s or on the shareholders’ good will. While the possibility of seeing opportunistic people taking the control of FTOs with a profit-maximising aim, it has not yet been observed, at least not in our sample.

Finally, some people consider that, even with a profit-maximising firm, the trading conditions inherent to FT, such as the payment of a “fair” price or the prefinancing of the orders, can be viewed as a sort of “implicit distribution” (Hansmann, 1980) of the potential profit to the producers. In other words, producers receive a part of the profit that would have been made by the importer if their goods had been bought at market prices. In such sense, FTOs develop a specific scheme of value distribution (Diaz Pedregal, 2007) similarly to previous initiatives such as co-operatives (Develtere & Pollet, 2005). However, such “implicit distribution” is only significant companies having a strong percentage of their products FT (i.e., FTOs).

5.3. Stakeholders’ involvement reflecting FTOs’ positioning?

As « the goals and objectives of the multitude of constituencies of a social enterprise [...] may vary widely » (Austin et al., 2006, p. 15), inclusion of stakeholders in the decision-making

structures can be a way for the organisation to balance its different goals. Let us examine which types of goals might be carried by some of the major stakeholders.

Volunteers, to begin with, appear to be predominantly interested in the social aspects (the relationships with the producers in the South) and in the socio-political activities (education and advocacy campaigns). If also interested in the commercial part, it is rather as a consequence of the social and socio-political missions (e.g. they spend time selling in the “worldshop” in order to support the producers and to educate consumers on the farmers’ living conditions). In any case, their involvement on the FTO’s Board is not due to their commercial skills (which they often lack) but because of their militant action (Le Velly, 2004). Development NGOs are also assumed to be rather interested in the social and political dimensions of the FT project.

By contrast, shareholders and financial institutions are clearly represented on the Board because of their financial contribution to the FTO’s commercial activity. Financial stakeholders are, logically, first willing to ensure that their investment is used in a “profitable” way, which involves attention to the commercial activity. Managers and founders (who are often shareholders as well) also have a high dependence on the profitability of the trading activity. While also potentially interested in the social and socio-political dimensions, these stakeholders will above all care about a commercially coherent decision-making on the Board.

Of course, stakeholders can be linked to several goals. For instance, producers have interests in seeing the FTO performing well both on the economic and on the social side. While there is not always a clear and direct link between stakeholders and goals, let us just note that stakeholders’ involvement is one of the possible devices – next to, for instance, the legal form – that FTOs can use to posit themselves towards the different dimensions of FT.

Conclusion

With the help of examples of FTOs in Belgium, France, Italy and the UK, we have applied some of the features of SE approaches to the context of FT. It appears that FTOs are particularly significant examples of SEs, combining in different ways economic, social and sometimes political dimensions. From more NGO-like to more business-like configurations, all FTOs of our sample seem to respect the key features of SEs, under which the primacy of

the social mission, the limited (if any) profit distribution, the focus on innovation and at least some degree of self-financing.

Nevertheless, there is some heterogeneity in terms of FTOs' goals and activities. While all FTOs seem to combine, at least, economic and social dimensions – although at varying degrees and forms –, the political dimension is not present in the same way for all FTOs. Pioneer FTOs generally conduct education and advocacy activities in a developed and explicit way. Newcomer FTOs, however, have heterogeneous profiles in terms of political involvement, as the positioning seems to depend much on the entrepreneur's choices.

In terms of governance, practices are also very diverse in terms of leaders' profiles, legal forms and stakeholders' involvement in the decision-making structures. Some FTOs are quasi-individual ventures and are thus close to some American approaches of SE. Other FTOs are much more multi-stakeholder and fit better in the EMES conceptualisation of SE. The governance structure also seems to reflect to a certain extent the positioning of the FTO towards the different dimensions of FT. FTOs led by activists and having volunteers or partner NGOs on their Board seem to have a stronger focus on non-economic (social and political) goals. In the other sense, very economic-oriented FTOs are often run by managers with a business background and governed by their manager and/or their shareholders.

As a conclusion, this article has tried to provide some theoretical and empirical support to the implicit link that has been established, both in the academic world and in the field practice, between FT and SE. The diversity of the FT sector echoes the rich diversity of SEs' practices and conceptualisations. In such sense, considering FTOs as SEs is probably made easier because of the wide and flexible theoretical framework of SE – few authors claiming to have a “definition” of SE. If more restricted conceptions of SE were to emerge – e.g., the limitation of SE to formal Third Sector legal forms, or to 100% market financing –, then part of the FTOs would be excluded from the SE area. In such sense, FT appears as an important laboratory the evolutions of which can feed the theoretical construction of SE.

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