

PHD THESIS IN MANAGEMENT SCIENCES

**Explaining Organisational Diversity in
Fair Trade Social Enterprises**

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Foreword and thanks

This work is the result of a long journey initiated in 2005 and tracing back its roots much before then. My interest in Fair Trade began during my studies and has translated into a volunteer involvement in a worldshop as well as into two master theses. Both theses were focused on producers in the South. The first explored the *ex-ante* preparation of a Fair Trade partnership between a Belgian importer and a Chilean cooperative of winegrowers (Huybrechts & Manigart, 2003). The second examined the impact of Fair Trade on Bolivian coffee growers in a rather *ex-post* perspective (Huybrechts, 2005).

After such a focus on the Southern side of Fair Trade, I was rather interested in exploring the Northern landscape for this PhD thesis. I particularly wished to examine the reality of Fair Trade organisations in the light of approaches such as the “social economy” and “social enterprise”. A large part of my efforts consisted of deepening, articulating, and locating these approaches in the broader context of organisation theory. This was a rather sinuous, time-consuming, but very enriching journey that has taught me a lot. Another major part of this work was of empirical nature. The major motivation for going to four different European regions was the curiosity of discovering several ways of practicing Fair Trade, embedded in different economic and cultural contexts. Meeting so many entrepreneurs, volunteers, and other organisational actors totally involved in—and generally convinced by—their ventures was very exciting, both from an academic and from a personal point of view.

Throughout this work, my fundamental motivations have been twofold. First, I have tried to show the richness of and the complementarities among the diverse practices of Fair Trade, as well as the translation of these practices into diverse organisational forms. Such a motivation has partly derived from the fact that, in my view, Fair Trade has often been analysed as a monolithic movement and has been depicted either very positively—thereby lacking credibility—or very negatively—thereby bringing exaggerated skepticism. Showing that Fair Trade is composed of different visions, practices, and organisational forms inevitably disables such monolithic descriptions of the “movement” and of its impact. Second, I have wished to emphasise how the simultaneous articulation of economic, social, and political dimensions is both possible and welcome, in a context in which the market logic is increasingly dominant. To articulate these three dimensions, organisational actors in the Fair Trade sector have developed innovative organisational models that may serve as a source of inspiration for other social enterprises that combine an economic activity with the pursuit of socio-political missions. The impact of such models on the success of these missions—in this case, the impact on the producers in the South—is a crucial question. While this question is receiving growing attention in the academic literature, it will not be considered directly in this work. Indeed, in my view, before any assessment of their social impact, the sole existence of these organisational models and their contribution to proposing alternatives to the dominant model of the capitalist corporation already constitutes an achievement that is worth studying.

This journey has not been easy. The pitfalls, dead-ends, roundabouts and U-turns have been numerous. The several redirections as well as the curiosity to discover new areas of exploration partly explain why this work combines several theoretical approaches, several methods and several regions. Probably such diversity echoes that of FTOs, as this work aims to demonstrate. But I hope that the rather complex research design will be welcomed by the reader as suited and necessary to tackle this complex topic. In other words, I will try to show how each part constitutes a piece that completes the global puzzle in a coherent way.

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Abstract

For several decades, “Fair Trade Organisations” (FTOs) have set up partnerships with producer groups in the South and distributed the latter’s products through different types of channels in the North. However, while pioneers in the early years were relatively homogeneous (nonprofit organisations relying on voluntary work and selling through “worldshops”), organisational diversity has increased tremendously in recent times, including other types of legal forms, architectures, and governance models (volunteer-based, manager-based, multi-stakeholder, etc.). As a result, different categories of FTOs now coexist in the sector with diverse missions and strategies. Since FT is clearly a multidimensional concept, entailing economic, social and political dimensions, the diversity of organisational forms allow different ways of articulating these dimensions. Such an articulation through specific forms has been suggested by previous concepts that can be related to FT, such as cooperatives, the social economy, the solidarity-based economy, and, more recently, social enterprise. The latter is particularly useful as an umbrella concept that embraces the diverse types of FTOs and accounts for their use of market mechanisms to pursue social change.

This research first aims to explore and to structure FTOs’ organisational diversity. For that purpose, I interviewed the managers of 57 FTOs in four European regions: Belgium, France (Rhône-Alpes), the United Kingdom (England) and Italy (Rome). Based on the combinations of different elements of the organisational form, I highlight five categories: individual FTOs; entrepreneurial, business-form FTOs; volunteer-based FTOs; multi-stakeholder cooperative FTOs; and group structures. Although certain “outlier” FTOs do not fall neatly in one of these categories, the latter seem relatively homogeneous and distinct from each other.

The second question examines the factors or forces that lead FTOs to adopt particular and diverse organisational forms. Using sociological and economic “new institutional” approaches, I explore the influence of a number of factors on the organisational form: age, size, region, goals, activities, resources, and leaders’ profiles. From an economic standpoint, organisational diversity may be explained by the fact that FTOs do not all produce the same types of goods when practicing FT. Thus, FTOs will adopt the organisational form that minimises their transaction costs in the production of particular goods. From a sociological standpoint, the analysis suggests that weak and sometimes conflicting institutional pressures explain organisational diversity. Indeed, uniformity is limited (within certain generations of FTOs or in particular regions), although there is a dominant trend toward a stronger business orientation.

The third question examines how organisational actors within FTOs contribute to and interpret organisational diversity. Looking at six cases of FTOs covering the different types of forms, I highlight the strategic role of certain organisational actors as “institutional entrepreneurs” capable of influencing the environment in a way that legitimises their own organisational form and secures their access to crucial resources. This strategic analysis allows for a more dynamic and interactionist view of the organisational forms over time. Finally, as a fourth question, I look at how the articulation of the three dimensions may lead to tensions, and how these tensions are being dealt with in each type of FTO.

List of abbreviations

- AB: Advisory Board
- ADM: Artisans du Monde
- AGICES: Assemblée Generale Italiana del Commercio Equo e Solidale
- AIES: Associazione dei Parlamentari per il Commercio Equo
- ASBL: Association sans but lucratif
- ATO: Alternative Trading Organisation
- BAFTS: British Association for Fair Trade Shops
- BFTF: Belgian Fair Trade Federation
- CIC: Community Interest Company
- CLACE: Coordination lyonnaise des acteurs du commerce équitable
- CNC: Conseil national de la coopération
- CSR: Corporate Social Responsibility
- CTM: Cooperazione Terzo Mondo
- DGDC: Directorate-General for Development Cooperation
- EFTA: European Fair Trade Association
- FINE: acronym for FLO, IFAT, NEWS & EFTA
- FLO or FLO-I: Fairtrade Labeling Organisations (International)
- FT: Fair Trade
- FTAO: Fair Trade Advocacy Office
- FTO: Fair Trade Organisation
- FTE: Full-time equivalent
- GA: General Assembly
- IFAT: International Fair Trade Association (now WFTO)
- MDM: Magasins du Monde
- MMH: Miel Maya Honing
- MFT: Maya Fair Trade
- NEWS!: Network of European Worldshops
- NGO: Non-Governmental Organisation
- ONLUS: Organizzazione non lucrativa di utilità sociale
- PFCE: Plate-forme française pour le commerce équitable
- PLC: Public Limited Company
- SA(RL) : Société anonyme (à responsabilité limitée)
- SAW-B: Solidarité des alternatives wallones et bruxelloises
- SCIC: Société coopérative d'intérêt collectif
- SCOP: Société coopérative de production
- SFS: Société à finalité sociale
- SPRL: Société privée à responsabilité limitée
- SME: Small or Medium Enterprise
- RDT: Resource dependence theory
- RES: Roma Equa e Solidale
- WFTO: World Fair Trade Organisation
- WW: Wereldwinkels

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 do not exceed 0.02% of the total trade in the world, their size¹ and growth rate² make them much more than an anecdotic phenomenon (Krier, 2005; Nicholls & Opal, 2005). The economic activity is a central element of FT, but it is not the only one. Indeed, the very concept of FT presents trade as a means to achieve the social mission of supporting small-scale producers in the South. And, beyond such support, FT also aims to educate citizens and lobby governments and corporations to make international trading rules and practices fairer. From a conceptual standpoint, these three elements can be seen as three dimensions inherent in FT: an economic, a social and a political one.

With the development of FT, and particularly its “mainstreaming”, including the participation of corporations at the different levels of the FT chain³, the initial homogeneity of the FT sector in terms of providers of FT goods but also of consumers and supporters has evolved toward a growing diversity. Even among Fair Trade Organisations (FTOs)—broadly defined as organisations totally devoted to dealing with FT products—there has been an increasing diversification of the landscape. A fundamental divide has been opposing “pragmatist” and “radical” visions of FT (e.g., 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 FTOs have adapted their structure and functioning to collaborate and to compete with corporate players; new FTOs have also been launched specifically to address mainstream markets.⁴ 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 concretisation of a broader political project aiming to transform the 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 organisations dealing with labelled food products (FLO⁵) to the pragmatic vision and those working with handicraft products (many of which are members of IFAT-WFTO⁶) to the radical vision. Of course, the reality is much more complex and, between these two caricatural positions, most participants to FT are situated along a whole continuum of visions and practices. Moreover, the latest years have brought new debates and thus new divides among FTOs, which have made the landscape more complex and

¹ Fair Trade sales reached \$900 million worldwide in 2003 (Nicholls & Opal, 2005), and 660 million euros in Europe in 2004 (Krier, 2005); market shares range 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).

² 30 to 40% annual growth for products labeled by Fairtrade Labelling Organisations International (FLO-I or, in short, FLO; figures based on the annual reports from 2001 to 2008).

³ Retail, transformation, import, and also production. Indeed, while FT initially aimed only at the producers grouped into self-owned structures, such as cooperatives, it progressively allowed corporate types of production, such as plantations, to get labeled.

⁴ A good example is the British FT coffee company “Cafédirect”.

⁵ Fairtrade Labeling Organizations International.

⁶ Initially “International Federation for Alternative Trade”, now “World Fair Trade Organization”.

challenged the picture based only on a “pragmatist-radical” divide. This is even truer insofar as, for several years, new actors have emerged with structures and visions that do not necessarily fit into the existing categorisations. As a consequence, we can observe a rich “organisational diversity” in the FT sector.

Instead of examining the streams that compose FT at the movement’s level, I am rather interested in examining how individual organisations involved in FT deal with the multidimensional—economic, social, and political—nature of this activity. Indeed, in my view, each organisation has to cope with these three dimensions and articulate them to a certain extent into its practices and structure. This may lead to implicit or explicit tensions.

Research on Fair Trade

Simultaneously to the commercial success of fairly traded products, research on FT has started to develop from the end of the 1990s. A large part of the initial work was rather descriptive, presenting the principles and actors of FT. From the early 2000s, several books have been written to digest the knowledge gathered on diverse issues surrounding FT (e.g., Nicholls & Opal, 2005, Raynolds *et al.*, 2007). In my view, most of the academic work on FT can be categorised along four main issues. The first one consists of global analyses of the FT *movement*, often as a social movement, looking at its evolution and its challenges, with a focus on the changes and possible paradoxes induced by mainstreaming (e.g., Charlier *et al.*, 2007; Gendron *et al.*, 2009a; Hira & Ferrie, 2006; Low & Davenport, 2005b; Moore, 2004; Raynolds *et al.*, 2007; Renard, 2003). The second category includes analyses of the *concept* of FT, typically in the light of orthodox and/or heterodox economic theory (e.g., Becchetti & Adriani, 2002; Hayes, 2006; Maseland & de Vaal, 2002; Steinrücken & Jaenichen, 2007; Zehner, 2002). The third issue, which has developed under the impulse of FT practitioners, is the *impact* of FT on producers in the South (e.g., Bayley *et al.*, 2000; Hopkins, 2000; Lake & Howe, 1998; Ronchi, 2000; 2002; Utting, 2009). Finally, a fourth major topic is that of *consumers*: their profile, their buying behaviour and the marketing strategies aiming to increase FT consumption (e.g., Becchetti & Rosati, 2005; De Pelsmacker *et al.*, 2005; Moore *et al.*, 2006; Nicholls, 2002; Nicholls & Alexander, 2007). But there are obviously many other issues that are dealt with in the literature on FT, which is evolving very fast.⁷

In my view, while there has been a lot of work on the two extremes of the FT chain—producers and consumers—, the intermediaries of the chain, mainly FTOs in the North⁸, have received less attention. I do not mean that there has not been any work on FTOs. Indeed, most work on FT involves, at a certain moment and to a certain extent, analysing FTOs. For instance, most impact studies start by examining the standpoint of the importing FTO (e.g., Lake & Howe, 1998); several consumer studies start by describing FTOs’ marketing strategies (e.g., Doherty & Tranchell, 2007); and any analysis of the FT sector as a whole requires commenting on the

⁷ For a more complete review of the FT literature, see for instance, Lemay (2007).

⁸ 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.

role of a number of key FTOs. Nevertheless, taking FTOs themselves as the central object of investigation is less common. As Davies and Crane (2003:80) observe, “*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 FTO Divine Chocolate. Moore and his colleagues take the case of FTOs to illustrate SMEs’ responsible business practices (Moore *et al.*, forthcoming). Nicholls (2005; forthcoming) cites a number of studies on different fields of management in FTOs, including, besides marketing: strategy, operations, and finance. Finally, several case studies focus on the description of particular FTOs, often the largest and most famous ones (e.g., Hervieux, 2008; Otero, 2007; Tadros & Malo, 2002).

Still, in my view, the study of the structure and functioning of FTOs is a much under-researched issue. The reason might be that these organisations are supposed to link the demand (consumers) and the supply-side (producers) under precise criteria fixed by the FT label or by a FT network to which they belong (Davies & 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 FTOs. Different types of FTOs have been highlighted in the context of more global descriptions of the movement (e.g., Becchetti & Huybrechts, 2008; Diaz Pedregal, 2007; Raynolds & Long, 2007). However, most of these typologies are based on general observations of the sector; they assume particular goals or visions on the sole basis of the legal form or discourse and often lack a systematic and in-depth observation of FTOs. The same goes for studies that examine FTOs under the light of other organisational concepts such as cooperatives (Crowell & Reed, 2009; Develtere & Pollet, 2005), social enterprise (Huybrechts & Defourny, 2008) or the social economy (Poncelet *et al.*, 2005). As FTOs are far from being “black boxes” that conduct FT activities in a homogeneous way, but, rather, have very diverse structures, objectives and ways of functioning, it seems important to understand the extent of and the reasons for such heterogeneity. This is the main goal of the present study, which focuses on organisational forms of FTOs and thus takes the perspective of organisation theory.⁹

Focus and structure of the work

This work examines to what extent the diversity in FTOs’ organisational forms may be linked to the multidimensional (economic, social and/or political) nature of FT. This general interrogation is translated into more focused research questions, which will be introduced more in detail in the first chapter. Let me already mention these questions. First, since there are virtually no typologies focused on FTOs, it is necessary to look at *how organisational diversity in FT can be structured and categorised* (Q1, empirical question). Secondly, the reasons explaining organisational diversity must be better understood. This question may be answered using either an external, explanatory perspective (*what factors push FTOs to adopt diverse organisational forms?* - Q2a), or an internal, interactionist perspective (*to what extent do organisational actors contribute to and interpret organisational diversity?* - Q2b). A third key question is to explore *whether FTOs experience tensions between the different dimensions of*

⁹ It is worth noting that, in Nicholls and Opal’s (2005) and Nicholls’ (forthcoming) description of the sub-fields of management research in FTOs, the perspective of organisation theory is still missing.

FT, and how these tensions are managed through the diverse types of organisational forms (Q3).

This work is articulated around eight chapters. In the first chapter, I start by describing and defining FT and FTOs. The FT concept is examined and decomposed into an economic, a social, and a political dimension. Such a multidimensional nature is not new. Indeed, other concepts and initiatives to which FT, and, more specifically FTOs, can be affiliated, highlight specific ways for organisations to combine these three dimensions, suggesting that such combination requires—or is better achieved through—specific organisational forms. Among these concepts, that of social enterprise seems particularly adequate to describe the diverse types of FTOs. This chapter serves as a general background on the basis of which the questions of this work can be formulated.

The second chapter then builds the theoretical foundations on which the analyses rely. These foundations draw on several “contemporary” theoretical approaches: economic new institutionalism, sociological new institutionalism, resource dependence theory and institutional entrepreneurship. I examine the convergences and divergences between these different approaches and see to what extent each of them may help me to bring elements of answers to the questions. While the first two approaches are rather “deterministic”, the last two approaches are rather “interactionist”. In terms of research questions, such a distinction results in two different ways of understanding the reasons that lead FTOs to adopt diverse forms (questions 2a and 2b). The distinction between these two questions, and between the corresponding theoretical approaches, is also translated into distinct methodologies. The third chapter justifies and details the use of two methods: on the one hand, interviews with the managers of 57 FTOs from four European regions and, on the other hand, case studies on eight of these FTOs. The history and current configurations of FT in each of the regions are also described and compared as a background to the field study.

The fourth chapter is devoted to categorising FTOs’ organisational forms (Q1). Different elements of the organisational form are first presented and categorised separately: the legal form, the architecture and the governance model. I then combine these three elements through a global taxonomy. I describe the different categories obtained from this exercise and look at the possible evolution of FTOs from one category to another. In the fifth chapter, I present a number of relationships between, on the one hand, variables suggested by both neo-institutional approaches (age, size, country, resources, goals etc.) and, on the other hand, the categories of organisational forms. This chapter thus serves as an “empirical pool” for the interpretations developed in the two subsequent chapters.

The sixth chapter focuses on *economic* new institutionalism, for which organisational forms constitute institutional arrangements that allow a number of costs to be minimised. The configuration of these costs will depend on variables such as the FTOs’ goals and activities, resource, and age, as well as the types of stakeholders involved in their foundation. The second institutionalist chapter (the seventh chapter) is based on *sociological* new institutionalism and is articulated along two key dimensions: a historical one and a geographical one. In this

perspective, FTOs' organisational forms will be influenced by isomorphic pressures depending on the time of their creation and on their location.

Finally, the eighth chapter departs from the case studies to examine how organisational actors concretely shape the form of their FTO, give a meaning to it and use it as a strategic tool to gain power and promote particular visions of FT. Such visions lead to specific articulations of the economic, social, and political dimensions, articulations which may lead to specific tensions in each type of form (see Q3). The taxonomy as well as the possible succession of the categories are revisited on the basis of these strategic insights.

In fact, the whole structure can be depicted through the following table. The first three chapters set the basis for the work, through defining and linking the research questions, the theoretical approaches and the methodologies. Then, the subsequent chapters bring the empirical and theoretical contributions announced in the first three chapters.

Table 1: General structure of this work

| | | How does organisational diversity relate to the multidimensional nature of FT? | |
|--|--|---|---|
| Chapter 1: General background to the research questions | <i>How can organisational diversity be categorised? (Q1)</i> | <i>How do the diverse organisational forms allow to deal with the possible tensions between the three dimensions?(Q3)</i> | |
| | | <i>What are the reasons that lead FTOs to adopt diverse types of organisational forms?(Q2)</i> | |
| Chapter 2: Theoretical framework | / | Economic & sociological new institutionalism | Institutional entrepreneurship & resource dependence theory |
| | | <i>What external factors push FTOs to adopt diverse organisational forms?(Q2a)</i> | <i>To what extent do organisational actors contribute to and interpret organisational diversity?(Q2b)</i> |
| Chapter 3: Methodology | Taxonomy | Sample | Case studies |
| <i>Results</i> | Chapter 4 (taxonomy) | Chapter 5 (descriptive findings) | Chapter 8 (strategic, power-based perspective) |
| <i>Discussion</i> | | Chapter 6 (economic analysis) | |
| | | Chapter 7 (sociological analysis) | |

Chapter 1 – Fair Trade: a multidimensional concept and practice

In this first chapter, I examine the history and concept of Fair Trade (FT) as well as its links with other concepts and initiatives that have inspired it. I interpret FT as being composed of three interrelated dimensions: an economic one, a social one and a political one. Such a distinction is fundamental throughout this work. Based on the presentation of concepts and initiatives related to FT, I introduce the importance of organisational forms and progressively uncover the basic intuition of this work, i.e., that the multidimensional nature of FT is key in understanding the diversity of FTOs' organisational forms.

1. Historical and institutional review of the FT movement¹⁰

Most authors situate the origins of the FT movement just after the Second World War, with experimental initiatives of import and distribution of handicraft, led by NGOs and charitable organisations with a religious background (e.g., Diaz Pedregal, 2007; Moore, 2004; Nicholls & Opal, 2005; Raynolds *et al.*, 2007). The most often mentioned initiatives include Oxfam UK, SOS Wereldhandel in the Netherlands, the Mennonite Central Committee (MCC–later “Ten Thousand Villages”), Self-Help Crafts program in the US, as well as the Church of the Brethren’s Sales Exchange for Refugee Rehabilitation and Vocation (SERRV) program (also in the US). A number of authors describe these initiatives as successive waves having inspired FT, together with the cooperative movement (Gendron *et al.*, 2009a). The various names used to refer to these initiatives—charity trade, solidarity trade, developmental trade, alternative trade, etc.—each emphasised a particular dimension (Gendron *et al.*, 2009a; Low & Davenport, 2005b). “Charity trade” emphasised the charitable logics that were often inherent in religious groups during that period (Low & Davenport, 2005b). “Solidarity trade” had a more political meaning; trading was considered as a means to support producers from countries excluded from the international trading arena (socialist countries at the time, such as Cuba, Nicaragua and Vietnam). “Developmental trade” focused on the assistance provided by NGOs to producers in the production and exportation processes.

While several authors locate the birth of FT in these initiatives, others highlight the striking differences that distinguish them from the current practice of FT. Often, these trading initiatives were punctual and constituted only a small part of the NGOs’ activities (Anderson, 2009b; Tallontire, 2000). Moreover, the producers whose products were sold, were not necessarily those who were basically supported by the NGOs (Gendron *et al.*, 2009b). Finally, contrarily to a common view on these initiatives as being “non-commercial” and “partnership-based”, Anderson (2009b) emphasises how Oxfam UK and other “pioneers” organised such trading in order to generate profits and thus revenues for the developmental activities.

¹⁰ In the growing literature on FT, much attention has been devoted to the origins and the evolution of FT. my aim here is to provide a brief summary of the story, the full account of which can be found, for instance, in Raynolds *et al.* (2007), Diaz-Pedregal (2007) or Gendron *et al.* (2009). For a more critical review of the “usual story”, see Anderson (2009a; 2009b).

According to Anderson (2009b), it is only in the 1970s that fair trading partnerships were set up as a model with explicit rules and that organisations were created specifically for this purpose. 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, 2004:76). Products were sold through worldshops and voluntary networks. After two decades of practice and rule-setting, a first step¹¹ of institutionalisation and consolidation was achieved in the late 1980s with the creation of several international networks (Crowell & Reed, 2009; Diaz Pedregal, 2007; Moore, 2004; Raynolds & Long, 2007). In Europe, the largest FT pioneers (CTM in Italy, Gepa in Germany, Oxfam in the UK and in Belgium, etc.) joined together in the European Fair Trade Association (EFTA) in 1987. Two years later, the International Federation for Alternative Trade¹² was launched; it gathered producer organisations, importers and worldshops in a worldwide network. The international networks formalised the practices of the ATOs, which had been active for several years or decades.

It is at that same period that labeling initiatives appeared, starting in the late 1980s with “Max Havelaar”¹³ in the Netherlands. Labeling rules were set up and implemented through different “national initiatives”. These initiatives joined together into “Fairtrade Labeling Organisations International” (FLO or FLO-I) in 1997. Most academics and practitioners agree on the fact that the emergence of labeling brought a fundamental change in the evolution of FT (Moore *et al.*, 2006; Raynolds & Long, 2007; Reed, 2009). 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 ATOs, opened the door of the FT sector to any type of company. Mainstream businesses, including supermarkets and food multinationals, started selling FT products, which resulted in a huge increase in the volume of FT sales but also in debates about the possible “dilution” of FT. Much of the literature on FT has been analysing the consequences of mainstreaming on the FT movement (Moore *et al.*, 2006; Nicholls & Opal, 2005; Raynolds & Wilkinson, 2007).

The formalisation of the international networks and the emergence of labeling constituted two steps of institutionalisation during the late 1980s, period that can thus be seen as a crucial “momentum” in the FT movement (e.g., Gendron *et al.*, 2009a; Raynolds & Long, 2007; Reed, 2009). Following the distinction relayed by Gendron and her colleagues (2009a), while the first institutionalisation step was a rather “political” one, the second step was closer to an “economic one”. This concretised into two distribution strategies: the historical, “alternative” one, consisting of worldshops and volunteer networks; and the mainstream one, consisting of

¹¹ Several authors (e.g., Nicholls & Opal, 2005) consider the initiatives previously referred to as “charity trade” as constituting the “first wave” of FT. Without neglecting the contribution of these previous initiatives to FT, I consider the rise of ATOs in the 1970s as the first concretisation of FT as we know it nowadays (Anderson, 2009b; Gendron *et al.*, 2009a).

¹² Later changed into “International Fair Trade Association” and finally “World Fair Trade Organisation” in 2009.

¹³ In Edouard Douwes Dekker’s (“Multatuli”) books, “Max Havelaar” is the name of a fictive hero who takes the defense of small-scale tea producers in Dutch colonies.

supermarkets and other non-specialised shops. It is common in the practice¹⁴ and in the FT literature to divide the movement into two main “wings”, “poles” or “spheres” according to these two distribution strategies (e.g., Gendron, 2004b; Moore, 2004; Nicholls & Opal, 2005; Raynolds *et al.*, 2007; Renard, 2003).

The first wing, “integrated FT”, is carried mainly by craft producers and importers and is often associated with a “radical”, “political” or “idealistic” vision of FT, embodied by a large part of the pioneers grouped in the WFTO network as well as in other local networks of worldshops (e.g., NEWS–Network of European World Shops), importing FTOs (e.g., EFTA in Europe) and WFTO-member producer organisations (COFTA in Africa, IFAT-LA in Latin America, AFTF in Asia) (e.g., Gendron, 2004a; LeClair, 2002; Raynolds & Long, 2007; Renard, 2003). WFTO differentiates itself from the FLO labeling model on various aspects. First, it boasts its membership, the majority of which is composed of producers, and its democratic functioning, to claim a stronger representation and thus legitimacy (Raynolds & Long, 2007). Secondly, it has developed a more demanding definition of FT, based on a trust relationship rather than on standardised control (e.g., Wilkinson, 2007). Such differentiation has translated into the development, in 2004, of an own certification scheme, namely the “Fair Trade Organisation Mark”. The “FTO Mark” applies to organisations rather than products and aims to help consumers and FT supporters identify the “*true* Fair Trade organisations”¹⁵, 100% dedicated to FT and complying with standards that include fairness within the organisation (e.g., democratic decision-making) and involvement in education and advocacy.

The second wing, “labeled FT”, mainly deals with food products¹⁶ and is associated with a more commercial or “pragmatic” vision of FT (e.g., Diaz Pedregal, 2007; Gendron *et al.*, 2009a; Renard, 2003). The focus here is on expanding the FT market as the main strategy to improve the producers’ livelihoods. The rise and legitimacy of the labeling sphere is linked to several factors. Crowell and Reed (2007) point out that several NGOs and FTOs have supported the development of labeling and mainstreaming, beyond labelers themselves. Moreover, it is often suggested that most producer organisations have welcomed positively the perspective of reaching the mainstream and thereby increasing their production volumes. Although producers’ visions are far from homogeneous (Lemay, 2007; Poncelet *et al.*, 2005), the latter’s assumed positive attitude toward mainstreaming is a key argument put forth by labelers and mainstream supporters to justify their strategy (Low & Davenport, 2005a).

Despite their diverging orientations, these two wings and visions of FT dialogue with each other at the institutional level through “FINE”¹⁷. The goal of FINE is to maintain a minimal consensus around FT principles and orientations. For that purpose, a common definition was established in 1999, revised in 2001 and completed by a “Charter of FT principles” in 2009

¹⁴ E.g., http://www.wfto.com/index.php?option=com_docman&task=doc_download&gid=612, viewed on May 1, 2009.

¹⁵ IFAT (now “WFTO”) website (www.ifat.org), viewed on April 21, 2007. Italic is mine.

¹⁶ Non-food products labelled by FLO are few at this date (e.g. cotton or roses) but are likely to expand in the future.

¹⁷ FINE is an informal network set up in 1998 and gathering the four main Fair Trade umbrella organisations of the time: FLO, IFAT, NEWS! and EFTA.

(see next section). Beyond the definition of FT, a major issue for the four international networks constituting FINE is advocacy. In order to coordinate the advocacy activities, particularly toward the European Union, FINE created the “Fair Trade Advocacy Office” (FTAO)¹⁸ in Brussels in 2004.

In my view, while the “two-wing picture” of FT is certainly still useful and reveals a fundamental tension in the FT movement (e.g., Wilkinson, 2007), it has become insufficient to capture the whole diversity and complexity of the current FT landscape (Ozcaglar-Toulouse *et al.*, forthcoming). Certain authors call for a “reconciliation” of the two “wings” or “visions” (e.g., Gendron *et al.*, 2009a; Nicholls, forthcoming). As Wilkinson states (2007:220), “[i]n spite of the more obvious tensions, there are also unexpected synergies and, it is, precisely, the multifaceted nature of the movement that has accounted for its success to date”. Furthermore, recent work also brings nuances to the distinction between them, observing that several organisations and supply chains are based on both distribution strategies (Ballet & Carimentrand, 2008; Wilkinson, 2007). For instance, Traidcraft in the UK or Oxfam Fair Trade in Belgium sell their products—some of which are labeled, and others not—both through specialised channels (worldshops, catalogues, etc.) and through supermarkets. In the same way, some businesses launched by pioneer FTOs themselves, such as Cafédirect or Divine Chocolate, have a strong positioning in the mainstream market while at the same time being WFTO members and being partially owned by FT pioneers (Davies & Crane, 2003; Doherty & Tranchell, 2007).

The distinction between the two spheres seems even less adequate when considering the local level (Ozcaglar-Toulouse *et al.*, forthcoming). The most striking feature is that several new specialised businesses are emerging, selling non-labeled FT products through a variety of channels, some of which can be “mainstream” (B2B sales, for instance), and others, “specialised”. In recent years, many small businesses have engaged in a “100% FT” practice¹⁹ without belonging to one of the traditional FT systems (Ozcaglar-Toulouse *et al.*, forthcoming): they constitute what some start calling a “third FT wave” or third institutionalisation—the first wave being the pioneers and the second being FT labeling and mainstreaming (Poos, 2008). These new companies have often established links with other FTOs leading to the emergence of local “bottom-up” networks that cannot be captured through the classical distinction in terms of “wings”. Before exploring the current organisational landscape, let me define and analyse the concept of FT as well as that of FTO.

¹⁸ www.fairtrade-advocacy.org

¹⁹ “100%” is generally understood in a flexible sense, considering that many FT retailers also include a part of products that are not strictly speaking FT but follow the same principles (local FT, products from social economy networks, etc.).

2. Fair Trade and Fair Trade Organisations

2.1. Fair Trade as a multidimensional concept

The definition developed by FINE, which is based on a consensus among several FT networks, is the one that is most commonly used in practice and in the academic literature (e.g., Moore, 2004):

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.

A first draft of this definition was written in 1999. It focused on producers (not on workers) and insisted on FT as being an “alternative” to conventional trade. The evolution of the definition toward a less radical standpoint was seen by some as an adaptation of FT “*aimed at making it more palatable to corporations*” (Crowell & Reed, 2009:148). In 2009, FLO and the WFTO completed the definition of FT thanks to a common “Charter of Fair Trade principles”.²⁰ The goal was to be more explicit about the implementation of FT through the two types of supply chains embodied by the two networks. Besides the statement of a common vision of FT and a comparison with the ILO standards²¹, five core principles were identified and detailed: market access for marginalised producers, sustainable and equitable trading relationships, capacity building and empowerment, consumer awareness raising and advocacy, and long-term commitment “*in the context of a social construct*” (as stated in the Charter).

Since the FINE definition and the charter of principles result from compromises among different approaches to FT, they remain relatively general, allowing for a wide range of interpretations and practices. What clearly appears in these definitions is that FT is a highly multidimensional concept²² which is made of paradoxes (e.g., Ozcaglar-Toulouse *et al.*, forthcoming; Renard, 2003; Schümperli Younossian, 2006). The study of these paradoxes, which I will examine at the organisational level, first requires to define more precisely the three dimensions and the elements that they entail. I distinguish: producer support (the ultimate goal); trade (the mean to achieve this goal); and education, regulation, and advocacy (the action in the broader context).²³

Producer support

²⁰ <http://www.fairtrade-advocacy.org/images/charterfairtradeprinciples.pdf>, viewed on April 20, 2009.

²¹ International Labour Office. FT standards aim to complete ILO standards, which are considered as the minimum basis for any trading relationship

²² Different expressions in the FINE definition reflect this multidimensional character: “market access”, “sustainable and equitable trading partnership”, “equity in international trade”, “sustainable development”, “better trading conditions”, “securing rights”, “raising awareness and campaigning”, etc.

²³ It is worth noting that other authors identify three similar dimensions, albeit with other names (Diaz Pedregal, 2007)

FT aims to practice trade under conditions that are “fair” for producers, in order to support them beyond what they would obtain from a traditional trading exchange. These conditions constitute the core of the FT concept: fair price, social premium, pre-financing, provision of market access, long-term relationship, etc. (Moore, 2004; Nicholls & Opal, 2005; Reynolds & Wilkinson, 2007). Such tools are supposed to orient the trading relationship in a way that genuinely improves the livelihoods of the producers in the South. The content and the impact of producer support may, however, vary across FTOs, even when a label aims to homogenize practices.²⁴

The ambition of fairness in FT partnerships can be considered in my view as a social dimension. By “social”, I mean that FT aims to serve a specific category of people considered as “disadvantaged”²⁵. In other words, an FTO aims, at least as one of its goals, to provide benefits to people who would normally not—or very little—enjoy the fruits of its economic activity. The idea of improving the livelihoods of certain producers in the South is central to FT, and FTOs’ practices and decisions are often justified in the light of this central goal (Davies & Crane, 2003). It is mainly through their social mission that FTOs distinguish themselves from traditional businesses. The importance of producer support does not mean that this is the only social dimension of FT. FTOs may seek to give employment to low-skilled people or to provide ethical products to poor consumers in the North. But producers in the South are generally the primary declared beneficiaries of FTOs’ activities. Specific to FT, compared to development projects, is the idea of pursuing the social aim through an economic partnership with these producers.²⁶

Trade

Trade refers to all the market activities (import, transformation, distribution), which are similar to those carried out by any company. Albeit “fair”, FTOs are running trade and using market mechanisms: FT as a whole relies on the market to achieve its social goals (Nicholls & Opal, 2005). The positioning of trade within the overall strategy of FTOs, however, can vary on a continuum between “trade as a means” and “trade as a goal” (Gendron, 2004b).

Such a trading activity can be described as the economic dimension of FT. It is often used to distinguish FT from traditional charity or development cooperation initiatives. However, there is much confusion about the term “economic”. Indeed, in the broad sense, “economic” refers to the production of goods and services, which does not necessarily take the form of trade. In a more restricted sense, “economic” refers to the market principle, which can be identified as one

²⁴ The main Fair Trade label is managed by FLO and applies to most food products (coffee, bananas, etc.). Such a 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” developed by “Cafédirect”, a British FT coffee company, are an example of such benefits. In the craft sector, where no product-related label exists but where WFTO proposes a certification system for FTOs, producer support practices are also heterogeneous among FTOs.

²⁵ The FT practice and literature also use the notions of “marginalised” or “small” (see Lemay, 2007 for a discussion of these notions).

²⁶ To differentiate FT from ethical labels in which part of the sales are donated to social projects involving producer organisations, FT operators and networks often underline the fact that in FT, the social mission is rooted in the economic partnership itself, through the payment of a fair price and a long-term relationship.

type of economic principle, drawing on the work of Polanyi (1944), as will be analysed further in this chapter. In this work, “economic” is understood in the light of the market principle, concretised by the trading activity in the case of FT. Nicholls and Cho (2006) suggest a number of concrete elements to characterise the market orientation: risk-taking, cost recovery, efficient deployment of resources, strategic operations, etc. The importance of the market in the discourse and practice of FT has increased strongly in the last years, which has resulted in vivid debates about the relationships of FT actors with mainstream market players (Gendron, 2004b; Raynolds *et al.*, 2007; Renard, 2003).

Although both the “fairness” and “trade” dimensions are intertwined in the practice of FT partnerships with producers in the South, they may be distinguished from a conceptual point of view. This dual nature is observed by most authors who have studied the FT movement, albeit with other names.²⁷ As we will see further, the combination of economic and social dimensions also lies at the heart of other movements or concepts. These two dimensions, however, are not sufficient to describe the scope of the FT concept and practice, because they leave aside the political dimension, which, in my view, is inherent in the FT project and translates concretely into education, regulation and advocacy.

Education, regulation, and advocacy

At the origins of FT, there is the intent of creating a new regulation framework for commercial exchanges. The creation of such a framework, its continuous adaptation, and its promotion in front of national and international public authorities is a fundamental element of FT that I call regulation. Closely linked to regulation is the advocacy work undertaken by FTOs, networks and support structures and aimed not only at public authorities but also at corporations. It may be the denunciation of unethical trading practices and rules, and/or the promotion of FT as a source of inspiration to raise the global ethical standards. Education is slightly different from—although closely linked to—advocacy in the sense that it aims individual citizens/consumers. Education campaigns are intended to change consumption habits toward FT and, more generally, toward more respect for people and for the environment. They are different from marketing campaigns if they do not aim to promote one organisation’s specific products but rather to foster such global change in consumers’ behaviour. In my view, education, regulation and advocacy have mainly a political focus: the purpose here is not so much to support particular producer communities, but to influence the broader economic system. It is in fact the translation of the “fairness” dimension at the macro-level, with the goal of transforming the context of international trade by scaling up the FT principles.

Like “economic” and “social”, the term “political” is also ambiguous. Insofar as managers, employees and other actors seek power, have conflicting goals and compete for resources, every organisation entails a “political” dimension, in the broad sense of the term (see for instance Mintzberg, 1985). Moreover, in every trading organisation, from the small company to

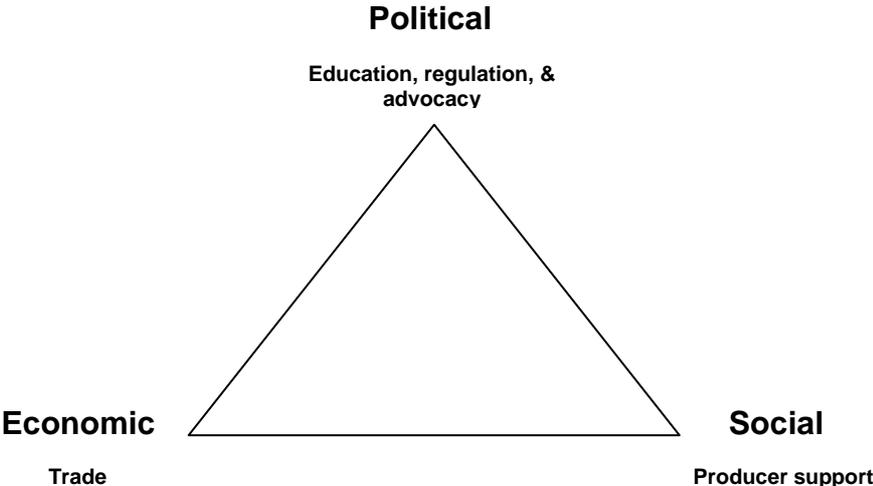
²⁷ FT is seen as located, for instance, between “market” and “solidarity” (Poncelet *et al.*, 2005), or between “social movement” and “business” (Raynolds & Long, 2007).

the multinational corporation, there is virtually always a political intent of influencing the context in a more favourable way, which may include investing in lobbying and regulation.

By naming this the “political” dimension in a more restricted sense, I follow authors such as Laville and Eme (1994; 2003), themselves influenced by Polanyi (1944) and Mauss (1950). While these authors’ approach to the political dimension in the context of the “solidarity-based economy” will be detailed in the specific section 3.3, let me mention at this stage that I use the term “political” to refer to the ambition of societal change inherent in FT. The “political” goals and activities are those that explicitly aim to change the society by influencing consumption habits and making international trading rules and practices more favourable for small-scale producers in the South. In my view, these goals and activities may take three, interrelated forms: educating and informing citizens about the context, rules, and consequences of international trade and the economic system in general; lobbying public and private institutions and advocating for fairer trade (either directly or indirectly, for instance through campaigns, writing, conferences etc.); and participating to the formulation of new rules for trading relationships (in the context of FT but also aimed at other economic and political actors).

The three dimensions can be viewed as the three edges of a triangle:

Figure 2: The FT triangle



In fact, similar distinctions between the economic, social, and/or political dimensions can be found in other concepts and initiatives, as will be discussed further. Moreover, with the increasingly central attention paid to sustainable development, against the standards of which FT is sometimes evaluated (e.g., Bisailon *et al.*, 2005b; Le Velly, 2009), the environmental dimension is often added to the economic and social ones to constitute the so-called “triple bottom line” (economic, social, and environmental). One could thus wonder why the environmental dimension is absent from my analysis. The first reason is that the initial FT project did not explicitly mention the protection of the environment in its missions (Diaz Pedregal, 2007). Such a concern became progressively more present in FTOs’ practice and discourse, together with the emergence of the organic food and sustainable development

movements. The second and more fundamental reason is that protecting the environment is a transversal concern that can be included, for instance, both in the social dimension (through criteria concerning clean production and transport conditions) and in the political dimension (through the promotion of trading rules and practices which are more respectful of the environment).

Three observations should immediately be made about the distinction and characterisation of the dimensions. The first is that each of these dimensions is ambivalent: there is no single way of conceiving and applying the economic, social and political dimensions. Organisations may for instance, develop political visions that are totally incompatible. The remainder of this work will try to take such ambivalence into account (see for instance, Nicholls and Cho's discussion of the social mission further in this chapter). The second observation is that FT hierarchises these three dimensions. In particular, the economic *activity* is presented as a tool to serve the social *goal*. I purposely chose the term "dimension" to avoid such a vision that could lead to idealising or simplifying FT. Indeed, a critical view should include the possibility, for instance, to see FT partnerships used as a "social" tool to serve economic or political goals. Thirdly, it should be noted that these three dimensions are difficult to distinguish from each other, as they are often combined both in theory and in practice. One could thus wonder why I try to separate them, instead of describing their combination through particular visions of FT. As I mentioned previously in this chapter, most FT authors would, indeed, describe the "pragmatist" vision of FT as one that emphasises the extension of the economic activity as a vehicle to pursue the social mission, and the "radical" vision as one that conditions the type of economic activity pursued and embeds the latter in a broader political project. I do not follow this path because I am interested in the micro, organisational perspective, rather than in the macro, field perspective.²⁸ In other words, I do not wish to examine individual FTOs based only on their "affiliation" in terms of international networks or on their distribution strategies. My work rather follows Gendron *et al.* (2009b:190, my translation) who suggest that "*Fair Trade is translated into chains, structures and organisations that are far more numerous and varied than what a simplistic analysis [...] restricted to the sole labels [and networks] grouped within FINE might suggest*". Rather than restricting FT to its most institutionalised components, I prefer to "*recognise the plurality of practices likely to underlie the Fair Trade project in the context of a dialogue between pioneer and newcomer organisations*" (Gendron *et al.*, 2009b:191, my translation; see also Sarrazin-Biteye, 2009).

This requires deconstructing the global visions developed on FT into their elementary building blocks, in order to see how individual FTOs reassemble these blocks in their practice and through their organisational form. While the global visions inevitably influence all individual FTOs ("top-down" perspective), as we will see further in this work, it is important, in a "bottom-up" perspective, to leave the building blocks separate at this stage. Considering these dimensions as necessarily intertwined and complementary would, furthermore, neglect both the fundamental tensions that may appear among them and the differences among FTOs in the way in which they balance and combine them. Several authors identify FT as being simultaneously

²⁸ In this regard, I do not agree with Nicholls (forthcoming) when he suggests that most of the research on FT has followed a micro rather than a macro perspective: my literature review of FT would suggest the opposite.

“in the market” and to a certain extent “against the market” (Fridell, 2003; Le Velly, 2004; Renard, 2003). This inevitably leads to a tension in the sense that FTOs wish to use market mechanisms as a tool to increase their social impact, but at the same time promote a political project that questions the functioning of the market. While this and other tensions have been at the center of numerous analyses of the FT movement or sector²⁹ (Bisaillon *et al.*, 2005b; Haynes, 2006; Schümperli Younossian, 2006), a key question that has only little be examined is the way in which the three dimensions and their inherent tensions are managed *within each individual FTO*. In order to focus on the organisational level, I must first define which organisations I consider as “FTOs”.

2.2. Fair Trade Organisations

Originally, as previously mentioned, pioneer FTOs were referred to as “alternative trading organisations”. This term, however, is less and less used, simply because the term “alternative trade” has been replaced by that of “fair trade”. Moreover, certain organisations that recognised themselves as such (including, in Europe, most of the historical importers members of EFTA) have become less “alternative”, and both the frontiers between “ATOs” and “businesses” and the historical distribution of roles between import (ATOs) and distribution (worldshops) have become increasingly blurred. However, several authors (e.g., Nicholls and Opal, 2005; Raynolds *et al.*, 2007; Wilkinson, 2007), consider that the notion of ATO is still useful to distinguish 100% FT companies from corporations involved only to some extent in FT. Such a “100% commitment” to FT is also central for Reed *et al.* (forthcoming) when they define “FT businesses”.

Reed, Nicholls³⁰ and their co-authors³⁰ propose a second discriminating element: FTOs are engaged in education and advocacy. This might be linked to the FINE definition, which ends by stating: “*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*”. But this definition of FTOs insists *only* on education and advocacy, thereby referring to the whole range of structures supporting FT (networks, NGOs, labelers, etc.) rather than to the organisations and businesses engaged in a trading activity. Contrarily to this perspective, I follow the World Fair Trade Organisation (WFTO) that defines FTOs as “*organizations directly engaged in Fair Trade through their trading activity*”.³¹ In other words, it is thus the “100% FT” commitment within the trading activity that characterises FTOs, rather than their formal involvement in education and advocacy. Indeed, such an involvement is difficult to apprehend and is not a matter of “yes or no”. Moreover, what does “active engagement” mean? Do the organisations need to set up their own campaigns? Is it sufficient to relay campaigns, for instance, in a shop? Do the

²⁹ Sociological perspectives rather use the term “movement”, while economic and managerial analyses will speak of “sector”. I will use each term according to the context, as well as that of “field”, which is more neutral.

³⁰ If we assume that Nicholls and Opal’s (2005) description of “ATOs” can be extended to that of “FTOs”.

³¹ http://www.wfto.com/index.php?option=com_content&task=view&id=153&Itemid=186&lang=en, viewed on September 13, 2009. This excludes the organisations and networks that are only engaged in promoting and advocating for FT from the scope of this study. We will consider these structures as major stakeholders of FTOs, but not as FTOs themselves.

organisations need to be members of a network? This work suggests that the elements that constitute the political dimension of FT are present, to varying extents, in all FTOs, and that there is a continuum of involvement. The following chapters and case analyses will shed more light on this continuum.

Both Nicholls and Opal (2005), and Reed *et al.* (forthcoming), each propose a third criterion, but not the same one. The former consider that, if a label exists for the products, the organisation should have it on its products, while the latter suggest that FT businesses are characterised by personal relationships with the producers. These two criteria are not unambiguous. The first one leaves aside the range of organisations that, for financial or ideological reasons, have no labels on their products. In France, for instance, certain FT shops consider that the FLO label is a very low ethical guarantee and prefer not to bear it. In Italy, most of the products (including food) sold by the pioneer FTOs are not labeled. Without judging the adequacy of bearing a label or not, it should be acknowledged that labeling is a highly political process, entailing a range of normative issues, on the basis of which I do not wish to discriminate between FTOs. While the criterion of a personal relationship with producers proposed by Reed *et al.* is interesting, the notion of personal relationship is, again, subject to debate. Indeed, large FTOs that have partnerships with a high number of producer groups do not always have direct and regular personal relationships with these groups, either because of time constraints, or because the FTOs rely on intermediate structures (other FTOs, corporations, NGOs, local networks, etc.).

To summarise, the “100% FT” commitment seems the most solid criterion that I identify from the analysis of these authors. This corresponds to the previously mentioned WFTO definition, as well as to that proposed in the Charter of FT Principles—“*organisations of which Fair Trade is part of their mission and constitutes the core of their objectives and activities*”—, if we consider that “Fair Trade” involves a trading activity, at one or several steps of the FT supply chain in the North: import, transformation, wholesale, retail and/or labeling/certification. Reed *et al.* (forthcoming) describe these organisations as FT *businesses*. Davies and Crane (2003) speak of FT *companies*. Doherty and Tranchell (2007) refer to FT *social enterprises*, as does the title of this work, following the subsequent analysis of FTOs as social enterprises (in this chapter). At this stage, however, I prefer to follow Krier (2005; 2008) and Moore and his colleagues (forthcoming) who refer to FT *organisations*, which seems the most encompassing, generic and neutral term.³² This work thus focuses on organisations totally engaged in economic transactions with fairly traded goods.³³ The notion “fairly traded” is often, but not always, recognised by a label, a certification or the participation in a network. The third chapter will detail how I have operationalised this definition to constitute the sample.

³² Indeed, all FTOs do not identify themselves as “businesses”, “companies” or “social enterprises”; none of them would contest, however, its status of “organisation”. Moreover, this term fits better to the theoretical approaches used in the context of “organisation theory” (see next chapter).

³³ This excludes the organisations and networks that are only engaged in promoting and advocating for FT from the scope of this study. I will consider these structures as major stakeholders of FTOs, but not as FTOs themselves.

Taking distance with—while not ignoring—the previous divisions of the FT movement into wings or poles leaves us with a wide range of diverse organisations, which I would like to categorise. Several categorisations have been proposed by academics and practitioners³⁴, but with diverging definitions of FTOs and different discriminating criteria (e.g., Charlier *et al.*, 2007; Diaz Pedregal, 2007; Raynolds & Long, 2007; Sarrazin-Biteye, 2009). Often, the latter refer to the supposed logics, goals or priorities of the different types of FTOs. It is also worth noting that several authors, on the contrary, consider FTOs as a relatively homogeneous group when looking at the broader economic landscape (LeClair, 2002), or at specific “ethical” fields such as corporate social responsibility (Moore *et al.*, forthcoming) or ethical consumption (Nicholls, forthcoming).

Regarding the existing categorisations of FTOs, the contribution I would like to make through this work is twofold. First, I would like to categorise FTOs on the basis of their organisational form only, and then link these forms to other variables such as age, goals, resources, country, etc. Such an approach would be innovative insofar as previous categorisations have tended to automatically infer FTOs’ goals and priorities from particular legal forms or affiliations to networks. Second, most of the existing categorisations are typologies, constituted *a priori* on the basis of a general knowledge of the field (e.g., Becchetti & Huybrechts, 2008; Reed *et al.*, forthcoming). Taxonomies, i.e., classifications based on the observation of a number of organisations and their subsequent grouping into categories, are still needed to capture the apparent complexity and diversity within the FT field (an interesting exception is provided by Sarrazin-Biteye, 2009).

3. Fair Trade Organisations in a broader context: roots and affiliations

FT is certainly not the first concept trying to reconcile economic activity, social purpose and political involvement. FT can be seen as one of the latest of a series of ideas and experiments that stem back to the origins of humanity. It is important, thus, to place FT (and FTOs) in a broader context, linking it to the concepts and initiatives that have inspired it. The scope of this work does not allow me to mention all these concepts and initiatives and to compare them all to FT. I will not deepen, in this context, previous versions of FT, such as charitable and solidarity trade (Gendron *et al.*, 2009a; Low & Davenport, 2005b). Nor will I compare FT with more general trends such as sustainable development (e.g., Bisailon *et al.*, 2005a; Le Velly, 2009) or corporate social responsibility (CSR) (e.g., Smith, 2008), which lie beyond the scope of this work. I will focus here on four notions and movements that have proposed innovative organisational models and practices to combine economic, social and political dimensions: the cooperative movement, the social economy, the solidarity-based economy and social enterprise. These are partly overlapping concepts and movements, which have influenced each other, while also influencing—and, in turn, being influenced by—the emergence and development of the FT movement.

³⁴ See also certain field publications (e.g., Krier, 2005).

3.1. Cooperative movement

3.1.1. Definition and principles

A cooperative is defined by the International Cooperative Alliance³⁵ as “*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise*”. The origins of the cooperative movement are generally considered to date back to the 19th century, with thinkers such as Robert Owen and several pioneering initiatives, the most famous being the Rochdale Society of Equitable Pioneers, founded in 1844.

From an economic standpoint, cooperatives are economic organisations owned by their “users” (e.g., Hansmann, 1999; Platteau, 1987). For instance, consumer cooperatives differ from mainstream shops in that the consumers are also the owners. However, unlike shareholders in a traditional business, members of a cooperative do not enjoy an unlimited profit distribution and have a voting power not linked to the shares they hold—most cooperatives apply the “one member, one vote” principle (ICA, 1996). From a socio-political standpoint, cooperatives may be seen as constituting a social movement that has historically aimed to challenge the dominant capitalist logics, with a mixed success (for recent analyses, see for instance Reed & McMurtry, 2009; Schneiberg *et al.*, 2008).

3.1.2. Fair Trade and cooperatives

Several principles of FT (fair price, economic democracy, suppression of intermediates, etc.) have been directly inspired by the cooperative principles (Gendron *et al.*, 2009a). The term “Fair Trade” was even used to characterise the trading relationships among cooperatives since the 19th century (Anderson, 2009a; Develtere & Pollet, 2005). Crowell and Reed (2009) see FT as a model for international cooperation among cooperatives. Develtere and Pollet (2005) identify a number of convergences between FT and the cooperative movement, *inter alia*:

- both notions were initially conceived to participate in alternatives to the dominant capitalist model, while at the same time being integrated in the market;
- equitable income is central in both concepts;
- in both cases, the economic activity serves—or at least coexists with—social and political purposes;
- both cooperatives and FTOs try to balance ethical standards, on the one hand, and survival in a competitive market environment, on the other.

However, while FT focuses on North-South partnerships, cooperatives may be active at the local or at the international level. Moreover, while FT locates fairness mainly at the level of the producers in the South and not necessarily within FTOs, cooperative principles are applied mainly for the members within the organisations and not necessarily at the suppliers’ level (except in producer cooperatives where the members *are* the suppliers).

³⁵ <http://www.ica.coop/coop/principles.html>, viewed on April 18, 2008.

In practice, the FT movement includes numerous cooperatives (Anderson, 2009a; Crowell & Reed, 2009; Develtere & Pollet, 2005). In the South, historically, the producer groups involved in FT partnerships have often been cooperatives, although many other forms are observed. The proportion of cooperatives has decreased particularly since the acceptance by FLO of plantations—i.e., not producer-owned companies—as producing partners (Crowell & Reed, 2009). In the North, the cooperative form was chosen by several FTOs, especially in the 1980s and 1990s (Crowell & Reed, 2009), part of which through pioneer nonprofit FTOs wishing to reinforce their economic dimension.

The promotion of the cooperative form obviously has a political content. As in the case of FT, there is the intent of scaling up the cooperative idea and having its values pervade the traditional business world. Concretely, the cooperative principles focus on educating members to the cooperative ideal and on empowering them. Nevertheless, in many countries, the evolution of cooperatives toward a stronger business focus has seemed to dilute the political and educational dynamics (Monaci & Caselli, 2005). Certain cooperatives have become very business-like, while others have been bought over by business corporations (e.g., in the retail and banking sectors). Yet, some authors suggest that, even in these cases, the cooperative form still constitutes an alternative to the dominant capitalist model (Reed & McMurtry, 2009), especially when the business is backed by a citizen movement (Vienney, 1997). The commercial evolution of FT might be seen as similar to what happened for cooperatives, in that the challenges of maintaining the original specificity of the concept and the debates that have opposed radical and pragmatist streams of actors, are quite similar. Such debates will also be commented upon in subsequent sections on the social and solidarity-based economy. In conclusion, the FT and cooperative movements have much in common, both conceptually and in practice. Nevertheless, FT is more than just a re-actualisation of the cooperative idea. It integrated itself in and was inspired by more global movements seeking to ally economic activity and social and/or societal goals.

3.2. The social economy

3.2.1. Definition and principles

The social economy has been partly inspired by the cooperative movement, which constitutes one of its major components (Defourny & Develtere, 1999). Another major component is that of “nonprofit organisations”, around which a whole stream of literature has emerged, particularly in the US (for a literature review, see for instance Anheier, 2005; Steinberg, 2006). The social economy refers to a wider range of organisations, located between the public sector and the private business sector. The specificity of a social economy organisation is “*to provide services to its members or to a wider community, and not serve as a tool in the service of capital investment [...]. The generation of a surplus is therefore a means to providing a service, not the main driving force behind the economic activity*” (Defourny *et al.*, 2000:16). It is possible to define the social economy either through a legal/institutional approach, including

all the organisations with an associative, cooperative, or mutual form³⁶, or through a normative approach, emphasising the values common to these organisations (Defourny, 2001; Defourny & Develtere, 1999). The definition co-constructed by academics, field operators and public authorities in the Walloon region (CWES, 1990, cited in Defourny & Develtere, 1999) combines both approaches:

The social economy is composed of associations, cooperatives and mutuals whose activities are guided by the following principles:

- *placing service to its members or to the community ahead of profit;*
- *autonomous management;*
- *a democratic decision-making process;*
- *the primacy of people and work over capital in the distribution of revenues.*

The Charter of Principles of the Social Economy promoted by the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF) extends this definition by adding an emphasis on solidarity and sustainable development as guiding values (Chavez & Monzón Campos, 2007). There seems to be a broad consensus on the general meaning of the social economy in the countries and regions where the term is used, i.e., in Latin Europe, Scandinavia, Canada, UK and many other parts of the world (Chavez & Monzón Campos, 2007; Defourny & Develtere, 1999). When it comes to circumscribing the field of the social economy, however, there are diverging possible interpretations. We can particularly highlight the distinction between one broad and several narrower views of the social economy. In a broad perspective, the social economy is referred to as the “Third Sector” that is located between the state and the private “for-profit” world (Anheier & Seibel, 1990; Defourny & Monzón Campos, 1992). This third sector encompasses a very wide range of organisations, including all types of private nonprofit organisations (nonprofit hospitals, schools, museums, sport clubs, NGOs, etc.), cooperatives, mutuals and foundations. Although these organisations do not necessarily recognise themselves as “social economy” organisations (but rather, for instance, as a “hospital” or a “museum”), they share the four previously mentioned criteria in common.

In a narrow sense, however, the social economy is sometimes restricted to a range of sectors in which the organisations generally do recognise themselves as belonging to the social economy. In such a context, the term “social economy” is used to designate the nonprofit, cooperative and mutual organisations engaged in a commercial, market-based activity (“economy” being restricted to the production of goods and services that can be exchanged on the market). Chavez and Monzón (2007) refer to this as the “market or business sub-sector of the social economy”. Market-oriented actors often share this narrower view and are reluctant to be included in the same category as “non-market” organisations such as NGOs and social action associations, but the narrowing may also be caused or reinforced by public authorities. It is striking to observe how the definition of the social economy differs according to the specific

³⁶ A fourth legal form, recently added, is that of foundations.

attributions and philosophy of the politicians who wish to support it. For instance, the Walloon minister of economy has long supported only social economy initiatives with a commercial content.³⁷ In Flanders, the social economy has traditionally been restricted to the integration of handicapped or low-skilled people. Such a focus on work integration also characterised the financial support brought to the social economy by the European Union in the context of the EQUAL program. In other cases, though, public support or recognition embraced the larger view of the social economy.³⁸

3.2.2. Fair Trade and the social economy

In both the broad and the narrow view, FT can be linked to the social economy “*through the nature and the goals of the main organisations that have launched it*” (Gendron *et al.*, 2009b:128, my translation). Reed and his colleagues (forthcoming) consider that organisations totally devoted to FT and engaged in advocacy are necessarily social economy organisations. FT is regularly presented as one of the social economy fields of activities, besides recycling, work integration, microfinance etc.³⁹ With the growing success of FT and the need to establish partnerships among movements with similar aims, social economy networks are increasing their efforts to collaborate with and include FTOs and to promote the link between the two concepts. This is especially observed, for instance, in French-speaking Belgium and Canada, through, respectively, the networks “Solidarité des Alternatives Wallonnes et Bruxelloises” (SAW-B)⁴⁰ and “Chantier de l’économie sociale”⁴¹. However, little work examines the conceptual convergences between the two concepts (attempts can be found, for instance, in Lévesque, 2004; Poncelet *et al.*, 2005). As suggested by Gendron and her colleagues (2009b:129, my translation), “*the integration of FT actors in the movement of the social economy is more often an intuitive approximation than the result of an in-depth analysis of the respective natures of FT and the social economy*”. Let me thus examine the four elements of the definition of the social economy from the standpoint of Northern FTOs.⁴²

Placing service to the members or the community ahead of profit is central in the initial FT project. The payment of a fair price, completed by a FT premium and by prefinancing, can theoretically be seen as a transfer to the producers of the potential profit that would be realised by FTOs if the products were bought at market prices and conditions. Such a transfer is confirmed, for instance, for small-scale handicraft, where a systematic “loss of profitability” has been observed among FTOs (SAW-B, 2008). The situation is quite different, however, for other categories such as food or garments, where FT can be very profitable. In this context, the first criterion of the social economy is crucial to distinguish FTOs from most mainstream market players who have accepted to join FT only to the extent that it would not compromise

³⁷ “Economie sociale marchande”.

³⁸ For instance, the “Chantier de l’économie sociale” in Québec (from the nineties up to now), the resolution of the European Parliament (1997), the recent Walloon legislation (2008), etc.

³⁹ Listings including FT are often observed in books and reports mapping the social economy (e.g. Defourny *et al.*, 1999; Chavez & Monzón, 2007) or in public recognition schemes, for instance, that of the Walloon region (2008).

⁴⁰ After having coordinated a report on FT handicraft (2008), SAW-B initiated and hosted the “Belgian Fair Trade Federation” (BFTF) during the process of its creation.

⁴¹ The “Chantier” organises an annual “Fair of social economy and fair trade” (Gendron *et al.*, 2009b).

⁴² For analyses of FT producer groups as social economy organisations, see for instance, Poncelet *et al.* (2005).

their profitability (Smith, 2008). In many cases, sales of FT products allowed corporations to increase their profits by capturing ethical consumers, ready to pay a higher price, and making them loyal. In such case, the transfer of value to the producer is exclusively due to the higher prices paid by the consumers, and not to the corporations' commitment to reduce their profits to serve the community. Moreover, while the social economy forms adopted by pioneer FTOs made it difficult—if not impossible—for them to have a primarily profit-making aim, the adoption of classical business forms relaxed such a constraint. Nevertheless, it is reasonable to assume, unless the remainder of this work proves the opposite, that businesses totally devoted to FT are not seeking to make profit at the expense of other operators along the chain, particularly producers. Such a criterion is explicitly mentioned by the WFTO and by several local networks gathering FTOs, as we will see further.

The second criterion, namely the autonomy of the organisations toward other actors, typically the state, is generally observed in Northern FTOs. While states have been increasingly interested in recognising and promoting FT⁴³ and have been involved in the creation of certain FTOs⁴⁴, examples of FTOs controlled by public authorities are scarce.

Thirdly, the democratic decision-making process was a central element in the initial FT project and in the organisational forms of pioneer FTOs, especially through the involvement of volunteers.⁴⁵ Again, the participation of corporations, in the context of mainstreaming, and the creation of FTOs under forms that do not impose democratic decision-making, lessened the importance of economic democracy. While democracy is promoted at the producers' level, it is not a requirement within Northern FTOs, which are free to integrate or not the principles of FT into their own governance (Davies & Crane, 2003; Gendron *et al.*, 2009b). At the movement's level, economic democracy has been a driving principle of IFAT/WFTO⁴⁶, but it has not always been a priority in FLO, which has led to a lot of criticism.⁴⁷

Finally, the primacy of people and work over capital in the distribution of revenues can be examined in the same way as for the first criterion. The fair price and the other mechanisms

⁴³ Legislation on FT has been developed in France and is in preparation in Belgium and Italy. The European Commission officially recognised FT, first in a 1999 statement, and recently through a more complete statement, issued on May 5, 2009 (http://trade.ec.europa.eu/doclib/docs/2009/may/tradoc_143089.pdf). The European parliament adopted a resolution in favour of FT in 2006. A key element in the public support to FT is the setting up of public procurement policies favouring FT. Besides the different national initiatives, EFTA initiated the "Fair Procura" project (now "Buy Fair"—www.buyfair.org) to share practices and develop legal justifications for preferences to FT in the context of public tenders. Finally, the development of FT towns and countries, initiated in the UK and later replicated in Europe through the "Fairtrade Towns in Europe" EU-funded program, is a concrete example of public involvement in FT.

⁴⁴ For example Twin and Soli'gren, patronised by, respectively, the Greater London Council (1985) and the city of Grenoble (2005).

⁴⁵ I will come back to the link between democracy and voluntary work, particularly in the seventh chapter.

⁴⁶ In which all members, from the North and the South, have equal voting rights, leading to much control by producer groups, who represent the majority of the members.

⁴⁷ See for instance, Gonzalez and Doppler (2006). Initially, only national labeling initiatives participated in FLO. Producer groups were later associated with the definition of the labeling criteria. In December 2008, after a two-year reformation process, FLO formulated a new strategy, including a governance model that gives greater representation to producer groups, organised in three continental networks. Producers now represent one third of FLO's Board members. (http://www.fairtrade.net/how_we_are_run.html, May 27, 2009).

inherent in FT precisely aim at giving primacy to producers and to their work in the distribution of revenues. Of course, other intermediates benefit from the revenues of FT according to the type of supply chain, and some of them are remunerating capital rather than work: transporters, retailers, transformation companies (for instance, for chocolate, cosmetics, garments, etc.), etc. While the FTOs—possibly helped by labelers—are supposed to guarantee that a significant part of the value is transferred to producers, actual practices are diverse and the interpretation of “primacy” is subjective. At the organisational level, only FTOs with nonprofit and cooperative forms formally impede giving primacy to the remuneration of capital. Even in business-form FTOs, however, as we will see further, there does not seem to be a distribution of high dividends: on the contrary, most of the FTOs seem to be struggling to break even.

In conclusion, although it would be scientifically dubious to generalise at this stage, I may suggest that three out of the four principles of the social economy seem to be followed by the majority of FTOs: autonomy, service to the community ahead of profit, and primacy of people and work over capital in the distribution of revenues. These two last criteria may differentiate most FTOs from traditional businesses. Economic democracy, however, does not seem central in all FTOs, especially the newer ones. The remainder of this work will help to clarify this basic observation. While nonprofit and cooperative forms (juridical/institutional approach) tend to favour the respect of all four principles of the social economy (normative approach), these forms are (1) not an absolute guarantee that the principles are effectively implemented, and (2) not the exclusive depositories of a social economy dynamic. We thus tend to follow Reed and his colleagues when they suggest that 100% FT organisations are naturally close to the social economy—with the nuance that the democracy criterion tends not to be met as often as the other three criteria.

The four principles of the social economy say little about the political dimension. In fact, we can find the same diversity in this regard in both social economy and FT—a constant that can be found in most of the “alternatives” embodied by the different concepts presented in this section. On the one side, there are the “idealists” or “radicals”, who want to build a genuine alternative and who aim to impose its rules on the whole economic system on the long term. On the other side, there are the “pragmatists” or “reformists”, who try to change the economic system from the inside. FTOs belonging to the second category seem less active in education and advocacy than those belonging to the first one, but they may nevertheless also be involved in the political dimension. As already mentioned, it thus seems important not to confine the “political” dimension of FT only to the more radical components of the movement.

3.3. The solidarity-based economy

3.3.1. Principles

The concept of solidarity-based economy is close to that of social economy but it adopts a slightly different perspective. Rather than considering a number of legal forms and governance principles that put people ahead of profit, the authors adopting the solidarity-based economy approach insist on the citizen roots of the economic initiatives and on their political role of

democratisation (Eme & Laville, 1994; Evers & Laville, 2004; Laville, 1994; 2003). These authors suggest that solidarity-based organisations reintroduce the political dimension in the very heart of the economic activity. Through the creation of “public spaces” of citizen participation⁴⁸, decision-making in the economic domain is submitted to a political deliberation. Solidarity-based organisations emerge from a “co-construction” of supply and demand. The integration of beneficiaries and other stakeholders in the very design of the production of goods and services is thus particularly central in this approach.

The “embeddedness” of the economic activity in a broader socio-political project exceeding the sole market logic is borrowed from Mauss (1950) and Polanyi (1944), together with the notion of “hybridisation” of market, reciprocity and redistribution logics (Laville, 1994). These are three of the economic principles distinguished by Polanyi’s economic theory (1944). The market principle “*refers to the matching of supply and demand for goods and services with a view to exchange, facilitated by a price-setting mechanism*” (Laville & Nyssens, 2001:324). Unlike the two other principles, the market principle is based on contractual relationships and is not necessarily embedded in the social system (Evers & Laville, 2004). Redistribution is “*the principle on the basis of which the results of production are handed over to a central authority responsible for managing it*” (Evers & Laville, 2004:17). Such a central authority is typically the state, but it may also be non-state institutions (for instance, private foundations). Finally, reciprocity is “*an original non-contractual principle of economic action in which the social link is more important than the goods exchanged*” (Evers & Laville, 2004:18); it is a specific type of spontaneous giving and counter-giving mechanism constituting “*a complex mix of selflessness and self-interest*” (Laville & Nyssens, 2001:324).

Polanyi’s work is based on a historical perspective. He analyses various combinations of the three logics throughout history, with the market logic, initially confined to specific spheres of economic life, progressively imposing itself upon the other spheres. In the contemporary economy, while the three logics remain present, they have been prioritised in the following way: the market principle is considered as primary, redistribution as supplementary, and reciprocity as residual (Evers & Laville, 2004). Solidarity-based economy initiatives try to reconcile these three principles through an economic activity embedded in logics of reciprocity and redistribution, with a strong emphasis on solidarity and political involvement. For that purpose, these initiatives tend to “hybridise” different goals as well as different resources, from the market (sales), the state (subsidies) and the sphere of reciprocity (through gifts, voluntary work etc.). In this sense, the solidarity-based economy is not a clear-cut “sector” but rather a hybridisation of different economic principles. Through taking into account the reciprocity principle, rather than only the state and the market principles, when characterising economic organisations with social and political goals, the solidarity-based economy puts forth a whole range of citizen initiatives that are not—or not properly—covered by the social economy approach (Gardin, 2006). Hybridisation is presented as a tool that allows organisations to resist the trends toward institutional isomorphism, i.e., the progressive attraction by and resemblance to one of the three poles, particularly the market and the state. It is through a constant

⁴⁸ The concept of “public space” was inspired by Habermas (1974; 1992) and Giddens (1994), cited in Laville and Nyssens (2001).

combination of goals and resources that solidarity-based organisations manage to preserve their specificities (Evers & Laville, 2004; Laville & Nyssens, 2001). The authors of the solidarity-based economy suggest, nevertheless, that the combination of the three economic principles may involve tensions within and around these organisations (Evers, 1995). These tensions should be examined in the specific case of FTOs.

3.3.2. Fair Trade and the solidarity-based economy

FTOs offer an interesting example of “co-construction” of the supply by diverse “demand-side” stakeholders. We can indeed consider most of FTO’s founders and workers as people who were themselves interested in the provision of FT in its different dimensions: economic (as consumers of FT products), social and political (as citizens desiring a fairer trading system). The hybridisation of goals and the re-embedding of the economic activity in a wider socio-political project lie at the heart of the initial FT concept (see, for instance, Auroi & Yopez del Castillo, 2006; Bisailon *et al.*, 2005b). The combination of economic, social and political dimensions that I have highlighted is borrowed from the same intuition of re-embedding of the economic activity in a socio-political context. Nevertheless, the three dimensions that I have identified are different from the three types of economic principles.

Indeed, the social dimension of FT, although it relies on certain logics of redistribution, is specific to each partnership and is thus not centralised (only the basic principles are common to all FTOs). This is thus quite different from the redistributing role of a central authority such as the state, as emphasised in the solidarity-based economy. Moreover, while certain FTOs aim to establish a direct relationship of reciprocity between producers and consumers, the FT principles and practices have often tended to describe producers as the beneficiaries of FT, thereby distancing themselves from the principle of reciprocity and from the idea of co-construction of supply and demand. Indeed, despite the close partnerships established between certain FTOs and producer groups, the FT concept has been designed in the North, and it is only recently that producers have been associated with a certain extent with the definition of the rules and criteria of FT (Gendron *et al.*, 2009b; González & Doppler, 2006).⁴⁹

The goal of “political transformation” devoted to the solidarity-based economy (Laville, 2003) is close to my definition of the political dimension of FT. But, in a certain sense, Laville and his colleagues go further by suggesting that such a political transformation can only be achieved through “public spaces” for citizen participation within the organisations. These public spaces are concretely visible, for instance, through worldshops in which the purchase of FT products takes place within a social relationship between the volunteers and the customers and within a broader political project. This project relies partly on reciprocity resources, such as voluntary work and donations. My definition of “political”, however, is less demanding in the sense that it rather considers what the FTOs contribute than how they do it. Indeed, there are several ways of participating to the political project of societal change inherent in FT. While certain FTOs, as we will see, shape their own political vision internally through citizen participation, others may participate to it, for instance, in the context of networks, without

⁴⁹ For about a decade in WFTO, and much more recently in the case of FLO.

necessarily opening “public spaces” within their own organisation. The focus on the political role advocated by the supporters of a solidarity-based approach sounds very appealing to the FTOs with a strong political involvement. In France and in Italy, many of these FTOs claim to belong to the solidarity-based economy. The Minga network, which will be described further, gathers FTOs and other organisations involved in “local FT” in what they call a “solidarity-based network”. Politically involved FTOs identify themselves all the more easily with the solidarity-based economy that, unlike the social economy, does not suppose—at least in their view—particular legal forms. This concept is thus well fitted to small FTOs with a business legal form but with a strong political project—as is the case for most members of Minga.

Finally, as already mentioned, what I have defined as the economic dimension of FT is clearly linked to the market principle. But with the mainstreaming of FT and the increasing importance of market resources for FTOs, several authors consider that the market principle is gaining autonomy from the other principles. Certain of these authors view this as a welcome extension that situates FT “*along a continuum from corporate social responsibility to [...] the solidarity economy*” (Wilkinson, 2007:220). Others consider that the logic of “re-embedding” of the economic exchange in a socio-political project, as introduced by the initial advocates of FT, is jeopardised by the increasing emphasis on the market as the dominant logic, which translates into giving priority to the volume, control and quality of the products at the expense of economic democracy, personal relationships and political objectives (Bisaillon *et al.*, 2005b; Charlier *et al.*, 2007; Gendron *et al.*, 2009b). This view is shared by some politically involved FTOs, which find in the concept of the solidarity-based economy a way to distinguish themselves from market-oriented FTOs and mainstream companies, all of which are seen as contributing to the “disembedding” of FT from its political and social background (Minga, 2005).

3.4. Social enterprise

A fourth concept often associated with FT is that of social enterprise (Doherty & Tranchell, 2007; Huybrechts & Defourny, 2008) or social entrepreneurship (Hervieux, 2008; Nicholls, 2006). 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 specific type of individuals deserving the name of “social entrepreneurs” create and develop organisations that may be defined as “social enterprises” (Defourny & Nyssens, 2008b; Mair & Marti, 2006). In the literature, however, the use of one term or the other is often linked to a different focus and/or understanding of the phenomenon. Many authors consider that “social entrepreneurship” designates a wider range of initiatives, not necessarily taking the form of “social enterprises” (Nicholls, 2006; Thompson, 2008). In this section, I will use the theoretical developments linked to social entrepreneurship and social enterprise. Following the title of this work, while acknowledging work from both perspectives, I will primarily use the term “social enterprises”, as this work is about *organisations* involved in FT more than about FT as an entrepreneurial process regardless of the organisational vehicle.

The literature on social enterprise and social entrepreneurship is recent and heterogeneous. It has evolved in different ways, with, on the one hand, North-American and British⁵⁰ authors, and on the other hand, authors from continental Europe, grouped in the EMES network (Defourny & Nyssens, 2008a; Kerlin, 2006; 2008). It seems that the former have rather used the perspective of social entrepreneurship, despite several exceptions⁵¹, while the latter have mainly developed an organisational analysis of social enterprises. Although the two schools have initially developed separately, bridges have been recently established, revealing more convergences than what might have been expected (Defourny & Nyssens, 2008a).

3.4.1. North-American literature

Within the North-American—and part of the British—literature, Dees & Battle Anderson (2006) propose to distinguish two schools of thought. The first one focuses on earned income strategies developed to support the organisation's social mission. Dees & Battle Anderson call it—although reluctantly⁵²—the “Social Enterprise” school. At its origins, the focus was on nonprofit organisations increasingly looking for new resources from the market and seeking to adopt more efficient and market-oriented behaviour (Skloot, 1983; Emerson & Twersky, 1996). Later, it was observed that “for-profit companies” were increasingly including social purposes in their basically economic missions; this second trend also fed this approach. Social enterprises are thus seen as emerging either from the social or from the business sectors, between which the boundaries are increasingly blurred (idea of “*sector-bending*”). Central to social enterprises in this approach is the idea of using the market and generating one's own incomes to achieve sustainability and thus pursue the social missions more effectively.

The second school of thought, called the “Social Innovation” school, is based on the theories of entrepreneurship (mainly Schumpeter, but also Drucker) and focuses on innovation rather than on income generation. Dees & Battle Anderson (2006:45) state this as follows: “[t]he 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”. Battle Anderson and Dees (2006) are particularly critical about the links made in the previous school of thought between market incomes and efficiency. The focus on outcomes rather than incomes seems to be embraced by various foundations supporting social entrepreneurs (e.g., Ashoka).

⁵⁰ It has to be noted, though, that while UK scholars seem to have been historically more connected with American authors and approaches, Peattie and Morley (2008) suggest that, in terms of content, they are closer to continental European approaches.

⁵¹ The term social enterprise seems to be used more frequently in the UK than elsewhere, both by practitioners (e.g., Social Enterprise Coalition, Social Enterprise London, etc.), by academics and by the state (Social Enterprise Unit).

⁵² In a footnote (41), Dees and Battle 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 a term should ideally not be linked to one particular school of thought but that it should be left as a generic name. I fully agree with this last comment and follow Defourny & Nyssens (2008a) who propose to call this school of thought the “Enterprising Nonprofit” school.

Dees & Battle Anderson (2006) point out the convergences between the two schools. Indeed, the first approach they identify is also concerned about innovation and outcomes, while the second is not opposed to incomes exclusively originating from the market: it is rather the idealisation of market resources and the linking of such resources with independence, self-sufficiency or greater impact that has been criticised (Battle Anderson & Dees, 2006). Dees & Battle Anderson (2006) propose to call this intersection “Enterprising Social Innovation”, including all the innovative initiatives that seek to create sustainable social change by blending methods from both the business and the social sectors. This intersection is described as the most promising research area. Nicholls’ book (2006) can be seen as one example of this intersection, with contributions covering both the process of social entrepreneurship and the nature of social enterprises, highlighting both the potential of market incomes and its limits, and introducing critical insights on notions such as social change.

Nicholls and Cho (2006) define social entrepreneurship as composed of three elements: sociality, innovation, and market orientation. While the social nature of social entrepreneurship may seem obvious—through “*a context, process and/or set of outputs that might reasonably be considered to be in the public benefit*” (Nicholls, forthcoming)—, Nicholls and Cho (2006) warn about the often ill-defined and descriptive nature of social change. This may lead to ignoring the heterogeneity of interests and favouring particular social groups at the expense of others. Nicholls and Cho (2006:106) thus call for a stronger awareness on the fact that “[v]isions of the social are inextricably linked to varying sets of potentially incompatible values and normative commitments”. In such a context, “*talking about social entrepreneurship without acknowledging the possibility of fundamentally divergent social objectives makes little sense*” (106). The second element, innovation, is also ambiguous. Drawing on the Schumpeterian view of innovation, the emphasis is laid on of new combinations of goods, services, and organisational forms. Nicholls (forthcoming) distinguished three types of social innovation: “*in new product and service development (institutional innovation); in the use of existing goods and services in new – more socially productive – ways (incremental innovation); in reframing normative terms of reference to redefine social problems and suggest new solutions (disruptive innovation)*”. Finally, market orientation involves a greater attention to competition, performance, rational cost recovery strategies and accountability. Nevertheless, Nicholls (forthcoming) suggests that social entrepreneurship re-embeds the economic exchange in its social context, vesting it with “ideas of reciprocity and the public good”, hereby converging partly with the view of the solidarity-based economy.

3.4.2. EMES approach

In Western Europe, the dominant approach to social enterprise is based on the work developed by the EMES Network since the second half of the 1990s (Defourny, 2001; Nyssens, 2006). EMES defines social enterprises as “*not-for-profit private organisations providing goods and services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity*” (Defourny & Nyssens, 2008b:5). But more than a definition, the EMES approach aims to provide an “ideal

type”, i.e., an abstract construction, or a “compass”, that “*can help anyone to locate the position of the observed entities relative to one another and [...] to establish the boundaries of the set of organisations that he or she will consider as that of social enterprises*” (Defourny & Nyssens, 2008b:5).

The EMES approach sheds light on some features of social enterprises that seem underestimated or ignored by the North-American approaches (Defourny & Nyssens, 2008a). First of all, based on extensive empirical research carried out across EU countries, EMES authors suggest that most social enterprises do actually belong to the social economy or “third sector”. In other words, they are generally nonprofit or cooperative organisations in which profit distribution is limited. This does not mean that traditional business forms are automatically excluded from the social enterprise area, but rather that the primacy of social goals is better guaranteed by legal provisions than by the sole appraisal of managers or owners. Such legal provisions include not only limitations on profit distribution, but also specific governance models aimed at securing the social mission, through a strong orientation toward a participatory management process as well as a democratic decision-making process. In this sense, the EMES approach does not entirely subscribe to the idea of increasingly “blurred frontiers” among organisational forms, as suggested by much of the North-American literature.

In line with the participatory and democratic nature of social enterprises’ governance, the authors of the EMES network observe an increasing involvement of various stakeholders in the decision-making processes, leading to “multi-stakeholder” configuration. Such a configuration can be seen as a cause and/or a consequence of the variety of goals pursued by social enterprises—economic, social, and political goals—and of resources raised (Campi *et al.*, 2006; Defourny & Nyssens, 2006; Petrella, 2003). The insistence on the possibility of combining various types of resources—rather than on their sole market origin—contrasts with part of the previously mentioned approaches that focus on the market as the main or even exclusive source of resources. Finally, the EMES approach converges with the “Social Innovation” school through its shared Schumpeterian view of innovation, although EMES authors have mainly described such innovation at the theoretical level (Defourny, 2001).

3.4.3. Fair Trade and social enterprise

FTOs have been used quite early as examples of social enterprises and contributed to the shaping of the social enterprise concept. Such a link has been made in a particularly explicit way in the UK, by both academics (e.g., Doherty & Tranchell, 2007; Nicholls, 2006) and practitioners⁵³. It is worth noting that the “Social Enterprise Unit”, now part of the “Office of the Third Sector” of the British government, has proposed a definition that situates social enterprises in the social economy⁵⁴, similarly to what is suggested by the EMES approach.

⁵³ Examples include numerous collaborations between FTOs and social enterprise networks (for instance, Social Enterprise London) or the exemplification of FTOs’ leaders as social entrepreneurs (for instance, Penny Newman, former CEO of British FTO Cafédirect, designated as “Social Enterprise Ambassador” in 2007).

⁵⁴ “*Social enterprises are part of the growing ‘social economy’. The social economy is a thriving and growing collection of organisations that exist between the traditional private sector on the one hand, and the public sector*”

In her taxonomy of social enterprises' "mission and money" models, Alter (2006) describes FTOs as mission-centric and embedded: the social enterprise is not just a device to raise resources to achieve a distinct social mission, but "*the enterprise activities are 'embedded' within the organisation's operations and social programmes*" (212). It is interesting to note that FT is described as allowing economic and social benefits to be achieved simultaneously. The political dimension of FT, however, finds fewer echoes in the social enterprise approaches⁵⁵, exception made of the observation that systemic change should also be aimed by social enterprises, especially in an environment that creates social injustices and constrains the scaling up of social change (e.g., Grenier, 2006; Nicholls & Cho, 2006).

A more encompassing analysis is found in Nicholls (forthcoming), who extends Dees and Battle Anderson's (2006) distinction of "social enterprise" and "social innovation" to describe FT. He suggests that the first type of social entrepreneurship is useful to characterise FTOs (and corporations involved in FT) that focus on market mechanisms and strategies as the main vehicle to develop FT. On the other hand, FTOs that rather focus on education and advocacy to influence the conventional market are closer to the vision of "social innovation". As previously mentioned, Nicholls (forthcoming) sees a high potential in the combination of these two types of social entrepreneurship, which might enable "*both current exploitation of extant [market] institutions and future reframing of their meaning and functions*".

Following Nicholls' analysis and translating it to the organisational level, I suggest that the diversity of FTOs, and, more broadly, FT visions, echoes the rich diversity of practices and conceptualisations of social enterprise. Indeed, FTOs with a nonprofit or cooperative form, a collective dynamic, democratic decision-making and a hybridised resource mix are certainly closer to the EMES ideal type, as well as to the "social innovation" school, than to the "social enterprise" school (as described by part of the North-American and British literature). Conversely, other FTOs, which rely exclusively on market resources and are driven by an individual entrepreneur aiming to achieve social change, might be better described by this latter approach. In certain cases of small, entrepreneurial FTOs, a characterisation of the distinctive features of the social entrepreneur may be the most useful perspective. This is why I acknowledge that each conception may shed light on a particular dimension of FT, from the more market-based approaches to those that emphasise the socio-political role of social enterprise, from the broad, "blurred boundaries" vision to the more narrow situation of social enterprise in the social economy, and from the entrepreneur-centred conceptualisation to those that emphasise the collective, citizen-based and democratic dynamics.

At the meantime, it is useful to highlight a number of features of FT and FTOs that seem to fit into all—or, at least, most—of these conceptions:

on the other. Sometimes referred to as the "third sector", it includes voluntary and community organisations, foundations and associations of many types. A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners." (Social Enterprise: A Strategy for Success, http://www.cabinetoffice.gov.uk/upload/assets/third_sector/se_strategy_2002.pdf, viewed on June 16, 2009)

⁵⁵ Notable exceptions include the work of several authors of the EMES network that link social enterprise with the intuitions of the solidarity-based economy (e.g. Laville & Nyssens, 2001).

- The FT concept corresponds well to the general idea of using (and adapting) market mechanisms to pursue a social purpose in an innovative way.
- The apparent diversity of FTOs' organisational forms seems embraced to a certain extent in all the conceptualisations of social enterprise, even the EMES one, insofar as they are less explicitly limited to one or a few legal forms than, for instance, the cooperative and social economy approaches.
- Most FTOs seem to rely heavily on market resources, either as the exclusive or as the main source of incomes, and are not averse to risk-taking.
- The development and growth of FT, particularly through labeling and mainstreaming, constitute an illustration of the idea of "scaling up" social innovation to achieve more global social change (e.g., Dees, 2001; Martin & Osberg, 2007).

Such a scaling up through mainstreaming has, however, brought about debates on the type of social change that is pursued through FT and on the paradoxes it includes. Studies have suggested that, while improving the situation of the partner producer groups, FT partnerships could contribute to marginalising other groups in the same region that do not benefit from the same support (Charlier *et al.*, 2007; Kohler, 2006). The seasonal workers who help producers but do not necessarily see their livelihoods impacted by FT are also ignored in the FT criteria (Kohler, 2006; Ronchi, 2002). Moreover, in the context of FT products sold through supermarkets, criticism has been made on the grounds that only producers in the South are concerned by the goal of social change, and that other social groups—for instance, cashiers in the supermarkets, or other workers along the supply chain—are ignored, their unfair treatment being *de facto* approved by FTOs (Jacquiau, 2006; Minga, 2005). These are only a few examples of the possible tensions within the social dimension, as well as with the other two dimensions, which should be taken into account when examining FTOs' goals and practices.

4. Synthesis and focus of this work

4.1. Focus on specific organisational forms

I specifically chose to review four concepts and movements that highlight the existence of specific, "alternative" *organisational forms*. Indeed, in my view, the pursuit of multiple—and sometimes conflicting—dimensions should not be examined regardless of the organisational form: such a multidimensional nature seems to both *require* and *influence* the organisational form. Let me summarise how each of the approaches views organisational forms.

The cooperative movement is centred on a specific legal form: the cooperative. Two radically distinct features characterise that form. First, the cooperative form gives the ownership to categories of stakeholders other than the shareholders. Secondly, the formal power (voting right) is distributed equally among the owners (economic democracy). This induces specific challenges in terms of governance, with one or several particular stakeholder categories (customers, producers, employees, etc.) taking part in governance structures such as the General Assembly and the Board of Directors (Cornforth, 2004).

The social economy stresses the common features of four “alternative” (non-capitalist) legal forms: nonprofits, cooperatives, mutuals and foundations. The ideal of economic democracy is also implemented through the “one member, one vote” principle. Beside the previously mentioned governance of cooperatives, much attention has been paid to the challenges of governance in nonprofit organisations (Cornforth & Edwards, 1999; Miller-Millesen, 2003; Ostrower & Stone, 2006).

The authors adopting the solidarity-based economy approach do not explicitly mention particular legal forms. However, their focus on the citizen roots of solidarity-based organisations and on the hybrid nature of these organisations’ goals and resources lead to favouring “alternative” legal forms with participatory governance models and leaves little room for comparison with the traditional model of mainstream profit-seeking companies (Laville, 1994).

The legal form of social enterprises can be interpreted differently according to the approach chosen. While EMES authors see most social enterprises at the interface between nonprofits and cooperatives (Defourny, 2001), others argue that social entrepreneurship may be found in all types of private and public organisations (Austin *et al.*, 2006b; Mair & Noboa, 2003). Some suggest, however, that even these authors have mainly nonprofit and cooperative initiatives in mind when giving examples of social enterprises (Dart, 2004; Weerawardena & Mort, 2006). It is worth noting that the development of the notion of social enterprise has given birth to specific legal forms across Europe, such as the “Community Interest Company” in the UK, the “Social Cooperative” in Italy or the “Social Purpose Company” in Belgium (see for instance Defourny & Nyssens, 2008b for other European examples such as France, Denmark, Portugal, etc.). These legal forms hybridise to various extents the legal features of nonprofit, cooperative and sometimes “for-profit” organisations. Still regarding the social enterprise approach, many authors studying these organisations put a strong emphasis on governance features such as multi-stakeholdership and participation (Campi *et al.*, 2006; Malo & Vézina, 2004). Even in the approaches of social entrepreneurship that do not include governance issues in their definition, it is interesting to note that the authors who examine the management of these organisations inevitably confront these issues (Borzaga & Solari, 2001).

In conclusion, the legal form and the governance model seem to be two key elements of the organisational form. However, the whole academic literature that can be grouped under the umbrella term of “organisation theory” has developed an analysis of organisational forms that includes many other elements, the main one being the “architecture” or “design”. Let me remember, at this stage, that the organisational form is a construct that includes several elements, all of which may be “vehicles” that express something about the organisation’s vision and missions. In the beginning of the fourth chapter, I will come back on what I understand precisely under the term “organisational form”.

4.2. Synthesis and contribution to the research topic

The following table summarises the respective foci of each approach, with their strengths but also their weaknesses in capturing the specific features of FT and FTOs.

Table 3: Contributions of the four affiliated approaches to understanding FT and FTOs

| | Cooperative movement | Social economy | Solidarity-based economy | Social enterprise |
|--|--|--|--|---|
| Foci | Cooperatives Quest for economic democracy Service to members Education & empowerment | Cooperatives, mutuals, nonprofits People and work ahead of profit Economic democracy and collective dynamics | Hybridisation of economic logics Economic democracy and public spaces Co-construction of supply and demand | Entrepreneurial dimension combined with social mission Innovation and risk Social change |
| Contribution to understanding FT/FTOs | Historical roots, “fair price” Cooperative principles (North & South, particularly producer coops and producers’ empowerment) | Several possible forms Focus on people and work ahead of profit Historical dimension | Focus on political dimension Hybridisation of goals and resources Co-construction of supply and demand Historical dimension | Largest and most flexible umbrella of forms Fits to market orientation and resources of FT Innovation & risk-taking central |
| Limitations in describing FT/FTOs | Limited to one organisational form; democracy not central in all FTOs | Excludes “for-profit” business forms | Limited perspectives on organisational forms | Weak historical perspective Lower political focus |

It appears that the four concepts show some complementarities to describe FT and FTOs. The width of the largest approaches, such as social enterprise and the social economy, is completed by the depth of narrower ones, such as the solidarity-based economy and the cooperative movement. The latter bring a historical perspective allowing the idea and mechanisms of FT to older to be linked to older quests for fairness in and social embeddedness of the economic activity. The social economy approach brings a perspective that emphasises the role of economic democracy and limited profit distribution in securing the social mission. The solidarity-based economy approach brings a focus on the political and citizen dimensions of FT and explicitly describes the combination of logics and the possible tensions within organisations. And the social enterprise approach, as the most recent concept, allows for a better understanding of the increasing market orientation that seems to characterise FTOs, although such an orientation seems to translate into diverse organisational practices and forms.

Among the four concepts, that of social enterprise seems to be the most adequate and the one that best fits the reality of FTOs, based on the convergences highlighted in the previous section.⁵⁶ The main reason is that the social enterprise approach is the one that most broadly embraces the spectrum of organisational forms that seem to be observed in FT.⁵⁷ This approach also pays particular attention to the “hybrid” organisational forms that cannot be understood properly by existing classifications (Nicholls, 2006:11). To summarise, I would suggest that, while the roots of FT may be found in the cooperative, social economy and solidarity-based economy movements, and while certain FTOs still identify themselves with one or several of them, the current, diversified landscape of FTOs seems best described by the social enterprise approach. This may appear logical, in the sense that the social enterprise approach is the most recent one and that it has precisely been fed partly by the practice of FTOs. In any case, the study of the affiliation of FT to other concepts and movements shows that FT should not be studied as a separate and new initiative. It must be understood as a recent and successful illustration of a much larger and older quest aiming to reconcile the economic activity with social purposes and political involvement. All four concepts contributed to shed light on specific features of organisational forms that express such combination and that contrast, although to various extents, with the traditional model of the “for-profit” corporation.

As stated in the introduction, the central topic of this work is to explore the way in which the diversity of FTOs’ organisational forms may be linked to different articulations of the economic, social and political dimensions of FT. This global interrogation may be translated, *at this stage*⁵⁸, into three sub-questions directly inspired by the analyses developed in this chapter. A first one is to know how we can capture the diversity of the organisational forms adopted by FTOs in a more precise and data-based way than what can be found in the FT literature, as highlighted in the first part of this chapter. The second and more fundamental question is to explore why there is such an organisational diversity or, in other words, what are the reasons that lead FTOs to adopt diverse types of organisational forms, instead of one identical model. The next, theoretical chapter will particularly explore which explanatory elements can be put forth. Finally, as the different dimensions of FT are not necessarily coexisting with each other in harmony, a third challenging question is that of the tensions between these dimensions. These tensions will not be explored so much at the movement’s level, as several authors do, but rather at the organisational level, within FTOs. Indeed, if organisational forms allow specific articulations of economic, social and political dimensions, then they also constitute vehicles to deal with and express tensions among these dimensions. The next chapter will examine a range of theoretical approaches that will provide a stronger background and suggest different interpretations for these research questions, particularly the second one.

⁵⁶ This is why the title of this work explicitly mentions FTOs as social enterprises.

⁵⁷ The organisational spectrum of social entrepreneurship may be useful to examine the role of corporations (Austin *et al.*, 2006a; Austin & Reficco, 2005) in the context of FT mainstreaming. However, this is out of the scope of this work, which focuses on FTOs.

⁵⁸ Indeed, as stated in the introduction, the general question can in fact be translated into *four* sub-questions. The next, theoretical chapter will further refine these sub-questions, especially the second one.

Chapter 2 – Theoretical framework

To understand how and why FTOs adopt diverse forms, various theoretical approaches are at my disposal in the context of “organisation theory”. I cannot, however, develop all these approaches in this work. I will focus on part of the so-called “contemporary” approaches, which seem to fit the research questions as well as the disciplinary knowledge and skills at my disposal. The following section explains the origins of these contemporary approaches and presents how they have been translated to three major fields that feed organisation theory: sociology, economics and political analysis. The section ends by analysing how the different approaches can be compared and articulated to each other. Then, the subsequent sections present the selected approaches in detail, with a particular focus on their contribution to the study of FTOs’ diverse organisational forms. The last section proposes a model that maps—without mixing—the different theoretical approaches, the variables they suggest and the relationships between these variables and the organisational form. Based on such mapping and on the epistemological roots of each approach, I conclude by describing how these different approaches will be used in the context of this work.

1. Overview of theoretical approaches

1.1. From “one best way” to organisational diversity

From the late 1800s to the 1970s, several approaches set the bases of organisation theory. Before the Second World War, the classical approaches such as the Scientific Management school (Taylor, 1911; Fayol, 1918) and the Human Relations movement (Barnard, 1938; Mayo, 1933) tried to determine how businesses and the individuals who compose them should best achieve harmony and efficiency (“one best way”). After the Second World War, sociologists rediscovered the work of Max Weber and examined bureaucracy in organisations, questioning the “one best way” approaches. During the same period, psychologists and economists became interested in issues concerning decision-making, replacing the view of “full rationality” hypothesised by classical economic theory with a more realistic “bounded rationality” (Simon, 1945; Simon & March, 1958; Cyert & March, 1963; March & Olsen, 1976).

In the 1950s and 1960s, one of the major approaches was contingency theory. This theory examined the influence of given internal and external elements on an organisational structure. Woodward (1965) and Burns and Stalker (1961) examined the link between the level of technology and the type of organisational structure. Lawrence and Lorsch (1967), together with scholars later called the “Aston group”, investigated how several elements of the environment have an impact on the organisational structure. Their approach was called “structural contingency” and investigated a wide range of environmental and structural variables. The authors studying structural contingency also examined how the environment requires organisations to adopt specific forms. Because each organisation is surrounded by a specific environment, it will adopt the organisational form that best suits the technical and economic features of that environment. For instance, the more stable an environment, i.e., the more changes can be anticipated, the more “mechanical” the structure—strong work division,

formalisation and departmentalisation. In an unstable environment, structures are more likely to be “organic”—more flat, with mutual adjustment and departmentalisation by outputs (Burns & Stalker, 1961 and Mintzberg, 1982 & 1986, cited in Nizet & Pichault, 1995). Market complexity should also be taken into account: the more simple the market, the more centralised the structure. Centralisation is also likely to be favoured by market hostility (when the survival of the organisation is unsure, decisions will be more centralised). Finally, the heterogeneity of the market is viewed as an important factor. The more heterogeneous the demands made to the organisation, the more it will be departmentalised by outputs. These intuitions will be developed in the context of the “configuration” approach (Miller, 1986; Mintzberg, 1980), which can be viewed as a direct extension of the structural contingency approach (Nizet & Pichault, 1995; Rouleau, 2007).

In the 1970s, several approaches such as Actionist and Marxist analyses took a more critical stance regarding conventional organisation theories, in the context of economic crisis. Their criticism paved the way for new approaches. The late 1970s, 1980s and 1990s corresponded to a renewal of theoretical propositions on organisations. These renewed approaches arose mainly in sociology, economics and political science.⁵⁹

1.2. Sociology

The first body of theories arose in sociology and extended the work of structural contingency around two perspectives: population ecology and new institutionalism. Population ecology applies the Darwinist reasoning to organisations, suggesting that births and deaths of organisations can be understood in the same way as with species in the natural world. Population ecology is directly inspired by biology and demography. I will not use this approach here.

Sociological “new institutionalism” was new in opposition with the “old” institutionalism (see Selznick, 1949). According to Powell and DiMaggio (1991), both approaches have in common to reject traditional rationalist models and the view of organisational choices as being constrained by their culture and environment. However, the two approaches differ in many aspects. Old institutionalism has a more political, local view of the environment, examining political coalitions and the informal functioning of organisations. It is the organisation that is viewed as an institution. New institutionalism, by contrast, has a more global view of the environment, and “*locates irrationality in the formal structure itself, attributing the diffusion of certain departments and operating procedures to interorganisational influences, conformity, and the persuasiveness of cultural accounts, rather than to the functions they are intended to perform*” (Powell & DiMaggio, 1991:13).

The origins of neo-institutional theory are generally located in the late 1970s, more precisely in Meyer and Rowan’s article “Institutionalised Organisations: Formal Structure as Myth and Ceremony” (1977). Three other articles constitute its fundamentals, as compiled in the book

⁵⁹ A fourth approach mentioned by Rouleau is called “symbolic analysis”. Due to space limitations and the absence of direct links to my topic, I will not describe this approach.

“The New Institutionalism in Organisational Analysis” (Powell & DiMaggio, 1991). DiMaggio and Powell’s famous “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields” (1983) is one of these. In the same year, Scott and Meyer published “The Organisation of Societal Sectors: Propositions and Early Evidence”. A fourth article is “The Role of Institutionalisation in Cultural Persistence” by Zucker in 1985. Neo-institutional authors distinguish themselves from structural contingency in that they perceive the environment in a much broader way: not only through its technical and economic features, but also through symbolic and cultural dimensions. Secondly, the organisational structure is also seen in a symbolic way, as reflecting the characteristics of the environment more than efficiency concerns.

Neo-institutional theory is used by so many academics that it is in fact hybridising a growing number of theoretical fields, sometimes leading to paradoxical arguments (Tolbert & Zucker, 1996). Reacting to the criticism toward the deterministic nature of this theory, Powell, Zucker, Hardy and other authors re-consider the role of agency, i.e., the capacity of actors to make choices despite institutional pressures, and their capacity to influence and even create institutions. Building on the notion of “institutional entrepreneurship” introduced by DiMaggio (1988), several authors try to understand how and by whom institutions are shaped. In doing so, they are confronted to a tension between institutional determinism and agency. This is referred to as the “embedded agency” paradox, which can be described by the following question: “*how can organisations or individuals innovate if their beliefs and actions are determined by the institutional environment they wish to change ?*” (Leca *et al.*, 2008:4).

Several attempts have been made to overcome this paradox, particularly in “emerging fields” in which authors try to examine how organisations and other actors interact to create the field and develop the norms which will prevail for newcomers (e.g., Maguire *et al.*, 2004 studying the structuration of HIV treatment advocacy in Canada). These authors try to establish links with the literature on entrepreneurship, following Schumpeter’s conception of entrepreneurship that concerns not only individuals but also organisations and institutions. Moreover, entrepreneurship is not understood so much in the sense of the creation of particular organisations, but rather as the “*generation of new organisational models and policies that change the direction and flow of organisational activity*” (Hwang & Powell, 2005:180). Through the introduction of such strategic dimension in a basically deterministic context, institutional entrepreneurship can certainly be considered as a distinct approach. This is why I distinguish it from the original neo-institutional sociological approach, even though it is also “institutional” and “sociological”.⁶⁰

1.3. Economics

Both classical and neo-classical economics, as developed in the 19th and 20th centuries, pay little attention to the structure and functioning of organisations. “Firms” offer products on the market with the goal of maximising their profit. “Consumers” buy these products and maximise

⁶⁰ Avoiding the additional ambiguity that would be brought by referring for instance to “new new institutionalism” versus “old new institutionalism”.

their utility according to their preferences. Supply (by firms) and demand (by consumers) are coordinated naturally by market forces. Although the “test of reality” pushes neo-classical economists to add complexity to the initial model (by including market imperfections, externalities, and other economic agents such as the State), firms remain, in their view, a “black box” that does not need to be opened (Coase, 1937; Coase, 1998; Slitter & Spencer, 2000; Williamson, 1979).

The first attempt to open this black box was made by Ronald Coase in 1937. In “The nature of the firm”, Coase examines the following question: why are certain transactions operated through organisations instead of simply through the market? Coase introduces the notion of “transaction cost” to explain the existence of firms: in some cases, it is less costly (in terms of information, negotiation, etc.) to coordinate the transactions of economic agents through firms than it would be through the market. The firm and the market are thus two distinct institutions. The analysis of Coase is based on the notion of contracts between agents (short-term contracts on the market versus long-term contracts through firms). Such a “contractual” view, although sharing common assumptions with the neo-classical tradition (Slitter & Spencer, 2000), leads to a stronger complexity in micro-economic analysis and to a much stronger attention to organisations (Coase, 1998). While all economists studying organisations do not necessarily use and share tools developed in the contractual approach, it can be said that they are all influenced by it to a certain extent (Barney & Hesterly, 1996).

Since the 1970s, a wide range of authors have been inspired by the contractual view and cite Coase as the basis on which they build their work (Barney & Hesterly, 1996; Coase, 1998). However, they diverge in their interpretation of the notions of contract and transaction cost, which leads the contractual approach to be divided into two schools of thought. As stated by Foss (1993:130), *“while these two contractual approaches have isolated almost the same questions from the original Coasian analysis—what is the precise nature of transaction costs? how are they best to be operationalised? what determines the size of hierarchical costs? etc.—they have given rather different answers.”*

The first school of thought, led by Akerlof (1970), Alchian and Demsetz (1972) and Jensen and Meckling (1976), examines markets and firms in terms of contractual relationships and incentive problems. The authors of this school of thought, while referring to Coase’s work, follow a perspective that does not fundamentally challenge the assumptions of the orthodox neo-classical approach (Foss, 1993). Indeed, only the assumption of perfect information is questioned through the analysis of “information asymmetries”. As Akerlof demonstrates in the market of second-hand cars (“lemons”), information asymmetries about the quality of the products may lead to opportunistic behaviours that may disable the functioning of markets and thus require the rise of new institutional arrangements. Contracts are thus viewed as tools to limit opportunism and correct the institutional failure—“market failure” or “contract failure”—induced by information asymmetries. To locate these asymmetries, it is thus crucial to understand the specificities of the types of goods produced, as we will see further. Because of the view of the firm as a “nexus of contracts” (Jensen & Meckling, 1976), Foss (1993) uses this very term to refer to this first contractual school of thought. Lemaître (2009), and Bacchiega

and Borzaga (2001), simply call it the “contractual” approach.⁶¹ Barney and Hesterly (1996) refer to the “Alchian-Demsetz approach”.

Much of the analysis explores incentive problems: which contracts are likely to ensure that agents will conform to what is expected of them? The most famous illustration of contracts as incentive tools is the agency theory (Jensen & Meckling, 1976). The agency theory explores the relationships between “principals” and “agents”, typically between shareholders and managers, trying to determine how the actions of the agents can best be aligned with the expectations of their principals. Authors of the agency theory conclude that incentive issues and agency problems are best handled through the classical capitalist firm model (Jensen & Meckling, 1976). However, the firm itself is viewed as a “legal fiction” (Jensen & Meckling, 1976): it is only a formal expression of a nexus of contracts (Fama & Jensen, 1983). The vision of the firm as an institution made of a complex set of contracts is so strong that the notions of “the entrepreneur” and “the firm” have been abandoned (Bacchiega & Borzaga, 2001; Foss, 1993; Lemaître, 2009). Another application of this first contractual view is the property rights theory, developed by Grossman and Hart (1986), and Hart and Moore (1995;1999).

The second school of thought based on the contractual view introduced by Coase was led by Williamson (1979; 1985; 1995; 2002a; b). Williamson and other authors re-actualised Coase’s notion of “transaction costs” and built a “transaction cost theory”. The transaction cost theory aims to deepen, much more than in the previous school of thought, the understanding of why, in certain circumstances, the coordination of agents through the market is substituted by coordination through the hierarchy of a firm or organisation (Williamson, 1979). The firm is depicted in a more complex way than as a simple “nexus of contracts”. Contracts are unable to rule all possible situations. As contracts are incomplete, agents may act opportunistically by using such incompleteness to their advantage (Williamson, 1985; 2002b).

Beyond contract incompleteness, a major feature of this second school of thought is the use of Herbert Simon’s (1955) concept of “bounded rationality” that distinguishes it from both the first contractual school of thought and the neo-classical economic theory (Foss, 1993; Williamson, 1985; 2002b). Yet, several authors question the use made by contractual authors, Williamson in particular, whose conception of rationality appears boundless in several aspects (Slitter & Spencer, 2000).⁶² Interestingly, the positioning of transaction cost theory as an alternative that leans toward neo-classical economics—despite criticism regarding the alternative nature of its assumptions—seems to make it more acceptable in the view of other social and political streams of organisation theory, with which common roots have been identified (Barney & Hesterly, 1996; Coase, 1998; Williamson, 1995).

⁶¹ I will not call this first approach “contractual” simply because the second school of thought, as we will see, also departs from the firm as a nexus of contracts, albeit with more complexity and realism (including bounded rationality and the incompleteness of contracts).

⁶²“It makes little sense to speak of people suffering from bounded rationality when they simultaneously retain the capacity for farsightedness, allowing them to foresee a way round the problems of complexity and uncertainty at the outset of contracting ” (71).

Finally, the study of the organisation as a coordination mechanism, and not simply a nexus of contracts, leads to a much stronger focus on its internal functioning. Organisations have the choice among several institutional arrangements or “governance structures” to ensure an efficient implementation of contracts and avoid opportunism. Such institutional choices will depend on the minimisation of the transaction costs that confront organisations according to the types of goods they produce and the configuration of the market.

The view of governance structures—typically the investor-owned corporation—as institutions has also been developed, at a wider and more historical level, by authors such as North (Davis & North, 1971; North, 1990; 1991). The work of Williamson, North and other authors has in common reference to the early “institutional” school in economics, led by Veblen, Commons and Mitchell (Arrow, 1987; Coase, 1998; Williamson, 2000). By qualifying transaction cost theory and other related contractual approaches as “new institutional economics”, Williamson, North and other authors simultaneously affiliate their work to the historical perspective of the institutional school, and underline their specific contribution through a stronger and more theoretically founded micro-economic analysis (Coase, 1998).⁶³

Despite Williamson’s and others’ regular attempts to distinguish the two schools of thought⁶⁴, they are characterised by their high degree of cross-pollination (Gibbons, 1998), because of later authors’ references to both schools of thought (for instance, to both property rights and transaction costs theory), and because of convergences that go beyond the affiliation to Coase.⁶⁵ Indeed, both schools of thought consider the market as the primary driving force of the economy. It is only when the market institution fails to offer cost-efficient solutions that firms emerge.⁶⁶ And it is only when capitalist firms—the most “obvious” institutions to provide goods and services—fail that the intervention of other non-market institutions, such as regulation and public production, are justified. Such failures may be due to market configuration⁶⁷ or to information asymmetries linked to the nature of the goods produced, as will be explained in the next section.

Whole streams of literature have thus used the contractual or economic neo-institutional approaches, both the transaction cost and property rights theories, to explain the emergence of alternative types of private organisations such as nonprofits (Hansmann, 1980; Krashinsky, 1986), cooperatives (Ben-Ner & Gui, 2000; Hansmann, 1999; Platteau, 1987), and organisational models such as social enterprises that draw from at least these two forms

⁶³ Such simultaneous affiliation and differentiation is quite similar to the emergence of the new institutionalism in sociology as a continuation of and reaction to the old institutionalism.

⁶⁴ In several articles (2000, 2002a), Williamson tries to keep his distances from agency and property rights theories by minimising the convergences among these theories.

⁶⁵ This justifies, in my view, the use of tools developed by both schools of thought (such as transaction cost theory and agency theory) under the common label of the “contractual” or “economic neo-institutional” approach.

⁶⁶ The complete institutional chain developed by Williamson (e.g. 2000) is the following: market– (incomplete) long-term contracts–firms–regulation–public authorities or “bureaus”. All of these institutions have assets and weaknesses that must be balanced comparatively to understand institutional change.

⁶⁷ Situations of monopoly-oligopoly (a high number of buyers for a low number of sellers), or of monopsony-oligopsony (a high number of sellers for a low number of buyers), are typically fertile for the emergence of cooperatives (e.g. Hansmann, 1996;1999).

(Bacchiaga & Borzaga, 2001). This already shows that this approach may be quite useful for studying organisational diversity.

1.4. Political analysis

The third group of contemporary approaches develops a political analysis based on the study of power. Following March and Olsen (1976), several authors (e.g., Pettigrew, 1985) focus on the coalitions of actors within and around organisations. Initial contributions to the “stakeholder theory” can be located in this approach, despite the very diverse work that claims affiliation to this term (Donaldson & Preston, 1995; Phillips *et al.*, 2003). A second, related stream studying power focuses on resources. Mintzberg’s work on power (Mintzberg, 1983) is encompassed in this perspective. But the main theoretical framework linking power and resources is resource dependence theory (RDT). RDT constitutes one of the reactions to the deterministic view of contingency theory and can be viewed as “strategic contingency” (Hatch, 1999; Rouleau, 2007).

In 1978, Pfeffer and Salancik developed a perspective that recognises the strategic possibility for organisations to reduce their dependence on the environment by gaining control over their crucial resources.⁶⁸ The introduction of the concept of power in explaining organisations’ behaviour and structures challenged dominant approaches of the time that focused only on explanations relating to production efficiency (Tolbert & Zucker, 1996). The focus of RDT is on the vulnerability of organisations to extra-organisational influence. Such influence “*is partly determined by the extent to which the organisation has come to depend on certain types of exchanges for its operation*” (Pfeffer & Salancik, 1978:43). For RDT, the organisation is thus not a well bounded entity but rather an open system. The boundaries chosen to circumscribe it can change over time and according to the analytical perspective. Organisational structures are conceived so as to reduce uncertainty by stabilising access to crucial resources. Pfeffer and Salancik distinguish several organisational strategies for achieving this aim (e.g., mergers, vertical integration, cooptation of stakeholders’ representatives, etc.).

1.5. Synthesis and comparison

1.5.1. Synthesis

In my view, these three contemporary approaches seem particularly adequate for dealing with issues of organisational diversity. Indeed, until the development of contingency theory, classical approaches tried to determine the “one best way” of designing organisational structures. The dominant corporate model was presented as the most efficient solution. Then, contingency theory replaced these attempts by suggesting that “it all depends” (Mintzberg, 1983). Several factors were proposed to determine on what “it depends”: age, size, market configuration, etc. While the economic and sociological neo-institutional approaches each extended contingency theory by suggesting, instead of a range of precise and isolated variables,

⁶⁸ The term “resources” must be understood in a broad sense, including not only tangible, financial and material resources, but also non-tangible resources such as trust and legitimacy.

more global explanations to understand organisational behaviour and structure, resource dependence theory introduced a more political perspective examining the interactions between the organisation and its environment.

The explanations of why particular organisational forms are adopted, as well as the level of discretion given to organisational decision-makers, differ a lot among the approaches. In the economic neo-institutional or contractual approach⁶⁹, it is the configuration of transactions that determines the less costly institutional arrangement and thus the organisational form (Williamson, 1979). For early neo-institutional sociologists, organisations follow “scripts” provided by the environment, with little discretion power (Tolbert & Zucker, 1996). These scripts tend to push organisations of a same field to resemble each other, thereby reducing the initial organisational diversity (DiMaggio & Powell, 1983). In institutional entrepreneurship, organisational actors have a much higher level of discretion and are able to engage in strategic maneuvers to shape their environment. This converges highly with RDT, in which organisations secure access to resources and thus reduce their dependence on that environment (Pfeffer & Salancik, 1978). In fact, the four approaches make the shaping of the organisational form dependent on factors that are themselves diverse: respectively, the costs of transactions, the institutional values and pressures, and the dependencies and power plays among organisations. The diversity of modalities for each of the three types of variables opens the door, in each approach, for diversity in organisational forms—although the sociological neo-institutional approach suggests a gradual reduction of such diversity.

It is worth noting that economic and sociological neo-institutionalism have been the two major theoretical frameworks used to investigate the emergence of social enterprise.⁷⁰ In the two approaches, social enterprise can be seen, respectively, as a new institution in itself, or as reflecting new settings in the institutional environment. From an economic perspective, social enterprise has been viewed as a new institution capable of exceeding the failures of previous models—particularly the traditional nonprofit organisation—by “*strengthening the fiduciary relationship within and around the organisation*” (Bacchiega & Borzaga, 2001:273). The strengthening of “trust signals” is achieved through a number of organisational characteristics—social mission, economic democracy, involvement of multiple stakeholders, etc.—which go well beyond the profit nondistribution constraint (Bacchiega & Borzaga, 2001; Petrella, 2003). From a sociological neo-institutional perspective, social enterprise has been presented as the result of the increasing power of entrepreneurial logics and language in the area of social action (Dart, 2004; Grenier, 2006). But the emergence of social enterprise as a new model that replaces traditional models of social action, including the diagnosis of the failures of the previous model and the theorisation of new arrangements, also puts forth social enterprises

⁶⁹ I use the term “contractual” in the broad sense, including its two schools of thought, although I will make much more use of the second, transaction cost-based school of thought that goes beyond the view of organisations as merely nexus of contracts. “Economic new institutionalism”, an expression rather used by the second contractual school of thought, will be used as a synonym for “contractual approach” to underline the common roots with sociological new institutionalism.

⁷⁰ As previously mentioned, I deliberately focus here on social *enterprise*—i.e., on the organisational level, which is the level of analysis of this work—rather than on social *entrepreneurship*. The study of the latter obviously involves other theoretical approaches than the ones that I underline here for the study of social enterprise.

active in an emerging field—such as FT—as typical illustrations of institutional entrepreneurship dynamics (Mair & Marti, 2006; Nicholls, forthcoming). The “institutional work” (Lawrence & Suddaby, 2006) exerted by pioneer social enterprises and the networks that support them involve the raising of new resources to reduce the dependencies—for instance, the dependence on state subsidies. Social enterprise thus gains from combining institutional entrepreneurship with an RDT perspective. In my view, the present multi-theoretical approach follows Nicholls and Cho’s (2006) call for a stronger theoretical basis for the study of social enterprise, integrating the existing perspectives of the sociology of organisations.⁷¹

Barney and Hesterly (1996) suggest that the different contemporary approaches resemble each other through their common focus on how organisations are structured and how they seek to survive. Schneiberg (2005), on his turn, highlights the strength of combining the different new institutional approaches. However, before drawing any global conclusion and in order to avoid confusion and more carefully apprehend their specific features, it is necessary to compare the different theoretical approaches in pairs.

1.5.2. Sociological and economic new institutionalism

Economic and sociological new institutionalism rely on different assumptions and have developed in different directions, with few citations among the authors of both approaches. Exceptions include the respective founding authors’ analyses of the place of their approach in the wider institutionalist tradition (e.g., Coase, 1998; Powell, 1991; Williamson, 2000). Comparisons can also be found in articles drawing on both approaches (Schneiberg, 2005) or in books on organisation theory (e.g., Clegg & Hardy, 1999), both highlighting the cross-pollination and complementarities among them. Among the different authors of new institutional economics, those of the “historical stream” (Davis & North, 1971; North, 1990; 1991) seem to be the closest to sociological new institutionalism (Powell & DiMaggio, 1991). Powell, in the introduction of his 1991 book, acknowledges such cross-feeding and common institutional background, while also insisting on the differences between the two approaches, which he located at three levels:

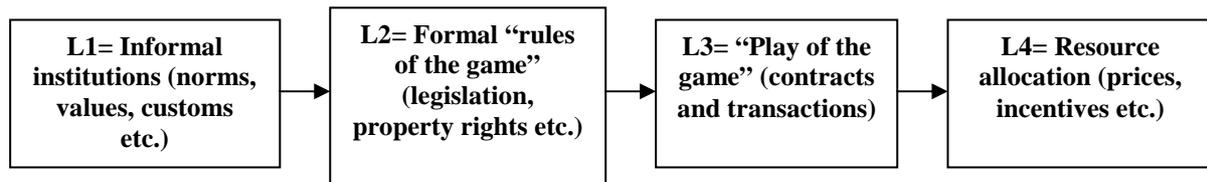
- the meaning of an “institution”. Neo-institutional economists view them as governance structures designed to minimise transaction costs. The sociological tradition, however, views institutions as social and historical constructions that have progressively rendered certain behaviours as taken for granted.
- the origins of institutions. In the economic approach, institutional arrangements result from “*adaptive solutions to problems of opportunism, imperfect or asymmetric information, and costly monitoring*” (9). The sociological approach, by contrast, considers that choices and behaviours are constrained by collective constructions and past experiences that define standards of appropriateness.
- the rigidity of institutions. For neo-institutional economists, institutions are “*provisional, temporary resting places on the way to an efficient equilibrium solution*” (10). In the sociological view, institutions are much slower to change. Accordingly,

⁷¹ Although, in the context of this work, I extend the scope of organisation theory beyond sociology.

organisational change is often “*episodical and dramatic, responding to institutional change at the macro-level, rather than incremental and smooth*” (11).

One way of explaining these differences is to consider, following Williamson (2000), that sociological and economic new institutionalism do not refer to the same *level* of institutions. Williamson distinguishes four institutional levels, from the most global to the narrowest, each level imposing constraints on the next one.

Figure 4: Williamson's four institutional levels



Williamson locates sociological new institutionalism in L1, property rights theory in L2, transaction cost theory in L3 and neo-classical economics in L4. In fact, while economic new institutionalism analyses both L2 and L3, sociological new institutionalism deals with both informal (L1) and formal (L2) institutional levels. In any case, Williamson’s hierarchisation of the levels is interesting because it admits that the “rules” and the “play” of the game (the core of his analysis) are constrained by the broader institutional environment described by the sociological authors. This explains some of the divergences described by Powell (1991), for instance, the fact that informal institutions at society’s level are much slower to change than institutional arrangements at the organisational level.

More fundamentally, the two approaches also differ in the way that they view the social actor (Tolbert & Zucker, 1996). In the economic approach, individuals and organisations are capable of making institutional arrangements the most efficient in any given situation, albeit with a bounded rationality. In the sociological approach, “*‘oversocialized’ individuals are assumed to accept and follow social norms unquestioningly, without any reflection or behavioural resistance based on their own particular, personal interests*” (170). Tolbert and Zucker suggest that these general models “*should be treated not as oppositional but rather as representing two ends of a continuum of decision-making processes and behaviours*” (170). While certain authors follow Tolbert and Zucker by calling for a combination of or at least a dialogue between the two approaches (Immergut, 1998; Schneiberg, 2005), I have found little work following this reconciling perspective.

1.5.3. Resource dependence theory and economic new institutionalism

Neo-institutional economists and resource dependence theorists both focus on the configuration of transactions and exchanges among organisations (Pfeffer, 2003). Also central are the issues of power and uncertainty, the reduction of which is crucial for any organisation. However, neo-institutional economists predict which cost-minimising devices will be chosen by organisations to shield themselves from uncertainty, in a sort of new “invisible hand” view. RDT, on the

contrary, considers that there are no universal solutions, even in a given context and configuration of transactions: each organisation will design its own specific strategies (Pfeffer, 2003). Moreover, while the contractual approach has a relatively narrow view of transactions and tends to ignore the social context in which they are embedded, RDT has a more comprehensive conception including symbolic issues linked to legitimacy. Finally, the initial work of neo-institutional economists was to understand why organisations exist and are preferred to non-hierarchical market solutions. RDT, however, takes the existence of organisations for granted and rather examines their strategies in controlling the environment and thereby ensuring survival.

1.5.4. Resource dependence theory and sociological new institutionalism

Pfeffer and Salancik (1978) acknowledge part of the view of the environment and the institutions as constraining organisational behaviour. Their following statement could well have been formulated by the founding neo-institutionalist authors: “*organizational activities and outcomes are accounted for by the context in which the organization is embedded*” (1978:39). Nevertheless, beyond this basic assumption, RDT recognises the strategic ability of organisations to influence and even “enact” their environment. The relationship with the environment is the result of a negotiation in which the organisation tries to reduce its dependence on the environment. On the contrary, early neo-institutional authors depict organisations as totally constrained by the institutional forces, with very little power to influence these forces. As a result, we can understand why initial neo-institutional authors were quite skeptical about RDT. Scott and Meyer (1983), for instance, mention that RDT only considers the direct connections between organisations, neglecting the indirect and informal connections. The focus on the “focal organisation” is also criticised, for it is said to obscure the wider environment of which that particular organisation is only a part. Pfeffer and Salancik (1978), on their turn, have criticised neo-institutionalism for being overly deterministic and thus simplistic.

Nevertheless, according to Tolbert of Zucker (1996), many authors claiming affiliation to the neo-institutional approach are in fact using arguments that are closer to the resource dependence approach. In their view, this stems from the discomfort of these authors regarding the static and passive depiction of organisations in the early neo-institutional work. As a result, they suggest that the frontiers between the two approaches are currently blurring; the latest developments in “institutional entrepreneurship” or “institutional work” may be seen as the result of cross-pollination between the institutional perspective and the strategic arguments developed in RDT. This has been acknowledged by Pfeffer who, in the introduction of the reedition of the 1978 book, considers that these strategic institutional developments have reduced the differences between the two approaches (differences that he describes as “slight” at this date). Nevertheless, the distance between the initial arguments developed by the two approaches should not be overlooked. It is thus more valid to distinguish the original sociological neo-institutional theory from its later developments such as institutional entrepreneurship. This leads me to considering the latter as an approach on its own and to comparing it isolatedly with RDT.

1.5.5. Resource dependence theory and institutional entrepreneurship

As previously mentioned, the recent and much more strategic neo-institutional developments converge under the banner of institutional entrepreneurship (or institutional work). Although authors of institutional entrepreneurship do not necessarily refer to RDT, in my view, the parallels are striking. Institution-building is highly dependent on entrepreneurs' "access to, and skills in leveraging, scarce and critical resources needed to mount political action" (Leca *et al.*, 2008:12). Conversely, Pfeffer and Salancik's description of how the environment is created or "enacted" by organisations appears to be quite convergent with the view of institutional entrepreneurship.

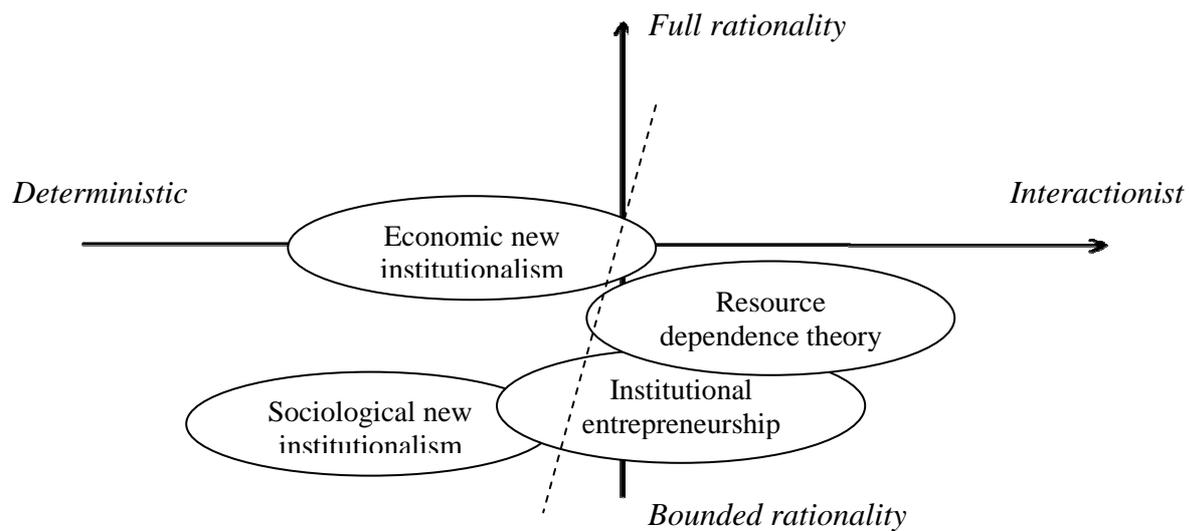
Thus, the focus is not so much on how organisations are constrained by the environment, but rather on how they will react to it and try to alter it. "Noting that an organization's environment is enacted, or created by attentional processes, tends to shift the focus from characteristics of the objective environment to characteristics of the decision process" in organisations (Pfeffer & Salancik, 1978:74). Both approaches highlight the strategic power of organisations in creating, maintaining or disrupting institutions, with access to resources such as trust and legitimacy as crucial tools (Kraatz & Block, 2008; Lawrence & Suddaby, 2006; Suchman, 1995). In my view, the major difference between RDT and institutional entrepreneurship is that the latter is not restricted to "organisations". Thus, institutional entrepreneurship does not necessarily take the point of view of one focal organisation—it may also be individuals, coalitions of organisations or other actors.

1.5.6. Global comparison

Several authors have illustrated graphically how different approaches in organisation theory can be located on axes representing particular dimensions or paradigms (see for instance Scott, 2003). In order to locate the four approaches of this work—considering institutional entrepreneurship as a distinct approach—, I build a figure based on two axes. The vertical axis considers the level of rationality left to organisational actors by the different theoretical approaches, which has been used as a discriminant criterion by authors such as Tolbert & Zucker (1996). The horizontal axis depicts whether the approaches consider that organisational behaviour rather results of factors that are exterior and anterior to the organisation (deterministic view) or of a process that occurs simultaneously in the organisation itself (interactionist view).⁷² The four approaches can be located on these two axes, as depicted in the following figure.

⁷² For an analysis of the opposition between the deterministic, system-based view, and the interactionist, actor-based view, a classical reference is Crozier and Friedberg (1977).

Figure 5: Graphical comparison of the four theoretical approaches



Sociological new institutionalism is the easiest to locate: it considers that organisational actors are influenced by institutional processes that are totally out of their reach (they thus have a very bounded rationality) and that are clearly external and anterior to the organisation (which are located at a much higher level of society and culture). Organisations are totally constrained by the institutions that surround them; they are not only unable to influence these institutions (determination), but they are also unaware of how these institutions affect them (low rationality). By contrast, economic new institutionalism depicts organisations as much more rational—although their rationality is described as bounded compared to that considered in mainstream economic theory—and influenced by elements that are mainly external and anterior to them. There might be a little nuance, in a sense that the organisation may choose, to a certain extent, what types of goods it will produce, and with whom it will conduct transactions. But there is a strong determinism in the sense that, in the long term, the “governance structure” (in the broad sense) will necessarily be the one that is the most efficient (i.e., which minimises transaction costs).

Institutional entrepreneurship assumes a higher level of rationality than sociological new institutionalism and looks at how organisational actors—often in the context of coalitions of actors—may participate in institution-building. The perspective is thus much more interactionist, although the authors of institutional entrepreneurship do not reject their neo-institutionalist forerunners but rather aim to complete their work. As previously mentioned, this leads to the “embedded agency” paradox (e.g., Battilana & D’Aunno, 2009; Leca *et al.*, 2008) resulting from the partial overlap with deterministic arguments, as depicted on the figure. Finally, resource dependence theory has a position that is quite close to the previous approach, with the difference that the focus is even more interactionist (each organisation can negotiate its dependence on the environment) and that the level of rationality can be viewed as higher (organisational actors are capable of more or less rational strategical maneuvers).

Such a distinction between the deterministic and interactionist ways of seeing the shaping of organisational forms leads me to suggest two ways of understanding the second research

question—namely, the factors that push FTOs to adopt diverse forms. Indeed, the sociological and economic neo-institutional approaches examine the external forces that lead to organisational diversity. FTOs will thus be influenced more or less passively by these forces, and the “articulation of dimensions” through the organisational form will reflect these factors (either, in the sociological perspective, as reflections of the institutional requirements, or, according to the economic reasoning, as the result of cost-minimising behaviours that may be predicted as the most efficient). In the interactionist perspective, by contrast, it is the organisational actors who will consciously articulate the three dimensions into their organisational forms because they give a specific meaning to and seek power through such an articulation. Compared with the two previously mentioned neo-institutional approaches, institutional entrepreneurship and resource dependence theory thus provide a totally different interpretation of the second question.

As a result, the latter question can be split into two separate questions (2a and 2b), as stated in the introduction. It is worth noting that the issue of the tensions between the three dimensions, as raised in the previous chapter, also receives a different meaning from these two distinct perspectives. Indeed, in a deterministic perspective, the tensions within the organisations will reflect the broader institutional paradoxes (sociological approach), or the high costs of combining the several organisational assets required for each of the dimensions (economic approach). In the interactionist perspective, however, these tensions will result from power plays between different organisational actors who will try to influence the balance between the different dimensions. It is mainly in this interactionist perspective, looking at the strategies of different organisational actors, that I will explore these tensions.

The following sections review the different theoretical approaches in greater detail, presenting their specific intuitions concerning the organisational form, their weaknesses and their contribution for the understanding of FTOs’ diverse organisational forms in relation to the three key dimensions of FT.

2. The contractual or economic neo-institutional approach: the organisational form as a cost-minimising institutional arrangement

2.1. The contractual or economic neo-institutional view on organisational forms

In the contractual or economic neo-institutional perspective, organisational forms are primarily seen as ownership arrangements.⁷³ Organisational economics have thus developed mainly around the arrangements or forms allowing the reduction of transaction costs induced by opportunism in a context of incomplete contracts and bounded rationality (Barney & Hesterly,

⁷³ “Ownership arrangement”, “institutional arrangement”, “contractual configuration” and “governance structure” are terms that are used more or less as synonyms in the contractual literature. I will keep to the term “organisational form” uniformly throughout the theoretical approaches.

1996; Milgrom & Roberts, 1992).⁷⁴ Such an opportunism partly depends on the information asymmetries inherent in the production of certain types of goods.

In the economic literature, a “good” is understood in a broad sense. It refers to the type of economic production in which the organisation is involved. A good is private when it can be consumed as an individual and isolated unit, with individual payment by the purchaser (e.g., Milgrom & Roberts, 1992). Most of the classical consumption goods (food, clothing, etc.) are private. Certain goods are public, which means that it is not possible to exclude people from the consumption of the good—“non-excludable” characteristic—, or that the consumption of one unit does not reduce the availability of the good for other people—“non-rival” characteristic (Samuelson, 1954). Air and public defense are examples of public goods. Nevertheless, certain goods are excludable but non-rival (“club goods”, for instance, a theater representation), or non-excludable but rival (“merit goods”, for instance, fish from the ocean). Both types of goods are also called quasi-public goods (e.g., Minasian, 1964). The production of non-excludable goods induces “free rider” problems (Olson, 1965). Indeed, as no one can be excluded from the consumption of the good, the provider is unable to raise individual prices that cover the production costs, as consumers will be able to not pay without being detected, or consumers will pay less than what they would be prepared to pay for the service. Their unwillingness to reveal how much they would be ready to pay induces an information asymmetry at the expense of the provider (Olson, 1965).

Trust goods are another source of information asymmetry. The quality of trust goods cannot easily be observed *ex-ante* or even *ex-post* by the buyer, and the latter needs to trust the provider about the proclaimed level of quality. When is this situation observed? First, when the good is a service difficult to evaluate *ex-ante* (for instance, a surgical operation or a car repair). Second, when the buyer is different from the beneficiary and when the latter is unable to inform the former about the quality of the good. This may occur, for instance, because of the age of the beneficiaries (e.g., little children in a nursery or elderly persons in a hospital), their situation (e.g., people with a mental disease or handicap in a specialised institution) or their geographical distance from the buyer. This last situation finds a good illustration in the case of development cooperation. Let me take the example of a development NGO that announces, let me say, the construction of a school in an African village. Individuals will accept to give money to the NGO if they trust that the NGO will effectively use their donation—at least partly—to build the school. They will not be able to personally check whether this is the case and if the beneficiaries in the African village are satisfied, unless they are willing and able to cover the very high costs of travelling to that village to ask the people how they evaluate the NGO’s service. There is thus a strong information asymmetry between the provider (the NGO) and the “buyer” (the donor).

For neo-institutional economists, the existence of information asymmetries and the free-rider problem causes certain markets to fail, opening the space for “alternative” institutions (e.g.,

⁷⁴ For instance, Milgrom and Roberts, in their handbook on organisational economics, state as given that the structure and design of organisations is determined by the desire of economic agents to minimise their transaction costs (40).

Williamson, 1985). Typically, the inability of the market—in the sense of classical corporate firms—to overcome the free-rider problem obliges the state to produce certain public or quasi-public goods such as public defense. Nevertheless, certain goods were made excludable thanks to technical solutions, thus allowing capitalist firms to produce goods that were previously reserved to the state—e.g., highway roads, bridges, cable television, etc. (e.g., Minasian, 1964). For other goods, excludability is a matter of political choice (for instance, health and education are public goods in some countries but not in others). The state, however, may also “fail”, because of limited resources, the inability to detect consumers’ demand, or because of the “median voter problem” (Black, 1948). Hence, alternative institutional arrangements may emerge that allow service providers to overcome the failures of the market and of the state simultaneously. Nonprofit and cooperative organisations, in the context of the Third Sector or the social economy, are examples of such arrangements, as I will explain further in the sixth chapter.

The institutional “Market-State-Third Sector” ordering is typical in the so-called “nonprofit literature” (e.g., Ben-Ner, 2002; Steinberg, 2006). However, such an ordering can be criticised because the primary institutions may vary according to the goods and services: sometimes it is the Third Sector or the state that are the initial providers of certain goods and services. Whatever the order of the “failures”, the most important thing to remember in the economic neo-institutional approach is that the most efficient institutional arrangement depends on the specific information asymmetries and other sources of transaction costs. Specific organisational forms emerge because they encompass assets that allow them to produce certain goods more efficiently than other forms (e.g., Barney & Hesterly, 1996). Non-capitalist forms will be particularly cost-minimising solutions in the case of trust and public good production (Krashinsky, 1986), as I will explain in the sixth chapter. More generally, each organisational form is a specific answer to a particular transactional situation (Williamson, 2000). As already suggested, the economic neo-institutional approach is thus clearly more useful in understanding organisational diversity than (neo-)classical economics (Bacchiega & Borzaga, 2001).

A major contribution to the overall comparison of the diversity of organisational forms in terms of their cost-minimising assets is Hansmann’s book “The Ownership of Enterprise” (1996). Hansmann’s analysis is particularly useful because it bridges several contributions to neo-institutional economics (transaction cost theory, agency theory, property rights theory). Hansmann summarises the links between transaction costs and ownership arrangements as follows. Firms have contractual relationships with a number of “patrons” such as customers, suppliers, employees, etc. The main question is: why and how will ownership be “given” to one particular patron over another? The answer lies in the notion of *cost of market contracting*: assigning ownership to a particular category of patrons allows to reduce the costs that would be endured through a traditional market relationship with that patron. These costs are a consequence of market imperfections (“contract failures”). However, assigning ownership also entails costs that are often underestimated in classical transaction cost theory (Barney & Hesterly, 1996). Such *costs of ownership* include agency costs and costs of collective decision-making. Agency costs are the result of the need to control managers and of the inefficiencies inevitably caused by the managers, over whom control is necessarily incomplete. The costs of

collective decision-making result from the difficulty of owners in making common decisions. There is thus no universal “best way”, but there are a set of efficient (i.e., cost-minimising) solutions. Thus, according to Hansmann, the most efficient assignment of ownership is the one that minimises the sum, over all the patrons of the firm, of the costs of market contracting and the costs of ownership. I will use Hansmann’s terminology of costs in the subsequent analysis.

2.2. Weaknesses

While acknowledging the advances of the contractual approach in relation to the neo-classical tradition, sociological authors criticise the simplification of reality, with the environment examined only in terms of market configuration and transactions disconnected from the social and cultural background in which they are embedded (Granovetter, 1985; Powell & DiMaggio, 1991). However, the authors who claim the affiliation with the institutionalist tradition, particularly the historical stream (e.g., North, 1991), are less concerned by such criticism. Moreover, the notions of ideology and political games, albeit not ignored, are considered to be strongly simplified (Pfeffer, 2003). Ideology (in this case, ideological preference for “alternative” organisational forms) is only one element of the “transactional atmosphere” that will influence the costs of market contracting (Hansmann, 1996). Political games in organisations are also simply interpreted as a factor that increases the heterogeneity of the owners’ preferences and thus the costs of ownership.

Also criticised is the determinism of economic new institutionalism (e.g., Foss, 1993). By focusing only on the reasons why certain organisational forms are preferable to others in given contexts, the contractual approach neglects the processes through which organisations concretely emerge, as well as the role entrepreneurs play in creating them. For instance, Hansmann (1996) has a quite minimal view of the role of entrepreneurs, depicting them as “brokers” who act on behalf of certain patrons or stakeholders to set up organisations and who then “sell” these organisations to them.

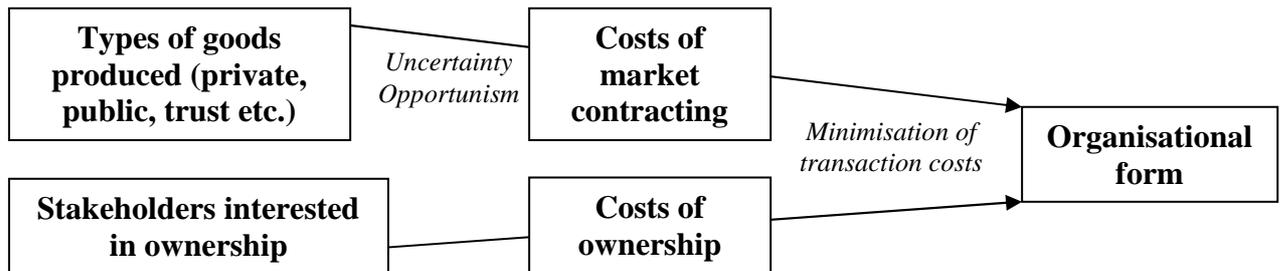
2.3. Adequacy for the study of FTOs and specific model

Using an economic neo-institutional approach requires determining the economic nature of the goods and services that are produced by the organisations in a given sector. Such economic characterisation will help me to decompose the different types of production included in “Fair Trade”. An economic neo-institutional will be particularly useful to understand the economic rationale of the different legal forms adopted by FTOs as successive institutional arrangements, starting with the pioneering role of nonprofit organisations. The age of the FTO is thus a key element to understand where it can be located in the succession of institutional arrangements. Moreover, it may help to understand how particular arrangements allow FTOs to simultaneously reduce the costs of market contracting (through forms that protect them from opportunism) and the costs of ownership (costs of collective decision-making and costs of agency). While fields centred on easily observable, private goods may be particularly

uniform⁷⁵, other fields with more complex goods may see the emergence of different types of organisational forms—this is referred to as “mixed-form markets” (Marwell & McInerney, 2005). As I will try to demonstrate in the sixth chapter, FT can be seen as a mixed-form market precisely because of the complex and multidimensional nature of FT goods.

The following figure represents the relationships suggested by the economic neo-institutional approach:

Figure 6: The economic neo-institutional model



The underlying hypothesis to answer the second research question—which elements and forces explain the diversity of organisational forms?—can be formulated as follows: *FTOs’ organisational forms are diverse because they do not produce the same types of goods and because they are not founded by the same types of stakeholders, who thus do not face the same costs in taking their ownership.* The “types of goods” produced can be apprehended through the goals and activities of the FTOs, but also through their resources, as I will explain in the fifth chapter. Another, more qualitative information consists of looking at the owners and examining how the ownership has reduced the costs that would have been endured through a market relationship between the organisation and this (these) stakeholder(s). Finally, this model also takes into account the historical and economic context in which FTOs operate, because this context has an impact on the costs linked with contracting and taking ownership (e.g., Williamson, 1985; Hansmann, 1996).

3. Sociological neo-institutional theory: the organisational form as a product of institutional forces

3.1. The sociological neo-institutional view on organisational forms

Among the four already listed founding articles (Powell & DiMaggio, 1991), those by Meyer and Rowan (1977) and DiMaggio and Powell (1983)⁷⁶ are the most explicit on the institutional shaping of organisational forms. Let me focus, here, on these two articles. First, Meyer and Rowan (1991:47) introduced the view of organisations as “*dramatic enactments of the rationalised myths pervading modern societies.*” As organisations imitate environmental elements in their structures, they “*tend to disappear as distinct and bounded units*”. This last

⁷⁵ Hansmann suggests that “*the logic of the market was surprisingly strong and uniform in choosing forms of ownership*” (1996, 295).

⁷⁶ For the quotations of these two articles, I will refer to the 1991 reprints.

point is an interesting but probably unintended parallel with part of the contractual approach (first stream) that develops a similar conclusion.

Meyer and Rowan contest the dominant functional view of organisations by showing that “*structures can become invested with socially shared meanings, and thus, in addition to their 'objective' functions, [...] serve to communicate information about the organisation to both internal and external audiences*” (Tolbert & Zucker, 1996:171). Meyer and Rowan’s rationale holds up in the following statement:

In modern societies, the elements of rationalized formal structure are deeply ingrained in, and reflect, widespread understandings of social reality. Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts. Such elements of formal structure are the manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations (44).

What they call “myths” are “*rationalized and impersonal prescriptions that identify various social purposes as technical ones*” (44). They are definitely not part of a strategic choice as they are “*beyond the discretion of any individual participant or organization*” (44). The existence of rationalised institutional structures as “building blocks” makes it easier and more legitimate to build formal structures. Meyer and Rowan consider that, when creating organisations, entrepreneurs do nothing more than incorporating these building blocks with “*a little entrepreneurial energy*” (52). By incorporating the blocks, organisations avoid illegitimacy. Two implications are stressed: (1) “*as institutionalized myths define new domains of rationalized activity, formal organizations emerge in these domains*”; (2) “*as rationalizing institutional myths arise in existing domains of activity, extant organizations expand their formal structures so as to become isomorphic with these new myths*” (46).

Powell and DiMaggio (1983) deepen the notion of organisational isomorphism, distinguishing three types of institutional pressures—coercive, mimetic and normative—causing isomorphism. Coercive isomorphism “*results from both formal and informal pressures exerted on organizations upon which they are dependent and by cultural expectations in the society within which organizations function*” (67). The formal pressures may originate from the government, the legal environment or important stakeholders (e.g., funders), who impose particular rules and structures. More informal and unconscious pressures may be exerted by dominant social groups, perceived expectations from the public, etc.

Mimetic processes refer to imitation among organisations. “*When goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations*” that they perceive to be more legitimate and successful (69). This converges with the notion of “path dependence”: current organisational behaviour will be heavily constrained by past choices made by the actors in the field. It is worth noting that the

influential organisations may be different according to how a potential imitator perceives success and legitimacy. Powell and DiMaggio consider that new organisations in a field always model themselves upon older ones. Finally, normative pressures stem from professionalisation: the importance of formal education, the hiring of people within the same industry, and the development of professional networks across which norms and models spread rapidly (promotion of “professional” practices).

3.2. Weaknesses

The main criticism toward sociological new institutionalism is its determinism. Indeed, these theories suggest that the organisational form can be induced nearly automatically from a number of external factors. This leaves very little space for entrepreneurial discretion (Mintzberg *et al.*, 1998; Rouleau, 2007; Tolbert & Zucker, 1996). Entrepreneurial action is not denied but is seen as being heavily constrained by the norms and values of the environment. Another weakness of sociological new institutionalism, ironically, is its weak institutionalisation, with very little consensus on definitions, measures and methods (Tolbert & Zucker, 1996).

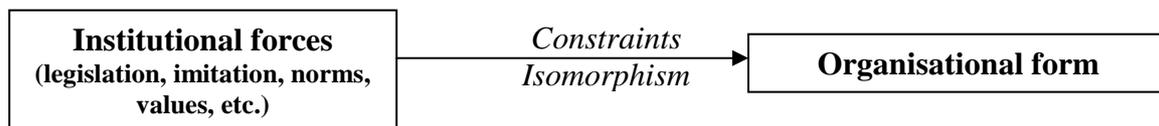
As we have seen, the criticism toward the overstatement of the role of the environment and the deterministic reasoning has pushed neo-institutional authors to bring in new developments. First, as will be detailed further, the notion of the “institutional entrepreneur” has been introduced to examine the capacity of entrepreneurs and organisations to influence their institutional context. In the same sense and partly acknowledging the work of resource dependence theory (Powell and DiMaggio, 1991), more attention has been paid to detailing the diversity of possible reactions of organisations to institutional pressures, including the possibility to alter these pressures (e.g., Scott, 1991). Secondly, observations of persistent heteromorphism, i.e., the variation of organisational forms and practices, brought nuances to the assumption of “striking isomorphism” (e.g., Powell and DiMaggio who nuance, from 1991, certain of their 1983 paper’s arguments by opening the door to paradoxical institutional forces). Thirdly, the processes of institutional change have been taken much more into account, with stronger attention to social movements as promoters of such change (Rouleau, 2007:88).

3.3. Adequacy for the study of FTOs and specific model

The rich theoretical framework of sociological new institutionalism, used in a large part of organisational analysis, cannot be ignored when examining the shaping of organisational forms in a given context. This set of theories offers comprehensive tools to understand the social forces that inevitably rule and constrain the behaviour of organisations in a given sector. The use of new institutionalism requires to carefully investigate the construction and constraining role of the “organisational field” (DiMaggio, 1991) or “societal sector” (Scott & Meyer, 1991). Moreover, the attention to formal structures, albeit contrasted to the day-to-day and more informal activities, provides rather explicit arguments from the literature regarding the different elements of FTOs’ organisational forms.

To summarise, the relationship suggested by sociological new institutionalism and inherited from the initial work of contingency theory is the one between the context and the organisational form. In this perspective, organisational diversity will be only temporary and will decrease with the evolution—and thus the institutionalisation—of the field. Indeed, such institutionalisation will bring isomorphic forces that will orient organisational forms toward a similar pattern.

Figure 7: The sociological neo-institutional model



The hypothesis implied by this model is the following: *the diversity of organisational forms in FT is the result of the nonexistent, weak and/or paradoxical institutional forces that characterise this recent and multidimensional field.* The variables that should be taken into account are, *inter alia*: the age of the FTOs (i.e., the context at the time of their creation), their region and country (with their specific legislation, culture and norms), their relationships with other actors (typically in the context of networks) and the values and education embodied by their founders.

4. Strategic institutional approaches: the organisational form as the result of and the tool for strategic action

4.1. Institutional entrepreneurship and organisational forms

Literature on institutional entrepreneurship is still recent and has not yet developed a unified theoretical proposition on organisational forms. Moreover, such literature is rather inductive or at least abductive: authors often examine fields (particularly emerging ones) to describe and understand who the “institutional entrepreneurs” are and how they shape institutions in their field (Hwang & Powell, 2005; Leca *et al.*, 2008). In this context, organisations may use their form as a strategic and innovative tool to structure their field and to promote their model as the most suited for that particular field. Suited models are then meant to be adopted by other organisations, which implies a power dimension (especially when there are several rival models). In this perspective, the organisational form itself may become the institution. Ironically, this constitutes a convergence with the vision of “old” sociological institutionalism.

4.2. Resource dependence theory and organisational forms

First, organisational forms intervene implicitly in Pfeffer and Salancik’s theory. Indeed, the process by which organisations contribute to creating their environment involves the legitimisation of the organisations’ own forms and practices. In this context, the organisational structure is presented as a tool by which the organisation can satisfy demands from external constituencies—a vision that has later been adopted by authors of “stakeholder theory” (e.g., Donaldson & Preston, 1995). Secondly, and more explicitly, nearly all the strategic maneuvers

suggested by Pfeffer and Salancik to secure access to resources mobilise the organisational form to a certain extent: mergers, joint ventures, cooptation, coalitions, etc.

4.3. Weaknesses

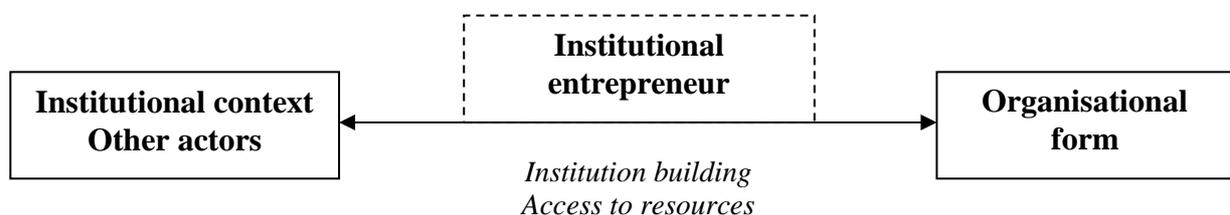
As previously mentioned, institutional entrepreneurship is a recent notion and uses a rather abductive approach. Therefore, theoretical propositions are only emerging, as results of the replication of studies in different contexts (e.g., Leca *et al.*, 2008). Moreover, the introduction of a strategic or interactionist perspective in a basically deterministic field, which constitutes the original contribution and the strength of this literature, is also its main weakness. Indeed, authors adopting this perspective are permanently facing the “paradox of embedded agency” (e.g., Battilana & D’Aunno, 2009; Leca *et al.*, 2008).

As for RDT, although it sounds very appealing to many scholars, and Pfeffer and Salancik’s book is quoted very often, few studies have provided empirical validation of its predictions. As stated by Casciaro and Piskorski (2005:167): “*Resource dependence theory has acquired the status of a powerful general metaphor, but it was marginalized as an engine for theoretical advancement and a basis for testable empirical research.*”

4.4. Adequacy for the study of FTOs and specific model

Compared to the two previous theoretical schools, the main advantage of using institutional entrepreneurship and RDT is to reintroduce agency, i.e., the ability of organisations to act strategically despite the institutional context and the contractual configuration. First, this will allow me to examine FTOs’ organisational forms in a more strategic perspective, as part of the institution-building undertaken by institutional entrepreneurs. Secondly, I will be able to look at how certain FTOs use their organisational form strategically to shape the values and practices in the FT sector, i.e., to “scale up” their institution-building to the sector’s level. Such shaping includes the particular meaning given to the articulation of the three dimensions of FT. These relationships may be summarised as follows:

Figure 8: The strategic institutional model



The hypothesis that can be formulated according to this model, and answering to the specific interpretation of the second research question (see section 1.5.6. in this chapter) is the following: *the diversity of FTOs’ organisational forms is the result of and the tool for strategic action on behalf of certain organisational actors who take the role of institutional entrepreneurs and seek to raise and secure resources.* Instead of leading to explore particular

variables and relationships, this model rather requires focusing on the strategies of particular organisations, as I will explain in the next chapter.

5. Synthesis and global model

The following table summarises the main features of the four approaches.

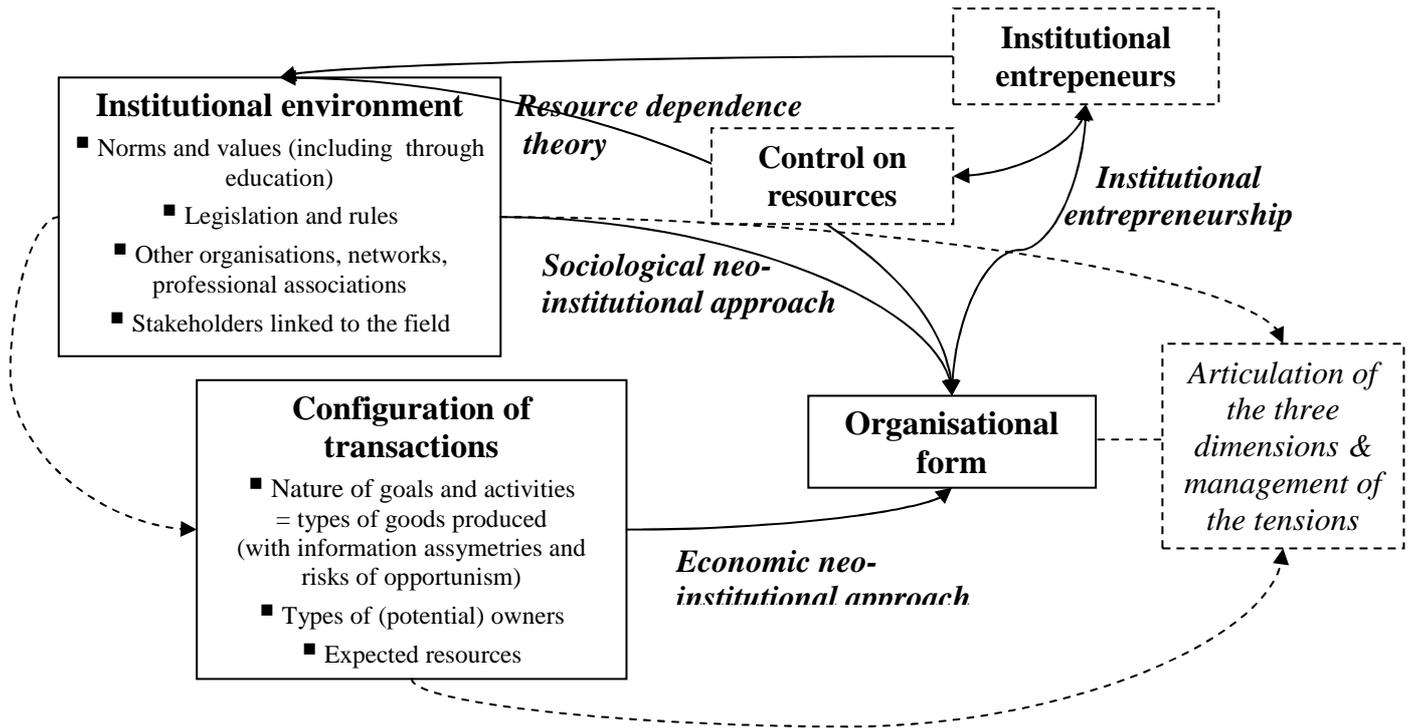
Table 9: Synthesis of the theoretical approaches

| | Sociological new institutionalism | Economic new institutionalism | RDT | Institutional entrepreneurship |
|--|--|---|--|--|
| Basic discipline | Sociology | Economics | Sociology and political science | Sociology |
| View on the organisational form | Influenced by institutional forces | Influenced by the configuration of transactions | Influenced by environment and can alter it | Influences institutions or <i>is</i> the institution |
| Discretion power | Very low | Low | High | High |
| Weakness | Deterministic, institutions “given” | Narrow view, ignores social embeddedness | Difficult to apply | “Embedded agency” paradox |
| Focus for study of FTOs | Institutional pressures in FT | Goods produced and ownership costs | Strategies for securing resources | Institutional shaping of FT |
| Variables | Age, region, legislation, networks etc. | Age, region, goals, activities & resources | Individual strategies (case studies) | |

As previously mentioned, it is not my goal to try to merge the different approaches into a common framework. I am aware of the distinct assumptions on which these approaches are based. The approaches will thus be used separately, as different viewpoints on one same issue. This exercise is a bit similar to that of Mintzberg and his colleagues in their book on strategy (Mintzberg *et al.*, 1998). Using a hinduist metaphor, these authors depict strategy as an elephant or beast of which the different approaches each allow to perceive only a part, which makes it very useful to combine several approaches. If the diverse organisational forms adopted by FTOs are the “beast”, then I may hope that the four approaches will allow me to perceive the largest possible part of it.

Here is a graphical illustration of the variables and the relationships suggested by the different theoretical approaches:

Figure 10: Global model



The institutional environment at the field level, and more largely in the whole society, constrains the organisational forms both directly—as depicted by sociological new institutionalism—and indirectly. Indeed, as highlighted by Williamson (2000) and depicted through the dotted arrow on the left, the configuration of contracts and transactions that form the core explaining variable for neo-institutional economists is itself constrained by the field and society-level institutions. FTOs will thus not choose their “product mix” uninfluenced. Neither will stakeholders be interested in participating in ownership only on the basis of rational calculation. The explaining factors suggested by economic new institutionalism must thus be understood in the broader context of their institutional environment.

As we have seen, the underlying perspective of these two approaches is rather deterministic, considering that “*there are social processes and forces beyond the control of humans, which affect our beliefs and behaviour*” (Blumberg *et al.*, 2005:20). Indeed, in both approaches, there are a set of explaining factors that are clearly distinguished from the organisational form (they are external and anterior to the organisations) and on which the latter depends. In other words, in a given institutional context or a given configuration of transactions, it is possible to predict how organisational forms should look like. This is why the arrows are one-sided toward the latter. The economic and sociological neo-institutional frameworks are used in two separate chapters (6 and 7) to underline the fact that the two approaches offer different and rival explanations for the diversity of organisational forms. Indeed, although they answer to the same question, the type of answers that they propose is totally different. In both cases, though, they rely on observed relationships between a set of variables and the organisational form. Some of these variables are common (e.g., age, region, goals, etc.). This is why I will present

these variables and their links with the organisational form through the same “pool” of data in the fifth chapter.

In contrast, RDT and institutional entrepreneurship examine how organisational forms, albeit influenced by their economic and social context, may be modeled and given particular meanings by the organisational actors. In doing so, these actors have the ability to use the organisational form to shape their economic and social context. The underlying perspective of these approaches is rather interactionist. Interactionism is closer (but not identical) to the interpretative paradigm that considers that “*the social world has a meaning for human beings and is constructed by intentional behaviours and action*” (Blumberg *et al.*, 2005:20). These two approaches are thus well suited to develop an interactionist understanding of the second research question.

But, as we have seen, this does not mean that these approaches totally ignore the deterministic analyses of the forces that influence organisational forms (first two approaches). Indeed, this is shown through the the two-sided arrows on the figure, which illustrate the double and paradoxical movement of “embedded agency” (e.g., Battilana & D'Aunno, 2009; Leca *et al.*, 2008): FTOs, while embedded in a given environment, have the ability to influence and shape that environment. The two strategic perspectives will particularly help me to understand how individual FTOs and the coalitions they create can influence their environment in a way that legitimises their own structure and thus allows the organisation to survive. In certain successful and/or innovative cases, the organisational form may become the institution (Kraatz & Block, 2008). To achieve this goal, access to resources—in the first place legitimacy—is crucial. In this perspective, FTOs appear in a more active setting, as “institutional entrepreneurs” able to influence their environment, and as actors that collect and secure resources to reduce their dependence from that environment. This is why I will develop institutional entrepreneurship and RDT together in the eighth chapter to deal with the strategic use of organisational forms.

While taking care not to merge the theoretical approaches and their underlying assumptions, I do hope that they can provide complementary answers to the research questions. To establish a parallel with Perret and Seville’s analysis, facing several possible paradigms for the same broad question, this work adopts neither an integrative perspective (to combine several paradigms into a broad framework) nor an isolationist one (to choose one paradigm and reject all others); it rather chooses a “multi-paradigm” perspective, considering that each paradigm offers an opportunity to enrich the understanding of the studied phenomenon.

Chapter 3 – Sample and methodology

The aim of this chapter is to explain where and how I have collected the data necessary to tackle the research questions, and how I have used these data. The first section offers a justification of the methodological choices, mainly the choice of successively building a relatively large sample across four countries or regions, and running a small number of case studies. In the second section, I present the history and the main characteristics of the FT sector in the four regions chosen for the field study and I explain how the sample has been constructed in each region. The third section then presents the different steps of collection and treatment of the data, both for the sample and for the case studies. The final section recalls some limitations inherent in the methodology.

1. Rationale

1.1. Two paradigms, two methodologies

The methodology depends strongly on the research philosophy or paradigm (Blumberg *et al.*, 2005; Perret & Séville, 2007). Choosing a methodology that is inconsistent with the paradigm would lead to a weak research design (Baumard & Ibert, 2007). In this work, the challenge is even greater that, as the previous chapter has shown, there are two different paradigms, each bringing specific interpretations of the research questions. This inevitably leads to two different methodologies (Baumard & Ibert, 2007).

In fact, the general issue of this work—organisational diversity—and the first research question—how to categorise such diversity—already lead me to look at a large number of FTOs. As I do not have an *a priori* typology of organisational forms in FT at my disposal, it is necessary to gather such relatively large number of FTOs in order not only to witness a meaningful diversity of organisational forms⁷⁷, but also to observe common patterns and thus be able to build a credible taxonomy. Such a taxonomy will obviously be influenced by the way in which I choose the FTOs and by my particular understanding of organisational forms. Yet, the ambition of building a taxonomy based on a high number of FTOs should help to avoid a number of pitfalls:

- missing a particular type of FTO because of a too narrow focus on a few cases based on an *a priori* classification
- being attracted only by the famous, well documented cases of FT “success stories”
- generalising the situation of FTOs in one particular country to other contexts

This is why I wish not only to observe a high number of FTOs, but also to include different countries and thus different socio-economic and cultural contexts. This is, in fact, quite

⁷⁷ Indeed, the observation of any set of organisations could lead to the conclusion of organisational diversity. The goal here is to show that the diversity of forms is fundamental and reflects different visions of FT, as explained in the first chapter.

consistent with the deterministic neo-institutional interpretation of the second research question. It is worth noting, though, that both of the neo-institutional (economic and sociological) approaches have been used with a wide array of methodologies:

- The sociological neo-institutional theory has been used in many fields and for many different purposes, which has resulted in various methodologies: surveys and questionnaires, historical research, content analysis, case studies, etc. (Tolbert & Zucker, 1996)
- Concerning economic new institutionalism, and particularly transaction cost theory, research has been made both through quantitative studies based on database analyses (e.g., on the multidivisional form), and through qualitative and historical analyses (Barney & Hesterly, 1996).

The use of a sample of organisations is thus consistent with these two approaches. Furthermore, both approaches consider the influence of the social and economic context on the organisational form. Therefore, a special attention should be devoted to studying the historical and regional background of each FTO. Such a context, as well as a set of variables such as age, goals and resources, lead to exploring the relationships among these variables and the organisational form on the sample basis in a common chapter (5).

While a sample of organisations built from different regions and generations is sufficient to answer the deterministic interpretation of the second research question, it is certainly not to answer the interactionist interpretation and the question of the tensions. Indeed, understanding the meaning and the role of the organisational form requires having a deeper look within individual FTOs, looking at the logics of the organisational actors who compose them. This implies to immerse oneself in the observed FTOs, through more or less participant observation (Allard-Poesi & Maréchal, 2007). As we have seen in the previous chapter, the two theoretical frameworks linked to the interactionist perspective—resource dependence theory and institutional entrepreneurship—see the organisational form not merely as an attribute which is passively shaped by a set of forces, but rather as a tool that organisational actors may use in a strategic way. Contrarily to the two previous frameworks, the ones used in this perspective do require a specific methodology:

- Resource dependence theory is meaningful only if we take the point of view of a “focal organisation” (Casciaro & Piskorski, 2005). This implies one or several case studies.
- In institutional entrepreneurship, although certain authors call for a diversification of the methods and particularly for the broadening of the empirical data to several organisations and stakeholders in already studied sectors (Leca *et al.*, 2008), case studies are particularly useful for understanding the dynamics of institutionalisation in a “new”⁷⁸ field (Lawrence & Suddaby, 2006).

⁷⁸ “New” may be understood in the sense of an emergent sector or of a sector that has received only little academic attention. In most cases, and certainly in the case of FT, these two understandings are closely linked to each other.

As a result, the two paradigmatical perspectives lead to two different methodologies: the first based on a large sample of FTOs, and the second focusing on a few cases. It is worth noting that such a juxtaposition of methods is not uncommon to examine one global research question, especially a “why” question (Yin, 2009). Case studies may serve to identify issues that are later examined through a survey, or, on the contrary, deepen issues that are observed through a survey (Yin, 2009). This work resides in the second perspective. The use of a mixed-methods design enables “*to address more complicated research questions and collect a richer and stronger array of evidence than what can be accomplished by any single method alone*” (Yin, 2009, 63). Indeed, we can already perceive how the two methods may reinforce each other. Indeed, the deeper knowledge of certain FTOs offers illustrations to global phenomena examined by the “macro” perspective, while the width of the sample provides a background against which the case studies may be chosen, facilitated, and possibly extrapolated to a certain extent.

It should be stressed, once again, that both paradigmatical perspectives—and, thus, both methodologies—rely on an exploratory, abductive process. While pure “induction” consists of proposing new theoretical propositions only on the basis of a series of observations, “abduction” consists of observing a phenomenon on the basis of general propositions, not precise hypotheses (Charreire Petit & Durieux, 2007). The result of an abductive reasoning is thus not a demonstration but rather a consolidation of a set of propositions that can be considered as “uncertain inferences” (Charreire Petit & Durieux, 2007).

1.2. Concrete methods

1.2.1. Sample: questionnaire or interviews?

In the initial design of this study, I had planned to run a survey by sending a questionnaire across hundreds of FTOs in Europe. However, several practitioners warned me about the likelihood of a very small response rate, given the little time available and the numerous solicitations that these organisations receive from scholars and students. This was confirmed by Krier’s reports on FT in Europe (2005; 2008), which suffer from low response rates despite the strong institutional anchorage (the successive studies have been ordered by DAWS, the Dutch Association of Worldshops, with the support of FTAO and FINE). Moreover, identifying FTOs through the Internet or through directories (e.g., WFTO membership list or Krier’s reports on FT in Europe), would have led me to include only the largest and most famous FTOs, thereby missing a large part of the organisational landscape (Sarrazin-Biteye, 2009). Finally, and most importantly, I quickly realised that even the topic of this work required a much more in depth and qualitative approach, with face-to-face interviews. Indeed, issues of architecture, governance, goals and activities, as well as links with the context, would have been difficult to translate into closed questions: the risk of misunderstanding would be high, both for the respondents and for ourselves, as I would take the answers away from the context in which the respondents and their organisations are embedded (Stablein, 1996).

Instead of a questionnaire, I thus decided to conduct face-to-face interviews, thereby reducing the width but also increasing the depth of the information (Blumberg *et al.*, 2005). I restricted the area to four regions with a high concentration of FTOs. As I will explain in the next section, I contacted all the FTOs identified in the four regions and tried to maximise the response rate, reaching a number of 57 FTOs. Such a high number, as well as very limited time availabilities of people in the FTOs, generally allowed me to interview only one person, nearly always the leader. I will deepen this further in this chapter.

1.2.2. Case studies

In fact, the interviews allowed me to analyse the *content* of organisational diversity rather than the *process*. To use a common metaphor, I had access to a “photograph” (the content), but only limited insights on the “film” (the process) consisting of the succession of photographs over time (Grenier & Josserand, 2007). The method of the case studies allowed me to better understand the processes leading to the observed content (Grenier & Josserand, 2007). The time dimension, the concrete dynamics and tensions, as well as the viewpoint of several organisational actors, all of which required by the interactionist perspective (see previous chapter), were thus provided by an in-depth study of eight individual FTOs. For some Belgian FTOs, I already had good knowledge through past collaboration and involvement, and it was easy to have several interviews at different periods. For other FTOs abroad, the deepening came from a good contact during the interview, leading to other interviews, a longer stay in the organisation and several follow-up e-mails and documentation exchanges. Multiple cases were chosen to cover a certain extent of organisational diversity and to surmount the criticism often made to the case study method concerning its weak possibilities of extrapolation (Blumberg *et al.*, 2005; Yin, 2009).

1.2.3. Qualitative and exploratory purpose

In both the sample interviews and the case studies, the information collected is mainly qualitative. Indeed, the only quantitative information directly used in the analysis is the size (turnover, number of employees, etc.) and the composition of resources. While the remaining information is qualitative, I used part of it in the form of categories, as will be explained in the next chapter. Although these categories are treated statistically, the purpose remains mainly exploratory and abductive. Indeed, instead of testing precise hypotheses, I wish to examine propositions that are likely to explain the observed reality (Blumberg *et al.*, 2005; Charreire Petit & Durieux, 2007), i.e., that explain why FTOs adopt diverse organisational forms and what these diverse forms entail.

2. Background and building of the sample

In this section, I present the history and configuration of the FT sector in each of the four regions examined. This already allows me to see the differences among the countries in terms of evolution and challenges of FT, which will be particularly useful for the neo-institutional

analyses. After each historical introduction, I then describe how I have contacted the FTOs in each region.

2.1. Belgium

2.1.1. The Belgian FT sector⁷⁹

FT in Belgium finds its roots in the experience of Oxfam in the 1960s. Following the international development of the Oxfam Movement after the Second World War, the NGO Oxfam-Belgium was created in 1964. The focus was on famine relief in former colonies, particularly in Africa. The first worldshop (“*wereldwinkel*”) was opened in 1971 in Antwerp, and several other cities followed its pioneering example. In 1975, the Flemish worldshops formalised through “vzw Oxfam-Wereldwinkels” (hereafter Oxfam-WW). The French-speaking worldshops launched “Magasins-du Monde Oxfam asbl” (hereafter Oxfam-MDM) one year later. The number of worldshops and volunteers increased rapidly and the name “Oxfam” became particularly famous and synonymous with “Fair Trade” in the public opinion, a situation which remains to a large extent to this date.

Other pioneer FTOs emerged in the 1970s and also played an important role in the diffusion of the movement. Miel Maya Honing (hereafter MMH) was created in 1975 as an NGO helping honey producers in Central America. MMH did not create a new network of worldshops, but launched honey-related products sold by volunteers. In the late 1970s, a pioneer FTO in the Netherlands, the “Fair Trade Organisatie” (now “Fair Trade Original”) created a subsidiary near Leuven. Fair Trade Original Belgium grew to become a wholesaler for worldshops but also, inaugurating a future trend, for mainstream buyers. In the German-speaking part of Belgium, Weltladen (“worldshop” in German) was created in 1978. After opening its first worldshop in Eupen, Weltladen developed a partnership with Rwandese handicraft producers and launched several NGO-related activities (logistics, communication, etc.).

In the 1980s, the pioneer FTOs continued developing their networks of worldshops and diffusing the FT concept. Yet, FT awareness and consumption remained restricted to a small part of the population. Like in other countries, the development of FT labeling strongly contributed to the development of FT sales and awareness. In 1989, just one year after its creation in the Netherlands, Max Havelaar was launched in Belgium. Several development NGOs were at the basis of Max Havelaar Belgium and some of them are still involved in its governance. Max Havelaar Belgium, a founding member of FLO, started certifying the products of the FTOs and of a small but growing number of corporations.

During the 1990s, the Belgian FT sector developed further, while remaining relatively homogeneous: nonprofit, anchored in civil society, relying mainly on voluntary work and selling FT products through worldshops (other examples include Sjamma, created in 1996). In

⁷⁹ This section is based on my general knowledge of the Belgian FT sector, the interviews, several websites, reports written by the former Fair Trade Centre, Krier’s reports (2005 and 2008), and Biélande, 2007. This text was reviewed and corrected by Samuel Poos at the Trade for Development Centre. I am grateful for his help and comments.

1994, Oxfam-WW decided to give a new impulse to its commercial activity by creating a specific cooperative structure for it. Such restructuring announced the major evolution that took place in the end of the 1990s. At that time, nearly all pioneer FTOs were actively involved in extra-economic producer support, through development projects with the producers' communities or even beyond these communities. This activity was subsidised to a great extent by the Belgian Directorate-General for Development Cooperation (DGDC). However, with the commercial development of these FTOs, the DGDC became reluctant to give subsidies to a business. It only accepted to fund the socio-political part of the activity. As a result, most pioneer FTOs had to split up their structure into two entities: a business and an NGO. MMH and Max Havelaar followed the example of Oxfam-WW. Only Oxfam-MDM⁸⁰ managed to remain a single entity, even if it had to clearly distinguish the two activities in its accounting. The creation of a specific commercial structure gave a boost to the economic development of Oxfam-WW, MMH and Max Havelaar. The latter pressured a growing number of mainstream companies, including supermarkets, to invest the FT niche, attracted by its promising potential.

During the same period, another important event was the creation of Citizen Dream in 1998. Citizen Dream differentiated itself sharply from the pioneer FTOs by a stronger commercial approach and marketing strategy aiming to reach consumers less aware of FT. With this purpose, Citizen Dream established a dozen shops in city centers. The design of the shops and the quality of the products were intended to attract mainstream consumers who were not familiar with the worldshops. In its marketing, Citizen Dream highlighted the quality of the products rather than their FT dimension, even if information on the producers was available on request. Thereby, Citizen Dream inaugurated a new way of "doing FT" which was later followed by numerous other initiatives.

In the late 1990s, FT became officially recognised and supported by public authorities, mainly through the creation of the "Fair Trade Centre" (now "Trade for Development Centre", hereafter TDC). The center was hosted by the "Belgian Technical Cooperation", a public agency for development cooperation, and aimed to support the FT operators in the North as well as in the South and to foster the growth and promotion of the sector. Such a promotion included the organisation of an annual "Fair Trade week" (in October), the ordering and publication of reports on FT awareness and sales in Belgium, and the creation of a dynamic website.⁸¹

The success of Citizen Dream, together with the commercial development of FT, pushed FT pioneers to "professionalise", a trend that is still currently very present in FTOs' discourse and practices. These developments showed the general public that FT is not just charity, and that it can offer high-quality products. In 2002, Oxfam-WW, with the agreement of its French-speaking counterpart Oxfam-MDM, decided to sell its products in supermarkets. Starting with the Delhaize chain, many supermarkets began to offer Oxfam food products (Colruyt, GB, Match, etc.). Simultaneously, Oxfam-WW decided to make its cooperative entity totally

⁸⁰ Concerning the other pioneer nonprofit FTOs, Fair Trade Original and Sjamma were not subsidised, whereas Weltladen was, but mainly at the local level.

⁸¹ www.befair.be

autonomous and called it “Oxfam Fair Trade”, which also became the brand name of the products. Recently, certain supermarkets developed their own line of products, often coexisting with FTOs’ products. Delhaize, for instance, now has twenty products of its own line, along with another twenty Oxfam Fair Trade products. Lidl launched its own FT product range called “Fair Globe”. Supermarket FT products were sometimes developed in collaboration with FTOs, for instance, the “Solidair” products distributed by Carrefour and imported by Fair Trade Original.

Following the development of Citizen Dream, but on a smaller and more focused level, several FT companies were created after 2000, and particularly since 2004, at a rhythm of several new FTOs each year. The emergence and the development of small FT companies was favoured by several factors: growth of the FT market, interest of “idealistic entrepreneurs”, existence of niches uncovered by the pioneer FTOs in terms of products (e.g., wine, chocolate, etc.), distribution channels (Internet sales, B2B, etc.), etc. Several examples can be given: Ethic Store (Internet sales and B2B), Satya (clothing), Vino Mundo (wine), Emile (home sales following the “Tupperware” model), Ozfair, Tout l’or du monde (shops), etc.

Another important factor behind this emergence, in my view, has been the promotion of emerging FT businesses by the TDC. Besides other missions previously mentioned, the TDC wishes to stimulate new FT initiatives with the “Be Fair Award”. Each year, during “Fair Trade week”, two new FT companies are given awards. Beyond the monetary prize, such an award increases the recognition and the credibility of the nominees. In this sense, the “Be Fair Award” can be considered as a stimulator for entrepreneurship in FT. Moreover, it relays the message toward potential entrepreneurs and toward the broader economic world that FT can be a promising market for ethically-minded businesses. It is the TDC that has introduced the notion of a “Third FT wave” to describe the emergence of these businesses (Poos, 2008).

Given the increasing success of FT, a range of initiatives in the domain of “ethical trade” have tried to claim their equivalence or at least their proximity to FT practices and values. Two initiatives have been widely covered by the media and by FT stakeholders: the “Collibri” product range launched by Colruyt and Efico’s “Fair and Sustainable Trade” label. Fearing confusion among the general public, but also among decision-makers involved in the domain of public purchases, most Belgian FTOs felt the need for public recognition to protect the FT concept. In 2005, Belgian FTOs, supported by the TDC, urged for a law that would regulate FT. Such a demand, although rejected by most mainstream companies and by the Liberal (right-wing) Party, was acknowledged by the three left-wing or center parties: the Socialist Party, the Humanist (Christian-Democrat) Party and the Ecologists. These three parties each wrote their own law proposal. Slowed down by the political situation from 2007 to 2009, the process of law examination in Parliament could be resumed in 2010. However, the opposition of right-wing parties and mainstream companies, grouped under the Belgian business federation (FEB)⁸², makes the adoption of a law specific to FT highly hypothetical. Indeed, contrarily to the existing law proposals, the FEB promotes the recognition of a broader and

⁸² Fédération des entreprises de Belgique.

lighter range of ethical practices grouped under the term “sustainable trade”.⁸³ The recent grouping of FTOs into the Belgian Fair Trade Federation (BFTF) might, however, lead to a reaffirmation of the specific features of FT, and, maybe, to a new impulse to the legislative process.

In 2007, Krier counted nearly 300 worldshops (mainly the Oxfam shops) and 83 full-time equivalent employees by FTOs. However, Krier’s figures are restricted to the four largest FTOs (the two Oxfam’s, Fair Trade Original and MMH). According to the annual reports made by Idea Consult at the request of the TDC⁸⁴, the mean annual growth of FT sales is 15%. While worldshops have seen their sales growing steadily, mainstream sales have grown even faster. In 2007, mainstream sales exceeded sales in the worldshops. From 2005 to 2007, labeled FT sales grew from 15 to 35 million euros (Krier, 2008). The number of licensees grew from 48 in 2005 to 112 in 2007 (Poos, 2008; Krier, 2008). FT bananas reached the highest market share (6% in 2007).

2.1.2. The Belgian sample

Before the study, I already had a good knowledge of four FTOs:

- Oxfam-WW, via past collaborations in the context of a partnership study in Chile (Huybrechts & Manigart, 2003) and an impact study in Bolivia (Huybrechts, 2005)
- Oxfam-MDM, following a one-year volunteering experience in a worldshop and one year on the Board of Directors.
- MMH, via numerous contacts with the manager and employees in the context of partnerships with the University of Liège
- Citizen Dream, through personal contacts with the manager

Other pioneer FTOs were added: Fair Trade Original, Weltladen and Sjamma. These pioneers were interviewed between June and November 2007. Finally, the wave of new FT businesses starting from 2004 was included in the course of 2008, with FTOs such as Ethic Store, Emile, Tout l’or du monde, Satya, etc. Many of these new companies applied for the “Be Fair Award” given by the TDC. The director of this Centre, Samuel Poos, helped identify the new FTOs, facilitate contacts with the sector and give feedback for this study. Another opportunity to be regularly involved in the sector and better understand it was in participating in the steering group of the previously mentioned study on FT handicraft. From that study emerged the project of creating a federation of Belgian FTOs: “participant observation” in the preparatory meetings, and, more recently, on the Board of the BFTF also provided much insight and material for the present study.

⁸³ See the 2008 report “Les entreprises font la différence avec le commerce durable” (Vancronenburg, 2008)

⁸⁴ See www.befair.be, and particularly the 2008 report written by Samuel Poos and available at <http://www.befair.be/site/download.cfm?SAVE=17774&LG=2>.

In total, fifteen FTOs were interviewed, which constitutes a representative sample⁸⁵ of the Belgian landscape. The following table presents the main features of the FTOs. It should be mentioned that for the FTOs composed of two legal entities (group structures), I interviewed the manager of each entity.

Table 11: The Belgian sample

| Organisation | Legal form | Economic function | Type of product | Year of creation |
|------------------------------------|-------------------------|----------------------------|------------------------|-------------------------|
| Citizen Dream | Business | Import & retail | Handicraft | 1999 |
| D'ici, d'ailleurs | Nonprofit | Import & retail | Handicraft | 2005 |
| Emile | Cooperative | Retail | Handicraft | 2004 |
| Ethic Store | Business | Wholesale & retail | Mixed | 2007 |
| Fair Trade Original | Nonprofit | Import, wholesale & retail | Mixed | 1978 |
| Latino | Business | Import & wholesale | Handicraft | 1998 |
| Max Havelaar | Nonprofit & cooperative | Labelling | Food | 1988 |
| Miel Maya Honing – Maya Fair Trade | Nonprofit & cooperative | Import, wholesale & retail | Honey | 1971 |
| Oxfam-MDM | Nonprofit | Import, wholesale & retail | Handicraft | 1976 |
| Oxfam-WW | Nonprofit & cooperative | Import, wholesale & retail | Food | 1975 |
| Satya | Individual | Import & wholesale | Clothing | 2004 |
| Sjamma | Nonprofit | Import & retail | Clothing | 1996 |
| Tout l'or du monde | Cooperative | Retail | Mixed | 2007 |
| Vino Mundo | Individual | Retail | Wine | 2004 |
| Weltladen | Nonprofit | Import & retail | Handicraft | 1978 |

Besides FTOs, interviews were conducted with the coordinators of the BFTF (2), the TDC (3), and with NGOs (2).

2.2. France (Rhône-Alpes)

Besides the facility due to its geographical proximity with Belgium, France was chosen because of my contacts with French researchers working on FT in the context of the “Fairness” research network.⁸⁶ Other contacts were made in the context of the organisation of the 3rd “Fair Trade International Symposium” in Montpellier⁸⁷. This preparation process allowed me to meet regularly with the PFCE⁸⁸, one of the main organisers of this conference, in order to prepare the field study and exchange about the results.

⁸⁵ Only a small number of recent FTOs have not been included. It is difficult to determine the proportion of the sample in relation to the total number of FTOs, as many new FTOs are launched regularly but are not always known or identified as FTOs from their creation. If we take the BFTF, the proportion is more or less 70%.

⁸⁶ www.fairness.fr

⁸⁷ www.ftis2008.org

⁸⁸ www.commercequitable.org

2.2.1. The French FT sector⁸⁹

FT was launched in France by several pioneer organisations. Following the call of Abbé Pierre in 1971, Artisans du Monde (hereafter ADM) was initiated in 1974 and incorporated in 1981. Other pioneers include Artisanat SEL, Andines and Ayllu. Until the late 1990s, the French FT sector remained restricted and shared by only a small number of politically engaged organisations. Nevertheless, there was already some tension between ADM, which relied heavily on voluntary work and on worldshops, and Andines, which was opposed to the use of voluntary work and to public subsidies (Diaz Pedregal, 2007). It was only in the late 1980s that the term “Fair Trade” began to be used, by Andines.

In the 1990s, two major changes occurred. Firstly, Max Havelaar France was created in 1992, somewhat later than its European counterparts. Max Havelaar worked hard to increase the recognition of FT—which was much less significant at that time in France than in other European countries—and to convince mainstream companies that FT could be worthwhile for them. In 1998, FT-labeled products became available in supermarkets for the first time. While FT became increasingly known by the French public, it was difficult for Max Havelaar and other FTOs to bring and defend the idea that FT products could be distributed in supermarkets. Indeed, in contrast with other European countries, the opposition to FT mainstreaming has been and still remains strong in France.

In 1997, the “Plate-Forme pour le Commerce Equitable” (PFCE) was created, grouping together the main FT pioneers and several NGOs. Together, they successfully led campaigns to have FT products distributed in supermarkets. Other activities of the PFCE included the organisation of the “Quinzaine du Commerce Equitable” every year, the stimulation of collaboration among members and the general promotion of FT.

The emergence of new business-oriented FTOs constituted a second major evolution. In 1999, Alter Eco was founded by Tristan Lecomte. Alter Eco successfully paved the way for business-like FTOs. It developed a range of quality food products for supermarkets. Owing to the sale of its products in supermarkets, Alter Eco’s turnover rapidly grew and exceeded that of most pioneers. The example of Alter Eco was followed by many new small companies, such as Ethiquable. Many of these FTOs distribute their products through both specialised outlets and mainstream shops (Ballet & Carimentrand, 2008; Ozcaglar-Toulouse *et al.*, forthcoming). Other small companies, however, have been opposed to FT in supermarkets and have joined Andines in the “Minga” network. The members of Minga are characterised by their strong political agenda and their simultaneous opposition to both ADM (because of its use of volunteers and its NGO-like, non-professional functioning) and Max Havelaar (because of its collusion with mainstream companies). Moreover, Minga has been unfavourable toward the restriction of FT to North-South exchanges, preferring to include local initiatives as well.

⁸⁹ This section is based on the interviews, several websites, reports (Krier, 2005; 2008; Sarrazin-Biteye, 2009) and a book on FT in France (Diaz-Pedregal, 2007). It translated into a poster presented with Sarrazin-Biteye at the 3rd Fair Trade International Symposium in Montpellier. I also asked the PFCE as well as several French academics (Carimentrand, Diaz-Pedregal, Gateau, & Ozcaglar-Toulouse) to read and correct my text. I thank them again for their cooperation.

Finally, following Sarrazin-Biteye (2009), it should be noted that a number of new FT companies are not necessarily linked either to the “Max Havelaar” or the “Minga” approaches to FT. These “independents” are increasingly numerous and challenge the description of the French landscape based on its national networks (Huybrechts & Sarrazin-Biteye, 2008).

In the meanwhile, pioneer FTOs such as ADM remain in between the anti-mainstreaming (Minga) and the pro-mainstreaming sides (Max Havelaar, PFCE and several new businesses). Inside ADM, although there is still much heterogeneity, the general orientation is that of a stronger professionalism (Le Velly & Gallerand, 2008). In this context, since the late 1990s, ADM has given more autonomy to its importing FTO (Solidar’Monde), stimulating its commercial development while retaining the majority of the shares.

As a result, at least four streams currently characterise the French FT sector. One stream, embodied by ADM and other pioneer FTOs, relies on worldshops and voluntary work. For them, selling FT products is a way to make the population aware of unfair practices in international trade. Another stream, embodied by Max Havelaar and part of the business-form FTOs, aims to penetrate the market with the help of mainstream companies. Their rationale is to increase the FT market share, whatever the distribution channel, so as to create the highest possible volume for producers. The third stream is embodied by Minga and gathers companies combining a strong political profile with a central commercial project, the two being naturally embedded from their standpoint. Finally, a lot of FTOs do not identify themselves in these streams and are characterised by pragmatic approach (Sarrazin-Biteye, 2009). Most of them prefer a pragmatic approach to the confrontation which regularly opposes the three “trends” (through debates, the media, etc.). Many FTOs that are active locally but do not participate in the national networks also share this vision. Therefore, in order to really understand the dynamics and the diversity of the French FT sector, it is useful to observe the local situations, beyond the description of the well-established national actors (e.g., Gateau, 2008; Sarrazin-Biteye, 2009).

Whereas the different historical streams collaborated through the PFCE platform, the divisions became especially exacerbated when discussions were launched to prepare a French law on FT. Debates hosted by AFNOR (Agence française de normalisation) brought together PFCE members and FT stakeholders. It is the disagreement on several points—particularly on the participation of mainstream companies and the restriction of FT to North-South exchanges—which led Andines to leave the PFCE and launch its own network (Minga, in 2002). Finally, a law was adopted in 2005 but it only proposed a very general framework describing FT and its distribution strategies. This has not, however, tempered the permanent debates that pervade the French FT sector, with regular criticism both from the inside and from the outside.⁹⁰

According to Krier (2008), there were 165 worldshops in France in 2007, but this number strongly underestimates the number of shops as it takes only ADM shops into account, and not

⁹⁰ A good example is that of Christian Jacquiau’s book “Les coulisses du commerce équitable”. While criticising a part of the FT system—the labeling function of Max Havelaar—, his book had an impact on the whole French FT sector, leading to serious debates and to reinforced divisions among FTOs.

those of new FTOs. The same author counted 85 full-time equivalents in 2005 and in 2008. Still according to Krier, FT sales were generated mainly by mainstream channels: nearly 210 million euros in sales in 2007 (two times more than in 2005), compared to only 20 million euros in specialised outlets, although the latter is probably also underestimated. FT sales in France are thus characterised by a small market share for specialised shops with regard to that of supermarkets. ADM's turnover, limited to sales in ADM shops, has remained relatively stable over the last years (less than 9 million euros). It is thus thanks to supermarkets and importing FTOs such as Alter Eco and Ethiquable that sales figures and FT recognition have experienced the most dramatic growth in Europe in recent years (nearly doubling every year between 2002 and 2005). As Krier observes, "*those organisations which have opted to go for the broadest possible distribution of Fairtrade certified products, such as Malongo, Ethiquable and AlterEco have seen their turnover skyrocketing, overtaking the pioneering Solidar'Monde and leaving the traditional market leader far behind*" (2007:73). As a parallel, FT recognition in France has grown from only 9% in 2000 to 81% in 2007 (Max Havelaar-Ipsos, 2007).

2.2.2. The French sample

After several discussions with representatives of the PFCE in Paris, I decided to orient the French part of the study to the Rhône-Alpes region.⁹¹ Focusing on a particular region is useful in order to limit the size of the sample⁹² and to make it possible to interview many FTOs during a small period of time. Moreover and most importantly, the focus on one region allowed me to include smaller and less known FTOs than the three or four large FTOs often used as examples of the French FT sector (ADM, Andines, Alter Eco, etc.). Consequently, the sample includes many small FT companies often ignored in the research on FT, yet crucial for understanding the diversity of the FTOs' landscape (Sarrazin-Biteye, 2009).

The region of Rhône-Alpes, including major French cities such as Lyon, Grenoble and Valence, is one of the most dynamic regions in terms of FT. It includes many FTOs active at different stages of the process (import, transformation, distribution, promotion, etc.). It is no wonder, for instance, that the first "European FT Fair" took place in Lyon in 2008. For practical reasons, I restricted the area to the departments of Ardèche, Drôme, Isère and Rhône.⁹³ The Rhône-Alpes study was largely facilitated by my contacts with the "Equisol" support structure.⁹⁴ Equisol is not a network of FTOs but a platform whose mission is to support the development of the FT sector in Rhône-Alpes and to increase collaboration among the various actors. Equisol receives financial support from the Rhône-Alpes region. Equisol's activities include the organisation of fairs (among which the 2008 European fair), support for logistic coordination among actors, and education campaigns. Although Equisol is historically close to Max Havelaar France, it progressively opened its scope to and was accepted by other

⁹¹ The PFCE suggested avoiding the central region of Ile-de-France, in which FTOs were regularly solicited for various studies. The PFCE was, moreover, also interested in having more information about FTOs from other regions.

⁹² According to the PFCE, there are more than 300 FTOs listed in the country.

⁹³ Departments of Ain, Savoie and Haute-Savoie were ignored, as they are more difficult to access and they have a much lower concentration of FTOs.

⁹⁴ www.equisol.org

companies involved in FT, belonging to various networks (Minga, ADM, PFCE) or to neither of them. Besides facilitating the contacts with the FTOs, Equisol provided very interesting feedback to the first findings of this study. Other facilitators for the study were city-level networks and regional structures of national networks. City-level networks include the CLACE⁹⁵ in Lyon and Grenoble équitable. The main role of these networks is to organise common FT fairs and to foster knowledge and experience exchanges among the actors. I also met the ADM regional representation structure.

In the five departments considered for the study, all the organisations listed on Equisol's website and totally dedicated to the import and/or the distribution of FT products were contacted. I made a selection only out of the ADM teams, focusing on the main cities. Out of thirty-seven organisations with valid e-mail addresses, twenty-two replied positively. I met most FTOs at their headquarters, mainly in the cities of Lyon, Grenoble, Valence and Montélimar, during two one-week stays in the region (October and December 2007). The other FTOs from the sample were met during the first European FT Fair in February 2008 in Lyon.

Table 12: The French sample

| Name | Legal form | Economic function | Products | Year of creation |
|------------------------|---------------------------|---------------------------------|-------------------|-------------------------|
| ADM Lyon-Ouest | Nonprofit | Retail | Handicraft & food | 2002 |
| ADM Vieux-Lyon | Nonprofit | Retail | Handicraft & food | 1974 |
| ADM Valence | Nonprofit | Retail | Handicraft & food | 1984 |
| Artisanat SEL Grenoble | Informal group | Retail | Handicraft & food | 2006 |
| Artisanat SEL Lyon | Nonprofit | Retail | Handicraft & food | 1997 |
| Au cabanon équitable | Individual | Retail | Handicraft | 2006 |
| Aux 4 coins du monde | Nonprofit | Import & retail | Handicraft | 1981 |
| Ayllu Valence | Nonprofit | Import & retail | Handicraft | 1987 |
| Casayan | Individual | Import, wholesale & retail | Handicraft | 2005 |
| D'ici et de là-bas | Individual | Import & retail | Handicraft | 2002 |
| Equomondo | Individual | Retail | Handicraft & food | 2006 |
| Ethiquable Gourmand | Cooperative | Import, wholesale & retail | Food | 2005 |
| Karawan | Business | Import, wholesale & retail | Cosmetics | 2004 |
| Laspid | Business | Transformation & retail | T-shirts | 2006 |
| L'épicerie équitable | Business | Retail | Food | 2004 |
| Quat'rues | Business | Transformation & retail | T-shirts | 2006 |
| Saldac | Business | Import & retail | Food | 2000 |
| SGAP 38 | Nonprofit | Import & retail | Handicraft & food | 2003 |
| Signaléthique | Business | Import, transformation & retail | Handicraft | 2005 |
| Sol'alter | Individual | Import & retail | Food | 2007 |
| Soli'gren | Cooperative (+ nonprofit) | Import & retail | Handicraft & food | 2006 |
| Souffle de l'Inde | Nonprofit | Import & retail | Handicraft | 2000 |

⁹⁵ Coordination lyonnaise des acteurs du commerce équitable.

Besides interviews with FTOs' managers, I regularly met representatives from Equisol and the two city-level platforms (Lyon and Grenoble). I also met the regional ADM platform (ADM Rhône-Alpes), as well as two NGOs closely linked to FT (Equit'Afrique and Traces).

2.3. United Kingdom (England)

A third country chosen for the study was the United Kingdom. I have chosen the UK for two reasons. The first is that I found it useful to include a country with a different, "non-Latin" cultural and economic context. The second is that the UK has a very dynamic FT sector with a range of very innovative FTOs. Research on FT is also very dynamic⁹⁶, which has allowed for useful exchanges with British academics about this study.

2.3.1. The British FT sector⁹⁷

The UK is often presented as one of the countries where the FT sector is the most dynamic and the fastest growing (Krier, 2005; 2008). Together with the Netherlands, the UK is also one of the first European countries where FT initiatives emerged, in the 1950s. Oxfam UK can certainly be considered one of the FT pioneers in Europe. It was launched during the First World War and proposed the idea of selling items from developing countries in charity shops instead of just giving money. The first shop opened in Oxford in 1948 and the concept spread rapidly. However, campaigning has remained Oxfam's main activity: in 2002, it decided to leave its trading activities to focus on awareness raising and lobbying.

In 1979, Traidcraft was founded as a public limited company specifically devoted to FT. Created with a clear Christian identity⁹⁸, Traidcraft first developed its distribution networks through churches and religious groups. Catalogue sales and the involvement of numerous volunteers made Traidcraft grow rapidly. A second entity was created in 1986 as a charity named Traidcraft Exchange and focusing on producer support. The two organisations work hand in hand and their actions are ensured homogeneity through the Traidcraft Foundation.

Also in 1979, Equal Exchange was founded by three volunteers involved in development aid. Based in Edinburgh, Equal Exchange chose the form of a workers' cooperative. In 1986, given the success of the company, a sister cooperative was created in the US. Many other FTOs emerged in the 1980s, such as One Village (1980), Siesta (1983), Bishopston Trading (1985), Shared Earth (1986) and Twin (Third World Information Network - 1985). Founded by the Greater London Council, Twin is an interesting example of a publicly-launched FT initiative. Twin split up its activities: the charity Twin focuses on producer support, while Twin Trading deals with importing the products and designing new supply chains.

⁹⁶ As it appeared, for instance, on the first "UK Fair Trade Knowledge Transfer Workshop", held in Cardiff in April 2009.

⁹⁷ This section is based on the interviews, several websites (BAFTS, Fairtrade Foundation, etc.), Anderson (2009a; b), Moore (2004), Nicholls (forthcoming), Krier's reports (2005 and 2008) and the Fair Trade Knowledge Transfer Workshop in Cardiff.

⁹⁸ Traidcraft was created by people from Tearcraft, an older FTOs with an even clearer and exclusive Christian identity (Anderson, 2009a).

Together with Traidcraft, Oxfam UK and Equal Exchange, Twin was involved in the launch of Cafédirect in 1991. The four FTOs decided to unite their efforts to launch a commonly owned company focused on a particular product: coffee. Cafédirect was a unique example at that time and became very successful, designing attractive products and managing to distribute them in many supermarkets. The success of Cafédirect pushed Twin to launch other FT companies focused on a particular product: Day Chocolate (later Divine) in 1998, Agrofair (fresh fruit) in 2001 and Liberation (nuts) in 2007. Divine was the first FTO in which producers (the partner cooperative Kuapa Kokoo) hold shares (45%) and sit on the Board of Directors, an example which would later be followed by other FTOs such as Cafédirect and Twin.

In 1992, Traidcraft, Oxfam and three NGOs came together to create the Fairtrade Foundation, which organises FT labeling in the UK. The first FT labeled products—coffee, chocolate and tea—were launched in 1994 and were followed by many others, including products branded by supermarkets and food companies in the late 1990s. This led to making the UK a pioneer of FT mainstreaming.⁹⁹ Since 1997, the Fairtrade Foundation has been organising the annual “Fairtrade Fortnight”, an event aiming to boost FT sales and recognition, especially in supermarkets. Among the supermarket chains, the Cooperative Group has been the most involved in FT, with a wide range of FT products and a strong commitment to promoting FT.¹⁰⁰

In the early 1990s, many worldshops were created, often through the impulse of the established pioneers (Traidcraft, Equal Exchange, etc.). Many of these worldshops participated in the first European Worldshops conference in 1994 and decided to collaborate at the British level. These shops came together one year later to create the British Association for Fair Trade Shops (BAFTS). BAFTS’ mission is to provide support to FT shops and to promote FT at the national level. Members of BAFTS—nearly one hundred in 2008—have to be autonomous (not linked to a particular importer), they must get involved to a certain extent in campaigning and they must seek coherence by applying the FT criteria internally: “*The criteria apply equally to how trade is practiced in the North, so shops will be open to customers about business practices, informed about products and treat their own staff well*” (BAFTS, 2003).

The campaigning efforts of pioneers and of BAFTS led to the adoption of FT products by public entities, including the Parliament, as soon as 1997. Local administrations also started consuming FT products and the title “Fairtrade town” was claimed for the first time in 2001 by a small town called Garstang. Principles for “FT towns” were set and monitored by the Fairtrade Foundation. They include a strong involvement of public administrations, schools and local communities who can themselves become Fairtrade. Through imitation of and competition for the “Fairtrade” title, this has led to a very large network of towns, schools, universities and churches campaigning for FT (Krier, 2008).

⁹⁹ http://www.fairtrade.org.uk/what_is_fairtrade/history.aspx

¹⁰⁰ Cooperative supermarket chains have been pioneers in retailing FT products in countries such as the UK, Italy and Switzerland. This is why certain authors from these countries suggest that the involvement of these supermarkets in FT should be distinguished from that of conventional supermarkets (e.g., Nicholls & Opal, 2005).

Many small FTOs emerged around 2000. Most of these FTOs focused on a particular product line: jewelry (Silver Chilli – 1999), clothing (People Tree – 2001), olive oil (Zaytoun – 2004), etc. The case of People Tree illustrates the success and the innovation of new FT businesses in the UK. Initially launched in the early 1990s in Japan by Safia Minney, the company met an enormous success by focusing on a previously uncovered area: fashion. Designing fashionable FT clothing allowed People Tree to have its products distributed in mainstream outlets, such as Topshop stores in London. Besides strong commercial dynamics, People Tree has been very involved in campaigning, as a WFTO member: its founder is at the origin of the celebration of the “World Fair Trade Day”.

The leaders of both pioneer and newcomer FTOs belonging to WFTO—some of which through BAFTS—meet three times a year to discuss common issues through an informal network called “Fair Trade Leaders Forum”. Although all British FTOs are not represented, the Forum can be considered as a major informal network gathering FT importers and distributors in the UK.

In 2002, the “Make Poverty History” campaign raised enormous enthusiasm among FTOs and their stakeholders. Many FTOs got involved in the campaign by selling armbands. This, in turn, had a very positive effect on the sales of FT products. By 2005, 100 British towns had engaged in FT. In 2008, Wales became the first “Fair Trade country” in the world thanks to the involvement of Welsh towns, government and FT supporters (in the first place the association “Fair Trade Wales”). In 2007, UK consumers chose Cafédirect as “the most recommended brand in the UK”, among 2000 companies (Krier, 2008).

The prospect of the Olympic games to be held in London in 2012 is now seen as a tremendous opportunity for FTOs and more generally social enterprises. Through the “Winning with 2012” campaign, the coalition “Social Enterprise London” (SEL) aims to put social enterprises such as FTOs at the forefront for the delivery of products and services during the games. If their lobbying efforts succeed, FT products such as Cafédirect coffee could gain even more visibility and turnover.

According to the Fairtrade Foundation (2008), total labeled FT sales in the UK exceeded 700 million pounds in 2007, most of which was generated in supermarkets. For more than a decade, FT sales have been nearly doubling every year (Krier, 2008). According to Krier, sales by FTOs probably reached 100 million pounds in 2008 (63 in 2005). Total sales—labeled and non-labeled—are much higher than in the three other countries of the study, and growth seems to be continuous. However, there could be a decline in FT sales because of the economic crisis, similarly to what is currently occurring for organic food in the UK. FT awareness reached 57% in 2007 (as opposed to 12% in 2000). In 2007 Krier counted nearly 250 full-time equivalents in British FTOs.

2.3.2. The British sample

The selection of the FTOs was made with the help of BAFTS' website¹⁰¹, which lists the FT shops, but also a number of 100% FT importers from which the worldshops can buy FT products. I screened the list and contacted the FTOs (retailers, importers or both) in the areas of London and Newcastle. The reasons for this choice were the concentration of FTOs in London and the presence of what can be considered a "FT hub" in Newcastle (with Traidcraft and Shared Interest as two major actors). Around Newcastle, contacts were facilitated with the help of Professor Geoff Moore from the Durham Business School, also Board member of Traidcraft and of Gateway Worldshop in Durham. One FTO in Canterbury (Siesta) and another in Leicester (Just Fair Trade) were included because of their easy access on the way to or from one of the two cities. Eleven FTOs participated in the British part of the study, between January 12 and 17, 2008. This is certainly not representative of the total British FT sector, although I have tried to reflect the diversity of FTOs in the UK, from the small importers and worldshops to the large groups.

Table 13: The British sample

| Organisation | Legal form(s) | Economic function(s) | Type(s) of product(s) | Year of creation |
|---------------------|---|-----------------------------|------------------------------|-------------------------|
| Cafédirect | Public limited company | Import & wholesale | Coffee | 1991 |
| Ganesha | Private company | Import & retail | Handicraft | 1992 |
| Gateway | Nonprofit | Retail | Mixed | 1980 |
| Just Fair Trade | Workers' cooperative | Retail | Mixed | 2000 |
| One Village | Family company | Import & retail | Handicraft | 1979 |
| People Tree | Private company + Nonprofit | Import, wholesale & retail | Clothing | 2001 |
| Siesta | Private company | Import, wholesale & retail | Handicraft | 1983 |
| Silver Chilli | Private company | Import, wholesale & retail | Jewelry | 1999 |
| Traidcraft | Public limited company + Nonprofit + Foundation | Import, wholesale & retail | Mixed | 1979 |
| Twin | Private company + Nonprofit | Import & wholesale | Food | 1985 |
| Zaytoun | Community Interest Company | Import & retail | Olive oil | 2004 |

Additional insights on FT in the UK and on FTOs' dynamics were also gained through contacts with British scholars¹⁰², some of whom are themselves involved in FTOs. Moreover, several interviews allowed me to compare the British FTOs with those of other European countries: at Shared Interest (credit provider for FT producers and importers), Phytotrade (a producer-led office for market access based in London) and EFTA (directed by Traidcraft's leader).

¹⁰¹ www.bafts.org.uk

¹⁰² Some of whom at the FT Knowledge Transfer Workshop in Cardiff in April 2009.

2.4. Italy (Rome)

Italy was the fourth country included, because of its particular situation in relation to FT, as will be explained further. Moreover, I chose Italy thanks to my contacts with Professor Leonardo Becchetti from the University of Rome “Tor Vergata”, whose help in preparing the interviews and commenting the Italian situation was very helpful.

2.4.1. The Italian FT sector¹⁰³

FT in Italy is a little more recent than in Belgium and France. The history of Italian FT is linked to that of CTM Altromercato, the first established FT operator.¹⁰⁴ After few importing and distribution attempts, CTM (Cooperazione Terzo Mondo) was created in 1988. The idea was not only to create an importing organisation, from which worldshops could buy their products, but to really foster the development of worldshops and offer them much broader services (training, logistic support, contact with producers, etc.). The cooperative form was chosen by CTM as a vehicle for the participation of the workers. But worldshops are also invited to become members of the cooperative. In the early 1990s, many worldshops emerged and most joined the cooperative (among which two Roman FTOs created in 1991). Italian worldshops created the Associazione Botteghe del Mondo (Assobotteghe) in 1991.

It was also in the early 1990s that other importing FTOs were created, mainly in the North of Italy. Equo Mercato was launched in 1991. Comercio Alternativo emerged in 1992, also as a cooperative structure of which worldshops can become members. It rapidly became Italy's second largest FTO. Equoland started in 1995, and Roba dell'Altro Mondo in 1997. In 1994, the Italian label “Transfair Italia” (now “Fairtrade Italia”) was created. The aim was to promote FT in mainstream distribution channels. However, CTM chose not to use the FT label on its products, considering that its brand and identity are sufficient for consumers (Krier, 2008). As a result, sales of labeled FT products remained relatively weak in 2007 and restricted to only 4000 supermarkets (Krier, 2008). Comercio Alternativo has had its products labeled since 1997, but sells many of them through specialised outlets.

In 1998, CTM evolved into a consortium which grouped organisations only (mainly worldshops), not individuals. The consortium form allowed CTM to grow further and integrate up to 120 organisations, representing 350 worldshops (Krier, 2008). Also in 1998, the main Italian FTOs come together to discuss a common standpoint on what FT means and which criteria it involves. The final document was published in 1999 under the name “Carta Italiana dei Criteri del Commercio Equo e Solidale”. Italian FTOs continue to work together informally on how to implement and monitor the criteria. In 2003, they incorporated their collaboration under the name “Assemblea Generale Italiana del Commercio Equo e Solidale” (Agices).

¹⁰³ This section is based on the interviews, several websites, Krier's reports (2005 and 2007), and the very complete and innovative report by Viganò *et al.* (2008), as well as on a draft article by Becchetti & Costantino ((forthcoming).

¹⁰⁴ Translated and adapted from http://www.altromercato.it/it/info/chi_siamo/storia

Agices created a register of Italian FTOs respecting its criteria. From the beginning, a central criterion for being on the register has been the nonprofit or cooperative status of the organisation. Agices recognises the advantages of having FT products sold in supermarkets, but promotes a clear distinction between mainstream businesses and the network of worldshops that it aims to promote. Such a decision reinforced the two-sided nature of FT distribution in Italy. The FTOs' side is very politically involved, particularly the worldshops. AssoBotteghe, grouping only worldshops, is even more radical than Agices, which also includes importers. Certain worldshops have left Agices to remain members only of AssoBotteghe. Nevertheless, with its 250 members and its WFTO membership, Agices clearly remains the dominant FT network in Italy (Krier, 2008).

Rome became the first Italian FT town in 2005, with the support of Agices. By 2007, 18 towns had received such a title (Krier, 2008). Through CTM's "Ristorazione Solidale" project, schools have become very involved in the consumption and promotion of FT. Such involvement is particularly remarkable and is often given as an example of successful public participation in support of FT. Agices and AssoBotteghe, together with Fairtrade Italia, collaborate for the organisation of the annual FT fair called "Tuttunaltracosa". More important, the three organisations are the major driving force behind the work toward an Italian law on FT. After recognition and support of FT by several regional authorities, discussions at the national level started in 2006, under the impulse of Italian Parliament Members in favour of FT (grouped in the AIES network¹⁰⁵). Ideas to be included in the law included special public funding, tax reductions on FT products and as well as on FTOs themselves. The question of who may qualify as an FTO (only nonprofits and cooperatives, or beyond) is thus crucial in this context. However, the law proposal has not yet been voted. The government change in 2008 and the economic crisis are not likely to favour a rapid adoption of the text.

Italy is characterised by one of the highest numbers of worldshops in Europe, with more than 600 units (Krier, 2008; Viganò *et al.*, 2008). More than half of them are relatively young (created after 2000) and 60% are located in the North of Italy (Krier, 2008; Viganò *et al.*, 2008). Another specific feature that contrasts with other countries is the higher sales by FTOs compared to supermarkets. However, sales of FT products in supermarkets have grown strongly in recent years, from 25 million euros in 2004 to 39 million euros in 2007 (Krier, 2008). Despite supermarkets' growing interest, worldshops and importing FTOs still dominate the Italian FT landscape. Their dynamism, both on the political and economic sides, is characteristic of the "Italian FT model" (Becchetti & Costantino, forthcoming; Viganò *et al.*, 2008). In 2007, Krier counted more than 400 full-time equivalents in FTOs (importers and worldshops), which again constitutes an exceptional number in Europe (Krier, 2005; 2008).

2.4.2. The Italian sample

I focused on the region of Rome, in which the concentration of FTOs is higher than the national average (Viganò *et al.*, 2008). While the Roman area includes mainly worldshops, as most Italian importers are located in the North of Italy (Viganò *et al.*, 2008), FTOs in this area are

¹⁰⁵ Associazione Italiana dei Parlamentari per il Commercio Equo

not necessarily homogeneous. Because the Agices network gathers only nonprofit and cooperative FTOs, and does not include several smaller and more recent initiatives (Viganò *et al.*, 2008), I also included non-Agices members of the “AssoBotthega” network as well as independent FTOs found through an Internet research. In Rome, the local network “Roma Equa e Solidale” (RES) that gathers almost all the Roman FTOs, was very helpful in making contact with many FTOs and having an overall view of the local sector. I also included an FTO located outside Rome and met during the European FT Fair in Lyon (Mondo Solidale).¹⁰⁶ The Italian sample counts nine FTOs—about 40% of the FTOs in Rome—interviewed in May 2008.

Table 14: The Italian sample

| Organisation | Legal form | Economic function | Type of product | Year of creation |
|--------------------|--------------------|---------------------------|-------------------|------------------|
| ComES | Social cooperative | Retail | Food & handicraft | 1990 |
| Engim | Nonprofit | Retail | Food & handicraft | 2002 |
| Equociquà | Social cooperative | Retail | Food & handicraft | 2000 |
| Equo % | Social cooperative | Retail | Food & handicraft | 2004 |
| Esprit Equo | Individual | Retail | Cosmetics | 2005 |
| Il Fiore | Social cooperative | Retail | Food & handicraft | 2004 |
| La Tenda d. Populi | Social cooperative | Import & retail | Food & handicraft | 1996 |
| Mondo Solidale | Social cooperative | Import, wholesale, retail | Diverse | 1993 |
| Pangea-N. Troppo | Social cooperative | Import, wholesale, retail | Food & handicraft | 1991 |

2.5. Comparison

Let me now summarise and compare the main features of FT and FTOs in the four countries, as shown in the following table. I particularly focus on the position of pioneers, on their role regarding the mainstream players and the space left for newcomers.

Table 15: Comparison of the FT sectors in the four countries

| | Belgium | France | Italy | UK |
|---|-------------------|-------------------------------|---------------------------|---------------------------|
| Estimated FT sales (euros) ¹⁰⁷ | 75.000.000 | 250.000.000 | 150.000.000 | 1.000.000.000 |
| Sales per capita ¹⁰⁸ | 7.09 | 3.94 | 2.54 | 16.43 |
| Highest market share | 6% (banana) | 7% (coffee) | 2% (banana) | 25% (coffee) |
| FT shops | 350 | 300 | 650 | 150 |
| Position of pioneers | Strong | Weak | Very strong | Strong |
| Pioneers' collaboration with mainstream ¹⁰⁹ | Advanced | Limited | Yes but not through label | Very advanced |
| FT businesses | Recently emerging | Established or still emerging | Still limited | Established, few new ones |

¹⁰⁶ This allowed me to better balance the sample through the inclusion of a larger, importing FTO.

¹⁰⁷ Approximations based on national figures and FTOs' turnover for sales of labeled food, non-labeled food and non-food (Krier, 2008).

¹⁰⁸ Euros spent per year. Unlike Krier, I divide the *total* estimated FT sales by the country's population (2007 figures). The figure for Italy is consistent with Viganò *et al.*, 2008. Krier labeled FT sales per capita are respectively 3.31; 3.31; 0.66; and 11.57. Taking total sales thus increases the sales per capita, especially in countries in which non-mainstream sales are important (Italy and, to a lesser extent, Belgium).

¹⁰⁹ Not including labeling organisations.

As the table shows, each country has a specific FT configuration. But the strongest resemblances seem to be between Belgium and the UK. In both countries, pioneer FTOs have been at the basis of the mainstreaming of FT and have been much involved in it. The situation in the UK is more advanced, with a stronger penetration of FT into the mainstream. Italy could be located at the other edge, with a growing but still low level of mainstreaming, part of which is controlled by CTM and bypasses the label. New FTOs are mainly worldshops: the emergence of specific FT businesses is still very limited. Finally, the situation in France is very particular. The pioneers such as ADM, who dominated the landscape until the late 1990s, have been progressively marginalised both by mainstream players encouraged by Max Havelaar, and by FT businesses such as Alter Eco and Ethiquable, that have rapidly grown through mainstream channels. Moreover, the rise of a new generation of FT businesses hostile to mainstreaming has even challenged the role of ADM as the FT “political reference”.

The configurations of the national FT landscapes are thus crucial for understanding the organisational forms and strategies of FTOs. Let me now detail the concrete steps of collection and treatment of the information.

3. Collection and treatment of the information

3.1. Interviews

3.1.1. Interview guide

In each FTO, I met the leader, whose title varies according to the type of FTOs: “CEO” or “general manager” in FT businesses, “director” in some nonprofit FTOs, “coordinators” in most worldshops, etc.¹¹⁰ On two occasions, it was not possible to meet the person with the highest level of responsibility, but the communication manager. When several people were in charge of the FTO, I met one or all of them (in two cases of worldshops where the “team of coordinators” was interviewed).

The interviews were based on a semi-structured interview guide¹¹¹, including both:

- factual (closed) questions: size, age, legal form, resources, functional chart, number of volunteers and/or employees, figures about the economic activity (turnover, sales channels, margins, profit, etc.)
- in-depth (open) questions: history, context, leaders’ profiles, goals, activities, choices in terms of organisational form, relationships with other FTOs, etc.

The interview guide was pre-tested on two Belgian FTOs. This led to a major revision of the guide to make it simpler and shorter.¹¹² In order to make the most of the managers’ limited

¹¹⁰ I will keep the term “leader” as the most encompassing one. Nevertheless, other terms will be used according to the context, especially “entrepreneur” (in small, entrepreneurial FTOs) and “manager” (for instance, when describing governance models).

¹¹¹ See appendix nr 2

time, I realised that it would be helpful to prepare the interviews by collecting and analysing all the data available on the FTO (website, annual report, studies, vision of the FTO by other FTOs and by regional or national networks or support structures, etc.). This increased not only the efficacy of the interviews, but also the triangulation of the information and thus its validity (Baumard & Ibert, 2007; Yin, 2009). It also allowed me to put certain opinions into a broader context, typically the impression of numerous managers of having a unique form that distinguished them from other FTOs in the region—an impression that, in itself, already provided useful insight.

3.1.2. Concrete steps

First, contact e-mails were sent to all the FTOs in the given area. Reminders were sent in case of absence of reply, and after three reminders FTOs were contacted by phone. The initial contact with a support structure or network was used as proof of credibility. Often, a positive reply by a well-known FTO allowed me to obtain interviews in other FTOs. Such a strategy yielded high response rates, from about 40% (UK) to nearly 70% (Belgium).

Before the meeting with the manager, information was collected on the FTO's website or sometimes on other websites mentioning the FTO, and through documentation when available (presentation leaflets, annual report, etc.). For the famous FTOs (ADM, Cafédirect, Traidcraft, Oxfam, etc.), information was also found in earlier case studies or reports.

Each interview started by a description of the study and the expected outputs. I also systematically asked the manager which level of confidentiality was required, my intent being to be allowed to disclose as much as possible.¹¹³ All the managers accepted their FTO's and their own names to be mentioned as having participated in the study.¹¹⁴ Most of the managers required confidentiality only for direct quotations and for certain specific economic data (profit, margins, etc.). Others also asked not to mention their turnover, their commercial strategy or their funding sources, but they were a minority.¹¹⁵ Finally, a substantial number did not require any limitation regarding the diffusion of the information. For some of them, such transparency is in itself a value at the heart of their action. This is why, in the remainder of this work, certain quotations or information given by managers are anonymous, while others are not.

¹¹² The two Belgian FTOs participated to the final study: they were thus recontacted to ask for missing information.

¹¹³ According to Yin (2009), disclosure is highly preferable, especially when the topic is not necessarily controversial. Disclosure offers two advantages. *“First, the reader has the opportunity to recollect any other previous information he or she may have learned about the same case [...] in reading and interpreting [the study] [...]. Second, the absence of disguised names will make the entire case easier to review, so that footnotes and citations can be checked”* (56).

¹¹⁴ As the FT sector is small and most FTOs know each other, it would make little sense not to disclose the FTOs' names since it would be easy to induce them from the descriptions.

¹¹⁵ In one FTO, for instance, I was asked not to mention the size (capital and turnover) because of fear of being taken over by a larger FTO. In another FTO, a product transformation project had to remain confidential because it was expected to strongly modify the supply chain.

The interviews lasted at least one hour. Most lasted one hour and a half and a few exceeded two hours. The interviews generally began with open questions (history, activities, etc.) and then the discussion narrowed down to a range of closed questions. In most cases, the managers spontaneously answered some remaining questions by describing the structure and functioning of their FTO. I could often informally meet other people working in the FTO and visit the facilities, which often provided information not mentioned in the interviews.

Written notes were taken during the interviews¹¹⁶, using shorthand in order to “*preserve the essence of the participant’s replies without converting them into the interviewer’s paraphrases*” (Blumberg *et al.*, 2005:254). Several quotations were written down integrally.

The interviews were systematically followed by at least one e-mail contact aiming to

- ask the leaders to state more formally how they perceived the “goals” of the FTO (see fifth chapter)
- ask for missing information and clarification on certain points
- ask to read and correct the summary of the interview (Word document)

While most of the leaders replied to the follow-up e-mail, generally adding information and attached documentation on their FTO, only half of them filled the “goals” grid.

3.1.3. Treatment of the information

Transcription

All the written notes taken during the interviews were transferred in a Word document short after the interview, when the content of the discussion was still easy to recall. The document was then submitted to the leaders for verification. 68% of them reacted in some way, to validate the information and/or to bring modifications. For each country, an Excel table was constituted to summarise the core information for each FTO (both qualitative and quantitative). Part of this information was verified when possible (for instance, information about resources was checked through the annual reports when available). The little amount of purely quantitative information (turnover, resources, etc.) was standardised into homogeneous measures (for instance, in euros) and categorised (e.g., proportion of market resources—see the fifth chapter).

While the qualitative information included narratives (typically the history of the FTO) and precise quotations (when interesting statements were made) that were used as such, I also converted some of this information into categories, as will be explained in the next two chapters. For instance, I grouped all the descriptions concerning the managers’ past experience and education into three categories. All these categorisations are, of course, highly subjective. Nevertheless, they allowed me to compare and group FTOs instead of having individual 57

¹¹⁶ Given the total amount of time corresponding to the interviews with the FTOs’ managers, but also with the coordinators of networks and support NGOs (an estimated 120 hours), I considered using shorthand to be more efficient than recording, despite the possible loss of information.

cases. It should be noted that the representation with numbers does not change the qualitative *nature of the data*: categories are arbitrary, intervals are not equal and statistical treatments must remain exploratory (Baumard & Ibert, 2007).

Exploratory statistical treatments

The categories based on qualitative and, to a lesser extent, quantitative information were encoded in the Statistica program, through which I was able to run a range of basic exploratory statistical treatments such as cluster analysis, principal component analysis and simple and multiple correspondence analyses.

Correspondence analysis explores the association between two or more qualitative (categorical) variables (e.g., McClave *et al.*, 2001; Simar, 2008). This method is particularly useful as most of the variables are qualitative. The output of a correspondence analysis is a correspondence matrix in which the two variables are represented by a row and a column, with the different modalities for each variable. Instead of a numerical correlation, it is the weight of each column in every row and vice-versa that is of interest. For each correspondence analysis, it is thus possible to take either the row variable or the column variable as the reference. The two correspondence factors may also be depicted through a 2D graphical projection. The statistical significance of correspondence analysis is generally established through a Pearson's Chi-square test (Simar, 2008). The result of this test is expressed through the p-value, which represents the product of the probabilities that each item is classified in any particular cell of the table, under the hypothesis that the two variables are independent from each other (e.g., McClave *et al.*, 2001; Simar, 2008). In other words, the lower the p-value, the higher the likelihood that an item will be classified in particular cells—rather than in any of them—, and the more significant the correspondence analysis will be. I will take the classical 0.05 p-value threshold to assess the significance of the relationships.

When one wishes to reduce several variables into one or two variables that represent them, a useful method is principal component analysis. However, this method can only be used on quantitative variables (e.g., McClave *et al.*, 2001; Simar, 2008). This will be of interest only for variables such as the turnover or the number of employees. To combine several qualitative variables, the most suited method is multiple correspondence analysis. This is particularly adequate when several simple correspondence analyses are significant—i.e., when their respective p-values are inferior to 0.05. Multiple correspondence analysis is a powerful tool for data analysis (Simar, 2008). The main problem with these analyses is that their interpretation is difficult. I will thus mainly use them to compare three variables (exceptionally five). Similar to factor analysis, multiple correspondence analysis reduces the variables to a number of dimensions or factors that synthesize the relationship between these variables. If we take two dimensions, it is possible to depict the different variables through a 2D graphical projection. Each dimension explains a decreasing percentage of the total inertia, i.e., the contribution to the Chi-square statistic. In other words, if we depict a 2D projection, the significance of the representation of the variables on the two axes (or factors) may be assessed through the sum of

the inertia percentages of each factor.¹¹⁷ Multiple correspondence analyses may also serve as an ideal preparation for cluster analyses: if the variables show strong mutual interdependence, then the clusters are more likely to be homogeneous and thus easier to interpret (Simar, 2008).

The goal of cluster analysis is to identify homogeneous subgroups in a sample. It is particularly useful when multiple variables are involved in the classification and when the behaviour of individuals in relation to only one variable is considered insufficient to characterise these individuals. This is precisely the situation I will be facing. As the organisational form is composed of different elements, which can be combined in different ways and which will be described in the next chapter, the cluster analysis will allow me to build groups of FTOs that resemble each other in their combination of these elements. Cluster analysis is generally based on quantitative variables. However, it is possible to use qualitative variables, provided that a multiple correspondence analysis is run and transforms the categories into factors with their coordinates. While most statistical programs do this automatically, I had to do it manually with Statistica, which required a more complex operational process to obtain the factors' coordinates.¹¹⁸ The output of a cluster analysis is a dendrogram representing “*the sequence of clusters associated with their aggregation level*” (Simar, 2008:113). The dendrogram of a classification tree must be “cut” at a level that satisfies the researcher’s desired balance between homogeneity within the categories and heterogeneity between them. Generally, the cut is done at a level of aggregation corresponding to 0.50.¹¹⁹

3.2. Case studies

3.2.1. Presentation of the cases

I deepened the analysis with a small number of FTOs. The choice of the case studies was influenced by two factors. The first one was the intent of covering the different categories that my taxonomy will suggest. Although these categories will be presented in the next chapter, I already present the case studies in this part, so as not to split the methodological elements across different parts of this work. The second factor influencing my choice has been “*convenience, access and geographic proximity*” (Yin, 2009:93). In Belgium, I took the FTOs on which I already had much information, often through personal relationships with the manager and/or employees. In the three other countries, I chose the case studies according to the leaders’ interest in my study and the time and amount of information available. Hence, the eight FTOs are not supposed to be representative of the broader sample: Belgian FTOs, as well as larger FTOs, are over-represented. Nevertheless, deepening the analysis on these few FTOs has appeared very useful for understanding the dynamics of shaping and meaning of the organisational form. Let me briefly present the eight cases.

¹¹⁷ The p-value is not valid in this case.

¹¹⁸ Such process involves the transformation of the qualitative data, through multiple correspondence analyses, into “*a complete disjunctive table $Z : (n \times m)$ where $m = m_1 + \dots + m_p$ is the total number of modalities of the p qualitative variables*” (Simar, 2008:128).

¹¹⁹ The aggregation level expresses the ratio between the distance between the individuals and the distance between the groups. The algorithm chosen here is the Ward algorithm.

- Citizen Dream (Belgium)

Citizen Dream is a Brussels-based company created in 1998 by a couple of entrepreneurs. The couple had a background in the world of NGOs, but after an additional one-year training in economics, they decided to launch Citizen Dream as a business in order to avoid what they call “nonprofit inefficiencies” (heavy democratic decision-making process, reluctance for business tools, etc.). To create the business, they were accompanied by a number of individual shareholders. Fair Trade Original was also involved in the venture, because of personal relationships among the managers. Citizen Dream started importing from Oxfam-MDM partners in India, but soon after, it developed its own partnerships, mainly with IFAT-WFTO members. Citizen Dream became a member of IFAT-WFTO and was thus submitted to an external audit and a self-assessment process that increased its legitimacy. The focus on high-quality products, the communication strategy based on quality and not on FT, and the system of shops owned by franchisees were quite innovative for FT at that time. However, due to internal management problems, rapid growth and the difficulties in trading FT handicraft (SAW-B, 2008), the FTO collapsed in 2008.

- Miel Maya Honing – Maya Fair Trade (Belgium)

MMH was created in 1975 by a group of volunteers who were in contact with honey producers in Central America. It started partnerships with these producer groups and distributed several types of honey, initially to customers already aware of FT issues, and later to FT shops and to supermarkets. In the 1990s, other honey-related products were developed (sweets, gingerbread, cookies, etc.). An office was opened in Leuven to reach the Flemish region. In 1998, the FTO was split into a nonprofit entity (MMH) and a cooperative (MFT). Each of these entities specialised in specific functions (respectively, education and producer support; and trading), with separate locations, directors and governance structures. Nevertheless, a system of inter-organisational links was established to conserve a common direction for the group.

- Oxfam-Magasins du Monde (Belgium)

Oxfam-MDM, one of the pioneers of FT in Belgium, started out as a nonprofit, volunteer-based FTO. When defining the roles of the different Oxfam-named organisations in Belgium, it took the role of importing the handicraft products for the Belgian worldshops. Oxfam-MDM developed a network of nearly one hundred shops in French-speaking Belgium. It was able to gather thousands of volunteers, both to manage the worldshops and to run campaigns. From the beginning, campaigning was a central activity for Oxfam-MDM, allowing it to acquire a high level of recognition together with its Flemish counterpart (see next case). Oxfam-MDM’s aim is to build a “movement of citizens”, considering the commercialisation of FT products as one of the tools to support and concretise its political project and its social mission.

- Oxfam-WW & Oxfam Fair Trade (Belgium)

The history of Oxfam-WW is very similar to that of Oxfam-MDM, at least until the mid-1990s. In the Oxfam family, Oxfam-WW is responsible for the import and the distribution of the food products. This placed Oxfam-WW in a very different position from its French-speaking counterpart. Indeed, mainstream markets quickly became available for and interested in FT food products. To manage the development and marketing of the products, and to face partnerships with supermarkets and other mainstream businesses, the organisation created a specific structure through a cooperative called Oxfam Fairtrade cvba. Oxfam-WW remained a nonprofit organisation and assumed the responsibility of serving as an umbrella for the two hundred worldshops that acquired juridical independence, in addition to the education and advocacy dimension. Oxfam-WW and the worldshops remained the main shareholders of Oxfam-Fairtrade, but part of the shares became available for individuals and partner institutions such as NGOs. While the two structures initially had separate directors, the director of the nonprofit part took over the general direction of the group in 2007.

- Esprit Equo (Italy)

Esprit Equo was created by a multi-cultural couple in 2006. Based on personal relationships with Moroccan producers, they wished to launch a range of quality cosmetics that would provide new market opportunities for these producers. However, Esprit Equo's founders were reluctant to imitate the model of a social cooperative adopted by most Italian FTOs. They wanted their FTO to be a business with a clear market orientation, along with a strong attention for the producers' needs. Moreover, they did not want other people to intervene in their business at this stage. Collaboration started with the Italian FTO Commercio Alternativo for the development of the cosmetics. The intent was to propose these cosmetics through mainstream channels. They also opened their own shop in the center of Rome, to put forward the quality and attractiveness of the products rather than their FT characteristic, along the same lines as FTOs in other countries, such as Citizen Dream or L'épicerie équitable.

- Pangea-Niente Troppo (Italy)

Pangea was created in 1991 as one of the first worldshops in Rome. Volunteers who were very enthusiastic about the FT project wanted to launch a shop in Rome. Two other shops were opened in the following years. Pangea was soon to join the CTM consortium, and became the intermediate for the distribution of CTM products to supermarkets in the Roman region. Pangea is also a founding member of Agices. It combines a highly commercial activity with much involvement in education and advocacy. In 2004, Pangea united with another worldshop in the area, Niente Troppo, to become "Pangea-Niente Troppo" (hereafter Pangea-NT).

- Traidcraft (UK)

As previously mentioned, Traidcraft has been a leading FTO in the British and European FT sector. It evolved into a successful group with a turnover of more than 20 million pounds and

influenced the evolution of the whole sector. Traidcraft has played a major role, for instance, in the launch of Cafédirect and in the constitution of the Fairtrade Foundation. Moreover, owing to its roots in Christian networks, with thousands of volunteers selling its products and relaying its campaigns, Traidcraft remained close to civil society while developing a profitable business. New products were developed in partnership with mainstream businesses and several products with the Traidcraft brand began to be distributed in supermarkets. In the meantime, partnerships were developed with numerous producer groups all over the world. Traidcraft received awards in the UK for the “Best Social Account” (in 2005) and for “Excellence on Stakeholder Dialogue” (2006). It also received the “Queen’s Award for Enterprise” (in 2006).

- Saldac (France)

Saldac was created in 2000 by a person returning from a field study in Latin America in the context of an academic research project. Having met different groups of Peruvian producers trying to find market opportunities for their products (textile, coffee, cocoa, as well as more original products such as maca and mate), he decided to progressively import food products from them. Saldac was created as a nonprofit organisation but took on a classical business form in 2002, which the leader found to be more coherent with the business activity and more credible toward economic partners. Saldac is an active member of Minga, the French network of politically engaged business-form FTOs.

3.2.2. Synthesis

The following table summarises some of the core information about the different cases and also the types of people met in each FTO. As we can observe, the cases are diverse in several respects. In the next chapter, I will examine to what extent these cases cover the different categories of organisational forms.

Table 16: Synthesis of the case studies

| Name | Country | Legal form | Size | Products | People met |
|------------------|----------------|----------------------------|-------------|-----------------|--|
| Citizen Dream | Belgium | Business | Medium | Handicraft | 2 founders/leaders 1 Board member 1 franchisee |
| Esprit Equo | Italy | Individual | Small | Cosmetics | 2 founders/leaders |
| MMH-MFT | Belgium | Nonprofit + Cooperative | Medium | Food | 2 directors 1 employee |
| Oxfam-MDM | Belgium | Nonprofit | Large | Handicraft | 2 directors 1 Board member 2 employees |
| Oxfam-WW | Belgium | Nonprofit + Cooperative | Very large | Food | 2 leaders 1 Board member 1 employee |
| Pangea-N. Troppo | Italy | Cooperative | Medium | Mixed | 2 managers |
| Saldac | France | Business | Small | Mixed | 1 founder-manager 1 employee |
| Traidcraft | United Kingdom | Nonprofit + Business | Very large | Mixed | 1 Chief executive 1 Board member |

3.2.3. Collection and treatment of the information

Yin (2009) distinguishes six “sources of evidence” in the context of case studies: documentation, archival reports, interviews, direct observation, participant-observation and physical artifacts. While I mainly used the first three sources, I also included the three others: direct observation of meetings, participant observation in Oxfam-MDM (and the BFTF), and even “physical artefacts” through the informal observation of FT products and packaging. For each of the eight FTOs, interviews were held with several people (generally one or several Board members and employees, besides the leader).¹²⁰ With the leader, I extended the classical “focused interview”—following a defined set of questions—to an “in-depth interview”—asking not only about facts but also about opinions and insights (Yin, 2009). The Belgian FTOs were followed during the whole study (from 2006 to 2009), with interviews at different moments as well as regular informal contacts and observations (at meetings and seminars, in the context of the BFTF, etc.). This has been helpful in capturing time effects. In the case of Oxfam-MDM, my one-year involvement on the Board can be considered as participant observation. For the cases abroad, I spent at least half a day in the FTO and I kept regular e-mail contacts with the leaders.

For all FTOs, I used several items of internal past and present documentation (annual reports, minutes of Board meetings and General Assemblies, magazines for volunteers or customers, leaflets, etc.) and paid special attention to the content on the website. Certain FTOs had very rich documentation, including on their websites (e.g., Traidcraft, Saldac), while others had less (e.g., MMH). I also gained insights from other studies, such as master theses (on the four Belgian FTOs), reports and academic articles (on Traidcraft and Pangea-NT). Besides the treatment in the context of the sample analysis, I wrote a more in-depth review of the interviews and of the whole structure and functioning of the FTOs. These reviews were also submitted to the leaders for verification.¹²¹ More attention was paid to precise quotations and to the triangulation of the information.

4. Limitations

Let me already mention a number of limitations of the methodology. While there are advantages to using mixed methodologies, there are also a number of weaknesses. First, although the sample is not anecdotic and sometimes reaches high representative rates, it does not have the size of a survey sample. It is therefore not possible to make complex statistical treatments, nor generalisations about whole populations of FTOs in the four regions. Secondly, despite the few case studies, the study of the majority of FTOs focused on the leaders interviewed at a particular period of time (“snapshot” view). Thirdly, the case studies are numerous, even from a multiple case perspective. Thus, I do not have the insights into one particular case that I would have had by following it exclusively over the whole period.

¹²⁰ Appendix 1 lists the names and functions of all the interviewees (formal and informal interviews).

¹²¹ Two out of the eight leaders did not react to my demand for verification.

While the triangulation of information sources increases the validity of such information (Baumard & Ibert, 2007; Yin, 2009), all these sources (interviews, documentation, website, etc.) are subjective to a certain extent:

- Interviews were held with the leaders. The specific vision of these people about “their” organisation probably does not reflect the vision of other people in the organisation. Moreover, these people may have been influenced by my position and interaction (for instance, by providing “positive” information with the hope of being depicted as such in my publications, or, on the contrary, by complaining about obstacles with the hope that I would relay them and thereby help to overcome them).
- The same goes for interviews with several people in the context of case studies. Discrepancies among interviewees are likely to occur and may be considered as useful information on their own (Stablein, 1996).
- Documentation about the FTOs is obviously influenced by whether it originates from the FTO itself, from other FTOs (that may be hostile or friendly), from FT supporters, funders, etc.

Other weaknesses linked to the categorisation of the information will be mentioned in the next chapters, in which I will detail the method and expose the descriptive results for a number of key variables. As a result, the findings should be interpreted with caution and put in their context.

Chapter 4 – Categorising organisational diversity

In this chapter, I focus on the central object of analysis: the organisational form. In the first section, I identify three elements to apprehend such form: the legal form, the architecture and the governance model. Each of these entries to the organisational form will be examined separately, with a brief theoretical introduction, an explanation of the methodological and the descriptive findings. Then, in the second section, the findings for the three elements of the organisational form are aggregated through the exploratory method of the cluster analysis. Such an exercise allows me to answer the first, descriptive research question: how can we categorise the diversity of organisational forms in the FT sector? The result is a taxonomy of FTO's organisational forms allowing me to structure the observed diversity through a manageable number of categories. Each of these categories is described in terms of core features, internal homogeneity, and possible evolutions.

1. The three entries to the organisational form

1.1. The organisational form as a construct

In the first chapter, I examined how a number of concepts and movements to which FT can be affiliated suggest specific organisational forms for the pursuit of multiple dimensions. Core elements of such forms were the *legal form* and the *governance model*. Nevertheless, other elements of the organisational form could be used to discriminate between organisations, leading to other boundary lines in the organisational landscape. For instance, if we take a large bureaucratic nonprofit organisation, it may have more similarities with other large bureaucratic private or public organisations than with a small nonprofit structure; and the latter may, in turn, be more similar to small entrepreneurial companies than to the large nonprofit in question.

But more than the size, it is the *architecture* of organisations that deserves attention. “Architecture”, “design” or “structure” are notions that are central in organisation theory to describe the organisational form. The perspective I adopt here considers the architecture as the result of two main features: how work is divided in the organisation (among people, among departments, etc.), and how work is coordinated (Mintzberg, 1980; 1984b; Nizet & Pichault, 1995). Concretely, in the case of FTOs, attention to the architecture may help to understand how the FT activity is organised within the FTO and concretely translates into functions, units, departments, coordination mechanisms, etc. Such information is not given by the legal form and the governance model—although these different elements of the organisational form are likely to influence each other.

The remainder of this chapter will describe more in detail what is the architecture and how it may bring a complementary understanding to organisational forms, together with the legal form and the governance model. These last two elements will also be defined more precisely. Taking these three elements jointly will allow me to better capture the diversity in FTOs' organisational forms than if I had limited the scope, for example, to the legal form only. These three elements are certainly not exhaustive: other elements could be included (such as culture,

identity, human resources, etc.), and other views on organisations could be adopted. Nevertheless, beside the necessary limitation of the scope of the study to a reasonable number of variables, I found a certain internal consistency among these three elements. The legal form generally corresponds to the initial decision of the founders and should thus reveal something about the organisational history and identity. It is certainly not the most flexible element of the organisational form: changing it requires the agreement of several organisational actors and entails high administrative costs. Change in legal form is thus unlikely to be anecdotic. The architecture is less rigid: it will evolve over time, probably toward more complexity, even if fundamental changes are likely to be scarce. Finally, governance, which can be considered a coordination mechanism, is relatively more flexible, simply because the composition of the Board and the functions it performs should evolve over time. This is particularly the case if we see governance structures as a device through which stakeholders concerned by the activity may be involved. The study of governance models may help to understand who owns the formal and ultimate decision right, for instance, when conflicts arise among the different dimensions of FT. In short, I view these three elements as complementary to describe organisational forms in a way that enables to tackle the research questions.

1.2. The legal form

1.2.1. Introduction

The diversity of legal forms in the FT sector calls for a better understanding of this structural element. In much of the “mainstream” management literature, however, this is not a central issue, since it is implicitly assumed that businesses necessarily take one of the few business forms available to them. It may thus be seen more as an issue for law specialists than for organisation theorists. Nevertheless, whole streams of literature have emerged and developed exclusively around particular legal forms, specifically around “alternative” legal forms such as nonprofit organisations and cooperatives. In these pieces of literature, the legal form has become the main distinctive characteristic of organisations. Relying mainly on a contractual approach—theoretically the one most centred on the legal form—, much work has been devoted to examining the specific features, for instance, of nonprofit organisations, and to compare a set of organisations on the basis of their legal form (e.g., Carolyn, 2000; James, 1987; Taewon Suh, 2005). As we have seen in the fourth chapter, the legal form is an important issue in at least two concepts to which FT can be related: cooperatives and social economy. Yet, restricting the organisational form to the sole legal form would be misleading. Several authors working on social enterprise and social entrepreneurship have criticised such a narrow focus and called for a more relaxed view on legal forms (e.g., Battle Anderson & Dees, 2006). The legal form is thus only one element of the organisational form, for which diversity seems quite clear in the FT sector.

1.2.2. Methodology

In the interview guide, I asked three specific questions concerning the legal form. The first one (Q3a) was simply “What is your legal form?”. I directly linked the local expression of the legal

form(s) to one of the four following categories: nonprofit organisation, cooperative, “business”, and individual venture. A fifth category consisted of the combination of two or three of these forms into a group structure. Although these categories may be subdivided or, on the contrary, combined into other categories, the name and characteristics of which may vary according to the countries and periods, the existence of five general types seemed valid in each context. The second question (Q3b) was totally open: “Why has that particular legal form been adopted?”. Thirdly, I asked if there had been any changes in the legal form, and, if so, when, why, and how (Q3c).

1.2.3. Descriptive findings

The sample confirms general observations of the field, which indicate that there is now much more diversity of legal forms than in the early history of the movement (Becchetti & Huybrechts, 2008). In the meanwhile, local uniformity can also be observed. In Italy for instance, a majority of FTOs are social cooperatives. I will deepen and interpret such links between age, region and legal/organisational form in the next chapters. The following table details the distribution of legal forms by region.

Table 17: Distribution of legal forms in the sample

| <i>Form</i> <i>Region</i> | Nonprofit | Cooperative | Business | Individual | Group | TOTAL |
|------------------------------|------------------|--------------------|-----------------|-------------------|--------------|--------------|
| Belgium | 5 | 2 | 3 | 2 | 3 | 15 |
| Rhône-Alpes | 9 | 1 | 6 | 5 | 1 | 22 |
| England | 1 | 2 | 5 | 0 | 3 | 11 |
| Rome | 1 | 7 | 1 | 0 | 0 | 9 |
| TOTAL | 16 | 12 | 15 | 7 | 7 | 57 |
| Proportion | 28% | 22% | 26% | 12% | 12% | 57 |

There are different classifications of legal forms according to the national contexts. The following table presents the different legal expressions *that have been observed in the study*:

Table 18: Legal expressions in the sample

| Country | Nonprofit | Cooperative | Business | Individual |
|-----------------------|---|--|---|---|
| Belgium | Association sans but lucratif (ASBL) | Société coopérative à responsabilité limitée (SCRL) | Société anonyme à responsabilité limitée (SARL) Société privée à responsabilité limitée (SPRL) | Entreprise en personne physique (Indépendant) |
| | | <i>(additional recognition)</i> Société à finalité sociale (SFS) | | |
| France | Association (loi 1901) | Société–anonyme–coopérative de production (SCOP) Société–anonyme–coopérative d’intérêt collectif (SCIC) | Société anonyme à responsabilité limitée (SARL) | Entreprise individuelle Entreprise unipersonnelle à responsabilité limitée |
| United Kingdom | Company limited by guarantee (+ charity) | Workers’ cooperative ¹²² Community Interest Company (CIC) | Public limited company (PLC) Company limited by shares | / |
| Italy | Associazione (senza fine di lucro) | Cooperativa sociale (type A or B) | Società a responsabilità limitata (Srl) | |
| | <i>(additional recognition)</i> ONLUS (Organisazione non lucrativa di utilità sociale) | | | |

The expressions are diversified according to the country. Sub-categories may exist, as well as specific features bridging two forms (such as “SFS” in Belgium or “Onlus” in Italy). The different legal frameworks also include advantages and/or requirements that are very different in each country. It is mainly in the seventh chapter that I will examine how these advantages and/or requirements may have played a role in the adoption of specific legal forms by FTOs.

¹²² In addition to the basic “incorporated” form.

1.3. Architecture

1.3.1. Introduction

As previously mentioned, the architecture, structure or design of organisations can be seen as being made of two elements. First, there is the question of how work is divided among people, units or departments. Secondly, the question arises of how the different people, units or departments are coordinated. Workers—in the broad sense of the term—may be specialised in one task, or they may master several types of tasks. Horizontal division refers to the number of tasks realised by each operator (the higher, the lower the horizontal division). Vertical division refers to the separation between design and implementation (the more workers are involved at different stages of the work, the lower the vertical division).

Mintzberg (1980) distinguishes six coordination mechanisms among *workers*: mutual adjustment, direct supervision, procedural standardisation, results standardisation, qualification standardisation and, in his later work¹²³, norms standardisation. Nizet and Pichault (1995; 2001) suggest that these six mechanisms can be grouped into three categories: interpersonal mechanisms (mutual adjustment and direct supervision), mechanisms based on work formalisation (procedures and results standardisation) and mechanisms based on mental representations (qualifications and norms standardisation). Division and coordination refer to individual operators. When we consider the level of units and *departments*, we can find the same categorisation of how work is divided and how it is coordinated. Departments may be constituted according to inputs (e.g., by functions: production, marketing, accounting etc.) or outputs (e.g., by types of products, clients, markets etc.). Similarly to coordination between operators, interdepartmental coordination may be organised on the basis of three criteria: interpersonal relationships, formalisation and mental representations. One of the main mental representations is ideological mobilisation. Ideology can help reduce the divergences among departments and bring them together toward a collectively shared mission. According to Mintzberg (1980), ideology is thus a strong cohesion mechanism that facilitates organisational change.

In a first vision, architecture may be seen as static and “neutral”. It is the interpretation of structure through a particular theoretical lens that will give it a particular meaning. For instance, in a contractual perspective, the architecture reflects the cost-minimising contractual arrangements. In a contingent perspective, especially in structural contingency, architecture is systematically linked to the environment. The notion of “configuration” has thus emerged to refer not only to “*a combination of internally consistent design parameters*” such as work division and coordination, but also to the fit of these parameters with the environment (Mintzberg, 1980:323). Configuration, in this case, is much more than a static look at the structure: it is an approach in itself.

¹²³ Mintzberg’s 1980 article only mentions the first five mechanisms.

In the presentation of the descriptive findings, I will first look in a “static” and descriptive perspective at the architecture of FTOs in the sample. Then, in a second stage, I will try to link the descriptive categorisation to the configurations identified by Mintzberg.

1.3.2. Methodology

Let me now describe how I examined the architecture of FTOs in the sample. Three sub-questions of Q5 aimed to capture the architecture. The first (Q5a) was about work division: “Please explain the organisational/functional chart of your FTO. What is the precise function of each person/unit/department¹²⁴? How many employees/volunteers/resources are devoted to each unit or department?”. The second referred to coordination (Q5b): “How is the work coordinated among the different persons/units/departments? Who is responsible for the coordination? What happens in case of conflict?”. Finally, I introduced a time perspective as well as a contingency element by asking in Q5c: “How has the functional chart evolved over time? Can the changes be linked to major strategic or environmental evolutions?”.

Generally speaking, the leaders did not spend much time answering these questions. Often, the architecture was very simple, typically a few polyvalent employees or volunteers coordinated by the leader. Sometimes, the division of work did not seem to appear clearly (which in itself is already an interesting element). Organisational charts were generally absent except in the largest FTOs. The sample analysis does not allow me to go further than mentioning if the people are rather polyvalent or if they are specialised (and if so, in which aspects). Similarly, the existence of departments can be reported, but with little information on how and why the departmentalisation occurred. This is why it is mainly on the cases that will provide the more analytic and dynamic data on the architecture.

1.3.3. Descriptive findings

Different types of architectures were found. I first describe my empirical observations in terms of work division and coordination, without any reference to theory. Then, in the next section, I try to link my observations to Mintzberg’s configurations.

Work division

- **Individuals (= 30% of the sample)**

This category includes not only the FTOs with an “individual business” legal form, but also those with a business legal form but run by one founder/leader or a couple of founders/leaders. This corresponds to the simplest architecture: work is not divided (or at least not among more than two people) and there is thus no need for coordination.

¹²⁴ In small, non-departmentalised FTOs, this question referred to people and/or units. In larger, departmentalised FTOs, it was about units and/or departments (not people within these departments). I thus considered work division and coordination among workers *or* departments.

- **Polyvalent teams (30%)**

In polyvalent teams, work is not clearly divided among the people (employees and/or volunteers). Everyone has several tasks—possibly with a dominant specialisation—and the coordination is done either collectively (typically in the case of volunteers) or by the leader. A typical example is Saldac. Three employees are theoretically responsible for three distinct tasks: accountancy and administration, supply and relationships with the producers, and distribution of the products in the different channels. The distinction of three work areas is common among the FTOs in the sample. In this case, the leader coordinates and takes strategic decisions. Nevertheless, in practice, all three employees are familiar with the producers' organisations and participate, for instance, in the reception of the products at the warehouse and in their delivery to local shops.

- **FTOs with committees (12%)**

In certain FTOs, employees or volunteers are appointed to particular tasks but on an informal and not necessarily long-term basis. This is why we cannot speak of formal departments or units but rather of “committees” (a term which is regularly used by these FTOs). Committees may be permanent or only temporary, focusing on specific projects. People may move from one committee to another, either because they are elected (in the case of democratic assignment systems) or because they choose to do so. Typical examples are ADM shops in France, especially in the larger ones. For instance, in Valence and in Lyon-Centre, specific committees of volunteers make the decisions about and organise: the buying strategy; the training of the volunteers working in the shop; and the education and advocacy activities. Officially, the committees are re-elected every two or three years. But in practice, many committee members have been already involved there for a long time and have acquired specific skills and expertise. The training by the ADM federation on these different topics reinforces the specialisation of volunteers.

- **FTOs departmentalised by outputs (12%)**

When departmentalisation occurs in FTOs, it is, according to the interviews, most often organised by outputs, i.e., by type of product or service, by type of customer or by region. For instance, Emile developed¹²⁵ a network of sellers inspired by the “Tupperware” model. In each region, there was a sales coordinator who was responsible for finding and managing the salespeople. There may also be departmentalisation by outputs in FTOs with rather socio-political activities. For instance, Weltladen is organised through four departments each targeting a specific audience: campaigning geared toward citizens (“Info”), providing extra-economic support to producers (“Projekte”), providing logistic facilities to both producers and external companies (“Logistik”), and managing the volunteers in the shops (“Weltladen”). Similarly, in Oxfam-MDM, the threefold mission and audiences—campaigning for change in society, developing a democratic and voluntary movement of volunteers, and proposing a commercial alternative—led to the division of the structure in three more or less corresponding

¹²⁵ I use the past because Emile collapsed in 2007, short after the interview with the manager.

departments. Many pioneer FTOs have a similar threefold structure (e.g., Pangea-NT, with “units” rather than genuine “departments”).

- **Hybrid FTOs (16%)**

Finally, a range of large FTOs are departmentalised by outputs *and* by inputs. Cafédirect, for instance, is primarily structured by inputs: Finance, Sales, Marketing, Human Resources, Supply Chain—all of which are classical functions in business companies—and Producer Support—more specific to the FT activity. Within each of these departments, however, work is often organised through outputs. For instance, sales are handled by selling channels, marketing by product range (coffee, tea, cocoa), producer support by geographical zone, etc.

Other types of hybrids are group structures, in which the division in two or three separate structures can be seen as a strong departmentalisation by outputs. The socio-political organisation has a totally distinct type of activity from the commercial organisation. Within each branch, however, departments may be organised by inputs. At Oxfam-WW, for instance, the commercial company has marketing, product development, and accounting departments. The socio-political entity has a campaigning and a training department.

Work coordination

- **Norms**

The nature of the FT activity makes it almost impossible for FTOs not to coordinate operators and/or departments through norms. Much of the content, methods, and outcomes of the activities linked to FT (producer support, education, at least part of the business operations, etc.) involve a strong mobilisation of norms. Therefore, ideological mobilisation appears to be a strong driver of work coordination in FTOs. As this coordination mode seems present in all FTOs, albeit in different forms, I will especially focus on other coordination modes to distinguish FTOs, while keeping in mind this common background.

- **Direct supervision (43%)**

In small and medium-size FTOs, the coordination of workers is often ensured by the leader, who directly supervises work in a centralised way.

- **Standardisation of results (14%)**

In larger FTOs, when direct supervision is not possible, work may be coordinated through standardised results (besides norms). More precisely, each person or department has goals in terms of results to achieve, be it in terms of sales, education or producer support. This coordination mode is more formal but less centralised than direct supervision. While such coordination has not been common in the tradition of most FTOs, this might be changing. An explicit example is given in Cafédirect’s latest annual report (2007-2008), in which past achievements are measured (concerning producer support, environmental policy, product

development, etc.) and clear goals are set for the future in each of these activities. With the growing trend toward professionalisation, norms only are likely to be considered insufficient and thus translated into concrete objectives.

- **Mutual adjustment (43%)**

Finally, a much more decentralised and informal coordination mode observed in many FTOs is mutual adjustment. In such a case, there is no central authority but rather a range of people or departments who coordinate their work mutually. This situation is likely to occur, for instance, in worldshops or other small volunteer-based FTOs in which there is not one central leader and in which formal procedures are not developed.

Synthesis and figures

I crossed the five modes of work division with the three modes of coordination through a simple correspondence analysis. As explained in the third chapter, the figures represent the weight of each column in each row. In other words, they express how each coordination mode (columns) relates to each work division mode (rows), with the total variance always being equal to 100%. The total p-value (0.00, much inferior to 0.05) suggests that work division and work coordination are significantly linked to each other. Each non-zero figure thus represents a specific combination of division and coordination.

Table 19: Categories of architecture

| | | <i>High centralisation</i> | | <i>Low centralisation</i> | |
|---------------------------|------------------------|----------------------------|----------------------------|---------------------------|--------|
| | | Direct supervision | Standardisation of results | Mutual adjustment | |
| <i>Low formalisation</i> | Individual | 100.00 | 0.00 | 0.00 | 100.00 |
| | Polyvalent team | 41.17 | 0.00 | 58.82 | 100.00 |
| | Committees | 0.00 | 0.00 | 100.00 | 100.00 |
| <i>High formalisation</i> | Output-based | 42.86 | 57.14 | 0.00 | 100.00 |
| | Hybrid | 0.000 | 100.00 | 0.00 | 100.00 |

Seven categories appear:

- Individual, directly supervised FTOs (24.5%). Coordination is very centralised (by the entrepreneur alone), but work division is rather informal. As the leader(s) is(are) alone or nearly alone, the configuration is logically entrepreneurial—with the missionary vocation embodied by the entrepreneur(s).
- Polyvalent teams with direct supervision (14%). Again, coordination is centralised and work division informal. In these FTOs, the leader (an individual or a couple) is surrounded by a small team of employees who perform various tasks, albeit with one dominant specialisation. Examples include Saldac, Citizen Dream, etc.

- Output-based FTOs with direct supervision (5%). This category combines high levels of centralisation (in terms of coordination) and formalisation (in terms of work division). In these FTOs, work is organised by outputs (by product, region, type of customer, etc.) and units or departments have been created around these outputs. Coordination is ensured by the entrepreneur, although the mission completes the coordination of the efforts along the same lines. This situation, however, is rare (e.g., Emile and Karawan).
- Output-based FTOs with standardisation of results (9%). While the coordination is less centralised than in the previous categories, work division is more formalised. These FTOs differ from the previous ones by the fact that they are larger, more formally structured and coordinated by the mission more than by a single entrepreneur. This is likely to be accompanied by bureaucratic trends, required both by the division of work—each department has a specific activity or target—and by the coordination.
- Hybrid FTOs (output and input-based departmentalisation) with standardisation of results (14%). This situation is similar to the previous category, but with an even more formalised work division. Bureaucratic trends are likely to increase even more for FTOs that are organised simultaneously by inputs and by outputs. In this case, the size, age, and formalisation of these FTOs makes it almost impossible to remain coordinated by a single entrepreneur. This does not mean that there cannot be a charismatic leader, if we look for instance, at Cafédirect or Traidcraft. Simply, the FTO is not dependent upon one founder or entrepreneur, and has a mission and history strong enough to cross people and generations.
- Polyvalent teams with mutual adjustment (21%). In this case, coordination is decentralised and work division informal. The most typical case is that of volunteers working together, without strong individual specialisation but rather with adhoc projects (e.g., D'ici et d'ailleurs). Sometimes, the team of volunteers hired one or several employees, but not as leaders (e.g., ADM Valence), or, there are two or three coordinators, either volunteers (e.g., Souffle de l'Inde) or employees (e.g., Artisanat Sel Lyon and Equociquà), who coordinate the FTO, in a way that differs from the entrepreneurial profile. Work division is not as strong and stable as in the case of committees or departments: episodic projects may set the pace of FTOs' activities.
- Committees with mutual adjustment (12%). In these FTOs, specialisation is more common than in the previous category. Work division is also more formalised. One of the reasons for this is that FTOs are larger and thus less likely to remain as teams in which "everyone does everything". Employees and/or volunteers are thus organised in committees. Nevertheless, these committees are less formal than departments, as they may emerge for episodic events and as employees or volunteers may occasionally participate in one or the other. The activities of the FTO are not clearly defined but may vary according to the episodic projects.

These seven categories are not neatly separated from each other. Nevertheless, when we look at the FTOs that compose each category, there seems to be a certain resemblance, including in

other aspects of the organisational form (see next section). This may allow me to move from the static view of architecture to the more dynamic and encompassing notion of “configuration”.

1.3.4. Link with Mintberg’s configurations

How can we now describe the sample with regard to the dynamic typology developed by Mintzberg? Among Mintzberg’s categories, it is the missionary configuration that seems closest to the situation of FTOs. The description by Mintzberg (1984b:210) corresponds well to the philosophy of numerous FTOs: “*The strong system of internal beliefs, built around the organization’s mission—whether that be to change society directly in some way, change it indirectly by attracting members and changing them, or merely offering members some pursuit attractive to them—serves to integrate tightly the efforts of insiders*”. My observation, however, is that these missionary elements often coexist with those of another configuration, making most FTOs “hybrids” to a certain extent. The entrepreneurial configuration, particularly, seems widespread among small FTOs. Larger FTOs, on the contrary, seem to gradually include bureaucratic trends. And adhocratic trends may be observed particularly in volunteer-based FTOs. Thus, among Mintzberg’s categories, only the professional configuration does not seem observed among FTOs. Let me detail each of these situations, starting with the principles of the common missionary background.

The missionary configuration

The missionary configuration is characterised by a prevalence of mission goals over system goals. Coordination among operators is made through norm standardisation. Operators are motivated not by financial rewards—which are generally low—but by norms and values. According to Nizet and Pichault (1995), vertical and horizontal differentiation is low and operators are highly qualified. The coordination is done through ideological mobilisation. Age, size, and technology are variable. Goals are necessarily mission goals, both in the official documents and in the decisions, and are well integrated to each other. The power is in the hands of the strategic core and other organisational actors are involved and loyal to the mission. While the coordination through the mission is observed in all FTOs, it does not mean that they share all the features corresponding to the missionary configuration. Work division may take various forms, and coordination may be ensured primarily, for instance, by the entrepreneur.

The entrepreneurial configuration

This configuration is characterised by the authority of a leader who is often also the owner and the founder. Vertical work division is strong: operators are under direct hierarchical supervision. Horizontal work division is low: operators are often polyvalent. Departmentalisation is done by inputs, but formalisation is low. The entrepreneurial configuration is common in young and small organisations with simple technology. It is favoured by unstable, hostile but simple markets. The goals in an entrepreneurial configuration are in the first place survival goals, because of the small size of the organisation and its dependence on one person. Mission goals may be linked to the entrepreneur’s personal values.

Power is in the hands of the leader, who gathers the resources, information and expertise. As there are no (or few) owners other than the leader, there is generally no counter-power.

Many small, young FTOs have an entrepreneurial configuration. The power is concentrated in the hands of the leader who is also the founder and among the main owners. The mission goals directly depend on his or her vision of FT. The main system goal is survival: in a sector where many small FTOs collapse, the challenge is to survive in the first years. The employees hired by the leader may have a specific qualification or experience (e.g., accounting, marketing, development and education), but it is likely that they will perform different tasks. In small FTOs, it is common for employees to simultaneously sell products, manage stocks, deal with producer organisations, participate in education campaigns, get involved in hiring processes, etc. All the people are under direct supervision of the leader, possibly with an intermediate supervisor (e.g., sales manager). There may be small units focused on a specific aspect. Coordination is in any case interpersonal: there are few formal procedures (or they are not implemented). The environment for entrepreneurial configurations is supposed to be unstable, hostile, and simple. The FT market, and the wider socio-economic movement in which it is located (see chapter 1), can probably be considered unstable. But it is certainly not simple, as this study—and others—tries to show. It may be partly hostile. It is worth noting that entrepreneurial configuration should not be confused with commercial orientation. Nonprofit, volunteer-based FTOs may be entrepreneurial. Not all the business-form FTOs are entrepreneurial. Yet, the entrepreneurial configuration seems well suited for a business-focused activity.

When leaders have a forceful character and shape the organisation according to their preferences, entrepreneurial configurations may last for some time. But, because of their young age and size and their reliance on a single individual, it is likely that the entrepreneurial configuration will be only temporary: the organisation will move to another configuration or disappear. If we take the example of Citizen Dream, which clearly had an entrepreneurial configuration, the reliance on two individuals—the founding couple—was not the only reason for the failure of the FTO. But, in an unstable environment with few “success stories” to rely on and difficult access to financial resources, the lack of experience and skills of the leaders seemed to be a handicap.

In most cases, however, the weaknesses—age, size, and reliance on one individual—kill the configuration instead of the organisation (Mintzberg, 1984b). This is why entrepreneurial FTOs might evolve toward a more explicit missionary configuration. Mintzberg explains how, after the departure of the charismatic leader, “*there may be a natural tendency for those who remain to consolidate and institutionalize that charisma in the form of ‘sagas’, norms, and traditions (Clark, 1970, 1972), thereby coalescing around an ideology and so effecting a transition to the missionary*” (1984b:215).

The adhocracy

Adhocracy refers to a configuration where people work together in projects. Coordination is made by mutual adjustment and norms standardisation. Vertical and horizontal work division is low. Units are grouped by outputs (horizontal differentiation). Linking mechanisms are well developed and mainly based on interpersonal relationships. An adhocratic organisation is likely to be young and small and to operate on a new market which is unstable and complex. Mission goals prevail and are rarely operational. Efficiency is the main system goal pursued. Operational decisions are decentralised, but strategic decisions remain centralised. Owners are weakly involved and workers associations are rare.

Although FTOs often share many features of missionary configurations, it happens that FTOs with committees or departments organised by projects, i.e., by outputs, function in an adhocratic way. Typically, projects are launched for particular products or activities (for instance, campaigns). Producer support may also take the form of a range of episodic projects, even when there has been a long-term relationship with the producers. In such a case, the horizontal and vertical differentiation levels are both low. Mission goals clearly prevail. Decision-making is decentralised. In fact, the description of the market or environment of adhocratic organisations as new, unstable and complex may be seen as being the closest to the situation of FTOs in general.

Bureaucratic trends

If we examine the evolution of FT pioneers such as Oxfam-WW, we can certainly identify bureaucratic evolutions due to their “long” history¹²⁶ and organisational growth. Widely commented in the literature is the evolution of partnerships with producer groups, from personalised contacts and flexible arrangements based on mutual trust, to impersonal, standardised relationships based on control (Bisaillon *et al.*, 2005b; Diaz Pedregal, 2007; Renard, 2003). The development of labeling standards and procedures by FLO is regularly criticised for inducing an increasing formalisation and bureaucratisation of FTOs’ partnerships with the producers (Charlier *et al.*, 2007; Lemay, 2007). In several FTOs, the leader and the people from the producer support unit regretted that they no longer had the time to visit the producers, that they had lost personal contacts with many of them, and that this was “the other side of the coin” regarding their growth and the professionalisation of the labeling process. This echoes Mintzberg’s comment on why missionaries tend to evolve into bureaucracies: “*Time tends to blunt ideology, converting enthusiasm into obligation, traditions into dogmas, norms into rules*” (Mintzberg, 1984b:217).

Secondly, to see the effects of growth, let me look at Oxfam-WW, and more particularly at the “wereldwinkels” (worldshops). Initially part of Oxfam-WW, shops were given juridical autonomy and became shareholders of the group. Many shops hired an employee to coach the volunteers, which increased the control over these volunteers. While the teams of volunteers were very mission-driven, “professionalisation” was often synonymous with increased

¹²⁶ “Long” with regard to the age of the FT movement.

bureaucracy (in terms of stock management, accounting, etc.). At Oxfam Fair Trade, the commercial development required to hire people from the business world (for instance, in the marketing department). This challenged the initial intent of the FTO to keep the difference in salary between the top leader and the lowest positions as low as possible. This is described as follows by Mintzberg: “*Status differences thus arise between managers and workers, hierarchy is reinforced, and a transition toward the closed system is encouraged*” (1984b, p. 217).

Nevertheless, it seems that these bureaucratic evolutions are not challenging the mission in such a way that we could speak of bureaucratic configurations. In my view, “pure” machine bureaucracies are not (yet?) to be found in the FT sector. Most FTOs are too young, too small, too flexible, and too focused on mission goals to become machine bureaucracies. Moreover, even FTOs that are older and larger than their peers are still far from the model of old and large organisations described by the organisation theorists who, following Weber, have explored bureaucracy (for a review of their case studies, see, for instance, Rouleau, 2007). And FT is definitely not an example of the stable and simple market that favours bureaucracies.

Hybrid configurations

In practice, most organisations combine elements of different configurations (e.g., Nizet & Pichault, 1995). In the case of FTOs, I suggest that there is always at least a part of missionary configuration, combined with features of the entrepreneurial, adhocratic or bureaucratic configurations. It may be that an organisation is split up in two units, each of which has its own configuration (juxtaposition). Or the whole organisation shares two types of configurations (superposition). For Nizet and Pichault (1995), interesting questions to ask are the origin of such hybridisation and its consequences in terms of linking among units with different configurations—in the case of juxtaposition—and power distribution—in the case of superposition.

Mintzberg (1984a) also analyses how the different configurations are likely to succeed to each other. The organisation generally starts with an entrepreneurial configuration. Then, with the growth of the organisation, the founder is likely to retire and the organisation to move on to a missionary, a bureaucratic or an adhocratic configuration. The first two configurations are likely to evolve into a closed bureaucratic configuration, while the adhocracy should evolve into a professional configuration. Finally, in order not to decline, organisations may try revitalisation or restructuring processes. This is referred to as the “organisational lifecycle”.

Let me now locate the observed configurations in the table crossing work division and coordination. I also add the percentage of FTOs that seem closer to each configuration.

Table 20: Work division, work coordination and link with Mintzberg's configurations

| Work coordination | Direct supervision | | Standardisation of results | | Mutual adjustment | |
|------------------------|--------------------|--|----------------------------|---|-------------------|--|
| Work division | | | | | | |
| Individual | 24.5% | Entrepreneurial (and missionary) 44% | / | | / | |
| Polyvalent team | 14% | | / | | 21% | Missionary with adhocratic trends–23% |
| Committees | / | | / | | 12% | |
| Output-based | 5% | | 9% | Missionary with bureaucratic trends | | / |
| Hybrid | / | | 14% | 23% | | / |

1.4. Governance

1.4.1. Introduction

Governance is a notion that can be used with very different meanings and on different levels of analysis (Cornforth, 2003). While issues of “corporate governance” have been increasingly discussed, the academic research on organisational governance in a wider context than that of the large, quoted corporation is still limited. According to Cornforth (2003:2), “[t]here appears to have been an implicit assumption that what matters in organisations is the way they are managed”.

My focus here is on the governance structures such as the General Assembly (GA), the Board of Directors (Board) and the Advisory Board (AB), although these are only the most formal channels through which organisations are governed (Charreaux, 1997; Saidel, 1998). Reviewing the literature on Boards in different types of organisational forms, Cornforth (2003) identifies a number of questions that may be grouped into two major issues: the role of the Board (the functions it performs and its relationships with the management) and its composition. I will extend these two issues to the GA and the possible ABs, although the focus is on the Board as the most visible structure. Both the role and the composition of the governance structures depend much on the paradigm through which governance—and more generally the organisation—is examined. Cornforth identifies six paradigms or perspectives for studying governance. I will present these different perspectives, while focusing, in my analysis, on those that are directly linked to the theoretical approaches presented in second chapter.

- Agency theory—a compliance model

As previously mentioned in the theoretical chapter, agency theory considers that the main function of the governance structures is to control management, and to ensure compliance of managers with the shareholders' interests. Several authors suggest that agency theory is

difficult to apply in all types of organisations, particularly in non-investor-owned forms such as nonprofits, because of the ambiguity over who the principals or owners are (Cornforth, 2003). Yet, in any type of organisational form, even in nonprofits (Labie, 2005), an agency perspective may be useful when we look at the governance structures as “guardians” of the organisational missions. Members of these structures should thus represent the “principals” (owners, members, society,...) and be able to control that the managers effectively pursue these missions.

- *Stewardship theory—a partnership model*

Stewardship theory has an opposite, non-opportunistic view on managers, who are seen as the “stewards” of the organisation’s resources. The manager(s) and the governance structures are thus viewed as partners. The main function of governance is to increase organisational performance. The Board has a strategic function of implementing the mission. Its members should thus be selected on the basis of their expertise.

- *Resource dependence theory—a co-optation model*

In a resource dependence perspective, the governance structures are located at the interface between the organisation and its environment. They thus constitute a means to reduce uncertainty by establishing linkages with other organisations and stakeholders so as to capture and secure resources (role of “boundary-spanning”). Members of the governance structures should be selected on the basis of their links with and knowledge of constituencies able to provide resources.

- *A democratic perspective*

In such a perspective, governance structures should be elected by and represent the membership. Representation is the main role and members should be elected on the basis of their representativeness rather than their expertise.

- *A stakeholder perspective*

According to the stakeholder perspective, organisations have a responsibility toward various stakeholders concerned by their activity. The governance structures may thus be a place through which stakeholders are represented and have an influence on organisations. “By incorporating different stakeholders on boards, it is expected that organisations will be more likely to respond to broader social interests than the narrow interests of one group. This leads to a political role for boards negotiating and resolving the potential conflicting interests of different stakeholder groups in order to determine the objectives of the organisation and set policy” (Cornforth, 2003:9). According to Cornforth, the practice of stakeholder involvement is more common and less controversial in nonprofit and cooperative organisations than in traditional businesses.

- *Managerial hegemony theory—a 'rubber stamp' model*

Managerial hegemony theory is based on the thesis of Berle and Means (1932), that control is no longer exerted by the owners but rather by the managers. In this perspective, governance structures, particularly the Board, may be seen as “rubber stamps” for managers, providing legitimacy to their actions. Such a vision of governance is likely to be the most adequate when managers are in a powerful situation (typically when they have been holding their function for a long time), while members of the governance structures have only limited time and access to information.

Cornforth calls for a multi-paradigm approach, in which each paradigm brings a particular insight to the understanding of governance. This is convergent with the theoretical framework, with which direct links can be established: the agency view on governance clearly fits the contractual or economic neo-institutional approach, and the resource dependence and stakeholder views correspond to the strategic, power-based approaches. Moreover, the symbolic nature of the composition and the roles of the governance structures will be a major point of attention in a sociological neo-institutional perspective. According to Cornforth, the crossing of paradigms is necessary to highlight the paradoxes and tensions in governance. For instance, in terms of roles of governance, a typical source of tension lies between conformance (agency) and performance (stewardship). Another source of tension is that between representative (democracy, stakeholder-based) and professional (stewardship, agency) governance. I will come back on these tensions in the following chapters.

1.4.2. Methodology

Compared to much work on governance that focuses on the members of governance structures as the main source of information, my methodology follows Mole’s (2003) “alternative” perspective that takes the standpoint of the managers. While the over-reliance on responses by the sole members of the governance structures has been criticised (Cornforth, 2003), the managers’ responses are also only partial sources of information. Yet, the more or less external view that they may have on the governance structures may be useful. It is only in the context of the case studies that I will combine to a certain extent the visions of several managers and employees with the Board members’ perspectives.

The first question about governance (Q6a) simply asked: “Which governance structures are there in your organisation?”. Sometimes, managers did not understand the term “governance structures”, or mentioned only part of them: I then listed the possible structures. Then, the open question Q6b asked about the perceived *role* of each structure: “Please explain how you perceive the functions of each structure, and how these functions might have evolved over time.” Question 7, subdivided into five parts, examined the *composition* of the structures. Q7a asked for the composition of each structure (number of people, names when available)—especially on the Board. In larger FTOs, the composition of the Board was already available in the annual report or on the website. Q7b then asked whether the members of the governance structures could be grouped according to their pre-existing relationship with the organisation

and considered as belonging to particular “stakeholder groups”. In Q7c, I asked for the influence of each group, as perceived by the leader. Q7d was: “According to you, what are the reasons that have guided the inclusion of the people present in your governance structures?”. Finally, Q7e asked whether there had been important changes in the composition of the different structures.

1.4.3. Descriptive findings

Existence

GAs and Boards were present in the vast majority of FTOs (84%). FTOs without governance structures are mainly individual FTOs (seven cases). Moreover, two nonprofit FTOs (Engim and Artisanat SEL Grenoble) had no specific governance structures because they were dependent upon—and thus directly governed by—a mother organisation. While governance structures were present for all other FTOs, it does not mean that they were effectively operative. Twenty-two FTOs (35%) reported the existence of a structure that can be assimilated to an AB.

Roles

General Assembly (GA)

When asked what was the role of the GA in their FTO (Q6b), managers did not differ much in their answers. “Representation” was used by 63% of the interviewees, although it seemed to take on different meanings in terms of who should be represented (volunteers, shareholders, producers, etc.). It is in volunteer-based FTOs that representation seemed most central, in line with the “democratic” paradigm. “Control” was the other function that was often cited (52%). When I asked who was controlled, managers mainly mentioned their own action as the target of control (98% of the managers in question). It is especially in larger FTOs that such an “agency view” seemed anchored in the managers’ view.

In many small FTOs centred around one or several founders/managers, the interviewed manager considered that the GA had only a formal role. The GA existed only “on paper”, to fulfill the legal requirements. In these cases, the GA was either composed only of the founders/managers, or included friends or family with no intent of taking real decision-making power. This may be assimilated to the “rubber stamp” model of managerial hegemony. Only two managers considered the GA as a pool of expertise for decision-making, in accordance with the stewardship model. Other roles (e.g., boundary-spanning) were rarely mentioned.

Board of Directors

Answers about the role of the Board were more diverse and also more complete. “Representation” and “control” were again the most frequently-cited functions, but in the reverse order (64% for the first and 79% for the second). Provision of expertise to guide decision-making followed closely with 61%, particularly in more business-oriented FTOs.

Certain managers explicitly mentioned the type of expertise available in their Board. Other managers rather insisted on the fact that they could simply benefit from an audience to expose particular problems and obtain advice thanks to collective thinking (managerial hegemony model).

Only 20% of the interviewed managers mentioned the role of giving access to resources. This included “giving legitimacy to the FTO”, although this was rarely expressed as a “resource”. 26% of the managers mentioned that the Board was a tool to spread information to groups involved in the FTO (typically volunteers, but also employees and partners). Finally, contrary to the proportion of managers who saw the Board only as a formal structure with no specific role for the FTO, fewer felt the same way about the AG (14%).

Advisory Board (AB)

When asked what the role of the AB was, managers logically responded “giving advice”. It is rather on the content of the advice that diversity appeared. Advice on economic issues was mentioned by 34% of the managers of FTOs who reported the existence of an AB. Advice on producer support was mentioned by 44% of the managers in question. 24% mentioned advice on political issues. Most of the ABs focused on only one of these three functions.

Composition

General Assembly and Board of Directors

The first interesting observation is that managers rarely distinguished the GA and the Board when mentioning the types of people and stakeholders represented. This is why I treat these two structures collectively in this section. The identical composition of these two structures may seem logical, since the Board is theoretically elected by the GA. Board members might, however, be co-opted, thus not originating from the GA. The differences in the sample seem, nevertheless, very slight. FTOs with a GA composed mainly of volunteers had, in all the cases from the sample, a Board with mainly volunteers—possibly with a minority of co-opted members. The same goes for founders/managers. Finally, in most FTOs with a multi-stakeholder GA, there are fewer stakeholders represented on the Board than in the GA, because the number of Board members is limited. Based on the composition of both governance structures (Q7c), three categories can be distinguished.

- **FTOs dominated by founders/managers and “investors” (32%)**

In small entrepreneurial FTOs, it happened often that the founders were either in sufficient number to compose the GA and the Board (generally the legal minimum is three), or were supported by a few investors, yet without real decision-making power. In these cases, the founders wished to manage the FTO on their own and thus did not need or want to involve other people, beyond a small number of investors who were often friends or family members. The size of the Board was thus quite small (3 to 5 members).

We can consider that the governance and management functions are in the same hands, contrary to the agency model. As previously mentioned, this leads governance to be exerted by the managers themselves. The governance structures exist either only on paper or are, at best, rubber stamps that may give legitimacy and in some cases expertise to support the managers' action (managerial hegemony model and, to a lesser extent, stewardship model). Several managers mentioned a dilemma with regard to expertise: they could either take total freedom, ignoring the governance structures, but also the available expertise, or ask for more expertise but then with more perceived constraints on their action. For some of these managers (e.g., Satya), a solution was to capture expertise through an advisory—thus non-constraining—board. In two cases in the sample (Tout l'or du monde and Fair Trade Original), the stewardship model seemed stronger. The founders are in fact a mother FTO, whose managers are present on the daughter FTO's Board to ensure that it performs properly, but also that it benefits from the experience and resource flows from the mother FTO. This case may thus be seen as a mix between an agency view (control) and a stewardship model, with managers of the mother and the daughter FTO working together to increase the global performance.

- **FTOs dominated by volunteers (38%)**

By volunteers, I mean people who work voluntarily and regularly for the FTO (in a worldshop, a warehouse, for education or lobbying campaigns, for administrative tasks, etc.). Most nonprofit FTOs' governance structures are composed only of volunteers. Others have involved stakeholders such as employees but only to a certain extent, with volunteers remaining dominant.¹²⁷ Volunteer-based FTOs put much emphasis on representation, in compliance with the democratic model widely observed in nonprofit and cooperative organisations (Spear, 2004). In the context of FT, internal democracy may be seen as part of the political side of the FT project, coherently to what is required for the producers in the South (Develtere & Pollet, 2005). For instance, at Oxfam-MDM, the shops of each region elect four volunteers to represent them on the Board. In my view, it is such emphasis on representation that leads voluntary Boards to be large or at least medium-size (6 to 20 members).

Representation also allows volunteers to control the FTO, acting as guardians of the organisational missions. Managers of volunteer-based FTOs reported that the control by volunteers particularly aimed at the socio-political missions, with less attention to the economic performance. This appeared clearly in Oxfam-MDM's Board, when the serious financial difficulties in 2007 and 2008 were not detected by the Board—demonstrating weak financial control—, while decision-making during the period prior to the crisis rather concerned education and advocacy issues. Afterwards, the Board tried to re-gain such control and entered into a much more active phase, confirming the ability of voluntary Boards to increase control, policy-making, and activity in general in times of crisis (Miller-Millesen, 2003).

Thirdly, volunteers may also be involved in governance because of their expertise (either in a control or in a partnership perspective), because of their access to resources and/or because of

¹²⁷ FTOs in which other stakeholders besides volunteers are involved to a significant extent, with real influence on decision-making—at least from the standpoint of the manager—, are included in the multi-stakeholder category.

their boundary-spanning role. If we keep exploring the example of Oxfam-MDM, these alternative roles of volunteers appear through the creation of a special category of “co-opted” Board members. These members may originate from other NGOs, from the academia or from the business world and are involved because of their specific expertise or networking role. The coexistence of representative and expert volunteers may lead to tensions between the democratic model of the Board and the performance model, as observed by Cornforth (2003).

- **Multi-stakeholder FTOs (30%)**

A number of FTOs have different stakeholders involved in their governance structures, without one exclusive dominant group. I have listed the FTOs with at least three different stakeholder categories. The presence of various stakeholders leads Boards to be larger than in the two other models (large to very large, from 10 to 20 members).

Table 21: Types of stakeholders involved in multi-stakeholder governance structures

| FTO | Founders managers | Empl. | Vol. | Donors | Investors | Prod. | Cust. | FTOs/ NGOs |
|----------------------|-------------------|-------|------|--------|-----------|-------|-------|------------|
| Aux 4 coins du monde | x | | x | x | | | | |
| Artisanat Sel Lyon | | x | x | x | | | | |
| Cafédirect | x | x | | | x | x | x | x |
| Citizen Dream | x | | | | x | | | x |
| ComES | x | x | x | | | | x | |
| Ethiquable Gourmand | x | x | x | | | | | x |
| Just FT | x | x | x | | x | | | |
| Max Havelaar | x | x | | | | | | x |
| Mondo Solidale | | x | x | x | x | | x | |
| Oxfam-WW Oxfam-FT | | x | x | | x | | | x |
| Pangea-NT | x | x | x | x | | | | |
| People Tree | x | x | | x | x | | | |
| Soligren | x | | x | | | x | x | x |
| Traidcraft | x | x | x | x | x | | | x |
| Twin | x | | | | x | x | | |

Some of these FTOs were initially single-stakeholder (typically, volunteer-based) and progressively included other stakeholders in the governance structures who acquired an increasing decision-making power (e.g., Comes, Oxfam-WW, Pangea-NT, etc.). Other FTOs started immediately with a multi-stakeholder model, for instance, when this was required by law (e.g., Soli’gren). In both cases, the presence of multiple stakeholders makes the resource-access and the boundary-spanning roles of governance much more important and effective than in the other models of governance.

If we take the example of Soli'gren, the presence of public authorities (the city of Grenoble), of several NGOs, of local producers, and of volunteers', employees', and customers' representatives was reported by the manager as an extremely valuable asset in maintaining and improving the relationships with all these stakeholders (stakeholder perspective) and to secure resources from them (resource dependence perspective). These resources include subsidies, facilities given by the municipality (for instance, a low rent location for the shop and the offices), support and legitimacy from other NGOs, customers' fidelity, etc. However, the heterogeneity of interests is a source of tensions. In Soli'gren, for instance, the constitution of the product range requires negotiations between the local producers, who try to increase the proportion for their products, and development NGOs that privilege products from the South.

Focusing on Boards, I obtain the following synthesis table, including the average size of the Boards, the functions they perform, the paradigms that best describe them and the possible tensions between the different functions.

Table 22: Synthesis of the three governance models

| | Founder/manager-investor dominated | Volunteer-based | Multi-stakeholder |
|--------------------------------|---|---|---|
| Average size of Board | Small (3-5) | Medium to very large (6-20) | Large to very large (10-20) |
| Main functions | Rubber stamp and expertise | Representation, expertise and control | Representation, expertise, control, boundary-spanning and access to resources |
| Corresponding paradigms | Managerial hegemony and stewardship | Democracy, stewardship and agency | Various |
| Tensions | Total managerial freedom versus expertise | Representation and control versus expertise | Various |

It is striking to observe that the three models range from a very basic role of governance, with much power to the manager, to much more complex models that provide a range of assets (expertise, resources, etc.), but also of tensions among the different functions. FTOs thus face the challenge of finding an adequate balance between assets and complexity. The analytical chapters, and particularly the most strategic one, will provide propositions on how to deal with such a challenge. While the economic neo-institutional approach points at the balance between costs of market contracting and costs of ownership to design the governance structures, the sociological perspective examines the influence of external, coercive, mimetic or normative factors. The latter neo-institutional avenue is highlighted by Edwards and Cornforth (2003) as clearly lacking in much of the research on governance, while particularly useful for understanding the adoption and evolution of governance models.

Advisory Boards (AB)

In twenty-two cases, advisory boards (ABs) were set up to give advice on a particular issue. The names vary: advisory committee, advisory group, specific committee, etc. While ABs are often ignored in the governance literature, they play a crucial role, performing tasks neglected by the Board and linking the organisation to key stakeholders in the environment (Saidel, 1998).

It is interesting to observe that we find three types of ABs, corresponding to the three dimensions of FT:

- Economic AB: a group of people with entrepreneurial experience and skills invited to play the role of consultants on economic decision-making
- Producer support AB: a group of people whose mission is to help the FTO select the producers, follow up on them, and increase the impact on their communities
- Political AB: a group of people interested in the political mission of the FTO and eager to contribute to its design and diffusion

Economic ABs seem to be set up when it appears that the existing governance bodies (typically the Board) lack skills and experience to advise the FTO about its commercial activity. It may be that the Board is composed of volunteers because the FTO is volunteer-based. In such a case, the election of the Board members is likely to lead to representation (democratic model) rather than expertise (stewardship model). This is typically what has occurred in Oxfam-WW. When this nonprofit FTO split up and created the Oxfam Fair Trade cooperative, volunteers wished to keep the control over the latter through a majority of shares and a Board predominantly made up of volunteers. It quickly became apparent, however, that the volunteers on the Board were facing difficulties in making commercial decisions (strategic contribution), and in controlling the commercial strategy and the financial situation. Under the impulse of Oxfam Fair Trade's manager, an AB was set up for this purpose, instead of changing the Board and challenging its role of democratic representation. The AB has no decision-making power but its advice is seriously taken into account by the Board. In the future, members of the AB could be invited to integrate the Board, if the volunteers accept to give voting rights to external people. At this stage, the AB can be seen as a solution to bring expertise without challenging the democratic perspective to which many volunteers are quite attached. Another type of economic AB is when an individual FT entrepreneur requires economic advice. As previously mentioned, the manager of Satya decided to ask friends working in the business world to regularly evaluate her business plan and her accounts. She enjoys the fact that the AB gives useful advice but does not decide in the place of the manager (contrarily to a Board). But this also entails that the advisors do not invest capital or participate in risk-taking.

Secondly, producer support ABs (often called "partnership" or "producers" commissions) are found mainly in volunteer-based FTOs, such as Oxfam, Sjamma or in ADM teams. In all these cases, there is the intent of giving to the volunteers a control over the "core business" of the FTO: the partnerships with the producers. Volunteers do not want the decisions regarding

producers to be taken only by the employees, which might induce technical, procedural, and opaque decision-making. The idea is also to submit the delicate questions about producers to a numerous assembly (e.g., “should we continue working with that producer organisation that seems less transparent or that can no longer be considered economically disadvantaged?”). Sometimes, NGOs and people with experience in development cooperation are invited to join the partnership commission (e.g., in both Oxfam’s).

Thirdly, political ABs are also found in a number of volunteer-based FTOs. However, political ABs are often also political *action* groups. The advisory role (and thus the governance role) is thus often only a part of their mission. In the study, FTOs with political ABs expect advice (and sometimes action) not only on political issues of FT but, more broadly, on related topics. Examples include Oxfam, ADM teams, and Italian FTOs such as Il Fiore, Pangea-NT, and Mondo Solidale. In two of these examples, the political AB was at the origin of a political reflection on how to bring the FTO closer to sustainable development, for instance, by introducing local products in the assortment.

In conclusion, it seems that ABs seem to be set up to compensate for a “weakness” in the governance structures (economic ABs) or to reinforce the decision-making in an area where the FTO requires broader thinking (producer support and political ABs).

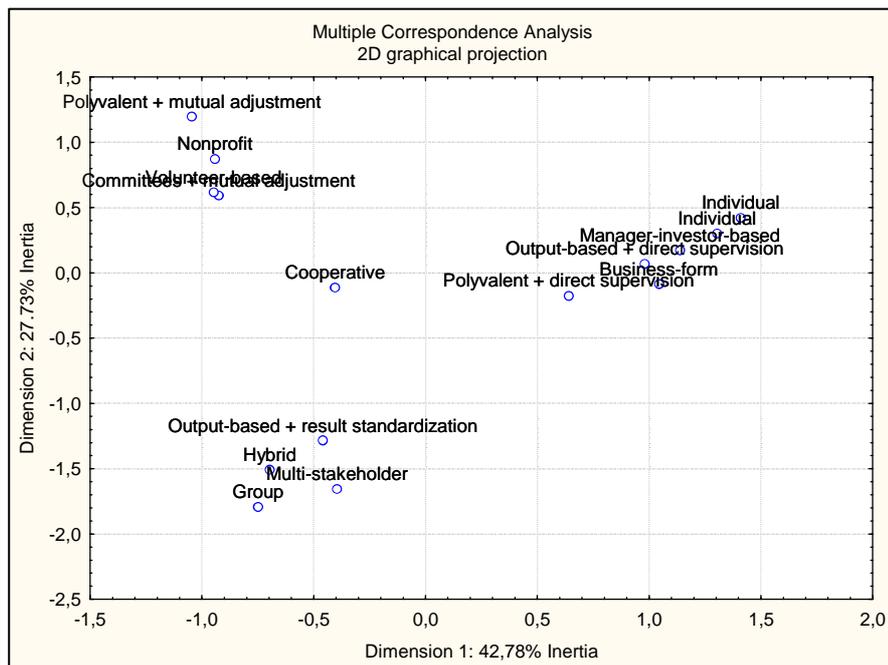
2. Toward a taxonomy of organisational forms

2.1. Cluster analysis

Let me combine the categories obtained for the three elements of organisational form.¹²⁸ The best way to categorise observations based on several variables is to run a cluster analysis, as introduced in the previous chapter. Given the categorical nature of the data, this first requires to run a multiple correspondence analysis to obtain the factors’ coordinates that will serve as the basis for the cluster analysis (Simar, 2008).

¹²⁸ Legal form (five modalities), architecture (seven modalities combining work division and coordination) and governance (three modalities, not taking into account the Advisory Boards).

Figure 23: Linking the three entries to the organisational form

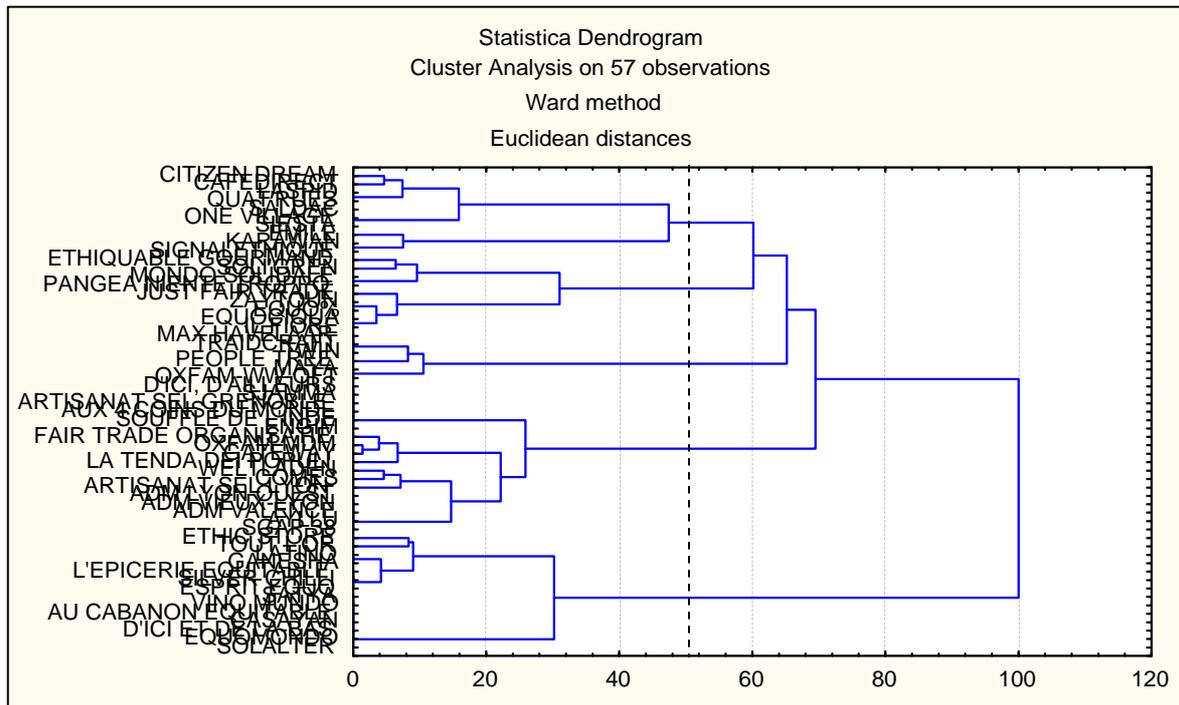


We can clearly see that three main patterns of combination emerge. The first one, in the upper left of the figure, associates the nonprofit form with a volunteer-based governance and adhocratic architectures based on mutual adjustment between people and units. The second one, on the middle-right, associates the individual and business legal forms with a manager-investor-based governance and entrepreneurial (direct supervision) architectures. The third ensemble links group structures with hybrid legal forms, multi-stakeholder governance and hybrid missionary-bureaucratic (result-standardised) architectures. It is striking to see that the cooperative form is equidistant to these three groups: it is thus combined with different governance models and architectures, and not one in particular.

The cluster analysis enables a more precise view of the most frequent combination patterns. The following figure represents the dendrogram obtained through a cluster analysis based on the most common technical settings.¹²⁹

¹²⁹ These common settings concern the distances between the observations (Euclidean distances) and the linkage rule (Ward method) for obtaining the clusters (Simar, 2008).

Figure 24: Dendrogram resulting from the cluster analysis



If we cut the dendrogram at the typical level of 50, we can identify five categories that seem internally consistent and sufficiently distant from each other. Each of the five categories includes FTOs that share a large part of features in terms of legal form, architecture and governance models. Let me briefly introduce the categories, starting with the simplest and progressively adding complexity.¹³⁰

The first category is composed of thirteen *individual or quasi-individual FTOs*, such as Latino, Satya, Equomondo, Esprit Equo or Silver Chilli. These FTOs are generally very small (in terms of both people and turnover), have an individual or business legal form, an entrepreneurial architecture, and manager-based governance structures.

In the second category, we find thirteen *business-form*¹³¹, *entrepreneurial and manager-owned FTOs* that include a few associates¹³² or sometimes also other stakeholders (in the case of Citizen Dream, for example). These FTOs are either organised as polyvalent teams or departmentalised by outputs. Tout l'or du monde, Saldac, and Siesta are other examples of such FTOs. Their size is, logically, larger than in the first category.

¹³⁰ This order does not correspond to what is suggested by the dendrogram. The reason is that all the elements of the organisational form consist of categories and not scales. It is thus the researcher's task to interpret the meaning of the different categories.

¹³¹ Legal forms are often those of traditional businesses, with only a few exceptions of entrepreneurial nonprofits (e.g., Fair Trade Original) or cooperatives (e.g., Emile and Tout l'or du monde).

¹³² These associates may have invested in the venture only to support the entrepreneur, or they may participate more actively in the decision-making.

The third category is composed of sixteen *volunteer-based*, missionary-adhocratic nonprofit or cooperative FTOs such as Sjamma, ADM shops, Ayllu, Zaytoun, Equociquà, etc. FTOs in this category are generally older than in the previous category, although several volunteer-based nonprofit FTOs have been created recently (e.g., ADM shops or Roman workshops). The size is medium or large in terms of the number of people involved (employees and volunteers), but relatively small in terms of turnover, at least compared to the number of people involved.

The fourth category is composed of seven FTOs, such as Soli'gren, Mondo Solidale, Pangea-NT, etc. Their distinctive feature is quite easy to identify: they are all medium-size multi-stakeholder cooperatives.

Finally, the fifth category is that of the old and large hybrid, bureaucratic, and multi-stakeholder FTOs, typically group structures (MMH-MFT, Traidcraft, etc.—eight FTOs).

Such classification goes beyond previous categorisations established, for instance, on the basis of the sole legal form (e.g., Becchetti & Huybrechts, 2008). It is also more precise than the classifications that try to include several variables at once—organisational form, goals, vision of FT, etc. However, its results depend much on the statistical methods or, in other words, on the weight given to each element. This is why I have tried different methods¹³³ to observe how they affect the categorisation of the FTOs. While most FTOs remain in the same categories regardless of the method used, a few are more volatile.

2.2. Presentation of the categories

Let me review the different categories in terms of common structural features, internal homogeneity, and also evolution.

2.2.1. Type 1: Individual FTOs

Individual FTOs are quite specific because they are not really organisations—they may be considered as “potential organisations”. This specificity can be observed on the dendrogram, in which this category is the most isolated one. While I had not really expected this category of FT ventures, their number, and their growth, especially in France and in Belgium, made them a key category in order to reflect the current scope of organisational diversity in FT. In all the individual FTOs of the sample, the entrepreneurs are polyvalent people having a specific expertise in terms of products (e.g., Satya and Vino Mundo) and/or distribution strategies (e.g., Esprit Equo). Nevertheless, it is difficult for these entrepreneurs to gather the expertise on the different dimensions of FT. This category is quite homogeneous and remains unaffected by changes in the cluster analysis linkage rule (see footnote). Individuals or couples wishing to launch a FT activity without other partners do not really have the choice in terms of legal form—the only alternative to setting up an individual FTO is to create a “fake” collective

¹³³ The linkage rule that has been used for the final dendrogram is the Ward algorithm (Ward, 1963). This method is particular in that it uses an analysis of variance approach to determine the distances between clusters (Simar, 2008). Other rules that have been tested and that seem adequate (between four and seven categories obtained) include the single linkage method and the weighted and unweighted pair-group average method.

organisation. The individual form is particularly suited when the people have previous business experience and wish to transform it into a FT venture (as observed in the cases of Satya, Vino Mundo or D'ici et de là-bas). But totally new individual FT businesses also emerge.

The most natural evolution for individual FTOs is to grow, hire employees, obtain additional capital, and thus move to the next category. We can find such an evolution in the cases of Siesta and Karawan (which became businesses with several shareholders and employees). Another possible—but seemingly more exceptional—evolution is toward involving non-investors and to associate them collectively into ownership (for instance, by setting up a nonprofit or a cooperative). Il Fiore could be seen as an example of a traditional shop that has evolved into a social cooperative. A third and more widespread evolution is toward expanding the venture while remaining a single entrepreneur: the interviews suggest that this is more often a choice of the entrepreneur, reluctant to lose the control on the venture, than an inability to find associates.

2.2.2. Type 2: Entrepreneurial, business-form FTOs

This category is much more heterogeneous than the previous one. Indeed, while there is a core of manager-owned, entrepreneurial, business-form FTOs, there are a number of exceptions, either when using the Ward linkage rule or when using other rules. First, in terms of legal form, there are, as previously mentioned, exceptions of manager-owned, entrepreneurial FTOs that have a nonprofit form (e.g., Fair Trade Original) or a cooperative form (e.g., Emile and Tout l'or du monde). In terms of architecture, these FTOs are clearly entrepreneurial in terms of coordination, and polyvalent or output-based in terms of work division. In larger business-form FTOs, bureaucratic trends may also emerge.

The governance structures are often dominated by the manager; these structures constitute either a “rubber stamp” for the managers, or a pool of business expertise to support them. In certain cases, the founders may be associated with other stakeholders (e.g., Citizen Dream). The governance of Cafédirect is also clearly multi-stakeholder. However, while in Citizen Dream the founders are the entrepreneurs and keep the control over their venture, the situation of Cafédirect is totally different. Indeed, it was founded by NGOs and pioneer FTOs (see previous chapter) and is thus not manager-owned. While the Ward method has placed this FTO in type 2 because of its business form, the other methods have associated it with the type 5 FTOs (multi-stakeholder, hybrid group structures). Cafédirect might in fact represent a category of FTOs that is not well represented in the sample: that of businesses launched and partially owned by NGOs (other examples might include British FTOs such as Divine and Liberation).

Entrepreneurial businesses may grow, to a certain extent, without changing their configuration. But as Mintzberg (1980) describes it, continued growth and/or departure of the founder will inevitably push the organisation from an entrepreneurial to a more missionary—and probably more bureaucratic—configuration. We could call such configuration, in which the mission embodied by the founder has been translated to the organisational level, “missionary

businesses”. People Tree offers a good example of such evolution. Another possible evolution is toward the group structure. But I have not observed such cases: while Traidcraft has evolved from a single PLC to a group structure, the initial form can hardly be described as manager-owned and entrepreneurial.

2.2.3. Type 3: Volunteer-based FTOs

Central in this category is the volunteer-based governance and functioning, more than the legal form (nonprofit or cooperative, according to the context). The configuration of these FTOs is often explicitly missionary-adhocratic. Indeed, while the mission is a powerful coordination mode, it often expresses itself through adhocratic decision modes, especially in smaller nonprofits or cooperatives: leaders may emerge, strong personalities may coexist, but equality of statuses is favoured in the context of a drive for democracy and participation, as we will see in the sociological chapter. The drive for equality also concerns employees, with a salary differentiation meant to be as low as possible. The larger the FTO, however, the more difficult it is to maintain such equality.¹³⁴ The case of Oxfam-MDM also shows that growth increases bureaucratic trends, not only at the different operational levels of the FT activity, but also in the governance structure.¹³⁵ Nevertheless, the difference between small, adhocratic, and large, bureaucratic volunteer-based FTOs does not seem to affect the organisational form to such an extent that it would be justified to create two different categories. Indeed, the fact that volunteers compose the governance structures and are active at the operational level is a factor that makes these FTOs relatively similar to each other, despite different sizes.

What has been observed, though, is that large and old volunteer-based FTOs tend to evolve into group structures (Type 5). The subsequent chapters will offer rich interpretations to understand this phenomenon. It is worth noting that volunteer-based FTOs evolving into group structures are often dealing—at least partly—with food products. This could be explained by the fact that the pressure for results in this product category is stronger than for handicraft, with competition due to mainstreaming and to the higher standardisation of the products. Another possible evolution is toward the “multi-stakeholder cooperative” form, with possible inclusion of stakeholders other than volunteers in the governance structures. Pangea-NT and ComES have evolved in this way, taking benefit of the change toward the newly created social cooperative framework to open their governance structures to a wider array of stakeholders. Finally, Saldac provides an example of the possible evolution toward a business form, when founders wish to show that they are a “true” business, even when their political message remains central.

2.2.4. Type 4: Multi-stakeholder cooperatives

As we have seen, multi-stakeholder FTOs are not necessarily cooperatives: they can be businesses such as Citizen Dream, nonprofits such as Aux quatre coins du monde, or group structures. And cooperative FTOs are not necessarily multi-stakeholder organisations:

¹³⁴ At Oxfam-MDM, for instance, such equality has declined with the growth of the organisation, and even more so since people with business experience were hired at the management level. Such differentiation has been even stronger in group structures such as Oxfam-WW and Max Havelaar.

¹³⁵ It is in the group structures that such evolution is strongest, with the emergence of multi-stakeholder models.

cooperatives such as Emile or La Tenda dei Populi are rather single-stakeholder, respectively manager-owned, and volunteer-based. But there seems to be a strong congruence between the cooperative form and the multi-stakeholder configuration. The reason might be that the cooperative form offers an alternative to and intermediate solution between volunteer-based nonprofits and manager-owned businesses. For instance, when a group of managers or employees are at the origin of the FTO and value the cooperative ideal, the worker cooperative form is interesting—e.g., Just Fair Trade and Ethiquable Gourmand. And in the context of FT, workers seem to be keen to include other stakeholders such as volunteers (if any), donors, partner NGOs, investors, etc. While many FTOs include several stakeholders in their governance structures, the multi-stakeholder nature is particularly strong in cooperatives such as Soli’gren and Pangea-NT. In terms of architecture, many solutions are available depending upon the size and the activities of the FTO. But the architecture is likely to be modeled according to the strong missionary ideal of multi-stakeholder FTOs, with little differentiation among the employees and coordination through mutual adjustment.

Multi-stakeholder cooperatives are less likely than volunteer-based FTOs to evolve into groups, probably because the cooperative form seems already perceived as an organisational form that allows the combination of high levels of economic, social, and political involvement. I will deepen this suggestion in the following chapters. What I can already mention from the interviews with this type of FTO is that the cooperative form does not seem to be an obstacle to the commercial development of the FTOs and their relationships with mainstream businesses. This has appeared particularly with cooperatives such as Pangea-NT and Ethiquable Gourmand. On the other side, the cooperative form allows for the persistent representation of volunteers, especially in the new cooperative forms specifically designed for combining economic activity, social mission, and advocacy (e.g., the Italian social cooperatives, the solidarity-based cooperative Soli’gren, and the CIC Zaytoun). Consequently, unlike nonprofit FTOs, multi-stakeholder FT cooperatives probably do not feel the need to adapt their structure and make it more complex in order to integrate the simultaneous pursuit of the three dimensions of FT.

2.2.5. Type 5: Hybrid group structures

While FTOs organised as groups have all chosen to distinguish the economic and the socio-political functions of FT, the legal forms adopted for each of the entities may vary. The nonprofit form is often privileged for the socio-political entity, while the commercial entity may take a cooperative or a business form. The governance of these FTOs is generally multi-stakeholder. While the intent of groups is to specialise the governance structure of each of the entities, we often see that the stakeholders present in the nonprofit entity are also present in the business entity, thereby causing the economic activity to be controlled by rather “socio-political” stakeholders—this is clearly the case in the Belgian groups MMH-MFT and Oxfam-WW. When the shareholders’ structure is open to all types of institutions and individuals, as in the case with Traidcraft, we may witness a more balanced multi-stakeholder configuration. The governance and architecture of groups is in all cases much more complex than in other FTOs. This is why bureaucratic trends are almost inevitable, with the mission formalised into charters

and procedures. Traidcraft provides, again, an interesting example, with a “Deed of mutual covenant” “*which enshrines Traidcraft’s foundation principles and sets out the basis for mutual co-operation*”¹³⁶. Moreover, a foundation was set up specifically as a guardian of the overall mission of the group.

We do not yet know how groups might evolve in terms of organisational form. Together with age and size, complexity is likely to increase, with a formalisation of the linkages between the entities (criteria for dividing the economic value generated, procedures for selecting producer groups and ensuring their follow-up, etc.). However, the two entities might also, in the absence of coordination, specialise to such an extent that they would follow separate ways and become totally distinct organisations. In such a scenario, the nonprofit entity, disconnected from the economic activity, would become very similar to other development and/or advocacy NGOs. Conversely, the business entity would lose its connection with the socio-political dimensions and become similar to other businesses. When I asked the managers about the added value of the group structure, however, they systematically insisted on the complementarities between the two structures as being an asset for the practice of FT.

2.2.6. Outliers and missing categories

As already mentioned, Cafédirect is a notable outlier, in the sense that it probably corresponds to a sixth type of FT that is not well represented in the sample. FTOs such as Divine Chocolate and Agrofair could be included in such a category that could be called “NGO-launched multi-stakeholder businesses”. This category would thus combine features of the Type 5 category (because of the multi-stakeholder governance and the missionary-bureaucratic nature of these FTOs) and the Type 2 category (because of their business legal form and functioning and their 100% market resources). As Cafédirect is the only example in the sample, I will not be able to extrapolate my observations on this FTO to the broader category of “NGO-launched multi-stakeholder businesses”. Throughout this work, however, Cafédirect will be examined as a particularly interesting “outlier” reflecting a sixth type of organisational form for FTOs. More generally, I do not claim to have built a taxonomy that would exhaust all the organisational possibilities of launching a FT activity in any context. Indeed, the capacity of social—including organisational—innovation of FTOs and, more broadly, social enterprises, entails the possibility of multiple other organisational combinations. Nevertheless, it seems reasonable to assume that the categories do reflect common patterns that can be observed at this date among FTOs in other contexts and, more globally, in the field of social enterprises.

2.2.7. Synthesis

The following table provides a synthesis of the main structural features of the five categories. In *Italic*, I highlight the features that the FTOs within each category have in common.

¹³⁶ Traidcraft website, viewed on January 30, 2008

Table 25: Synthesis of the five categories of organisational forms

| | Examples | Legal form | Architecture | Governance |
|---|----------------------------|--------------------------|--|---|
| Type 1 – Individual | Esprit Equo, Silver Chilli | Individual or business | <i>Simple and entrepreneurial</i> | <i>Managerial</i> |
| Type 2–Entr. Businesses | Citizen Dream, Karawan | Business ¹³⁷ | <i>Entrepreneurial-missionary</i> | Managerial (+ investors) ¹³⁸ |
| Type 3– Volunteer-based | Oxfam-MDM, Ayllu | Nonprofit or cooperative | Adhocratic - polyvalent or output-based | <i>Volunteer-based</i> |
| Type 4–Multi-st.holder cooperative | Pangea-NT, Ethiquable | <i>Cooperative</i> | <i>Missionary with bureaucratic trends</i> | <i>Multi-stakeholder</i> |
| Type 5–Hybrid group | MMH-MFT, Traidcraft | <i>Group</i> | <i>Missionary with bureaucratic trends</i> | <i>Multi-stakeholder</i> |

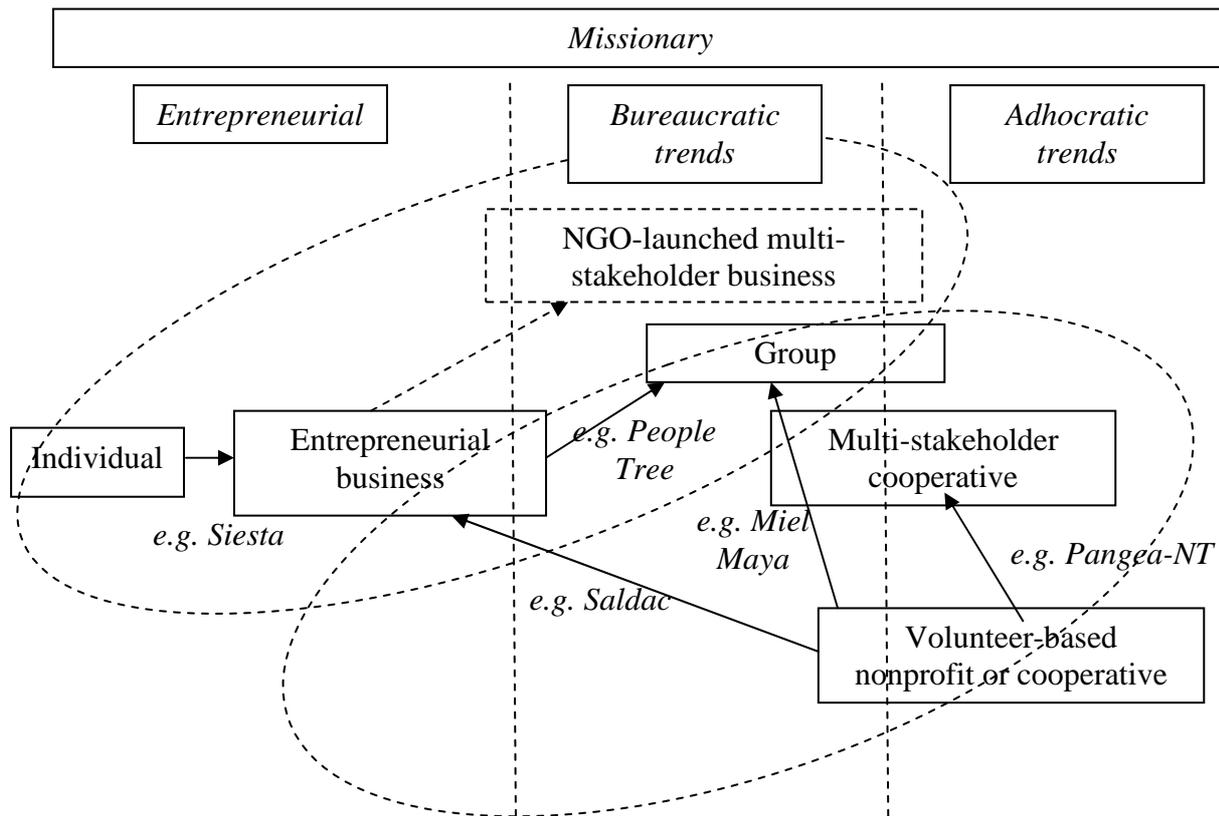
2.3. Organisational trajectories

On the basis of my observations of how certain FTOs have evolved from one category to another, it is possible to perceive a number of common patterns. This may be linked to the notion of “organisational life cycle”, which has been developed by configuration theorists (Mintzberg, 1984a). The specific contribution, in the context of this work, is that I do not only focus on architectural elements, but also on the legal form and the governance model. This might constitute a promising research trail for social enterprises. Obviously, the study is far from sufficient to claim validity and extrapolation to all FTOs, let alone social enterprises. It is thus important to highlight the hypothetical nature of this exercise. Indeed, while certain organisational changes are well documented (for instance, the emergence of group structures), most others are illustrated only by one or two examples in the sample. When there is only one example of evolution (for instance, from nonprofit to business), the “path” needs confirmation from other cases. Nevertheless, there are some hints about how FTOs in each category are *likely* to evolve. In the following figure, I depict the different trajectories while remembering that “death” is also a likely outcome. While all categories are exposed to failure, it seems that young and thus small FTOs are even more fragile—as the two bankruptcies during the study seem to confirm (Citizen Dream and Emile).

¹³⁷ Exceptions include, for instance, Fair Trade Original (nonprofit), Emile and Tout l’or du monde (cooperatives).

¹³⁸ Exceptions include, for instance, Citizen Dream and even more Cafédirect.

Figure 26: Possible organisational trajectories



I have depicted the different categories horizontally according to Mintzberg's configurations. While the missionary configuration is common to all FTOs, the three other trends that coexist with such a missionary configuration are positioned from left to right. It is worth noting that the left and right columns—respectively, the entrepreneurial and the adhocratic trends—seem to correspond to FTOs' configurations at the time of their creation, while the middle column—the bureaucratic trends—seems to consist of much older and larger FTOs. It is thus logical that most arrows depicting changes in organisational form go from the extreme sides to the middle.

Indeed, FTOs are not likely to immediately start off as multi-stakeholder groups or cooperatives: the only example in the sample is that of Soli'gren, in which the multi-stakeholder governance was directly linked to the SCIC form imposed by the city of Grenoble. Except this case, these two types of large and complex multi-stakeholder FTOs generally originate from volunteer-based nonprofit or cooperative FTOs. The multi-stakeholder nature is thus, in most cases, a feature that is acquired gradually. For instance, in Pangea-NT, the founding members were all originally volunteers, but they later specialised into more specific and diversified functions: some became employed by the FTO, others got involved in NGOs that later became associated in the governance of the FTO, and others simply supported the FTO through buying shares and FT products. The number of members also increased dramatically (to over 500 people) and reinforced the multi-stakeholder orientation. The same evolution is occurring, for instance, in MMH-MFT, whose volunteer-based membership is progressively evolving and specialising to adapt to the distinct missions of the two organisational entities.

Our description up to this point has applied to FTOs with an originally voluntary basis. This is represented by the oval on the right. While there may be entrepreneurial dynamics in volunteer-based FTOs, most of these FTOs are characterised by strong missionary-adhocratic dynamics, which are likely to evolve into a stronger bureaucratisation with the growth of the FTO. Bureaucratisation may occur even when the FTO retains a nonprofit and voluntary-dominated form, as the case of Oxfam-MDM illustrates.

The common feature of FTOs in the left oval is their entrepreneurial dynamics, which contrasts with the voluntary basis observed in the FTOs in the other oval. The entrepreneurial dynamics, however, may evolve toward more adhocracy and/or bureaucracy, if the founding entrepreneur(s) is (are) replaced by a more collective management. I do not yet have sufficient empirical evidence of this possible evolution, simply because the rather entrepreneurial FTOs are often very young and are still led by their founding entrepreneur(s).

It is worth noting that certain FTOs are located at the intersection between the two ovals. Indeed, entrepreneurial FTOs that include multiple, including “non-business” stakeholders (e.g., Citizen Dream) may become increasingly similar to FTOs having moved from a voluntary basis to entrepreneurial dynamics (e.g., Saldac). In this intersection, we may also locate multi-stakeholder group structures as well as FTOs that have been created by volunteer-based pioneer FTOs—and thus have a strong link with the right oval—but with a business form and dynamics that resemble FTOs from the upper left oval, although often with a larger size. As previously mentioned, Cafédirect is the emblematic example of what could be called “missionary NGO-founded businesses”.

Two key questions remain. The first is to examine on what other aspects (goals, resources, etc.) the categories of organisational form also differ so as to explore to what extent these categories allow different articulations of the three dimensions of FT. The second is to understand why FTOs evolve from one category to another. The subsequent chapters will provide a number of interpretations concerning both what the diverse forms entail, and why they may change over time.

Chapter 5 – Explaining organisational diversity: descriptive findings

In this chapter, I introduce and examine a range of variables that might have an influence on FTOs' organisational forms. Some of them are explicitly suggested by the economic or the sociological neo-institutional frameworks. Others have been added that are more specific to FT. These variables allow me to describe the sample and serve as a pool of data that will be interpreted in the next two analytical chapters.

1. Region

The previous chapter has already presented the specific evolution and current configuration of the FT sector in the four regions of the study. Nevertheless, many other elements linked to the national context or to the specific region (legislation, culture, networks, support from national or regional authorities, etc.), are likely to have an influence on FTOs' organisational forms. The following table shows the link between these two variables, based on a simple correspondence analysis. The p-value (0.0127) suggests that the region and the organisational form are significantly linked to each other.

Table 27: Region and organisational form (p=0.0127)

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Belgium | 20.00 | 26.66 | 33.33 | 0.00 | 20.00 | 100.00 |
| France (Rhône-Alpes) | 27.27 | 27.27 | 40.90 | 4.54 | 0.00 | 100.00 |
| United Kingdom (England) | 9.09 | 36.36 | 9.09 | 18.18 | 27.27 | 100.00 |
| Italy (Rome) | 11.11 | 0.00 | 44.44 | 44.44 | 0.00 | 100.00 |

As we can see, it is in Italy (Rome) that the organisational forms seem most homogeneous. Except Esprit Equo, all the Italian FTOs in the sample are social cooperatives. Half of them can be categorised as volunteer-based, while the other half has evolved to a more multi-stakeholder configuration—although the limit between these two categories is not a neat one. In France (Rhône-Alpes), we find mainly the first three types of FTOs—individual, business and volunteer-based. More complex, multi-stakeholder forms are less common than in the other regions. All types of FTOs are represented in the British (English) part of the study and, to a lesser extent, in Belgium (where the “group” category is clearly favoured by larger FTOs). I will devote a large section to understanding which factors lead to such national and regional differences, particularly in the sociological neo-institutional chapter.

2. Age

From a sociological and, to a lesser extent, economic neo-institutional standpoint¹³⁹, the time perspective is crucial for understanding the evolution of the institutional dynamics and their influence on the organisational form (Fligstein, 1991; Jepperson & Meyer, 1991; Leblebic *et al.*, 1991).

2.1. Sample description

I already mentioned different generations of FTOs when reviewing the history of the FT movement (first chapter). To divide the sample into more or less equal categories, I determined four increasingly short periods, observing a clear acceleration of the creation of FTOs in recent years. This appears in the following table, where we see that more than 50% of the FTOs in the sample have been created after 2000. While the average age is twelve years, the median age is only seven years. The oldest one is thirty years old. The young age of FTOs should be kept in mind when analysing their organisational forms in the light of the different theoretical approaches.

Table 28: Age categories

| Creation | 1970-1990 | 1990-2000 | 2000-2004 | 2005-2008 |
|--------------------|-----------|-----------|-----------|-----------|
| Proportion of FTOs | 26% | 19% | 16% | 39% |

2.2. Age and organisational form

Let me link the general categories of the organisational form with the age of the FTOs. While the description of the categories in the previous chapter has suggested intuitive links with age, I will now examine this link more closely. The following table describes the links between the four age categories and the five types of organisational forms.

Table 29: Age and organisational form (p=0.0011)

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 |
|------------------|---------------|---------------|---------------|---------------|---------------|
| 1970-1990 | 0.00 | 14.29 | 42.11 | 0.00 | 83.33 |
| 1990-2000 | 9.09 | 35.71 | 10.53 | 42.86 | 0.00 |
| 2000-2004 | 9.09 | 7.14 | 26.32 | 14.29 | 16.67 |
| 2004-2008 | 81.82 | 42.86 | 21.05 | 42.86 | 0.00 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

The wide majority of individual FTOs (Type 1) are very recent. Entrepreneurial business-form FTOs (type 2) are also relatively recent but part of them are older, contrary to what could have been expected from typical descriptions of the pioneers of the movement (see first chapter). I indeed found a number of pioneer FTOs that started, for instance, as small family businesses (e.g., Siesta and One Village in the UK). Although many volunteer-based nonprofit or

¹³⁹ Although certain uses of transaction cost theory have been precisely criticised for their “a-historic” vision of organisations (Granovetter, 1985).

cooperative FTOs (type 3) were created before 1990, there have also been recently-created FTOs following that model. This is typically the case in worldshop networks such as ADM in France, in which new members are required to adopt such a model. It is also worth noting that several volunteer-based FTOs have evolved into multi-stakeholder structures such as groups (particularly in Belgium). Multi-stakeholder cooperative FTOs emerged mainly in Italy in the 1990s and early 2000s, and more recently in France (e.g., Soli'gren) and in the UK (e.g., Zaytoun). Finally, group structures are mainly widespread among old pioneer FTOs that started as volunteer-based organisations (Oxfam-Wereldwinkels, MMH-MFT, etc.).

To examine the influence of the period in which the FTOs were created, it may also be interesting to look at the initial legal form chosen. Indeed, this may help to understand how certain forms appeared suitable at the creation of the FTOs, but less afterwards. I particularly think of the nonprofit form, which has rarely been conserved over time. We may suppose that the same has happened to architectures (from adhoc or entrepreneurial ones to more bureaucratic ones) and governance models (toward more complexity). Nevertheless, as the understanding of the *initial* architecture and governance models is difficult from an *ex post* perspective, I will focus here on the initial *legal form*.

Table 30: Age and legal form

| | Nonprofit | Cooperative | Business | Individual | |
|------------------|------------------|--------------------|-----------------|-------------------|--------|
| 1970-1990 | 86.67 | 0.00 | 13.33 | 0.00 | 100.00 |
| 1990-2000 | 18.18 | 36.36 | 45.45 | 0.00 | 100.00 |
| 2000-2004 | 55.56 | 22.22 | 11.11 | 11.11 | 100.00 |
| 2004-2008 | 9.09 | 31.82 | 31.82 | 27.27 | 100.00 |

It appears that the number of newly created nonprofit FTOs has been globally decreasing, while individual FTOs have increased from 2000. Cooperative and business-form FTOs, which have emerged in significant proportions in the 1990s, have been more or less stable over time. Finally, it is in the last period that the legal forms adopted by newly created FTOs have been the most diversified—although the nonprofit one seems less an option for new FTOs. To summarise, certain links can be observed between the age of FTOs and their organisational forms. There are not clear-cut differences, however, among the different generations of FTOs, and diversity, although increased with time, was already observed, although to a lesser extent, in the early decades. The influence of age might also be linked to the size of FTOs: a complex structure such as the multi-stakeholder cooperative or group requires a large size—at least in terms of the number of workers—and a simple structure such as the entrepreneurial form or the small team of volunteers is unlikely to remain unchanged with the growth of the FTO.

3. Size

Linked to the age but also to other factors, the size of FTOs may be an important variable in explaining form elements form such as architecture and governance. To categorise sizes, several indicators are available from the interviews (see Q14): turnover (sales + subsidies,

donations, etc.), sales, capital, and number of full-time equivalents. In order to reduce these four variables to one global “size” variable, I have run a principal component analysis.

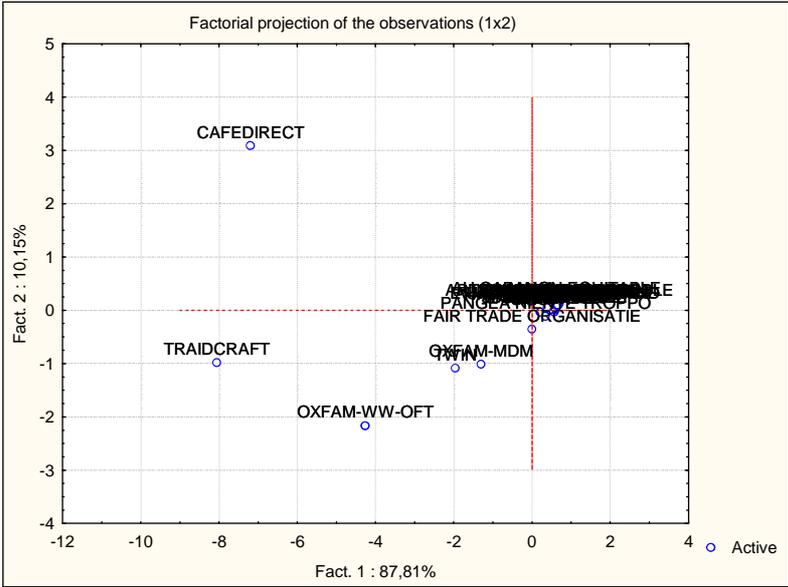
Among the four components or factors that explain the total size variation, the first component already accounts for 88% of the total variance, which is quite satisfactory. With a second factor, 98% of the variance is explained. This means that the four indicators can be grouped into one or two factors that represent them. The following table shows the contributions of the four components to the total variance.

Table 31: Contributions of the factors to the total variance

| | Contribution to the total variance (%) | Cumulative contribution (%) |
|-----------------|--|-----------------------------|
| Factor 1 | 87.81 | 87.81 |
| Factor 2 | 10.15 | 97.96 |
| Factor 3 | 2.04 | 99.995 |
| Factor 4 | 0.005 | 100.00 |

When we look at the contributions of the four variables to each of these factors, we can see that the first, major factor is influenced by all the variables, especially those that relate to the economic weight of the FTOs. This means that all these variables express the same type of information. The second factor, the weight of which is much smaller, is mainly influenced by the capital and by the number of full-time equivalents. Let me represent the FTOs graphically in relation to these two factors.

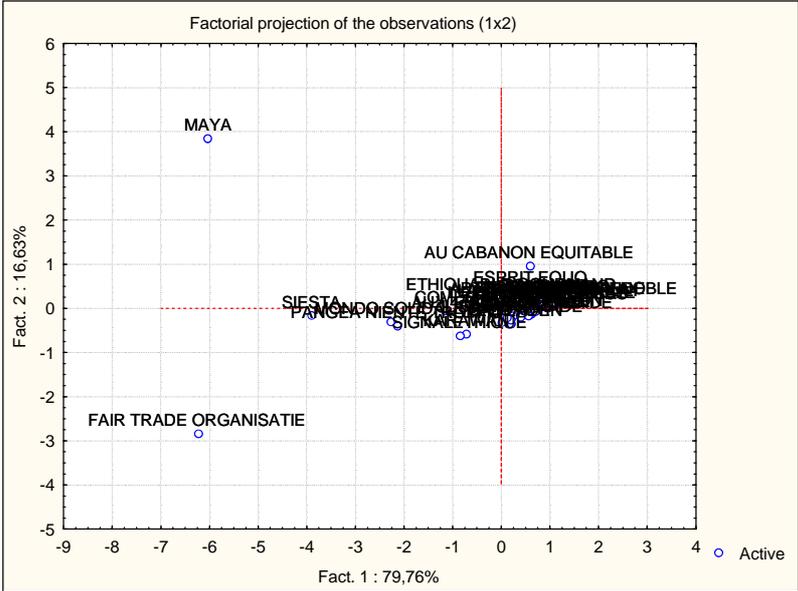
Figure 32: Size: graphical projection of the individual observations



This figure might lead one to think that most FTOs are relatively similar to each other in terms of economic figures and of the number of FTEs. In fact, they are similar if we compare them to the few much larger pioneer FTOs such as the Oxfam’s, Twin, Traidcraft or Cafédirect. But if we exclude these larger FTOs and zoom in on the cloud of points, we see that there is a bit

more heterogeneity, with a range of medium-size FTOs—although there is still a cloud of relatively homogeneous, small or very small FTOs.

Figure 33: Zoom on medium-size and small FTOs



Let me examine the variables individually. If we look at the total turnover, figures range from 15,000 to 28 million euros, with an average of 2 million euros but a median of only 200,000 euros. This confirms that there are many very small FTOs and that the average turnover is increased only by a small number of very large FTOs. This appears clearly on the following table: more than 60% have a turnover under 250,000 euros, and only 10% exceed 3 million euros. Furthermore, in conformity with other studies on FTOs (Krier, 2005; 2008; Viganò *et al.*, 2008), importing FTOs have a higher turnover than worldshops: 72% of the first two categories below have no import activity.

Table 34: Categories of annual turnover

| Turnover (euros) | <100,000 | 100,000 - 300,000 | 300,000 - 3,000,000 | 3,000,000 - 20,000,000 | >20,000,000 |
|--------------------|----------|-------------------|---------------------|------------------------|-------------|
| Proportion of FTOs | 30% | 32% | 28% | 4% | 6% |

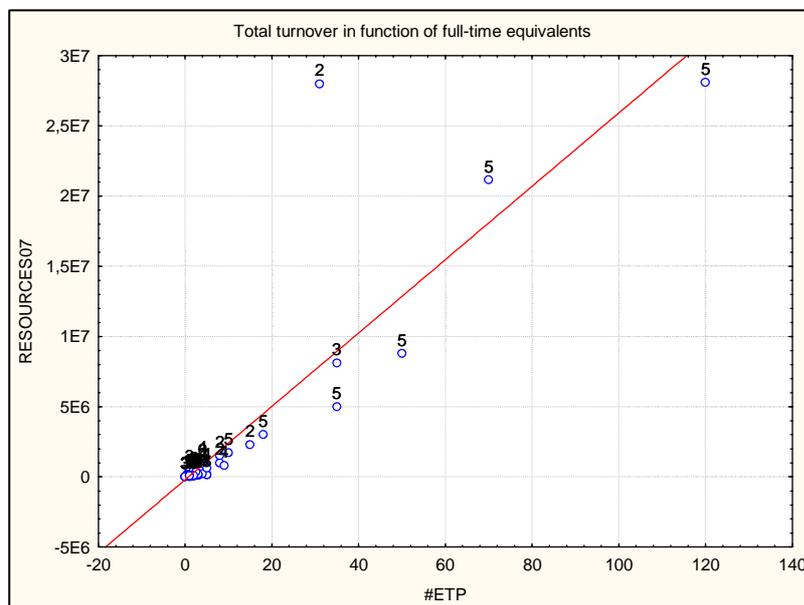
In terms of the number of employees, more than 50% of the FTOs are very small, with less than 2 full-time equivalents. While the median is 2, the average is 5.5. This is somewhat lower than in other studies (e.g., 7 average in Viganò *et al.*, 2008). In any case, as observed by Moore *et al.* (forthcoming), FTOs are far under the limit size of SMEs, fixed by the European Commission to 250 employees. Most of them can be considered as micro-businesses (less than 10 employees).

Table 35: Distribution of the FTOs in terms of full-time equivalents

| # employees (FTE) | 0 | 0.1-2 | 2.1-10 | 10.1-50 | >50.1 |
|--------------------|----|-------|--------|---------|-------|
| Proportion of FTOs | 7% | 44% | 33% | 9% | 7% |

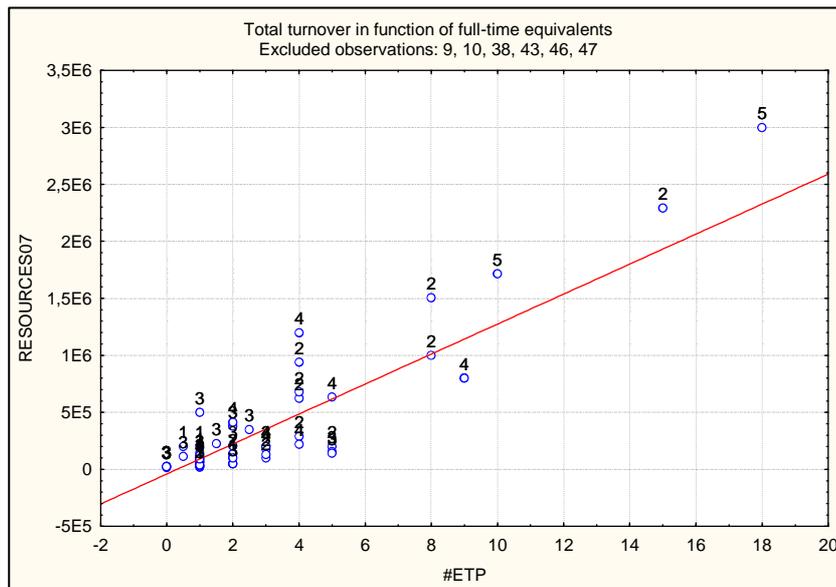
How can the FTOs' size be linked to their organisational form? While I could run correspondence analyses based on the previously mentioned categories, I suggest leaving the variables continuous and choosing two of them in order to have a graphical representation of their correlation. Let me take the two previously mentioned size variables, which seem to provide complementary information: the total turnover and the number of full-time equivalents. If we illustrate the correlation between these two variables, we can see where the FTOs of each category of organisational form are located.

Figure 36: Turnover and full-time equivalents (whole sample)



The first observation is that, on average, each FTE “brings” approximately 250,000 euros to the FTO (in terms of sales, subsidies or donations). This amount seems lower in volunteer-based FTOs (type 3) and higher in FTOs of types 2 and 5. A second observation is that the FTOs in the “type 5” category, i.e., the hybrid group structures, are clearly larger than the other types of FTOs. Beyond this category, it is difficult to classify the other ones. A more precise picture appears if we exclude the very large FTOs.

Figure 37: Turnover and full-time equivalents (zoom on the medium and small-size FTOs)



We can see that multi-stakeholder cooperatives (type 4) and business-form FTOs (type 2) are globally larger than individual (type 1) and volunteer-based (type 3) FTOs. Individual FTOs have very small turnovers (often below 100,000 euros) and, by definition, very low employment. Volunteer-based FTOs are also quite small (rarely over one million euros and 5 full-time equivalents), with only a few exceptions (Oxfam-MDM is the main one). Multi-stakeholder cooperatives are all medium-size (between 500,000 and 1,500,000 euros and between 2 and 9 full-time equivalents). Business-form FTOs are generally medium-size to large, with a few that are very large.¹⁴⁰ Finally, when excluding the very large FTOs, the slope of the correlation seems less steep, with each FTE bringing “only” 150,000 euros. This might be explained through the economies of scale realised by these larger FTOs.

The heterogeneity in FTOs’ sizes could make it difficult to compare them. Indeed, issues of governance and architecture might seem different between an individual FTO and a large group—the two extremes of the sample. Yet, in my opinion, from the smallest FTO to the largest, it is equally meaningful to examine how the organisational form is shaped and which articulations of the different dimensions of FT it allows.

4. Economic function

Another strong distinctive feature for FTOs is their role in the FT chain. The involvement in import, transformation, wholesale or retail is likely to have an impact on the organisational form. By import, I mean that the FTO has a direct relationship with one or several producer groups in the South from which it imports regularly. Transformation implies that the FTO has a

¹⁴⁰ These exceptions partly correspond to the FTOs that were difficult to categorise completely in type 2, for instance, Fair Trade Original (which is manager-owned but nonprofit) and Cafédirect (which has a business form but which is not manager-owned).

unit where the product is transformed in some way (for instance, cocoa transformed into chocolate or cotton used to manufacture garments). I do not consider packaging or other superficial operations as transformation. By wholesale, I mean that the FTO has at least a partial function of selling FT products to other companies or institutional buyers (schools, government, etc.). Finally, the retail function implies having one or several shops where individual customers can buy FT products.

A rapid glance at the FT sector would lead one to distinguish importers on the one hand, and retailers such as worldshops on the other. However, many FTOs combine different functions or add a function to the primary activity (for instance, worldshops that start direct import). The following table shows that nearly all FTOs have a retailing function. This is an important element because it means that most FTOs in the sample are in direct contact with the final customer. Secondly, a large part of the FTOs have an import function, which means that they are engaged in socio-economic partnerships with the producers. Finally, the transformation and wholesale functions are developed only by a minority of FTOs.

Table 38: Distribution of the FTOs in terms of economic function

| Economic function | Import | Transformation | Wholesale | Retail |
|--------------------------|---------------|-----------------------|------------------|---------------|
| Proportion of FTOs | 58% | 26% | 32% | 81% |

I have not found a significant correlation the between economic function and the organisational form.¹⁴¹ Indeed, the various types of FTOs are present at all the stages of the supply chain in the North. Nevertheless, the economic function is not an anecdotic element and should be kept in mind with regard to the type of practice of FT that it involves. An importing FTO that is in direct contact with producers obviously has a larger part of its activities devoted to producer support than a retailer that has no such direct relationship. However, a FT shop can select importers that offer certain guarantees regarding their partnerships with producers. Moreover, a shop or a local team of volunteers can be in contact with producers even when there is no direct import from them (example of ADM shops). On the other hand, a FT shop that is in direct contact with consumers is more likely to engage in education activities than an FTO that does only import and wholesale. But advocacy is possible even without such a direct contact.

5. Products

The two traditional product categories of FT are food and handicraft products. Food products include drinks (coffee, cocoa, tea, fruit juices, wine, beer, etc.), fruits (bananas, pineapples, etc.), honey, rice and other cereals (quinoa, etc.), biscuits, spices, and many other products. Most of these products are potentially labelled by FLO (together with a few non-food products such as cotton and roses). Handicraft also covers a wide range of products, from textiles to ceramics, from home furnishings to musical instruments. The scope of FT products has, however, increased tremendously in the last years. A whole range of “non-food” products has

¹⁴¹ Correspondence analysis for which $p=0,245$ and nearly all the possible combinations of form and economic function find an illustration in the sample.

been developed besides handicrafts, particularly clothing and cosmetics. The scope of FT products is likely to still increase in the near future.

In the sample, most FTOs propose food or handicraft products (or both). While the proportion of labelled products has generally increased, several FTOs also sell non-labelled FT food. Following the example of Cafédirect, the newer FTOs focus much more than the pioneers on one particular product or product range (coffee, wine, chocolate, garments, jewelry, etc.). As the following table shows, handicraft and food are dealt with in the same proportion. Only a few FTOs have developed new types of non-food products.

Table 39: Distribution of the FTOs in terms of product types

| Product type | Food | Handicraft | Other non-food |
|---------------------|-------------|-------------------|-----------------------|
| Proportion of FTOs | 58% | 63% | 12% |

Again, I have not witnessed a systematic link between the types of products traded by the FTOs and their organisational form.¹⁴² The only link that seems valid is the one between larger types of FTOs (multi-stakeholder cooperatives and groups) and the diversity of products, while individual and business-form FTOs often have a narrower scope of products. But there do not seem to be differences relating to the nature of the products.

6. Leaders' profiles

6.1. Introduction and methodology

As I met directly with the leaders in nearly all the FTOs (CEO, director or coordinator), I was able to examine their profiles. Indeed, in a sociological neo-institutional perspective, organisational forms might indirectly depend on how their managers have integrated a number of normative settings through their past experience, education, and imitation of other leaders. If organisations are affected by their environment, it is through the people who, consciously, but also unconsciously, transmit the normative values in which they are embedded, into the organisational context (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), especially when they have strong decision-making power.

Three questions to the managers allowed me to sketch the leaders' profiles. The first question (Q2a) was: "What was your previous activity before becoming involved in the FTO?". Managers explained what they had done and where they had worked in the past. Then, I asked about the motivation behind their involvement: "When and how did you become involved in the FTO? What was your motivation to work for (or to found) the FTO and to accept the leader's position?" (Q2b). Finally, I asked about the leaders' education (Q2c).

¹⁴² Correspondence analysis for which $p=0,183$ and nearly all the possible combinations of form and products find an illustration in the sample.

6.2. Findings

Based on these three questions, three profile categories were distinguished. These categories must be considered as ideal types that are likely to coexist to varying extents in the profile of each leader. The description is thus rather caricatural. The percentages refer to the proportion of leaders for which each type of profile seems to be dominant.

- Activists (dominant for 39% of the FTOs' leaders)

Although there may be several meanings for the term “activist”, in the case of FTOs' leaders it means that their initial investment in the FTO had a political motive. Activists did not become involved in the FTO primarily to run an economic organisation, but rather to participate in its political project. For them, FTOs are a channel through which education, regulation, and advocacy can be led with the goal of transforming the rules of international trade. Producer support is important but it is above all a concretisation of a wider political project.

Most founders of the pioneer FTOs had activist profiles. With the economic evolution of the sector, however, an exclusively activist profile was often considered as insufficient to run an FTO. Some of the initial activists added other elements, typically business training, and succeeded in maintaining their leadership; others were replaced by people with more complete profiles. This last situation was observed in several pioneer FTOs whose growth induced a need for managers with more business expertise (e.g., Oxfam-WW and Max Havelaar).

- Developers (dominant for 30%)

The second type of profile could be located closer to the “social” dimension. Developers have a background of development cooperation and are motivated primarily by the mission of producer support. It often happens that, before creating or becoming involved in an FTO, they met producer groups during travels or missions in the South, thus becoming familiar with their situation, and motivated to help them find market opportunities in the North. Some of them may thus see FT as a development project (Poncelet *et al.*, 2005). The economic and political activities are rather seen as means to achieve the final goal of helping the producers' communities to develop. Most FTOs' leaders are partly “developers”, with some experience with producer groups. Nevertheless, such experience alone is often insufficient to run the FTO. This has been even more the case since the emergence of labeling and certification, which has taken over the function of selecting and controlling producer groups. Indeed, as labellers and certifiers regularly visit the producer organisations and check their conformity with the FT criteria, it has become less important for FTOs to send their own staff to visit the producers in the South. Nevertheless, the “developer” skills remain useful for managing an FTO, especially when there is a direct import from the producers.

- Businesspeople (31%)

The third profile has become increasingly present among FTOs' leaders. People with previous experience in the business world who want to engage in an activity with more ethical values

have become more and more involved in FTOs. Some of them have founded new FTOs with a stronger commercial vision—albeit with social purposes. Others have got involved in FTOs looking for people with business experience for the managerial functions. Finally, several leaders have freshly graduated from business schools and have preferred to create their own ethical business than to join a “mainstream” corporation.

Whatever their background, most businesspeople try to also include developer and, to a lesser extent, activist skills to their business profile. In the interviews with these types of managers, it appeared that many of them, after having started the job in the FTO, traveled in the South to meet established or potential partner producer groups. Furthermore, most activists and developers reported the need for more business skills to properly run their FTO—or maybe to have more legitimacy in their function. Several managers participated in training sessions for that purpose, and two managers even obtained degrees from business schools during their leadership.

To try to gather multidimensional expertise from the management, FTOs have various choices. They can look for the person combining these different dimensions. For instance, someone from the business world with high ideals and some experience in development cooperation (this is the typical profile of new FTOs’ leaders). Or, when there are different departments (e.g., marketing, producer support and advocacy,), they may prefer to have two or three different leaders working together. Finally, the three types of expertise of FTOs’ leaders can also be applied to FTOs’ employees and workers. In the early history of FT pioneers, most FTOs were composed only of activists (volunteers and employees). Then, with the commercial development of the sector, people with a business background were increasingly hired. Therefore, it is common to have staff with different backgrounds according to the role they play in the FTO (or the department they belong to in the case of larger FTOs).

6.3. Leaders’ profiles and organisational form

The following table links the dominant leaders’ profiles with the five categories of organisational forms.

Table 40: Leaders’ dominant profile and organisational form (p=0.0011)

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|--------|
| Activists | 0.00 | 13.79 | 51.72 | 20.69 | 13.79 | 100.00 |
| Developers | 31.25 | 37.50 | 18.75 | 6.25 | 6.25 | 100.00 |
| Businesspeople | 50.00 | 33.33 | 8.33 | 0.00 | 8.33 | 100.00 |

Leaders with a predominantly “activist” profile, who were previously active in advocacy NGOs or within the same FTO (as volunteers or campaigners for instance), are logically much more present in volunteer-based FTOs and multi-stakeholder nonprofit and cooperative FTOs (types 2 and 3). Larger nonprofit pioneers, however, have since hired managers with a more business-oriented profile, as the example of Oxfam-MDM shows. In that particular case, the presence of a manager with business experience had little or no impact, however, on the organisational

form. The Oxfam case clearly shows how the manager's preferences can be constrained by the tradition and habits of the volunteers and employees. The hiring of leaders with business experience and/or education has also developed among group structures.

On the other hand, there are also leaders with activist profiles in business-form FTOs. The best example is probably One Village. The founder and manager of One Village, Roy Scott, is the leading figure of the marginalised “anti-mainstream” trend in British FT. Initially very active in campaigning and lobbying (thus quite close to the “activist” profile), he has been involved in the early initiatives of worldshops' networking, partly through BAFTS. His rejection of the term “Fair Trade”, presented as hypocritical, is emblematic.¹⁴³ He prefers to refer to a “potentially less unfair deal”, or simply to “alternative trade”—the term used in the early decades of the FT movement. Thus, he advocates for non-labeled FT sold in alternative outlets. Yet, his FTO has not adopted an “alternative” organisational form:

We started trading with Asian handicraft producers in the late 1970s. We wanted to set up the organisation quickly and thus chose the easiest form: a family business. [...] It is true that most of our partners are cooperatives. We also put a strong emphasis on democracy and profit limitation. But we have never taken the time to change our legal form and our governance model. It may seem incoherent. But we prefer to focus our energy on producer support than on internal organisation matters.

Leaders with a predominantly “developer” profile, i.e., people who were previously active in development NGOs or working on social issues as expatriates in the South, are found in all types of FTOs, particularly in individual and business-form FTOs (e.g., Saldac, Laspid, etc.).

Finally, leaders with an education in business or previous experience in the business world are found primarily in business-form and individual FTOs, but also in other FTOs. They remain absent from “pure” nonprofits. Nevertheless, they may be leading groups including a nonprofit entity (e.g., Oxfam-WW and Max Havelaar). The French FTO “Quat'rués”, active in selling T-shirts, illustrates the link between business school education and the creation of FTOs with a business form. Three friends—two of which having recently graduated from business studies—launched the project in 2006. They rapidly structured themselves as a business-form FTO.

The only other possible form was the SCOP [workers' cooperative], but it was too complex. Moreover, we wanted a simple business form, you know, we're a business. And a business form is more serious in front of commercial partners and customers. After two years, we're happy to have organised ourselves as a business. It corresponds to what we are and what we want to do. But our [FT] standards remain high.

¹⁴³ An illustration can be found on the website of One Village, on the page <http://www.onevillage.org/fairtrade/>, viewed on February 12, 2008. For instance: “Keeping the [...] gross inequalities in mind, it is difficult to see how anyone can honestly claim that ‘fair trade’ has actually been achieved. Claims of ‘fair trade’ can be profound exaggerations, misleading and inaccurate. To claim and say to such workers ‘This is fair’ is shocking and in itself a great injustice.”

The last sentence is typical and was heard in many interviews with rather business-oriented FTOs. It is as if the interviewees felt the need to reassure the audience: we are a business *but* our ethical standards are high.

In the cases of small FTOs led by the people who founded them, it is reasonable to assume that the leader has had an important influence on the choice of the organisational form (Spence & Rutherford, 2001). In older and larger FTOs that hire new leaders, however, the relationship is likely to be reversed: the FTO, according to its mission and its form, chooses the leader whose profile best fits its expectations.

7. Resources

In both neo-institutional approaches, and in the other two approaches as well, resources—obtained or expected—are crucial for understanding organisational forms. I distinguish incomes, voluntary work, financial resources, and intangible resources.

7.1. Incomes

FTOs have access to several types of incomes: sales, public subsidies, gifts, etc. Q10a consists of a table in which I asked FTOs' managers to report the amounts and details for each type of income (I then calculated the percentages for each income source). In several cases, I had already found such information in the annual reports.

It appears that most FTOs have mainly commercial incomes, through the sales of FT products. The average percentage of commercial incomes is 95.7% of the total resources. In nearly all FTOs, sales had increased dramatically over time. Only some older FTOs witnessed a certain degree of stagnation.¹⁴⁴ Public subsidies and gifts were limited, never exceeding 35% of the incomes, even for pioneer nonprofit FTOs. The vast majority of these FTOs with non-commercial incomes reported a decrease, not in the actual amounts generated from these two sources of income, but in their proportions in relation to the total income because of the increase in sales. This is consistent with the “commercialisation” trend observed among nonprofit organisations (Weisbrod, 1998), in a context of normative promotion of market resources for social enterprises (Battle Anderson & Dees, 2006; Dart, 2004). Non-commercial incomes vary according to the regions: they are mainly subsidies in Belgium and in Italy and gifts in the UK (with a mixed situation in Rhône-Alpes).

The sample can be cut into four categories based on the proportion of commercial incomes:

- More than 97%: 58% of the sample
- Between 90% and 97%: 17.5% of the sample
- Between 80% and 90%: 17.5% of the sample
- Between 65% and 80%: 7% of the sample

¹⁴⁴ It should be noted that all the interviews have been done before the start of the economic crisis.

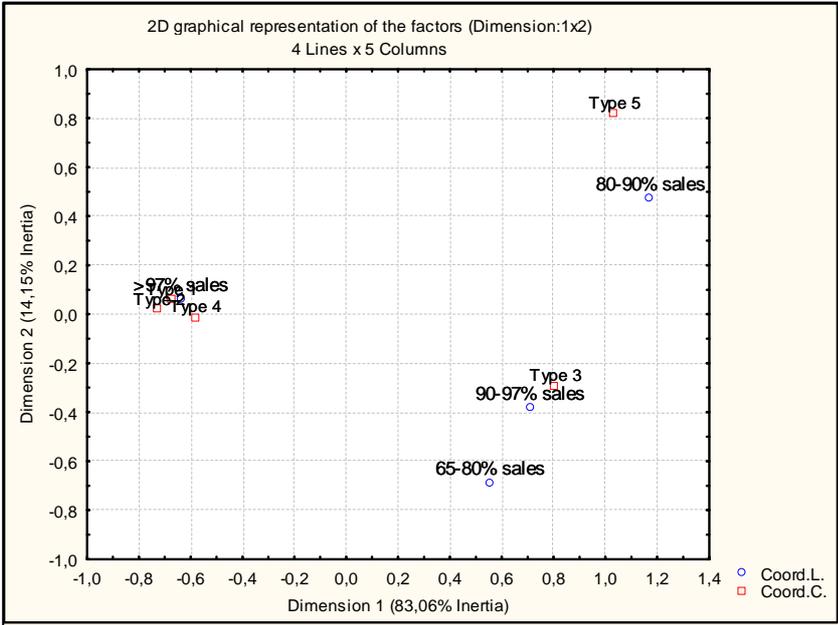
The following table shows the relationship between the four levels of sales in the total incomes and the organisational form.

Table 41: Types of incomes and organisational form

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 |
|----------------------|--------|--------|--------|--------|--------|
| 65-80% sales | 0.00 | 7.14 | 15.79 | 0.00 | 0.00 |
| 80-90% sales | 0.00 | 0.00 | 31.58 | 0.00 | 66.67 |
| 90-97% sales | 9.09 | 0.00 | 36.84 | 14.29 | 16.67 |
| >97% sales | 90.91 | 92.86 | 15.79 | 85.71 | 16.67 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

These relationships can also be analysed graphically, as the following 2D representation shows.

Figure 42: Types of incomes and organisational form: a graphical analysis



Both the table and the graphical analysis show that categories 1, 2, and 4 are very close to each other due to their exclusively commercial incomes. It is worth noting that multi-stakeholder cooperatives behave similarly to individual and business-form FTOs, despite their theoretical access to non-commercial incomes such as donations and subsidies (as will be expanded upon in the next chapter). Conversely, volunteer-based FTOs and group structures have a lower proportion of commercial incomes (as groups include volunteer-based parts). While the latter are closer to the second level (between 80% and 90%), the former are more dispersed across the four levels, with a majority situated between 80% and 97% (second and third levels).

7.2. Including voluntary work

Voluntary work can be considered as a specific and tangible resource. Several authors have tried to determine the value of voluntary work (e.g., Mertens & Lefèbvre, 2004). The easiest

way to do so is to calculate the salaries that would have been paid if volunteers were paid for their work hours. Such an equivalence can be criticised in many ways, with voluntary work hours described as either more or less efficient than classical working hours (for a discussion on FT volunteers, see, for instance, Becchetti & Costantino, forthcoming; Gateau, 2008). Moreover, practically, it is often very difficult to determine the time spent by volunteers, as in the case of an advocacy campaign; it is somewhat easier for voluntary work in a shop.

In the study, I asked the leaders to sum up approximately the voluntary work hours. Then, I multiplied them by the average salary of an employee working in the nonprofit sector.¹⁴⁵ If we include the monetary value of volunteer work, the percentages of commercial incomes drop down, but not so dramatically (average of 79%). The reason is simple: one FTO out of two does not use voluntary work. Although the calculation has a poor reliability, four categories can be distinguished:

- More than 97% of commercial income: 45.5% of the sample
- Between 75% and 97%: 17.5% of the sample
- Between 50% and 75%: 24.5% of the sample
- Between 20% and 50%: 12% of the sample

I do not try to link organisational forms and voluntary work, not only because of the poor reliability of the latter indicator, but also because of the redundancy with the categories themselves (as one of them, type 3, is precisely defined by the volunteer-based governance structures).

7.3. Financial resources

In a broader sense, resources may designate the permanent assets of organisations, as it appears in the financial balance. Capital is often the main financial resource, but assets also include long-term loans, material, etc., the origin of which may vary (family, friends, partner organisations, market, state, etc.). When FTOs do not formally have capital, as is the case of nonprofits, the initial assets are generally very low. I asked about the capital and initial loans or gifts in Q14. The average sum is only 146,000 euros. This confirms both that FT is not a capital-intensive activity, and that FTOs, furthermore, are often under-capitalised (SAW-B, 2008). As it appeared in the section on size, the amount of capital is significantly linked to the other size variables. It is thus useless to once again analyse the links with the categories of organisational form.

7.4. Other resources

Finally, resources may be viewed in a broader perspective, including elements such as skills, techniques, access to networks, or abilities to influence the environment. These issues were not explicitly addressed in the questionnaire. Nevertheless, the answers to the open questions on the FTO's history (Q1a and b) and on its relationships with other FTOs, support structures, and

¹⁴⁵ As most volunteer-based FTOs have a nonprofit form.

networks (Q11a, b and c), as well as the interviews with people from these latter institutions, brought to light useful information about more intangible resources that will be examined using RDT in the last chapter.

8. Goals

8.1. Theoretical introduction

Goals or missions are key elements, especially in the study of social enterprises (Defourny & Nyssens, 2006). Indeed, social enterprises are presented as particularly suited to the pursuit of multiple economic and social goals (Bacchiaga & Borzaga, 2001; Mair & Marti, 2006). More generally, goals are central in organisation theory to such an extent that organisations are often defined as tools aimed at achieving given goals. Among the handbooks on organisation theory, Jones, for instance, describes organisations as “*tools used by people to coordinate their actions to obtain something they desire or value—that is, to achieve their goals*” (Jones, 2004:2). In another context, Pfeffer and Salancik define organisations as “*collections of individual efforts that come together to achieve something which might not otherwise be accomplished through individual action*” (1978:23).

As goals and organisational form are likely to be linked to each other, it is crucial to define precisely what I understand—and do not understand—through the term “goals”. The first question is probably: whose goals? Much of the conventional economic and managerial literature speaks about “organisational goals” (Hatch, 1999). This expression, however, is increasingly rejected by social scientists and particularly organisation theorists. For McAuley *et al.* for instance, “*to talk of social collectivities such as organizations as having goals, as if they were an individual person, can be misleading because it creates an image of agreement amongst members regarding the purposes of an organization that might not exist*” (2007:13). By viewing organisations in such a way, “*we may accidentally exclude and subjugate the priorities of the vast majority of organization members and those in the wider community who are not members but who are simultaneously affected by the organization’s operation*” (14).

In small organisations consisting only of an entrepreneur or a few other people, it is not too problematic to speak of “organisational goals” as a synonym for “leader’s goals” (Spence & Rutherford, 2001). In larger structures, however, such an association would indeed ignore the vast majority of organisation members. Mintzberg (1983; 1986) and other authors subscribing to a “political” perspective consider that it is rather individuals and social groups who carry particular goals. If these individuals and groups reach a sufficient level of power, their goals may become organisational goals, thereby increasing their legitimacy and their power (Nizet & Pichault, 2001). If several groups try to influence organisational goals, it is likely that organisations will pursue multiple goals (Mintzberg, 1986).

Organisations have not only multiple goals linked to their different social groups, but also different types of goals. A classical distinction is the one made between official goals, which are very general, and operational goals, which guide concrete actions. Conventional approaches

consider that the managers determine the official goals, which are then translated at the operational level by their subordinates (Hatch, 1999). Political approaches, by contrast, insist on the conflicts that inevitably appear among the goals carried by different actors in and outside the organisation.

A second distinction can be made between “system goals” and “mission goals”. Pichault and Nizet (1995) expand upon this distinction introduced by Mintzberg (1983):

- Mission goals: the goals linked to the products, services or clients of the organisation
- System goals: the goals linked to the organisation and its members, independently from the products and services of the organisation. Such goals include survival, efficiency, control of the environment, and growth (Mintzberg, 1983).

8.2. Methodology

Based on the distinctions of the people carrying the goals and of the types of goals, I considered in this study:

- For all FTOs: the official goals (as mentioned in organisational documents or on the website) and the leaders’ goals (as expressed during the interviews)
- For the case studies: the operational goals and, when possible, the goals of other actors in the organisation (Board members, other managers, etc.)

Four questions aimed to capture the goals of the organisation as viewed by the manager. Question 8a was an open question: “What are the missions of your FTO?”. The answers to this question were general and often corresponded to the mission statement available on the official documents and on the website. Question 8b then introduced a time perspective: “Have there been any changes in the missions since the creation of the FTO? Which ones? Why and how have they been implemented?”. Questions 8c and 8d were based on a list of goals made with the help of practitioners¹⁴⁶ and each linked to a particular dimension, and issued by e-mail. This allowed me to compare FTOs based on similarly formulated goals.

¹⁴⁶ A FT network in France and two FTOs in Belgium

Table 43: List of possible goals

| Dimension | Possible goal |
|-----------|---|
| Social | To support small-scale and/or marginalised producer groups |
| | To empower producer groups and increase their capacities |
| | To reach the wider community behind producers |
| Economic | To gain market shares |
| | To increase consumer satisfaction |
| | To generate profits |
| Political | To influence international trading rules in a way that is more favourable to the producers in the South |
| | To watch and denounce unethical practices by corporations |
| | To encourage consumers toward more ethical buying behaviour |

It is worth noting that most of the goals suggested in the grid are “mission goals”. They are specific to FT, i.e., to the products and services of FTOs—viewed in a broad sense. “Social goals” are the closest to the description of mission goals, as they express what FTOs normally seek to ultimately achieve. Certain “political goals” are also close to mission goals, especially as means to contribute to the social goals. However, political activities also contribute to such system goals as gaining legitimacy and controlling the environment. A goal such as “encouraging consumers toward more ethical buying behaviour” may be ambiguous. On the one hand, it may be seen as a mission goal on its own, or at least as a contribution to the social mission. But on the other hand, it may also be seen as a tool to increase sales and/or legitimacy, thereby being closer to a system goal. Finally, system goals seem more present in what I defined as “economic goals”: “making profit” and “gaining market shares” can be directly linked to considerations of survival, efficiency, and growth. However, these goals are often presented by FTOs as means or at least intermediate goals, the achievement of which is necessary to pursue the social goals (Davies & Crane, 2003).

The distinction between mission goals and system goals is thus complex and must be kept in mind when examining how the leaders view the organisational goals. Q8c was: “Could you please rate the following possible goals according to the extent to which your organisation concretely pursues each of them? (1= not an important goal; 5 = very important goal)”. The different goals were presented in a mixed order. I also left space for any comments on the proposed goals, which sometimes brought interesting information about how managers interpreted and valued the different goals. Q8d asked if there had already been tensions between certain of these goals.

8.3. Findings

Only 35 leaders (61.4%) filled the grid and rated the different goals. The following table presents the relative importance¹⁴⁷ of the three types of goals for FTOs’ leaders in the sample.

¹⁴⁷ Indeed, in order to treat the ratings equally and determine which goals are dominant, it is necessary to look at their relative—and not absolute—weight.

Table 44: Ratings of the three goal types of goals

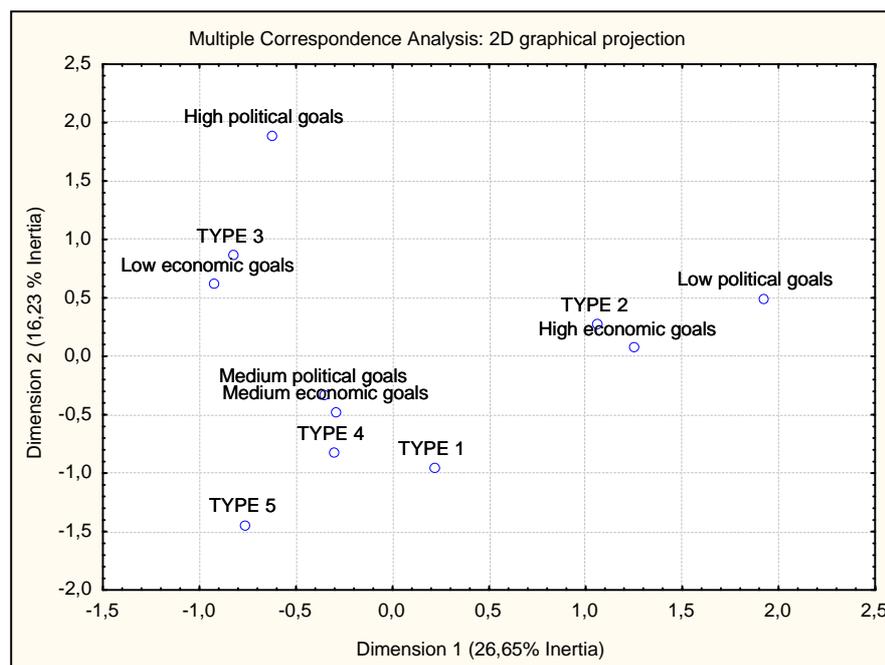
| % of total ratings | Economic goals | Social goals | Political goals |
|--------------------|----------------|--------------|-----------------|
| Low (10-20%) | 27.78% | 13.88% | 19.44% |
| Medium (20-30%) | 41.66% | 55.56% | 77.78% |
| High (30-40%) | 30.56% | 30.56% | 2.78% |

The information contained in the table is too synthetic too be interpreted extensively. I can only point out some general observations:

- The importance given to social goals is generally equal or superior to the importance given to the two other goal categories.
- The importance given to political goals is generally equal or inferior to the importance given to the two other goal categories (rarely high and superior).

Let me try to link these ratings with the organisational forms. I am particularly interested in determining whether the leaders have rated the political and the economic goals differently according to their category of organisational form.¹⁴⁸ Based on a multiple correspondence analysis, we obtain the following 2D graphical representation.

Figure 45: Goal ratings and organisational form: a graphical analysis



The graphical analysis shows a strong opposition between clusters 2 and 3. Type-2 (business-form) FTOs are particularly close to both a high (2) rating of the economic goals and a low (0) rating of the political goals. The results are exactly the opposite for type-3 (volunteer-based FTOs). The three other clusters seem to have a mixed situation, with medium ratings for both the economic and the political goals. Nevertheless, these results must be interpreted with

¹⁴⁸ As previously mentioned, I do not try to discriminate the FTOs based on the ratings of the social mission, which are very subjective and value-laden.

caution. Indeed, not only is the response rate far from 100% of the managers, but, furthermore, the analysis is not significant. Indeed, the first two factors, on which the 2D representation is based, account for only 43% of the total variance (see third chapter). It should be noted that certain individual items of the list of goals are much more significantly linked to the organisational form. For instance, the goals of making profit and gaining market shares are much higher in types 1, 2, and, to a lesser extent, 4, than the 1 and 3 types, which have much higher ratings for the goals of denouncing unethical practices and influencing international trading rules. The diverging interpretations of these goals will also be examined further.

9. Activities

9.1. Methodology and descriptive findings

Beyond the goals, it is important to understand what FTOs concretely do. Capturing FTOs' activities thus refers to determining to what extent FTOs are involved in trading, in producer support, and in education, regulation, and advocacy. Different indicators can be mobilised, for instance, the stated activities (what does the FTO announce that it does?), the number of employees involved in the activities or the percentage of the expenses devoted to the activity. I tried to include these different elements in the questions. The questions on the activities (grouped under Q9) were very open. Q9a was: "Please describe what your FTO does (content, form, timing, resources, people, etc.) in terms of: economic activity; producer support; and regulation, education, and advocacy". Q9b asked for the possible evolutions in these activities, and Q9c, similarly to the previous range of questions about the goals, asked for possible tensions among them. Finally, Q9d asked for some information about the partnerships with the producers.

Among these questions, Q9a was the most central and provided a wide range of answers. Nevertheless, I tried to classify the different answers into three common patterns or "levels of involvement" for each activity. These levels of involvement are based on several elements that were often cited in the answers: strategic attention; resources specific to the activity; training for employees and volunteers; etc. the categorisation is obviously subjective. In the absence of measurable indicators for all the FTOs, however, I considered it the best way to characterise the FTOs in the sample on the extent to which their activities can be related to the three proposed dimensions.

The three categories of involvement for the *economic activity* were based on the characterisation of the market orientation of social enterprises, including risk-taking, cost recovery, efficient deployment of resources, strategic operations, etc. (Nicholls & Cho, 2006).

- Low: "Little knowledge of the market environment. Little or no new product development. No clear information on the margins. No particular strategy to increase the turnover or the profit. Little or no training on economic aspects for employees or volunteers." = 17.54% of the sample

- Medium: “Limited attention to the market environment. A certain focus on turnover, cost recovery and margin issues. Some training on economic aspects for employees or volunteers.” = 52.63%
- High: “High attention to the market environment. High impulse to maximise the turnover; high attention to cost recovery and margins. Cost minimisation strategy. High level of economic training for employees.” = 29.82%

Many FTOs in the “low” category were volunteer-based and unable to understand and/or answer questions on turnover, margins, and market environment. At the other extreme, “high” category FTOs had explicit tools for collecting these data and reacting in an “efficient” way, even in very small FTOs—I tried indeed to avoid including a “size” effect.

Similar categories can be distinguished for the *political activity* (education, regulation, and advocacy):

- Low: “No direct involvement in education, regulation, and advocacy. No specific people or resources. Focus on selling FT products as the best tool to educate and increase awareness among citizens and corporations.” = 15.79% of the sample
- Medium: “Little direct involvement in education, regulation, and advocacy. No specific people; little specific resources. Indirect involvement through networks. External campaigns (by NGOs, networks, etc.) occasionally relayed. Possible personal involvement of the manager (e.g., on a blog or in the shop).” = 43.86%
- High: “High involvement. Specific people and resources. Organisation of campaigns and events to inform and increase awareness among customers, corporations, the general public, etc. Lobbying of local, national or international public institutions to the extent of the size and possibilities of the FTO.” = 40.35%

Again, to avoid size effects, I looked at the priority given to political–formal or informal–activities rather than at the absolute amount of activities.

Finally, for the *social activity* (producer support), three similar categories were created. However, I distinguished FTOs having only a retailing function from those importing directly from producers, so as not to bias the categories on the basis of incomparable indicators (e.g. frequency of visits to producers).

- Low = 3.51% of the sample
 - For importing FTOs: “No direct relationships with producer groups. Few visits. No specific people in charge of producer relationships. No attempts to reach the most marginalised producers. No extra-economic support initiatives.”
 - For retailing only FTOs: “Choice of importers not based on their relationships with producers. No information on producers in the shop. No contact with producer groups”.

- Medium = 68.42% of the sample
 - For importing FTOs: “Direct relationships with producer groups and occasional visits. People or unit partly in charge of producer support. Some information on producers on the products or in the shop(s). Indirect participation in social projects for the producers.”
 - For retailing only FTOs: “Choice of importers takes into account relationships with producers. Information on producers available in the shop. General knowledge of the situation of producer groups”.

- High = 28.07% of the sample
 - For importing FTOs: “Direct, self-initiated relationships with producer groups. Personal contacts and regular visits. Specific coordinator or unit. Much information on producers on the products or in the shop(s). Self-initiated social projects.”
 - For retailing only FTOs: “Deliberate choice of importers targeting marginalised producer groups. Systematic information on producers on the products and in the shop. Contacts with producer groups.”

The percentages here are only given as an indication: despite my efforts to try to categorise the involvement in activities linked to the social dimension, such an exercise was too subjective. Indeed, as already observed in the first chapter, while the involvement levels in economic and political activities were relatively easy to assess—despite obvious limitations—with data and examples given by the interviewees, the place of the social mission is subject to much more caution (Nicholls & Cho, 2006). First, I perceived several discrepancies between the principles and the concrete situation when crossing the information (in discussions with support NGOs, networks, etc.). Secondly, the interviews confirmed Nicholls and Cho’s (2006) suggestion that the evaluation of the social mission is laden with normative values, with “best practices” varying greatly depending upon the interviewee. For most FTOs, regular visits to producers and personal contacts were a sign of high social involvement. For other FTOs though, such an attitude was considered as paternalistic and as having less impact on producers than an indirect, more formal relationship (for instance, through the interface of a labeling organisation). The same goes for long-term relationships with producers. While most FTOs valued them in any situation, others were much more cautious and pointed out the risk of putting producers in a

“dependence trap” (Poncelet *et al.*, 2005). The definition of these different attitudes from “low” to “high” would inevitably entail a normative judgment.

9.2. Activities and organisational form

If, despite the biases, we still try to link the latter categorisation with the types of organisational forms, the results are, anyway, not significant.¹⁴⁹ Discourses and activities seem relatively homogeneous and vary with age and size (the bigger and older the FTO, the more institutionalised the producer support). There is much diversity in terms of the types of producer groups supported (size, legal form, etc.); of pre-financing given to the producers (frequency and amount); of the number of producer groups; of the number of visits per year etc. But none of these features seems to vary significantly with the organisational form. We can thus only keep in mind, in the context of this work, that there is a diversity of social practices. Hence, let me try to link the involvement in the two other (economic and political) dimensions with the type of organisational form, keeping in mind that the levels of involvement express only the degrees of priorities, but not the meaning given to these different types of activities.

Regarding economic involvement, diversity appears and can be linked to some extent to the organisational form, as the following table shows.

Table 46: Economic activity and organisational form (p=0.0077)

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| Low | 0.00 | 7.14 | 42.11 | 14.29 | 0.00 |
| Medium | 63.64 | 35.71 | 52.63 | 57.14 | 33.33 |
| High | 36.36 | 57.14 | 5.26 | 28.57 | 66.67 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Business-form and individual FTOs have medium or high levels of economic activity (rather high in businesses and medium among individuals). Groups also predominantly have a high level of economic involvement, which may be explained by the fact that they include one business-oriented entity. Multi-stakeholder cooperatives have heterogeneous levels of involvement, centred on the “medium” dimension. Finally, volunteer-based FTOs have a predominantly “low” or “medium” level of economic involvement. Only a minority has a “high” level of involvement.

¹⁴⁹ Correspondence analyses for categories reflecting the “number of visits per year to the producer groups” and the “degree of pre-financing” have a p-value much superior to 0.05. Moreover, they are only adequate for importing FTOs.

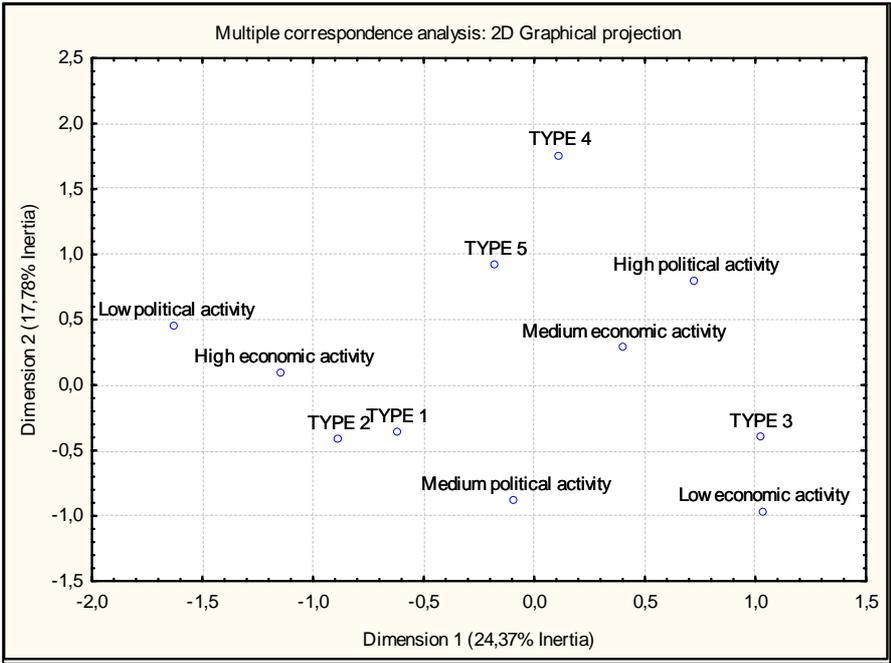
Regarding political involvement, FTOs distinguish themselves more sharply through their organisational form, as the following table shows.

Table 47: Political activity and organisational form (p=0.0072)

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 |
|---------------|--------|--------|--------|--------|--------|
| Low | 27.27 | 28.57 | 0.00 | 28.57 | 0.00 |
| Medium | 63.64 | 57.14 | 42.11 | 0.00 | 33.33 |
| High | 9.09 | 14.29 | 57.89 | 71.43 | 66.67 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Groups and volunteer-based FTOs have higher levels of political involvement than other types of FTOs. Most multi-stakeholder cooperatives also have a high level of political involvement, but a minority has a low level. Business-form and individual FTOs fall within the margins of medium-level involvement, with minorities with a low or high level of involvement. This is a result that should be worth interpreting. Let me now try to link the levels of economic and political activities and the organisational forms through a multiple correspondence analysis.

Figure 48: Economic and political activities and organisational form: a graphical analysis



This analysis is different from that applied to the goals, in the sense that it shows more nuance. Volunteer-based FTOs (type 3) still appear to have a low level economic activity. But, from a political standpoint, they are equidistant to the medium and high levels. The nuance is even stronger concerning individual and business-form FTOs (types 1 and 2). While both of these clusters have a high level of economic activity, their position in relation to the levels of political involvement is less clear. This means that there is much heterogeneity in terms of political activity. Finally, it is difficult to draw conclusions from the analysis of multi-stakeholder cooperatives and groups.

In fact, we can summarise the behaviours in terms of economic and political activities in three broad patterns:

- Predominance of political over economic activities: type 3 FTOs
- Predominance of economic over political activities: most types 1 & 2, part of type 4 FTOs
- High importance for both types of activities: type 5, most type 4, part of type 2 FTOs

9.3. Qualitative insights

As variables such as goals and activities are quite difficult to comprehend at the sample level, it may be useful to already include some case findings that may allow me to illustrate and to expand upon the very general links presented above as well as the exceptions to these links.

An example of a nonprofit FTO very involved politically is Oxfam-MDM. A large part of the employees are active either in campaigning and education, or in training the volunteers who themselves diffuse the campaigns locally. The legal form has remained unchanged since its creation. It is put forward to emphasise Oxfam's primary goal of being a citizens' movement, which differentiates Oxfam from other Belgian FTOs who evolved toward a more business-oriented form. The recent strategic reflection led by the Board¹⁵⁰ confirmed the importance of explicitly stating the non-profit-seeking ("*sans but lucratif*") mission. Such a mission, however, does not mean that Oxfam neglects the economic dimension. The recent hiring of a sales manager and of two successive general directors with a stronger commercial expertise than the previous one, and the implementation of new rules to increase the level of economic responsibility of the worldshops (i.e., through communication regarding their turnover and the closing of poorly performing shops) reveals a progressively stronger focus on the economic dimension. Nevertheless, the volunteer-based, nonprofit form locks in a certain way the fundamental importance of the socio-political project in this organisation—or "movement", as it calls itself.

Volunteer-based cooperatives such as Il Fiore are also very involved politically while having a low degree of economic focus. Il Fiore presents itself as a crossing point where people can exchange their ideas about how to make trade—and the whole world—fairer. Il Fiore rejects products labeled by Transfair because of their presence in supermarkets and the absence of a guarantee regarding a personal relationship with the producers. The FTO also participates in boycotting campaigns, for instance, against Coca-Cola.

In the groups, the hybrid structure seems to clearly reflect respective foci on the economic and on the socio-political dimensions. The nonprofit entities of Oxfam-WW, MMH, People Tree, Traidcraft, or Soli'gren all specifically target social and political action. In these groups, the cooperative or business entities have a much stronger economic orientation, as they leave the political and social dimensions to their nonprofit sister organisations. Nevertheless, their commercial activity generally remains under a certain control by the latter, through a majority

¹⁵⁰ Internal documents elaborated in 2007 and 2008.

of shares reserved to the nonprofit (e.g., Oxfam-WW, MMH) or through the presence of volunteers, among other stakeholders, in the governance structures (e.g., Pangea-NT).

Most multi-stakeholder cooperatives, for instance, the social cooperatives in Italy, combine a high level of political involvement with a medium or high level of economic activity. A good example is Pangea-NT, which runs education and lobbying campaigns on a regular basis, together with other CTM members. One of Pangea's managers is also the general secretary of Agices and is very involved in work on an Italian FT law. Simultaneously, Pangea has received the exclusive right to negotiate the distribution of CTM products in Roman supermarkets, thereby developing expertise in the commercial activity. FTOs such as Equo% and Mondo Solidale also seem to combine high levels of involvement in both dimensions.

Concerning FTOs with a classical business form, their economic involvement is generally higher than other types of FTOs—there are no contrary examples in the sample. However, while the political focus is generally lower if not absent, there are some interesting exceptions. One of them is Saldac, as previously mentioned in the previous chapter. Saldac was created in 2000 as a nonprofit organisation (“association”) and changed in 2002 to a business form (“société anonyme”). The main reasons for the change were a desire for coherence due to the increasing significance of the economic dimension and the need to invest capital in the project. It is a fact that Saldac reinforced its economic focus simultaneously with its change in legal form. But this does not mean that the political project disappeared.

Finally, individual FTOs in the sample (Esprit Equo, Satya, Vino Mundo, etc.) are generally more focused more on the economic than on the political side, despite a possible adhesion to the other FTOs' and the wider movement's missions of regulation, education, and advocacy. Equomondo's manager confirms:

The first thing we have to keep in mind is to earn sufficiently to be able to live. Contrarily to other FTOs' managers, I have no certainty about how much I'll have at the end of the month, if anything, and generally it's much lower than any worker or employee, let alone manager! Of course, I'm interested in the political goals of FT. I try to participate at my level, in my shop. But I couldn't spend resources or too much time on this. The same goes for producers: I'd like to go there [to Latin America] and learn more about them. But in the current situation I can't.

It appears that individual FTOs such as Equomondo are more focused on the economic than on the political dimension, not because they are not interested in it, but rather due to the severe scarcity of resources and time inherent in their situation. I will come back on this observation in the next chapter.

9.4. Goals and activities

The following table shows how the list of goals can be intuitively translated into a list of corresponding activities.

Table 49: Goals and activities

| Dimension | Goals | Activities |
|------------------|---|--|
| Social | To support small-scale and/or marginalised producer groups | Integration or reinforcement of criteria for the selection of partner organisations; follow-up |
| | To empower producer groups and increase their capacities | Organisation of training or knowledge-sharing for the partner producers |
| | To reach the wider community behind producers | Payment of a “Fair Trade premium” to fund local projects of general interest; follow-up |
| Economic | To gain market shares | Advertising, development of attractive product ranges, etc. |
| | To increase consumer satisfaction | Development of attractive distribution channels and product ranges |
| | To generate profits | Control of prices and costs, income securing and diversification, etc. |
| Political | To change international trading rules and to support FT | Advocacy and rule-making |
| | To watch and denounce unethical practices by corporations | Campaigning and advocacy |
| | To encourage consumers toward more ethical buying behaviour | Campaigning |

Obviously, certain activities may simultaneously respond to different types of goals. Typically, the sale of a FT product, for instance, in a worldshop, entails an economic dimension (the good was bought from the producer and is sold to the consumer at a certain price covering its cost), a social dimension (the good is sold or bought with the goal or hope that it will contribute to improving the situation of the producer) and a political dimension (the sale of the good is contributing to the consumer’s and/or the FTO’s more global political project to change international trading rules in favour of small-scale producers in the South).

To determine the consistency between goals and activities, it is useful to explore how the goals rated by the managers, and the categories of involvement in which their FTO is situated, are linked to each other. This can be done through simple correspondence analysis. The first link I try to establish is between the importance given to social goals and the category of social involvement. As expected, the relationship is not significant ($p=0.3$), which confirms the inadequacy of the categorisation of both the social goals and the producer support activities. More surprising is that the link between economic goals and economic activities is not significant either ($p=0.18$). The only link that is significant is the one between political goals and political activities ($p=0.048$).

When examining the ratings of the goals individually, two relationships appear clearly significant concerning the economic and the political dimensions:

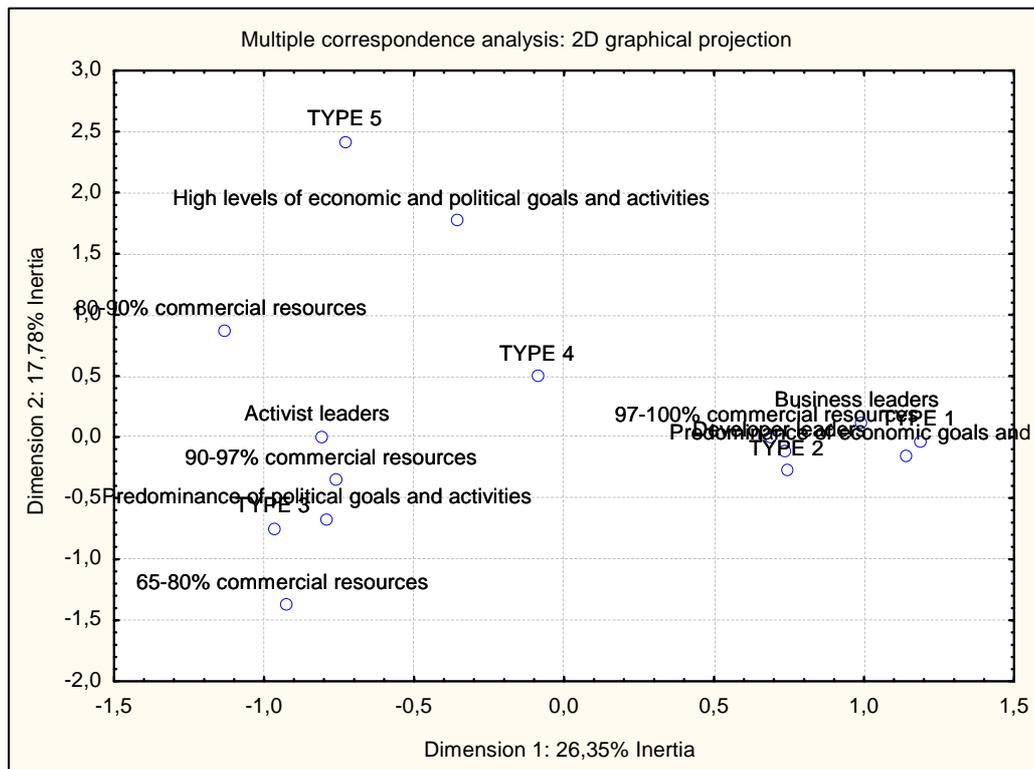
- The importance given by managers to “making profit” differs significantly with the category of economic involvement to which their FTO belongs ($p=0.05$)
- The importance given by managers to “pushing governments to change international trading rules and to support FT” differs significantly with the category of political involvement to which their FTO belongs ($p=0.043$)

In my view, the problem lies more in the measure and aggregation of goals than in the categories of activities for these two dimensions. Indeed, the biases in the formulation of and the answers to the goal questions are numerous. Nevertheless, what I can retain in terms of goals is the qualitative comments given by certain of these leaders. While goals and activities cannot be considered as substitutes, I believe, however, that the categories of activities do reflect to a large extent which types of goals are globally pursued by the organisation. But this suggestion cannot be confirmed empirically.

10. Activities, resources, and leaders’ profiles

The activities, goals, resources and leaders’ profiles can be interpreted through the spectrum of the economic, social and political dimensions of FT. In other words, these organisational variables may be decomposed into economic, social, and political components, which locate the FTOs in a particular way regarding these three dimensions. Therefore, we may expect a certain correlation among them. Leaving the goals aside for the previously mentioned methodological reasons, let me run a multiple correspondence analysis including the three remaining variables and the organisational form.

Figure 50: Dimensions and organisational forms: a graphical analysis



This exercise entails several limitations. First, the two dimensions on which this 2D graphical projection is based only account for 44% of the total inertia or variance of the model. Second, the inclusion of four variables with each three to five modalities makes it difficult to interpret the respective locations and distances on the figure. The graphical analysis only aims to provide a global picture that completes the one I sketched at the end of the last chapter.

The individual and manager-owned businesses (types 1 and 2) are located quite close to each other. They are also close to the 100% sales modality of the resource mix, to the “business” and—more surprisingly—“developer” leaders’ profiles, and to the predominance of economic activities. The combination of economic and political foci, however, is not very far away. We may thus say that while all these FTOs use market resources and mechanisms, their goals and activities are not necessarily restricted to the economic sphere. As the previous section has shown, there is even a minority of businesses that is very involved politically.

The volunteer-based FTOs (type 3) are quite different from this model. They rely partly on non-commercial resources, they are led by people with rather activist profiles, and their goals and activities are predominantly socio-political. This does not mean that the economic activity is not developed, but rather that it is a side dimension compared to the socio-political one.

Multi-stakeholder cooperatives (type 4) seem located in between these two positions. While, as we have seen, their resources are exclusively commercial, their leaders’ profiles are mixed, as well as their goals and activities. They tend, however, to be located closer to the combined pursuit of the two types of dimensions. Group structures are even closer to the combination of high economic and political levels. They are also closer to the “lower” levels of commercial resources. But they have a mixed position in terms of leaders’ profiles. We would thus consider types 4 and 5 as intermediate types of FTOs.

This analysis remains quite static and does not show the organisational trajectories. We should thus view these three broad families as distinct backgrounds of FTOs against which the latter may evolve, and not as distinct categories that include homogeneous FTOs.

Synergies and tensions

A common view is that the activities, goals and resources mobilised in the context of FT simultaneously serve several dimensions and complete each other. As we have seen, the synergy between economic, social, and political foci is in fact at the basis of the FT idea. The promoters of FT mainstreaming are in line with this view when they claim that selling more FT products (economic activity) automatically benefits the producers (social goal). More politically involved FT operators also rely on the assumption that campaigning and lobbying (political activity) is a tool for obtaining better opportunities for small-scale producers. This was clearly observed in the answers to the Q8d and Q9c questions specifically concerning these potential tensions. Indeed, in both types of FTOs, the social aim was used to justify economic or political dynamics, confirming Davies and Crane’s (2003) observation in the case of Divine Chocolate. Reverse relationships, although rarely claimed explicitly, can certainly be observed as well. In many cases, the social aim was a stimulator for the economic development of the FT

operator—either mainstream businesses or FTOs. Similarly, the partnership with producers can be “used” to carry a political cause. Even without instrumental intent, the social dimension is rarely the only final end: it coexists with economic and political goals.

The common view considers that FT allows its operators to contribute to the different goals simultaneously, even when specialising in one of them. This is in line with much of the literature on social enterprise, underlining the complementarities between the social mission and the economic activity. For instance, Austin *et al.* (2006) suggest that “[t]he social dimensions and the business dimensions [...] must be aligned with each other. The closer the alignment, the greater the potential for joint value creation” (177). Alter (2006) sees FTOs as being embedded, program-based social enterprises in which “*high compatibility between business and social mission exists*”, with the possibility of “*accomplishing mission goals while simultaneously increasing financial self-sufficiency*” (207). This is even truer since the emergence of FT labeling: labels are supposed to ensure that the sale of FT products automatically benefits the producers. More generally, the different trends in the FT movement, from the more business-minded to the more political, are sometimes presented as complementary (Nicholls, forthcoming).

The multiple goals of FT entail elements that may, however, contradict each other so that it is impossible to combine them in a synergetic way (Diaz Pedregal, 2007). There may be tensions, for instance, between the goal of reaching marginalised producers and certain economic imperatives (export capacities, high-quality products, etc.). The economic imperative of selling FT products may contradict certain political aims, for instance, when FTOs hesitate to criticise corporations with whom they have a commercial relationship. And the exclusive aim of supporting specific producers may be pursued at the expense of other social groups (other producers in the region, producers in the North, workers involved along the supply chain, etc.). While many authors mention tensions throughout the movement (e.g., Schümperli Younossian, 2006), few have examined how these tensions are also potentially present within each FTO. Such issue of tensions between the dimensions will be examined as a transversal concern in the following chapters, especially in the last one.

Conclusion

This chapter has highlighted a number of variables that seem to be linked with the organisational form. Among the basic variables, country, age, and size seem to play a role. For instance, while younger FTOs have mainly entrepreneurial forms, older FTOs have more often started out as nonprofit and volunteer-based FTOs; some of them have evolved into more complex, multi-stakeholder structures. There are also strong differences among the countries. Finally, I have particularly observed a divide between volunteer-based FTOs, which are more activist and focus rather on the socio-political dimension of FT, and individual and business-form FTOs, which focus rather on the economic dimension—despite a notable number of exceptions to this second link. Multi-stakeholder cooperatives and groups, although they do not constitute homogeneous categories, seem to be located in the middle of this divide, combining high levels of involvement in the economic and political dimensions. Both neo-institutional

approaches will now allow me to give meaning to these relationships, shedding light on their causality but also on the exceptions to the “rules”.

Chapter 6 – An economic neo-institutional view on organisational diversity

The contractual or economic new institutional approach offers a first possible explanation of the diversity of FTOs' organisational forms. The different types of organisational forms are as many institutional arrangements that allow for sparing on costs that would have been endured through a market solution, while simultaneously avoiding too high ownership costs. In other words, the organisational form should represent an efficient balance between the internalisation of operations that would be too costly to conduct through the market, and the costs of managing such an internalisation through ownership "given" to particular stakeholders.

As previously analysed, FT is an interesting case of a complex, multidimensional activity, which offers the possibility to produce various types of economic *goods*. Certain of these goods induce information asymmetries and thus open the door to opportunistic behaviour—both ex-ante (adverse selection) and ex-post (moral hazard) (Akerlof, 1970; Williamson, 1985). FTOs will thus need to adopt devices—*inter alia* through their organisational form—which allow for the avoidance of opportunism, at a low cost. Following a contractual reasoning, if there is a diversity of organisational forms in the FT sector, it is probably because FTOs face different configurations of transactions due to the production of diverse combinations of goods as well as to the presence of different types of stakeholders at their foundation.

The first section aims to distinguish how the different dimensions linked to FT can be expressed in terms of economic goods. The following sections are articulated across two key elements of the organisational form: the legal form and the governance structures. Certain elements concerning the architecture are also included in these two sections—for instance, when I will examine the contractual rationale to group structures. Both sections seek to interpret the observed relationships between variables such as goals and activities, as well as resources, and the organisational form. The arguments stem from both types of transaction costs—costs of market contracting and costs of ownership. Finally, special attention is devoted to the costs of including customers and producers in the governance structures—a practice that is not yet widespread among FTOs.

1. FT decomposed into three types of goods

Much in the way that I have decomposed the FT concept in the first chapter, it is possible to decompose the FT product from an economic point of view, seeing it as a "bundle of characteristics" similarly to the analyses of Delaval (2003), Becchetti & Rosati (2005), or Balineau and Dufeu (forthcoming). This will allow me to characterise the three dimensions of FT in terms of the types of goods offered through FT.

Let me take a FT product (a banana, a bottle of wine, a piece of handicraft etc.). The first thing we see in a FT product is not the fact that the good has been produced under "fair" conditions: we first see a banana, a bottle of wine or a piece of handicraft. This constitutes the "physical", "material" or "observable" part of the FT good. Without a label, brand or explanation, we cannot distinguish a FT good from any other type of good. Not taking into account the

conditions of production is in fact characteristic for the vast majority of goods traded in mainstream channels. Thus, we can assume that, if we had to ignore the conditions of production and exchange under the FT criteria, we would fall back into the logic of pure economic trading. The material characteristic of the FT product can thus be considered as a classical *private good*. Similarly to any consumption item, the product in its physical dimension is produced by growers or craftsmen—it is because we first think of the material good that we call them “producers”—in the South, and financed and consumed by consumers in the North—who, for instance, eat the banana for which they have paid.

Particular to FT, however, is the fact that the conditions under which the good has been produced matter quite a lot. The consumers do not buy only a banana: they also buy the guarantee that the producer has received a fair deal, including a fair price and other advantages (pre-financing, a long-term relationship with FTOs, etc.). Nevertheless, such a guarantee is only the word of the organisation: the consumer cannot verify, or at least not at a reasonable cost, whether the organisation selling the product has really implemented what it claims. There is thus an important information asymmetry requiring trust between the agents. If we had to isolate only the promise of giving a fairer deal to producers in the South, we could thus easily define it as a *trust good*. A trust good is characterised by an information asymmetry between the buyer and the provider, which disables the buyer from assessing the quality of the good (Milgrom & Roberts, 1992). The FT market gives a striking illustration of such information asymmetry, much as I described the case of donors toward a development NGO in the theoretical chapter. Indeed, also in the case of FT, the beneficiaries of the trust dimension of producer support (the producers in the South) are located far from the ones who finance it (the consumers in the North).¹⁵¹ Hence, even in the case of regular purchase¹⁵², the FT consumers are unable to directly verify whether their purchase will benefit the producers as claimed by the seller—the FTO.

Producer support, however, is not the only immaterial element that consumers may find when buying FT products. Consumers may also subscribe to the project of making global international trade fairer. Indeed, it is not only about buying a particular product and thereby supporting the particular producers who stand behind it. Initial FT experiences have scaled up and formalised producer support through a broader regulatory framework. This framework can be seen as a “product” in itself, which is not intended only to rule over the trading exchanges in FT, but also to serve as an example toward mainstream trading practices. Therefore, the activities of lobbying governments and mainstream multinationals, as well as educating consumers to include ethical considerations in their general buying behaviour, are also part of

¹⁵¹ It is worth noting that consumers (and not just producers) are also indirect beneficiaries of producer support (Becchetti & Huybrechts, 2008). Recent theoretical advances in experimental economics have documented that fairness and inequity aversion play an important role in consumer preferences. Consumers with such preferences buy FT products not for pure altruism but also to satisfy their specific preferences (Fehr & Schmidt, 1999; 2002; Sobel, 2005)

¹⁵² The complexity of the information asymmetry in FT products is that the social dimension of producer support does not correspond to an “experience good”. In other words, while many dimensions of information asymmetries about product quality may be overcome by purchase and taste, repeated purchase of FT products cannot help consumers to verify the truthfulness of the FTO regarding the ethical dimension of the products.

the “FT bundle” bought by the consumer (Becchetti & Rosati, 2005). Of course, this third, political aspect of the FT good may be more or less present according to the type of provider and consumer involved in the buying process. For an activist consumer buying in a worldshop, the issues of regulation, education, and advocacy are probably much more present than for an ethically-minded consumer in a supermarket (Becchetti & Huybrechts, 2008). Nevertheless, this can be considered as a third element that composes the “FT bundle”.

The dimensions of regulation, education, and lobbying can be described as a (*quasi-*) *public or collective good*. As previously mentioned, a public good is defined as non-rival—the consumption by an agent does not diminish the available quantities for other agents—and non-excludable—it is impossible to exclude an agent from the consumption of the good (Samuelson, 1954). Public awareness toward more sustainable consumer habits and the setting up of new rules for commercial exchange are two elements that cannot be divided into separate consumption units (non-excludability) and for which it is impossible to exclude consumers by charging high prices (non-rivalry). Indeed, it is hard to imagine, for instance, campaigns to make trade fairer that would be inaccessible to certain citizens.

In my view, a FT product is thus a complex bundle composed of private, public, and trust goods. Other authors who have tried to characterise the nature of FT goods tend to suggest a similar conclusion (see for instance Balineau & Dufeu, forthcoming). More generally, Bacchiega and Borzaga (2001) highlight the ability of social enterprises to produce multiple types of goods, which translates into a wide range of legal forms. The following table summarises the producers, the beneficiaries, and the financers of the three types of goods that I identify in FT.

Table 51: The dimensions of Fair Trade interpreted in terms of economic goods

| <i>Dimension</i> | <i>In the FT bundle</i> | <i>Producers</i> | <i>Main Beneficiaries</i> | <i>Nature</i> |
|---------------------------------------|-------------------------|-----------------------------------|------------------------------------|---------------------|
| <i>Economic–Trade</i> | Material good | Producers (South) | Consumers (North) | Private good |
| <i>Social–Producer support</i> | “Fair” characteristic | North and South organisations | Producers (South) | Trust good |
| <i>Political–Education</i> | Political project | FTOs (North) Labelers | Consumers, producers, collectivity | Public good |
| <i>Political–Regulation</i> | | Producers (South) Stakeholders | | |

The assumption of the contractual approach is that the nature of the produced goods and the resources required for such production constitutes a major explanation for the differences in organisational forms (Anheier, 2005; Ben-Ner, 2002; Ben-Ner & Van Hoomissen, 1991; Handy, 1997). Let me now try to interpret the links highlighted in the previous chapter between, on the one hand, the goals, activities, and resources, and, on the other hand, the

organisational form. To sharpen the analysis, I distinguish the arguments regarding the legal form and those relating to the governance models.

1. Legal form

As previously mentioned, the legal form, particularly as seen through the lens of ownership configuration¹⁵³, is a central focal point in the economic neo-institutional approach. For neo-institutional economists, who tend to view the firm as a “nexus of contracts”¹⁵⁴, the legal form corresponds to the legal expression of ownership configuration and as the matrix in which contracts may be bounded (Alchian & Demsetz, 1972; Coase, 1937; Williamson, 1979). Let me see how the contractual arguments about the legal form may help to understand the links established in the previous chapter. I structure the argumentation through a number of questions based on the field observation (see previous chapter), particularly on the successive emergence/adoption of legal forms more or less closely linked to particular combinations of economic, social, and political activities.

1.1. Why have many pioneer FTOs emerged as nonprofits with a high level of socio-political involvement?

Nonprofit organisations are characterised by the “non-distribution constraint”, i.e., the prohibition to distribute net earnings (after taxes and expenses) to any “residual claimant”¹⁵⁵ (Hansmann, 1980). The people in charge of the organisation, who sit on the Board, have the residual control right (the ultimate decision-making power) but cannot sell this right nor claim any right on the assets of the organisation (Glaeser, 2003; Hansmann, 1980). Thus, there is no owner with complete property rights (both the rights on control and on residual income).

The arguments of this section are inspired by a rich theoretical body around nonprofit organisations. The emergence factors of nonprofit organisations have been studied on two different sides: the demand-side and the supply-side (Ben-Ner & Gui, 2000; Steinberg, 2006). In fact, the arguments on the demand-side can be linked to the notion of “costs of market contracting” (Hansmann, 1996). In brief, as we will see, the emergence of the nonprofit form is explained through its ability to overcome the failures of both the market and the state to produce trust and collective goods—such as those included in the FT bundle—at a low cost. The arguments on the supply-side consider the profiles and the motivations behind the creation of nonprofit organisations, which may include, at least partly, arguments in terms of costs of ownership.

¹⁵³ In the contractual approach, the legal form corresponds to the legal expression of the economic notion of ownership configuration. I will keep to the term “legal form” in this section, although most authors quoted refer to ownership configurations.

¹⁵⁴ As we have seen in the theoretical chapter, the second contractual school of thought, largely centred around transaction cost theory, has a more complex and “extra-contractual” view on organisations that takes into account bounded rationality and the incompleteness of contracts.

¹⁵⁵ A category of stakeholders who have the right to claim the profits of the organisation (Milgrom & Roberts, 1992).

Costs of market contracting

First, in the presence of trust goods, the adoption of the nonprofit form makes it possible to overcome the market failures such as information asymmetry. We have seen that FT offers an example of information asymmetry because the beneficiary of the trust good (the producer in the South) is different from the purchaser of that good (the consumer in the North) and because the former is unable to systematically inform the latter about the effectiveness and the quality of the support provided by the FTO—in the first place the respect of the FT criteria.

Such an asymmetry could easily be exploited if the firm had a profit-maximising goal: the firm would then simply reduce the quality of the good and increase its profit. Witnessing such a reduction of quality, consumers would cease to buy the products and the market would collapse, as Akerlof (1970) described concerning second-hand cars. This is why economists interested in nonprofit organisations justify the existence of such organisations by suggesting that their non-distribution constraint strongly reduces their likelihood of exploiting the information asymmetry. The non-distribution constraint would thus act as a trust signal toward the purchaser. As Hansmann (1980: 844) states: *“the advantage of a nonprofit producer is that [in case of a contract failure] the discipline of the market is supplemented by an additional protection given to the consumer by another, broader ‘contract’, the organization’s commitment to devote its entire earnings to the production of services”*.

This argument finds a perfect illustration in the case of the FT purchase: given that the consumers in the North cannot immediately verify whether the principles claimed by the FT operator are fully enforced, they will ask for guarantees from the firm when purchasing the product. The non-distribution constraint can precisely fulfill the role of a trust signal, at least ensuring the consumers that the additional price that they pay for a good of FT quality will not be appropriated explicitly by any stakeholder.

One could object that the nonprofit organisation might still act in an opportunistic way, for example by using the FT price differential for raising the salaries of the managers. This phenomenon is called “implicit distribution”, as opposed to explicit distribution of the surplus to the shareholders (e.g., Gui, 1991). This is why nonprofits generally add other trust guarantees in order to secure their social mission. One of these guarantees is the involvement of different trust-giving stakeholders (e.g., donors and volunteers) in the governance structures, as we will see further.

Other criticism has been directed toward the assumption that nonprofit organisations are necessarily more trustworthy. For instance, this assumption supposes that the customers or funders of these organisations are aware of and sensitive to the legal form, which is probably not always the case in practice. Moreover, the trust-giving character of the non-distribution constraint may be reduced when other trust signals are proposed, such as public recognition or a label. This explains the fact that most FTOs created in the 1970s and 1980s (before the creation of the label) adopted a nonprofit form. In the absence of an external guarantee of the FTOs’ trustworthiness in a context of information asymmetry, the nonprofit form, generally coupled with control by volunteers, was among the most efficient arrangements to engage a FT

activity. As the data show, it is particularly after the early 1990s—which corresponds to the emergence of labeling—that organisational diversity among FTOs has particularly increased. The emergence of labeling, however, has not suppressed the assets of the nonprofit form. Indeed, while labeling appeared as an efficient solution for entrepreneurs or businesses, it represented an additional cost for nonprofit FTOs. This was clearly confirmed in the field study. Several leaders of pioneer FTOs told me that the label was not absolutely necessary, even in mainstream channels (for instance, concerning Oxfam in Belgium, the brand of which is still more famous than the Max Havelaar label). In such a case, having a label on the products was rather a way to promote the global FT movement and to maintain good relationships with Max Havelaar, not so much a condition for convincing the consumers.

But it is not only for the trust dimension of FT that the adoption—and maintaining—of the nonprofit form is a cost-minimising solution. Indeed, a large part of the justification of this form derives from its adequacy in the production of public goods. Contractual authors consider that these goods cannot be provided by for-profit companies due to the problem of free-riding. Indeed, as we have seen in the theoretical chapter, due to the non-excludable nature of public goods, consumers can benefit from them without paying for it or only at a lower rate than what they would be prepared to pay. Therefore, a for-profit firm will not be able to cover its costs and will thus be reluctant to produce such goods. As a result, the demand will not be met (problem of “sub-optimal provision”).

This is why it is traditionally the government that produces public goods (e.g., defense and education.). However, governmental action is constrained due to the “median voter” problem. According to the public choice school (e.g., Boyne, 1998), when defining the optimal quantity of public good produced, the state chooses the quantity preferred by the median voter. Thus, two categories of people necessarily remain unsatisfied: those who would prefer less public good and those who would prefer more. For the latter, the additional quantity of desired public good can be obtained through a nonprofit organisation (Weisbrod, 1975). Nonprofit organisations are assumed to be better able to overcome the free-riding problem because consumers are more likely to reveal their preferences to a firm with a lesser likelihood of opportunism. Moreover, nonprofit organisations are able to raise specific, non-commercial resources that allow them to cover the costs of producing public goods, e.g., donations, public grants, and voluntary work (Kingma, 1997; Weisbrod, 1975).

The political dimension of FT, corresponding to the production of a public good, fits well to this explanation. It can be assumed that the public authorities—in a broad sense, i.e., supranational authorities such as the European Union and the World Trade Organisation—have chosen a medium level of regulation for international trade that leaves a whole portion of the population unsatisfied. A certain number of citizens would indeed prefer more regulation, for instance, concerning the prices paid to small-scale producers in the South. One of the solutions for these consumers is to support a nonprofit that proposes a stronger regulation framework. Such support may take the form of gifts or, more interestingly, as FT allows, through the purchase of a product traded under such a stronger framework.

The latter example of unsatisfied consumers shows that the supply of goods through a nonprofit structure may come from the demand itself. Indeed, when there are demanding stakeholders who do not find an existing provider for the good they expect, an interesting solution is to become themselves involved in the creation of a nonprofit organisation (Ben-Ner & Van Hoomissen, 1991). The interviews with a number of pioneer FT entrepreneurs confirm that they were precisely the ones who were initially interested, as consumers, in buying fairly traded goods, but could not have their demand satisfied either by the state (because of the median voter problem) or by for-profit companies (because of the risks of opportunism). Following such an approach, we can consider that the creation of a nonprofit organisation allowed these potential consumers to satisfy their demand while keeping the control on the fair nature of the demanded good. This is another reason for the adoption of the nonprofit form by pioneers involved in the creation of a new regulatory framework. But the assets in terms of public goods production also explain why, in the presence of other forms of FTOs, nonprofits seem to specialise even more in regulation, education, and advocacy. An extreme example is that of Oxfam UK, which totally ceased the trading activity to focus on education and advocacy. It seems clear that the current proportion of nonprofit FTOs, which, although it is decreasing, remains substantial, is due to their ability to “boost” the political agenda of FT.

It must be noted, though, that nonprofits are not unable to provide private goods. This is important because the sole institutional assets of nonprofits in terms of trust and public dimensions would not have been sufficient to engage in the FT activity. Indeed, the mainly nonprofit pioneer FTOs managed to organise supply and distribution chains, to gain customers, and to organise a “niche” with such a success that they revealed an economic potential and attracted mainstream companies and new businesses. This is why nonprofit FTOs can easily be considered as social enterprises that have demonstrated innovation and risk-taking. From a contractual standpoint, this is also an example of the strength of nonprofits as incumbents of newly created markets in which the private good production is one among other elements (Bacchiaga & Borzaga, 2001; Hansmann, 1988; 1996).

While we find a number of nonprofit FTOs that have been successful in their commercial development (e.g., Fair Trade Original in Belgium), it is a fact that most of them, as we have seen in the previous chapter, have a limited turnover, even when including subsidies and donations. There seems to be a threshold over which most nonprofits cannot pass without changing their organisational form. Such economic obstacles are part of what Salamon (1987) describes as “voluntary failures”. One of them is the inability to raise capital. On the one hand, the fact that nonprofits do not need to raise capital is a central reason for which groups of people wishing to create an FTO but lacking financial means have preferred the nonprofit form. This may explain why the nonprofit form is only adopted by a minority of new FTOs. However, what appeared as a less costly solution at the time of creation has often presented disadvantages with the growth of FTOs. Indeed, limited capital often did not allow wide-scale commercial expansion. The relationship between legal form and types of goods produced can thus be read in two directions: FTOs chose the nonprofit form as the most suited to produce the trust and public elements of the FT bundle, but in the meantime the nonprofit form precisely disabled them from giving a central place to the economic activity. Nonprofit FTOs suffer in

fact from high costs of market contracting concerning their financial inputs (bank loans with high interest rates). This is why, in the case of a desire for commercial expansion, nonprofit FTOs have a strong incentive in “giving” ownership to stakeholders who have access to capital. This is a fundamental reason behind the evolution of most “successful” pioneer nonprofit FTOs toward forms with more explicit ownership (such as cooperatives or group structures).

Costs of ownership

From a contractual perspective, people create nonprofit organisations not only because of the opportunity to meet demands that are not met either by the market or by the state, but also to satisfy their own preference for the nonprofit form. This is why several authors suggest that nonprofits are often created by idealistic entrepreneurs (James, 1990; Rose-Ackerman, 1987). However, the creation and the management of a nonprofit organisation also entail costs. These costs are likely to be high because there are, by definition, several founders, and because these founders are not the owners in the full sense of the term: they may have the ultimate decision-making rights but they have no right on the assets of the organisation, which reduces their incentives in monitoring the efficiency of its management and functioning. As there are no true owners, nonprofits represent the “ultimate” in terms of separation between ownership and control (Hansmann, 1996:238). This might induce high agency costs. Hansmann suggests, however, that the “value congruence” among people on the Board and in the management make such costs not necessarily higher than in other types of organisations, thereby easing the adoption of the nonprofit form. Moreover, the costs of agency across the organisation are likely to be even lower if we consider that the employees are more motivated to contribute to the social mission, as certain authors have suggested for nonprofit FTOs (Diaz Pedregal, 2006), and, more generally, social enterprises (Bacchiega & Borzaga, 2001).

Costs of collective decision-making are assumed to increase with the heterogeneity of the decision-makers. Certain authors have thus suggested that the nonprofit form allowed the reduction of these costs by increasing homogeneity, through a common ideal and a “*strong belief about the proper way to provide a particular service*” (Rose-Ackerman, 1996:719). Nonprofits are thus more likely to appear in contexts in which the founders are mobilised around a common ideal (James, 1990; Rose-Ackerman, 1987). In the case of FT, when we look at the history of the nonprofit pioneers, it clearly appears that the common goal of helping small-scale producers in the South was so predominant that the founders did not imagine adopting an organisational form that would have allowed, even theoretically, the generation of profits for themselves. Moreover, the ideal was often embedded in a broader ideology or religion favourable to the selfless promotion and concretisation of FT (see for instance, the Christian roots of Traidcraft and ADM). Finally, the nonprofit form served as a guarantee to all the supporters (customers, volunteers, donors, etc.) that the social mission was really the primary goal pursued (Rose-Ackerman, 1987).

Conclusion

In conclusion, the emergence of pioneer FTOs as nonprofit organisations highly involved in the socio-political dimensions can be explained by (1) their ability to produce trust and public

goods at a much lower cost than for-profit companies and public authorities, and by (2) the reasonable costs of ownership due to the absence of requirements in terms of capital, and the often observed common ideal among the founders, supposed to reduce heterogeneity and thus ease decision-making. But the analysis must be given nuance by the fact that all pioneer FTOs and all politically involved FTOs are not necessarily nonprofits.

1.2. Why has the cooperative form be preferred for a higher economic focus?

As we have seen in the first chapter, there are many convergences between FT and the cooperative movement; it is thus logical that the cooperative form has been chosen by a number of FTOs (Crowell & Reed, 2009; Develtere & Pollet, 2005). It can be FTOs having chosen the cooperative form from the beginning, or nonprofits that have evolved as cooperatives (or groups including a cooperative entity). The latter two organisational changes have been particularly observed in Italy (from nonprofit to social cooperative) and in Belgium (from nonprofit to group structure). As the sample findings have shown, cooperative FTOs seem more balanced than nonprofits in terms of involvement in the economic and political dimensions of FT, with certain cooperatives combining high levels of involvement in both dimensions. Moreover, cooperative FTOs have higher proportions of commercial resources than nonprofit FTOs. Which economic neo-institutional arguments could explain the evolution towards the cooperative form? What are the assets of such form in the production of private, public, and trust goods?

Costs of market contracting

As previously mentioned, the most common economic reason for the existence of cooperatives is market configuration (Hansmann, 1996; 1999). For instance, in agricultural markets characterised by a monopsonistic situation, that is, a high number of providers for a low number of purchasers, farmers have an interest in constituting a cooperative that will buy their production at a higher price than market purchasers. Such rationale is very useful for understanding why FT producers in the South have grouped themselves into cooperatives (Becchetti & Huybrechts, 2008; Hayes, 2006; Nicholls & Opal, 2005).

If, on the contrary, the market is characterised by a monopoly, that is, a high number of purchasers for a low number of sellers, consumers may be attracted by the cooperative form in order to obtain lower prices through joint purchases. Consumer cooperatives in Europe have emerged for that reason. In the case of FTOs, however, it is exactly the opposite: consumers want to pay higher prices than market standards in order to contribute to the development of producers in the South. Thus, the factors influencing the emergence of FT cooperatives in the North seem quite different from those of traditional cooperatives. In contrast to traditional cooperatives, cooperative FTOs aim at providing an advantage to external stakeholder groups (the producers in the South) and not—or not only—to themselves. FT cooperatives can thus be qualified as “general interest” organisations, illustrating a growing trend in the cooperative world to evolve away from the exclusively “mutual interest” tradition (Develtere & Pollet, 2005; Monnier & Thiry, 1997; Tadros & Malo, 2002).

If not market configuration, what could be the FTOs' reasons for adopting (or evolving to) the cooperative form? Contractual authors point at legal and fiscal reasons such as tax exemptions (Hansmann, 1996). But, in the sample, FTOs organised as cooperatives do not seem to benefit from fiscal or other legal preferences (see next chapter). In my view, the adoption of the cooperative form by FTOs can be interpreted through many of the arguments used to explain the adoption of the nonprofit form. Indeed, certain authors have suggested that the contractual assets of nonprofit organisations are shared to a certain extent by cooperatives that are driven by the “cooperative ideal” (i.e., the ideological principles of the cooperative movement, as promoted by the International Cooperative Alliance). Such an ideal, combined with the limited distribution of profits and the democratic decision-making process, would provide signals against opportunistic behaviour and would thus allow for the production of trust goods. Certain authors consider that the trust signals of cooperatives may be as strong as those enjoyed by nonprofits (Mertens, 2005; Spear, 2000).

The “general interest” orientation of cooperative FTOs is likely to be stronger than in other cooperatives because of the very principles of FT. These principles, on their turn, may be reinforced by the trustworthiness of the cooperative form. Such a trust signal may be even stronger in FT cooperatives because they are generally not owned by a single category of people who have economic transactions with the organisation, but by one or several “selfless”¹⁵⁶ stakeholders such as volunteers, donors, NGOs etc. Moreover, cooperative FTOs seem both able and interested in investing in public goods such as education, advocacy, and regulation—although, as the findings show, to a lesser extent than nonprofits. For that purpose, general interest cooperatives may also rely, insofar as the legal framework allows, on non-commercial resources such as gifts, voluntary work or public subsidies (Spear, 2000). This has been observed especially in Italy and, to a lesser extent, in the UK (e.g., Just Fair Trade and Zaytoun).

So far, we have discussed why the cooperative institutional arrangement does not seem to suffer from handicaps in relation to the nonprofit arrangement for the production of trust and collective goods. But we need to go further to explain why the cooperative arrangement has been *preferred* to the nonprofit one, either by newly created FTOs, or by existing ones shifting from the latter to the former in countries such as Italy and Belgium. The answer lies in the third type of good present in the “FT bundle”: the private good production. The previous section has shown that nonprofits were not unable to produce it—otherwise they would not have been able to initiate and expand the market—, but that they rapidly met obstacles in expanding such a production. Besides the previously discussed limited access to capital, we could also mention the weak incentives to economic performance, as profit is not distributed, at least not explicitly. While the nonprofit form appeared as an efficient arrangement to overcome the combined failures of the state and particularly of the market in developing a fair trading system, it appeared less efficient when it came to expand that system beyond the niche, i.e., to invest in private good production, especially from the moment the two other—political and social—

¹⁵⁶ Obviously, there is always some interest, at least symbolic, in the participation of any type of stakeholder. But, in this context, “selfless” means that these stakeholders have no explicitly recognised material interest in the success of the organisation in which they are involved.

dimensions were already “established” (respectively, through public awareness and the establishment of rules for trading partnerships, and through the implementation of these rules and their control by labels and certification schemes).

The sample analysis has shown that cooperative FTOs are more focused on the economic activity than nonprofit ones. As we will see in the next chapter, a first reason for this is that the legal framework—for instance, in Italy—may put less restriction on the commercial activity for cooperatives than it does for nonprofits. Furthermore, cooperatives have easier access to capital since they are able to remunerate that capital (Hansmann, 1999; Levi, 2005). The interviews at Oxfam-WW, MFT, and Pangea-NT confirm that these FTOs strongly increased their financial means when evolving from the nonprofit to the cooperative form. Indeed, through a certain—albeit limited—remuneration of the capital, the people already involved in the nonprofit FTO (volunteers, employees, supporters, etc.) had incentives to bring in capital. But in the three previously mentioned cases, the evolution to the cooperative form, either exclusively as a cooperative or in the context of a group structure, was coupled with a new wave of individuals and institutions who financially participated in these FTOs. This reinforced the multi-stakeholder nature of these FTOs, which may partly explain why cooperative and group FTOs are more multi-stakeholder than nonprofit ones. Although most of the owners do not expect high financial returns, in many cases a minimal retribution covering the inflation rate is welcome—this was confirmed by shareholders of Oxfam-WW and Traidcraft. The contractual argument explaining that ownership by people who invest money reduces the costs of market contracting that would have been endured through borrowing money through the market (typically from a bank) is thus further illustrated since the owners do not expect high returns and thus lend their money at a very low cost.

But the people and institutions investing in cooperative FTOs are rarely only “investors”. Indeed, most of them at least have sympathy for the FT project, and are often involved in it much beyond financial investment. This provides another advantage to cooperative FTOs in terms of incentives (Hansmann, 1999; Levi, 2005). Let me take two examples: Ethiquable Gourmand and Oxfam-WW. Ethiquable Gourmand is a workers’ cooperative. Traditional arguments for these cooperatives maintain that workers will be more motivated to give their working ability to the organisation since they own the latter. They will thus be less inclined to behave opportunistically, for instance, by working less efficiently, because it would ultimately reduce the value of their company as well as the value for the producers, which would be contrary to their ideal. The interview with one of Ethiquable Gourmand’s managers confirmed the employees’ commitment to developing new distribution strategies—for instance, by opening a shop in Lyon—to increase the economic performance. In the case of Oxfam-WW, worldshops—which are legally autonomous—partly own the cooperative entity responsible for the import and development of food products. According to the manager, the turnover of these shops has increased since the creation of the cooperative. This may be partly explained by the fact that shops thereby gain a twofold motivation in contributing to the cooperative’s success: they have invested money in it, and they are dependent on its survival to remain as a shop enjoying Oxfam’s name and product sourcing. In contrast, the worldshops of Oxfam-MDM are not autonomous and have less incentives to maximise sales (which is not their primary goal).

During several years, a certain number of shops systematically suffered losses that were not detected. I do not mean that participation of shops in the importer's ownership is *the* solution to increase their economic performance, but it may be a device that strengthens the economic focus.

Costs of ownership

While allowing the cost-reduction of market contracting, ownership by certain stakeholders entails costs. Costs of ownership theoretically differ according to the stakeholder group that owns the cooperative (Hansmann, 1996). In workers' cooperatives, agency costs are very low (because the managers are the owners), but costs of collective decision-making can be high, for instance, if employees have different statuses and salaries. In consumers' cooperatives, it is just the opposite: agency costs are similar to those of traditional businesses (because managers may act contrarily to the owners' interest), but costs of collective decision-making are likely to be low (because all consumers/owners have the same interest, i.e., lowering the prices).

As previously mentioned, while certain cooperative FTOs are clearly owned by workers (e.g., Ethiquable Gourmand and Tout l'or du monde) or by workers and volunteers (e.g., Just Fair Trade and Equo%), most are multi-stakeholder, also including supporters, shops, NGOs etc. In all these cases, the involvement of the stakeholders in management decreases agency costs. Costs of collective decision-making may, however, be particularly high when stakeholders' interests are divergent. From the interviews, it appears that the costs of having heterogeneous stakeholders as owners are at least partly counterbalanced by the advantages they bring (see section on governance) and by the ideological homogeneity concerning the FT project. Indeed, while there may be disagreements, for instance, between workers who desire higher salaries and volunteers who prefer that the value be transferred totally to producers—as reported in Pangea NT—, there is at least a basic consensus on the fact that producers should be the main beneficiaries of the activity.

1.3. Social enterprises as new institutional arrangements?

Despite empirical and theoretical nuances between nonprofit and cooperative FTOs—with the latter generally focused less on the political and more on the economic dimension than the former—, these two forms seem to enjoy more or less the same assets in the context of FT. This echoes several authors' observations of blurring boundaries between nonprofits and cooperatives, considered by many as two legal expressions of a common type of organisation. The convergence has become especially striking between nonprofits that have evolved toward a stronger commercial activity and cooperatives that have included “public interest” goals. As we have seen, the approaches of “social economy” or “Third Sector”, and of “social enterprise”, both include nonprofit and cooperative organisations. Certain authors consider that the increasing commercial or productive orientation of nonprofits, combined with the increasing general interest profile of cooperatives, has progressively erased the differences between these two legal forms (Borzaga & Spear, 2004; Defourny, 2001). The EMES social enterprise approach particularly insists on the similarities between the two legal forms, considering that the adoption of one or another legal form—influenced by many factors such as national

legislation—is less important than the common philosophy of these organisations that run a commercial activity with an explicit goal of pursuing social missions and serving the community rather than making profit (Defourny, 2001; Defourny & Nyssens, 2006).

But the findings have shown that this philosophy—and practice—seems also shared to a certain extent by the entrepreneurial “business-form” and individual FTOs. As we will see in the next section, the stronger focus of these FTOs on the economic activity does not seem to compromise their social mission nor the ability, for some of them, to “serve the community” through their political involvement. The common rationale in FT is precisely that a higher economic activity increases the social impact. The social nature of business-form FTOs might be an argument in favour of other, larger conceptions of social enterprise that go further than the “nonprofit-cooperative” duo, considering that social enterprises may be found within any type of legal form (Austin *et al.*, 2006b; Battle Anderson & Dees, 2006).

The case of FTOs shows that social enterprise may be considered as an innovative institutional arrangement that bridges several legal forms and makes it possible to overcome market failures but also “nonprofit failures”. As we have seen, market failures in the production of trust and collective goods are overcome, not—or not only—by the non-distribution constraint, but also by the primacy of the social mission and the possible involvement of trust-giving stakeholders. And the failure of traditional nonprofits to develop and grow an innovative market-based solution to social issues is overcome by the ability of FT social enterprises—including nonprofits—to raise entrepreneurial skills, market resources, and financial means. FTOs show that, through the multiple assets allowing to pursue a diversity of goals, social enterprises may be seen as new institutional arrangements that exceed the reliance on one particular legal form (Bacchiaga & Borzaga, 2001; Nicholls & Cho, 2006).

1.4. Why have “business forms” become widespread?

A first problem in this section is in naming the FTOs that are neither nonprofits, nor cooperatives. The literature on nonprofit organisations calls them, in contrast with nonprofits, “for-profit” organisations. But this term assumes that profit-making is necessarily the main objective of these organisations—which may be questioned in general, and particularly in the case of FT.¹⁵⁷ In his 1996 book focusing on ownership configurations, Hansmann simply refers to “investor-owned firms”. But FT businesses are not necessarily owned—or not only—by investors, as we saw in the fourth chapter. In this section, I will thus prefer “business forms” to other terms¹⁵⁸, although this choice can be criticised as well.¹⁵⁹

¹⁵⁷ Although authors like Davies & Crane (2003) describe FTOs such as Divine Chocolate as “for-profit”.

¹⁵⁸ Other terms such as “mainstream” (as opposed to “alternative”) or “capitalist” are even more ambiguous because they refer to the philosophy rather than the form. Indeed, a cooperative or even a nonprofit can appear to display very mainstream, capitalist behaviour.

¹⁵⁹ Strictly speaking, “business” activities can be undertaken through a wide range of forms. In certain contexts, for instance, cooperatives could be described as “business forms”.

Costs of market contracting

Basically, the contractual literature states that business-form companies are particularly suited to producing purely private goods, where no–or little–market failure applies. This reason, added to the fact that internalising capital supply strongly reduces the costs of market contracting¹⁶⁰, explains why business forms are the most widespread in our economies (Hansmann, 1996). But what can explain the adoption of business forms in the FT sector, in which private good production is only a part of the FT bundle?

From a contractual perspective, business companies can theoretically not overcome free-riding problems and thus cannot provide a sufficient quantity of public goods to meet the demand left unsatisfied by the state (Weisbrod, 1975). Concretely, in the case of FT, business firms should not be interested in providing education and regulation services. As we have seen, business firms would have problems obtaining payment from all the beneficiaries of such services and determining their willingness to pay. Hence, unless they have another, non-financial advantage in return, business firms should not be, economically speaking, interested in engaging in activities linked to education, advocacy, and regulation.

Concerning trust goods, contractual authors consider that the suspicion of opportunistic behaviour (by potential consumers or funders) could undermine business firms' trustworthiness regarding the proclaimed level of quality. In the case of FT, FTOs with a business form would have difficulties convincing the consumer about the effectiveness of producer support. Indeed, it is reasonable to assume that if a business firm (for instance, a supermarket chain) had been the first to come up with the idea of Fair Trade, it would have received skepticism (LeClair, 2002). This may be one of the reasons why business forms remained relatively absent of the FT sector until the mid-1990s.¹⁶¹ Thus, which factors favoured the adoption of business forms over the last decades? We can underpin four complementary elements.

First, the FT sector has evolved progressively from a small-scale charitable initiative conducted by volunteers with low-quality products to a well organised and increasingly professional niche. By doing so, pioneer nonprofit FTOs have revealed an existing demand and organised a credible response, thereby confirming the ability of nonprofit organisations to detect unsatisfied demands (Ben-Ner & Van Hoomissen, 1991; Gui, 1987). Of course, the emergence of business-form FTOs, and, more broadly, the development of mainstreaming, have further developed the scale and the professionalism of FT. But, in my view, it is thanks to the initial efforts of pioneer FTOs that have structured supply chains, set rules, and campaigned to increase consumers' interest that existing businesses have been able to and interested in embracing FT, and that entrepreneurs have been encouraged to create FTOs under a business form.

¹⁶⁰ Because most of the shares are invested on the long term and because the remuneration depends on the firm's results.

¹⁶¹ With already a few exceptions of pioneer FTOs such as Solidar'monde or Siesta, although the "investor-owned" nature of these FTOs may be discussed.

Secondly, the emergence of labeling and certification has allowed for a growing dissociation between the commercial provision of the goods and the certification of their “fair quality”. Whereas, previously, the fair quality of a good was linked to the institutional assets of the FT providers (i.e., the trust signals of nonprofits and cooperatives), the development of a label made it possible to gather these quality signals into a “package” that can be available for any type of organisation. As a result, it is no longer the company in itself that must demonstrate compliance with the FT criteria, but it is the label directly affixed on the goods. Following the contractual approach, labeling can clearly be seen as a cost-reducing device that allowed FTOs to choose the business form without being suspected of decreased “fair” quality. But, while this reason is crucial in explaining why mainstream businesses entered the sector of FT food, it is not sufficient for explaining the adoption of the business form by FTOs, especially among those dealing with non-labeled products (handicraft, cosmetics, non-labeled food etc.).

In fact, a third reason we observe is that business-form FTOs do not seem to be suffering from handicaps relating to the trust signals inherent in the dimension of producer support, even when their products are not labeled. Contrarily to the theoretical predictions, business-form FTOs seem able to give sufficient trust to the customers and to convince them that they are actually doing what they claim—i.e., supporting the producers through fair partnerships. When asked generally why they had chosen the legal form (Q3b), and specifically if that choice had been made with the intention of instilling trust in the customers (Q3c), only a small minority of interviewed managers (12%) considered the trust-giving force of the legal form to be an important factor. The main exception consists of several worldshops in Rome whose managers spontaneously mentioned the customers’—as well as the founders’—reluctance toward a business legal form. When asked about how to build trust, several elements were proposed (e.g., reputation, networks,) but rarely related to the legal form, even in the absence of an official FT label.

Such an observation is consistent with recent theoretical advances that nuance the link between the legal form (particularly the nonprofit form) and the ability to give trust. Indeed, many other signals exist besides the legal form, such as reputation (Ortmann & Schlesinger, 1997; Radbourne, 2003) and governance (Austin, 1998; Cornforth & Simpson, 2002; Middleton, 1987). Reputation and recognition by well established stakeholders (e.g., NGOs) and by other FTOs have appeared to be the main trust signals in the interviews. It is interesting to note that the FT label (Max Havelaar, Fair Trade Federation or Transfair) was rarely presented by the FTOs as an effective trust signal. Most FTOs (selling labeled products or not) claimed that the label was not important for the customers. If it was of any importance, it was essentially when the products were sold in non-specialised outlets such as supermarkets. For some FTOs (e.g., Equomondo in France or Il Fiore in Italy), labeled products were even banned from their shops because they represented a mistrust for some of their customers.¹⁶² This shows that customers are also very heterogeneous and can have opposite reactions toward a label created precisely to build trust.

¹⁶² Especially in France, after the campaigns of Minga against Max Havelaar and after Jacquiau’s book criticising labeled FT (Jacquiau, 2006).

Finally, as observed in the previous chapter, business-form FTOs are not necessarily unable to engage in education, regulation, and advocacy. Despite the “non-rival” and “non-excludable” nature of these goods, FTOs may choose to produce them while adopting a business legal form. The case of several members of Minga in Rhône-Alpes, as well as that of One Village in the UK, suggests that education, regulation, and advocacy activities may be central in business-form FTOs. Yet, in most other FT businesses, political involvement is lower and is expressed more implicitly, for instance, through the “blog” of the manager, through collective participation in campaigns of FT networks, etc. The exceptions to the rule already show the limitations of the contractual arguments and call for taking into account other types of factors.

Costs of ownership

In business firms, the costs of collective decision-making are supposed to be lower than in nonprofit and cooperative organisations, because of the convergence of interests among owners to maximise profits. If we replace profit maximisation by value maximisation through economic development, then we may find the same convergence among business FTOs’ owners. Agency costs should theoretically be as high as in cooperatives. However, most business-form FTOs are owned partly by the managers themselves, with a number of investors who are often closely related to the manager. While managers may be weakly controlled, leading to inefficient decisions, the likelihood of managerial opportunism is much lower when the managers are themselves owners of the FTO. Moreover, if these managers make decisions with only little involvement of the other investors, then the costs of collective decision-making—but also the control by these other investors—may be particularly low, as I will expand upon in the section on governance.

1.5. What are the assets of individual entrepreneurs?

Individual companies are a particular organisational form that is little treated explicitly in the contractual literature. A contractual analysis would probably consider that the individual company is the first stage of organisational development. This is consistent with Hansmann’s (1996) presentation of entrepreneurs as “brokers” who conceive potential organisations and then sell them to the most appropriate category of stakeholders. But the field observations also show that certain entrepreneurs have chosen to remain alone and do not necessarily desire organisational growth.

Costs of market contracting

The sample analysis has shown that individual FTOs behave more or less similarly in terms of product mixes, confirming the identical organisational assets compared to business-form FTOs. The main difference between the two forms is that individual FTOs do not enjoy the low-cost access to capital through investors’ ownership. Another difference is that, in individual companies, the product mix depends primarily on the manager’s interests and preferences. If the manager is willing to spend time on campaigning or advocacy, it is possible even in the absence of specific resources. Such an investment, however, may not be stable in time as it

depends on the willingness of one individual. Moreover, one might object that, as the entrepreneurs have to live from the activity, their interests will be protected before any other consideration. There are many examples (e.g., Satya), however, in which individuals committed to FT seem to capture only very little financial benefit from their venture. Other “altruistic” motivations, including “warm-glow” effects (Andreoni, 1990), are thus also clearly operating in this category of FTOs.

Costs of ownership

An individual company may be seen as a very basic nexus of contracts, in which the entrepreneur embodies a range of functions that can be performed internally, while externalising the other functions. The advantages are very clear: the costs of ownership are particularly low. As the founder, the “governant” and the manager are one single person, there are no agency costs. Costs of collective decision-making are also nonexistent.

The problem, however, is that all the transactions must be undertaken through the market: capital and product supply, logistics, sales etc. From a contractual standpoint, this solution is likely to be interesting when these transactions are relatively simple to handle and when personal relationships can instill the trust necessary to avoid opportunism. The interviews with individual FT entrepreneurs confirm the importance of personal relationships at different levels: financial supply (loans by family and friends), product supply (partnerships with one or two producer groups), distribution (deals with “friend” shops), etc. Because the costs of ownership are very low but the costs of market contracting are very high, following Hansmann, ownership should be “given” to a particular stakeholder category, most probably investors when the need for capital grows. Although I have depicted this evolution at the end of the fourth chapter, I have not yet found many examples.¹⁶³ Only time will tell whether this is also likely to happen to individual FTOs.

1.6. Synthesis: why do several legal forms coexist?

The following table summarises, in terms of costs of market contracting and costs of ownership, the contractual assets and weaknesses of the different legal forms in the context of the FT activity, both from a theoretical standpoint and as observed through the interviews.

¹⁶³ Siesta is an example of a couple of entrepreneurs who started alone and later associated other people in the venture.

Table 52: Contractual assets of the different legal forms in the FT context

| | | <i>Nonprofit</i> | <i>Cooperative</i> | <i>Business</i> | <i>Individual</i> |
|--|----------------------|---|--|--|-------------------|
| Costs of private good production | <i>Theoretically</i> | High (limited capital, limited incentives) | Low | | |
| | <i>Observed</i> | Medium | Low | | |
| Costs of trust good production | <i>Theoretically</i> | Low (nondistribution constraint) | Medium | Low | |
| | <i>Observed</i> | Insufficient alone (other devices needed) | Low (similarly to nonprofits) | Other devices: label, reputation, networking, etc. | |
| Costs of public good production | <i>Theoretically</i> | Low (willingness to pay & specific resources) | Medium | Very high | Very high |
| | <i>Observed</i> | Low | Variable | Possible (directly or not) through manager's involvement, networks, partnerships, etc. | |
| Agency costs | <i>Theoretically</i> | High | Medium | Medium | Very low |
| | <i>Observed</i> | Very low (value congruence) | Low (value congruence and managers' ownership) | Low (managers' ownership) | Very low |
| Costs of collective decision-making | <i>Theoretically</i> | Low | High | Low | Very low |
| | <i>Observed</i> | Low | Medium (multi-stakeholdership) | Low | Very low |

From a contractual perspective, each FTO will adopt the legal form that gives it the most suited assets in relation to the types of goods it produces as well as its potential owners. Organisational change, in this context, can be typically understood as the consequence of a shift in the types of goods produced. The diversity of legal forms in a given sector has led to growing literature on so-called “mixed-form markets” (e.g., Marwell & McInerney, 2005). Such literature mainly highlights the complementary features, typically between nonprofit and businesses, and the opportunities for collaboration (Austin, 2000; Galaskiewicz & Colman, 2006; O'Regan & Oster, 2000). FT is a clear example of such a market (Becchetti & Huybrechts, 2008). In this context, there may be a distribution of roles among providers according to the nature of the goods that they produce. Handy (1997), for instance, suggests that business firms will focus on the production of private goods with an observable quality, while nonprofit organisations will be preferred for the production of less easily observable goods such as trust and public goods. This argument does not seem to be entirely confirmed in

the FT sector: indeed, the study shows that all nonprofit FTOs produce private goods and that several business-form FTOs produce trust goods (typically when their products are not labeled) and, to a lesser extent, public goods. Such a distribution, however, might be increasingly observed if FTOs were to focus on one particular dimension of FT. A current illustration of Handy's argument may already be found through the case of group structures.

Contractual rationale to the evolution of FTOs into group structures

Groups consist of the combination of two legal forms, such as nonprofit and cooperative or nonprofit and "business". To follow Handy's argument, such groups can be described by the complementary assets of two legal forms. Each of these forms will be suited for the production of particular goods, typically a cooperative or business form for the economic activities (linked to the private goods) and a nonprofit form for the social and political activities (trust and public goods). The observations and interviews clearly confirm such a distribution of roles. But other arguments in terms of transaction costs may explain the development of groups as advanced multidivisional structures. Let me consider the situation of large polyvalent FTOs simultaneously involved in import and distribution, product development, producer support, and advocacy. The diffusion of information from the operational level to the top management is made difficult, not only because of the size of the FTO, but most importantly because the diverse operational units have different "jargon". People in the top management, but also people in support functions—for instance, the communication unit—are supposed to equally understand sales figures, development projects for producer groups, and advocacy campaigns. And people from the top management are supposed to give instructions and objectives to these different units using their jargon. As summarised by Barney and Hesterly (1996:114), "*the complexity of the enterprise overwhelms the information processing capacity—or, in [transaction cost] terms, the bounded rationality—of top managers*".

Let me then add the issue of incentives. How is it possible to motivate, for instance, people in sales and marketing, when the sales figures are diluted in the total turnover of the organisation, including subsidies and donations? And how is it possible to control the performance of each unit? The contractual approach suggests that a strong departmentalisation of the organisation offers a cost-minimising solution when a certain level of size and complexity is reached. "*Dividing the firm into quasi-autonomous divisions facilitates clearer performance goals at lower levels of the organization*" (Barney & Hesterly, 1996:114).

But I would suggest that the multidimensional nature of FT has lowered the threshold from which it is more "efficient" to departmentalise. The interviews in Oxfam-WW, MFT and Traidcraft have illustrated some of the information and incentive issues even on relatively small scales compared to mainstream businesses. The creation of specific organisational entities in the context of groups also shows that the large FTOs¹⁶⁴ push their departmentalisation very far. The opportunities to capture specific subsidies or gifts through the isolation of non-economic functions are not sufficient to explain such an advanced

¹⁶⁴ Large at least on the scale of FT.

specialisation. It appears that large FTOs have created groups in order to clarify their activities and to assign specific goals, as well as a specific identity and culture, to each of the entities.

1.7. Conclusion

The contractual or economic neo-institutional approach is useful for understanding why initial pioneer FTOs have adopted the nonprofit form and why these FTOs still have a stronger political involvement than FTOs with other legal forms. It also explains why FTOs have progressively adopted (or evolved into) cooperative and “business” forms that allow for a stronger focus on the economic dimension while maintaining opportunities to pursue the socio-political dimensions of FT. I have also reviewed contractual arguments to explain the emergence of business-form FTOs, even if these arguments explain only part of this emergence. Individual FTOs have been depicted as an embryonic stage of business-form FTOs (which still needs to be demonstrated). And group structures have been analysed not only as combinations of forms suited for the production of specific goods, but also as efficient solutions in terms of information processing and incentives.

At the end of this analysis of FTOs’ legal forms, several questions remain unanswered by the contractual approach, such as:

- Why do certain FTOs with a similar legal form have very different behaviours in terms of goals and activities?
- Why do certain business-form FTOs get involved in political activities, even without specific resources?
- Why are the contractual differences between nonprofits and cooperatives not really confirmed in the FT sector?

The exceptions to the contractual suggestions are numerous and should lead to a picture with more nuance. A major teaching from the empirical observations is that business-form and individual FTOs seem quite different from the “investor-owned” model as depicted by economic new institutionalism. Indeed, as most FT businesses do not have profit-making as their primary aim, arguments in terms of inability to instill trust seem inadequate. While business-form FTOs seem indeed more centred on the economic dimension of FT, there is no reason to believe that the social mission is less important than in other FTOs, and there may be some political involvement in a number of cases. Moreover, business-form FTOs are not necessarily better equipped, for instance, to raise capital. Indeed, the creation of an FTO can hardly be considered as an investment with good profitability prospects. It may happen that some shareholders expect some minimal return so as to ensure that the FTO runs its business properly. But, again, this is very far from the traditional figure of the shareholders putting pressure on the company to obtain a high return on investment. Therefore, as previously mentioned, I suggest that business-form FTOs can be considered as social enterprises that are closer to the nonprofit and cooperative FTOs than to mainstream companies. They could be described as “companies with a self-imposed restriction on profit-making and profit

distribution”. Although the possibility exists of seeing a business-form FTO seeking to maximise profits above other considerations, I have not observed such FTOs.

Finally, the general nuance is that the legal form alone is insufficient for providing assets for the production of private, public, and trust goods. Other elements of organisational form, as well as strategies such as the personal involvement of the leader, reputation, networking, partnerships, or labeling, provide “cost-minimising solutions” that may be more efficient than the legal form. Moreover, the legal form is also the result of the costs of ownership. The example of individual FTOs shows that, when there is only one or few individual(s) involved in the FTO, the argumentation in terms of types of goods produced is likely to be outweighed by the “zero ownership costs” that these FTOs enjoy. Let me now examine how FTOs’ governance structures can be analysed in terms of transaction costs.

2. Governance

As previously mentioned, in the economic neo-institutional approach, “governance structure” is used to refer to the whole set of contracts that underlies the organisation (Williamson, 1979; 2002b). In this work, however, I use “governance” in a much narrower way. I will thus only develop a contractual analysis that refers to the functions and composition of the governance bodies such as the General Assembly (GA) and the Board of Directors. This section mainly tries to interpret the findings linking the goals, activities and resources with the governance model of the different categories of organisational forms. First, I review the three main governance models under the perspective of the control over the goods produced, expanding the rationale of the agency view to a broader conception of such control. I then examine the particular case of consumer and producer ownership from a transaction cost standpoint. Following the complexity of the governance models, I move from the “single-owner” perspective used in most contractual work to a more “open” view providing an explanation on why several types of owners may coexist and why non-owner groups may be invited or co-opted in the governance structures. To designate these groups, I use the term “stakeholders” uniformly throughout this section, although the contractual literature generally uses other terms (e.g., “patrons” or simply “groups”).

2.1. Governance as a control device

In a contractual perspective, the GA and particularly the Board are typically seen as tools for the owners to control the management of the organisation that they own. Much attention is therefore given to the control and information issues linked to the relationships between owners and managers—“agency” issues (Fama & Jensen, 1983; Jensen & Meckling, 1976). Such an agency view of governance is dominant in the contractual approach, not only for the study of corporations, but also in the context of nonprofit and cooperative organisations (Ezzamel & Watson, 1983; Labie, 2005; Miller-Millesen, 2003).

In the context of FT, however, attention to the controlling function of the Board implies determining the object of such a control. Is it the economic performance? Is it the impact on

producers? Is it the success in advocacy? Secondly, control will depend on who is the principal: while, in investor-owned companies, the question is straightforward; it is more difficult in other governance models (Cornforth, 2003): is it the volunteers, the other stakeholders, society in general (Harrow & Palmer, 2003)? I will thus interpret the sample data crossing the types of “principals” and the types of goods produced by the FTO.

In terms of governance, the previous chapter has provided interesting teachings. First of all, FTOs governed by a single entrepreneur or by a manager and a few investors are characterised by high (or medium) levels of economic involvement and low (or medium) levels of political involvement. There are exceptions, however, in which I categorised the political involvement as high. The situation is precisely the other way around for FTOs governed by volunteers: political involvement and political goals are substantially higher than economic ones. Exceptions of volunteer-based FTOs with a low economic focus and/or a high political focus are scarce. When it comes to multi-stakeholder FTOs, they seem to have high levels of involvement in both economic and political dimensions. Moreover, their managers are balanced between economic and political priority, which is logical, especially in the case of groups. Let me try to explain these links from an agency perspective.

2.2. Manager and/or “investor”-owned FTOs (Type 1 and 2)

The observation that FTOs with medium or high levels of involvement in the economic dimension are governed by managers and/or shareholders, possibly associated with experts and other stakeholders, can be explained by the fact that these stakeholders are likely to care about the economic viability of their organisation, resulting from its success in doing business. If we consider investors alone, then this link reflects a classical principal-agent relationship in which the investors monitor the managers on the way that the latter maximise the former’s financial contribution. Nevertheless, the case of investors’ presence on FTOs’ board brings to light two fundamental nuances.

First, in all the FTOs corresponding to this governance model, the managers are among the owners. Collusion between ownership and management is thus important, contradicting the model of separation between ownership and control (Fama & Jensen, 1983; Jensen & Meckling, 1976). The monitoring role of the investors is thus likely to be neglected, especially if these “investors” are relatives or friend of the managers, and even more if they have been included among the owners only to reach the legal minimum—as has been observed in several small manager-owned FTOs. On the other hand, the entrepreneurs, being themselves investors-owners, have a strong incentive not to compromise the financial performance of the FTO.

The second nuance to the link between managers and/or investors as Board members and economic focus is that these stakeholders, in the context of FT, are likely to also pay attention to the other dimensions of the FT activity, particularly producer support and, to a lesser extent, education and advocacy. Exceptions of FTOs governed by managers and/or investors but not necessarily more involved in the economic dimension of FT than other FTOs confirm this nuance. As financial involvement in a small new FTO—the type that corresponds to this

governance model—is everything but an investment with high profitability expectations, the investors are likely to have other motivations. One motivation may be, simply, the personal relationship with the manager. But, more broadly, the interviews in FTOs such as Citizen Dream suggest that investors¹⁶⁵ were interested as much in how the livelihoods of producers were improved than in the economic performance of the organisation. Or, more exactly, they required a level of performance that would safeguard their investment and allow for producer support, but not a turnover that would be made at the expense of the producers. We are thus in a situation in which investors accept to reduce their return on investment or at least to let it be constrained by the social and political goals. Although, theoretically, the pursuit of these non-economic goals may, in turn, increase the economic performance—which is far from systematic in the context of FT—, it is a fact that such a performance is of relatively less importance in FTOs than in traditional companies. Investors, and managers themselves, therefore have an interest in not allowing the social and political dimensions to be overlooked.

While economic control is already difficult, the expertise to control the non-economic dimensions may also be problematic. The control may thus come from another actor, for instance, the labeling organisation—whose control, however, is only partial—, or simply other FTOs, typically in the context of a network. In my view, the high involvement of manager-investor-owned FTOs in networks (particularly in France and in Belgium) may be explained partly by the weak internal control on their social mission—and their possible political activity. In conclusion, it is not because the governance structures are composed of managers and investors who are *theoretically* concerned about the economic performance of the organisation, and because the economic focus is stronger, that these organisations will pay attention *only* to this dimension.

2.3. Volunteer-based FTOs (Type 3)

The field analysis has shown that volunteer-based FTOs are particularly active in education, regulation, and advocacy. In an agency perspective, we could see governance structures as a tool for volunteers to control the level and nature of the collective good production. Indeed, as customers do not pay individually for the “consumption” of education, regulation, and advocacy, there is no incentive for the organisation to produce as much of this collective good as what is demanded. Contractual work on nonprofit organisations suggests that these organisations are able to mobilise other resources (subsidies, gifts, etc.) that allow them to produce collective goods even when customers cannot be required to pay proportionally to their consumption. Moreover, their trustworthiness makes customers keener to reveal their willingness to pay. But even a nonprofit organisation could use subsidies or gifts for other purposes and provide a sub-optimal quantity of collective good.

The “principals” for such production, however, are not—or at least not only—the volunteers themselves, but, more broadly, the recipients of education, regulation, and advocacy, i.e.,

¹⁶⁵ Without overlooking the heterogeneity of these investors, my description is based on the comments of two managers, one shareholders and one franchisee of Citizen Dream, as well as on the interviews with managers of similar FTOs in the sample (e.g. Signalétique, Ethic Store, Saldac, etc.).

citizens and the society in general. Harrow and Palmer (2003) speak of such a control as “public ownership”. Indeed, citizens are too numerous, too heterogeneous and not organised collectively. When volunteers participate in public good production, they may thus be assumed to represent the citizens or at least to constitute a link between the FTO and the larger society. This dynamics finds an illustration in several volunteer-based FTOs. For instance, in Oxfam-MDM, volunteers on the Board each represent a larger group of volunteers in a particular region. This group is the most visible part of an even larger community of supporters and customers who are interested in Oxfam’s socio-political agenda.

Concerning the specific social mission of producer support, similar reasoning may be applied. The governance structures of FTOs are supposed to control that managers, and organisational actors in general, do not act opportunistically at the expense of the producers’ welfare. Although initial contractual theories on nonprofit organisations claimed that the non-distribution constraint of these organisations eliminated the incentives for opportunistic behaviour, more recent work suggests that the trust-giving nature of the non-distribution constraint is limited and that other devices such as governance are necessary to complete it (Ortmann & Schlesinger, 1997). Again, volunteers are not the only principals who wish to see the FTO fulfill its social mission, but they are the ones that exert the control on behalf of the larger community—even when no concrete “mandate” has been given.

Moreover, in a context in which consumers, who should be particularly concerned about the completion of the social mission, are poorly represented on FTOs’ Boards (see next section), voluntary control may be seen as a more common solution for FTOs than customers’ direct involvement. Indeed, volunteers are already active in the FTO and are able to instill trust in customers and other stakeholders requiring trust guarantees. The rationale is the following: if these stakeholders, who are close to the organisation, are ready to give time (or money if we apply the same analysis to donors) “for free” while they see closely how the organisation functions, then it must mean that the organisation does not act opportunistically (Ben-Ner & Gui, 2000; Enjolras, 2000). This argument assumes that if these stakeholders detected opportunism, they would withdraw their support.

Control by volunteers over the social and political dimensions confirms the role of volunteers as “guardians” of the mission (Harrow & Palmer, 2003). Such a guardian role, however, may also apply to the financial and economic dimensions of FTOs’ activities. Indeed, as Harrow and Palmer (2003) observe, volunteers on the Board are increasingly accountable for the financial situation of the organisation. The interviews with the managers have not allowed me to assess how volunteers view themselves in this respect. However, my experience at Oxfam-MDM confirms increased pressure for financial control, leading to the selection of Board members who have financial expertise. The Oxfam-MDM case also reveals how the Board strongly increased its monitoring in times of crisis, not only on the FTO’s accountancy, but on the whole economic activity. Although the data show that such an activity is not as central in volunteer-based FTOs as it is in other FTOs—typically those of the previous category—, we should not conclude that the economic dimension is of little importance and not controlled by volunteers.

2.4. Multi-stakeholder FTOs (Type 4 and 5)

The sample data have shown that multi-stakeholder FTOs combine high levels of economic and political activity. Social involvement is also assumed to be high. But is there a causal effect between multi-stakeholdership—i.e., the presence of diverse stakeholders in the governance structures—and the pursuit of diverse missions? This is suggested—yet not formally demonstrated—by recent work in other fields of social enterprise, such as work integration (Campi *et al.*, 2006; Defourny & Nyssens, 2006). Although single-stakeholder FTOs (manager-owned or volunteer-based) may also be involved in the three dimensions of the FT activity, my study shows that multi-stakeholder FTOs, particularly group structures, more systematically combine high involvement levels in the different dimensions. This is why we can view the multi-stakeholder configuration as a device that *secures* the simultaneous pursuit of the three dimensions. Indeed, if we assume that the previous analyses of volunteer-based and manager-investor-dominated Boards are still valid, and that partner NGOs and financial institutions are likely to behave similarly, respectively, to the first and the second stakeholder type, then it is logical that the combination of all these stakeholders contributes to bringing multidimensional control and expertise.

This was confirmed, for instance, by Max Havelaar’s former manager, who explained that gathering diverse expertise and controlling capabilities from stakeholders such as investors, partner NGOs, financial institutions, and volunteers provided expertise and insight on virtually any issue in the organisation. This shows that the agency view is insufficient to capture the specific features of multi-stakeholder Boards: we can already see the adequacy of, for instance, a stewardship vision of Board members as partners, and a resource dependence view of Board members as “boundary-spanners”, as I will examine in the last chapter.

Finally, in terms of ownership costs, the heterogeneity of stakeholders’ interests, but also the large size of multi-stakeholder Boards, greatly increase the costs of collective decision-making compared to single-stakeholder FTOs. This is why multi-stakeholder Boards are generally found in larger FTOs able to bear these costs and enjoy the advantages of control and expertise on the missions that are clearly more multidimensional than in smaller, single-stakeholder FTOs. Let me now examine two types of stakeholders for which the involvement generally appears too costly: customers and producers.

2.5. Transaction cost arguments to customer and producer ownership

The three categories say little about customers and producers. The reason is that these stakeholders are rarely dominant in FTOs’ governance structures; when they are present, they coexist with other stakeholders. Let me examine the arguments explaining such a situation as well as the reasons that lead to a number of exceptions.

2.5.1. Customers

Only two FTOs in the sample have organised the formal involvement of customers.¹⁶⁶ In the case of Soli'gren, for instance, such an involvement is due to the legal requirements of the SCIC form (on which I will come back in the next chapter). Nonetheless, according to Soli'gren's managers, besides providing additional control, such requirements allowed the FTO to understand customers' expectations and to have feed-back, not only on Soli'gren's commercial offer, but also on its various education and public awareness activities. Moreover, customers' involvement may increase their loyalty, along the lines of Hansmann's (1996) description of the advantages of customers' ownership. However, the fact that such a solution would not have been set up without legal requirement, and the fact that few other FTOs have a similar system, illustrates the high transaction costs linked to identifying motivated customers and organising their representation. One way to reduce these costs is to give incentives for customers to identify themselves. Cafédirect provides an interesting example, with the possibility of subscribing to "Friends of Cafédirect" via the website and gaining a number of advantages.¹⁶⁷ The "Friends" then elect their representative on Cafédirect's Board. Max Havelaar Belgium also had a similar system of "friends", but it did not meet a large success and thus disappeared. In fact, such a system of organising customers seems useful when (1) there is no system of volunteering that allows enthusiastic customers to get involved, and (2) the FTO is large enough and has resources to devote to it.

2.5.2. Producers

Producer involvement, while probably responding to a normative trend (see next chapter), may also be examined as a cost-reducing device. Many FTOs complain that ensuring the quality of the products is very costly. "Quality" may refer to the material aspects as well as to the respect of the FT criteria. Solutions exist for FTOs to control the quality of both the products and the social and environmental conditions of production. The label provides a range of guarantees on these conditions. But, although the label is less costly than, for instance, regular visits to the producer organisations with the aim of controlling them, it still has a cost, both for the FTO and for the producer organisation. Another solution would be to have a network of trustworthy persons in the local countries and to ask them to negotiate with and control the producers. FTOs such as Latino, Silver Chilli and MMH-MFT have developed such a system. But this means paying people and ensuring that they will act in the interests of the FTO—a typical agency problem. An extreme variant of this is when the FTO itself organises the production process locally. Souffle de l'Inde provides a striking example in which a textile workshop in India was created and funded by the FTO itself. Transaction costs, which are potentially very high, are lowered in this case by the fact that Souffle de l'Inde is composed of volunteers who were already in a close relationship with India (some living in India and others used to regular travels).

¹⁶⁶ Indeed, each FTO is governed by people who are very likely to be customers of the FTO. But it is not their principal relationship with the FTO: they are primarily volunteers, employees etc

¹⁶⁷ Advantages include special offers, free "goodies" and regular news about the FTO.

For most FTOs, producer ownership can be seen as a more efficient cost-reducing device. Indeed, involving producers allows them to feel more responsible for the FTO's business and to search for a stronger convergence between the interests of their organisation and those of the FTO, as Pfeffer and Salancik (1978) underline the advantages of "cooptation" (see last chapter). This finds an echo in the interview with Cafédirect's former manager:

Having producers on the Board is not only symbolic. [...] They have the opportunity to better understand the constraints of our business. And they have the incentive to find solutions. [As a result], producers are definitely more committed to the partnership since they own and govern our business.

However, having producers in the capital and on the Board does not only have advantages. Firstly, there are the costs of inviting producers to Board meetings, to share regular information and get feed-back, etc. Secondly, when partnerships exist with several producer organisations, costs derive from the selection of the producer organisations and the balance of their interests in relation to those of non-involved producers. This is one of the reasons put forward by Traidcraft's Chief executive to explain the inadequacy of such a system in this case, when there is a high number of producer organisations. These two costs of collective decision-making induced by producers' involvement in ownership probably explain why only few FTOs have adopted such a system.

There are, nevertheless, solutions to decrease these costs. Again, Cafédirect provides an interesting example, through the recent creation of a company specifically devoted to group the producer partners of Cafédirect. Instead of directly including producers in Cafédirect's ownership, the FTO encourages producers to join "Cafédirect Producers Limited" (CPL), which holds shares in Cafédirect. This allows all producers to participate indirectly in Cafédirect's governance at a much lower cost. Indeed, assemblies of CPL are organised in different places in the South, so as to allow the largest number of producers possible to provide input to and receive feedback from CPL's involvement in Cafédirect. Yet, this requires a sufficient size to set up a specific structure and maintaining it over time.

Co-ownership can also be developed on the scale of smaller FTOs. There are examples of associations between entrepreneurs in the Northern and Souths to create common ventures: in the sample, Satya and Karawan started in such a way. In both cases, however, producers withdrew after a short time, compromising the supply chain and pushing the entrepreneurs in the North to redevelop their business alone.¹⁶⁸ The costs in this case are not so much linked to collective decision-making, but rather to a more typical "lock-in" problem in which the two participants in the transaction share assets that are crucial for each of them. In conclusion, whatever the size of the FTO, producer involvement offers an interesting illustration of stakeholder involvement as a cost-efficient solution.

¹⁶⁸ At least, this is the point of view of the two FTOs' managers.

Conclusion

Using a contractual approach to understand FTOs' organisational forms appears useful in several ways. First, legal forms adopted by FTOs can be linked to a certain extent to the types of goods produced by these FTOs. FTOs involved only in private good production tend to adopt a business or individual legal form, whereas FTOs involved also in public good production tend to favour the nonprofit form. Despite their diversity, cooperative FTOs can be viewed somehow in the middle of this continuum. Nevertheless, many exceptions exist in which the legal form that would theoretically seem most appropriate given the goods produced is not chosen. The costs of ownership may shed additional light on the adoption of particular organisational forms, independently from the types of goods produced. For instance, when founders are very few, the most efficient solution is likely to be the individual form, even when there is a strong focus on socio-political activities. At the other side of the spectrum, the emergence of group structures can be explained by transaction cost arguments (information, accountability, etc.) when the size and complexity of FTOs increases.

The presence of particular stakeholders in the governance structures may also be linked to a certain extent to the types of goods produced. I have focused on the controlling functions of governance to explain this link from a contractual standpoint. Volunteer-based FTOs seem to differ from manager or shareholder-owned FTOs in their higher level of political involvement, their lower degree of economic activity and their lower proportion of commercial resources. On the other hand, we have seen that the presence of shareholders or the managers themselves in the governance structures does not automatically result in a higher level of economic involvement. Multi-stakeholder FTOs seem to combine high levels of economic and political involvement. The relationship between goals and activities on the one hand, and stakeholders on the other, can nevertheless be considered in two ways. It may be the preexisting focus that attracts particular types of stakeholders. But it may also be the presence of particular stakeholders that reinforces the focus: further investigation based on case studies is required to understand the sense and the nature of such a relationship. Finally, customers' and producers' involvement have been analysed as devices that both bring additional costs and allow sparing of other ones.

In conclusion, the contractual approach allows for a better understanding of why FTOs adopt diverse organisational forms. However, we find several exceptions of organisational forms that may seem illogical from the standpoint of the types of goods produced or of other cost-reduction arguments. Moreover, this approach says little about why FTOs *choose* the production of certain goods over others. The next chapter will examine whether sociological neo-institutional arguments may answer these pending questions.

Chapter 7 – A sociological neo-institutional view on organisational diversity

As mentioned in the theoretical chapter, sociological new institutionalism focuses on the influence of institutions—understood in a broad sense—on organisations, particularly in the sense of constraining or even imposing organisational behaviour. Such an institutional determinism can also be captured through the notion of “path dependence”: organisations are constrained by the previous choices made by the pioneer actors in a field (e.g., Schneiberg, 2007). The observation of organisational diversity, however, seems to contrast with neo-institutional authors’ predictions and descriptions of gradual isomorphism rather than diversity. One possible reconciliation would be the link between isomorphism and the field’s maturity, suggesting that diversity in FT is a consequence of the young age of the field. This is inconsistent, however, with the observation that diversity has been increasing over time. Another characterisation that may apply to FT is that it has emerged precisely to fill an “institutional void” between the market and the civil society. As a consequence, it is logical that traditional institutional pressures from these fields do not directly operate, thereby avoiding isomorphism. This is consistent with Nicholls and Cho (2006) who suggest that social enterprises are inherently disruptive for existing institutional orders and are welcomed positively precisely because of their capacity to escape isomorphic pressures. Yet, I would not risk saying that FTOs are definitely disruptive and capable of escaping the powerful attraction of the market institution. Before trying to draw rapid conclusions, let me analyse the neo-institutional propositions more in detail, examining to what extent the institutional pressures they identify may be operating in the FT sector and how FTOs are affected by them.

In the first section, I take a global look at the normative trends in the sector, examining the organisational consequences of the three successive phases of institutionalisation distinguished in the first chapter. Normative pressures are particularly examined through Meyer and Rowan’s “myths”. In the second section, I look at the situation in the four regions of the sample to see not only how the global normative pressures are translated at the local level, but also how possible local coercive and mimetic influences may affect FTOs’ organisational forms. Finally, the last section summarises the different pressures, tries to examine how they are intertwined, and lists a number of reasons that may explain why organisational diversity still persists.

1. Global institutional pressures – a historical perspective

Neo-institutional authors suggest that institutional pressures influence the forms organisations adopt. To examine these influences, it is necessary to understand the nature, scope, and evolution of the institutional forces in an organisational field (e.g., DiMaggio, 1991; Scott & Meyer, 1991). Powell and DiMaggio (1983:65) define the process of “structuration”, or “institutionalisation”, as consisting of four parts: *“an increase in the extent of interaction among organizations in the field; the emergence of sharply defined interorganizational structures of domination and patterns of coalition; an increase in the information load with which organizations in a field must contend; and the development of a mutual awareness*

among participants in a set of organizations that they are involved in a common enterprise". While neo-institutional authors take entire fields as the level of analysis (Kraatz & Block, 2008), I will rather focus on the *organisations* practicing FT. I thus adopt a different perspective from those authors who take the FT *movement* as the level of analysis, seeing it as a social movement that is in the process of institutionalisation—i.e., of transition from a marginal position to a much broader acceptance by and influence on a variety of actors (e.g., Gendron *et al.*, 2009a; Nicholls, forthcoming). Of course, those two levels are closely interconnected: the institutionalisation of FT through mainstreaming—global level—has resulted in a new way of practicing FT at the organisation's level. Conversely, what I have called the "third wave", consisting of entrepreneurs developing a FT activity in a quite innovative way, is likely to contribute to the institutionalisation of FT at the global level. It is important, though, to remember that I focus on organisational practices and forms in FT when speaking of institutionalisation.

In this section, I aim to expand upon the three institutionalisation phases mentioned in the first chapter by exploring how trends, norms, and values observed during these phases have influenced FTOs' organisational forms. In terms of variables, I try to interpret the links observed among organisational forms, age, and leaders' profiles through the lens of the three institutionalisation phases. For each of them, I start by describing the principles as well as the dominant norms and values. Such norms and values may be captured through the notion of "myth", as suggested by Meyer and Rowan (1977) and deepened, for instance, by Townley (2002). Then, I look at how these values and myths have concretely translated into specific legal forms, architectures, and governance models for FTOs.

1.1. Foundation

Principles and values

As previously mentioned in the first chapter, the first institutionalisation of a FT practice happened after the initial foundation of the movement by the FT pioneers, throughout a period that spanned across the 1970s, 1980s and early 1990s. At that time, the participants were strongly rooted in civil society and had a central political vision (e.g., Gendron, 2004a; LeClair, 2002; Reynolds & Long, 2007; Renard, 2003) (Low & Davenport, 2005b; Wilkinson, 2007). Their intent was not only to set up their own "fair" trading rules and practices, but to increase awareness in the general public, governments, and corporations, about the need to make trade fairer (e.g., Wilkinson, 2007). They saw FT as an alternative to capitalism and called themselves "alternative trading organisations" ("ATOs"). Products were sold in worldshops with little emphasis on quality but much more on solidarity. Rather than only selling to consumers, it was all about educating and "politicising" citizens. The focus was on supporting marginalised producers and fostering their development and autonomy, not only in economic terms, but also from a social and political standpoint. This included the promotion of solidarity and economic democracy, which can be considered as the major "myths" at that time period. Partnerships with producer organisations were often "politically tinted", and certain FTOs deliberately supported producers in socialist countries (such as Cuba and Nicaragua). Besides

solidarity, economic democracy appeared as a major criterion for choosing producers, who needed to be organised democratically and own their organisation (typically a cooperative, but other similar forms exist). Solidarity and economic democracy were more important than the quality of the products, which thus tended to be low. Such lower quality, as well as the distribution strategy based on worldshops, led to a low market penetration (e.g., Low & Davenport, 2005b). Important actors were the different networks created by the pioneers (IFAT, EFTA, NEWS!, etc.) as well as large NGOs involved in the foundation of FT.

Organisational implications

In terms of legal forms, the data clearly show the prevalence of the nonprofit form in that time period. Such a form without formal owners and without any profit distribution is clearly suited to values of economic democracy and solidarity. The interviews illustrate the “taken-for-granted” nature of the nonprofit form at the creation of FTOs by groups of citizens. As reported by the manager of a French nonprofit pioneer FTO: “*at that time, all FTOs were created with a nonprofit status. It was unimaginable to even think of adopting another legal form. Any business-form FTO would have been forced out of the movement*”. Even more interesting to see the trend effect is when he adds: “*if our FTO had been launched now, I’m quite certain that we would have chosen a business status. It is just part of the current trend, as the nonprofit form corresponded to that of the early times*”.¹⁶⁹

The democratic drive may also explain why FTOs seeking to increase their business dimension have chosen the cooperative (rather than the business) form and tried to connect themselves to the larger cooperative movement. The vision of FT as a model of “cooperation among cooperatives” extended such a democratic drive to the inter-organisational level (Crowell & Reed, 2009). The construction of IFAT as a democratic forum gathering producers, importers, and worldshops,—despite their very diverse forms—is an illustration of this vision.

In terms of configurations, the strength of the democratic myth explains, from my standpoint, why pioneer FTOs have apparently “skipped” the entrepreneurial stage and directly developed as missionaries, with a “*strong system of internal beliefs, built around the organization’s mission*” (Mintzberg, 1984b:210). Indeed, FTOs do not seem to have waited to reach a sufficient size and age to pursue mission goals rather than system goals—in the first place survival. This might seem in contradiction with the initial setting of most organisations (Mintzberg, 1984b). But, in fact, the interviews (for instance, at Oxfam-MDM and ADM shops) suggest that system goals were precisely pursued through pursuing mission goals. Indeed, rather than constituting a preliminary condition for pursuing mission goals, survival, and growth were rather a consequence of the initial focus on the social and political missions. It is through the development of such missions that pioneer FTOs managed to attract resources (from volunteers, donors, public authorities, etc.), to gain legitimacy, and thus to survive and grow. This is particularly striking, for instance, at Oxfam-MDM, which developed mainly thanks to voluntary work and subsidies. The commercial resources—through sales in the

¹⁶⁹ Authors’ translation; nonprofit is originally “association”.

worldshops—were initially an illustration of the social mission rather than a condition for pursuing the latter.

Together with mission-centred coordination, we have seen that adhocatic functioning was common, typically to organise punctual education campaigns or to support producers in a well defined context and period. At Oxfam-WW, for instance, initial partnerships with producers tended to be considered “solidarity projects”, similarly to the perspective of most NGOs. Groups of volunteers gathered around one specific partnership and promoted a given product during a specific period of time, typically following the political context.¹⁷⁰ Despite the normative environment promoting democracy and participation, however, leaders emerged from these citizen groups and brought about more centralised, entrepreneurial coordination. Moreover, organisational growth tended to temper economic democracy and hand over the strategic decision-making (typically in terms of producer support) to employees who developed more standardised and bureaucratic procedures. Yet, the key decisions in terms of producer support remained in the hands of volunteers through the “partner commissions”.

In terms of governance, it was important not only to promote democratic decision-making among producers, but also to be organised democratically within the FTO.¹⁷¹ In pioneer nonprofit FTOs, volunteers, and employees were almost automatically members of the organisation and received equal voting rights at the General Assembly, in conformity with the democratic model (Cornforth, 2003). Hierarchy was initially rejected, as were strong salary differences among workers. This is a clear example of a mission goal that pervaded in the organisational structure—a defining feature of a “missionary configuration” (Mintzberg, 1980).

While the myths of solidarity and economic democracy have been powerful in shaping FTOs’ organisational forms in the early decades of FT, they have progressively declined with the subsequent institutionalisations. It is worth noting that pioneer FTOs themselves have allowed for and encouraged the emergence of new ways of practicing FT that lessened the importance of economic democracy (Crowell & Reed, 2009), as we will see further. While solidarity and democracy remain key values for a certain number of FTOs, the interviews suggest that (1) these FTOs have become a minority that is no longer representative of the FT landscape, and that (2) other myths have progressively outstripped that of economic democracy, even for pioneer FTOs.

1.2. Mainstreaming

Principles and values

As described in the first chapter, the second institutionalisation corresponded to the development of FT labeling by national initiatives (e.g., Max Havelaar) in the late 1980s and 1990s, the subsequent distribution of FT products through mainstream channels, and the later

¹⁷⁰ For instance, Nicaraguan coffee imported by Oxfam-WW from the start of the 1980 revolution.

¹⁷¹ It is worth noting, for instance, that three leaders of nonprofit pioneers mentioned the importance of economic democracy when commenting my list of goals (see fifth chapter).

grouping of the labelling initiatives into the FLO labeling umbrella in 1997. Labeling opened the door to mainstreaming and offered an opportunity for the radical growth of the sales and recognition of FT. Several authors comment on the shifts in practices and values that derive from mainstreaming, typically in terms of producer support, which is described as evolving from “solidarity” to “market” (Poncelet *et al.*, 2005), from “relationship” to “information” (Ballet & Carimentrand, 2008), from “partnership” to “control” (Charlier *et al.*, 2007), etc. The core concept is that of “market access” for producers, which is the most straightforward avenue to improve their livelihoods and their autonomy. The relatively informal partnership rules applied by pioneer FTOs are replaced by more formal criteria developed by FLO (e.g., González & Doppler, 2006). As a result, economic democracy is much less central, as the inclusion of plantations illustrates quite strikingly (Reed & McMurtry, 2009). The main concern becomes impact, as stated by this manager: “*we are relaxed about structure of producer groups, as long as benefits flow to disadvantaged producers*”.

I identify three closely related “myths” in the description of this shift: market-orientation, professionalisation, and accountability. Market-orientation entails a stronger reliance on market resources and mechanisms, with more attention to consumers’ preferences and techniques to lure consumers and increase sales. Professionalisation rather refers to quality improvement and efficiency, implying higher productivity, employees’ specialisation, cost reductions, economies of scale and scope, etc. Although these two myths focus on different elements, they are often seen as being synonymous. It is worth noting, nevertheless, that while professionalisation is often necessary to increase the market orientation, professionalisation does not necessarily require a higher market orientation (see the discussions on professionalisation in the worldshops, e.g., Gateau, 2008; Ozcaglar-Toulouse *et al.*, forthcoming). Thirdly, as professionalism and market-orientation are justified by the need to increase the impact on producers, there is, logically, a growing drive for accountability regarding an impact. The constant pressure for tangible proofs of impact on producers can be considered in my view as a “myth” on its own. The corollary was expressed by a manager as follows: “[*if we work on how to increase value through sales and profits, we also need to work on how to make sure that producers gain the largest possible part of that value.*”

System goals such as economic growth, efficiency, and profit-making gain importance in comparison with traditional mission goals. Or, more precisely, the growing pursuit of system goals is increasingly justified by their contribution to the mission goals. As stated by the manager of a cooperative FTO:

Making profit and increasing market shares are not our primary goal. But we have to increase sales and run the business in a professional way if we want to provide good deals for the producers; and profit is necessary to make the business viable and to be able to pursue our mission on the long term.

To summarise, in the context of mainstreaming, the economic dimension is strongly reinforced as the main tool to achieve the social mission, leaving the political dimension in the periphery or, at least, not as a central and necessary element for practicing FT (Gendron *et al.*, 2009b).

The best illustration of this evolution is the participation of mainstream businesses that rarely share the broader political agenda of the FT movement.

Organisational implications

Labeling and mainstreaming are not only characterised by the participation of “for-profit” companies in FT: they also have important consequences *for FTOs themselves*. Some pioneer FTOs start collaborating with mainstream retailers by importing and developing FT products for them. In the sample, Oxfam Fair Trade, Fair Trade Original, Traidcraft, and CTM Altromercato are examples of such collaborations. Other FTOs have been created specifically to develop products for mainstream channels: Cafédirect is a typical example. These partnerships, constituting what Crowell and Reed (2009) call “social economy dominated value chains”, have clear consequences on the organisational forms of the FTOs involved. In the interviews with FTOs involved in mainstreaming, the term “professionalisation” was particularly present. This, however, has translated into various organisational practices, confirming that professionalisation is a vague and ambivalent myth (Lawrence & Suddaby, 2006). It is worth noting that professionalisation has also reached pioneer FTOs not involved in mainstreaming, as a spill-over effect.

In terms of legal forms, cooperative, and business forms have been preferred to nonprofits, as the data have clearly shown: existing nonprofit FTOs evolve to cooperatives and newly created FTOs adopt cooperative or business forms. Following neo-institutional arguments, such an evolution can be considered as a symbolic reflection of the drive toward professionalism and market orientation. Yet, through the emergence of group structures, it appears that such orientation may be only partial. Indeed, while a part of the group FTO still embodies economic democracy and solidarity through a nonprofit, volunteer-based, and politically active form, the other part is aligned on rather market-based values and language. Following Nicholls’ (forthcoming) distinction of social entrepreneurship in the FT context, this may be seen as a coexistence of “social enterprise” (type 1) and “social innovation” (type 2) logics. From a sociological neo-institutional standpoint, group structures can thus be seen as hybrid structures that reflect the duality of the institutional pressures at their creation. Certain authors note that the pressure for professionalisation of the economic activity may have a spill-over effect on the socio-political activities of FTOs (e.g., Wilkinson, 2007). But the interviews also suggest that the confrontation between the new norms and values coupled with mainstreaming and those promoted in the foundation period may be translated to the organisational level and result in tensions that reflect the paradoxes of the broader institutional pressures (Kraatz & Block, 2008).

Let me take the example of Oxfam-WW and the coffee corporations. Oxfam-WW’s campaigning department and volunteers criticised corporations such as Douwe Egberts for their unethical trading practices. Yet, in the meantime, Max Havelaar was negotiating with Douwe Egberts and other corporations to make them licensees, strategy that was welcomed positively by certain people in the commercial department. There was thus a fundamental disagreement among certain employees of Oxfam-WW about how to deal with Douwe Egberts: through

confrontation (political side) or through collaboration (economic side). The evolution of Oxfam-WW into a group structure did not suppress this disagreement, but rather separated and specialised the two sides. The interviews in Oxfam-WW and in other group structures showed that it was rather the commercial entity that claimed autonomy from the socio-political one. Being able to take the business decisions without systematically having to consult the campaigners and the volunteers was a concrete claim leading to the structural specialisation. Campaigners and volunteers, however, were reluctant to see the economic side acquire too much autonomy and tried to obtain control devices (for instance, in Oxfam-WW, the nonprofit entity and the worldshops hold a guaranteed majority of the cooperative's shares, and the Board is common to the two entities). In fact, the group structure as a whole can be seen as a compromise between the people and units embodying the different dimensions of FT, in a context of increasing specialisation (Wilkinson, 2007).

In a neo-institutional perspective, as put forth by Meyer and Rowan (1977), the fact that the commercial departments have gained power and autonomy thanks to the process of mainstreaming can be seen as a consequence of the fact that they embody the most recent and powerful rationality—those striving toward professionalisation and market-orientation. For instance, the evolution of Oxfam-WW's commercial department into the cooperative Oxfam Fair Trade was decided in the first place to professionalise the import, distribution, and marketing functions, and to appear more “credible” to commercial partners. Even if coercive pressures from subsidising authorities also explain the creation of a specific commercial entity, the managers explained that collaboration with supermarkets such as Delhaize and Colruyt was a major driving factor behind such an evolution.

In terms of producer support, while the purchasing person or department in FTOs already had more importance than in other types of organisations, such importance has, in my view, been strongly increased by the “myth” of accountability. In many pioneer FTOs (e.g., Oxfam-MDM and Oxfam-WW), “partner commissions” controlled by volunteers have gained increasing importance, as one manager reports:

The partner commission is now directly accountable to the Board of Directors. We have invited representatives of NGOs who know the field to join the commission. We have asked them [the partner commission] not only to screen and select new partners, but also to make regular assessments of the impact we have on all our partners. This is not only important for our volunteers and employees, but also toward all our stakeholders who want to know if we really improve producers' livelihoods.

As we can see, the increased focus on impact on the producers has been linked to increased pressure for accountability. While several large FTOs have launched impact assessment programs (Cafédirect, Traidcraft, Oxfam-WW, ADM, etc.), the results have not necessarily been convincing because the difficulties and biases in determining the specific contribution of FT to the producers' situation (see, for instance, Ronchi, 2002). This is why certain FTOs have worked together with NGOs, networks or universities to gain a more neutral assessment of

their actions.¹⁷² The complexification of the organisational structure, the reinforcement of departmentalisation, and the drive for accountability are likely to lead to bureaucracy at all the operational levels, including producer support.¹⁷³ In my view, it is thus not only age and growth that have caused bureaucratisation, but also the involvement in mainstream channels, and, thereby, the need to conform to the broader expectations of professionalism and accountability.

The drive for accountability may also explain part of the growing trend toward producers' representation in the governance structures (such as Cafédirect and Twin). In Cafédirect and Twin, producer organisations hold shares (respectively 5% and 64%) and thus participate in the GA. In each case, two representatives of the producers sit on the Board. This is not a coincidence, since we know that Cafédirect was founded by Twin (together with three other pioneer FTOs), and that Twin developed a similar model of producers' inclusion in the other FTOs it contributed to founding (Divine Chocolate, Agrofair, and, more recently, Liberation). In all these cases, producer ownership may be seen as a response to a search for legitimacy, even though the FTOs' communication presents this a spontaneous initiative, for instance:

It is our deep conviction that it is necessary. We want to give the control on our organisation to our partner producers so that they ensure the greatest possible impact on their communities. It is a signal both internally and toward external stakeholders to remind who is guiding our action.

In my view, the fact that all producers are not automatically represented and the focus on impact lead me to suggest that producer ownership is rather a translation of the myth of impact on producers, loaded with drives for legitimacy through accountability, than an extension of a pre-existing dynamics of economic democracy and participation (first myth) to a broader array of stakeholders. In fact, given the difficulties of systematically displaying their impact on producers, the latter's ownership allows FTOs to gain legitimacy in a more stable and less demanding way.¹⁷⁴ This explanation is quite different from the one developed in the previous chapter and illustrates the respective foci of both institutional approaches on, respectively, legitimacy versus efficiency. Finally, several interviews in other mainstream-oriented FTOs suggest a growing interest in the two British examples, thus indicating a likelihood of mimetic behaviour in the future.

¹⁷² Several impact studies have been conducted by academics or external NGOs at the request of FTOs (e.g., Ronchi, 2002). On a more longitudinal basis, Cafédirect has decided to systematise impact assessments in collaboration with Social Enterprise London.

¹⁷³ Moreover, the increased bureaucracy in producer support is likely to be reinforced by the labeling process.

¹⁷⁴ If we translate this into Suchman's (1995) distinctions of legitimacies, it would correspond to "structural legitimacy"—the fact that producers own the FTO make it legitimate—rather than "consequential legitimacy"—the FTO is legitimate because it proves to have a real impact on producers.

1.3. Entrepreneurship

Principles and values

The third notable evolution in the FT practice—still from the FTOs’ standpoint—has been the emergence and recognition of small entrepreneurial ventures, often constituted as businesses, and totally dedicated to FT.¹⁷⁵ It should be noted that the “institutionalisation” of this new practice of FT is currently occurring and results of the multiplication of FT entrepreneurial ventures but also of their promotion by FT networks. Regional and national FT networks and support structures have played a major role in this regard¹⁷⁶, as well as promoters of (social) entrepreneurship such as chambers of commerce, business schools, foundations etc. From a neo-institutional perspective, the emergence of this new type of FTOs and its promotion by networks and stakeholders may be seen as reflecting a broader drive for entrepreneurial action in the social field, i.e., for social entrepreneurship. Although few FTOs explicitly mentioned this concept, we can identify a number of values and practices that bring this “third wave” of FTOs closer to the dynamics of social entrepreneurship than the previous two waves¹⁷⁷, which were closer, in terms of organisational forms, to the EMES conception of social enterprise.

A first value that manifested itself in the interviews was the importance of the individual entrepreneur as the central figure, not only in the North, but also in some cases at the producers’ level. The history and the “vision” of the entrepreneur thus take a much stronger place in the practice of FT—and, as we will see, in the design of the organisational form—than in the FTOs of the previous waves, generally created by groups of citizens or coalitions of organisations.¹⁷⁸ As the data suggest, new FT entrepreneurs often have a business education and/or experience and have started their project after travels to the South during which they have met producers and developed their specific “vision” of partnership. For many of these FTOs—but not all of them—, smallness is a choice and a value in itself. This appeared particularly strongly among members of the Minga network in France, but also in the three other regions. Smallness, at least in the discourse, is presented as a way for the entrepreneurs to keep the control over their initiative and avoid the perils of formalisation and bureaucracy. These perils are at the core of the criticism toward large, institutionalised FTOs, in which producer support is seen as impersonal and growth as the only objective. Again, this was most explicit in the discourse of Minga members. But even other FTOs showed certain defiance toward a scaling up that would compromise the personal relationships—including with the customers—and the social innovation.

¹⁷⁵ As already mentioned, this does not necessarily mean that 100% of the products are strictly speaking FT, but that the majority of them, with the remainder being coherent with the FT principles (local FT, social economy, organic, etc.).

¹⁷⁶ Examples include Equisol and the PFCE in France, and the Trade for Development Centre in Belgium.

¹⁷⁷ This is not to say that social entrepreneurial dynamics cannot be found in the two previous waves, especially in the context of mainstreaming). But the individual-centred, innovative, and risk-taking description of social entrepreneurial dynamics has been much more explicitly observed in FTOs of the “third wave”.

¹⁷⁸ Which does not mean that entrepreneurs have not played a major role after the initial foundation.

Innovation is precisely a second value shared by these “third wave” FTOs. While FT itself can be seen as a social innovation (see first chapter) and previous FTOs have regularly shown both social and economic innovation, more recent FTOs have been obliged to innovate even more to find their place in the sector. Such innovation has manifested itself mainly in economic terms, through “new” products compared to the traditional food and handicraft (cosmetics, garments, etc.), or new distribution channels (B2B, Internet, etc.). But we can also witness social innovation, for instance, in the emergence of “local Fair Trade”¹⁷⁹ or the intent to increase social impact along the supply chain¹⁸⁰ (Ozcaglar-Toulouse *et al.*, forthcoming).

Another convergence with social entrepreneurship is the central place of risk-taking. While pioneer FTOs have grown gradually and have been partly financed by non-commercial resources, and while FT companies designed for the mainstream (e.g., Cafédirect) have been initially supported by well-established pioneers, the entrepreneurs from the “third wave” seem to take more risks. Relying exclusively on market resources and often engaging their personal belongings to constitute the initial capital, FT entrepreneurs are less shielded than older FTOs, as the collapse of Citizen Dream and Emile seems to show.

Finally, the values of the previous institutionalisation, professionalism, and market orientation, are also central in this case. Professionalism is especially raised by new FTOs to distinguish themselves from pioneers. The use of volunteer work, subsidies, and donations, is generally rejected and sometimes presented as disloyal competition. It is striking to note that the professionalisation of most pioneer FTOs in the context of mainstreaming was ignored, or minimised in several interviews with new business-form FTOs. Indeed, there is a very rooted image that, until now, most FTOs have been run by volunteers in a non-professional manner. Such an image is especially strong in Belgium and in France, where respectively Oxfam-MDM and ADM are seen as the typical example of volunteer, non-professional FT and extrapolated to all the historical FTOs.¹⁸¹ Consequently, they see professionalisation as a goal specific to their organisation that differentiates them from most other FTOs, rather than as a value shared by the majority of FTOs. It is as if the myth of professionalisation was so deeply rooted that the managers considered it as their own finding. Such “taken-for-grantedness” is typically described in the sociological neo-institutional literature.

Market orientation, while shared in terms of incomes, is variable in terms of meaning. Certain FTOs look for growth opportunities in mainstream channels, for instance, through sales to businesses (e.g., Signaléthique and Ethic Store). Other FTOs prefer specialised shops, either to maintain personal relationships with customers (e.g., Epicerie équitable), or because of their political motivation. This is especially observed among Minga members whose small-scale,

¹⁷⁹ In France, Italy, and Belgium, it is new FT shops that first proposed local products (for instance, organic wine from Rhône-Alpes winegrowers, food produced on Sicilian fields taken back from the Mafia, etc.). These products have been considered coherent with the “traditional” Southern FT products and have generally been successful among FT consumers.

¹⁸⁰ For instance, having the products transformed or packaged by work integration enterprises or small artisans, or looking for more ethical transportation and storing companies.

¹⁸¹ Most of these new entrepreneurs have thus limited knowledge of the changes that certain pioneer FTOs have undertaken, as described in the previous section (for instance, at Oxfam-WW).

alternative initiatives reflect their political opposition to the mainstream and to capitalism in general. In such a context, it is worth noting that there is less insistence on accountability. Indeed, if the entrepreneurs have personal relationships with the producers, they are more likely to observe the impact on a more regular and informal basis. While the conception of the economic and social dimensions is relatively homogeneous among new FTOs, the political involvement depends much on the entrepreneurs' preferences.

Organisational implications

The most straightforward organisational implication of the previously mentioned values is the entrepreneurial—though also missionary—configuration. The single fact that individuals engage alone in the FT activity is symbolic and contrasts with the previous two phases. When there are a number of employees, coordination is ensured by the entrepreneur. Rather than a formal set of rules, it is the entrepreneur's vision that determines the strategy. Employees are often polyvalent and may be mobilised according to the most urgent tasks, as the case of Saldac illustrates. Consequently, governance structures are manager-dominated. As mentioned in the fourth chapter, the possible presence of investors—generally friends or family—does not change the governance model of managerial hegemony.

In terms of legal forms, we can clearly see the impact of the professionalism and market-reliance myths. Not only is there a preference for business forms, but also explicit defiance toward nonprofit forms. The interviews with the managers of two FTOs (a Belgian one and a British one) include direct illustrations of such defiance:

We didn't want to create another [nonprofit] association of volunteers advocating for Fair Trade. We wanted to create a true business with a true business form. We didn't want customers to buy our products only because of the social goal. We wanted to show that we could be an ethical business with social standards as high as Oxfam but with a much stronger economic dynamics and thus a much stronger impact on producers.

The shop must be a viable business if it is not to be dismissed as charity.

It is interesting to note that the feeling of being “the only one to be professional” seems to decrease with involvement in a network. Newly created FTOs with a stronger economic focus are often more interested in joining networks and can thus see other FTOs similar to themselves. Nevertheless, the desire for differentiation through professionalisation remains strong and the business form is one way of doing so.

The Italian FTO “Esprit Equo” is an interesting illustration of a strong differentiation process. As previously mentioned, the vast majority of FTOs in Italy are social cooperatives. On its website¹⁸², Esprit Equo puts forth its legal form as part of its distinctive identity:

¹⁸² www.espritequo.com; viewed on April 18, 2008

The choice of a [business legal form] is motivated by the mainly commercial nature of the activity and by the intent of demonstrating that Fair Trade can be an economically sustainable reality, located in the market, like any other activity, if it is managed on a continued and professional basis. (my translation)

On the same web page, the statement that Esprit Equo is submitted to the normal tax rate of businesses and that profits are used partly to remunerate the employees can also be seen as part of the differentiation process. However, as if it were necessary to reassure the FT consumer or operator, the managers immediately link the company to the standards and vocabulary that are commonly accepted in the FT sector:

The company aims to promote a critical and conscious consumption toward social groups and citizens, claiming to fulfill the criteria of the 'Italian Fair Trade statement' and of organic production. [...] Moreover, the statutes of the company guarantee that part of each year's profit should directly serve to support the development of projects in the context of Fair Trade. (my translation)

The emergence of the myth of professionalisation may also explain changes in legal forms. Let me take the example of the French FTO Saldac, created in 2000 as a nonprofit organisation (“association”) and changed in 2002 to a business form (“société anonyme”). Here is how the founder-manager explains the reason for that change:

The form of 'société anonyme' is more coherent to our vision of FT as a commercial, albeit ethical, initiative. It reflects our will to create a sustainable activity generating employment, instead of a volunteer-based and subsidised activity. It is a proof of seriousness, quality and professionalism towards customers and our commercial partners.

Through the desire to rely only on market resources, the third institutionalisation has also brought much attention to the business model for FT. For instance, the gathering of Belgian handicraft FTOs to work on the improvement of their economic model (SAW-B, 2008) shows that the myth of professionalism has not only pervaded into the organisational structures of individual FTOs but, more broadly, into the institutional shaping of the sector. Despite these common general characteristics, new FTOs have very diverse forms and practices. Such variety, added to their differences by comparison with pioneers, has strongly increased the diversity of FTOs

1.4. Analysis and synthesis

1.4.1. Level of analysis

It is worth noting that if I had taken FT as a whole as the level of analysis, then what I have called the “foundation” phase could have been considered as the first step toward institutionalisation—what Tolbert and Zucker (1996) call “habitualisation”. Habitualisation is

defined as “*the development of patterned problem-solving behaviours and the association of such behaviours with particular stimuli*” (175). The “problem” is the unfair trading practices and the lack of market access for small-scale producers in the South; the “problem-solving behaviour” is FT; and the stimuli associated with FT are the moral legitimacy induced by the support from customers and, more broadly, the public opinion. “Mainstreaming” would then correspond to the “objectification” of the solution, i.e., its replication and diffusion—with the risk of compromising the disruptive force of the solution (Nicholls & Cho, 2006), i.e., the original intent of creating *alternative* trading relationships.

However, highlighting the institutionalisation of *particular practices of FT at the organisational level*, we may witness habituation at each of the three phases. At the organisational level, Tolbert and Zucker characterise habituation as “*the generation of new structural arrangements in response to a specific organizational [...] set of problems, and the formalization of such arrangements in the policies and procedures of a given organization, or a set of organizations that confront the same or similar problems*” (175). The “problems” or issues are, successively: the need to establish organisations able to engage in an economic activity to concretise the desire for a fairer trading system (foundation); the need to adapt to the arrival of mainstream businesses (mainstreaming); and the need for people with an entrepreneurial profile to find new, more market-oriented ways of engaging in FT.

It is interesting to note that the diffusion of new organisational practices in mainstreaming and especially in the entrepreneurship phases required a certain “desinstitutionalisation” of the previous practices (Lawrence & Suddaby, 2006; Oliver, 1992). Several quotations show how managers of newer FTOs first needed to de-legitimise the pioneers’ forms and practices before presenting their own as different and superior in meeting their perceived goals for FT. In several interviews (Oxfam-WW, MMH-MFT, Pangea-NT, and, to a lesser extent, Traidcraft), pioneer FTOs that have adapted their structure to deal with the mainstream clearly marked their difference either in relation to their previous form, or to pioneer FTOs that have remained in a form characteristic of the first institutionalisation—nonprofit, volunteer-based, and adhocratic. In both cases, such forms were described as inappropriate to sustain the economic development of FT. FTOs specifically created by pioneers to reach the mainstream (typically Cafédirect, but also labeling FTOs such as Max Havelaar) had a similar discourse, as well as part of the “third wave” business-form FTOs. Nevertheless, other FTOs from this last category undermined the appropriateness of both the “first wave”, volunteer-based, FTOs, and the “second wave”, mainstream-oriented FTOs. Minga members in France are typically engaged in such a process of de-legitimisation of the first two ways of practicing FT. I will come back to the FTOs’ strategies to create, maintain or disrupt institutions in the next and last chapter.

1.4.2. Synthesis

Let me now briefly summarise the principles and organisational implications of each of the three institutionalisation phases.

Table 53: Principles and organisational implications of the three institutionalisations

| <i>Institutionalisations</i> | Foundation | Labelling and mainstreaming | Entrepreneurship |
|------------------------------|---|--|---|
| Period | 1970s–1980s | 1990s | 2000s |
| Vision | FT as an alternative rooted in civil society | FT as an “ethical influencer” | FT as an entrepreneurial activity |
| Producers groups | Marginalised Focus on economic democracy Global relationship Control by volunteers | Large Economic democracy less central Standardised relationship Control by certification | Small Economic democracy not central Personal relationship Control by managers |
| Products | Guided by producers’ habits and identity; quality not central | Guided by consumers’ preferences; focus on quality | Matching of producers and consumers’ needs; focus on innovation |
| Distribution | Worldshops, catalogues, churches, etc. | Supermarkets | Small and medium-size shops; Internet and B2B |
| Resources | Voluntary work Sales Subsidies Donations | Sales | Sales |
| Networks | WFTO, EFTA, NEWS! | FLO, national initiatives | Regional and national FT networks |
| Organisational forms | Nonprofit Missionary-adhocratic Democratically and collectively governed | Cooperative, business or hybrid (group) Missionary with bureaucratic trends Governance including expertise (business + producer support) | Individual and business Entrepreneurial Founder/manager-dominated (possibly with investors) |

1.4.3. Normative and mimetic pressures

Among Powell and DiMaggio’s (1983) isomorphic forces, the influence of the institutionalisation phases through the diffusion of myths can be described as mainly *normative*. The role of FTOs’ leaders in diffusing these myths and translating them to the organisational level echoes Powell and DiMaggio’s (1983) observation that normative pressures are spread through formal education and professional networks. While, at first sight, there do not seem to be homogeneous requirements for working in FT that would lead FTOs to evolve isomorphically, driven by their managers or employees, we have seen that the managers’ past education and experience differed with the organisational form. More generally, we can consider that the current environment that promotes values of innovation and entrepreneurship is much more fertile for the emergence of business, entrepreneurial forms than for the emergence of collective, volunteer-based, and democratic organisations. Some of the interviewed managers in new FTOs reported that the adoption of a business legal form was motivated by the fear of being misunderstood or perceived as too “alternative” by economic

stakeholders (customers, retailers, suppliers, partners, etc.). A business form does not require a particular explanation, while nonprofits or even cooperatives doing business may have to justify themselves or to depict themselves as “social enterprises” (Dart, 2004). The legitimacy of the social enterprise approach is caused, according to Grenier (2006), by its successful adoption of the language and practices of the business world in order to be accepted by the latter, a task in which traditional nonprofits have been less successful (see also Abzug & Webb, 1999). Legitimacy in the business world has even pushed supporters of social enterprise to emphasise the business-like forms and practices of the latter much more than empirical data seem to show (Grenier, 2006). The same can be said for the non-proven virtues attributed to market incomes (Battle Anderson & Dees, 2006). Although FT is only one among the numerous fields that witness the emergence of social enterprises, the support of a few FTOs’ founders and/or managers by social enterprise networks (e.g., Paul Rice in the USA, Penny Newman and others in the UK) may anticipate a future trend of promoting business-like forms and practices in FT through the normative channels described by Powell and DiMaggio (1983).

The legitimacy of the organisational form, however, also depends very much on the local context, as I will examine in the next section. While many Belgian and British FTOs in the study insisted that they were true businesses, different from nonprofit pioneers, Italian and some French FTOs highlighted their alternative and political profile as their distinctive identity. This is consistent with other authors’ descriptions of FT in these respective countries.¹⁸³ This is also consistent with the neo-institutional view according to which legal forms and, more generally, organisational forms are not just legal expressions of pre-existing types of organisations, but they are socially constructed in a legal, social, and political sense (Battle Anderson & Dees, 2006; Roy, 1997).

However, the resemblances among FTOs according to the generation to which they belong and of the profile of their leaders could also be interpreted as being the result of the second type of isomorphic pressure described by Powell and DiMaggio (1983): *imitation*. Mimetic pressures are observed “*when goals are ambiguous, or when the environment creates symbolic uncertainty*” (DiMaggio & Powell, 1983:69). In such cases, organisations might imitate other organisations that they perceive to be more legitimate and successful. As we saw in the first chapter, it seems clear that goals are multiple in the FT sector. The “goal mix” of FTOs may be ambiguous because there is no “one best way” to follow. Moreover, the trust dimension on which the whole sector is built creates strong uncertainty: what if consumers loose confidence in FT; what if other concepts outstrip FT?

In this context, younger FTOs could try to imitate older ones that they see as successful. Q11a specifically asked: “Which are the other FTOs, in your region or in your product category, that you consider as successful and/or to which you would like to resemble?”. When examining the answers to this question, the most striking observation is that they are very heterogeneous: even in a given region, there is no general agreement on who should be considered as “the FT success story”. Virtually each FTO has its own model(s) according to its criteria. The main reason for such diversity probably lies in the fact that FTOs have very diverse performance

¹⁸³ See the references used for each country’s introduction in the third chapter.

criteria, as the very concept of FT allows. Moreover, the absence of a unanimously recognised success story may be due to the fact that it seems difficult to be successful simultaneously in the three dimensions. Thus, there are FTOs that are rather successful on the political side, or on the commercial side, but few are unanimously perceived as globally successful. There will often be criticism and disagreement from a group of FTOs with different views. I thus do not follow DiMaggio and Powell when they claim that “*much homogeneity in organizational structures stems from the fact that despite considerable search for diversity there is relatively little variation to be selected from*” (1991:70). In the FT sector, as among social enterprises (Nicholls & Cho, 2006), there are, on the contrary, a range of models that can be followed, even among the recent business-form models. These models are likely to depend on the generation of the FTO—as I have described throughout this section—or on the region in which it operates. Indeed, as mimetic behaviours are often observed at the local level, I will come back on these types of pressures in the regional descriptions.

1.4.4. Nuances and exceptions

In the sample analysis examining age and organisational form, we have seen that there are several exceptions to the general trends. These exceptions should remind us that the distinction of these three institutionalisations is schematic: it does not correspond to three clear-cut periods that would have neatly succeeded each other. Nor does it correspond to a typology of FTOs where all the FTOs created in a given period would share once and for all the characteristics of the corresponding institutionalisation. Indeed, among the pioneer FTOs created in the 1970s and 1980s, most have been influenced by the two subsequent institutionalisations (mainstreaming of FT and by the emergence of small businesses). Only a minority has remained unchanged in terms of values, resources, and organisational forms. Moreover, certain FTOs have been created recently upon a model similar to pioneers’ initial configuration. Certain FTOs created in the early 1990s already shared entrepreneurial characteristics (e.g., Cafédirect). And many FTOs have hybridised characteristics from different institutionalisations (typically group structures).

Such nuances highlight, in fact, the competition among several contradictory and clearly unachieved institutional orders (e.g., Friedland & Alford, 1991). The nuances also echo the inability of early neo-institutional theorists to describe concretely how institutional pressures affect organisations (Scott, 1991; Tolbert & Zucker, 1996). Indeed, early neo-institutional work seems to present the different types of institutional pressures as having an automatic and uniform effect on organisational structures. They thereby neglect the different degrees and ways in which organisational structures are concretely affected, while these may complete and refine the description of the general trends and account for the exceptions observed (Scott, 1991).

Scott (1991) expands upon seven avenues for the environment to influence organisational structures. The influence of institutionalisation phases may be described through the process of *incorporation*. This refers to a progressive, unconscious resemblance to the environment. “*Via a broad array of adaptive processes occurring over a period of time and ranging from*

cooptation of the representatives of relevant environmental elements to the evolution of specialized boundary roles to deal with strategic contingencies, organizations come to mirror or replicate salient aspects of environmental differentiation in their own structures” (179).

A crucial tool for incorporation is thus governance structures, especially in a stakeholder perspective. The evolution of the Board of Oxfam-WW offers an interesting illustration. Oxfam-WW started with a Board composed only of volunteers. Economic democracy was clearly the main consideration, reflecting the importance of this value in the early history of FT. In the 1980s, a series of NGOs with whom Oxfam-WW collaborated were invited to provide expertise on how to improve producer support. Some of them became official members of the GA. At that time, thanks to the contribution of these NGOs and the specialisation of certain volunteers in producer support issues, the partner commission formalised its functioning and increased its importance. In 1994, the cooperative entity was created. People with business experience and skills were hired at all levels, including general management. This brought insights of the business world to the cooperative, including jargon, habits, and communication. The governance of the cooperative, previously exerted only by volunteers and partner NGOs, was progressively opened to people with business skills. In the first place, this happened through a business AB. But recently, a direct representation of these people on the Board was considered, although they would not be democratically elected. This has led to hostility from certain volunteers, illustrating a tension between the myth of professionalism, with Board members supposed to bring expertise and improve the organisation’s performance (stewardship model), and the democratic myth focusing on representation. The project of including producers’ representatives on the Board, following the example of Cafédirect, and the more general drive for accountability toward producers, would bring a more stakeholder-oriented governance model, allowing the governance structures to be a vehicle for incorporation of external influences.

Another avenue that may explain my observations is *imprinting*, which can be defined as “*the process by which new organizational forms acquire characteristics at the time of their founding which they tend to retain in the future*” (Scott, 1991:178). Structural features were acquired not by rational choice but because they were taken for granted at the foundation. Several examples can be found in the sample, among which Aux quatre coins du monde, and even more Fair Trade Original. Since its creation in Belgium in the early 1970s, this FTO has retained a nonprofit form, whereas its activities evolved toward a much stronger business orientation. Today the nonprofit form is much more a reminder of the pioneer’s origins, as well as an additional safeguard for profit distribution, than an expression of the FTO’s current goals and activities.

A third type of avenue is *authorisation* of organisational structure. The organisation is not obliged to conform to the institutional pressure, but it does so in order to obtain “*the attention and approval of the authorizing agent*” (Scott, 1991:175). This explains the observation that the perceived expectations of other FTOs, FT networks, important stakeholders, and society were often used to justify the adoption of specific forms. Typically, FTOs were not forced to adopt or to evolve toward more business-oriented legal forms and manager/investor-based

governance models: such a move is rather explained by the normative environment which makes that a business-oriented organisational form is much more taken for granted in the FT sector nowadays than it was a decade ago.

Finally, the role of leaders in the shaping of organisational forms may go beyond that of a passive diffusion and replication of norms and values that are supposed to be taken for granted. The link between leaders' profiles and organisational forms in FT can be read through a more active avenue, namely the *acquisition* of organisational structure. Acquisition is the deliberate choice of the organisational form by managers, which contrasts with the situations described previously "*in which the major impetus for the change comes from outside the organization*" (178). By paying attention to the ability of managers to choose—albeit among a range of choices influenced by the environment—, and by suggesting that managers should be more committed to chosen forms than in the case of inducement or imposition, Scott (1991) initiates, together with DiMaggio (1988), a new strand of institutional theory that leaves much more space to agency: institutional entrepreneurship. I will explore this strand in the next and last chapter. Let me first examine how local institutional pressures may affect organisational forms in the four countries and regions of the study.

2. Local institutional pressures – a geographical perspective

FTOs are not only subject to the global normative pressures deriving from the successive institutionalisation phases in the FT sector (and, more globally, in society). They are also likely to be influenced by local normative trends—which do not necessarily mirror the global ones—, by imitation of FTOs in the same region, and by imposition or inducement of certain forms because of the legislation and the action of public authorities. This section focuses on legal forms and is structured around the four regions of the study. In each region, starting with the particular case of Italy, I briefly recall the observed situation and then look at the institutional factors that could explain it.

2.1. Italy

As the findings have shown, Italian FTOs in the sample—and more broadly¹⁸⁴—appear particularly uniform in terms of legal form (social cooperatives) and governance configuration (volunteer-based or multi-stakeholder with a strong representation of volunteers). What are the reasons that can explain such a situation?

Normative atmosphere

A first reason behind the uniformity of Italian FTOs seems to be the general agreement among them concerning the vision of FT as a civil society, volunteer-based, and political movement (Becchetti & Costantino, forthcoming; Viganò *et al.*, 2008). While mainstreaming is tolerated

¹⁸⁴ my observations in the Roman area seem convergent with the analyses of Viganò *et al.* (2005), and Becchetti and Costantino (forthcoming) at the country's level.

and certain FTOs linked to CTM are involved in it, the interviews revealed a common vision among FTOs concerning the importance of both keeping the control on FT in the mainstream and differentiating FTOs from the mainstream through higher ethical standards. This clearly appeared in the defiance of several Roman worldshops' managers toward the Transfair label, which has often been criticised for not going far enough from a social and political standpoint. This does not mean that professionalism is not a central tool for developing FTOs. But, contrarily to other countries, professionalism does not seem to have been associated with market orientation. Several leaders insisted on the fact that they had professionalised their practice of FT without abandoning volunteer work, economic democracy, and political involvement. The common identity of Italian FTOs lies in the fact that they are more tightly interconnected through regional and national networks. Moreover, they seem to feel different from other countries in which FT is commonly described as more business-oriented (Becchetti & Costantino, forthcoming). Several interviewees, through their questions about the findings in the three other countries, confirmed the predominance of such an image.

Legislation

As Italian legislation heavily constrains commercial activity in the nonprofit sector¹⁸⁵, either “volunteer organisations” (“Organizzazione di Volontariato”) or NGOs, few FTOs still have one of these forms. Indeed, for Italian FTOs initially organised as nonprofits, law 381/1991 on “social cooperatives”¹⁸⁶ constituted a major opportunity. The cooperative form, in its traditional version, was mainly suited for traditional mutual interest cooperatives and was thus not associated with the pursuit of a social mission (Galera, 2004). It is the combined inadequacy of the nonprofit form to run a commercial activity and of the traditional cooperative form to pursue social goals that led to the conception of this new framework (Borzaga *et al.*, 2008:26). Type A social cooperatives are intended to offer services to marginalised groups (elderly, homeless, etc.). Type B social cooperatives are characterised by their provision of work opportunities to disadvantaged categories of people.

The hybrid nature of social cooperatives has pushed the vast majority of Italian FTOs to choose this legal form (mainly the “A” type; only one FTO in the sample, Equo%, is type “B”). It should be noted that this form was also massively adopted in other sectors of social enterprise.¹⁸⁷ The choice of the social cooperative form has been even more tempting for Italian FTOs since they are also eligible—together with nonprofit organisations—for the fiscal category of “Onlus” (“*Organizzazione non lucrativa di utilità sociale*”). Provided that they pursue a social goal and prohibit the distribution of profits or capital to anyone, whether a member or not, the “Onlus” benefit from a favourable fiscal regime. Four FTOs in the Italian sample are recognised as Onlus.

¹⁸⁵ In Italy, the term “nonprofit” is used by many field actors and academics to designate both nonprofit and cooperative organisations. Here, I will stick to the narrow sense of “nonprofit” as defined in the economic literature.

¹⁸⁶ Initially “social solidarity cooperatives”

¹⁸⁷ In 2005, there were 7,300 social cooperatives, employing nearly 250,000 people. The number of social cooperatives has been increasing by 10 to 20% each year (Borzaga *et al.*, 2008).

The Italian legislation did not only encourage uniformity in legal forms, but also in governance practices. Indeed, the law authorises—and encourages—various categories of stakeholders to become members of social cooperatives: employees, beneficiaries, volunteers (up to 50% of members), financial investors, and public institutions. In type B cooperatives, at least 30% of the members must be from the disadvantaged target groups. Through the legal framework for social cooperatives, Italian lawmakers seem to have encouraged uniformity.¹⁸⁸ Nevertheless, a more recent law (118/2005) was passed to extend the recognition of other organisational forms as social enterprises. This law “*does not consider the organisational structure as a condition for eligibility as a social enterprise*” (Borzaga *et al.*, 2008:26). While this law was precisely intended to encourage diversity, its criteria seem so restrictive that it excluded a large part of the “business-form” and other, “non-cooperative” types of social enterprises. As noted by Borzaga and his colleagues, imposing a “total non-distribution constraint” is more demanding than the common characterisations of social enterprises, including the EMES approach.

In conclusion, if we look only at the legislative configuration, it seems “logical” that Italian FTOs massively chose the social cooperative form. Such adoption, however, has been reinforced by the particular normative setting surrounding FT in Italy, as well as by the mimetic pressures that have been exerted in the context of networks.

Networks

The role of lawmakers is, indeed, insufficient to explain the organisational homogeneity of Italian FTOs. Indeed, FT networks seem to have played an important role in promoting non-business forms, and social cooperatives in particular. From its creation in 2003, Agices—the main FT network—has reserved its membership to nonprofit and cooperative FTOs only. This requirement reflects the fact that all the initial members of Agices were social cooperatives or, to a lesser extent, nonprofits, and that “*any other legal form, particularly from the business world, would have been considered as inappropriate*”.¹⁸⁹ Besides discouraging changes of legal form among the current members, this requirement also encouraged new FTOs to adopt a similar form with the intention of joining Agices.

At this stage, the role of both legislation and networks—the latter influencing the former—in favouring organisational uniformity among FTOs is not explicitly coercive but rather normative, which means that there is strong pressure, although no explicit obligation, to conform to institutional expectations (DiMaggio & Powell, 1983). This is described by Scott (1991) as an *inducement* of the organisational structure. In other words, there is no sufficient authority to impose a particular organisational form, but certain agents provide strong incentives for organisations to conform to their expectations. Favourable legislation, funding opportunities, and fiscal preferences are typical such incentives.

¹⁸⁸ I do not mean that this was a purposive action, especially since FT was only timidly emerging at the time of the formulation of the law. But the fact is that there was a massive adoption of that form by Italian FTOs. Funding opportunities did not play an important role, since the Italian FTOs mostly chose the “type A” model, that is not accompanied by particular funding opportunities or fiscal preferences (contrarily to the “type B” model).

¹⁸⁹ Gaga Pignatelli, director of Agices, interviewed on April 2, 2008.

If, however, Agices succeeded in influencing the Italian law project in a way in which the nonprofit or cooperative form would be required to be recognised as a “Fair Trade organisation”, this would move from inducement to *imposition* of organisational forms (Scott, 1991). The outcome would be the strengthening of organisational uniformity. The lobbying role of Agices also consisted of putting pressure on lawmakers to include FT in the recognised sectors of activities for social cooperatives and by organising seminars for FTOs about how to fill the requirements of the social cooperative form. Finally, it lobbied to open the “Onlus” status to FTOs.

Mimetism

Besides coercion, organisational uniformity in Italy may also be explained through mimetism. As there is no guide of “best practices” about how to create an FTO, it is likely that imitation based on personal relationships will play a major role. Indeed, when I asked the leaders to describe the emergence of their FTO, many of them explained that they had visited other FTOs in Rome to ask for information about how to run the FT activity. The most striking example is that of Niente-Troppo, which designed its structure on the model of Pangea, with several volunteers and employees having followed specific training at Pangea. Such imitation, as well as the regular contacts between the two FTOs, facilitated the later absorption of Niente Troppo by Pangea. Other recent Roman FTOs explained that they had adopted the same form as the one chosen by the pioneer FTOs ComES and Pangea, both—especially the second one—considered as relatively successful from an economic, social and political standpoint. The case of Esprit Equo, whose founders traveled to several European countries before starting the FTO, shows, however, that entrepreneurs who do not find a satisfying organisational model in their region may be inspired by FTOs in other regions.

2.2. Belgium

In Belgium, as the findings have shown, we find a large diversity of operators, including “first wave”, volunteer-based nonprofit FTOs (Oxfam-MDM, Sjamma, etc.), pioneers having reinforced their economic profile in the context of the mainstreaming their products (Oxfam-WW, MMH-MFT, Fair Trade Original, etc.) and new FT businesses (Ethic Store, Latino, Citizen Dream, etc.). Within these three broad categories, especially the last one, there is a great diversity of legal forms, architectures, and governance structures.

Normative atmosphere

There are clear differences among the three previously mentioned categories regarding their vision of FT. The contrast is particularly strong between the first- and the third-wave FTOs. Nevertheless, the general trend is clearly toward the strengthening and the legitimisation of a more business-oriented practice of FT, including a high emphasis on professionalisation and on mainstreaming strategies. Moreover, the differences of vision are no longer obstacles¹⁹⁰ to the

¹⁹⁰ As I will describe further in the last chapter, there have been some tensions between pioneer FTOs such as Oxfam-MDM and new business-form FTOs, particularly Citizen Dream, in the early 2000s.

dialogue among and networking of all types of FTOs, in a context in which organisational diversity is recognised and encouraged by the Trade for Development Centre and the public authorities, as well as in the context of the creation of the BFTF.

Legislation

Pioneers such as Oxfam, MMH, and Fair Trade Original were able to import products and open shops while adopting a nonprofit form. This can be explained by the fact that the legal requirements concerning nonprofit organisations (“associations sans but lucratif”) are quite flexible in terms of commercial activity (Dubois, 2003; Nyssens, 2008). Nonprofit organisations are allowed to engage, to a certain extent, in trading activities, provided that they remain accessory to the main social goal in terms of priorities rather than volume (Dubois, 2003:56). There is no restriction on profit-making either, but only on its explicit distribution. This explains why major FTOs such as Oxfam-MDM and Fair Trade Original still have a nonprofit form, although their turnover is high and their commercial activity well developed (especially in the second case). It is worth noting, however, that while Fair Trade Original has spontaneously chosen to be submitted to the same tax rate as conventional businesses so as to avoid criticism of unloyal competition, Oxfam-MDM has been able to pay the lower tax rate applying to most nonprofits. In doing so, it has successfully argued that the commercial activity was only a tool to sustain the social mission and the political project.

As I explained in the third chapter, however, three pioneer nonprofit FTOs (Oxfam-WW, Max Havelaar, and MMH) had to split their organisation into two entities, isolating the commercial activity from the nonprofit entity. This was due not to the legislation but to the decision of the subsidising authority (the DGDC) to fund only the activities of producer support, education, and regulation, organised in the nonprofit form. There was no requirement concerning the legal form of the commercial activity, but only on the fact that it should be clearly and legally isolated from the funded activities. In the sample, if we exclude the networks with their membership requirements, this is the only real example of *imposition* of organisational structure (Scott, 1991). Nevertheless, the coercive isomorphic force of the federal administration was limited. Indeed, Oxfam-MDM, although in the same situation, was able to keep all its activities under a single, nonprofit entity.

For their commercial activity, the three FTOs forced to split up their structure chose the cooperative form. Two other FTOs in the sample—as well as several others outside the sample—chose the same form. Ideological reasons may explain such a choice, as I highlighted in the first chapter, as well as economic reasons (see previous chapter). Other reasons may be found in the availability of regional subsidies. For instance, two Walloon public agencies investing in social economy projects offer subsidies and low-rate loans to nonprofit and cooperative organisations. Several FTOs benefiting from these opportunities already had one of these forms previously to this public measure. In one case, however, a newly created FTO admitted that it had adopted the cooperative form intentionally, to benefit from that subsidy. Although the leaders of other newly created FTOs with a nonprofit or cooperative form did not mention such funding opportunities as a reason behind the choice of the legal form, it is reasonable to assume

that these opportunities constituted at least an additional motivation for this choice. Nevertheless, the fact that a majority of new FTOs in Belgium have adopted a conventional business form put into question the idea that public authorities have an influential role through subsidies and loans—especially since public low-rate loans are also available for conventional businesses.

Other reasons may be found in the Belgian legislation on cooperatives. Such legislation only requires cooperatives to have a variable capital (Dubois, 2003). Thus, in Belgium, the cooperative form does not necessarily imply the respect of the cooperative values and principles¹⁹¹. Only the cooperatives recognised by the CNC (“Conseil National de la Coopération”) are expected to limit the distribution of their profits and to make their decisions democratically—if not “one member, one vote”, at least a voting right that is not linked to the number of shares (Defourny *et al.*, 2002). Yet, in the sample, only one FTO has officially asked for such recognition. We can thus consider that the loose legal framework for cooperatives, with no requirements to prove democratic decision-making or the pursuit of a social mission, has facilitated the choice for the cooperative form. Accordingly, however, such a form does not constitute a strong signal.

This may partly explain why an additional social-oriented framework was developed in 1995. With the development of social enterprises running a commercial activity but pursuing a primarily social mission, Belgian lawmakers introduced a variant to be added to a cooperative or a business form: the “société à finalité sociale” (SFS). It was recognised that a business company could pursue a social goal, which constituted a revolution in Belgian commercial law (Dubois, 2003). These are the main principles to which the SFS have to subscribe:

- The limitation of profit distribution to a maximum rate (currently 6%)
- The pursuit of a social mission (understood in a broad sense)
- The impossibility to appropriate the assets of the organisation in case of liquidation
- A yearly report describing how the social mission was pursued
- The limitation of the maximal voting power in the GA (5%)

Such a framework could have been an opportunity for FTOs to see their specific nature legally recognised, which could have led to more organisational isomorphism if many FTOs had adopted this framework. In the sample, however, only two¹⁹² FTOs have adopted the SFS framework: MFT and Max Havelaar (cooperative entity). Such minimal success among FTOs can be explained by the fact that the organisational requirements of this framework were not offset against advantages such as fiscal preferences (Cannella, 2003; Nyssens, 2008).

In fact, SFS companies are widespread in given sectors in which this form is required by public authorities, for instance, work integration companies in the Walloon Region (Nyssens, 2008). In FT, on the other hand, public authorities have not promoted one particular form. Moreover, they seem to acknowledge the diversity of FT operators, as it appears in the projects of federal

¹⁹¹ See the first chapter for a brief description of these principles.

¹⁹² Another cooperative FTO, Comptoir Mosan, adopted the SFS variant.

law¹⁹³ defining FT and its operators and even more explicitly in the support of the Walloon Minister of Economy for the strengthening and federation of French-speaking FTOs. Indeed, during several meetings for preparing such federation, it was clearly recognised that the diversity of legal forms in the FT sector was a fact and a strength that should not be altered by public coercion. This is an example in which the public authority explicitly favours diversity.

In terms of governance, there is also little isomorphic pressure. We can find one example, however, in which public coercion has influenced an FTO's governance structures. When Citizen Dream asked for low-interest funding at a public regional investment agency in Brussels, the condition was that the agency have a representative at the GA and on the Board. The goal was to check whether the loan was used in a proper way. Nevertheless, according to the two leaders, the presence of such an agency on the Board did not strongly influence the functioning and priorities of the governance structures, in a situation where different types of stakeholders—including financial institutions and individual shareholders—were already involved and paid attention to the economic dimension of the activity.¹⁹⁴

Mimetism

Despite the collapse of Citizen Dream, newly created FTOs seem to prefer business legal forms. Some of them have a specific model in mind. For instance, the founder of Ethic Store developed his FTO according to the same model of Internet B2B sales as the French FTO Signaléthique. Several interviews in newly created FTOs suggest that the business form was seen by the leaders as one of the ways to differentiate themselves from nonprofit pioneers, particularly from Oxfam-MDM.

2.3. France

As we have seen, French FTOs in the sample are mainly nonprofits and businesses, which correspond relatively well to, respectively, the first and third waves. While French legislation may explain the poor success of cooperatives, other reasons are required to explain why the other FTOs are structured either as nonprofits or as businesses. Adopting a slightly different structure, I review the three legal forms and included coercive, mimetic, and normative arguments for each of them.

Why so few cooperative FTOs?

In the French sample, Ethiquable Gourmand (as its national mother organisation Ethiquable) and Soli'gren are the only cooperatives—the first one as a “SCOP”¹⁹⁵ (workers' cooperative) and the second as a “SCIC”¹⁹⁶ (general interest cooperative). The interviews suggest that

¹⁹³ As mentioned in the third chapter, these law proposals have not yet been examined by the Parliament, partly because there is strong opposition from the mainstream business world.

¹⁹⁴ A safeguard that did not suffice, however, to prevent bankruptcy.

¹⁹⁵ “Société coopérative de production” as defined by the law of July 19, 1978.

¹⁹⁶ “Société coopérative d'intérêt collectif”, as defined by the law of July 17, 2001, and completed by the law of February 21, 2002.

French legislation made the adoption of the cooperative form difficult. Indeed, the administrative requirements on French cooperatives include limited profit distribution and various rules in terms of governance.¹⁹⁷ In all French cooperatives, members must have equal voting rights (one member, one vote). In a SCOP, workers must have at least 65% of the voting rights at the GA and form the majority of the Board (Hiez, 2006). In a SCIC, members must be at least of three types (Margado, 2002): workers, beneficiaries, and supporters (individuals or institutions who bring funding or other types of support to the cooperative). In Soli'gren, for instance, the SCIC form derived from the desire of the city of Grenoble and of various local NGOs to be associated in the governance structure in exchange for their support to the FTO. This is an interesting example in which a “multi-stakeholder” model is imposed by a public authority together with the legal form.

Many leaders of French FTOs not organised as cooperatives declared that they were interested in the cooperative idea *a priori*, but that they had rejected the cooperative legal form because of its heavy administrative requirements. The leaders of the two French cooperative FTOs, especially in the SCIC Soli'gren, admitted that these administrative requirements and complexity constituted a heavy burden. In Soli'gren, the understanding of the organisational structure by volunteers and supporters even proved to be problematic.¹⁹⁸ Such complexity may explain why the SCIC form, although inspired by the Italian experience of social cooperatives, has known limited success in France (Fraisie, 2008). As a consequence, it seems reasonable to suggest that the legal framework on cooperatives, more than, for instance, a little favourable normative context, explains the fact that most French FTOs have adopted either nonprofit or business legal forms.

Nonprofits

The law on nonprofits (1901) allows for commercial activity only to a certain extent. It is quite striking that French nonprofit FTOs are very small. This could be explained by the legislative constraints, but also by a lesser focus on the economic activity and much more on focused solidarity projects (e.g., Ayllu, Aux 4 coins du Monde, Souffle de l'Inde, etc.). When ADM formalised its importing activity under the central “Solidar'Monde” (in 1984), it replaced the nonprofit form by a conventional business legal form, anticipating the future trend of group structures. Nevertheless, the ADM Federation remained as a nonprofit structure. Similarly, the local shops of ADM were obliged to be organised as nonprofits. This explains why several newly-created worldshops are nonprofits and why their proportion in the sample is high. Nevertheless, if we exclude ADM worldshops, there are few nonprofit FTOs, and their proportion is decreasing as new FTOs massively adopt business forms. In my view, this reflects a shift in the normative atmosphere, with criticism toward the volunteer-based nonprofit form coming simultaneously from the new mainstream-oriented FTOs (such as Ethiquable or Signaléthique) and from Minga members (such as Saldac and Karawan).

¹⁹⁷ The French law on cooperatives dates back to September 10, 1947, and recognises the specific identity of cooperatives (Conseil Supérieur de la Coopération, *Le mouvement coopératif en France*, Rapport 2007).

¹⁹⁸ It is emblematic that, at the end of the interview, Soli'gren's managers advised me to speak to the person who had been responsible for conceiving the structure and who understood it better than they did.

Business forms

Most recent FTOs have chosen a business form. Since the creation of Alter Eco as the first privately held FTO in the late 1990s, many FTOs have been created following their model.¹⁹⁹ More generally, the success of business forms can certainly be explained by reluctance toward the nonprofit form and the trend toward professionalism and market reliance, clearly stimulated by Max Havelaar France and its regional platforms such as Equisol. While, as already mentioned, such a platform has extended its scope beyond the partners and licensees of Max Havelaar France, the interviews with its coordinators, as well as the participation in one of their meetings, suggest that this platform has retained an implicit promotion of “mainstream-friendly” FT²⁰⁰ and of business forms for FTOs. Business-form FTOs have been particularly encouraged in new niches in which this form is seen as a sign of professionalism, as suggested in the interviews with Signalétique (B2B), Laspid, and Quat’rues (T-shirts).

A different drive for business forms comes from the Minga network. The promotion of the combination of business forms and political involvement by Minga entails mimetic but also normative isomorphism: FTOs adhering to Minga show a striking uniformity in their discourses but also, progressively, in their forms. Minga offers an example—unique in the study—of normative isomorphism through a professional network, as described by DiMaggio and Powell (1983). Indeed, the professional training organised by Quatre Mats Développement for current and potential FT entrepreneurs together with the Minga network, although not directly addressing organisational forms, promotes a particular model of practicing FT that is likely to strengthen the uniformity among Minga members.²⁰¹ Three interviewees in Rhône-Alpes reported this training as a crucial step in the creation of their FTO. In conclusion, in Rhône-Alpes and more generally in France, the context seems favourable to business-form FTOs, whose proportion should be increasing in the coming years.

2.4. United Kingdom

In the UK, similarly to Belgium, we find a wide variety of organisational forms. It is quite striking to observe that, contrarily to the three other countries, the landscape seems particularly open, which may partly be explained by the absence of monopolistic behaviour of pioneer FTOs or networks. Another factor that may play a role is the very flexible legal context. I structure the analysis around the main types of legal forms.

Charities

Nonprofit FTOs, although not very numerous, are present either as such (Gateway) or in the context of group structures (Traidcraft and Twin). But, contrarily to the situation in the three other countries, pioneer FTOs have not necessarily adopted a nonprofit form: Traidcraft began as a public limited company, One Village and Siesta developed as family businesses, etc. The

¹⁹⁹ Two business-form FTOs in the French sample explicitly mentioned Alter Eco as their “model”.

²⁰⁰ Which has led to criticism from the Rhône-Alpes members of Minga.

²⁰¹ The focus is on the entrepreneur as the central figure (www.quatre-mats.org).

legal form closest to nonprofit organisations is the “volunteer organisation”. Many volunteer organisations are additionally “charitable organisations” or “charities”. To deserve this name, they must serve a public purpose and be active in one of the fields listed by the “Charities Act” (poverty alleviation, human rights, etc.). Charities may take three possible legal structures: the Unincorporated association, the Trust, or the Company limited by guarantee. It is the latter form that has been preferred by most British nonprofit FTOs, because of the broader possibilities for engaging in diverse economic activities (hiring people, selling products, etc.) while protecting members from personal liability.²⁰² Companies limited by a guarantee are allowed to run commercial activities, provided that they serve the charitable purpose. While this form thus seems suited to the practice of FT, it has not been widely adopted. It is worth noting that, contrarily to what has been observed for instance in France and in Belgium, the interviews and observations have not revealed particular criticism from other FTOs or networks toward the nonprofit form and the use of volunteer work.

Cooperatives and CICs

The adoption of the cooperative form is particularly easy because there is no specific form for cooperatives. Indeed, in the UK, cooperatives must register as corporations and may then freely choose to apply the cooperative principles (Galera, 2004). This is the scenario followed by Just Fair Trade, which was launched by several people wishing to be involved in the FTO not as volunteers but as workers. This led to the creation of a workers’ cooperative—including paid and volunteer workers—, considered by the “leader”²⁰³ as “*one of the forms that is most coherent with the philosophy of Fair Trade*”. Although the “Community Interest Company” (CIC), created in 2005 specifically for businesses with social purposes, has known a certain degree of success in the UK (Spear, 2008), only one British FTO in the sample (Zaytoun) has adopted this form. The CIC enjoys the flexibility of a conventional business company, while having to fulfill a number of compliances to ensure the pursuit of the social goal (Low, 2006). The CIC legal form includes a community interest test and an asset lock to ensure that the new entity is dedicated to its expressed community purposes (Low, 2006; Spear, 2008). However, the CIC does not benefit from the same tax advantages as charities. It is especially suited for social entrepreneurs who want to pursue a social goal in a more flexible and business-oriented way than through a charity. Contrarily to the Italian social cooperative form, which Agices has been promoting for FTOs, the CIC form has not particularly been advocated by FT networks or large FTOs. This, together with the administrative requirements of the CIC form, might explain its weak success among British FTOs. But more globally, the fact that British FTOs have not been searching for and promoting specific forms to run the FT activity, thereby fostering organisational diversity, can be explained, in my opinion, by the very relaxed view on legal forms, which do not either seem to be perceived by the interviewed leaders as very strong “signals” of the organisational identity or practices toward other FTOs or external stakeholders.

²⁰² Contrarily to the unincorporated association, where members are personally liable for the association’s actions.

²⁰³ Despite the strong emphasis on democratic decision-making and equality of statuses, one of the founders of Just Fair Trade progressively took the leadership. Such leadership was reinforced by the title of “Leicester social entrepreneur of the year”, awarded in 1997.

Business forms

The apparent absence of normative resistances from pioneers, volunteers, and supporters toward business forms is a first factor that contrasts with the situation in the three other countries and explains why many British FTOs, including the pioneers, have adopted a business form (private or public company limited by shares—the most common form of limited company being the corporation). A second reason is that the trend for professionalisation and accountability, as well as the opening up to mainstream distribution, developed much earlier than in the other countries, as we saw in the third chapter. In contrast with the situation in France, for instance, where the pioneers such as ADM passively witnessed the emergence of mainstreaming and saw it as a threat, most British pioneer FTOs promoted it themselves and also prepared for it. Of course, the business legal form is only one element in such a process. But, still, it is a fact that pioneers such as Traidcraft and Twin engaged themselves in the mainstreaming process and that the partly business form, in the context of a group structure, was, if not a condition for their participation in it, at least a signal that the practice of FT in a business form was accepted and encouraged. The creation of Cafédirect and of the subsequent FT businesses was another signal that professionalism and market orientation were encouraged to meet the social ends of FT. The “Cafédirect model”, with producers’ involvement and high FT standards, served as an example of a social enterprise combining market penetration and social mission. This example was mimicked both in the UK—through other famous product-focused FTOs but also through smaller non-food FT businesses—and in other countries. It is thus a mix of normative and mimetic factors, rather than coercive pressures, which may explain the success of business forms. Yet, contrarily to the situation in the other countries, the emergence of business forms among FTOs did not imply the undermining of other—typically nonprofit—forms. Rather, the different forms seem to coexist, in a context that emphasises values of professionalism and accountability but does not seem to impose or exclude particular forms to implement these values.

3. Synthesis and conclusion

In the following table, I summarise the nature and salience of the diverse types of institutional pressures in the four regions of the study.

Table 54: Synthesis of the institutional pressures observed in the four countries

| | Belgium | France | Italy | United Kingdom |
|--|---|--|--|--|
| General normative pressures and myths | Foundation: economic democracy and solidarity = generally weakening, although still shared by some pioneers Mainstreaming: professionalisation, market orientation and accountability = established trends shared by largest and dominant FTOs, supported by networks Entrepreneurship: individual, risk-taking, innovation, professionalism and market orientation = emerging trends | | | |
| Local normative pressures | Dominance of values linked to mainstreaming and entrepreneurship Economic democracy and solidarity pursued by few pioneers | Economic democracy and solidarity claimed but applied differently in ADM and Minga networks Entrepreneurial values particularly strong; politically tinted by Minga | Economic democracy and solidarity much stronger than elsewhere Certain professionalisation but limited market orientation | Dominance of values linked to mainstreaming; accountability stronger than elsewhere; small ²⁰⁴ FT entrepreneurial ventures less developed |
| Local coercive pressures | Generally weak Pressure toward specialisation in the case of public funding | Generally weak Nonprofit form imposed in the ADM network | Strong: social cooperative or nonprofit form required for Agices members | Very weak |
| Local mimetic pressures | Nonprofit form in earlier decades; now rather business forms as a differentiation mechanism | Idem: from nonprofit to business forms Mimetism within networks (ADM, Minga, etc.) | Social cooperative model, with inclusion of volunteers and employees, imitated by newer FTOs | Some imitation in business forms and participatory governance (producers' ownership) |

From this table and from the whole chapter's analysis, several conclusions can be drawn. At the global level, normative pressures derive from the successive institutionalisation phases. Several values and "myths" have been distinguished within each of the three phases. Throughout the interviews, these myths have been regularly used to justify, explicitly or not, the adoption of particular forms. But, following a sociological neo-institutional perspective,

²⁰⁴ Small on the scale of FT.

much of the normative institutional influence also occurs beyond the awareness of the participants. Such a normative influence may explain why FTOs distinguish themselves according to the period during which they were created and according to the profiles of their founders and leaders. We have seen, however, that these links are neither automatic, nor uniform. In other words, FTOs may also differ in the way in which they have adapted their structure to the successive institutionalisation phases.

This confirms that FT – and FTOs – has not emerged on the basis of one universally shared myth or vision. It has rather emerged in a sort of “institutional void” or at least in an “interstice” between different institutional orders (Renard, 2003). As a consequence, FTOs have not been passively led into one common mould. They have rather been influenced by norms originating from, successively, the activist side of civil society, the mainstream market, and the promoters of (social) entrepreneurship. These norms, however, have not imposed themselves exogeneously, making the FTOs of each generation dependent on a specific path. It is FTOs themselves that have adapted the organisational path to FT using “bricolage”, combining elements from these different worlds. Most FTOs have used “bricolage”, combining elements from these different worlds. This has obviously led to contradictions within the organization (Kraatz & Block, 2006). The example of Oxfam-WW has shown how the values of economic democracy and professionalisation, carried by different organisational actors (typically, volunteers versus commercial managers), could lead to tensions. In terms of governance, the existence of diverse and contradictory institutional orders has been identified by Edwards and Cornforth (2003) as a major factor explaining the diversity of governance models and the paradoxes within governance structures. Moreover, it is worth underlining that myths such as “professionalisation” have been interpreted differently according to the context. Indeed, while mentioned by the majority of the interviewees, professionalisation has translated into a series of diverse modalities in terms of legal forms, architectures, and governance models—despite a common stronger business orientation. Nevertheless, in the future, the further penetration and concretisation of the trends toward professionalisation and accountability could lead to more uniformity through business-like forms. This is also suggested by several authors who analyse the growing success of business-oriented approaches to social enterprise (e.g., Dart, 2004).

Normative pressures also exist at the local level and are especially important since the global trends seem multiple and vague. First, regional differences appear at the normative level, with, for instance, Italy and the UK differing much in the salience of economic democracy and solidarity in relation to market orientation. The interviews with the Roman FTOs confirm Becchetti and Costantino’ (forthcoming) observation that Italian FTOs constitute a relatively homogeneous political movement, which can be linked to their common organisational forms. But local differences can also be explained by diverging coercive and mimetic pressures. Indeed, through legislation and funding, public authorities may induce the adoption of particular organisational forms. The emergence of group structures in Belgium illustrates such an influence quite well. Moreover, networks may play a role in rendering certain forms more easily available for FTOs, and even in requiring these particular forms, as the Italian case has shown. Globally speaking, however, and with the exception of Italy, coercive pressures seem

relatively weak. In the three other regions, indeed, public authorities have not developed a specific legal framework determining how FTOs should be structured. In Belgium, organisational diversity seems even explicitly promoted by public authorities.

Another factor explaining diversity is the absence of a general imitation process, typical in what can be called an “institutional void” or at least a field in which different institutional pluralism logics coexist (Kraatz & Block, 2008). While uniformity may exist because of imitation in specific networks (for instance, Minga in France), there do not seem to be commonly recognised success stories that could be imitated by all FTOs. Imitation seems to occur mainly within similar regions and generations. Nevertheless, generally speaking, new FTOs seem more likely to imitate successful business-oriented FTOs than volunteer-based nonprofit FTOs. The pioneering examples of business-oriented FTOs such as Alter Eco and Ethiquable in France, Cafédirect in the UK, and Citizen Dream in Belgium, despite their different sizes and economic performances, have all demonstrated that market orientation and social mission could be combined, thereby inspiring new generations of FTOs. If the creation of new FTOs under a business form is pursued with entrepreneurial dynamics and governance models, then we could expect more organisational uniformity in the future.

In most cases, global and local pressures act in the same direction, i.e., toward more business-oriented forms relying increasingly on market resources. For instance, in Belgium, the public requirement of organisational splitting for large nonprofit FTOs has converged with the normative trend toward professionalism: both pressures have favoured the emergence of cooperatives focused on the economic activity (in the context of group structures). In France, the “crusade” of Minga against voluntary work and nonprofit forms has reinforced the global normative trend. Originally, Minga coupled such a promotion with a rediscovery and reinterpretation of the political involvement, thereby attracting many young FT entrepreneurs. Nevertheless, in other cases such as Italy’s, the local coercive and mimetic pressures have seemed to contradict the global trend. This may obviously lead to tensions. The case of Esprit Equo illustrates how FTOs may be caught between global trends (in this case, the imitation of business-form FTOs in other countries) and local trends (making it difficult to implement such a contrasting model).

In conclusion, the diversity of organisational forms in FT challenges the isomorphic predictions of early sociological neo-institutional theory. Isomorphism is observed only in specific segments of FTOs, i.e., in a particular region or within a particular generation. Other theoretical approaches are thus needed, particularly to examine the strategic ability of FTOs to react differently to institutional pressures. These approaches may be driven by the intersections of neo-institutional theory with closely related approaches such as resource dependence theory (Tolbert & Zucker, 1996). But the theoretical developments may also come from sociological neo-institutional authors themselves, who, drawing on the intuitions of DiMaggio (1988) and Scott (1992), have tried to develop analyses based on the interactions between organisations and their environment. These analyses in the context of “institutional entrepreneurship” show that it is not only different reactions to common pressures that may bring diversity, but also the weak and contradictory nature of these pressures as well as the ability of given actors to alter

and create them. I thus follow DiMaggio when he suggests that “*multiple, conflicting constraints provide opportunities for various kinds of organizational forms to be established. These cross-cutting institutional pressures provide a space for entrepreneurs to construct an organization out of a diverse set of legitimated practices*” (1988:197). Such a view is also embraced by Nicholls and Cho (2006) when they emphasise the disruptive and innovative capacity of social entrepreneurs that enables them to escape isomorphic pressures. By interpreting the reasons behind organisational diversity in a more interactionist perspective, institutional entrepreneurship and resource dependence theory will hopefully allow me to understand why the practices relating to legal form, architecture, and governance remain diverse even within the same region or the same generation. This implies the necessity to consider the organisational form not as a simple mirror of the broader institutional pressures, but as a strategic, power tool entailing a particular meaning.

Chapter 8 – The organisational form as a strategic tool for FTOs

Introduction

Up to this point, I have been dealing with the factors and forces that drive FTOs to adopt diverse legal forms, architectures, and governance structures. I have suggested two types of answers. First, following an economic neo-institutional perspective, part of this diversity can be explained by the fact that FTOs do not all produce the same type of economic goods. As FT corresponds in fact to a complex bundle of private, public and trust goods, each FTO will adopt the organisational form that best provides it the assets needed for the production of these goods, in other words, that minimises its transaction costs while also minimising the founders' costs of establishing and designing ownership. But transaction cost arguments do not explain why FTOs differ in their product mixes. The sociological neo-institutional literature suggests reasons of a different, broader nature. Various institutional pressures (legislation, norms and values, imitation, etc.) seem to partly constrain and orient FTOs in the adoption of their organisational form. However, while FTOs from the same generation (e.g., pioneers), network (e.g., ADM and Agices) or operating in the same region (e.g., in Italy or in Belgium) tend to adopt similar organisational forms, there still seems to be much latitude for FTOs to shape their organisational form.

Sociological and economic neo-institutionalism appear as rival explanatory theories. Yet, this does not mean they cannot be complementary (Schneiberg, 2005). A form appearing as an exception in the light of one theoretical approach may be better explained by the other approach. *Esprit Equo*, which, unlike other Italian FTOs, chose another legal form than the social cooperative, thereby cutting itself from resources and access to networks, appears as a question mark in the eyes of sociological neo-institutional theory. However, when we examine its product mix, focused on trading, and when we take into account the high costs of ownership associated with the social cooperative form, we better understand the emergence of this FTO as a manager-owned business. Similarly, FTOs that have “illogical” organisational forms from a contractual standpoint may be better understood through a sociological neo-institutional perspective. For instance, the nonprofit form of Fair Trade Original, which might appear as surprising given its business focus and resources, can be explained through the process of “imprinting” described by Scott (1991)—i.e., the fact that its form reflects the institutional environment at the time of its creation, despite its subsequent evolution.

Both neo-institutional perspectives ignore much of the actors' abilities to shape and give meaning to their organisational form. Such abilities are crucial in completing our understanding of organisational diversity in FT. First, despite the institutional pressures and the contractual arrangements, there is much space for strategic action. Neither of the traditional neo-institutional theories deal with the concrete process leading to the design of organisational forms. Secondly, the two approaches present the environment as given and say little about the role of organisations in shaping this environment. Thirdly, the role of the organisational form regarding the articulation of the three dimensions of FT has not yet been examined from the

standpoint of the organisational actors within FTOs. Such a lack leaves us, at this stage, with limited knowledge of the tensions that might appear among these three dimensions and the way in which these tensions can be dealt with through the organisational form.

This final chapter aims to address all these issues, which have in common that they look at the *strategic role* and the *meaning of* organisational forms. The study of such processes does not start from nowhere and does not ignore the previous neo-institutional analyses: it adds a piece—a different and crucial one—to the global puzzle. In other words, I examine the ability of FTOs to conceive and use their organisational form strategically, *according to and despite* institutional constraints. As mentioned in the second and third chapters, this implies a paradigmatic shift, from a deterministic, objectivist perspective to a more interactionist one. This is why this chapter is based on a few case studies that show how organisational forms have been shaped and used from the perspective of the organisational actors (mainly the manager but also other stakeholders).

In the first section, I expand upon case studies covering the five categories of organisational forms. I pay particular attention to how organisational forms have been developed in a way that counters or influences the environment, either:

- because these organisations have a form that contrasts with the dominant trends of the environment shared by other FTOs;
- because these organisations turn institutional pressures with which they have to conform into opportunities to give meaning to their organisational form;
- or because these organisations shape the environment in a sense that provides more legitimacy to their own organisational form.

For each FTO, I examine the construction of the organisational form, highlighting the role of “institutional entrepreneur” played by one or several people in the organisation and the links to various stakeholders and other social actors. Then, I interpret the findings of these case studies in the light of the two interactionist approaches: institutional entrepreneurship and resource dependence theory.

The second section exploits these interactionist analyses to examine, for each type of FTO, the latitude and the challenges in articulating the three dimensions inherent in FT and in dealing with the tensions between these dimensions.

1. The shaping and the meaning of organisational forms

At the end of the fourth chapter, I established a taxonomy of FTOs based on the three elements of organisational form. While the two previous chapters helped to understand the (co)existence of the different categories, we still know little about the concrete processes through which organisational actors have located their type of form in the organisational landscape. To

achieve this, I focus on one or two examples²⁰⁵ for each category of the taxonomy, and look at how, by whom, and in what context the organisational form has been shaped. I highlight the role of “institutional entrepreneurs” in shaping the specific organisational form of their FTO, but also more broadly, the impact of these entrepreneurs on other FTOs and on the whole sector. In doing so, I extend the question of “why” organisational actors prefer a particular organisational form, to that of the meaning given to such a form, as well as to the power plays that the promotion of particular forms over others entails.

1.1. Case studies

1.1.1. Esprit Equo (Type 1)

Organisational form and institutional setting

As I have already explained, the founders of Esprit Equo have explicitly chosen to focus on the economic and social dimensions, leaving the political activity aside. In their view, their business should be professional and profitable so as to allow them to live from it while having a maximal impact on producers. Esprit Equo’s entrepreneurs are not critical about the model of other FTOs, recognising that education, regulation and advocacy may be important in the FT movement and require “non-business” forms. What they regret, however, is the monopolistic vision of the dominant FTOs—institutionalised through the Agices network—who consider that FT must necessarily be undertaken with a nonprofit²⁰⁶ form.

The founders have invested personal money and got a bank loan. The turnover is exclusively composed of sales. The governance and architecture are quite simple, with only the couple of founders/entrepreneurs. Most of the activities are of a commercial nature: product development together with Comercio Alternativo, building of the supply chain and sales of the products (through wholesale and, to a lesser extent, in their own shop). Producer support is, of course, a central dimension, which is carried out in a quite informal way by the founding couple and includes regular travels to Morocco.

Within the sample, Esprit Equo is probably the most striking example of a “black swan”, i.e., an organisation that seems unaligned with the general trend. Indeed, in a legal and socio-economic environment that associates FT to social cooperatives, and with a network of FTOs that restricts its membership to not-for-profit forms, Esprit Equo appears to be an exception. In terms of networking and legitimacy, the business form of Esprit Equo seems to constitute a handicap in many aspects. First, it is isolated and it cannot engage in partnerships with most other Italian FTOs. Since Esprit Equo is absent from the local (RES) and national (Agices) networks, it has no access to common facilities (presence on fairs, advertising, shared logistics, etc.). Secondly the entrepreneurial approach to FT has not been well represented in the negotiations for an Italian law on FT—with worldshops and mainstream retailers being the only

²⁰⁵ One for each type except type 2, for which two mutually contrasting cases will be examined—the reason will be explained further.

²⁰⁶ If we take the term commonly used in the Italian FT sector. It should rather be “not-for-profit”, as cooperatives are of course included.

sales outlets considered. If such a law happened to consider only social cooperatives as FTOs, this would obviously constitute an obstacle for Esprit Equo. Thirdly, there is the threat of customers used to the worldshop model being suspicious about the ethical nature of Esprit Equo's products. Fourthly, resources such as subsidies and donations are more difficult to obtain than with a social cooperative form.

Given these obstacles, why did Esprit Equo not choose a more legitimated organisational form? As previously mentioned, a neo-institutional economic analysis highlighting the focus on private good production and the low costs of ownership for the founders provides part of the answer. But it is not sufficient. In my view, the unaligned form is also the symbol and the result of a differentiation process through which the founders have wished to signal that their way of practicing FT was different than the one shared by most other FTOs. Moreover, in order to counter or at least alleviate the obstacles inherent in their "non-alignment", the entrepreneurs deployed—consciously or not—a number of strategies.

First, in terms of collaborations in the Italian FT sector, Esprit Equo established contacts with Transfair Italy, participating in some of their training sessions and national events on FT. Moreover, Esprit Equo engaged in a fruitful partnership with Commercio Alternativo²⁰⁷. This importing FTO from Northern Italy, number two in terms of sales, is characterised by a stronger commercial orientation than the number one, CTM. This translated into tight partnerships with supermarket chains and the acceptance of labeling for all its food products (contrarily to most Italian FTOs²⁰⁸). Commercio Alternativo initially distributed the products of Esprit Equo in its own retail network. This allowed Esprit Equo to increase its turnover, but also to gain legitimacy in the eyes of other FTOs. Indeed, despite a more commercial orientation, Commercio Alternativo is recognised as a pioneer FTO in Italy and its products are distributed in most worldshops. Commercio Alternativo is a member of WFTO—which probably offers the strongest possible legitimacy in the eyes of the pioneer FTOs. In a second step, Esprit Equo and Commercio Alternativo developed a whole range of cosmetics together. This allowed Commercio Alternativo to develop an offer of cosmetics competing to that of CTM, which launched "Naty" in the early 2000s. For Esprit Equo, being "endorsed" by a WFTO member such as Commercio Alternativo allowed it to be better accepted in the Italian FT sector. The alliance between these two FTOs is an interesting example of "alternative" in comparison with what can be considered as "mainstream" in the Italian FT world, i.e., CTM.

In this quest for legitimacy, much relies on the relationship with producers and on the way of communicating about it. In this respect, Esprit Equo has important assets, the main one being that one of the two entrepreneurs himself has Moroccan origins. He is thus familiar with Moroccan producer organisations and visits them regularly. The involvement of Esprit Equo in Morocco has gone as far as becoming a Board member of the Moroccan FT platform²⁰⁹ and helping Moroccan producers get in contact with other European FTOs. The other producer

²⁰⁷ www.commercioalternativo.it

²⁰⁸ Although CTM, whose products were available in supermarkets but without a label, has now resumed its collaboration with Transfair Italy.

²⁰⁹ Plate-forme marocaine pour le commerce équitable – www.pmce-info.org

organisations that provide ingredients for the cosmetics are partners of Commercio Alternativo and some of them are members of WFTO. In its communication about this joint venture in cosmetics, Esprit Equo and Commercio Alternativo particularly insist on the high ethical standards of the partnerships with the producers' organisations.²¹⁰

Moreover, Esprit Equo compensated for the small number of potential partners in Italy by developing partnerships with FTOs in France, Belgium and the UK. The international profile of the founders facilitated these partnerships—which contrast with the very local anchorage of most other Roman FTOs. According to one of the entrepreneurs, the presence of business-form FTOs in these countries was a strong opportunity not only to find commercial partners but also to find inspiration about how to run FT under an entrepreneurial form. The existence of FTOs similar to Esprit Equo was mentioned by the entrepreneurs as a source of motivation to stand firm despite the somewhat difficult national environment. It is interesting to note that Esprit Equo also developed a fruitful relationship with a very politically involved FTO, at the opposite extreme of the organisational continuum: Il Fiore. While Il Fiore decided to distribute the cosmetics of Esprit Equo in its shop, Esprit Equo participated informally in campaigns in which Il Fiore was active. This can be seen as an interesting example of collaboration between FTOs with a totally different profile.

Moreover, to counter the risks of legislation or reputation making it difficult to develop FT in a “for-profit” form, Esprit Equo did not base its communication on the FT dimension. In this respect, the communication strategy of Esprit Equo is quite similar to that developed by other new FT businesses such as Citizen Dream in Belgium, Silver Chilli in the UK or Karawan in France. The strategy of these businesses is to insist much more on the quality of the products and on their correspondence with the consumers' needs than on the FT characteristic. Thanks to this, Esprit Equo's sales may be better shielded against the reputation risks linked to FT in general and more specifically to FT in the business world: if customers are faithful to the products because they like them and not because they are FT, they are less likely to stop buying them in the case of a scandal surrounding FT or worldshops' practices.

Finally, like many other business-form FTOs, Esprit Equo compensated for the lack of non-commercial resources (subsidies, donations, volunteer work, etc.) by focusing on sales. The diversification of selling channels—another advantage of the collaboration with Commercio Alternativo—and the ability to receive bank loans thanks to a coherent business plan are part of the solutions implemented by Esprit Equo to secure resources despite their exclusively commercial origin.

Toward an institution?

Esprit Equo can be seen as one of the path-breaking business-form FTOs in Rome and more generally in Italy. Although other FTOs structured as businesses are rare in Italy, the innovative experience of Esprit Equo could pave the way for similar initiatives by showing the pioneer

²¹⁰ See, for instance, the file published on Commercio Alternativo's website (<http://www.commercioalternativo.it/imgs/dossieree2.pdf>).

FTOs that their social mission is strong and by showing the business world that FT can be economically sustainable. Despite the adverse environment and suspicion on the part of not-for-profit FTOs, Esprit Equo managed to grow, thanks to the partnerships it succeeded in establishing, both in Italy and abroad. The commitment and optimism of the two entrepreneurs, as well as their personal contacts in Europe and Northern Africa, have certainly contributed to this success. Thanks to these assets, Esprit Equo was not only able to develop as an FTO, but also likely to influence the normative environment in a way that would be more favourable to the development of other business-oriented FTOs.

1.1.2. Citizen Dream (Type 2)

Toward a new organisational model

At the time of its creation, in 1998, Citizen Dream also clearly looked like a “black swan”. Its business legal form, 100% market resources, and its “soft” communication toward customers²¹¹ contrasted sharply with the existing models of FTOs. Although the business focus was increasing for most Belgian pioneer FTOs, Citizen Dream was the first entrepreneurial business-form FTOs in Belgium.

Similarly to Esprit Equo, the explicit focus of the entrepreneurs on “private good” production and the desire to differentiate their way of viewing and implementing FT from the pioneer, nonprofit FTOs led to the choice of the business form. Rather than being influenced by external pressures, the founders of Citizen Dream chose an uncommon form. The business form also clearly corresponded to the preferences of the entrepreneurs, given their negative experience with nonprofit forms and their project of launching their venture after an educational program in management. The adoption of a business form was thus a clear strategic choice of the entrepreneurs, with the support of the founding shareholders. Much like Esprit Equo in Italy, Citizen Dream operated strategically to be accepted in the FT sector despite its unusual form. Firstly and most strikingly, it asked and obtained WFTO membership, which appeared as a powerful signal of trustworthiness and legitimacy concerning its FT activity. Such a signal was useful in the organisation’s relations with the established pioneer FTOs, especially Oxfam-MDM, whose initial suspicion was strong.²¹² Not only were the producer partners of Citizen Dream—themselves WFTO members—recognised, but the structure of Citizen Dream itself was considered to be compatible with FT standards. This required, nevertheless, a commitment of Citizen Dream to FT as its central activity²¹³ and to employees’ participation in governance.

Secondly, as the interviews with each of the two entrepreneurs revealed, Citizen Dream consciously shaped its shareholders’ structure and thus its governance so as to include stakeholders that were perceived as legitimate in the FT movement. In my view, the involvement of development NGOs, recognised individuals²¹⁴ and other FTOs²¹⁵ in the GA and

²¹¹ In the sense that references to FT in communication and marketing were only implicit.

²¹² Oxfam-MDM depicted Citizen Dream as an example of a “FT light” initiative.

²¹³ Part of the products, however, were not explicitly FT and were referred to as “ethical trade”.

²¹⁴ For instance, a WFTO consultant

²¹⁵ Such as Fair Trade Original

on the Board facilitated the legitimisation of Citizen Dream's organisational model. These stakeholders embodied preoccupations that can be linked to two interrelated dimensions of FT: sustaining an economic project with a strong social mission—but not so much a political message. The regional public investment agency, the economic partner Fair Trade Original, and the individual shareholders all cared, to a certain extent, about the economic development of the FTO. Franchisee shops also had a clear interest in the economic health of the FTO. Concerning producer support, beside the presence of development NGOs in the governance structures and the legitimating role of WFTO, another asset was the entrepreneurs' personal contacts with the producers in India. In conclusion, Citizen Dream is an example of a business-oriented, sales-financed FTO, with very little political involvement, and with a social mission endorsed by an international FT network, by the entrepreneurs' experience in the South and by an advanced multi-stakeholder governance structure.

Toward an institution?

Despite its collapse in 2008, Citizen Dream had an influence on the Belgian FT landscape. Unlike Esprit Equo, Citizen Dream did not remain an exception for long, as several other business-form FTOs emerged after 2000.²¹⁶ As previously mentioned, other factors explained this emergence, such as the proactive role of the TDC in promoting small business-form FTOs. But the example of Citizen Dream showed potential entrepreneurs that the road was open—albeit full of obstacles, as its own collapse showed—for business-form FTOs. Several entrepreneurs engaged in FT took this experience both as a warning about the importance of avoiding a certain number of mistakes²¹⁷ and as a challenge to succeed where Citizen Dream had failed.²¹⁸

In my view, the development of the “Belgian Fair Trade Federation” and its crucial role in recognising and federating small FTOs—beside the pioneers—can be seen as a certain continuation of Citizen Dream's action to promote other models for practicing FT, thereby fostering organisational diversity in the sector. It is no coincidence that the report on FT handicraft, which recommended the creation of a FT federation and asked public support for the FT economic model, was written by Citizen Dream's founder. The federation has thus been created with the goal of supporting FTOs in their economic development²¹⁹ and the people in charge of it have been enthusiastic regarding the emergence of business-oriented organisational forms.²²⁰ In conclusion, in a few years, the institutional context of FT in Belgium has evolved very much toward a legitimisation of business forms—together with a conscience of the risks inherent in them. If Citizen Dream's experience is certainly not the only factor behind this evolution, it is, in my view, a major one. I would even suggest that new business-form FTOs,

²¹⁶ Another business-form FTO, Latino, was even active in FT before this date, but it had much less recognition.

²¹⁷ Particularly a too rapid growth and a minimisation of the fixed costs inherent in retailing.

²¹⁸ The task, however, is even more difficult because the failure of Citizen Dream made banks particularly reluctant to make loans to FT businesses.

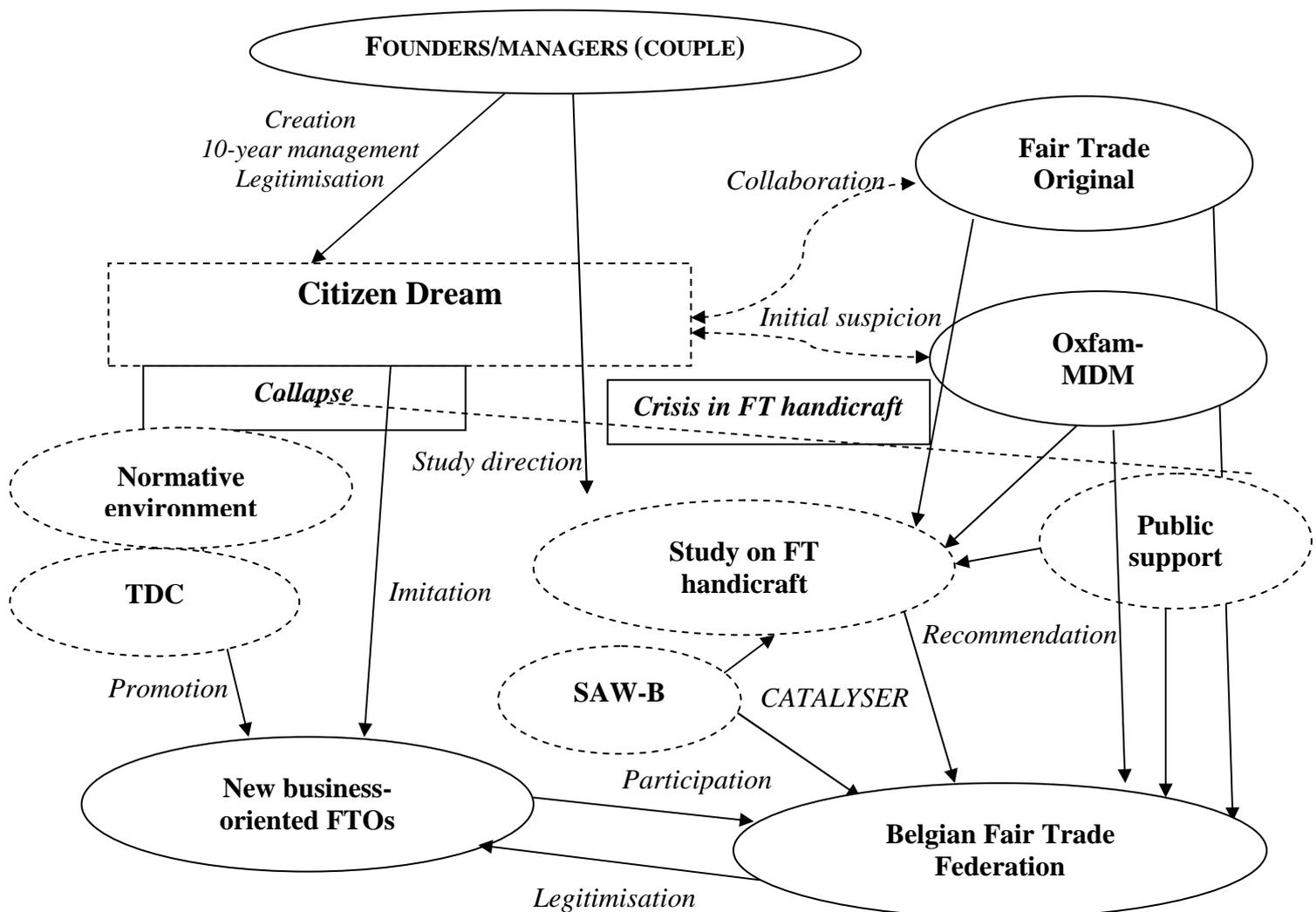
²¹⁹ This is a strong difference, for instance, with the Agices network.

²²⁰ This does not mean that they are opposed to the more socio-political forms. On the contrary, the participation of Oxfam-MDM has been crucial for the success and legitimacy of this federation; but there was also a real intent to network beyond the few pioneer FTOs by including the growing category of small business-form FTOs, seen as a promising path to the further extension of FT.

contrarily and thanks to Citizen Dream, do not “need” any more to focus so much on trust-harboring devices (for instance, governance models that include trust-instigating stakeholders such as NGOs, or recognition by an international network). The development of the federation is precisely intended to reinforce the trustworthiness of its members.

The following figure illustrates the extension, or rather the transformation, of Citizen Dream’s organisational model into an institution in itself (Kraatz & Block, 2008). Although other “institutional entrepreneurs” intervene (particularly the Fair Trade Centre and SAW-B), it appears that Citizen Dream’s founders, through their innovative organisational model, through their involvement in the study on FT handicraft, and through their relationships with other FTOs and networks (e.g., SAW-B), have played an important role in the evolution of the FT institutional environment in Belgium, with a recognition of newcomer business-form FTOs and an increasing networking of the diverse types of FTO.

Figure 55: Institutional legitimisation of business-form FTOs in Belgium



1.1.3. Saldac (Type 2)

As previously mentioned, entrepreneurial business-form FTOs seem to have homogeneous organisational forms and resources, but potentially diverging ways of practicing FT. The difference seems strongest regarding the nature and the extent of the political message. This is why it is worth examining a second type of business-form FTO, Saldac, which seems to differ much from FTOs such as Citizen Dream.

Origins of the organisational model

The FT cooperative “Andines”, in the Ile-de-France region, also used to be considered as a “black swan” that fitted neither the ADM model of nonprofit, volunteer-based FTOs, nor the “Alter Eco-Ethiquable” model of business-form FTOs addressing the mainstream. The criticism of Andines toward these two models led it to be marginalised in the French FT sector. It participated in the PFCE platform but remained critical toward both collaboration with supermarket chains and the use of voluntary work and subsidies. As previously mentioned, in 2002, during the discussions that subsequently led to a French law on FT, the tensions were too high and Andines exited the PFCE, creating its own network, called Minga.

Through Minga, Andines institutionalised its model for practicing FT and promoted its replication by other FTOs. The main idea of this model is that of combining a central economic activity with a radical political message, through the development of an alternative to the capitalist, market-oriented system that both FTOs collaborating with supermarkets and volunteer-based FTOs are accused of favouring and strengthening. The Minga model rapidly developed and influenced the whole French FT sector. Existing FTOs joined the network and new FTOs were conceived on the same model. In this respect, the development of a professional training scheme in collaboration with Quatre Mats Développement was a crucial step. In the previous chapter, Minga was presented as a strong source of normative isomorphism that pushed FTOs to adopt similar organisational models. But we should not forget that Minga is a network created and managed by FTOs themselves, many of which are not just passively influenced but also act as influencers.

Saldac is an example of an FTO that was clearly influenced by the Minga model. Initially, Saldac was created as a nonprofit FTO but refused to follow the path of ADM. Besides the entrepreneur, who had personal contacts with several producer groups in Latin America, two persons, who were previously active in ADM, joined the project with the willingness to create an alternative to ADM. The FTO remained, however, small and confidential until the early 2000s. The creation of Minga was taken as an opportunity by Saldac to legitimize its model and find commercial and political partners. Saldac evolved into a business legal form for reasons that were not just symbolic. Indeed, according to the entrepreneur, the intent was to send a signal to the different stakeholders that the FTO was not a charitable project but rather a trustworthy commercial partner, albeit with an alternative vision of business. Becoming one of the standard-bearers of Minga in its region, Saldac developed partnerships with other FTOs at the local level—although, at the national level, Minga had antagonistic relationships with both

ADM and Max Havelaar. Several—not all—ADM shops in the region offered Saldac products. Other FTOs—both existing FTOs (e.g., Karawan) or new ventures (e.g., Sol’ Alter)—combining a business orientation and a desire for political involvement were influenced by Saldac.

The organisational model of Saldac differs from that of most business-form FTOs (such as Citizen Dream) in that the political project is much more central and radical. Such a project is explicitly “anti-mainstream” and sees the economic activity as a political symbol in itself rather than as a means to support a social mission. At the organisational level, this translates into the stronger polyvalence of the entrepreneur and the employees compared to what is the case in other business-form FTOs. In Saldac, as in other “political businesses” (e.g., One Village in the UK), all the employees are encouraged to share the desire to build an alternative and not just generate value for a specific category of marginalised people. “Coherence” is a guiding principle, with much more attention, at all the levels of the supply chain, to economic democracy, to small-scale work, and to a “fair price” for all the suppliers and the employees, which leads to rejecting voluntary work. The expertise of small-scale producers and intermediaries is favoured both in the South and in the North (transport, transformation, etc.), and all the employees are invited to participate in the exchanges. The politicisation of the FTO is intended to include not only the producers but also the customers. Therefore, selling channels should be local and personalised. The consequence of such a drive for integration is that the functions are less specialised than in the previous model of business-form FTOs: there is no clear-cut division between, for instance, advocacy and sales.

1.1.4. Oxfam-Magasins du Monde (Type 3)

I already mentioned the threefold structure of Oxfam-MDM, which echoes its three missions—namely being a citizen movement; advocating for FT; and commercializing FT products based on solid partnerships with producer groups. It is striking that neither the structure nor the legal form or the governance model have changed over the last decades. This could convey an image of a passive organisation, with limited influence on its environment. The reality is, instead, that of a permanent struggle aiming to protect the specificities of the organisation from the shifts in the normative environment surrounding FT, as described in the previous chapter.

Until the late 1990s, Oxfam-MDM shared the FT sector with its sister organisation Oxfam-WW and a number of other pioneer FTOs (such as MMH, Weltladen and Fair Trade Original). These FTOs had a nonprofit, volunteer-based form and shared the same vision of FT as an alternative to the capitalist model. However, while other FTOs dealt mainly with food products and had to adapt their structure to both compete and collaborate with mainstream businesses, Oxfam-MDM’s focus on handicraft shielded it from such a structural adaptation. Unlike other pioneers that became more market-oriented and often evolved into group structures, Oxfam-MDM, with its volunteer-based and “integrated” structure, remained in a position where it could embed its trading activity in its socio-political project and remain very critical toward supermarkets and corporations in general. Moreover, through a certain lobbying, Oxfam resisted the pressure from the DGDC to isolate the education and producer support activities in a separate, non-commercial organisation. A splitting project was nevertheless conceived, but

never implemented.²²¹ The only concrete impact was that Oxfam's accounting was split into two distinct parts.

The reluctance of Oxfam-MDM's leaders—and volunteers—to formally separate the economic and socio-political activities is more emblematic than it may seem. It reveals their conception of FT as an integrated activity, where worldshops are both sales outlets and vectors of political activity, and where relationships with producers have both a socio-economic and a political dimension²²², similarly to the rationale of “political businesses”. But, unlike these businesses, Oxfam uses subsidies and voluntary work to achieve its goal. Moreover, because of its larger size and recognition, it is also more exposed to institutional pressures. In my view, this has made the tensions more explicit than in smaller structures. These tensions may be dealt with in the day-to-day practice through dialogue between the employees of the different units, who work in the same building and know each other well. The tensions and the need for a permanent equilibrium between the different dimensions of FT, between the business and the movement, may partly explain why the two last directors left the FTO, as they were rather focused, respectively, on the movement and on the business. This has led to searching—and finding—a leader capable of simultaneously running the ambitious political project and the necessary economic reinforcement, feeling at ease with both campaigners and salespeople.

Let me come back on the relative hostility of Oxfam-MDM toward Citizen Dream, as the first “third wave” business-form FTO. It seems that the former director promoted a certain defiance toward Citizen Dream, seen not only as a major competitor for FT handicraft²²³, but also as an example of a model for practicing FT that was considered less coherent and potentially threatening. This led certain volunteers, for instance, to disregard the Citizen Dream shop selling FT handicraft close to their worldshop. Although the collapse of Citizen Dream had nothing to do with Oxfam-MDM, the question may be asked whether the latter did not lead, as an institution in itself, to slowing down the emergence and the development of business-form FTOs in Belgium. Indeed, it is a common feeling among several Belgian FTOs, as well as NGOs, that Oxfam-MDM disregarded them and sometimes explicitly hindered them. Many leaders of newcomer FTOs reported that, when making contact with Oxfam-MDM to ask for advice before launching their project, they were discouraged to do so. The general perception of leaders of newcomer FTOs was that of monopolistic behaviour on the part of Oxfam-MDM.

In the last years, however, the staff changes (two latest directors) and the reinforcement of Oxfam's economic profile have led it toward a much more open and collaborative behaviour, as the involvement in the creation of the BFTF shows. Indeed, after a period of certain disregard between Oxfam-MDM and newcomer FTOs, the former wished to change its monopolistic-minded image. Yet, the situation of Oxfam-MDM is still difficult. First, the “unrestricted” political activity that differentiates Oxfam-MDM from Oxfam-WW and other pioneers (MMH, Sjamma, etc.) is sometimes criticised within and outside the FT sector. The

²²¹ The project is described in an internal, confidential document.

²²² Recently, the political unit precisely explored and promoted the political dimension of partnerships with producers.

²²³ Particularly in French-speaking Belgium. Indeed, Fair Trade Original and Sjamma were present mainly in Flanders, and Weltladen only in the German-speaking part.

heavy reliance on volunteers is presented as unfair competition. Criticism by certain stakeholders, including volunteers, also concerns certain campaigns against large multinationals (e.g., Ikea) and the political positions taken in the context of international conflicts.²²⁴ Secondly, the financial situation, particularly precarious in the last years, has been improving only slowly. The Board and some members of the staff suggested that Oxfam would not survive if it did not strengthen its commercial project and make it more efficient. Several measures were undertaken: a specific sales manager was hired, the marketing and sales staff were given more autonomy, the least efficient worldshops were closed²²⁵, the product range was redesigned, etc. As already mentioned, the departure of the “general secretary” also constituted a major change. This led to a redefinition of the leader’s position in a way that better covered the economic dimension of the activity, which required a more business-experienced profile. Indeed, while other pioneer FTOs had already been hiring people from the corporate world for several years (Oxfam Fair Trade, Max Havelaar, etc.), Oxfam-MDM had continued to prefer rather activist profiles at most levels of the organisation.

The history of Oxfam-MDM shows how this organisation has tried not only to resist external pressures considered as hostile, but also to influence the environment and to reduce the threats and competition from other FTOs. The organisational model of Oxfam-MDM can in fact be seen as an inheritance of the early period of FT, which is also shared by a decreasing minority of small, nonprofit and volunteer-based FTOs (e.g., Sjamma, D’ici, d’ailleurs and Weltladen). The results of Oxfam-MDM’s strategy are mixed. On one hand, it remains a tone-setting FTO with much expertise in producer support and education, regulation, and advocacy. The involvement of thousands of volunteers, the high recognition in the public opinion, the many linkages within the civil society and the international connections within the FT movement (mainly through WFTO and EFTA) have certainly helped to maintain its institutional power. On the other hand, the FTO’s desire to reinforce its economic dimension is difficult to implement and is slowed down by certain resistances from volunteers. Although these volunteers are far from constituting a homogeneous category, they generally seem alert to maintaining a democratic socio-political movement that keeps a certain control on the economic activity. The vision of the commercial activity as a tool to serve socio-political purposes seems often recalled in front of external stakeholders, for instance to justify the lower tax rate on the profits compared to traditional businesses.

²²⁴ For instance, against Israel during the strikes on Gaza.

²²⁵ Each shop is now evaluated on the basis of its sales and financial results.

1.1.5. Pangea-Niente Troppo (Type 4)

Toward an organisational model

As previously mentioned, Pangea started its activity in 1991, only three years after the emergence of CTM. Created as a nonprofit (“associazione”), it evolved to the social cooperative form in 1993, soon after the latter was instituted and implemented in Italy. Pangea quickly became the main Roman worldshop in the CTM network, at the expense of ComES, the other Roman pioneer CTM worldshop.²²⁶

Pangea’s organisational form is characterised, firstly, by the social cooperative status. As previously mentioned, a vast majority of Italian FTOs have chosen this legal form. Nevertheless, much work had to be done by Agices—including by employees of Pangea—to convince public authorities that FT could constitute a coherent field of activity for social cooperatives, on the one hand, and to help FTOs fill their annual social report so as to fit the legal requirements, on the other hand. The successful adoption of a legal form that was initially not intended for FTOs was the result of intense lobbying, which constitutes, in my view, a striking example of how leading FTOs can influence the legislative context in their favour.

A second characteristic of Pangea’s form is linked to its high level of political involvement. This translates, in Pangea but also in other multi-stakeholder cooperatives, into units specifically devoted to education, regulation and advocacy. In Pangea, the “Info-Cultura” unit is composed of three full-time equivalents (out of a total of nine). Even in the “commercial” unit, people—for instance, those working in the worldshops—are involved to a certain extent in education campaigns. In its last strategic plan²²⁷, Pangea insists on the need to professionalise not only the commercial activity but also the political involvement of employees and volunteers. The strong focus on economic democracy and participation in decision-making is a third feature of this type of organisational form. Governance structures, including employees, volunteers, customers, and other supporters, are shaped in a sense that encourages democracy and participation.

Toward an institution?

As one of the pioneer Roman worldshops and a central CTM member, Pangea’s role and influence in the Roman region have been strong. The founding role of Pangea in the Agices network, concretised by one of Pangea’s managers occupying the presidency of the network, reinforced its tone-setting role. Of course, it would not be right to claim that all Roman worldshops were inspired directly by Pangea’s organisational form. But Pangea was one of the actors that helped to create the institutional environment that legitimised the social cooperative, volunteer-based, and politically-oriented way of practicing FT.

²²⁶ According to one of its managers, ComES stopped its collaboration with CTM in 1998 because it no longer wanted to be limited to and thus constrained by one importer only. ComES rather preferred to open its shops to the diverse importers that emerged during the 1990s.

²²⁷ *Piano di sviluppo 2007-2009 della cooperativa sociale Pangea-Niente Troppo.*

Pangea's organisational form spread to other Roman worldshops, partly through the legitimisation of this model in Italian FT networks (including the RES network), but also partly through direct imitation. Such imitation occurred, for instance, in the case of two FTOs that were founded by former Pangea employees. The first of these FTOs is Equociquà. The second is Niente-Tropo, a worldshop that was supported by Pangea from its creation and that ultimately merged with it. In conclusion, we may say that Pangea played a crucial role in the Roman area. Through its own experience and through its active contribution to networking, Pangea fostered and translated at the local level the national trend of conceiving FT in a socio-political way, parallel to its collaboration with supermarkets.

In the case of Pangea, as with many other cooperative and nonprofit FTOs, the "institutional work" was rather collective—despite the role of individuals in leading these organisations. Such work was mostly undertaken by a generation of employees different from the founders, who previously worked as volunteers. These "managing employees" seem to combine a high level of political involvement with a certain pragmatism, which has appeared useful to deal with the Roman supermarkets selling CTM products.

1.1.6. MMH-MFT (Type 5)

As previously mentioned, there are two other case studies that have been done on group structures. Oxfam-WW and Traidcraft have already been taken as illustrations at several places in this work. In terms of organisational model, MMH-MFT is relatively similar to these two groups. But this case is interesting to expand upon because of the way that it has integrated and exploited an external pressure toward the group structure into a genuine strategic orientation.

From institutional pressure to organisational model

FTOs impacted by their environment are not necessarily passively influenced by it. Indeed, organisations adapting their structure to institutional pressures may use that change as an opportunity to re-think their activity and find a new balance between structure, strategy, and environment. The case of MMH-MFT is a nice example of such an appropriation of an exogenous pressure for change. In the late 1990s, before it evolved into a group structure, MMH was doing well: both the sales of honey and related products and the development and education projects were successful. When the FTO split into two legally distinct entities²²⁸, it was rather by obligation than by choice. Nevertheless, MMH decided to split its activities not only on paper but also in practice. This did not mean that the two structures would go their separate ways. But, rather, it was decided to take this organisational evolution as an opportunity for each structure to specialise and develop its own strategy.

MFT, the cooperative entity, was given complete operational autonomy, with a specific manager and a small staff with business skills and experience. The warehouse and the offices were moved to another location. While governance was exerted by volunteers in the early years of the splitting, people with business expertise progressively joined the Board to make it more

²²⁸ Officially, there are in fact three entities: two nonprofit associations and one cooperative. One of the nonprofits, however, is mainly a formal structure that has no operational vocation.

efficient in business-related decision-making—an evolution toward the stewardship model as described in the fourth chapter.

As for the nonprofit part, it specialised in extra-economic producer support and education. Regarding the first point, it is interesting to observe that, from 2003, MMH developed producer support projects with groups that are not necessarily furnishing honey to MFT. MMH rather aims those organisations that are the most in need of support—some of which are partners of MFT, but others not. This is quite exceptional in the FT sector: generally, only partner producer organisations receive social support and training, beside the commercial partnership. The rationale here is that the training and support capacities of FTOs are best used for small producer groups in a fragile situation than for more developed groups that have already received such support and do not “need” it anymore.

Regarding the other points—education and regulation—, MMH (nonprofit) has acquired much expertise in presentations for schools, with three specific employees. One of the education programs, called “Fair Kids”, was developed with the DGDC—precisely the funding agency that pushed for a splitting of the activities. Consisting of small movies made by children all over the world and aiming to increase awareness among children living in the North about the economic and social gaps between North and South, “Fair Kids” received the “Innovation Trophy” at the first European FT Fair in Lyon (2008). The development of an advanced and independent program of producer support, as well as the recognised expertise in education, can be seen as two signs of professionalisation of the social and political dimensions.

Of course, one could argue that professionalisation in the economic, social, and political dimensions could have occurred even without an organisational splitting. The two directors, however, explained that the organisational splitting brought a strategic rethinking of each activity, to devote the most suited financial and social resources to each of them, and to associate the most adequate people in the governance structures. Specialisation by organisational splitting, however, has been accompanied by specific coordination mechanisms. Coordination in the MMH-MFT group could seem lower than in other groups. The respective managers and staff of the two entities are organisationally and geographically separated. The two Boards are gradually becoming composed of distinct people and the GAs are following the same path, with the capital of the cooperative opened to diverse stakeholders (partners, supporters, customers, etc.). Yet, at the governance level, a core group of volunteers still contributes to decision-making in both entities. Moreover, at the operational level, clear formal rules of collaboration have been established. For instance, part of MFT’s profits is transferred to MMH. Conversely, MFT is committed to promoting FT in the context of its commercial activities. Finally, the two directors have regular exchanges and contribute to insufflating a common vision to this hybrid organisational structure in which an NGO and a business collaborate to better achieve the multidimensional goals of FT.

1.2. Analysis

What do all these cases have in common? Mainly, the fact that their organisational form is much more than a replication of the characteristics of their environment or an arrangement meant to minimise transaction costs—although, as we have seen, both of these elements have a role to play. The six cases show how organisations—or, more precisely, their managers and stakeholders—have not been simply following a given path but have altered it or have created a new one, using their organisational form as a strategic tool. In several cases, the organisational form is clearly used as a symbolic element that signals a certain conception of FT in the context of power relationships and tensions among different conceptions. These power plays have appeared quite clearly in Italy and in France. It is worth noting, however, that one same organisational form may embody very different meanings according to the institutional context. The organisational form has appeared as a vehicle, and the way in which it is vested with particular meaning depends on the historical, geographical, and cultural context. The study of Esprit Equo, Citizen Dream and Saldac has particularly demonstrated that the manager-based form (types 1 and 2) may take on a totally different meaning according to the intentions of the founders and the way in which they wish to distinguish themselves from other FTOs. Let me now examine how the findings from the case studies may be analysed in the light of the two closely related theoretical frameworks that deal with the strategic dimension of organisational forms: institutional entrepreneurship and resource dependence theory (RDT).

1.2.1. Institutional entrepreneurship

The case studies have shown that organisational actors within FTOs are not only able to choose among a range of options, but that they can also influence their environment and other FTOs in order to shape these options in a way that suits them. Such dynamics constitute the focus of the emerging literature on “institutional entrepreneurship” or, more largely, “institutional work”, defined as “*the purposive action of individuals and organizations aimed at creating, maintaining, and disrupting institutions*” (Lawrence & Suddaby, 2006:224). Such work implies “*the generation of new organizational models and policies that change the direction and flow of organizational activity*” (Hwang & Powell, 2005:180). FTOs are thus at most only partly dependent on the path built by previous FTOs.

Most of the FTOs described above have been involved in institutionalising their practice of FT partly through the promotion of their own organisational form. This has appeared particularly strikingly when these FTOs have contributed to networks in which their form and practice is somehow “celebrated” (Meyer & Rowan, 1991), as is the case of Pangea-NT with Agices and of Saldac with Minga—as well as, to a lesser extent, Citizen Dream with the BFTF. These cases illustrate the different steps toward institutional creation such as advocacy, normative networking, and theorising of the new model (Lawrence & Suddaby, 2006; Maguire *et al.*, 2004). It is worth noting that the actors creating institutions do not necessarily need to be in a powerful position to do so. The case of the members of Minga provides a good illustration of the “*potential for institutional entrepreneurship on the part of relatively small, peripheral or isolated actors*” (Lawrence & Suddaby, 2006, p. 249). The promotion of what is increasingly

referred to as the “Minga model”, together with the regular publication of reports, books, and press releases, is a clear example of theorising, defined as the “*naming of new concepts and practices so that they might become a part of the cognitive map of the field*” (Lawrence & Suddaby, 2006, p. 249).

Certain actors attempt to create institutions parallel to previous arrangements. The action of Citizen Dream and Esprit Equo did not intend to undermine the forms and practices of pioneer FTOs. Rather, particularly with Esprit Equo, the pioneers’ role in developing and advocating for FT was acknowledged. Moreover, in both cases, there was an expressed concern for highlighting the conformity of their form with the missions of FT (through WFTO membership in the case of Citizen Dream and through a partnership with a recognised FTO in the case of Esprit Equo). This can be related to the “*juxtaposition of old and new templates*” in order to “*simultaneously make the new structure understandable and accessible, while pointing to potential problems or shortcomings of past practices*” (Lawrence & Suddaby, 2006, p. 242). This is consistent with Schneiberg (2005) who criticises the view of path deviance as a necessary consequence of an external shock, and suggests that new paths are often created through original combinations of elements originating from previous paths.

In other cases, however, institutional entrepreneurship includes disrupting pre-existing arrangements, i.e., “*attacking or undermining the mechanisms that lead members to comply with institutions*” (Lawrence & Suddaby, 2006, p. 262). This is particularly strong in the case of Minga members, who seek to undermine not only the already less legitimated practices of the “first wave” of FT (embodied by ADM), but also the much more institutionalised ones from the “second wave”. Most striking in this respect is Minga’s attack on labeling, which criticises the use of the term “label” by Max Havelaar France and, more broadly, by FLO. Depicting Max Havelaar as a private brand that monopolises the FT field and integrates it into the capitalist model (Minga, 2005) is a clear example of definitional work, i.e., “*defining and redefining sets of concepts in ways that reconstitute actors and reconfigure relationships between actors*” (Lawrence & Suddaby, 2006:264).

Facing real or perceived threats of disruption, older FTOs such as Oxfam-MDM, MMH-MFT or Pangea-NT are currently rather active in *maintaining* the institutions linked to their respective forms and practices. The active role of Oxfam-MDM in protecting itself from the shifts in its normative environment confirms Lawrence and Suddaby’s (2006) suggestion that “*the maintaining of institutions must be distinguished from simple stability or the absence of change: rather, institutional work that maintains institutions involves considerable effort*” (261). The action of Pangea-NT and other FTOs in Agices to reserve membership—and thus legitimacy—to the sole nonprofit and social cooperative FTOs is also illustrative of a defensive strategy. Among the tools identified by Lawrence and Suddaby to maintain institutions, we can certainly identify the valorisation of the existing institution, the denigration of alternatives, and deterrence, i.e., the setting up of coercive barriers to change, typically through the control of a network’s membership.

The high degree of institutional work in an emerging field such as FT confirms that institutional entrepreneurship is favored by “*the presence of multiple institutional orders or*

alternatives” (Leca *et al.*, 2008:7), as we saw in the previous chapter. The importance of discourse and normative competition in FT gives actors with few resources the opportunity to engage in institutional work. Disruption, particularly, does not require “*a powerful or culturally sophisticated actor, but one capable of working in highly original and potentially counter-cultural ways*” (Lawrence & Suddaby, 2006:270). The action of Minga members, located at the periphery of the dominant FT structures and networks, is an example of a “counter-cultural” actor that is little influenced by the dominant institutional discourses—typically those linked to mainstreaming. As a consequence, its attempts of disrupting these dominant institutions are more powerful because they are less subject to the “*paradox of embedded agency*” (e.g., Battilana & D’Aunno, 2009; Leca *et al.*, 2008).

It is precisely because of such a disrupting ambition that the entrepreneurs of Minga’s FTOs have a stronger activist profile than in the other business-form FTOs. This echoes observations in the literature that institutional entrepreneurs particularly seek to create projects that mirror their personal characteristics (Leca *et al.*, 2008; Wade-Benzoni *et al.*, 2002). For instance, the founders/managers of Citizen Dream and Esprit Equo distinguished themselves from other founders by their stronger business profile (thanks to, respectively, an economic education and experience in business). While the previous chapter depicted entrepreneurs simply as channels through which broader normative pressures are relayed to the organisational level, they can also be, through their organisational choices, precisely be at the origin of these normative settings. Finally, the case studies have illustrated different types of institutional entrepreneurs, which can be linked to those highlighted by Dorado (1999). Newcomer FTOs have often played the role of “institutional innovators”, as illustrated with Esprit Equo, Citizen Dream and Saldac. These FTOs have introduced and started to institutionalise new approaches to FT. Although pioneers have also played such an innovating role, for instance when creating new arrangements such as group structures, they have more often intervened as “institutional engineers”, i.e., “*powerful gatekeepers who affect the flow of resources in a field*” (Hinings *et al.*, 2004, p. 309). Finally, “institutional catalysts” are often external actors who intervene to concretise the institutional evolution (Dorado, 1999; Hinings *et al.*, 2004). A nice illustration has been given by SAW-B in the context of the emergence of the BFTF (see the analysis of Citizen Dream).

In the emergent literature on FT, other authors already examined the institutionalisation of the FT movement by major networks (Diaz Pedregal, 2007; Raynolds & Long, 2007), or the role of FT as a whole as an “institutional entrepreneur” toward the global market (Nicholls, forthcoming). My contribution has been to highlight the role of FTOs themselves as entrepreneurs using their organisational form—and thereby their way of practicing FT—as a driver of institutional change. Having recognised FTOs’ agency capabilities versus the environment, which widens the range of available options for them and thus puts into perspective the rather deterministic predictions of both neo-institutional approaches, we can now examine how these FTOs deal with resources through their organisational form.

1.2.2. Resources

In order to achieve institutional change, but also simply to survive, access to resources is crucial. While the link between resources and organisational form was already highlighted in the descriptive findings at the sample level and in the economic and the sociological new institutional analyses, resources are particularly central and take a much more strategic sense in RDT and in institutional entrepreneurship. As noted by Lawrence and Suddaby (2006:292), *“all of the practices [of] institutional work require resources, which are available to some actors and not others. A critical view of institutional work could begin to examine how those resources are distributed and controlled, and by whom”*. One way of looking at the link between strategic access to resources (RDT) and legitimacy of the organisational form (institutional entrepreneurship) is the notion of “strategic legitimacy” (Suchman, 1995).²²⁹ Legitimacy contributes to survival *“because audiences are most likely to supply resources to organizations that appear desirable, proper, or appropriate”* (Suchman, 1995:574). The focus on the organisational form also leads to considering prioritarily *structural* legitimacy: *“audiences see the organization as valuable and worthy of support because its structural characteristics locate it within a morally favored taxonomic category”* (Suchman, 1995:581). In other words, *“[t]he structurally legitimate organization becomes a repository of public confidence because it is ‘the right organization for the job’”* (581). In this section, by adopting a resource dependence perspective, I examine how FTOs' structural choices, particularly in terms of governance, can be interpreted as strategic maneuvers to obtain and secure resources.

The quest for structural legitimacy appears to be stronger in the case of FTOs facing adverse and homogeneous landscapes within given regions (example of Esprit Equo in Italy), generations (example of Citizen Dream in Belgium) or sub-groups of FT (example of Minga members in France). In these cases, the access to networks appears as a crucial resource. Saldac and Pangea have taken an active participation respectively in Minga and in Agices to legitimate their organisational form. Such a participation in the decision-making at the network level has allowed these FTOs to reduce their dependence on the environment by precisely trying to control part of this environment (what Pfeffer and Salancik describe as “enacting” the environment). Indeed, these FTOs are much less likely to be excluded from the network or to face a discrepancy between their vision and the network's vision and services, since they are able to influence the latter. In other words, Saldac and Pangea are able to shape—at least partly—the network in a way that secures their organisational strategy and form, thereby reducing uncertainty.

Moreover, the relative control on the network also allows the FTOs to better control their interaction with the stakeholders from the broader environment. For instance, it is through its presidency of the Agices network that Pangea has been involved in convincing public authorities of the adequacy of FT as specific field for social cooperatives and in preparing an Italian law on FT that would encourage not-for-profit forms for FTOs. In the same sense,

rmer manager during the interview on April 16, 2008.

²²⁹ According to one of its managers, ComES stopped its collaboration with CTM in 1998 because it no longer wanted to be limited to and thus constrained by one importer only. ComES rather preferred to open its shops to the numerous importers that emerged during the 1990s.

Citizen Dream, through piloting the study on FT handicraft, promoted the support from public authorities that would not take the form of subsidies but rather of entrepreneurial stimulation. Even if Citizen Dream eventually collapsed, its involvement in the research of a viable economic model for business-form FTOs obviously aimed—even unconsciously—to protect and improve its own way of practicing FT.

The case of Oxfam-MDM also illustrates the strategic reaction of an FTO to a shift in the environment. Oxfam-MDM traditionally enjoyed a very good reputation and a certain legitimacy as “the” reference FTO (at least in French-speaking Belgium). I already emphasized how the relationships within the civil society and the political world allowed Oxfam-MDM to escape the coercive pressure from the DGDC toward organisational splitting. This alone illustrates the relative independence of Oxfam-MDM regarding the regulatory environment. Moreover, the structural legitimacy of Oxfam-MDM guaranteed a continuous resource flow consisting of subsidies, regular buying by sympathetic customers, and large provision of voluntary work. The latter was particularly secured, in my view, through the systematic representation (or “cooptation”, to use Pfeffer and Salancik’s term) of volunteers from different regions in the governance structures. Finally, Oxfam-MDM enacted the normative environment in a way that legitimised structural features such as volunteer-based “ownership”, volunteer-based retailing, nonprofit legal form, formalisation of education and advocacy, etc. As we have seen, however, the normative shift toward market orientation and entrepreneurial approaches to FT, translated into changes in other FTOs’ organisational forms, endangered Oxfam’s legitimacy and brought uncertainty concerning a number of resources (through criticism about voluntary work, subsidies, political action, etc.). In my view, it is the gradual awareness about this shifting environment that partly pushed Oxfam-MDM to change its management and to participate to the creation of the BFTE—these two “reactions” being linked to each other. Indeed, through resuming collaboration with other FTOs and hiring a manager with a stronger business profile—enjoying a higher legitimacy in the eyes of business-form FTOs—, Oxfam-MDM tried to regain a certain control over part of its environment. This echoes quite strikingly the observation made by Pfeffer and Salancik (Pfeffer & Salancik, 1978:2):

Problems arise not merely because organizations are dependent on their environment, but because this environment is not dependable. Environments can change, new organizations enter and exit, and the supply of resources becomes more or less scarce. When environments change, organizations face the prospect either of not surviving or of changing their activities in response to these environmental factors.

Esprit Equo’s case has offered an illustration of the consequences of non-access to the local network in terms of control on the environment. There are, however, alternatives to the access to the main national network for a certain control on the environment. One of them is developing contacts outside the network that may indirectly increase the legitimacy of the FTO in the eyes of the FTOs of the “established” network. The joint venture between Esprit Equo and Comercio Alternativo is an example of an alternative way to have its particular form recognised or “endorsed”. Yet, in terms of resource dependence, Esprit Equo seems more dependent on Comercio Alternativo than the other way around. Indeed, the criticality of such an endorsement, but also its magnitude—its importance in relation to the total resources of the

organisation–, make Esprit Equo quite vulnerable. From a resource dependence perspective, it would be in the FTO's interest to reduce its dependence, for instance, by developing other products on its own or with other FTOs, or by co-opting a representative of Comercio Alternativo as a shareholder and/or as a Board member.

Labeling and more generally certification is another key resource. Several interviews, however, lead to question the “criticality” of the label, i.e., the inability of organisations to survive in the absence of such a resource (Pfeffer & Salancik, 1978). Excepting mainstream channels, in which the FT label does seem to make a difference, we have seen that labeling is not always central for shops or importers centred on FT, even those working with food products. There are thus other strategies developed by FTOs to gain consumer trust, some of which imply less dependence on one particular organisation (the labeler). Such strategies include reputation-building, membership to a network, and involvement of trust-instigating stakeholders and may be combined with each other (as the case of Citizen Dream has clearly demonstrated).

As previously mentioned, cooptation of stakeholders is presented by Pfeffer and Salancik as a tool for reducing dependence that is particularly easy and flexible (compared to, for instance, a merger). In the sample, this is the strategy developed, for instance, by Citizen Dream or Max Havelaar Belgium. The advantages are clear: *“when an organization appoints an individual to a board, it expects the individual will come to support the organization, will concern himself with its problems, will favorably present it to others, and will try to aid it”* (Pfeffer & Salancik, 1978:163). Throughout the case studies, we have seen how cooptation has allowed FTOs to gain expertise and resources in a much more regular and secured way than if the stakeholders were not involved.

The securement of resources via the governance structures seems to vary with the types of organisational forms. In individual and business-form FTOs, as well as in the business parts of group structures, the high need for financial resources led to a much stronger presence of individual and institutional investors. In group structures such as Miel Maya or Oxfam-WW, it is interesting to note that such need for financial resources, before leading to involve new stakeholders, led to reconsidering the relationship with existing ones. Volunteers, customers, supporters and employees were invited to evolve from being “members” to being “shareholders”, involving at least a small financial investment in the FTO. Other stakeholders were involved specifically to gain access to financial resources. This was particularly striking in Cafédirect, which issued for 5 million pounds new shares in 2004, thereby improving its financial breathing space and involving a broader range of individuals and institutions in its governance.

At a smaller scale, Citizen Dream obtained access to long-term credit at a regional public investment agency in exchange for a representation of the latter on its Board. Another member of Citizen Dream's Board was Fair Trade Original, which had a commercial relationship with the former. The mutual participation in governance allowed more systematic exchange of knowledge and skills, thereby leading to a stronger “mutual dependence” (Pfeffer & Salancik, 1978). More particularly, Citizen Dream secured its access to certain categories of handicraft products and Fair Trade Original secured their retailing in a dozen of shops.

The interviews in volunteer-based FTOs and the nonprofit parts of group structures indicated that the involvement of volunteers in governance was crucial to stimulate their participation and their loyalty. Indeed, for these FTOs, volunteer's loyalty is one of the most crucial resources. For large FTOs such as Oxfam-MDM and Oxfam-WW, participation of local volunteers to the Board was also a manner to communicate concerns of local worldshops to the central organisation. One leader suggested that, without a representation in the governance bodies, volunteers would probably feel less concerned by the evolution of the organisation and thus be less motivated in their work. Through a presence on the Board, volunteers' representatives can ensure that the organisation's projects and functioning are worth the time they give (typically in the worldshops). They are thus able to confirm the trustworthiness of the organisation towards the broader community of volunteers (Harrow & Palmer, 2003).

The cooptation of NGOs, for instance in Citizen Dream, Oxfam, Max Havelaar, or Traidcraft, appeared as a strategy²³⁰ allowing different advantages in terms of resource dependences. Direct resource flows for the FTOs consist of advice, experience, and access to contacts in civil society, for instance concerning the relationships with the producers in the South or in the context of education campaigns. In both Oxfam-WW and Oxfam-MDM, the role of NGOs in the identification, the selection and the evaluation of the producer groups, not only formally through the "partner committee" but also informally, appeared very clearly. Since the access to information in the South is particularly difficult, the help of these NGOs through their cooptation in the FTOs' governance certainly allowed the latter to reduce the uncertainty and thus improve their support to the producers.

Finally, it is worth noting that FTOs relying on gifts and subsidies rarely directly involved stakeholder groups providing these resources (i.e., donors and public institutions). Yet, it appeared that the cooptation of certain stakeholder groups such as NGOs and volunteers facilitated (or even condition) the provision of these resources by increasing the legitimacy of the FTOs. The presence of these "trustworthy" stakeholders visibly functioned as a positive signal towards stakeholders willing to provide financial resources, primarily donors and public institutions.

It should be noted, however, that stakeholders may withdraw their support to an FTO and that dependence is thus not eliminated by the sole cooptation of these stakeholders. Although I have not witnessed such a withdrawal in the study, it is reasonable to assume that the retreat of, for instance, an NGO or a part of the volunteers or of the shareholders would be symbolic and likely to compromise the FTO's legitimacy. But the withdrawal of stakeholders is not likely to occur if we consider that these stakeholders also have much to gain by participating in the FTO's governance: access to information, the possibility to influence the FTO's strategy in a favorable way, association to the positive reputation of the FTO, etc. This is an example of what Suchman calls "*pragmatic legitimacy*", based on self-interested calculation. The most obvious type of pragmatic legitimacy is "*exchange legitimacy*". As we have seen, the

in 1998 because it no longer wanted to be limited to and thus constrained by one importer only. ComES rather preferred to open its shops to the numerous importers that emerged during the 1990s.

²³⁰ *Piano di sviluppo 2007-200*²³¹ As this study focuses on the organisational level, I do not examine the psychological issues linked to the internal tensions experienced by individual entrepreneurs.

participation of Fair Trade Original on the Board of Citizen Dream (but also Max Havelaar) is a way to secure their commercial collaboration. But in other cases, for instance, the presence of development NGOs on the Board (as in Citizen Dream, Max Havelaar, Cafédirect, etc.), the advantages are less striking. This may be referred to as “*influence legitimacy*”: “*constituents support the organization not necessarily because they believe that it provides specific favorable exchanges, but rather because they see it as being responsive to their larger interests*” (Suchman, 1995:578).

2. Managing the tensions through the organisational form

The two interactionist perspectives allow me to deepen the analysis within the FTOs and to look not only at the strategic content of their organisational form, but also at the way in which the articulation of the dimensions and the tensions resulting from it are concretely dealt with (third research question).

2.1. Dimensions and tensions in each category

For each of the organisational types, I examine the latitude of the actors in *deliberately* articulating the different dimensions of FT through their organisational form. Secondly, I look at the way in which the potential tensions among the three dimensions of FT find specific expressions in the context of each form. To illustrate both the articulation of the dimensions and the possible tensions that such an articulation may entail, I situate a set of organisational actors at the governance, management and operational levels in relation to these dimensions and tensions.

2.1.1. Individual FTOs (Type 1)

Latitude in articulating the three dimensions

As, in this case, the governance structure and the architecture are reduced to one or two individuals, the main difficulty is that all the expertise must come from the entrepreneurs themselves. Such an expertise may be limited to the development and the commercialisation of high-quality products, i.e., on the economic dimension of FT. Indeed, the economic dimension is even more crucial than in other types of FTOs, simply because entrepreneurs are totally dependent on the venture in terms of revenues (most of them have invested their own money in it). This is why certain entrepreneurs seek additional expertise in economic matters, for instance, through an advisory board (example of Satya). But even in this case, the situation remains difficult because these people only give advice and do not take risks as associates would. However, the importance of the economic performance for the entrepreneurs does not mean that they are necessarily the only or even the principal beneficiaries of the FT activity.

The social dimension may be handled either directly, through the personal involvement of the entrepreneur (for importers such as Satya, Solalter, Esprit Equo, etc.), or for the shops, through intermediate importing structures (Equomondo and Vino Mundo). In both cases, the

entrepreneurs highlighted the priority given to small producer groups with whom they can establish personal contacts (even for entrepreneurs active only at the retail level). The interviews with the individual entrepreneurs revealed the high latitude that they enjoyed in terms of producer support. This stemmed not only from the fact that they were generally not dealing with labelled products, but also from the absence of organisational governance, leading to a very low control on producer support. This is why several of the entrepreneurs put a high value in participating to a network, thereby benefitting to a certain extent of an extra-organisational governance mechanism able to monitor the primary pursuit of the social mission. As for the political involvement, it depends much on the entrepreneur's profile (with, for instance, Minga supporters much more involved than other entrepreneurs). But, generally speaking, it is the dimension that is least present in the day-to-day activities. The individual entrepreneurs members of Minga, for instance, consider that it is their way of practicing FT in an alternative way that constitutes a political symbol, as they do not have the time for concrete activities relating to education and advocacy. To summarise, the individual FTO is a vector that may be used very differently according to the entrepreneur's visions (Spence & Rutherford, 2001).

Tensions

The tensions between the economic, social, and political dimensions are obviously less visible because they are embodied by the entrepreneurs themselves.²³¹ But this does not mean that the tensions are absent. The dependence of the entrepreneurs on the economic performance of their venture might suggest that this dimension will necessarily have the primacy over the other in the case of a conflict. But this does not seem confirmed in the interviews. Indeed, the focus on producer support seems similar to that of other types of FTOs, and certain entrepreneurs are particularly involved in education and advocacy activities that have little link with their economic project. In certain cases, confirmed not only through the interviews but also by other stakeholders, it appeared that entrepreneurs sacrificed a significant part of their potential revenue to maintain high prices for the producers.

In the case of Satya, for instance, the entrepreneur fought to maintain the 100% FT origin of its products, which probably did not constitute the choice maximising the economic performance. In her case, the tensions between the economic and the social goals were most often handled in the benefit of the latter. In the context of the BFTF, this led her to be particularly demanding, together with the pioneer FTOs, concerning the minimal proportion of FT products for BFTF members. At the opposite, other entrepreneurs decreased the proportion of FT products for economic reasons. This evacuated part of the tensions and boosted the economic performance, but it also faded the FT characteristic of their ventures. Finally, tensions were also observed between the economic and the political dimensions. For reasons linked to his political vision of FT, Equomondo's entrepreneur decided to suppress, in his shop, all the labelled products, synonym for large FTOs and businesses, and to favour products responding to perceived higher ethical standards offered by smaller and more alternative FTOs such as members of Minga.

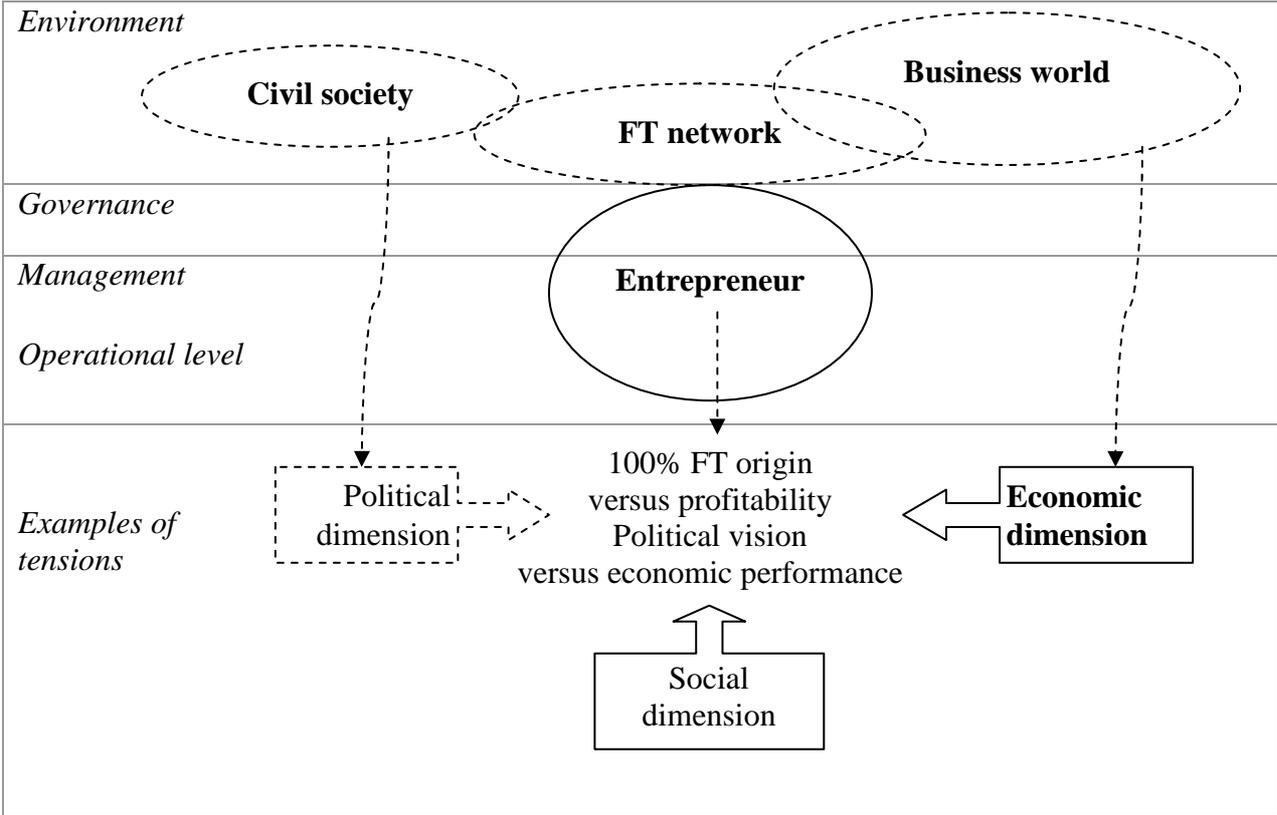
²³¹ As this study focuses on the organisational level, I do not examine the psychological issues linked to the internal tensions experienced by individual entrepreneurs.

This was clearly inefficient in economic terms: the quality of the products was generally lower, their price equal or higher, and they required much more efforts in terms of supply management and communication about their FT nature.

We can thus observe a large diversity in how individual entrepreneurs deal with the different dimensions of FT and with the tensions among them. This is logical because of the latitude that these entrepreneurs enjoy, without any organisational governance mechanisms. The entrepreneurs were, however, all particularly seeking to insert themselves in networks allowing a certain—explicit or implicit—monitoring and linkages with the broader FT movement. Moreover, as reported, for instance, by Satya’s and Vino Mundo’s managers, the linkages with the “product community” (respectively, clothing designers and wine experts) were also very important.

The following figure representing the tensions observed in individual FTOs is relatively simple, since the coordination is ensured by the entrepreneur alone. As the figure shows, however, the network may be used partly as a governance device.

Figure 61: Tensions in individual FTOs



2.1.2. Entrepreneurial business-form FTOs (Type 2)

Latitude in articulating the three dimensions

Common with the previous category is the high importance of the economic dimension in “business-form” FTOs. But, again, this is the only feature that is common to this second type of

organisational form. I have already commented on the radical difference between, on the one hand, businesses for whom the political dimension is not part of their goals and that leave it to the pioneers, and, on the other hand, a minority of highly politicised businesses. Each of these two categories has intentionally been represented in the case studies (respectively by Citizen Dream and Saldac); indeed, while the organisational form is common, the meaning given to it diverges fundamentally.

In “political” businesses, the higher integration of the three dimensions translates into a stronger polyvalence of the managers and the employees. Indeed, as we saw in Saldac (but also, for instance, in One Village), most of the employees, in spite of their differentiated tasks, were involved to a certain extent in contacts with producers and in the communication about the political message of the FTO. In Karawan, such a process of “politicisation” occurred gradually, together with the entrepreneurs’ interest in the vision of Minga. The interviews in Saldac and in One Village suggest that the combination of a business form and a very radical political message expose political businesses to more hostility than other business-form FTOs, especially since the former FTOs criticise both the volunteer-based nonprofit approach and the mainstream business approach.

Tensions

The tensions are quite different depending upon the level of political involvement. When the latter is low, the main balance that has to be sought is between the economic and the social dimensions. Sometimes, the social mission is seen only as an automatic consequence of the economic activity, which is a rationale similar to that of labeling. This has seemed particularly observed in FT shops in which there is no direct import. In such cases, the shop can focus on selling, delegating the responsibility of producer support—and thus the tensions linked to it—to the importer. If doubts arise regarding the ethical nature of the importer, the shop is able to switch quite easily.

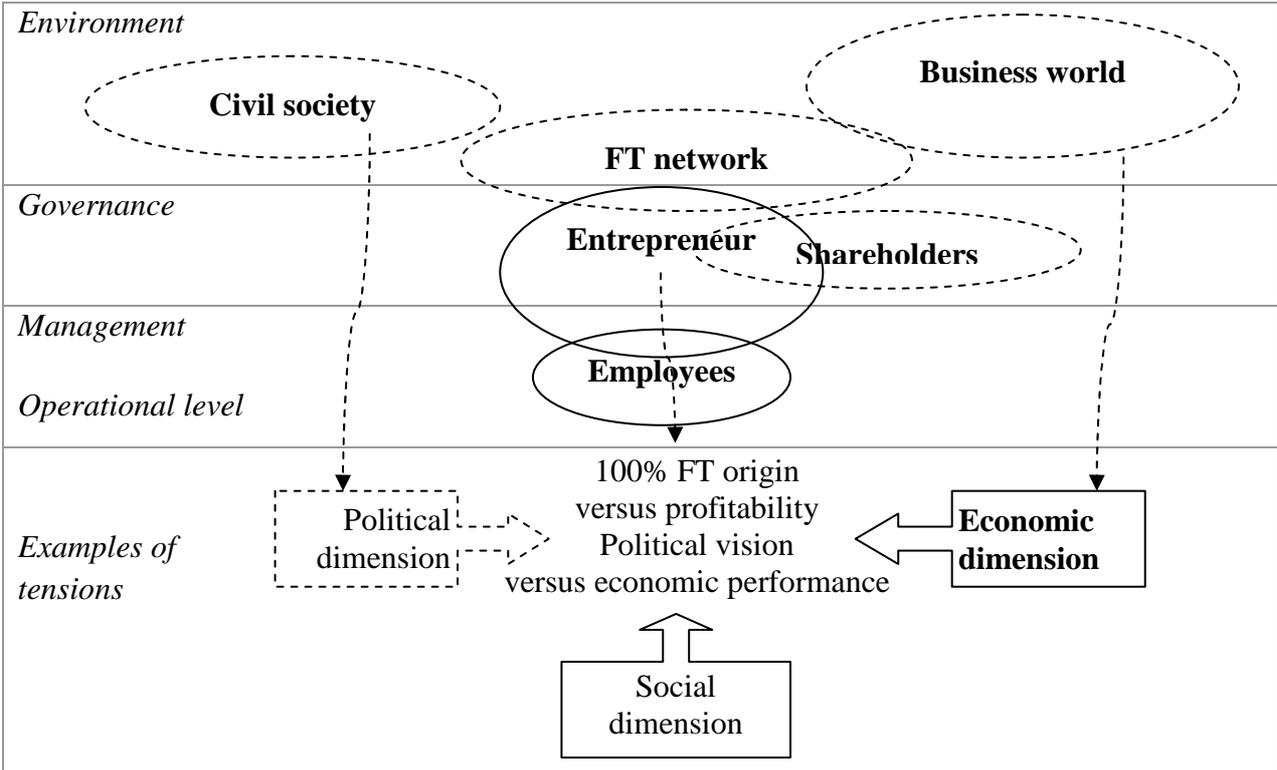
When there is direct import, the social mission is more likely to translate into organisational arrangements with people or units responsible for producer support. This may lead to a stronger specialisation of tasks, but also to higher internal tensions. For instance, in Citizen Dream, the initial intent was to buy 100% of the products from IFAT producer groups. Nevertheless, fearing quality problems and low margins, and wishing to extend the scope of products for customers, the managers decided to include products from non-FT producer groups (through partnerships that were qualified by the FTO as “ethical trade”). This decision brought criticism from certain FT pioneers such as Oxfam-MDM. This example illustrates a typical tension between quality and financial margins, on the one hand—concern that is typically linked to the economic dimension—, and support to small-scale, marginalised producers, on the other hand—which is inherent in the social dimension. Given the entrepreneurial nature of these businesses, it is the founder/manager—rather than, for instance, the shareholders—who has to deal with the tensions, as the Citizen Dream example has shown.

When the political involvement is high, as is the case for Minga members, the ambition is to integrate the three dimensions of FT not only within the organisation but also in the activities

of each employee. As we have seen with Saldac, polyvalence—rather than specialisation—is encouraged. But the ambition of integration, without a structure that formally “settles” the tensions, is difficult to achieve. One central tension to which Minga members such as Saldac are confronted is the tension between the social mission, i.e., the desire to support small-scale producers in the South, and the political promotion of a local approach to FT. In Saldac, the local approach dominated, for instance, when the manager refused to import honey and wine from Latin America and replaced them with their equivalents from the Rhône-Alpes region. Another tension may arise for instance, between the political opposition to mainstream channels and the socio-economic advantages for producers resulting from the use of these channels. Karawan faced such a dilemma and decided to reject an opportunity of large-scale distribution of its products and to favour local small-scale shops.

The following figure illustrates the articulation of the dimensions, the nature of the tensions and the way in which these tensions may be managed. As in the previous category, it is difficult to depict the diversity of practices allowed by this organisational vehicle.

Figure 62: Tensions in business-form FTOs



2.1.3. Volunteer-based nonprofits or cooperatives (Type 3)

Latitude in articulating the three dimensions

Despite nuances in practices, the study has shown that volunteer-based FTOs have a clearly higher political involvement and a lower economic focus than the other types of FTOs. These features were accounted for, in the economic neo-institutional approach, by the existence, in these FTOs, of a number of organisational assets that allow them to overcome the failures of

other institutional arrangements (typically the market and the state): limited profit distribution, explicit social mission, trust-instigating role of volunteers, access to non-commercial resources, etc. From a sociological neo-institutional perspective, volunteer-based forms appeared as “logical” reflections of the drives for economic democracy and solidarity that were powerful ideals in the early decades of FT. However, these ideals have been progressively marginalised with the emergence of values promoting professionalism and market orientation. In Belgium, and even more so in France, this model and the FTOs representing it—respectively Oxfam-MDM and ADM—have been explicitly criticised. Consequently, volunteer-based FTOs in these two countries have had to resist and justify the adequacy of their model, as the case of Oxfam-MDM has shown. In Italy, the volunteer-based model has remained dominant. In the UK, volunteers have gradually moved from the FTOs to the broader movement of FT supporters (typically in the context of FT towns, universities, Churches, etc.).

Yet, this organisational model is still adopted when a group of people with limited financial resources and economic skills but with high idealism wish to launch a FT project. These new volunteer-based FTOs are widespread in Italy, where they are still institutionally favoured, but they are much less common in other countries (examples in the sample include D’ici, d’ailleurs and new ADM shops in France). We would therefore suggest that, since the institutional context is much less favourable, creating—and maintaining—a volunteer-based FTO involves a more conscious and explicit choice than it was in the early decades of the movement. Volunteer-based FTOs could also specialise only on education and advocacy and leave the economic activity to others, as the case of Oxfam UK has shown. But the interviews (for instance at Oxfam-MDM) have suggested that most volunteers and stakeholders were hostile to this strategy. Indeed, the economic activity is necessary both to support the social mission and to concretise the political project (for instance through the worldshops). The economic activity is thus considered as important but generally subordinated to the socio-political goals that constitute the priority for most volunteers and stakeholders. As the Oxfam-MDM case has shown, this may lead to tensions when certain actors wish to develop the commercial activity in a more autonomous way.

Tensions

Indeed, when analysing the case of Oxfam-MDM, especially during its most threatening economic situation, it appeared that the FTO was somehow “caught” between the need to reinforce its economic strategy and profile, and the desire to leave the primacy to the socio-political project in the context of a democratic governance and functioning. In my view, this fundamental tension partly explains the departure of the two previous directors: the first had not the sufficient expertise and insight to tackle the economic need, and the second felt hindered by the movement’s slowness and resistances regarding the changes in the commercial strategy.

Globally speaking, we may distinguish the tensions according to whether they arise within the operational context (i.e., mainly among employees), within the governance structures (i.e., with the participation of the volunteers) or between the managers and employees on the one hand, and the governance structures on the other. At the first, operational level, the interviews with

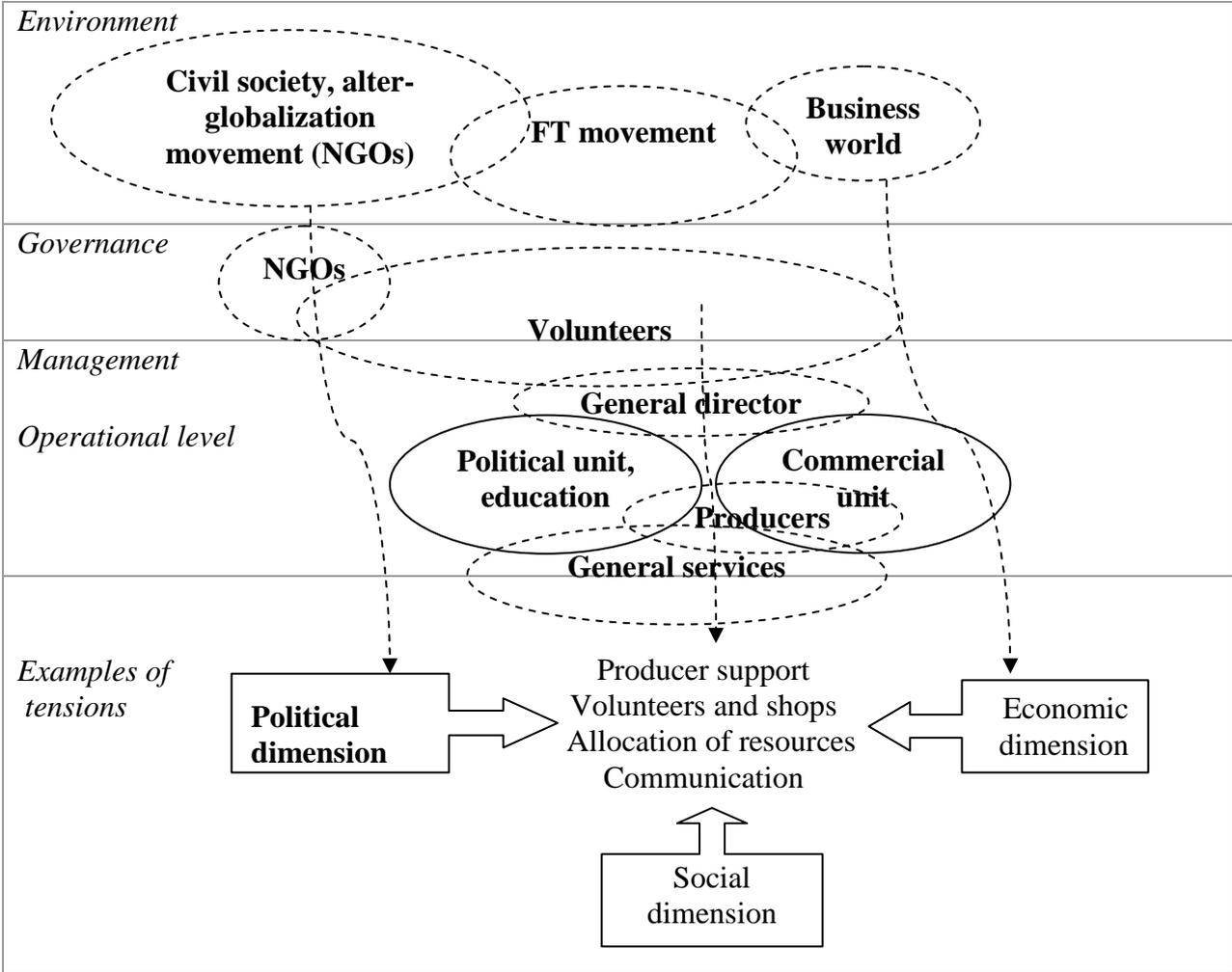
employees from the different departments of Oxfam-MDM showed that the cultures and perceptions of FT were different, especially between the political and the commercial departments (as illustrated on the figure below). In the meantime, however, the interviewed employees saw the work of the other departments as necessary and complementary to theirs. Several employees suggested that the integrated structure and the common location of all the units provided many possibilities for conversing and dealing with the tensions at the interpersonal level. The tensions at the operational level were more explicit, for instance, when resources had to be allocated to events that were not clearly linked to one or another department. For instance, when Oxfam-MDM holds a stand at a music festival, it is not clear whether it is the commercial department or the political one that should finance it. Contacts with the producers are established both by people in charge of purchasing and by people from the political unit. In my view, these “grey zones” are much more numerous in integrated FTOs such as Oxfam-MDM than in group structures, thus requiring a more systematic bargaining in the former than in the latter, in which more explicit rules of repartition exist. Such a permanent bargaining locates FTOs such as Oxfam-MDM close to Mintzberg’s description (1986) of a “political” organisation (in the broad sense of the term). In an integrated structure such as Oxfam-MDM, the general director’s role is crucial in dealing with the tensions and maintaining the equilibrium between the different sensitivities. The polyvalence of the director is thus particularly important.

The second type of circumstances causing explicit tensions is when fundamental strategic decisions have to be taken in the General Assembly. When debates arose in volunteer-based FTOs such as Oxfam-MDM and, previously, Oxfam-WW and Miel Maya, to decide whether products should be made available in the mainstream, tensions were particularly strong. The vote resulted in a 50-50 opposition. In this case, the economic dimension was privileged and justified by its contribution to the social mission, as observed by Davies and Crane (2003). In many other cases, however, the volunteers favoured socio-political considerations.

Finally, examples of tensions stemming from the operational activities but used by the volunteers at the governance’s level were also numerous. They appeared to be quite strong, for instance, when it came to external communication. Several advertising and/or education campaigns—the precise nature of which as “advertising” or “education” is not always clear—were criticised afterwards by part of the volunteers, both for the content and for the fact that the volunteers had not been consulted. Some of these campaigns were internal to Oxfam-MDM (for instance, against Ikea) but others were conceived by the sister FTO Oxfam-WW and meant to be relayed by Oxfam-MDM. During the study, one campaign involving Belgian politicians, and another involving celebrities, brought much skepticism and criticism, from both Oxfam-MDM’s volunteers and part of the employees. Volunteers claimed the right to give their opinion before the launching of the campaigns. This and other examples show, in my view, that when volunteers have strong, democratic-based representation in the governance structures (as is the case in Oxfam-MDM), the socio-political dimensions are likely to remain strong, thereby countering the institutional pressures for “commercialisation” and reinforcing the alternative character of this type of FTO in comparison with group structures and non-volunteer FTOs.

The following picture illustrates the nature and the level of the tensions described for volunteer-based FTOs such as Oxfam-MDM.

Figure 63: Tensions in volunteer-based FTOs (example of Oxfam-MDM)



2.1.4. Multi-stakeholder cooperatives (Type 4)

Latitude in articulating the three dimensions

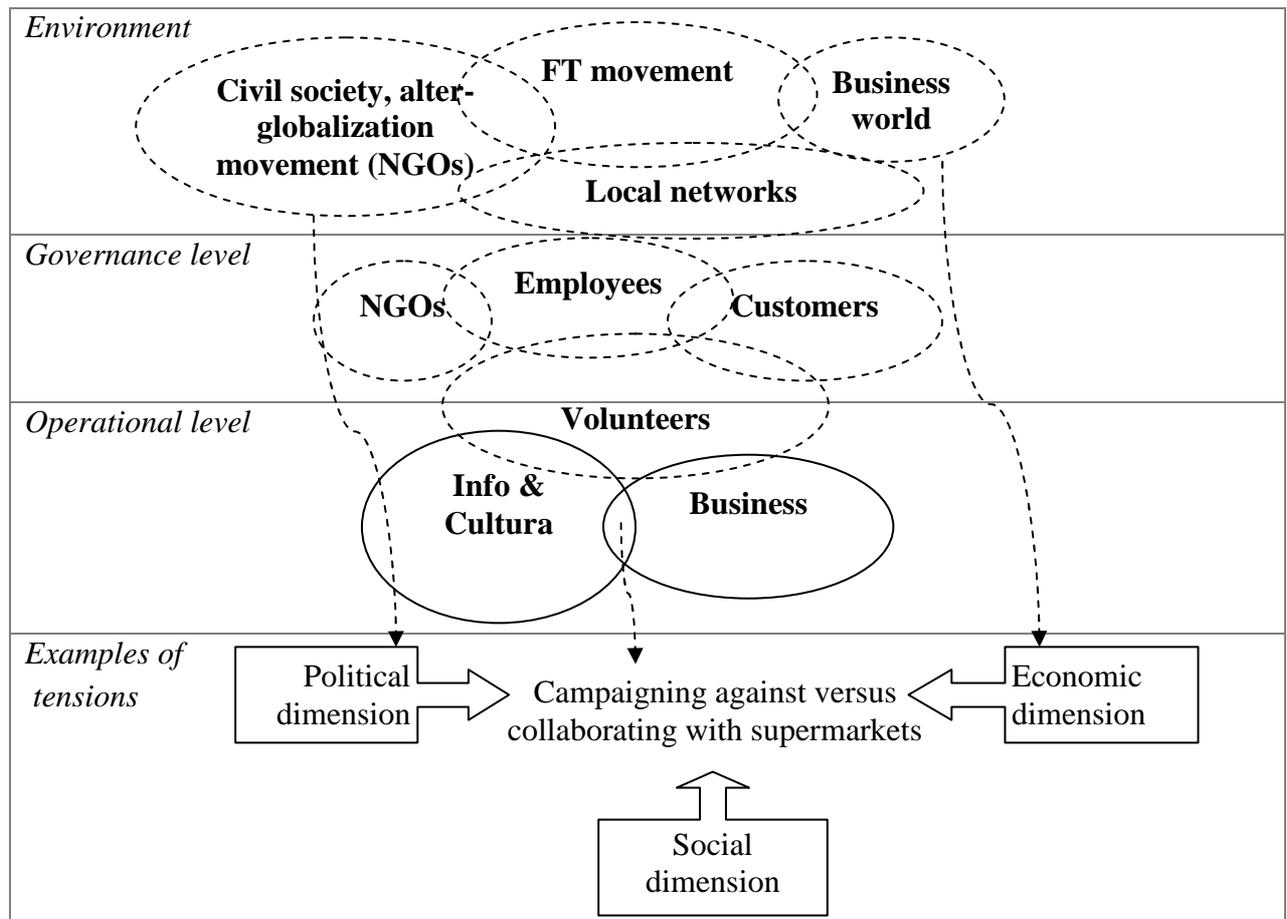
The economic neo-institutional approach describes cooperatives as intermediates between nonprofits and businesses, potentially combining assets in both economic and socio-political domains. Moreover, the multi-stakeholder model allows to bridge expertise over the three dimensions. But this does not mean that this possibility is always concretised. Furthermore, the concrete implementation of such a combination may vary quite a lot according to the profiles of the managers and the expectations of the stakeholders. For instance, Soli’gren, owned by the city of Grenoble, local NGOs, volunteers, local producers, and customers, is clearly more focused on the socio-political dimensions, with a relatively modest economic project, than other, more business-oriented–yet multi-stakeholder–cooperative FTOs, such as Ethiquable Gourmand. Much depends on which types of stakeholders are dominant. For instance, Zaytoun

and Ethiquable Gourmand, while both multi-stakeholder, differ in the fact that volunteers are dominant in the first one, and employees in the second one: this is one fundamental reason for the stronger political involvement in the former. There is thus much latitude regarding the meaning given to the vehicle that the multi-stakeholder cooperative constitutes.

Tensions

While the presence of diverse stakeholders in the decision-making structures may provide expertise and resources, the likelihood of divergent views among them—leading to high “costs of ownership”—is an evident source of tensions. Part of the literature on cooperatives addresses the tensions between economic and social goals in these organisations; it suggests that there may be a tendency to give priority to economic development over the social mission (Levi, 1998). The tensions are even stronger since the social (and political) dimensions are intended to be translated at the internal level (democracy and participation). In the FTOs that we placed in this category, the managing employees seem to play a crucial role. For instance, in Pangea-NT, it is interesting to observe how tremendous membership growth has been accompanied by the emergence of a new generation of highly motivated leaders. Most of these younger leaders were themselves previously volunteers and thus have a certain legitimacy in the eyes of the broader community of volunteers and supporters. In the meantime, they seem able to cope with commercial issues, such as dealing with supermarkets for the distribution of CTM products. The leading role of these employees is clearly reinforced because of their involvement in the Agices and RES networks.

Figure 64: Tensions in multi-stakeholder cooperatives (example of Pangea-NT)



2.1.5. Hybrid group structures (Type 5)

Latitude in articulating the three dimensions

The case of group structures appeared most interesting in both the economic and the sociological neo-institutional approaches. The first approach stressed the opportunity to combine the organisational assets of both forms, as well as the advantages in terms of incentives and access to information. The second approach explained this form as a reflection of the values of professionalism and market orientation linked to the phase of mainstreaming, coexisting with the previous myths of solidarity and economic democracy. The institutional acceptance of groups may also be seen as the result of their intermediate position in terms of dimensions²³², and of their multi-stakeholder configuration.

The case of MMH-MFT showed how the institutional pressures pushing FTOs to render their economic activity autonomous—reinforced, in Belgium, by coercive pressure exerted by the DGDC—could be completed by a much more strategic intent to develop the specialisation of different entities while ensuring their coordination. In other words, thanks to its large size and to the creation of various autonomous units and departments, the group structure may be purposely designed to deal with the multidimensional nature of FT. The variety of group systems and of coordination mechanisms shows that there is much room for strategic design. Moreover, the age and size of groups make them powerful institutional tone-givers: they influence the FT sector at least as much as they are influenced by it. While the group structure is a form that allows to formally manage the different dimensions of FT in a specialised way, there is some latitude concerning how to divide and coordinate the activities.

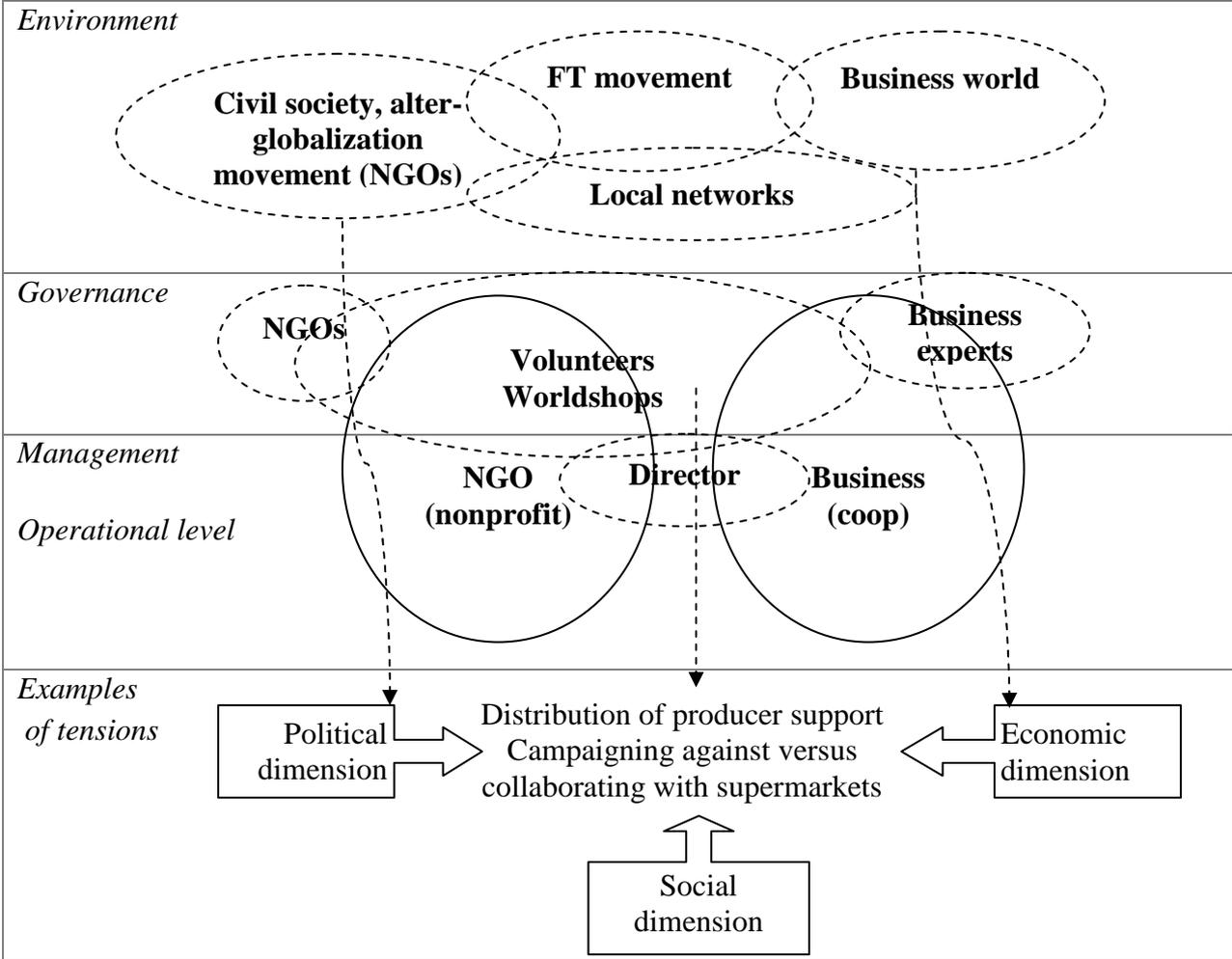
Tensions

It is not because the different entities and departments that compose group structures have their specific tasks and do not necessarily interact with each other in their day-to-day activities that tensions are nonexistent. The example of Oxfam-WW's campaign against Douwe Egbert's shows the contradictions that may emerge between the different entities. The question is thus not so much whether there are tensions in such a category of FTOs, but rather how and by whom these tensions will be handled. It seems that the structural separation and the large size of groups may decrease the day-to-day tensions but also the opportunities for interpersonal dialogue. In this context, the ultimate decision-making in the case of conflicts may be done either by mutual adjustment of the entities or by an "umbrella" person or structure. Mutual adjustment is observed in the case of MMH-MFT, where the two directors meet regularly to discuss common issues. The two Boards of MMH-MFT, composed of nearly all the same people, also constitute a platform for coordination. Coordination is, however, more explicitly ensured in other groups, especially in those where there is a common director or umbrella structure (Oxfam-WW, Traidcraft, etc.). Although common directors are constrained in their decision-making power—as already described for Oxfam-WW's director—, they have the

²³² In the sense that several stakeholders are likely to recognise themselves in at least one of the group's components.

specific role of ensuring a coherent strategy for the whole group. In Traidcraft, such a role is ensured at the operational level by the Chief executive and and at the governance level, by the Board and the Foundation.

Figure 65: Tensions in group structures (example of Oxfam-WW)



2.1.6. Synthesis

In fact, the analysis of the tensions in the different types of FTOs shows that the nature of these tensions does not vary so much across the organisational forms. In each form, the three dimensions may potentially be combined and enter in conflict with each other. Of course, there are some differences observed regarding the importance of each dimension and the priorities in the case of a conflict. The political dimension has generally more primacy in volunteer-based FTOs, with a greater flexibility in the importance given to the economic project. On the contrary, the economic performance is crucial in individual and business-form FTOs, since entrepreneurs are totally dependent on such performance for their own living conditions. But exceptions exist of type-1 and type-2 FTOs that have a high political commitment. In type-4 and type-5 FTOs, it is impossible to point at one dominant dimension, precisely because these two forms have emerged as vehicles to secure the joint pursuit of the three dimensions. It is in

type-5 FTOs that this is most secured, through a separate entity dedicated to one specific dimension.

What can thus be distinguished most clearly among the FTOs is the way in which coordination is ensured and tensions are dealt with. Based on the way in which the different types of organisational forms entail specific articulations of economic, social and political dimensions, and allow to deal with the tensions between these three dimensions, it is possible to bring insights on the meaning of each form into the taxonomy.

Table 56: Management of the tensions in each form

| | Type 1 | Type 2 | Type 3 | Type 4 | Type 5 |
|------------------------------|--|--|---|------------------------------------|--------------------------------------|
| Examples | Esprit Equo, Satya | Citizen Dream, Saldac | Oxfam-MDM, Ayllu | Pangea-NT, Soli'gren | Oxfam-WW, MMH-MFT, Traidcraft |
| Economic activity | Central | Central (but meaning varies) | Tool to achieve socio-political goals | Central | Central (for business entity) |
| Social mission | Personal contacts (when import) | Personalised | Vector for political message | Formalised | Formalised |
| Political involvement | Depends | Very variable | High and explicitly handled | Depends | Central (for socio-political entity) |
| Nature of tensions | economic development (survival!) versus social mission | economic development (survival!) versus social mission; paradoxes when political message | Extent of the economic activity | Between the three dimensions | Between the three dimensions |
| Level of tensions | Entrepreneur's level | Entrepreneur's level + employees | Volunteers vs managers, "political" vs "commercial" employees | Stakeholders + employees | Between the two entities |
| Coordination | Entrepreneur | Entrepreneur | Governance (volunteers) | Governance (multiple stakeholders) | Governance and managers |

2.2. Revisiting the organisational trajectories

Based on the extended taxonomy, it is possible to revisit the evolutions from one category to another, as suggested in the fourth chapter. Indeed, these evolutions can now be understood not only as reflections of the broader institutional changes occurring in society and more particularly in the FT sector, but also as strategic moves that position FTOs differently in relation to the three dimensions of FT. For instance, the emergence of group structures has been explained by coercive and normative pressures as well as by contractual arguments. But the case of MMH-MFT has shown that the evolution toward a group structure also corresponds to a strategic maneuver with goals that can be multiple: aligning the organisational form on the specific pursuit of each of the three dimensions of FT; clarifying the goals of each entity; obtaining specific resources for the pursuit of each dimension (sales on the one hand, and subsidies, donations, and voluntary work on the other); seeking expertise, both at the operational level (managers and employees) and at the governance level; increasing the linkages with both the business world and with civil society etc. Following Schneiberg (2007), this shows that a change in the “organisational path” may be induced by a combination of external elements (a decision from the public authorities) and internal strategies.

As for the evolution of Saldac from a nonprofit to a business form, it is not only the result of the growing influence of Minga, but also a cause of such an influence. Indeed, Saldac’s manager has been a key actor in the diffusion of Minga’s vision, particularly among the ADM teams of the region. The organisational evolution of his FTO is thus the concretisation of an ideological journey through which Saldac’s manager has gained influence and legitimacy.

The shift in missions rather than in organisational forms is also worth discussing. Indeed, individual or business-form FTOs may evolve from a predominantly business focus to a more multidimensional mission, including stronger attention to socio-political issues, without changing their organisational form. We find interesting examples of such dynamics in France, with business-form FTOs (e.g., Karawan) being “converted” to the political vision of Minga. This vision may be perfectly integrated into the existing organisational form without changing the latter, precisely because the members of Minga wish to affirm their political vision *through*—and not *despite*—the economic activity. The impact of this evolution toward a stronger political profile will rather be observed, for instance, in the distribution strategy (with a reluctance to deal with mainstream businesses), in the selection of products to be sold in the shop (with a reluctance to sell labeled products) and, more generally, in the philosophy (with a preference for small-scale and local approaches).

Besides understanding the rationale of the changes in the organisational form already highlighted in the fourth chapter, we can also add a number of the previously mentioned observations into the figure of the organisational trajectories proposed in the fourth chapter (figure 26). Indeed, we can locate the different organisational forms along a vertical axis corresponding to the levels of importance of the economic and political dimensions—as it has appeared difficult to discriminate between FTOs based on the social dimension. In the higher part of the figure, we can locate part of the individual and business-form FTOs that put a strong

emphasis on their economic activity and much less emphasis on the political dimension. In the lower part of the figure, the volunteer-based FTOs appear in a form that is suited for explicitly political activities relating to education and advocacy, but less for the development of the economic dimension. It is thus in the middle part that we find FTOs that combine high levels of economic and political involvement. When these two dimensions are handled separately, the organisational form is inevitably a rather complex arrangement consisting of two more or less distinct entities (multi-stakeholder group or cooperative). Such FTOs have clearly developed bureaucratic trends, as a consequence not only of their age and size, but also of the separate, specialised pursuit of each dimension. When the economic and political dimensions are integrated to each other, the organisational form is likely to be more flexible, with coordination modes that may be either adhocratic (the smaller multi-stakeholder cooperatives) or entrepreneurial (political businesses).

3. Conclusion

This chapter has brought to light a more strategic perspective in the understanding of why FTOs adopt particular organisational forms, and with what consequences. I highlighted how FTOs may act as institutional entrepreneurs, either to adapt a hostile institutional context in a way that legitimises their unusual organisational form (e.g., Citizen Dream and Esprit Equo), to appropriate institutional pressures and transform them into strategic challenges (e.g., MMH-MFT), to resist to pressures (e.g., Oxfam-MDM), or to contribute to creating the institutional context that will prevail for other FTOs (e.g., Pangea-NT and Saldac). I examined these strategic actions from a resource dependency perspective, emphasising the concrete organisational devices adopted to reduce the uncertainty by trying to control the environment (typically through networks). In the second section, I described systematically how each form allows for a specific articulation of the three dimensions deals with the tensions inherent to this articulation. Based on concrete examples of tensions in each category, I analysed not only the differences in terms of the nature of the tensions, but even more the differences concerning the level where these tensions emerge and the people or groups ensuring the final coordination. Finally, the possible evolutions of FTOs from one category to another were re-examined from a strategic perspective.

Conclusion

Several conclusions can be drawn at the end of this work. First, I review the main findings and summarise the answers that have been developed for the four research questions. For each question, recommendations to the FTOs are directly included. Secondly, I examine the contributions that the findings and the design of this work bring to the research in Fair Trade, social enterprise and organisation theory. This study, however, also entails several limitations, which it is useful to recall and to translate into trails for future research. A final section is devoted to the future of organisational diversity in FT.

1. Findings and recommendations

Taxonomy (Q1)

To explore the way in which organisational diversity may be structured, I developed a taxonomy with five categories: individual ventures (type 1); entrepreneurial, business-form FTOs (type 2); volunteer-based FTOs (type 3); multi-stakeholder cooperatives (type 4); and hybrid group structures (type 5). These categories seemed relatively homogeneous, with, however, a few exceptions that could not be neatly ranged in one of the categories. The outlier case of Cafédirect indicated the likelihood of a sixth category, which I called “multi-stakeholder NGO-founded businesses”. The different categories seemed to correspond to different stages of the organisational trajectories. While most FTOs started either as volunteer-based FTOs (type 3), or as entrepreneurial businesses (types 1 and 2), the two other categories (types 4 and 5) seemed to be adopted only beyond a certain age and size. I have few recommendations to formulate based on the sole finding of this taxonomy. FTOs could use it to locate themselves in the broader landscape, to analyse other FTOs in their field, and to examine their possible evolution along the organisational trajectories that I have drawn. In my view, it could be even more useful tool for networks, public and private support structures, and researchers, who could analyse and communicate about the FTOs’ diversity in a more informed and precise way. Training, public support or consultancy could be focused on certain categories of FTOs. Based on the common organisational trajectories, FTOs in crisis could be specifically supported and advised regarding the evolution of their organisational form.

Deterministic approach to organisational diversity (Q2a)

We saw how, over time, the organisational landscape evolved from mainly volunteer-based nonprofit or cooperative FTOs, toward other forms such as businesses, individual ventures and group structures. Age and size brought more complexity as well as a stronger specialisation of the organisational units on one particular dimension of FT. This appeared particularly clearly for group structures composed of a business (economic activity) and an NGO (socio-political activities). Regional differences were strong, with a relative uniformity in Italy (social cooperatives), a divide between volunteer-based nonprofits and businesses in France, and a larger diversity in Belgium and in the UK. Organisational forms differed much on the basis of the profiles of their leaders, with, logically, more “activist” profiles in volunteer-based FTOs

and more “business” profiles in manager-owned and cooperative FTOs. Beyond this logical link, it was interesting to observe how, despite the growing importance of business profiles in all FTOs, including pioneers, certain leaders of individual and business-form FTOs developed a more activist vision. In terms of resources, only the volunteer-based nonprofits and cooperatives (either as a whole or as part of a group structure, i.e., types 3 and 5) raised non-market resources such as subsidies, gifts, and voluntary work. However, even then, more than two thirds of their resources originated from sales. This proportion was close to 100% for the other FTOs (individuals, businesses and multi-stakeholder cooperatives). Finally, concerning the FTOs’ goals and activities, beyond their social mission, I observed three main patterns. A dominance of economic goals and activities was observed in the individual and part of the business-form FTOs (types 1 and 2); socio-political goals were particularly central in volunteer-based FTOs (type 3), with the economic activity rather considered as tool to serve these goals; and the different types of goals were combined more explicitly in multi-stakeholder cooperatives and groups (types 4 and 5), as well as, more surprisingly, in a minority of politicised businesses.

From an economic or “contractual” point of view, organisational diversity was explained by the fact that FTOs do not all produce the same mix of dimensions or “goods”. I analysed the emergence of many FT pioneers as volunteer-based, nonprofit FTOs because of the trustworthiness of such a form, especially in the absence of labelling, as well as because of its assets in the political, “public good” dimension of FT (regulation, education and advocacy). The cooperative form was then examined as a device that offers similar assets in terms of trustworthiness and production of public goods, while better allowing the development of the economic activity through the mobilisation of capital and higher economic incentives. In my view, this explains why several nonprofit pioneers wishing to expand their economic activity evolved into cooperatives, and why new FTOs emerged with such a form. While the growth of the FT market and the development of labeling were suggested as major arguments explaining the arrival of business-form or “investor-owned” FTOs, such explanation proved insufficient. Indeed, the analysis showed that these FTOs were not necessarily focused only on the economic activity, and that they were able to engage in the production of trust and public goods as well. Nevertheless, the focus of all business-form FTOs on the economic activity could easily be explained by the contractual assets in the production of “private goods”, as well as by the low costs of ownership. The latter costs appeared even lower in individual FTOs, as there are no costs of agency and of collective decision-making. Finally, group structures were presented as organisational models allowing for the combination of a large number of assets and cost reductions in terms of information and incentives.

From this perspective, the recommendations for FTOs are simple. They should ensure that their organisational form is effectively aligned on their product mix in a way that minimises their transaction costs. Although this theoretical approach is rather deterministic, it conceives that organisations may be structured in an inefficient way as a temporary stage: they will either adapt, or fail. FTOs should thus avoid these inefficiencies so as to ensure their long-term survival. While useful in many aspects, this theoretical framework does not allow to account for the whole extent and complexity of organisational diversity in FT.

Using the sociological neo-institutional analysis, I further explained organisational diversity by the nonexistent, weak and/or conflicting isomorphic pressures affecting FTOs. From a normative point of view, I distinguished three phases of institutionalisation of the FT practice: foundation, mainstreaming and entrepreneurship. Each of these phases seemed to constrain the organisational forms of FTOs of the corresponding generation. Pioneer FTOs modelled their form on the values of economic democracy and solidarity, which were predominant in the early decades of FT. Then, the mainstreaming phase brought values of professionalism and market orientation, leading new FTOs to adopt more business-oriented forms, and pushing a large proportion of pioneers to adapt their structures (typically toward a stronger specialisation, which culminated in the evolution toward multi-stakeholder cooperatives and group structures). Group structures were interpreted as reflections of these first two institutionalisation phases; accordingly, the tensions between the business and the nonprofit part could be seen as mirroring the broader tensions between these two institutional orders. Finally, a third institutional phase consisted of the emergence of entrepreneurial ventures, in the context of the promotion of (social) entrepreneurship (including a focus on individual action, risk-taking and innovation). The last two phases brought a general trend toward professionalism and market orientation.

Nevertheless, despite such trends, even within the same generations of FTOs, uniformity seemed limited. One reason for the differences among FTOs was that the organisational implications of the normative settings of the different phases were rather vague. Indeed, while certain implications could be drawn in terms of legal forms, architecture and governance models, there was still much latitude for diverging interpretations of and reactions to the normative pressures. Another reason for the global diversity was geographical. Indeed, the normative, coercive and mimetic trends seemed different from one region to another. For instance, while in Italy, the social cooperative form and the use of voluntary work seemed encouraged by the networks and the legislation, there was no such drive in Belgium and in the UK. In France, the diversity seemed to result from the coexistence of different networks with very different visions of FT. Nevertheless, I observed a dominant trend toward a stronger business orientation, which led me to suggest that the uniformity of FTOs is likely increase in the future (see the end of this conclusion).

The sociological neo-institutional approach brings useful insights for organisations to locate themselves in their institutional context. Not only is efficiency important for their survival, but also legitimacy in the eyes of other FTOs, FT supporters, public authorities, the general public, etc. When adopting their initial organisational form, or when changing it, FTOs should take into account the perception of these stakeholders and the broader normative atmosphere. We have seen, for instance, that certain managers of business-oriented FTOs justified their legal form by the signal of professionalism it sent to commercial partners (e.g., mainstream retailers, corporate clients, transformation businesses, etc.). In these managers' eyes, it was important to show that they were a true business, and the legal form was one of the tools to show this. At the other end of the spectrum, the nonprofit form, possibly associated with a cooperative one, was valued by volunteers, partner NGOs and more generally civil society. The case of Esprit Equo showed the difficulty of their founders to present themselves with a business form in a rather

activist environment. This does not mean that FTOs should strictly conform to their institutional environment: as we have seen, they have the ability to alter this environment in a way that is more favourable to their organisational form. But FTOs should be aware of the energy that this requires.

Strategic-interactionist approach to organisational diversity (Q2b)

Despite the useful analyses of these two theoretical approaches, it appeared that the diverse organisational forms adopted by FTOs were not only guided by their product mix and by the context in which they operated, but also by the strategic choices of the organisational actors themselves. Through the analysis of the concrete shaping of the organisational form in six different cases, we saw that FTOs were able to act as “institutional entrepreneurs” capable of influencing the environment in a way that recognised and promoted their own organisational form and secured their access to crucial resources. Indeed, the organisational form appeared as a major strategic tool to legitimise certain visions of FT, i.e., certain articulations of the economic, social and political dimensions. In contexts in which pioneer FTOs were dominant and seemed suspicious toward newer, more business-oriented forms, certain FTOs had to struggle to have such type of form accepted and diffused. While this process happened “successfully” in Belgium (with the experience of Citizen Dream and the creation of the BFTF), the situation seemed more locked for FTOs such as Esprit Equo in Italy, because of normative and coercive pressures that were precisely shaped or reinforced by FTOs such as Pangea-NT.

In Belgium and in the UK, most pioneers anticipated mainstreaming, or at least adapted to its requirements, thereby becoming able to compete with mainstream players. In Belgium, such an adaptation was imposed by the public administration, which obliged FTOs to isolate the socio-political activities in a separate, nonprofit entity. We saw how MMH-MFT reappropriated this forced evolution into a group structure through a gradual specialisation at the operational level, and later at the governance level. Such evolution was not really observed in the craft sector; we saw how Oxfam-MDM tried to maintain its model and to hinder the emergence of business-form FTOs. Eventually, in the context of a difficult economic situation, and after changes in its leadership (both the person and the profile requirement), it preferred openness over isolation, which translated, *inter alia*, into the participation to the BFTF. I could have drawn a similar picture for ADM in France. ADM’s position was even more difficult that is was caught between mainstream-oriented business FTOs that were much more successful economically, and a growing stream of political businesses that criticised the use of subsidies and voluntary work. The latter’s political vision, entailing a strong hostility toward mainstreaming, and capitalism in general, was embodied by the Minga network. We saw how Saldac relayed such a vision locally in Rhône-Alpes, influencing other FTOs and offering an alternative to employees and supporters who were unsatisfied by the ADM model.

To gain a better control on their environment, FTOs try to access and secure crucial resources through strategic manoeuvres that can be linked to the organisational form. We have seen that financial resources, access to networks, influence on public regulation, or volunteers’ and

employees' loyalty, were better secured through the involvement of stakeholders linked to these resources in the governance structures. FTOs should thus realise that their institutional context does not totally constrain them but that they have opportunities to change and control this context, and to conceive their organisational form in a way that serves their strategic interests.

The strategic contribution of governance structures seems particularly worth examining. FTOs should determine *ex ante* the types of resources they aim and identify the stakeholders who could facilitate the access to these resources. The involvement of particular stakeholders would thus not be only the result of historical or interpersonal proximities with particular groups, but it would also be guided by the FTO's strategic control over key constituents in its environment. Following Pfeffer and Salancik (1978), FTOs should thus consider the cooptation of diverse resource-related stakeholders in order to also gain expertise and loyalty from these stakeholders, even though this may bring challenges in terms of decision-making and lead the existing "governants" to give away part of their control on the organisation. It is worth noting that the inclusion of stakeholders can also be achieved through other ways than through formal involvement in governance. In the study, the most advanced example of stakeholder dialogue was provided by Traidcraft. Although such a wide-scale dialogue is more difficult for smaller FTOs, it allows FTOs to gain "*a clear and detailed picture of each stakeholder's expectations, and to engage into concrete actions to meet these expectations*" (Traidcraft's Chief executive).

The legal form is also a matter of strategic choice. This is particularly highlighted in the literature on social entrepreneurship, as suggested by Battle Anderson and Dees (2006), "*[w]hile many social entrepreneurs do adopt a not-for-profit form of organization, they, and those researching them, should view the choice of the legal form as a strategic decision, not a state of being. Legal forms of organization are artefacts; tools people have designed to serve various purposes*" (156). FTOs can exert a strategic management of their legal form when they do not consider it as a static, given element imposed by the environment but rather as a tool that may evolve with the organisation and be an object of innovative thinking. Indeed, both through the initial conception of the legal form and through its subsequent change, certain FTOs showed to be very innovative. In several cases, the managers had to spend much time in collecting information about the legal form, explaining it to employees and other stakeholders, and meeting its requirements. Another possible innovation is the combination of several legal forms. I would not recommend, of course, that all FTOs adopt new or multiple legal forms. But it seems important to stress that the FT activity requires organisational innovation parallel with social innovation, and that the experimentation of new forms and combinations by certain FTOs may open new organisational paths suited for other FTOs.

Tensions (Q3)

On the basis of the lessons from these case studies, I examined the nature and the level of the tensions that each type of organisational form faces regarding the articulation of the three dimensions of FT. Let me review the specific situation of and formulate recommendations for each type of organisational form.

Individual FTOs (type 1) appeared as very specific cases in which it is the entrepreneur who embodies a particular mix of dimensions. But given the limited expertise and resources of the entrepreneur, the “mix” was often reduced to one dominant dimension. This reduced the emergence of tensions. These tensions were not absent (for instance the typical tension between profitability and proportion of FT products) but they were often implicit and situated at the entrepreneur’s level. The problem of individual FTOs is the lack of expertise and governance that make the simultaneous management of several dimensions difficult. While certain individual entrepreneurs explicitly favoured their economic development, others were more focused on personalised producer support (Satya) or participation to a political project (as in the case of Equomondo and D’ici et de là-bas). In my view, Esprit Equo constituted an exception in the combination of a large economic success and an ambitious social mission. Therefore, individual entrepreneurs should exploit the opportunities of broadening the scope of their ventures, particularly through linkages with other FTOs (bilateral contacts or networks) and FT supporters. While this may appear as a recommendation for all FTOs, it is particularly the case for individual FTOs that would otherwise remain both isolated and confined to a particular dimension of FT. As they cannot create complex governance structures, individual entrepreneurs should explore other ways of broadening their governance, through a network as “guardian” of their social mission, and/or through advisory groups aiming to capture lacking expertise. Finally, although the fear of several entrepreneurs to lose the control on their venture may be understood, organisational growth should lead them to consider an evolution to the next category, as we underlined in the sixth chapter.

Entrepreneurial business-form FTOs (type 2) were homogeneous in their focus on the economic activity, on which the entrepreneurs were dependent for their survival. Only a minority, however, particularly within the Minga network in France, had a very strong political message that they wished to express through a deliberately local, small-scale and anti-mainstream economic project. This led to tensions, for instance, between the reluctance to deal with large volumes, and the desire to bring a significant support to producers in the South. Again, these tensions were often managed by the entrepreneurs alone, leaving much room to their particular vision of FT. While the business *expertise* available to the entrepreneurs was generally significant, through their education and experience but also through the possible advice of the shareholders associated in the venture, this did not necessarily lead, as we saw, to effective *monitoring*. This was even more striking concerning the social mission, the adequacy and coherence of which resided in the hands of the entrepreneur alone. Similarly to the previous category, the entrepreneurs of business-form FTOs should consider joining networks that might “endorse” their trustworthiness. This could also increase their legitimacy and their link with the broader FT movement, as observed for instance in the case of Signalétique (working with the PFCE and WFTO). Peer-to-peer monitoring in the context of a network may however be insufficient. And, contrarily to individual ventures, business-form FTOs have the possibility to set up own governance structures that bring monitoring, expertise, resources and linkages with the diverse stakeholders. The combination of intra- and inter-organisational governance may particularly stimulate the legitimacy and the efficiency of business-form FTOs.

In individual and business-form FTOs, a broader combination of the different dimensions of FT may also be achieved through a greater polyvalence of the managers and the employees. Polyvalence may also be a value in itself, particularly, as I have highlighted, when FTOs do not see business, producer support and political activity as three separate domains. When the alternative way of doing business entails a political dimension, this often translates into rather polyvalent structures, with a manager (e.g., Sol'alter, D'ici et de là-bas, etc.) or a small team (e.g., Saldac) performing various tasks and aiming to be similarly at ease in a shop, in a negotiation with producers or in a political debate.²³³ In medium-size FTOs, volunteers or employees may be specialised in one domain but simultaneously master basic knowledge on the other dimensions. This is the case, for instance, in an FTO such as Karawan, where sellers need to know from which producer groups each product originates, and people in charge of relationships with the producers need to have some knowledge on the market characteristics and consumers' preferences for each type of product.

The third, volunteer-based category was generally characterised by a high political involvement and a relatively low economic development (compared to other FTOs). The trading activity was often considered mainly as a tool subordinated to the broader socio-political project. This led to debates concerning the degree to which, and the cost at which, the economic development was allowed. In Oxfam-MDM, but also in other volunteer-based FTOs, this translated into tensions both at the operational level (between the employees working in different units), which were handled by the general director, and at the governance level, where the volunteers generally seemed to give primacy to the socio-political missions over the economic performance. To avoid ambiguity, often synonym for a certain organisational paralysis, volunteer-based FTOs should deal with the following dilemma. Either they see themselves as a socio-political movement and they articulate their activities (including the economic ones but also the support to producers) around this project. The sales of FT products may find their place in this context, with worldshops appearing as places of education and campaigning more than as channels to increase the turnover. This involves, in my view, accepting: a limited economic scope compared to other FTOs; a social mission that does not rely so much on increasing volumes for producers but rather on qualitative and political aspects of partnerships; an understanding of professionalism that is not mixed up with market orientation (see seventh chapter); and a secondary place for profitability (for instance as a criterion for evaluating the worldshops). I would say that this option is often favoured by volunteer-based FTOs; an extreme example is Oxfam UK that stopped importing FT goods. But another possibility for volunteer-FTOs is to boost the economic activity parallel with the socio-political project. This requires, however, giving a significant autonomy to the economic activity. Several architectures can be built for this purpose, with different types of control by volunteers and stakeholders on the economic activity. The group structure is the most common one and should be considered when a large size is reached, in order to exploit the possibilities of combination of legal forms and the specialisation of governance structures and managerial posts. But it is also possible to imagine other architectures in the context of a single legal

ance when NGOs have been present from the founding of the FTO. Nevertheless, this does not eliminate the advantages mentioned here

structure, in which it may be easier for employees and managers to converse and deal with the tensions at an interpersonal level in the day-to-day operational context.

Multi-stakeholder cooperatives were characterised by high involvement levels in both the economic and the political sides, which was made explicit through their more complex, multi-stakeholder structure. Such a structure seemed to express explicitly the combined articulation of the three dimensions, with an increased specialisation of each function. The case of Pangea-NT showed the opportunities of such a specialisation, through the ability of both leading campaigns against multinationals and negotiating with supermarkets. As we saw, these opportunities also brought tensions, which were mainly dealt with through the governance structures. Indeed, while multi-stakeholdership is an attractive ambition, it is also a huge challenge. The first challenge comes from the nearly systematic evolution from a single-stakeholder model (generally volunteers and/or employees) to a multi-stakeholder one: in order for the latter to exist not only on the paper, as something that is nice to communicate about, stakeholders must receive a significant voting right. Secondly, FTOs must accept that involving multiple stakeholders inevitably leads to tensions, which may not be handled *a priori*. This is a condition for the governance structures to be a place of constructive debate about the articulation of the three dimensions in the organisational missions and activities. Participants to multi-stakeholder governance are thus not only responsible for the good functioning of the organisation, but also for the balance between its multiple missions.

Finally, group structures went relatively far in the specialisation of each of their entities: resources, managers and employees, governance models, etc. The tensions tended to be reduced at the operational level by the fact that the goals and tasks were attributed to each entity through explicit rules. Yet, as we saw in Oxfam-WW, tensions arised from the lack of information exchange between the two entities, for instance concerning campaigns against the unethical practices of multinational companies. While group structures have gained efficiency, legitimacy and growth opportunities thanks to the increased specialisation of each of their entities, they should balance such a specialisation with coordination devices in order to deal with the inevitable tensions between their different goals and activities. It is worth noting that Oxfam-WW and Traidcraft evolved from a situation with two directors to the appointment of one common director for the two entities. In Traidcraft, instead of having one of the two directors taking the control over the whole group, which might have given the impression that one part was taken over by the other, the appointment of an external director meant to symbolize a “fresh start”. At Oxfam-WW, the director of the nonprofit part was appointed to manage the whole group, which symbolised the fact that the nonprofit controlled the cooperative²³⁴, and not the opposite. Another solution may lie in regular interactions between the two directors (case of MMH-MFT). The governance structures are also a crucial place for dealing with the tensions. Oxfam-WW and Traidcraft chose for a common Board (with an additional overall “guardian” structure in the second FTO). MMH-MFT evolved to separate Boards but with a part of the members belonging to the two Boards. These FTOs should not

GOs have been present from the founding of the FTO. Nevertheless, this does not eliminate the advantages mentioned here

loose sight, on the long term, of the importance of maintaining strong coordination mechanisms to balance specialisation and avoid seeing the two entities go their separate way, evolving isomorphically toward, respectively, a pure business and a pure NGO.

2. Contributions

Combination of theoretical frameworks and methodologies

A first key contribution of this work is to bridge three different theoretical perspectives to tackle the research questions. While such a combination has not been straightforward, it has provided interesting insights concerning the contributions of each perspective and on their possible dialogue in understanding the reasons and the meaning of organisational diversity.

Economic new institutionalism has suggested that FTOs are diverse because they perform different roles. Organisational forms are reflections of the actors' ability to minimise transaction costs for the production of particular goods. Such a functional view is one way of seeing things and has been partly validated by the study: volunteer-based FTOs have emerged and are still present because they sustain the socio-political ambition of FT, cooperative and business forms have appeared to foster its economic development, and group structures have been created to allow the coordinated pursuit of these two missions. However, the exceptions to the rule are numerous. Sociological new institutionalism has brought the emphasis on the symbolic role of organisational forms, as reflections of norms, values and other pressures originating from the environment. In such sense, organisations adopt certain forms not because they are the most efficient but because they are the most appropriated, the most legitimate. Institutional entrepreneurship also draws on the legitimacy of the organisational form, but sees it as a strategic construction aiming to contribute to the creation or the modification of institutional orders rather than as a mere process of conformance to given institutional pressures. Finally, resource dependence theory also views the organisational form in a strategic perspective, as a tool to gain control over the environment and reduce the uncertainty surrounding the organisation.

All four approaches have proved valid to a certain extent and have allowed me to explain a certain number of observations. But neither of the approaches has offered a global and undisputable understanding of organisational diversity in FT. It seems clear that organisational forms have both a functional *and* a symbolic role. These types of roles may be more or less important according to the situation and the time period. Indeed, legitimacy issues are probably more important at the founding of the organisation, when the dependence on external appraisal is highest, and when newcomers are facing uniform and thus strong normative pressures from other actors. As we have seen, the latter situation can be captured through the notion of "path dependence". When previous FTOs have followed a rather uniform path in terms of form and way of practicing FT, then it is much easier for newcomer FTOs to simply follow the path than to explore alternative models. This has appeared quite clearly in Italy, where the case of Esprit Equo has shown the difficulty of path deviance. Belgium offers another example where the dominant, volunteer-based path has been challenged by two new paths in the late nineties. The

first one has been due to an external shock consisting of the intervention of a public subsidising authority. The second one, however, has been opened by an FTO itself (Citizen Dream). At the opposite, when normative pressures are diverse and/or weak (situation faced, for instance, by pioneer FTOs in Belgium and in the UK), several paths can be followed or created, leaving more room to creativity and to efficiency concerns. In the case of existing paths, it is worth noting that large and established organisations seem less dependent on it. Indeed, FTOs such as Cafédirect have been able to innovate and to influence the sector rather than being influenced by it.

Of course, as the most recent approach, institutional entrepreneurship is also probably the most complete and thus the least subject to criticism. Indeed, it has brought strategic insights (some of which are close to RDT) into sociological new institutionalism. Such a combination, however, leads to paradoxes and to a weaker explanatory power. While the two traditional new institutional approaches have been based on systematic sample-based observations, institutional entrepreneurship has drawn on a case-to-case analysis, exploring particular situations rather than general links. This is, in fact, another advantage of combining different theoretical perspectives entailing different methodologies. This has allowed me to gain both a general picture of the rationale of organisational diversity in FT, and an in-depth understanding of the meaning and the implications of such a diversity at the organisational level. It is thanks to this in-depth analysis that I have been able to explore the tensions within FTOs and their management through tools linked to the organisational form.

Bringing organisation theory into Fair Trade and social enterprise

As mentioned in the introduction, there has been little work using organisation theory in the context of social enterprises, and Fair Trade in particular. Yet, the insights of organisation theory are crucial to open the “black boxes” of FTOs, which, as stated in the introduction, are much more than simple and homogeneous links between ethical consumers in the North and small-scale producers in the South. If we use the metaphor suggested by neo-institutional economists, a major contribution of this work has thus been to “open the black box” of FTOs. I have not only proposed a precise and data-based taxonomy to categorise FTOs, but I have also explored different explanations for such a diversity, showing the functional and symbolic roles of the organisational form. This should allow researchers and practitioners to locate particular FTOs in their broader organisational landscape, and to understand the reasons and the implications of the legal form, the architecture and the governance model. The strategic perspectives analysed in the last chapter should be particularly useful to see the organisational form as a tool for shaping the institutional context and for capturing crucial resources.

Bringing Fair Trade and social enterprise into organisation theory

Conversely, I believe that the study of FT and, more generally, social enterprise, brings specific challenges to organisation theory, part of which have been dealt with in this study. First, it appears that the notion of organisational form has often been reduced to the sole architecture or design. In several cases, indeed, the legal form is not “variable”, and the main owners are by

definition the shareholders or the founding manager. Yet, since, in FT and among social enterprises in general, several legal forms may be adopted and seem to be linked to different foci, the choice of the legal form becomes much more strategic than in other fields. Moreover, with the presence of several social groups holding a stake in the FT project, the governance model may also be shaped in a way that enables a certain balance between the different organisational goals. The decision-making power thereby does not depend on one's financial contribution as a shareholder and becomes shared between groups that are involved in a common project. Hence, the legal form and the governance model should be taken into account in the study of organisational forms, especially when organisations pursue goals of a fundamentally diverse nature, as is the case of social enterprises. As this study has shown, each of the elements may be an entry to the same broad reality. In other words, the possible congruence between legal form, architecture and governance model may give more consistence to the study of organisational forms.

In this context, a major contribution of studying FTOs and social enterprises is, as this work has suggested, to examine the link between the multidimensional nature of a given field and the diverse organisational forms of its participants. As we have seen, such a multidimensional nature allows going beyond traditional variables of organisation theory, such as age or size. Indeed, the origin of the resources or the nature of the goals and activities, which are generally not discriminating—and thus useless—in traditional economic sectors, appear particularly crucial in the sectors in which social enterprises operate. Each of the theoretical approaches may be enriched by the observation and the explanation of organisational diversity in the FT context. For neo-institutional economists, the existence of complex, hybrid “goods” such as those inherent in FT brings nuances to the classification of organisational forms in terms of assets, as we have seen in the fifth chapter. For neo-institutional sociologists and organisation theorists, the apparent persistence of organisational diversity over time seems to challenge the isomorphic predictions and to reflect situations of “institutional void” and/or “institutional plurality” (Kraatz & Block, 2008). Neo-institutional theory should thus not only take into account the strategic abilities of organisations in the context of institutional entrepreneurship, but also examine the influence of ideological factors in the shaping of organisational forms and the persistence of their diversity. In the context of institutional entrepreneurship, the disruptive power of social enterprises and their ability to recompose existing institutional orders (Mair & Marti, 2006; Nicholls, forthcoming) may enrich the theoretical perspectives and offer exciting fields of investigation.

3. Limitations

The width of this work is simultaneously its strength and its weakness. Indeed, while I have highlighted the complementary answers provided by the four theoretical approaches, my choice has not allowed me to deepen the analysis on one single approach. The same goes for the methodology, as previously mentioned at the end of the third chapter. Moreover, the analysis of four countries, while allowing a wider sample and thus a more valid apprehension of organisational diversity and of regional influences on such diversity, have led to only partial insights of each regional situation. Another limitation is the focus on the leaders' views as the

main source of information. Although part of the information was triangulated, I could not avoid biases resulting from diverging interpretations and answers. This was particularly explicit in the capture of the organisational goals, which was rather problematic. Despite these limitations, I think that this field study has provided sufficient material to answer the research questions. Even if the situation of all the FTOs has not been deepened, there have been enough numerous and deep interviews and case studies to feed the theoretical analyses. The limitations underlined here should mainly serve to open trails for future research.

4. Future research

Since this study is among the first to use organisation theory to examine FTOs, there is clearly much room left for research in this area. Here is a non-exhaustive list of organisational issues that seem worth exploring. I limit my examples to FT, although it is obvious that these topics could be (and, in certain cases, have been) examined in other fields of social enterprise.

Taking the taxonomy developed in this work as a background, each category of organisational form could be examined separately, with several cases that would highlight the features and challenges of each form regarding the practice of FT. The study of individual FTOs could for instance, be linked with the broader literature on (social) entrepreneurs. Another interesting case could be that of “political businesses” and their institutionalisation through networks such as Minga. Concerning more mainstream-oriented businesses, a key question would be how far they may go in developing the economic activity and making profit, in the context of the debate about the boundaries of FTOs and, more broadly, social enterprise. The challenges of maintaining volunteer-based FTOs in an increasingly market-oriented and competitive field would also be worth examining, including the degree to which the economic activity is developed and given autonomy. The case of group structures is particularly challenging and should be explored further, drawing on the rich and complementary interpretations offered by the diverse theoretical approaches used in this work. As we have seen, more attention should be devoted to the balance between specialisation on each dimension of FT and coordination. The study of some of the most innovative coordination schemes such as multi-stakeholdership is, in my view, particularly promising. Finally, the category of the “NGO-founded businesses” deserves a special attention and could be included in the taxonomy. The latter should be completed and “tested” in other contexts, including more in-depth international comparisons of how and why the organisational landscape of FT differs across the countries.

Researchers could also focus specifically on organisational change in FT, try to explain how and why it occurs and whether this is different from what is described in other sectors. A closer look at how changes in organisational forms may reflect or cause shifts in the missions would be insightful. Also worth examining is the relation between the different categories of FTOs, drawing on the different types of relations highlighted in previous work on FTOs (Becchetti & Huybrechts, 2008) and in the broader literature (e.g., Austin, 2000). A special attention could be paid to the way in which the organisational form influences the relationships of FTOs with mainstream corporations. The complementarities between the two major components of FT, highlighted by several authors at the movement’s level (e.g., Gendron *et al.*, 2009a; Nicholls,

forthcoming; Wilkinson, 2007), could be explored further at the inter-organisational level. The different categories could also be compared on a range of precise issues. A major but tricky issue would be to compare the impact on the producers according to the type of FTO involved. Finally, further empirical material about how the tensions inherent to the FT activity manifest themselves in the different types of FTOs would be welcome.

5. The future of organisational diversity

A key question at the end of this work is that of the future prospects of FT. We have seen that the mainstreaming of FT has brought a new generation of FTOs and has pushed a large part of the pioneers to evolve to a more market-oriented profile. The recent emergence of entrepreneurial forms has further increased the predominance of business-like FTOs. Isn't there a likelihood of an increasing organisational uniformity and resemblance to traditional businesses?

Several factors may point in this direction. First, as the business forms have gradually been accepted by pioneers, and as the business path to FT has become institutionalised, the obstacles to the multiplication of business forms have disappeared. While in France and in Belgium business-form FTOs already constitute a majority in terms of number of organisations, it is likely that such a numeric weight will be combined with a growing influence in the future. Moreover, the tendency in pioneer FTOs, especially in cooperatives and group structures, suggests that "professionalism" and market orientation will be increasingly powerful guidelines. From a functionalist perspective, these orientations are often justified as required for the very survival of the FTOs. But, as underlined by the early sociological new institutionalists, normative trends such as professionalism and market orientation are precisely presented as technical requirements by influential stakeholders (business experts and consultants, public authorities, commercial partners, etc.). Finally, the development of labelling schemes, both in the context of FLO (broadening of the range of labelled products) and outside of it (labels such as Ecocert) is likely to attract a growing number of companies, even in a "100% FT" perspective.

Despite all these reasons, I still see a place for diversity in FTOs and "resistance" to the uniformisation of the market logics. It seems clear that the pioneers' approach to FT, with volunteer-based, nonprofit models, will become a minority in most countries (with maybe a few exceptions for instance in Italy). But this does not mean that all links with the civil society will be cut. The examples of Oxfam-WW and Cafédirect show how NGOs and volunteer groups may remain involved in market-oriented FTOs by becoming influential shareholders that act as watchdogs of the social mission. Moreover, the marginalisation of volunteer-based FTOs in terms of economic weight and number of organisations does not mean that these FTOs will lose their influence. By locating themselves more at the periphery of the FT sector, they may continue to monitor its evolution, and formulate new avenues for high(er) FT standards. As the former director of Oxfam-MDM stated: "*probably in twenty years time we won't be in the FT market any more: our role will rather be to come up with the next 'big idea' that will bring more fairness into the globalised economy*".

Moreover, the dominance of market resources, business legal forms and entrepreneurial dynamics in the other FTOs does not prevent them from developing diverse architectures and governance models. More fundamentally, a business-like form may be used for very alternative, non-mainstream, political purposes, as the case of Minga has shown. In such sense, the FT sector is likely to remain a laboratory in which new models for articulating economic activity, social mission and political message are conceived. In my view, networks of FTOs, and social enterprises in general, will be increasingly important as global governance structures preventing that the businesses loose sight on the social mission and the political role of FT.

Despite the broader institutional forces, particularly the pressure from the conventional business world, FTOs have managed to practice FT under a wide array of forms, following diverse logics. In this sense, they are clearly complementary to each other. In my view, FT needs both its more business-oriented FTOs to explore new economic opportunities, and its ideological “guardians”. The FTOs that combine these two standpoints should particularly serve as examples of these complementarities. This does not mean that the differences among FTOs should be minimised and their internal and external tensions ignored. But, if the FTOs manage to conserve the basic agreement on the core of the FT standards, than their diversity may be considered as a powerful tool, enabling them to serve as “mediators” between civil society and the market (Dine & Shields, 2008, cited in Nicholls, forthcoming). Through continuing the networking processes, and developing collaborations in spite of the diverging “affiliations”, FTOs may be able to resist isomorphic pressures and dilution in the process of mainstreaming. In this respect, their innovative organisational forms can be sources of inspiration for other organisations wishing to combine economic, social, and political dimensions.

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