

Are Fair Trade Organisations necessarily Social Enterprises?

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Biography:

Benjamin Huybrechts is a research assistant at the Centre for Social Economy and finishes a PhD research on Fair Trade Organisations in Europe. He has been involved in several research projects on Fair Trade (North and South) and has published on the topic in the Journal of Business Ethics, the Annals of Public and Co-operative Economics and in several French-speaking journals. As a member of the “Fairness” research network, he co-organised the 3rd Fair Trade International Symposium (FTIS) in May 2008 in Montpellier.

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Abstract

- **Purpose:** Fair Trade organisations (FTOs) have been taken quite early as examples of Social Enterprises (SE) and have contributed to the shaping of the SE concept. The goal of this article is to examine more deeply the link between FTOs and SE, both at a conceptual and at an empirical level.
- **Approach:** First, we introduce different theoretical frameworks of SE and confront FT to each of these frameworks. In a second step, we use an empirical study on FTOs across four European countries to illustrate and deepen the links between FT and SE, focusing on the goals and the governance structures of FTOs.
- **Findings:** All the FTOs combine in some way economic, social and sometimes also political goals. FTOs are thus coherent to the “hybrid goals” nature of SEs. FTOs’ governance is also quite specific and often innovative in terms of organisational architecture and stakeholders’ involvement. Some FTOs are closer to the European – participatory – approach while others are closer to US – individual – approaches. Finally, the governance structures of FTOs seem to reflect quite well their goal mix.
- **Research implications:** This article provides a more solid basis for the often implicit link between FT and SE. Future researches could use our work to explore specific topics of the SE literature in the context of FT (e.g. stakeholders’ involvement). The FT example could also be used to examine further the shifting boundaries of the SE reality.
- **Originality/value:** The originality of this article is to apply the SE concept to a specific field and to show how, within this field, there is at the same time (1) a diversity of organisations, reflecting the diversity of SE approaches and (2) a range of specific features (especially in terms of goal mix and governance) distinguishing SEs from other types of organisations.

Type of article: Research Paper

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Are Fair Trade Organisations necessarily Social Enterprises?

The Fair Trade (FT) “movement” or “sector” is evolving rapidly, both in terms of sales and of public awareness. FT has become increasingly institutionalized and has appeared as one of the major initiatives using (and adapting) market mechanisms to pursue a social purpose, i.e., poverty alleviation for small-scale producers in the Southⁱⁱ (Moore, 2004; Nicholls and Opal, 2005; Raynolds et al., 2007). To pursue this common purpose, Fair Trade Organisations (FTOs) have adopted very heterogeneous organisational strategies, making FT a very diversified organisational landscape (Becchetti and Huybrechts, 2008; Wilkinson, 2007).

The historical evolution of the FT movement explains much of this diversity. To put it simply, at the roots of the movement, we find pioneer nonprofitⁱⁱⁱ organisations and NGOs having started a commercial activity to support their (often pre-existing) social mission. Later on, businesses have become increasingly interested in FT, either at the distribution level (supermarkets) or at the import or transformation level (mainstream businesses, including food multinationals). At the meantime, new businesses have appeared specifically to market FT products. Some of these businesses, such as Cafédirect or Divine Chocolate, have been launched by pioneer FTOs themselves (Doherty and Tranchell, 2007). In this article, we focus on organisations (either pioneers or newcomer businesses) totally involved in FT, thus excluding supermarkets or food businesses having only a part of their products FT labelled.

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

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

The answers to these questions are closely linked to the framework used to define SE. This is why we start by reviewing different conceptualisations of SE (part 1). In part 2, we recall the basics of the FT concept and the historical evolution of the movement. We then present our empirical data on FTOs in four European regions and our methodology. This allows us [to locating](#) FTOs with regard to the main features identified by various approaches of SE. First, we explore the three dimensions possibly present in FTOs' activities – economic, social and political – (part 3). Then, we examine the governance of FTOs, including the legal form and the relationships with – and possible involvement of – external stakeholders (part 4).

1. Theoretical framework

1.1. Different terms

The literature uses three different terms which, at first sight, might seem linked in a very simple way: “social entrepreneurship” is the dynamic process through which a specific type of individuals deserving the name of “social entrepreneurs” create and develop organisations that may be defined as “social enterprises” (Mair and Marti, 2006). However, in the literature, the use of one or another term is often linked to a different focus and/or understanding of “SE”. Many authors consider for instance that “social entrepreneurship” designates a wider range of initiatives not necessarily taking the form of “social enterprises” (Nicholls, 2006; Thompson, 2008). Each of the terms entails different boundaries for the “SE” arena. In this article focusing on the organisational level, we prefer the term “social enterprise” behind “SE”. This does not mean that we will not also include theoretical contributions linked to the two other terms, seeing these as different entries to study, despite some nuances, the same reality.

1.2. Different approaches

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

Within the English-speaking literature, Dees & 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 & Anderson call it – although reluctantly^{vii} – the “Social

Enterprise” school. At its origins, the focus was on nonprofit organisations increasingly looking for new resources on the market and for a more efficient and market-oriented behaviour (Skloot, 1983; Emerson & Twersky, 1996). Later, the observation that “for-profit companies” were increasingly including social purposes to their basically economic missions constituted a second trend feeding this approach. SEs are thus seen as emerging either from the social or from the business sectors, between which the boundaries are increasingly blurred (“*sector-bending*”). Central to SEs in this approach is the idea of using business methods and generating own incomes to pursue more effectively social missions (Nicholls, 2006).

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

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

In Western Europe, the work developed by the EMES Network since the second half of the 1990s (Defourny, 2001; Nyssens, 2006) has shed light on some features of SE that seemed underestimated or ignored by US and UK approaches (Defourny and Nyssens, 2008a). First of all, based on extensive empirical research across EU countries, EMES authors suggest that most SEs do actually belong to the “Third Sector”.^{viii} This does not mean that traditional business forms are excluded from the SE area, but rather that the primacy of social goals is better guaranteed by legal provisions than by the sole appraisal of managers or owners. In such sense, the EMES approach does not entirely subscribe to the idea of “blurring frontiers” among the organisational forms, as proposed by the two other approaches.

Moreover, “Third Sector” legal forms adopted by SEs often involve specific governance models, including a strong orientation towards a participatory management process as well as a democratic decision-making process based on the “one member – one vote” principle. In line with the participatory and democratic nature of SEs’ governance, the authors of the

EMES network observe that many SEs in Europe are “multi-stakeholder”, in the sense that they involve – formally or informally – a variety of stakeholders in their decision-making processes. This feature is seen as linked to the variety of goals often pursued by SEs: economic, social but also political.

EMES authors also insist on the diversity of resources (including non-market resources) that are mobilised by SEs to pursue social aims. On this point, the EMES analysis differs from the “Social Enterprise” school that focuses on the market as the main stream of resource for SEs.

Finally, EMES develops a theoretical analysis of “innovation” in the context of SE (Defourny, 2001). This seems close to the work of the “Social Innovation” school, sharing common references on entrepreneurship and innovation (e.g. Schumpeter).

Although there are strong differences between the various approaches – which can be explained by their distinct research traditions (Peattie and Morley, 2008) –, we can see certain links between them. The common basis of all these approaches is the simultaneous importance of the social mission and of the economic activity, even though the content of both elements may vary according to the authors. In the context of an increasing dialogue between the different approaches, we feel that each of them is useful to shed a particular light on the very different types of organisations involved in FT.

2. Fair Trade and FTOs

Let us now investigate the particular field which constitutes the driver of this article. We first briefly introduce the history of the FT movement. Then, we distinguish the different dimensions inherent to the FT concept. Third, we present our sample of FTOs in four European regions.

2.1. The FT movement

Most authors locate the origins of the FT movement just after the Second World War, with experimental import and distribution initiatives carried by NGOs such as Oxfam and SERV (Diaz Pedregal, 2007; Moore, 2004; Nicholls and Opal, 2005; Raynolds et al., 2007). Then, in the 1960s and 1970s, organisations emerged specifically to establish regular FT partnerships with producers in the South and to distribute their products in a more organised manner, through a network of “worldshops”. These organisations were called “alternative trading organisations” (ATOs), *“a name stemming from the early days of Fair Trade where ‘fair’*

seemed too weak a description of the vision that these companies had' (Moore, 2004). In Europe, the biggest FT pioneers (CTM in Italy, Gepa in Germany, Oxfam in the UK and in Belgium,...) joined together in the "EFTA"^{ix} network in 1987. Two years later, "IFAT"^x was launched at a worldwide level, gathering producer organisations and importers and representing the first institutionalisation of the FT movement.

A second strong institutionalisation process emerged in the same period with the development of labelling schemes. Starting in the late 1980s with "Max Havelaar" in the Netherlands, different labelling initiatives appeared in each country and joined together into "FLO"^{xi} in 1997. The emergence of labelling brought a fundamental change in the evolution of FT. Indeed, the possibility of having products recognised as meeting the FT standards by an external certifying body and not by the importer (or distributor) itself – as it was the case previously with so-called "ATOs" – opened the door of the FT sector to any company. Mainstream businesses, including supermarkets and food multinationals, started selling FT products, which resulted in a huge increase in the volume of FT sales (Moore *et al.*, 2006).

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

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

Such combination of mainstream and socio-political identity is referred to as “radical mainstreaming” (Doherty and Tranchell, 2007; Low and Davenport, 2005).

Moreover, we find an increasing number of small companies selling FT products through a variety of channels, some of which can be “mainstream” (B2B sales for instance) and others more “alternative”. In recent years, many small businesses have emerged in the FT sector without belonging to one of the traditional FT systems: they constitute what some start calling a “Third FT wave” – the first wave being the pioneers’ and the second being FT labelling and mainstreaming (Poos, 2008).

Thus, even when excluding mainstream businesses that have only a part of their products labelled FT – as is the intent in this article –, we still find a very heterogeneous landscape of organisations positioning themselves differently towards FT.

2.2. The FT concept

The definition that gathers most agreement and is most widely used by field actors and academics (Moore, 2004) is the FINE^{xii} definition:

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

It appears from this definition that FT is a highly multidimensional concept. From a theoretical point of view, FT combines elements that could be grouped under three categories. These categories can easily be linked to the three types of dimensions identified throughout the different approaches of SE.

Fairness: FT aims to run trade under “fair” conditions. These conditions constitute the core of the FT concept: fair price, social premium, pre-financing, provision of market access, long-term relationship (Moore, 2004; Nicholls and Opal, 2005; Raynolds and Wilkinson, 2007),... Such tools are supposed to orient the trading relationship towards an effective socio-economic development for the producers in the South. However, the concrete application of these tools may vary across FTOs, even when a label tries to homogenise practices.^{xiii}

Such “fair” dimension constitutes the social mission of FTOs, as we will describe in detail further. The social mission is central for the three schools of thought related to SE.

Trade: FT is also about trade, including the economic functions (import, transformation, distribution,...) similar to any trading initiative. The positioning of trade in the strategy of FTOs, however, can vary from “trade as a mean” to “trade as a goal” (Gendron, 2004).

Trade can easily be linked to the economic dimension central to SEs. In the different schools of thought, however, trade can take different meanings. For the “Social Enterprise” school, trade is necessary to raise incomes in order to devote them to the social mission. The economic and social dimensions can thus be separated. On the contrary, for the EMES approach, the economic activity is very often closely linked to the social mission. Sometimes, the way in which trade is run is part of the social mission itself. We will see further how FTOs behave with this regard.

Education, regulation and advocacy: At the origins of FT, there is the intent of creating a new regulation framework for commercial exchanges. To that end, some FTOs are active in advocacy through lobbying public authorities and denouncing unethical trading practices. International FT networks such as IFAT, FLO or EFTA also carry out such advocacy role. Some FTOs, mainly the pioneer ones, also run education campaigns directed to the consumers. These campaigns are intended to promote FT and to educate citizens towards consumption habits that are more respectful for the environment and the people in the South.

In our view, education, regulation and advocacy can be seen as the political dimension of FT. 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. Although the political dimension is absent – or at least not explicit – in the SE literature, certain authors consider it as a third dimension necessary to capture the scope of SEs (Nyssens, 2006).

As a result, while many authors propose to describe SE with the help of a continuum between “economic” and “social” foci (Austin *et al.*, 2006; Nicholls, 2006), we propose to add the “political” focus, obtaining the following triangle:

Figure 1: The FT Triangle

(insert figure)

In the practice of FTOs, these three dimensions are often interrelated and sometimes undistinguishable (Wilkinson, 2007). For instance, presence on a trade fair can have both economic and political purposes. Most FTOs combine the three dimensions in some way. In such sense, they seem close to the conceptualisations of SE, particularly those emphasising the “hybrid” character of SEs (in terms of goals, resources,...) (Nyssens, 2006; Peattie and Morley, 2008). However, the priorities may vary very much across FTOs.

Such priorities probably depend partly on the economic role of the FTO. Indeed, an importing FTO that is in direct contact with producers is likely to give a stronger importance to producer support in its goal mix than a distributor that has no such direct relationship. In the other sense, a network of worldshops that is in direct contact with consumers is more likely to engage in education activities than an FTO that does only import and wholesale.

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

Such specialisation shows that it is difficult to combine economic, social and political dimensions in one single organisation. One way of finding new ways of combination lies in the creation of specific governance structures (Defourny and Nyssens, 2008a). Following the EMES approach, this is why we will pay an important attention to the governance structure as a possible device to express the FTOs’ priorities.

2.3. Our sample of FTOs

To examine more closely the links between FT and SE, we have collected a rich empirical material among 62 FTOs in four European regions: 14 in Belgium, 24 in France (Rhône-Alpes region), 12 in the United Kingdom (England) and 12 in Italy (Rome). In the four regions, lists of “100% FT” importers or distributors have been obtained through formal and informal FT networks or support organisations.^{xiv} Most organisations listed by these structures^{xv} have been contacted and many have replied positively. The diversity of FTOs in our sample and their proportion with regard to the whole population of FTOs in their area^{xvi}

allow considering our results, if not totally representative, at least indicative of the current trends in the sector.

After having analysed different documents for each FTO (website, annual reports...), we have interviewed the directors based on a semi-directed questionnaire. We have thus obtained both quantitative survey results (e.g. resources, age or size) and rich qualitative insights (in terms of entrepreneurial dynamics, goals, governance structures...). Such mixed information will now be used to try answering the central question of this article: to what extent can FTOs be considered as SEs? We start by exploring how the three dimensions presented above are concretized into FTOs' practices. Then, we examine the governance structure of FTOs and explore to what extent it might reflect FTOs' positioning with regard to the three dimensions.

3. Analysis of the three dimensions in FTOs

3.1. Economic dimension

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

Market activity

First, SEs are characterised by the fact that they operate as enterprises on the market, albeit with social purposes. According to the EMES approach (Defourny, 2001), this necessarily involves, at least, a continuous activity of production of goods and/or of selling of services. Such economic activity lies in the very definition that we have given of FTOs, as our sample only includes organisations active in the import, transformation and/or distribution of fairly traded goods.

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

Following EMES, enterprise also means that there is a significant level of economic risk (Defourny, 2001). Unlike traditional social programs, SEs take risks and are not shielded from the possibility of bankruptcy. In recent years, a certain number of FTOs have collapsed, particularly small businesses in the craft sector where product constraints are heavier.^{xvii} Other FTOs – in fact the majority of them – are struggling to balance their accounts. Very few of them manage to make regular profits (in our sample, only one out of ten). When it is the case, profit is generally reduced and reinvested in the project. When there is an explicit distribution of profits (e.g. Traidcraft or Oxfam Fair Trade), it is occasional (once every three or four years), it is limited (up to 3%) and it goes back to a certain extent in the FT project.^{xviii}

Market resources

A part of the US literature considers that SEs are characterised by their ability to be “self-financed”, i.e., they generate their own incomes through sales on the market (Dees and Anderson, 2006; Nicholls, 2006). Other authors, however, bring a more balanced view on the notion of self-sufficiency. In their view, self-sufficiency can be achieved through a diversified income mix, including sales but also possibly non-commercial resources such as donations, subsidies and voluntary work (Austin *et al.*, 2006; Defourny, 2001; Gardin, 2006).

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

3.2. Social dimension

Central to SE is the importance of the social dimension, which distinguishes SEs from traditional businesses. The social mission is about “*aiming to benefit the community*” (Defourny, 2001), or in other words, “*creating social value for the public good*” (Austin *et al.*, 2006, p. 3). In the case of FT, as we have seen, such social aim is included in the conditions

that make FT a “better deal” for producers in the South. It is not only about providing a better income for producers (which corresponds to “creating value”), but also about empowering them and leveraging development opportunities for their wider communities.

While all FTOs in our sample claim to have producer support as their primary aim, concrete practices are very heterogeneous. Certain FTOs insist on raising the producers’ income, whatever the distribution of this income. Others foster the empowerment of the producers and the democratic control they should exert on their organisation. Some FTOs require well-developed export capacities from the producers and thus work with medium-size and large organisations, while others focus on smaller and more marginalised ones. The first vision is close to FLO’s discourse, while the second vision is rather carried by IFAT. However, it is difficult to discriminate FTOs based on the stated importance of producer support.

The social value of FT does not lie only in the organisations’ aim to benefit producers’ communities. The specificity of FT is that the social value is embedded in the product itself. FTOs thus constitute a striking example of what Mulgan (2006) and Alter et al (2006) call “embedded SEs”. In other words, it is not only about generating an income to serve a social purpose, without any consideration on how the income is earned. Rather, the social purpose is embedded into the activity that provides the income (selling fairly traded products). As FT products include a “*bundle of social and economic characteristics*” (Becchetti and Rosati, 2005), the trading of FT products can be seen as a form of “blended value creation” as developed by some authors (e.g. Emerson and Bonini, 2004). The EMES approach encompasses such “embeddedness” and sees it as the most specific form of innovation for SEs (Defourny, 2001; Defourny and Nyssens, 2008a).

3.3. Political dimension

Finally, the political dimension is an attribute of some SEs that distinguishes them even more sharply from traditional businesses (Nyssens, 2006).

Political goals are present when there is an intent of acting on the wider system in order to change the context in which SEs operate (Martin and Osberg, 2007). As Austin *et al.* (2006, p. 9) state, « *an adverse context may often lead the social entrepreneur to change the context itself, as often the social problem is deeply embedded in contextual factors* ». In the case of FT, changing the context is at the very heart of the project, as we have seen it in the FINE definition. Indeed, FT has emerged precisely because international trade has been considered

as “unfair” by FT’s pioneers (Roozen and van der Hoff, 2001). Seeking a structural change in international trade can also be seen as a way of scaling up the social innovation (Dees, 2001).

The softest way of conducting political action is through sensitising consumers in order to change their consuming habits (sometimes also their voting habits). This is shared by many FTOs, especially the pioneer ones who conduct wide-scale campaigns. However, some new businesses are also involved in educating consumers, although to a lesser extent than pioneers and through different forms.^{xix}

A second type of political action, concerning mainly the pioneer FTOs, consists of lobbying the government to make trade rules fairer and to push mainstream businesses (typically multinationals) to restrict their unfair practices. Whereas initial lobbying campaigns of FTOs were very hard, our interviews suggest that they have now become less aggressive, as certain multinationals are now partners of FTOs in the trading of FT products.

The content and the outlines of advocacy campaigns depend much on the national context of FT actors. While British and Belgian FTOs all agree on FT products being sold in supermarkets, it is far from being the case in France and in Italy. In these countries, a number of FTOs^{xx} are explicitly hostile towards supermarkets and mainstream businesses in general. In such case, political action is much more central to the FTOs’ missions.

4. Governance structure

Part of the literature on SE focuses on the governance model as a specific feature of SEs, which can be seen as a logical consequence of their specific social mission (Austin *et al.*, 2006). We go a step further and consider the governance structure as a possible tool for FTOs to balance their multiple – and sometimes conflicting – goals. First, we examine the different legal forms chosen by FTOs and what these differences might reveal. Second, we focus on the Board of Directors as one of the places where FTOs can involve the different stakeholders involved in or reached by their activity.

4.1. Legal forms

Most academic work along the 1990s has located SE within the nonprofit sector. Similarly, the extensive literature review by Weerawardena and Mort (2006) tends to observe that most authors speak (or think) of nonprofit organisations when describing or theorising SE. However, broader views of SE – shared by an increasing number of authors – mention the

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

The FT field seems consistent with the idea of “blurring boundaries”. Indeed, it appears in our sample that the FT activity can be expressed through nearly all organisational forms: nonprofit organisations (29% of our sample), co-operatives (10%), commercial companies^{xxi} (29%) and individual ventures (7%). We observe a clear trend towards an increase in the proportion of business legal forms. More and more FTOs are groups consisting of two or three entities with different legal forms: a nonprofit organisation and a co-operative (10% - e.g. Oxfam-Wereldwinkels and Maya in Belgium or Soligren in Rhône-Alpes), or a nonprofit with a traditional business form (6% - e.g. Traidcraft and Twin in the UK).

Broadly speaking, even though examples even exist of very business-like nonprofits (e.g. the “Fair Trade Organisatie” in Belgium) and of very politically committed businesses (e.g. the members of the “Minga” network in France), we observe that nonprofit organisations are more active on socio-political issues, while businesses or individual ventures are more focused on business. The former rarely have a marketing department and often lack business skills and capital. The latter are more often restricted by their economic imperatives and are thus less involved in the social and political dimensions of FT.

An interesting case is that of “FT groups”. If we remember the triangle in Figure 1, we can analyse the emergence of FT groups as a strategy used to “spread” the organisation more widely onto the three different dimensions, when a sufficient size is achieved. Indeed, FT groups result from FTOs desiring to be efficient at the same time on the economic, social and political issues, but not in one single entity. The different entities are often linked together through a common director (e.g. Traidcraft), a common Board (e.g. Oxfam-Wereldwinkels) or exclusive collaboration rules (e.g. Miel Maya). Such groups can be seen as excellent examples of the “innovative organisational architectures” built by SEs (Defourny, 2001).

4.2. Stakeholders’ involvement

Because of stakeholders’ diversity and complexity^{xxii}, some authors consider that SEs are more likely than either commercial businesses or traditional nonprofits to be “multi-stakeholder”, i.e. to involve the various stakeholders in their decision-making processes (Campi *et al.*, 2006; Defourny and Nyssens, 2006). One way of doing so is to include

stakeholders' "representatives" in the decision-making structures such as the General Assembly and the Board of Directors.^{xxiii} Involving external stakeholders allows to gain their expertise and to integrate their preoccupations in the decision-making (Spear, 2004). We can thus interpret stakeholders' involvement on the Board as one of the tools used to integrate one or several particular dimensions.

This link finds a clear illustration in the case of producers' involvement. While the geographical distance makes it difficult for FTOs to have producers' representatives on their Board, there is an emerging trend towards this practice, especially in the UK (Cafédirect and Twin in our sample). Such involvement allows these FTOs to claim to be particularly close to the producers' views and expectations, besides giving producers a financial surplus and an insight on the commercialisation issues in the North. Many FTOs' directors have showed a strong interest in this system, indicating a possible trend for the future.

On the political side, we have observed that FTOs involving volunteers on their Board, as well as advocacy NGOs, are those who pay a strong attention to education and advocacy. Pioneer FTOs, particularly those having developed networks of "worldshops", generally have a strong democratic representation of volunteers on their Board (Artisans du Monde, Oxfam,...). They see democracy as part of their political mission aiming to influence business practices, even in terms of governance.

Representation of shareholders, private or public funding institutions or even managers can then be viewed as a strategy for FTOs to gain commercial expertise and also resources. Indeed, following Pfeffer and Salancik (1978), the inclusion of market actors on the Board can be particularly useful for FTOs depending mainly on market resources.

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

Conclusion

With the help of examples of FTOs in Belgium, France, Italy and the UK, we have examined some of the main SE features in the context of FT. It has appeared that the “SE nature” of FTOs goes beyond the sole fact that they are involved in FT. From more NGO-like to more business-like configurations, the FTOs in our sample share the primacy of the social mission, the limited profit distribution (if any), the focus on innovation and at least some degree of self-financing. Nevertheless, beyond these common characteristics, FTOs diverge in the ways they combine the different types of goals and express these combinations through their governance structure.

While all FTOs seem to combine, at least, economic and social dimensions – although at varying degrees and forms –, the political dimension is not present in the same way for all FTOs. Pioneer FTOs generally run education and advocacy activities in a more developed and explicit way than newcomer FTOs, which have heterogeneous profiles in terms of political involvement, depending on the entrepreneur’s choices.

In terms of governance – more specifically the legal form and stakeholders’ involvement in the decision-making structures –, practices are at the same time specific and diverse (Peattie and Morley, 2008). Many new FTOs are quasi-individual ventures and seem closer to some American approaches of SE focusing on the entrepreneur. Other FTOs are much more multi-stakeholder and fit better in the EMES conceptualisation of SE. Finally, we have seen that the governance structure seems to reflect to a certain extent the positioning of FTOs’ towards the different dimensions of FT. FTOs led by activists and having volunteers or partner NGOs on their Board seem to have a stronger focus on non-economic (social and political) goals than FTOs run by managers with a business background and governed by investors.

As a conclusion, this article has tried to provide some theoretical and empirical support to the implicit link that has been established, by both academics and practitioners, between FT and SE. Of course, there are many limitations to our work. The different approaches of SE are not exhaustive and our empirical study has not allowed in-depth case studies. Other FTOs would have been interesting to include, for instance Divine Chocolate with its unique governance structure (45% of the shares are held by the producers’ partner cooperative in Ghana).

This article should rather be considered as a first step for setting a framework on the basis of which FT should be used both (1) as an illustration of SE and (2) as a laboratory able to feed the debates and the theoretical construction of the SE concept (in terms of distinctive features, historical construction, boundaries,...). On the first point, future research could explore

specific topics raised by the SE literature in the context of FT (e.g. tensions between types of goals, stakeholders' involvement,...). The link between different categories of FTOs and the different approaches of SE could also be examined further. On the second point, specific case studies on unique FTOs such as branded FT companies (Divine, Cafédirect,...) could be very interesting contributions to the debates about how to combine social mission and economic dynamics or how to manage the relationships with the mainstream business world. Such future work could shed additional light on our intuition that the diversity of the FT sector echoes the rich diversity of SE practices and conceptualisations.

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

ⁱⁱⁱ We use the term "nonprofit" organisations instead of "not-for-profit", "voluntary" or "charity", "nonprofit" being the most commonly used in the international literature.

^{iv} Let us for instance take the example of the nomination of Penny Newman, former CEO of British FTO Cafédirect, as "Social Enterprise Ambassador" in 2007.

^v Most FTOs have a clear opinion with this regard. For instance, Penny Newman, the former CEO of Cafédirect, declared during our discussion (15th January 2008): "*It is clearly not because we sell FT products that we are a SE. Otherwise, any of the companies involved in FT could be considered as SEs. No, we are a SE because we have a social mission central to the company. Producers are the main beneficiaries of our activity and they are owners of the company. This would be unthinkable for traditional businesses*".

^{vi} We will not go into the debate on whether UK scholars are closer to the American or to the continental European approaches, though Peattie and Morley (2008) suggest the second proximity is the strongest.

^{vii} In a footnote (p. 41), Dees and Anderson explain that the term "Social Enterprise" has been chosen for this school of thought on the basis of a "convention", probably rooted in the American practice. They admit that such term should ideally not be linked to one particular school of thought but that it should be left as a generic name. We fully agree with this last comment and follow Defourny & Nyssens (2008a) who propose to call this school of thought the "Enterprising Nonprofit" school.

^{viii} Either nonprofit organisations or other organisational forms that limit the return on capital, for instance co-operatives.

^{ix} European Fair Trade Association

^x Originally "International Federation for Alternative Trade", later changed into "International Fair Trade Association".

^{xi} Fairtrade Labelling Organizations International

^{xii} FINE is an informal network gathering the four main Fair Trade umbrella organs: EFTA, NEWS (Network of European Worldshops), FLO and IFAT.

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

^{xiv} The "Fair Trade Centre" in Belgium, the "Equisol" support association in Rhône-Alpes, the "British Association for Fair Trade Shops" in the UK and the "Roma Equa" network in Rome.

^{xv} I.e. organisations listed on their website or on their mailing list and claiming to be Fair Trade.

^{xvi} Approximately 45% in England, 60% in Rhône-Alpes, 65% in Rome and 70% in Belgium.

^{xvii} In our Belgian sample for instance, one importer (Citizen Dream) and one distributor (Emile) of FT craft have gone bankrupt during the study. See the report coordinated by Van Cauwer, Tack and Servais (2008) at the request of the Walloon Minister of Economy (http://www.saw-b.be/media/d_RapportFinalInteractif_72406.pdf - in French).

^{xviii} For instance, in Oxfam Fair Trade, 70% of the shares are held by the nonprofit sister organisation Oxfam-Wereldwinkels and by the individual worldshops. In the case of Traidcraft, according to the CEO Paul Chandler (met on 17th January 2008), 60% of the shareholders turn back their dividends to the FTO.

^{xix} E.g. through the participation to a FT network such as BAFTS in the UK or Agices in Italy.

^{xx} For instance most Roman worldshops or the French FTOs belonging to the "Minga" network

^{xxi} The term "commercial companies" has been chosen as the "least problematic". Indeed, the term "for-profit", often used in the economic literature, assumes that the main goal of the organisations is to make profit, which is incorrect in the case of FTOs and, more widely, SEs. "Business" is also problematic (co-operatives are also businesses), as is "corporation" (most commercial FTOs are very small and far from the corporate model).

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

^{xxiii} Other involvement strategies may be more informal, e.g. through spontaneous dialogue with stakeholders. For instance, Traidcraft has developed a very ambitious program of annual stakeholders’ consultation. The comments and the advices given by the various stakeholders are taken very seriously into account in Traidcraft’s strategy. Reports of Traidcraft’s stakeholder dialogue can be downloaded on www.traidcraft.co.uk.