

The challenge of being a fair trade soci(et)al entrepreneur

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This paper is based on a study of how the CEO of a Fair Trade textile company in Sweden handles and develops her Fair Trade business and which challenges and dilemmas she meets in her interplay with suppliers, customers, and NGOs in different contexts such as Sweden and India. The combination of having a vision of changing poor working conditions in India and also make a living on her business raises some dilemmas for the soci(et)al entrepreneur. Some dilemmas regard her own life situation, business matters and others her possibility to make change for Indian workers. The dilemmas show that also in relation to a non-profit context and the business/market context the actors in Sweden and India and their actions are dependent on which values and norms they are familiar with and driven by. This results in a Fair Trade paradox and the Swedish soci(et)al entrepreneur is in the Indian context forced to make business in the profit maximizing logic, a logic that she tries to change with the help of the Fair Trade idea.

1. Introduction

Social entrepreneurship is about making profits and to survive in a market context, and on the other hand there is a social mission (Smith, Knapp, Barr, Stevens, and Cannatelli 2010) and the central driver for social entrepreneurship is the social problem being addressed (Austin, Stevenson, and Wei-Skillern 2006). This dual aim makes the everyday life as a social entrepreneur complex and sometimes challenging. In this paper Fair Trade is discussed from an entrepreneurial perspective and how a Swedish soci(et)al entrepreneur with a social and environmental focus develops her Fair Trade business. The soci(et)al entrepreneur have the aim to change the Indian society to be fairer regarding to human rights and to adjust and change the business society to the Fair Trade demands.

The Fair Trade idea and market could be seen as an answer on demands from NGOs and customers in Europe and the US for a fairer trade with low income countries. On this market

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several organizations and companies work for and present an alternative to a profit maximizing logic where products produced in low income countries and sold in Europe and the US should be produced with higher salaries and with better working conditions. A Fair Trade label has been developed which is based on the International Labor Organization's criteria for indigenous people on human and labour rights² and farmers will be paid a minimum price and a premium for their products (for example cotton, cacao, coffee). The farmers decide how to invest the premium and often act together as community entrepreneurs (Johannisson 1990; Johannisson, and Nilsson 1989) when they invest the premium in schools, water wells, health care institutions etc. in their local societies. The Fair Trade label idea could be seen as societal entrepreneurship³ where the aim is to help poor farmers in low income countries to develop their societies and be able to make a reasonable income. The Fair Trade certification is also linked to the Fair Trade production in the whole supply chain where producers could be licensed as Fair Trade producers if they follow the Fair Trade criteria⁴ of the Fair Trade certification organization and include minimum wages (www.rattvisemarkt.se).

Since the Fair Trade label is based on the idea of changing working conditions in low income countries the aspect of context is important. The Fair Trade label has been developed in a Western context but this idea meets the norms and values in another context as for example in a developing country as India. The aim in this paper is to understand how a Swedish soci(et)al

² The ILO criteria are; elimination of forced labour, abolition of child labour, elimination of discrimination (www.ilo.org)

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⁴ The Fairtrade criteria are; premium for products sold, minimum price for products, minimum wages at same level or higher as the national law, the right to organize in labour unions, democratic organizational structure, health and security, environmental awareness, no child labour (www.rattvisemarkt.se)

entrepreneur running a Fair Trade business is challenged by the norms and values related to the different contexts of Sweden and India. The paper focuses the questions; how does a Swedish soci(et)al entrepreneur handles and develops its Fair Trade business? What kind of challenges or dilemmas will be in focus?

1.1. Method

The study is based on a qualitative method where data for this paper was collected by four longer personal interviews, one shorter telephone interview and twelve participating observations from September 2009 to June 2010 with the CEO of a Swedish Fair Trade textile company. Each personal interview was one to two hours long and was recorded and afterwards transcribed. The participating observations were made as following the CEO to five fairs, one conference and six business meetings. Two of these occasions lasted for two days each and four for one day each. During one of the events I also made 5 shorter interviews with other Swedish companies producing and selling organic and fair trade textile products.

The transcriptions from interviews and notes from fairs, conferences and business meetings were analyzed regarding to how the actors and the CEO interpreted and experienced Fair Trade and what actions they highlighted as important for dealing with Fair Trade issues. The analysis focuses how the CEO describes her way of becoming a Fair Trade entrepreneur and acting as a social entrepreneur in her engagement for human rights issues and environmental issues. Following the CEO in different arenas (fair trade conferences, business meetings, and business fairs) gave the possibility to see the challenges, which are both possibilities and dilemmas in her development of her Fair Trade business. The research focus is to have a more critical view and also see the problems and the struggle for a Fair Trade soci(et)al entrepreneur and not only focus on the positive view of Fair Trade.

1.2. Soc(iet)al entrepreneurship and the importance of context

In this study soci(et)al entrepreneurship is about companies and organizations acting with a responsibility for social and environmental issues in the business society and in relation to local societies in low income countries. The common aim for these organizations is that they all want to change existing institutions as child labor, low wages, and poor working conditions in developing countries which also could be explained as institutional entrepreneurship. Institutional entrepreneurs are seen to infuse organizational fields with new, regenerative and innovative values and practices (Khan, Munir, and Willmott 2007) and the Fair Trade idea could be seen as an example of this. The social entrepreneur could be seen as a change agent and creates and sustains social value without being limited to resources currently in hand (Sharir, and Lerner 2006). This definition relate to Schumpeter (1934) who defines the entrepreneur as a change agent who brings innovations to the market which will change until the next equilibrium.

The importance of contextualized entrepreneurship research pays attention to social and cultural context and that these are potent and important forces in their own right (Hjort, and Johannisson 1998; Johannisson 2007; Hjort, Jones, and Gartner 2008). Social entrepreneurship cannot be understood in a purely economic sense but needs to be examined in light of the social context and the local environment (Mair, and Martín 2006). Austin, Stevenson and Wei-Skillern (2006) define context as those elements outside the control of the entrepreneur that will influence success or failure and the contextual factors include the macro economy, tax and regulatory structure, and sociopolitical environment. The continuous interaction between social entrepreneurs and the context in which they are embedded is also of importance regarding to Mair and Martín (2006). Highly embedded actors may be conditioned by the very institution and therefore not consider changing existing rules (Holm 1995 referred in Mair, and Martín 2006). The individuals' actions are decided by the

organizational context which states rules for their behaviors (Hjort, and Johannisson 1998). This seems to be the case with suppliers in India acting outside the Fair Trade market and who are acting in very profit oriented logic which will make it difficult to raise wages for workers and to improve working conditions. An adverse context may often lead the social entrepreneur to seek to change the context itself, as often the social problem is deeply embedded in contextual factors (Austin, Stevenson, and Wei-Skillern 2006). This wish to change contextual factors could be recognized by the NGOs and among companies focusing on Fair Trade and environmental issues.

In the following section the CEO of a Fair Trade textile company in Sweden is presented and her view of how she interplays with actors in the two contexts of Sweden and India such as Indian suppliers and Swedish customers and NGOs.

2. How a soci(et)al entrepreneur handles and develops its Fair Trade business: Challenges and dilemmas

In this part we will follow a Swedish Fair Trade company and why the CEOs started the company and her experience of running a Fair Trade company and being a soci(et)al entrepreneur. To combine the vision of making good and to run a business is a challenge and sometimes this struggle end up in dilemmas.

2.1. To make business of a social and environmental engagement

The Swedish Fair Trade company studied sells organic and fair trade produced cotton bags to large Swedish retail companies, cotton clothes for children and profile clothes such as t-shirts to adults, cotton bedclothes for children and cotton towels. The products are produced by organic GOTS⁵-certified and Fair Trade certified cotton and produced by Indian companies which are registered as Fair Trade producers at the Fair Trade certification organization. This

⁵ Global Organic Textile Standard (GOTS) is a standard for organic products.

means that it is not only the raw material cotton which is certified according to the criteria of GOTS and Fair Trade also the production with several stages as cleansing, spinning, coloring, knitting and sewing are done according to organic principles and Fair Trade principles based on ILO's conventions. The combination of both organic and Fair Trade certified textile products is not common in Sweden; often the products are either organic or Fair Trade. The company was established in 2006 and the CEO is the only employed but since 2009 she now and then has help with temporary employees.

The CEO was born in India and until she was 5 years old she lived at one of Mother Theresa's orphanage. She was adopted by a Swedish family and has lived in Sweden since then. She has also herself adopted a girl from India. One reason for her to produce products in India is related to her own back ground. The CEO has also a personal engagement in environmental and human rights issues and is a member of Amnesty International and other NGOs related to human right issues. Since 1995 she has worked with Fair Trade issues. At first she worked for the teachers union in their international engagement during her occupation as a teacher. Later on she voluntarily started a World Shop⁶ in the Swedish town Västerås in order to push the Fair Trade issues but she felt that there was not enough force in the World Shop concept. One of the problems was that all the staff was working voluntarily which made it difficult to rely on the shop staff would come to their scheduled work.

Before she started the company she was working full time as a teacher and she had no time left over for her family. Not least considering the engagement in the World Shop:

⁶ The Swedish World Shops' Association was mainly supported by the Swedish Church when it started in 1969. The aim is to sell craft and food products from small-scale producers in developing countries that have been produced regarding to specific Fair Trade criteria based on WFTO's Fair Trade principles. The association also works with information and campaign activities (www.varldsbutikerna.org).

... I arranged activities. It takes much organization and all of that was done during my spare time. So much energy I put into that made me think; why should I do this for others account? (Interview, 2009-10-06; my translation)

The engagement in the World Shop demanded more and more time from her, which brought up issues whether this was the best platform to initiate change from. The work load was heavy when she was taking care of the shop due to; campaigning activities, coordination of the financing organizations, purchase of Fair Trade products etc. at the same time as she worked full time as a school teacher. She decided to start her own business and leave her engagement in the World Shop as well as her position as a teacher though it was difficult to find enough of time for both family, work, and besides; also her engagement in the World Shop. So, instead of putting so much energy for other organizations, she says,

“now I do this for myself so I can get something out of it” (Interview, 2009-11-03; my translation).

As Sundin (2009) discusses societal entrepreneurs, the CEO realized her social ideas about human rights and environmental responsibility through a business initiative. She felt restrained as voluntarily employed and started her own business in order to also take part of the revenues and to have an income from her work. She could be described as the sustainable economy's entrepreneur which regarding to Augustinsson and Brisvall (2009) is the new generation of a societal entrepreneur that does not see any conflict between earning money and saving the world. Her company could also been seen from an anglo-american view on social entrepreneurship and social enterprise where the aim is to change the world through creating a sector of social companies which are hybrids of activism and business (Palmås 2007). The CEO of the Fair Trade company in this study combines activism with business and

also interacts with NGOs such as Save the Children and a Fair Trade network in her mission of the Fair Trade idea in India and in Sweden.

2.2. To influence suppliers

The CEO's experiences of making business with Indian Fair Trade producers is regarding to her that she as a customer can influence regarding labor rights because for Indian producers all customers are important and the producers want to take all orders. For example when she did her first order she asked for information about labor rights which influenced because the supplier needed to be able to show this.

She says, "only that you ask for contact information if there is a labor union. We want to know if there have been any meetings about the union, how it is possible to know your rights, have there been any meeting about this...only that you raise these questions" (Interview, 2009-11-03; my translation).

She means that all Swedish purchasers also those outside the Fair Trade market could influence even with small actions but, mostly they don't care and want to have a product as cheap as possible.

Her experience is that it is only a few people employed at the Indian Fair Trade producers that have the knowledge of what Fair Trade is. It is mainly the directors who are familiar with the Fair Trade concept. In India companies have a hierarchical organization according to the CEO and as an employee you should know your part and not make any claims for anything more. Her conclusion is that many Indian suppliers see their Fair Trade license as PR which mainly could give them the possibility to sell their products to foreign customers.

2.3. The trust dilemma

But, it is also difficult to know if the suppliers follow the rules and criteria of Fair Trade. An example is that one of the Fair Trade suppliers to the studied Swedish Fair Trade company

who used subcontractors did not fulfill the organic criteria even that they used the organic certification label on the clothes produced. The product contained more chemicals than even conventional textiles. This problem was discovered by one of the Fair Trade company's customers. According to the CEO it is therefore important to choose Indian Fair Trade suppliers which have as large part as possible of the production stages in the same company. This in order to avoid that they will use subcontractors for parts of the production because it is often at subcontractors that there are problems with environmental or social issues and it is very difficult as a customer to find out about these subcontractors.

According to the CEO it is also sometimes problematic to produce in India due to Indian Fair Trade producers often are tuff in negotiations. They want high prices, they don't keep the delivery times, they make faults in products, they don't want to write agreements with small customers so if there are faults the customer needs to place a new order and pay again. The opinion of the CEO is that the Fair Trade producers in India are quite few and take advantage of their position and are confident that their customers wait for their products since the European importers will do everything to be able to supply to their customers in Europe. These problems are also according to the CEO expressed in Fair Trade seminars by other Fair Trade importers in Sweden dealing with other products than textiles. If the customer is large and buy large orders it is easier to write an agreement with the suppliers where they could guarantee quality and delivery issues. The problem for the CEO is that her company is small and she could not always buy large orders from the Indian suppliers.

2.4. The Fair dilemma

According to the CEO, The Fair Trade certification organization wants that their licensees make agreements with their suppliers but they do not support the licensees in order to raise demands on the Fair Trade suppliers to make agreements. The reason is that the organization doesn't want to get involved in business matters. Also the fee for the Fair Trade license is

high, 2% of the sales price is paid by the company to the Fair Trade certification organization. This is high compared with the fee for organic certifications which is 0.5% of the sales price. The CEO argue that this is not fair to the Fair Trade companies in Sweden and a bit of a paradox since the Fair Trade certification organization stresses that the trade should be fair in all parts of the trade chain but this seems to be only directed to the farmers and producers in low income countries.

2.5. The profit dilemma

She also finds it troublesome to get profit in Sweden from selling for example t-shirts and cotton bags since the Swedish customers will not pay for the higher production costs she has for Fair Trade and organic products. Sometimes she needs to sell to a lower price and her profit will be too low.

Researcher: “So sometimes you need to sell to a lower price even if you shouldn’t?”

CEO: “Yes, sometimes I need to do that. Cotton bags, which I sell, are actually a loss. To sell 100 bags, it is almost the same work to make a cotton bag as making a t-shirt. And people will buy a cotton bag for 5-10 SEK and you don’t make a profit on that. It is not possible to get so much profit.” (Interview, 2009-10-06; my translation).

So, it is not only in the Indian context that the Fair Trade idea is challenged. The Swedish customers see a limit for being socially responsible for workers in India. But, even if the CEO is making an economic loss she is still contributing to the workers in India with her Fair Trade business.

2. 6. The ethical dilemma

But, there is an ethical dilemma according to the CEO. As a Fair Trade company in Sweden there is a moral limit for how large profit you can make on the Fair Trade products since the workers in India will still have a low wage and the gap between the company's profit on each product and the workers' salary should not be too large.

“Can I make a profit? I must make profit but there is a limit for how large it could be in comparison with how much the workers get if I earn more, if the argument is Fair Trade. If the argument is not Fair Trade and instead quality, then I can take any marginal I want. But, I can't take too much if it is Fair Trade, because the workers who should benefit get such a small proportion anyway and I so much more.” (Telephone interview, 2010-03-15; my translation).

She is of the opinion that the requirements and demands on the Indian Fair Trade producers could be stronger such as the criterion of minimum wages which is too low regarding to her. But, according to her the situation for the workers at the Fair Trade suppliers are, although much better than normally in India.

This dilemma shows a disharmony in being a social entrepreneur, you must make profit but you will also help the workers in India and identify yourself and your company as a caring company. So, where is the limit for being a fair company? This disharmony between the entrepreneur's understandings of what they do and what in fact they do (Spinosa, Flores, and Dreyfus 1997) could be expressed in this ethical dilemma.

3. The soci(et)al entrepreneur needs to handle norms and values in different contexts

To be a soci(et)al entrepreneur and to run a small Fair trade business is a challenge regarding to the story told by the CEO of the studied Fair Trade company. The combination of having a mission of changing poor working conditions in India and also make a living on the business

raises some dilemmas for the soci(et)al entrepreneur. Before she started the company she had doubts about her life situation which she solved with starting her company so she could have a living out of her human rights engagement. She felt exploited in the non-profit context when she ran the World Shop voluntarily in cooperation with NGOs and their paid employees and needed to work full time as a school teacher in order to support herself.

An ethical dilemma for the CEO is that she sees constraints in making too large profit on her business. The duality between her non-profit ideology which is based in her human rights engagement clash with the business ideology of profit maximization and end up in an ethical dilemma for her. She doesn't want to exploit the Indian Fair Trade workers and earn too much money on their expense. But this view also gives her financial dilemmas when she can't get enough profit from selling Fair Trade products to Swedish customers and sometimes need to sell at a loss. In this perspective she is also struggling with the norms and values among Swedish customers that they don't want to pay high prices for products produced in low income countries, even if they are Fair Trade labeled, since Swedish customers are used to low prices from these countries.

But, sometimes she is able to contribute to the Indian workers when she experience that she can influence the Indian suppliers as a customer of Fair Trade produced textile products asking for human rights issues. In these situations she could be identified as a change agent (Sharir, and Lerner 2006; Kahn, Munir, and Willmott 2007) with the help of the Fair Trade criteria. But, in other situations she is also cheated by suppliers and a trust dilemma occur.

3.1. The Fair Trade paradox

Regarding to the CEO of the Swedish Fair Trade company in this study she have sometimes problems with the Indian Fair Trade producers who are few and skilled businessmen and take advantage of the soci(et)al entrepreneur's lack of business experiences. She is in the Indian context forced to make business in the profit maximizing logic, a logic that utilize workers

and that she tries to change with the help of the Fair Trade idea. This experience has also been expressed by other Swedish Fair Trade companies. The CEO of the Swedish Fair Trade company acts from a solidarity perspective when she wants to change the business society in India which makes it difficult for her to handle the Indian business context. When she meets the Indian Fair Trade producers this solidarity value is challenged in the profit-oriented Indian business society and she is forced to make business regarding to values and norms in the Indian context.

This could be seen as a Fair Trade paradox which shows that the soci(et)al entrepreneurship is framed in the economic discourse despite what the Fair Trade companies in Sweden want. The Indian Fair Trade producers are embedded in the Indian context and may be conditioned by the very institution and therefore not consider changing existing rules (Holm 1995 referred in Mair, and Martín 2006). This consequence of the Fair Trade business for Fair Trade companies in Sweden is not either taken up by the NGOs such as the Fair Trade certification organizations since they are focusing on producers in low-income countries and do not support the Swedish Fair Trade companies in business matters. In that sense the Fair Trade certification organization is acting in a non-profit context and distances itself from the Swedish Fair Trade companies. Consequences like these are seldom discussed regarding the Fair Trade issues in Sweden.

3.2. Conclusions

The study shows that to be a Fair Trade soci(et)al entrepreneur is challenging due to the need of handling different norms and values in different contexts. Different dilemmas occur due to the actors in Sweden and India and their actions are dependent on which values and norms they are familiar with and driven by. The contexts are represented by the Swedish and Indian contexts but also the business/market context and the non-profit context seem important since the Fair Trade business is a combination of hybrid of business and activism. The non-profit

context is based on voluntary work and to help others is difficult to combine with a profit oriented view. This duality challenges the Fair Trade soci(et)al entrepreneur and raises dilemmas in the process of running the Fair Trade business.

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