Societal Entrepreneurship contextualized: The Diffusion and translation process of Fair Trade in Sweden and India

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Abstract

The paper is based on a study of how a Fair Trade textile company in Sweden interplays with other organizations such as business customers, suppliers in India and NGOs and how they act as societal entrepreneurs for changing the situation in India regarding to social and environmental issues. The paper discusses how the organizations interplay regarding Fair Trade and how this interplay is handled and understood by the actors in relation to the contexts of Sweden and India. The study shows that the diffusion and translation process of Fair Trade and sustainability issues in India is dependent on actions driven by the actors’ contextualized values and norms. The Swedish actors focus on Western management models such as standards and certifications since they see control and legitimacy as important. The Indian Fair trade suppliers adapt to the standards and certifications and utilize them for making business outside India at the same time as they challenge the Indian business society as societal entrepreneurs. The process seems to give both opportunities and consequences for the organizations studied, both in India and in Sweden.

Keywords: Societal entrepreneurship, institutional entrepreneurship, context, legitimacy, Fair Trade, standards
1. Introduction

With a growing debate about sustainable development in the western society the environmental issues where first in focus. Later on the social issues have been highlighted in relation to business activities in low income countries. In a more globalized world we see more and more companies in the West move their production or their purchases to suppliers in low income countries in Asia. A debate led by Non-Governmental Organizations (NGOs) stresses child labor, poor working conditions, low salaries and environmental problems in several industries as the textile industry, carpet industry, electronics industry, toy industry in countries such as China and India (see for example Bjurling, 2004; Fair Trade Center, 2008; Wingborg, 2009; interview, Fair Trade Center, 2009-11-24). This debate raises demands on the Western companies to not utilize the workforce in low income countries. These demands have created the market of Fair Trade. But, as markets are not only constructed by profitability, efficiency and resource allocation they could also be seen in the view of institutional theory where organizations are embedded in organizational fields (DiMaggio and Powell, 1983). In these organizational fields markets also consist of politicians, public authorities, NGOs, labour unions, trade associations, journalists, consumers together with different kinds of companies such as producers, suppliers and retailers, investors etc. They are all important actors determining how institutions, which can be explained as norms and values regarding specific issues such as Sustainable Development and Fair Trade, develop when organizations interplay with each other. For example in the creation of Fair Trade markets not only companies are involved, these markets are also created by NGOs with their aim of improving human rights and living conditions for people in low income countries. The ideas of Sustainable Development and Fair Trade are focusing on a larger responsibility for companies beyond profit maximization. The underlying issue is to improve the society regarding to ecological and social issues such as minimizing pollution and use of natural resources and improve working and living conditions for employees. These ideas developed in the interplay between different actors in organizational fields could be seen as processes of societal entrepreneurship.
In the paper I focus how organizations in the contexts of Sweden and India are interplaying regarding to Fair Trade issues. The concept of Fair Trade is seen as socially constructed in the organizational field and I raise the research questions; how do different actors in the contexts of Sweden and India interplay and define the idea of Fair Trade and how do they act as societal entrepreneurs? The aim is to understand the process of organizing societal entrepreneurship\(^1\) in the organizational field of Fair Trade and how different organizations and companies in Sweden and India work for changing the business society due to the idea of Fair Trade.

1.1. Method

The paper is based on a qualitative method where data collected by 15 interviews and 14 observations were made from September 2009 to April 2010. Regarding to the research questions of how actors define and construct the concept of Fair Trade a qualitative method suits well in order to collect different actors’ experiences and views on Fair Trade. In the study personal interviews with persons from different organizations and companies were made such as, the textile company Oria, an Indian textile supplier, a Swedish food retailer, the Fair Trade Center organization, Fair Trade Certification Organization and the Swedish Church. Each interview was app. 1-2 hours long and was recorded and afterwards transcribed. Also participating observations were made where I followed the CEO of the Swedish company Oria to 6 fairs and 6 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. Additionally I have participated in 3 conferences and workshops where several organizations and companies discussed Fair trade issues from several perspectives representing their different positions at the Fair Trade market or the regular market. The transcriptions from interviews and notes from fairs, conferences and

\(^1\) The research which the paper is based on has been financed by The Knowledge Foundation in Sweden and has been worked out in the research program Organizing Societal Entrepreneurship (OSIS) led by Professor Bengt Johannisson, Linné University. The OSIS-program is a co-operation between researchers from the Linné University, Mälardalen University and Linköping University in Sweden.
business meetings were analyzed regarding to how the actors interpreted and experienced Fair Trade and what actions they highlighted as important for dealing with Fair Trade issues. Standardization, control, legitimacy, influencing other actors were some of the themes I recognized in the analytical work. Different methods of data collections, events and actors studied are presented in the appendix.

1.2. Societal and social entrepreneurship

Entrepreneurship is mainly studied in the economic arena focusing on successful businesses but could also be studied from the perspective of society (Steyaert and Katz, 2004). This entrepreneurship is in research discussed as societal or social entrepreneurship. One early perspective of societal entrepreneurship regards how local development and the survival of small villages was related to business activities and persons engagement in the local society and could be related to the international concept “community entrepreneurship” (Johannisson and Nilsson, 1989; Johannisson, 1990). Later research regarding the civil society (Gawell, 2006; 2009) is also related to societal entrepreneurship where the organizations act as “activist entrepreneurs” for change in society regarding to different issues such as human rights or environmental issues. The societal entrepreneur could be seen as either an individual or collective actor who focuses on social, environmental and economical purposes. In that sense societal entrepreneurship could be seen as value creation beyond the economical where social and environmental issues are in focus. (Gawell, Johannisson and Lundqvist, 2009). In this paper the studied actors are representing both individual as collective societal entrepreneurs with a common aim to develop local societies in India through the idea of Fair Trade.

Another concept related to societal entrepreneurship is social entrepreneurship. According to Palmås (2007) the anglo-american word social entrepreneurship and social enterprise is more related to a societal perspective where the aim is to change the world through creating a sector of social companies which are hybrids of activism and business. In the European perspective which originates from the word social economy the focus is to upgrade and develop the role of civil society and NGOs in the social economy (Palmås, 2007). The Fair Trade market could be seen in both perspectives where Fair
Trade companies combine activism with business and also interact with NGOs in their mission of the Fair Trade idea.

Some definitions of social entrepreneurship focus that social work could be run commercially with private interests or philanthropy activities by companies (Austin, Stevenson and Wei-Stillen, 2006) or by non-profit organizations or in a mix of for-profit and non-profit activities (Dees, 1998; Peredo and McLean, 2006). Austin, Stevenson and Wei-Skillern (2006) state that social entrepreneurship can be found within or can spam the nonprofit, business, or governmental sectors. Thompson (2002) also stresses that the main world of the social entrepreneur is the voluntary sector. The central driver for social entrepreneurship is the social problem being addressed (Austin, Stevenson and Wei-Skillern, 2006). The social entrepreneur is 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, Fair Trade could be seen as such an innovation. Social entrepreneurship is also defined as organizations active in areas where the welfare state is unable or unwilling to help people (Thompson, Alvy and Lees, 2000; Thompson, 2002). Thompson (2002) also includes businesses with a social ethos and gives the example of The Body Shop and The Big Issue which are businesses that have an international dimension and address third world issues by selling products and campaigning. Social entrepreneurship could also be seen as a bounded multidimensional construct that is deeply rooted in an organization’s social mission, its drive for long time survival and highly influenced and shaped by the environmental/surrounding dynamics (Weerawardena and Mort, 2006).

So, there are many definitions of social and societal entrepreneurship but the definition I will use in this paper based on my empirical study is that societal 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 empirical study in this paper show several organizations, both businesses and non-profit organizations, and how they act and relate to the
Fair Trade idea. This means that it is possible to discuss them from several concepts of entrepreneurship and different perspectives, where some organizations are more related to social entrepreneurship and some more to societal entrepreneurship or activist entrepreneurship or a mix of these concepts. 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.

1.3. Societal and institutional entrepreneurs in contextualized organizational fields

In institutional theory organizations could as an analytical construction be seen as acting and interacting in organizational fields where ideas and practices are diffused by coercive pressure, normative forces and imitation (DiMaggio and Powell, 1983). In this study the organizational field includes the studied companies and organizations which act and interplay regarding the Fair Trade idea. The Fair Trade label and standard is diffused by coercive forces when European companies demand that Indian suppliers adapt to the standard and management system. The European and Swedish companies adoption of the Fair Trade standard is also diffused by imitation since this kind of management systems are becoming more and more popular in order to control suppliers and to show responsibility to customers. In the diffusion of ideas by imitation between organizations, there is a tendency of organizations to implement the latest ideas (Sahlin-Andersson, 1996; Sevón, 1996). Ideas such as Fair Trade travel with actors as standardization organizations, consultants, media, and academics and are translated into organizations (Sevón, 1996; Czarniawska and Joerges, 1996). The diffusion of ideas in an organizational field can be regarded as a “translation” process by which the original idea is transformed by the imitating organization (Czarniawska and Joerges, 1996; Sevón, 1996). In the study the idea of Fair Trade is one expression of sustainable development which could be seen as a master idea which is translated into a Fair Trade label and standard.
Furthermore, the organizations in an organizational field create institutions, such as norms and values, when they interact and are in turn influenced by these institutions (DiMaggio and Powell, 1991). These organizations are thus both the cause and effect of what occurs throughout the organizational field (Czarniawska-Joerges, 1992). Through their actions, organizations create, recreate, and change the institutions in an organizational field. Thus in interacting with each other, they either control or are controlled by the other organizations, something that influences the institutional framework of an organizational field. Therefore, specific action strategies can be discerned, and an organization’s actions can be described as embodying a specific control method. (Czarniawska-Joerges, 1992; Schwartz, 1997; 2006/2009). In relation to this discussion the idea of institutional entrepreneurship is according to Dacin et al. (2002:47) introduced by DiMaggio (1988), “Institutional entrepreneurs serve as agents of legitimacy supporting the creation of institutions that they deem to be appropriate and aligned with their interests.” This could be discussed in relation to how Swedish Fair Trade companies and NGOs as societal and activist entrepreneurs stress the social and environmental issues in the organizational field of Fair Trade and in relation to the Swedish and Indian contexts.

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 Martin, 2006). The continuous interaction between social entrepreneurs and the context in which they are embedded is also of importance regarding to Mair and Martin (2006). Highly embedded actors may be conditioned by the very institution and therefore not consider changing existing rules (Holm, 1995 referred in Mair and Martin, 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. It is important to see the connection between the global and the local
contexts (as in this paper both in Sweden and in India) as a glocal logic seen from a western perspective as well as from the low income country perspective (Abrahamsson, 2008 referred in Gawell, Johannisson and Lundqvist, 2009). For example, oftentimes local actors promote different, and sometimes conflicting, definitions of sustainable development issues, and also try to obstruct what they view as an infusion of values from outside partners (Egels-Zandén, 2006). Hence, the process of defining social and environmental responsibility can be seen as a battle between actors with differing interests, agendas and power, including and excluding possible perspectives (Callon and Latour, 1981). While this is most easily observed when ideas of sustainable development move between highly different geographic and cultural settings, similar battles are constantly played out between actors even within similar settings (Ählström and Egels-Zandén, 2006).

Austin, Stevenson and Wei-Skillern (2006) define context as those elements outside the control of the entrepreneur that will influence success or failure. The contextual factors include the macro economy, tax and regulatory structure, and sociopolitical environment. 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 but also among companies focusing on Fair Trade and environmental issues. But, this need for change and the methods for change are often based on and developed from a Western context and consequences in another context, such as a low income country, are not put in highlight and are often of no interest for actors in the West. This is exemplified in the article by Kahn, Munir and Willmott (2007) when they discuss institutional entrepreneurship in relation to power and post-colonialism. The diffusion of norms and values from the West and de-institutionalization of child labour in the production of hand-stitched soccer balls in Pakistan gave unintended consequences for families and women in this stitching industry. A large part of the women could not continue to work when production was moved from home to stitching centers due to the possibility to control the non-use of child labour. “These effects were either disregarded by, or invisible to, the NGOs, the industry or western media, who seemingly had eyes only for the child
labourers” (Kahn, Munir and Willmott (2007: 1070). A way of seeing the positive actions of the institutional entrepreneurs is simultaneously a way of not seeing the postcolonial conditions and impoverishing consequences of their intervention (Poggi, 1965 referred in Kahn, Munir and Willmott, 2007). So, whether this kind of institutional entrepreneurship is characterized as a success will depend upon if it is written and interpreted from a western perspective or from a low income country perspective (Kahn, Munir and Willmott, 2007). An institutional entrepreneurship perspective could therefore help to study the emergence of social entrepreneurs and their perceptions of reality (Muir and Martin, 2006). In the following section the empirical findings of the study will be discussed in the perspective of societal and institutional entrepreneurship and how the actors define and interplay regarding to Fair Trade in relation to the contexts in Sweden and India. We will see how different actors interpret the Fair Trade idea and how the idea is diffused from Sweden to India and how the idea is translated by the actors regarding to how they relate to the different contexts.

2. Empirical findings

2.1. The Fair Trade idea

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 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, 1978; 1983; 1990) when they invest the premium in schools, water wells, water wells, 

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2 The ILO criteria are; elimination of forced labour, abolition of child labour, elimination of discrimination (www.ilo.org)
health care institutions etc. in their local societies. The Fair Trade label idea could be seen as societal entrepreneurship 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 standard setting or certification organizations (who are responsible for the Fair Trade label) are also hybrids using both social entrepreneurship and social activism at the same time (Martin and Osberg, 2007). They develop Fair Trade criteria for different products, control farmers and producers and promote the Fair Trade label with campaigning (Fair Trade organization’s conference, March 2010; www.rattvisemarkt.se). 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 criteria of the Fair Trade certification organization (www.rattvisemarkt.se). The Fair Trade criteria include minimum wages which is also stated by the Indian law. Regarding to NGOs as Fair Trade Center this is not enough for workers and they are instead promoting living wages which are higher and more possible for people to reach life’s basic necessities (interview, Fair Trade Center, 2009-11-24).

The globalization effect constituted as environmental problems and poor working conditions in the local society in India far from the consumers and companies in Sweden, is in the following section discussed from the example of how the Fair Trade textile company Oria in Sweden and its Indian supplier interplay with other organizations such as its customers, suppliers and NGOs.

2. 2 The societal entrepreneur: to be a fair trade change agent

In this part we will follow the company Oria and an Indian supplier and why their CEOs started the companies and their experiences of running a Fair Trade company and being a societal entrepreneur.

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3 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)
2.2.1. Oria: to make business of a social and environmental engagement

Oria is a Swedish company selling organic and fair trade produced cotton bags to large 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 GOTS\(^4\)-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 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. Oria 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 of Oria has a personal engagement in environmental and human rights issues and is also 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 Shop\(^5\) 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. The work load was also 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 relating to Fair Trade issues instead of

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\(^4\) Global Organic Textile Standard (GOTS) is a standard for organic products.

\(^5\) 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).
putting so much energy for other organizations, she says, “now I do this for myself so I can get something out of it” (Interview, CEO Oria, 2009-10-03). 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. But, there is a moral 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 Oria’s profit on each product and the workers’ salary should not be too large. 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. The situation for the workers at the Fair Trade suppliers are, although much better than normally in India.

The CEO of Oria experiences of making business with Indian Fair Trade producers is regarding to her that she as a customer can influence regarding labour 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 labour 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, CEO Oria, 2009-10-03). 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 and that push it to the customers. It is mainly the directors who are familiar with the Fair Trade concept. In India companies have a hierarchical organization
according to Oria’s 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.

2.2.2 The Indian supplier: a societal entrepreneur in the European and Indian context

One of Oria’s Indian suppliers who has been interviewed produces cotton bags, clothes/uniforms to restaurants, t-shirts etc. to customers in France, Germany, England and Sweden. The supplier purchases the cotton raw material from certified Fair Trade and Organic farmers in India.

Regarding to Oria’s Indian supplier the products with the concept of Fair Trade and Organic products do not have any appeal in India and the Indian market is not yet ready for these issues. The awareness among the Indian public is low and he says, “the common man don’t have the disposable income to pay a premium to Fair Trade farmers and have no interest when he cannot afford things for himself…” The premium does not go well with the Indian mentality because there are a lot of poor people” (Interview, CEO Indian supplier, 2009-11-09). So the supplier does not feel any pressure from the Indian market to adapt to the Fair Trade demands. Instead the adaption to Fair trade is driven by the European market and to that context. The focus on the European market is also made by the collaboration with the supplier’s British partner which earlier was his customer. They have cooperated together since 18 years and in 2004 they joined together and the partner invested in the company. The British partner is working in Britain with marketing and licensing and the coordination with the customers. The joint venture made it possible to build the new manufacturing facility in 2007. This modern facility made it possible to go for more certifications such as ISO 14001, ISO 9001, OHSAS 18000. Before the Indian supplier started his company he was working as a sourcing agent for companies in Europe which were searching for producers in India. Through this work he learned the apparel business and the manufacturing side of it. He also studied two years for a master in textile and garment manufacturing at Manchester University in Britain. The Indian supplier seems to be familiar
with the European context and could understand it based on his earlier experiences, education and in the partnership with his British partner. This gives him as an entrepreneur the possibility to utilize the Fair Trade issues in order to develop his business and concentrate on the European market.

The Indian supplier and his British partner could also be defined as societal entrepreneurs in the European context due to their adoption of the Fair Trade idea. But, also in the Indian context when he describes the company actions in India, they are societal entrepreneurs from the definition of community entrepreneurship (Johannisson and Nilsson, 1989; Johannisson, 1990) and when the state is unable to help people (Thompson, Alvy and Lees, 2000; Thompson, 2002) when they influence the local society. The reason for the supplier to invest in the standards and certifications is explained as; “I think I feel better. I feel in my mind that apart from making business a profitable business I am or we are helping, or our customers are helping the community in large. My workers are happy because they have a better lifestyle, the standard of living is going up, they can get better education to their children, they can eat better…and we ensure that even our supply chain who we are buying the products from, the raw materials from, are also following some standards and we don’t buy from unethical factories.” (Interview, CEO Indian supplier, 2009-11-09). The supplier explains that the company is not giving the employees premium money but they are giving them benefits in other terms, “things that are not in the book and things that are not in the law” (Interview, CEO Indian supplier, 2009-11-09). The company has a medical test for the employees every year and is planning for a life insurance, which is uncommon in India. The company also rewards the employees giving incentives to the children of employees to study well in school and college and if they do they could get their education sponsored by the company. The company is also giving the employees good drinking water and, interest free loans which are not a part of the legal requirements of the Indian government, the supplier explains.

In the next chapter the Indian supplier, Oria, the customers as a Swedish food retailer and the Swedish Church and some NGOs give their experiences of standards and control as tools for improving workers rights.
2. 3. To legitimate Fair Trade with standards and certifications

The Indian supplier stresses that the customers from Europe and USA push the Fair Trade issues and raise demands on their suppliers. The logic of making business is strong when he says, “the customer is the king, the customer tells you, you gone do it, you have to do it” and he explains how his French customer asked him to get licensed for Fair Trade. Also the European customers of the Indian supplier are supporting him financially and they pay a part of his audit fees. When the company got Fair Trade licensed in 2006 he realized the great situation and the company got more responsible and the license gave value to the company. He says, “we as a company share a very similar philosophy to support the supply chain…the farmer was benefitting the most but the working conditions of our manufacturing capability is also improved”. (Interview, CEO Indian supplier, 2009-11-09).

In the beginning of the supplier’s business he did not know what the label Fair Trade was but the company was following the Indian law (where several requirements correspond with the Fair Trade criteria), and with even better wages than the law stated, but this was not formalized with labels and certifications. He says, “we had the procedure but if you asked me to proof some documentation it may not be there but I was following the law of the land. But, I could not prove it to you, I could not say for sure that this is absolutely perfect. And that is what the certification and the standards taught us”. (Interview, CEO Indian supplier, 2009-11-09). It seems that the standards are not the reason for the company to take a social responsibility rather the standards fulfill the need for proving the social responsibility to the European customers according to the Fair Trade certification idea developed in the Western society.

On the supplier’s business card are all the standards and labels shown that the company use; Fairtrade, Global Organic Textile Standard (GOTS), SA 8000, OHSAS 18001, ISO 9001, ISO 14001, UKAS.

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6 SA 8000 is a voluntary international management standard on social accountability applied to working conditions based on several international human rights conventions (Social Accountability International, 2008).
7 OHSAS 18001 is a health and safety management standard.
8 ISO 9001 is a quality management standard.
Quality Management\textsuperscript{10}. The supplier sees the opportunity of adapting to the standardized management approach and is also focusing on only European customers. According to the CEO the standards have helped the company to make the customers realize that the company is serious and that the customers have confidence for his company. The standards seem to be very important as formalizing the Fair Trade issues in the company and are also legitimizing its social responsibility for the employees to the European customers. The standards are for the Indian supplier very important in relation to his European customers and could be explained that standards are viewed as seeking legitimacy from the surrounding world (Jacobsson, 2000). This is also the case for Oria. When the CEO started Oria her goal was to be the first licensees at the Fair trade certification organization. She reached this goal in 2006 and that was the reason how a large Swedish retailer found Oria through their contact with the Swedish Fair Trade certification organization. The retailer ordered a large amount of cotton bags from Oria. These bags were sold in food stores as an alternative to plastic bags. Oria does still get new customers due to being a Fair Trade licensee and the CEO is now working to be the first getting licensed for the Swedish organic label Bra Miljöval (Good Environmental Choice) which is hosted by the NGO Naturskyddsföreningen (The Swedish Society for Nature Conservation).

2. 3. 1. Standards as control or false safety for customers?

Standardization of social and environmental issues is a growing trend in Europe and an idea developed in the Western society and, if other instruments of control and co-ordination are not available standards will be in demand (Brunsson, 2000). Standards and certifications for environmental and human right issues are very important for Oria in order to legitimate and sell its products to customers as companies and organizations since the labels by them are seen to be guaranteeing that the products are produced in a fair way. But, the CEO does not control or audit the Indian suppliers by herself even if she has been in India to visit them. She relies on the controls and audits done by the Fair Trade

\textsuperscript{9} ISO 14001 is an environmental management standard.

\textsuperscript{10} UKAS Quality Management…
certification organization and chooses suppliers from their list of Indian textile companies which fulfill
the Fair Trade criteria. Regarding organic certifications she controls the products from the suppliers by
herself since it is easier to control chemicals in the products compared to control working conditions
for workers.

In this respect the need for Fair Trade standards and certificates are also stressed by Orias large
customers in Sweden, a large food retailer and the Swedish Church, as they stress that this is an
important control instrument for purchasing Fair Trade products from Asia. How they could otherwise
be sure of that the products have been fair produced, they say. The standard will reduce their
uncertainty. But it seems as the uncertainty among the European customers remains. One of Oria’s
large customers, a large food retailer, is demanding Fair Trade certificates from producers in Asia
when it purchases Fair Trade products but it also does its own controls and audits with its own staff
since it doesn’t rely only on the certificates. The purchaser explains, “We do both, because it is
possible to copy a paper (certificate) or to buy it” (Interview, purchaser, 2010-01-14). He also explains
that the company wants to make unannounced visits to factories otherwise they are not interested to
make any business with the supplier. But, regarding to the cotton bags bought from Oria, which were
produced by the Indian supplier, the food retailer has only checked the Fair Trade certificate and not
made any control by their own of the factory since the purchaser trust the CEO of Oria. He says, “I
think she has given a very good confidence and she has been very open and presented the information
we needed… she is very positive and cheerful and emanate a kind of confidence which makes that you
trust that it will be as you expect”. (Interview, Food retailer, purchaser, 2010-01-14).

The customers’ own controls are also illustrated by the Indian supplier. Even if the Indian supplier
makes all the necessary audits with a third part some customers still make their own audits on site. He
says, “so we have independent audits like some customers, we tell them that we got certified, but they
still send their auditors to audit…and because that… our factory is open 24 hours for customers to
come check and see. They want to do it themselves, so they have the satisfaction of seeing it with their
own eyes. But, there is nothing new that they do or not any extraordinary.” (Interview, CEO Indian
So, there are a lot of controls of the supplier’s compliance to the standards. The customers seem to be suspicious about the supplier’s ability to follow the standards. Why don’t they trust the suppliers and auditors in India? According to Oria’s customers, the reason is that regularly mass media reveal scandals when investigations by NGOs show that producers in Asia selling products to large Western companies are using child labour or have poor working conditions for employees. This happens even if the national law prohibits this and the Western companies use codes of conduct in order to prevent these problems. The Swedish companies are afraid of these scandals in order to lose legitimacy and customers. Another big problem in India according to the Indian supplier is that the law states minimum wages for workers but mostly the Indian companies, which are not Fair Trade companies, do not follow this law and use child labour and poor working conditions with low wages. Another example is that one of the Fair Trade suppliers to Oria (not the Indian supplier discussed in this paper) who used subcontractors did not fulfill the organic criteria even that they used the organic certification label on the clothes produced for Oria. The product contained more chemicals than even conventional textiles. This problem was discovered by one of Oria’s customers. According to Oria’s CEO it is therefore important to choose Indian 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.

2.3.2. Standards are not enough

Regarding the European customers own controls of the Indian supplier the customers largely are looking at the ethical part of his business. That is if the company is paying the workers properly, is looking after them, giving them their own freedom of bargaining, if the company have a union, or workers committee, what issues are raised by the workers and how does the company solve them. Many of these issues are not included in the standards and are additional demands from the customers.
which they also control in meetings with the workers. This indicates that the standards implemented by the Indian supplier are not enough to handle the issues of workers’ rights.

Standards and codes of conduct as means for changing the workers situation in low income countries was also discussed in several of the conferences I attended and is also stressed in reports from NGOs (Bjurling, 2004; Fair Trade Center, 2008; Wingborg, 2009). A message from Han Dongfang at China Labour Bulletin at the conference Fair Christmas gifts (2009-12-03) was that the standards and codes of conduct cannot do the whole job, the change in low income countries for workers situation must be done by themselves putting demands through Unions and this is becoming more common in China today. Also the Fair Trade Center organization stresses beyond auditing, which means that standards and auditing can make some changes but it is necessary to empower the workers through labour unions in order to make the workers situation really fair (Interview, Fair Trade Center, 2009-11-24). At the conference MakeITfare (2009-10-26) the company SonyEricsson expressed the shortage of improving working conditions with standards and auditing at their Asian suppliers. In order to really change the workers situation the company has its own staff on daily basis at suppliers’ factories. Their own staff on site could better understand how to implement improvements for the workers.

2.3.3. Fair Trade and business

According to the CEO of Oria 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 Oria’s 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. 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 Oria 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.

3. Societal entrepreneurship as institutional entrepreneurship: contextualizing Fair Trade

How the different actors in the contexts of Sweden and India interplay and define the idea of Fair Trade and how they act as societal entrepreneurs will be discussed in this part. It seems as it is necessary for the Indian supplier who chooses to focus on European customers to embrace the management model with its logic of standards developed by companies and organizations in the European context. The Fair Trade issues and other sustainability issues such as health and environmental issues are in that sense diffused and translated as certifications and management standards. The customers’ demands are coercive (DiMaggio and Powell, 1983) and force the Indian supplier to implement the Fair Trade certification standard and other sustainability standards since the economic logic that the customer is the king is strong in India. Therefore the Indian supplier does not either question the customers’ additional demands on the workers’ rights and the customers’ own controls and audits. In this interaction the European customers are controlling the Indian supplier which influences the institutional framework of the organizational field of Fair Trade (Czarniawska-Joerges, 1992; Schwartz, 2007; 2006/2009). These coercive forces could result in an increasing
number of Fair Trade producers in India when more producers will see the business opportunity in the Fair Trade concept due to a growing interest among European customers.

Even if the Fair Trade demands seem to be customer demands from European companies after a while the Indian supplier seems to see the advantages with taking more care of the workers. They stay in the company and regarding to the supplier he feels better as a person when he sees that they raise their living standard and the local society develops. But, the Fair Trade certification and the other standards for quality, environmental issues, health and safety etc., seem mainly to be a business opportunity for the Indian Fair Trade producer at the European market due to the Indian market is not yet ready for the Fair Trade ideas and certainly not this kind of standards. Also the CEO at the Swedish Fair Trade company Oria sees the Fair Trade label as important for the business since Oria could reach new customers who specifically demand Fair Trade products. Since the European customers will also be granted greater legitimacy and self-satisfaction by a social standard (Schwartz and Tilling, 2009) as Fair Trade.

Regarding to the Swedish Fair Traders who act as societal entrepreneurs with a social engagement and will to help the workers in India have sometimes problems with the Indian Fair Trade producers who are few and skilled businessmen and take advantage of the societal entrepreneur’s lack of business experiences. The Swedish societal entrepreneurs is in the Indian context forced to make business in the profit maximizing logic, a logic that they as change agents for Fair Trade try to change due to its utilization of workers. The Fair Trade paradox shows that the societal 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 Martin, 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. Consequences like these are seldom discussed regarding the Fair Trade issues in Sweden.
Another consequence that is related to Western countries postcolonial power in framing, interpreting and addressing the issue in low income countries (Kahn, Munir and Willmott, 2007) is recognized in the relation between the European customers and the Indian suppliers. The importance of the context is present in the mistrust Swedish and European companies show suppliers and Fair Trade suppliers in India. This is shown when European companies don’t trust Fair Trade certifications and audits and also put large resources in building up their own parallel control systems. The Indian supplier does not either question the customers’ additional demands on the workers’ rights and the customers’ own controls and audits. Earlier scandals make European companies afraid of future scandals and they will interpret all suppliers in India as potential risks. In this respect producers with different definitions of sustainable development could view European companies as infusing their values in the Asian context (Egels-Zandén, 2006). For example the suppliers who don’t follow the codes of conduct are strongly influenced by profit maximization, often in contradiction to the contents of corporate social responsibility policies and ethical codes of conduct, which shows that socially responsible actions able to be standardized are contextually dependent (Schwartz and Tilling, 2009). This could be explained as standards are spread very rapidly compared with norms, which develop by socialization processes, over long times, and require particular social conditions to emerge at all (Brunsson and Jacobsson, 2000). This is recognized when NGOs now are stressing the importance of labour unions which could empower the workforce to change their own situation and improve their working conditions.

3.1. Conclusions

To understand the process of organizing societal entrepreneurship in the organizational field of Fair Trade it is important to discuss this from the perspective of contextualization in order to understand how the actors act and interplay regarding to the Fair Trade idea in the different contexts in Sweden and India. From the study we could see that the Swedish actors such as the Swedish food retailer uses Fair Trade standards and also make own audits of Indian suppliers due to that the retailer sees legitimacy and control as important when it translate the Fair Trade idea. The food retailer acts in relation to the values and norms in the Swedish context where management standards and control
systems are popular management methods and legitimated practices in companies. Also the importance of being a good citizen and being legitimate in the eyes of Swedish customers decides the actions of the retailer and its interest for Fair Trade. The actions are driven by contextualized values and norms.

Another example is that Swedish Fair Trade companies act from a solidarity perspective when they want to change the business society in India which makes it difficult for them to handle the Indian business context. When they meet the Indian Fair Trade producers this solidarity value is challenged in the profit oriented Indian business society and they are forced to make business regarding to values and norms in the Indian context. The actors in Sweden and India and their actions are dependent on which values and norms they are familiar with and driven by.

The Indian supplier seems to cope with both contexts. The company adapt to the values and norms in the European context when it implements the European management standards and exclusively sells its Fair Trade and/or organic products to European customers at the same time as the company make business with Indian companies and farmers regarding to the Indian context. It seems that the supplier’s commitment to Fair Trade issues is dependent on his ability to understand and combine the possibilities in both the European context with Fair Trade demands and a growing Fair Trade market and the Indian context. But, as a Fair Trade producer and societal entrepreneur in India the supplier is also challenging values and norms regarding working conditions and environmental issues in the Indian business society.

The question is if Fair Trade will change the Indian business society or if Fair Trade will continue as a niche market for engaged customers and companies in Sweden and Europe which are driven by idealists with a desire to change the world. Will these institutional entrepreneurs become change agents and have an impact or will they not be able to change the strong institution as profit maximization which results in poor working conditions often present in low income countries today?
References


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The International Labour Organization, [www.ilo.org](http://www.ilo.org), 2010-04-10


**Interviews:**

CEO Oria, 2009-10-03

CEO Indian supplier, 2009-11-09

Fair Trade Center, 2009-11-24

Food retailer, purchaser, 2010-01-14
## Appendix

Table 1. Data collections, events and studied actors

<table>
<thead>
<tr>
<th>Data collections</th>
<th>Personal interviews</th>
<th>Observation business meetings with Oria</th>
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