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The Role of Social Capital in the Success of Fair Trade

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Abstract

Fair Trade companies have pulled off an astonishing *tour de force*. Despite their relatively small size and lack of resources, they have managed to achieve considerable commercial success and, in so doing, have put the fair trade issue firmly onto industry agendas. We analyse the critical role played by social capital in this success and demonstrate the importance of values as an exploitable competitive asset. Our research raises some uncomfortable questions about whether fair trade has 'sold out' to the mainstream and whether these companies have any independent future or whether their ultimate success lies in the impact they have had on day-to-day trading behaviour.

Key Words

Fair trade, Fairtrade, Social capital, Networks, Business ethics, Corporate values

The Role of Social Capital in the Success of Fair Trade

The fair trade movement sprang from an ideology of encouraging community development in some of the most deprived areas of the world (Brown, 1993). It is achieved through the "application, monitoring and enforcement of a fair trade supply agreement and code of conduct typically verified by an independent social auditing system" (Crane and Matten, 2004: p.333). Far from its public perception of being 'almost like a charity' (Mintel, 2004), many fair trade organisations are, in fact, profit-seeking organisations (****, 2003; Doherty and Tranchell, 2007; Moore, 2004; Nichols and Opal, 2005), perceiving that engagement in the commercial mainstream is an effective way of delivering the promised benefits to third world producers (although the way profits are organised and distributed within the supply chain may differ somewhat from traditional businesses) (Doherty and Tranchell, 2007; Golding and Peattie, 2005, Lowe and Davenport, 2005a and 2005b, Moore, Gibbon and Slack, 2006). Fair trade brands now target mainstream consumer groups and compete head-to-head for shelf space with major retail brands (Moore, 2004).

In this paper we investigate the way in which a group of small, start-up organisations providing fair trade products in the UK have gained a substantial competitive position (up to 14% market share) in markets with high barriers to entry, which are dominated by a small number of large multi-national corporations. A major contributing factor for the fair trade companies in achieving this position in the coffee and count-line chocolate markets is through the creation and exploitation of social capital through a number of close alliances and social networks, utilising their fair trade values as a commercial resource to build ties with powerful organisations.

The Success of Fair Trade

Fair trade has begun to receive increasing levels of academic interest covering areas such as the market scope and growth (Moore, 2004; Nichols and Opal, 2005, Raynolds, 2000; Raynolds *et al*, 2007; Renard, 2003), tourism (Cleverdon and Kalisch 2000), consumerism (Connolly and Shaw, 2006; Strong, 1997), marketing (Tallontire, 2000) and social auditing systems (Dey, 2003). In particular there has been an increasing interest in the commercialisation or mainstreaming of fair trade (****, 2003; Moore, 2004; Golding and Peattie, 2005; Hira and Ferrie, 2006) which investigates both the reasons for, and consequences of, mainstreaming these previously ethical niche products.

From its early days in the 1970s and 1980s as a small but global movement trading principally in craft produce through a limited number of specialist "World Shops", mail order, charity and religious groups (****, 2007), the fair trade movement has expanded into commodity product lines, initially through Tanzanian coffee sold through Campaign Coffee (later Equal Exchange). As the movement gathered pace a number of umbrella organisations appeared: International Federation for Alternative Trade (IFAT) in 1989 as the global advocate for all forms of fair trade; European Fair Trade Association (EFTA) in 1990 as a representative body of 11 Pan-European fair trade importers; Fairtrade[1] Labelling Organisation (FLO) in 1994 to oversee audit work and the global Fairtrade commodity label, Network of European World Shops (NEWS!) in 1994 to unite campaigns amongst world shops and a host of other national and regional associations, plus

[1] Fairtrade as one word is copywrite of the Fairtrade Labelling Organisation and its member organisations and refers only to products certified by them.

many national fair trade bodies founded between 1988 and 2002. In 2001 they cumulatively came up with a widely-accepted 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, marginalized 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." (FINE, 2001).

This definition illustrates the growing engagement of the fair trade movement in mainstream trade, which received a major boost when commodity labelling began in the early 1990s (Moore, 2004; Fairtrade Foundation, 2008). Consumers spent over £1.6 billion in 2007 on Fairtrade© Marked products, with over 7.5 million producers and workers across 58 developing countries benefiting (Fairtrade Labelling Organisation, 2008). Yet, despite its huge commercial success, fair trade has retained another underlying purpose, as shown in the FINE definition. Many fair trade organisations set out to change the market mechanism to stimulate the redistribution of wealth from northern brand owners back to the growing communities, as well as ensuring human rights, improving working conditions and sustaining development in the South through increasing consumer awareness in the North (see Hayes, 2006). Thus, a key aim in fair trade is to challenge the existing economic, business and trading models to create a sustained shift towards more social awareness and concern in society (****, 2007; Renard, 2003).

Mainstreaming of fair trade by leading UK brands such as Divine Chocolate and Cafédirect has been identified by a number of authors (e.g. Golding and Peattie, 2005, Lowe and Davenport, 2005a and 2005b, Moore, Gibbon and Slack, 2006; Nicholls and Opal, 2005) as the key factor in the rise of fair trade. Mainstreaming refers to taking fair trade out of its charity and World Shop heritage and co-operating and/or competing directly with traditional business model organisations placing the products wherever you would expect to see the leading brand names. To do this it has been important for fair trade organisations to form networks and partnerships with larger traditional business system companies due to the size, resource and market access constraints common for most small businesses in markets dominated by a limited number of multinational corporations (****, 2009; Moore, Gibbon and Slack, 2006; Nicholls and Opal, 2005). Engagement with the mainstream has arguably been a very successful strategy for fair trade both in terms of changing the attitudes of consumers and the rate of growth of fair trade sales (between 30-50% per year for the last 8 years (FLO 2008). In particular Teather (2006) argues the engagement with major retailers has been a key factor in the growth of fair trade despite initial reservations in the early 1990's by many early adopters of fair trade. Taylor et al. (2005) also suggests that the new corporate interest in fair trade by mainstream brands is an indication that fair trade has succeeded in demonstrating that the market should reward socially just and environmentally sound practices. We have therefore seen brands like the new all fair-trade Cadbury's Dairy Milk and Nescafé Partner Blend emerge in recent years demonstrating the importance major brands are now placing on engagement with fair trade.

We however also see the pre-existing fair trade brands like Traidcraft and Cafédirect (rated 4th and 5th in the UK's most ethical brands) maintaining strong ethical brand presence as well as healthy market shares indicating a distinct perception by consumers that these organisations really do represent a more ethical alternative in their respective marketplaces. Commercially, the number of fair trade brands is also growing; up to 3,000 products in the UK (Fairtrade Foundation, 2008), and their market share and revenue is increasing (Fairtrade Foundation, 2008; Mintel, 2008; Cafédirect 2008) showing that fair trade has become a commercial success.

Despite the success of fair trade driven in part by the network creation with mainstream organisations, a number of authors warn that uncritical engagement with mainstream business risks absorption and dilution of the fair trade movement (Lowe and Davenport, 2005a, 2005b, Moore et al, 2006, Murray et al, 2006, Taylor et al, 2005). This can lead to 'Clean-wash' which occurs when a company "derives positive benefits from its association with the fair trade movement, however minimal its efforts to live the values" (Murray and Raynolds, 2000: p68-69). Moore et al (2006) highlight the fear that corporate commitment to fair trade may only be temporary, but that mainstream organisations can derive many positive reputational benefits through very limited engagement. The Fairtrade© labelling system does not differentiate between organisations which are solely fair trade companies with direct links with producers, and the larger corporations whose fair trade commitment is only a small percentage of their sales. Therefore the systems in place within the fair trade movement do not protect it from possible negative impacts of mainstream engagement.

Raynolds et al (2007) propose that one of the main challenges facing fair trade organisations will be to ensure it maintains a transformative alternative trading system with people and the environment at its centre, rather than becoming just about increasing prices. However, Low and

Davenport (2005a and 2005b) argue that fair trade in the mainstream has already shifted the message from participation in an international programme of trade reform to individualised shopping for a better world by focussing mainly on the dimensions of fair price for producers and product quality. This therefore provides a need for a critical investigation of the role played in mainstream engagement by fair trade companies.

Extant research demonstrates that the success of the UK fair trade sector has been driven by the ability of the fair trade companies to form networks and to partner with 'traditional business model' organisations (****, 2009; Nicholls and Opal, 2005; Teather, 2006). Lawrence et al. (2006) argue that fair trade itself represents one large extended network due to the high level of inter-relationship between the organisations. This extensive network has been analysed by Auroi (2004), Lyon (2007), Maloni and Brown (2006), and Tallontire (2000) to identify how it delivers social benefits throughout the supply chain between the fair trade companies and their growing communities. Yet despite the combined interest of fair trade academics in both networks and mainstreaming there is a gap in the research regarding how fair trade companies establish these successful partnerships with one another and with 'mainstream' companies. The importance of these networks in the successes of some of the biggest fair trade brands was explored in-depth in **** (2009). In that paper we saw how the networks created by Fairtrade Companies provided the backbone of their commercial success through the outsourcing of all major value chain activities. We also explored how Fairtrade Companies relied upon their partners for their long-term competitive, intellectual and ideological development. However **** (2009) was limited to a discussion of the support structure derived from networked relationships and did not investigate the reasons why these relationships formed or the significance of long-term fair trade engagement with mainstream organisations as will be discussed in this paper.

Although other authors have drawn on network theory to examine fair trade; for instance Raynolds (2002) and Renard (1999) use network analysis to examine the value chain within fair trade and Nichols and Opal (2005) use social network theory to analyse the way in which fair trade has communicated with the market, they have not directly investigated the nuances of and benefits accrued through the fair trade organisations' relationships with mainstream partners and competitors. It is through social capital that researchers are attempting to understand how benefits are accrued from networks (Shan, Walker, and Kogut, 1994; Tsai and Ghoshal, 1998). It is therefore through the lens of social capital that we will explore the fair trade network.

Social capital

Social capital relates to the assets and resources created by, available through and derived from networked connections, held by and between individuals, groups and organisations (Adler and Kwon, 2002; Inkpen and Tsang, 2005; Koka and Prescott, 2002; Leana and Van Buren, 1999; Nahapiet and Ghoshal, 1998). Networks are formed when individuals or organisations develop a relationship in which they begin to exchange resources in some way, share intellectual capital, or collaborate on some venture.

Social capital was used in sociology to describe personal relationships useful for the development of community action in inner-city communities (Jacobs, 1961). More recently, it has been applied to a range of social phenomena ranging from family relations (Loury, 1977) to business operations (Dyer, 1997); and has been used to provide solutions to many different types of end user (Ostrom and Ahn, 2003) including communities (Jacobs, 1961; Putnam, 1993), geographies and nations (Fukuyama, 1995); groups (Oh, Labianca and Chung, 2004, 2006); individual actors in networks (Burt, 1992, 1997, 2004; Portes, 1998, Seibert, Kraimer and Liden, 2001) and businesses (Baker, 1990; Dyer, 1997). In fact, the widespread acceptance of social capital as an umbrella theory in so many disciplines has produced some confusion over its definition. In an attempt to synthesize the sources, benefits, risks and contingencies of social capital Adler and Kwon (2002) were forced to conclude that "[t]here does not, as yet, seem to be anything resembling a rigorous theory or metatheory that can incorporate the strengths of the existing competing theories and transcend their respective limitations" [p.34]. Thus, we start to define social capital from its simplest form, where social capital relates to assets and resources available through network interactions.

More detailed definition is driven by the unit of analysis (Adler and Kwon, 2002; Inkpen and Tsang, 2005; Leana and Van Buren, 1999). This has produced two schools of thought on social capital: as a private good; or as a public good (Adler and Kwon 2002; Leana and Van Buren 1999). In 'private good' approaches, social capital is viewed as accruing to individuals (Belliveau, O'Reilly and Wade, 1996; Burt, 1997), groups (Krackenhart, 1990), or organisations (Gulati, 1995) to be exploited by that unit for its own ends, such as increased resources or career success (Seibert, Kraimer and Linden, 2001). From the 'public good' perspective (e.g. Coleman, 1988) the social unit collectively (the whole network or organisation) accrues social capital from the interactions of the members and all benefit. This definition has been commonly located outside of the business literature (Fukuyama, 1995; Putnam, 1993) but has informed management research.

More recent management definitions of social capital attempt to account for the complex interdependence within organisations of both the public and private good elements of social capital (Adler and Kwon, 2002; Inkpen and Tsang, 2005; Koka and Prescott, 2002; Leana and Van Buren, 1999; Nahapiet and Ghoshal, 1998). To explore how fair trade companies interact with one another and more widely with mainstream commercial organisations in this study, we define social capital as a resource created by, available through, and derived from, networked connections between groups, or the organisations within them, that can be exploited for the public as well as private benefit of these different units.

One of the major ways in which an organisation is seen to benefit from these interactions is through accruing knowledge, or intellectual capital (Inkpen and Tsang, 2005, Uzzi, 1997). This can lead to innovation (Tsai and Ghoshal, 1998), improved skills (Powell and Smith-Doerr, 1994) and better capability to forecast customer demands (Uzzi, 1997). Thus, Nahapiet and Ghoshal (1998) specify intellectual capital as the way in which social capital impacts upon value creation. Others have identified positional benefits to social capital, which can enhance influence, control and power (Adler and Kwon, 2002). It also brings solidarity (Adler and Kwon, 2002) or collective organisation (Leane and Van Buren, 1999), in which network members experience stability and perceive lower risk. This in turn reduces the need for monitoring, accelerates dispute resolution, and leads to greater flexibility in interaction and work patterns (Leana and Van Buren, 1999). Social capital could therefore act as both a risk reducer and as a facilitator improving competitive positioning (Uzzi, 1997; Inkpen and Tsang, 2005). With such a range of benefits, it is clear that social capital might play an important role in the success of fair trade.

The antecedents of social capital

Most empirical studies to date have identified differential levels of social capital with some aspect of a firm's structural position, such as the extent and formation of the network (Adler and Kwon, 2002; Burt, 1992; Powell et al., 1996; Walker et al., 1997). However, Portes and Landolt (1996) argue that a structural view of social capital confuses the *sources* of social capital with its *benefits*. Therefore, Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998) theorize that social capital should also include a relational dimension (assets rooted in the relationship, such as trust) and a cognitive dimension (a shared understanding) that result from successful ongoing interactions between partners. In both cases, they call for empirical investigation to explore whether the relational and cognitive dimensions of social capital are truly important to the creation of competitive advantage. Following others such as Inkpen and Tsang (2005) we use the terms developed by Nahapiet and Ghoshal (1998) to understand these antecedents (Figure 1).

Figure 1 here

The Structural Antecedent

The structural antecedent is concerned with types of network members and the resources they can share with others. Multiple ties across different fields of expertise provide social capital, leading to greater benefits for the organisation or individual (Burt, 1997). There are three classic schools of thought on the mechanism by which benefits are created; all three were produced in relation to individuals as the unit of analysis but are still relevant to organisational social capital. "Weak ties theory" (Granovetter, 1973) suggests it is through weak ties into heterogeneous groups that new and unique information can be acquired. "Structural holes theory" (Burt, 1992) suggests it is by bridging holes in knowledge that the greatest benefits can accrue. Finally, "social resource theory" (Lin, Ensel and Vaughn, 1981) suggests that it is not the weakness (or thereby the bridging of weak ties) that is important, but the likelihood of having the resources to achieve the desired objective. Evidence to support the structural antecedent comes from laboratory experiments (Cook and Emerson, 1978), census data (Burt, 1992; Ziegler, 1982), and survey data (Burt, 1997; Flap and De Graaf, 1989) but only limited qualitative data (Dyer, 1997).

The Cognitive Antecedent

The cognitive antecedent is concerned with the codes, language or narratives (myths and stories) shared across organisations and networks. Authors have referred to these antecedents as shared values, culture or goals (Inkpen and Tsang, 2005; Tsai and Ghoshal, 1998). Through this shared understanding, the organisation and its partners benefit from reduced risk in the relationship and lower levels of conflict. Strong ties with similar partners can also lead to exploitative learning that results in increased efficiency and productivity (Levinthal and March, 1994). Thus, previous research contains some indications that values might be an important asset to a business. However, the cognitive antecedent has received little empirical consideration, perhaps because of the difficulty of identifying shared values (Mintzburg, 1989; Schein, 1992). But, by broadening the requirement for shared values to include values to which others are attracted or to which they aspire, we can explore these values as a positive business asset. The fair trade arena provides an ideal context in which to research aspirational and shared values.

The Relational Antecedent

The relational antecedent refers to nuances that are specifically rooted in the relationship such as trust, relational norms, obligations and identification (Nahapiet and Ghoshal, 1998). Relational considerations have been shown to impact upon the longevity of relationships and to reduce the likelihood of one member of the relationship taking opportunistic advantage of another member (Dyer and Singh, 1998; Uzzi, 1996).

The relational dimension suggests that the way in which firms conduct themselves in current relationships indicates the quantity, richness and diversity of the benefits (e.g. information, finance, market access etc.) are likely to achieve (Koka and Prescott, 2002). Nahapiet and Ghoshal (1998) identify four factors that affect the volume and sensitivity of the information shared: trust (that the "results of somebody's intended action will be appropriate from our point of view" Misztal, 1996: 9-10); norms (consensus in the social system), obligations (people will operate in a specific way) and identification (that somebody feels similarity to another). Tsai and Ghoshal (1998) go on to propose a link between the structural dimension and relational dimension in that, through the structural attachment, the relational dimension can be formed. Similarly, they propose that shared values in the cognitive dimension promote the relational dimension.

In Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998) it is the structural dimension, tempered by the cognitive and relational dimensions which influences the extent to which benefits accrue from relationships.

Social capital and fair trade

There are a number of reasons why fair trade lends itself to investigation through a social capital lens. First, explanatory power: social capital sits within the network theory area of management literature, and BarNir and Smith (2002) consider networks to be of greatest importance for small organisations such as those typically found within fair trade. Spence, Habisch and Schmidpeter (2004) bring this into sharper focus where the small organisation also has a social or environmental cause. Second, an unusual level of commercial success: the industry is fast growing (30 – 50% per year (FLO, 2008)) and in a state of permanent flux, allowing the opportunity to investigate the use of networks in gaining social capital in an evolving market (as demanded by Kogut, 1996). Third, relevance: fair trade organisations are principally marketing and logistics companies which own a series of brands and employ other organisations for importation, manufacture, distribution and retail (****, 2009). As such, they engage in a large number of networks with companies and charities of all sizes, making fair trade an excellent field for investigating the value of diverse network partners. Beyond this, however, fair trade is a valuable industry for analysis using the three-dimensional view of social capital because there is an identifiable and tangible set of organisational values associated with the attempt to provide greater standards of living in the developing world. Since shared values are generally intangible and difficult to identify (Schein, 1992; Mintzburg, 1989), the fact that we find an identifiable shared value in fair trade provides a control variable for understanding the cognitive dimension of social capital.

METHODOLOGY

Research Design

The objective of this research is to gain a greater depth of understanding into how fair trade organisations are able to create and utilise their networks through the exploitation of social capital to gain competitive advantage in highly saturated marketplaces. As this is an area with little contextual understanding in the extant literature, we take an exploratory line of enquiry (Miles and Huberman, 1994) to allow insight to emerge from the research data (Glaser, 1992).

Baker (2001) states that "In the case of exploratory research when one is seeking to 'get a feel' for a situation it is often best to follow an unstructured approach rather than impose a preconceived structure on it" (p. 375). To generate the necessary contextual understanding a qualitative, inductive research design was preferred and no prior hypotheses were developed.

A case study approach was adopted using two predominant qualitative methods: participant observation and semi-structured interviews. These methods were supported with secondary evidence in the form of company reports, press cuttings, internal memos and web sites. The supplementary data sources provided some background as well as verification tools for triangulation with the qualitative work.

Sampling of case studies is crucial, as the choice of sample influences the results of a study (Miles and Huberman, 1994). The case study companies were selected to meet specific criteria of having the intention of entering the mainstream with a range of 100% branded fair trade products. As the most developed and highest-value market for these products, the UK proved the natural choice for the research location. A snowballing sampling approach was adopted in this study as it lends itself to in-depth understanding of network interaction as you explore the network partners from an initial nexus point. Sampling began with the identification of an initial 'focal firm' (Wu, 2008), Divine Chocolate Company, selected because it was a growing start up company attempting to compete directly with mainstream multinational competition such as Nestlé. Participant observation and interviews were carried out with Divine over a 2.5 year period, during which period we were introduced to Divine's network partners. One of these network partners was Equal Exchange, a worker co-operative moving from a niche strategy to competing in the mainstream whole-food market for teas and roasted coffee against the likes of Twinning's and Yogi. Equal Exchange became the second case, again providing introductions to network partners. Through this, access to the third case study, Cafédirect, the UK's largest fair trade brand, was established (Table 1).

[Table 1 about here]

The three main focal firms plus their interviewed network partners form one extended network. Within this extensive network we identified a number of key relationships that formed the basis for analysis (Table 2).

[Table 2 about here]

A total of 500 hours of participant observation was conducted during a four-year period. This was used to inform 56 consecutive inductive interviews with 44 participants. A semi-structured interview approach was taken to obtain an appropriate level of comparability across the interviews whilst allowing unobstructed narrative. The interviews were recorded, whilst work shadowing and observation were accompanied by note taking and the development of an extensive formal research diary.

As this is grounded, inductive research there is no formal interview protocol imposed on the interviews, but an inductive process is utilized where previous data (especially observation) feeds into bespoke questions for each respondent, based around certain themes related to their activities. Examples of the themes of interest include education and personal identity with the organization's social purpose (education, former experience, time spent in the underdeveloped world etc.), roles undertaken within the firm (expectations, time utilization, sales and marketing activities), decision-making processes (ethical decision-making, the process of the decision made, decisions through discourse), network formation (selection of partners and rationalization of choice, resources and value provided by partners) and network management (challenges provided by certain partners, how these are overcome, the changing nature of the whole network). These lead to specific questions for respondents regarding their reasoning and purpose for decisions e.g. *"With the new branding, you chose to work with *****, I remember you had seen them before and discounted them, what changed your mind?"*

To ensure internal validity and reliability, a constant comparative method borrowed from grounded theory (Barnes, 1996) was used, where the actions and responses of multiple participants within the same organisations were compared against each other, the field notes and secondary sources. In line with Rubin and Rubin (1995), data sources were interpreted collectively to identify underlying rationales. External validity and reliability was increased through triangulation with both secondary sources and substantiate interviews with appropriate third parties (such as network partners) amounting to 15 additional interviews with 12 network partners.

Analysis was carried out through an inductive process using the tools developed for analysing grounded theory research as synthesised by Spiggle (1994). Interviews were transcribed and run through a seven stage process of coding to identify themes which were then placed into dimensions to aid in integration with theory. Emergent themes were put to participants for review. The opportunity was taken to develop a rich picture of contextual understanding in the fair trade companies, in order to contribute new insights to the field.

It was during data analysis, whilst trying to make sense of the data collected that the importance of social capital, and in particular the three dimensional view of social capital (Nahapiet and Ghoshal, 1998) became apparent. As such the data was not collected based on a social capital theoretical framework but it was clear that my findings were both synonymous with and an extension of the three dimensional view of social capital. Space limitations a readability make it impossible to present the fullness of the insights provided by these cases studies. However the data presented is indicative of the general responses presented during data collection.

CASE FINDINGS AND DISCUSSION

Case study 1 is Divine Chocolate Ltd., the most recently-established of the case companies but the middle-ranking in terms of number of employees and turnover (see table 1 and figure 2). The second case study is member co-operative Equal Exchange, the smallest of the case focal firms and arguably the least commercially successful, although the longest-established. The third case focal firm is Cafédirect plc., the largest and best-known of the three. Founded in 1990, Cafédirect is the 5th biggest coffee brand in the UK, accounting for 7% of UK coffee sales (Mintel, 2008).

[Insert Figure 2 here]

[Insert Figure 3 here]

As you can see in Figure 2 Cafédirect is by far the largest of the organisations based on turnover and began its accelerated growth period in 2001. It has always been the most willing of the three organisations to engage with mainstream retailers, distributers and the media but also benefited from a first mover advantage, as it was the first fair trade brand to get nationwide mainstream supermarket coverage. Conversely the oldest of the organisations; Equal Exchange, is the least commercially successful despite having the first fair trade commodity product on the market with "Campaign Coffee" in 1979. Until 2004 they had committed to not operating through the major supermarkets, distributers and wholesalers, and focused their sales through World Shops and health shops. As we will discuss below this was in large part due to their desire to demonstrate an alternative model of trading. Since 2004 however they have expanded their target markets as they themselves begin to target sales growth and expand their consumer base. However to date they still rarely make profits and over the last 10 years have averaged £3,000 loss per year. Divine has been an interesting case in relation to its growth in recent years. As it was only founded in 1998 it has had fewer years in which to grow. However it shows the most consistent year on year growth of the three organisations and has also maintained healthy and consistent profit margins ever since breaking even in 2003. Divine has developed its network in a different way to both other organisations as it chooses to maintain longer-term relationships through joint branding with major retailers. However to do this is also is required to engage most closely with its mainstream partners.

Applying the social capital framework originally developed by Nahapiet and Ghoshal (1998) to the case studies and their relationships helps elucidate the reasons for their differing success.

The Structural Dimension

The structural dimension suggests that a diverse network of partners would increase the likelihood of having access to information to fill structural holes, bridge weak ties or provide needed resources, therefore providing the opportunity to create value and competitive advantage (Burt, 1992, 1997; Granovetter, 1973; Lin, Ensel and Vaughn, 1981; Tsai and Ghoshal, 1998). Our findings provide substantial support for this assertion. The case companies' ability to form and maintain a multitude of successful relationships has been a key driving force behind their rapid growth. In this section we summarise the empirical evidence for the importance of the structural dimension in fair trade through its 3 elements: network ties, network configuration and appropriable organisations (illustrative quotations are provided case by case in Table 3).

[Table 3 about here]

Network Ties - The range of network partners and the different styles of association that have developed in the case companies stretch over a broad range of organisational types, from charities (Christian Aid) to serious commercial enterprises (Sainsbury's and Starbucks). What the cases display is a propensity to seek partners with competencies which the organisation does not internally possess, as per structural holes and social resource theory. The case organisations create vast networks of partners from whom they can import intellectual capital, financial capital and technical knowledge. For example, Divine (case study 1) learned about the retail food industry from Co-operative Retail Group, gained advertising expertise and finance from Body Shop, financial support from Comic Relief (via channel 4), campaigning expertise from Christian Aid, and over-the-counter distribution from Jenks. What the case companies offer in return is a track record of successful and profitable network creation and credibility for partners not currently involved in fair trade, but wishing to create the appropriate capability. This is a first insight into the interplay of fair trade organisations "trading" perceived reputational benefits with partners for more tangible resources like advertising, market access, market information or even money. Since fair trade organisations have little else to trade with, it appears the values of the organisation must therefore be an exploitable, tradable commodity which is valued by their network partners.

Cafédirect (Case study 3) take this even further, utilising their strong ethical brand image to leverage free advertising through major public events like the G8 summit and sitting on Government-led committees (through the Department for International Development – DfID) and discussing climate change with German NGO GTZ. They have also leveraged their credentials to pull influential parties such as The Guardian newspaper into long-term collaborations with this firm (they now hold a board seat). These network ties and visibility for the Cafédirect brand are far beyond what would normally be expected possible for an SME and are clear examples of the fair trade organisations being masters of managing their ethics to build network ties that cut across civil society.

Network Configuration – Network configuration refers to the breadth of relationships across the spectrum of the organisation's partners, looking at the range of skills and how closely partners work together. Nahapiet and Ghoshal (1998) refer to the extent to which an organisation has a broad range of loose partners rather than a small group of close partners. Combining specific competencies through network association to develop a significantly stronger business proposition is a notable technique in the case organisations. For example, four organisations joined forces to found Cafédirect (case study 3), producing the most successful fair trade brand in the world. A partnership choice based on competencies offers significant support for the resource-based view of the firm where specific inimitable knowledge is sought through alliances and network structures in an attempt to learn from the teaching organisation and implement new strategies based on that knowledge (Dyer and Singh, 1998; Dyer, 1996; Eisenhardt and Martin, 2000; Hamel, 1991).

The wide range of partners increases the availability of information and thereby provides increased market knowledge and competitive positioning: "since information acquisition and dissemination are time consuming and costly, alliance structures that embed the firm within a dense network of relationships provide significant social capital" (Koka and Prescott, 2002, p798). Divine Chocolate (case study 1) shares information with organisations from farmers, to charities, to supermarkets. This diverse collection of information leads to opportunities to provide the own-brand chocolate in Starbucks, riding on the back of the Comic Relief "Red Nose Day" appeals and locating key members of the press sympathetic to fair trade and able to provide extensive PR. Similarly, Cafédirect (case study 3) has been able to leverage its network to secure alternative marketing through the G8 conference, "The Lift" comedy venue at the Edinburgh

Fringe Festival and extensive advertising rights on the London Underground. Having an extensive range of contacts and social network partners has provided strength to both of these companies and provided a solid base for growing their brands.

Equal Exchange (case study 2) is the least diverse company of the three, choosing, because of its mission and ideology, to work closely with a few partners who share its ideologies of fair trade, co-operation or organics. Thus, we see a high density of partners with similar knowledge and resources although Equal Exchange does benefit, because of a close relationship with Divine and Cafédirect, through other more diverse networks. It has a narrower focus as regards its market growth and is more risk-averse than Cafédirect or Divine. Equal Exchange's financial and growth performance is lower than the other two companies. In large part, this is due to its previous reluctance to work with supermarkets (not reversed until 2004). It tends to rely on data from other partners on which to base decision-making and, consequently, its intellectual capital is of less market value than Divine (case 1) or Cafédirect (case 3).

Network configuration does appear to have a substantial impact on the success that Divine and Cafédirect have had in building their market and taking calculated risks. Through their diverse relationships, the companies can build a wider portfolio of information, or identify unique opportunities for brand building in a timelier manner than their more narrowly focused compatriot, Equal Exchange. This indicates that interacting outside of the fair trade movement is an essential facet in achieving greater commercial success.

Appropriable Organisations - As small start-up organisations attempting to take market share in highly competitive markets, the case companies cannot hope to have all the required competencies internally that they need in order to compete. Attracting the partners capable of providing these competencies is therefore a vital role in the organisations and absorbs much of the daily business. As Table 2 illustrates, they work with disparate groups not necessarily associated with the actual market the case organisation is competing in. We find partners providing unexpected information and services to the company such as charities providing PR support, supermarkets and wholesalers providing strategic support and retailers providing market information. In forming social networks, organisations seek out other organisations which can fill competence gaps in the business, independent of the partner's existing relationship or closeness of fit to the case organisation's market place.

The Cognitive Dimension

The cognitive dimension of social capital indicates that the creation of intellectual capital results from shared cognition and that this is formed from some combination of shared codes, language and narratives (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Tsai and Ghoshal go on to suggest that the cognitive dimension is shaped by the social interaction of the relationship, such that the shared language and values are a result of the structural dimensions. Through the cases we are able to present a definable shared value, code and set of narratives in relation to the value set of third world development through trade. In the case companies, we can demonstrate some convergence of values over time between multiple network partners of differing backgrounds (Table 4).

[Table 4 about here]

Shared Codes and Language / Shared narratives - The data provide support for Nahapiet and Ghoshal's contentions that shared language and narratives develop as part of a relationship and help to create a more cohesive network with greater ability to realise value creation. Universally, the respondents suggested that the longer a relationship lasted the more benefits could accrue. In some circumstances this grew out of a change in partner values in relation to fair trade. Divine Chocolate is a great example of a company actively shaping its partners' cognition to bring it more in line with its own values. When CRG realigned its strategy on own label, it decided to make all own brand chocolate fair trade, bringing its corporate values in-line with brand partner Divine. A second example is with Comic Relief, where Divine influenced the charity to move away from fundraising to a direct 'aid through trade' philosophy:

> "Comic Relief is a sort of elephant. You tickle its feet and tickle its feet and stamp on its toes and sometimes it shakes you off and carries on going. It's got inertia, it has a huge amount of inertia in the way it is moving and you are trying to make it change course and people within the organisation realise that. The thing you have to realise is that when it does change course just a little bit, amazing things happen and so it is worth doing. Yes, it has been frustrating .... It is a complete seismic shift for them. It's not fund raising (Comic Relief's principal activity) …"

The case studies uncovered a number of instances in which partners had been actively encouraged to greater value congruence from which the fair trade organisations benefited through increased sales (e.g. Divine-CRG, Equal Exchange-Green City, Cafédirect-National Students Union) and greater marketing ability (Divine-Comic Relief, Cafédirect-Edinburgh Fringe). This appears in line with the views of Tallontire (2000) that, through interaction with mainstream organisations, fair trade can achieve the change in market mechanisms espoused by the fair trade companies. So, one difficult question would be to what extent this interaction dilutes fair trade values?

Although not an easy question to answer, the evidence in the cases would suggest that, although certain values within the organisation are sacrosanct, others are negotiable. **** (2003) explored this issue more fully in one of the case studies and found that, over time, commercial pressure forced a constraining influence on the overall value set of the organisation. In this research we note that the case organisations feel this pressure, perhaps indicating that the movement as a whole is constrained by the commercial imperative to manipulate its values system, language, codes and narratives to synchronise with those of mainstream partners and competition. For instance, we see the language used in the case companies moving towards managerial terms as opposed to the charity / campaign movement language used in earlier phases of fair trade. This is particularly evident at the national umbrella organisation levels (e.g. the Fairtrade Foundation in the UK) where values / codes such as not licensing multinational mainstream organisations (a strong value explicitly stated between 1994 and 2001 verbally during interviews and on the website) came under pressure due to the creation of competing ethical labelling initiatives which were willing to licence mainstream brands. The idea of a moral curtain (****, 2003) which ring-fences the sacrosanct values (base principles like increased wages, long term contracts and no use of forced labour) is seen across the industry as capable of allowing mainstreaming of fair trade as enough ethics would be ‘stored up’ in the sacrosanct values for the curtain to cast a shadow over other practices to keep fair trade as a separate movement to the mainstream. However, other codes, languages and narratives are negotiable and appear to move towards traditional business models in an attempt to make the ongoing relationships with mainstream organisations run smoothly.

The conclusion of this progression of the cognitive dimensions is that, through working closely with many partners from a traditional business model perspective, the sacrosanct values become more important in at least some partner organisations (CRG, Weinrich, Sainsbury's, Starbucks), but a wholesale change cannot occur as values not sacrosanct may be forced to slip to accommodate the development of a common basis on which to communicate and do business.

In addition, our cases extend Nahapiet and Ghoshal's contentions in that we also find that the shared value of third world development has been a predominant driver for the *creation* of networks. Partner selection in the case organisations, especially in the formative years, includes a distinct preference for organisations with certain value and belief bases. One of the reasons given for the original relationship between Divine and CRG was that they "demonstrated a commitment to fair trade over a number of years" (Sales and Marketing Manager, Divine). "I think you need to think like you share some values… [the relationship] has been a very nice partnership and you can trust them because you want the same thing" (Managing Director, Divine). Sainsbury's chose to work with Divine because it offered considerable credibility to its own label product. Similarly, Comic Relief and Christian Aid chose to deal with Divine because of the shared values of aiding the developing world. The wording of aims on all three organisations' websites is almost identical, following closely the values promoted by the Fairtrade Foundation. Equal Exchange also chose specifically to work extensively with Green City Wholesalers because they were a co-operative venture, the same as Equal Exchange. The benefit of maintaining strong relationships with other co-operative or fair trade-affiliated companies is important. All three companies suggest it maintains trust, which can aid in reducing the companies' risk and help deliver their mission. This view is supported by Uzzi (1996), who commented on trust as an informal measure of relationship control. Our research also suggests that working with organisations with similar values not only increases trust but also has a lower perceived level of risk. The case companies have a noticeable focus on maintaining and building relationships rather than selling products.

The focus on building relationships because of shared values is such a recurrent issue with the case companies that, in an extension to Nahapiet and Ghoshals' (1998) contentions, we propose that internal values can become the key factor in the structural creation of networks. The cognitive dimension is important for the case organisations in relation to the potential value of the relationships they can attract.

The Relational Dimension

In the previous section we indicated that shared values between the organisations was identified as lowering perceived risk, offering support for the linkage between the cognitive and relational dimensions. In this section we will concentrate on the four elements of the relational dimension and its connection to the structural dimension. Illustrative samples of the data are included in table 5.

[Table 5 about here]

Trust – There is some academic support to show that partners are more willing to co-operate in business relationships - either alliances or information sharing with organisations with whom they have developed a mutual trust (Fukuyama, 1995; Putnam, 1993). There also seems to be a link between relationship longevity and trust. Our data offer strong support for this proposition. For example, the longevity of Equal Exchange's relationship with Equal Exchange America and Green City has led to increasing levels of networking and trust. The same effect is evident with Divine Chocolate's association with Christian Aid, which continues to be a close supporter of the products, and with CRG where Divine now has many joint products (Table 5).

Building trust with their networking partners is important for the continuation of the relationship; failure to meet those trust requirements leads to the breakdown of the relationship. This has been happening between Equal Exchange and Cafédirect as Cafédirect makes increasing attempts to move away from its founders' legacy and focus on a more aggressive marketing approach (see Table 5). This movement apart has included a share issue reducing the 4 founders' combined stake in the business from 100% to 40%; reducing founder board membership from 4 people to 1; demanding signed contracts from founders for the services they provide for Cafédirect; and bypassing the founders and approaching founders' network partners directly to cut out the founders' interest. As a result, Equal Exchange has ambivalent feelings towards its offspring and dissention exists within the company regarding future treatment of a partner that has previously been offered preferential treatment.

We find a propensity for trust to build over time (e.g. Equal Exchange working for so many years on projects with Twin, Divine passing Sainsbury's due diligence making it trustworthy as a partner for Starbucks, Cafédirect coming third in the Readers Digest 'the UK's most trusted brand' category). Moreover, where there are high levels of trust, partners are more willing to take risk in relational exchanges (e.g. Equal Exchange's trust in Green City's strategic decision assistance - Nahapiet, 1996; Ring and Van De Ven, 1992).

Norms – Nahapiet and Ghoshal (1998) identify norms as the extent to which a consensus is reached in the functioning of the relationship. Relational norms set a common understanding of the rules of engagement which is built over a period of time. The consensus between fair trade participants is that the ultimate goal of the industry is to use the market system to provide greater income to producers in the developing world. There is a disparate network of organisations all attempting to achieve the same ultimate goals. This has allowed for an increased sharing of information and joint representation based on trust. Based on extensive data from this research project, networks have been identified as beneficial in terms of profitability and in representing the industry as a united front to the general public. Although only loosely connected through a series of trust relationships, the accepted norm is that companies, even within the same market sector, do not openly cannibalise each others' market. Fair trade has grown through network companies co-operating on marketing, sales and public relations exercises, and the network remains intact.

This creation of norms in relation to how the different fair trade companies interact provides a key insight into how norms assist in the timeliness of information sharing. The rules of engagement are know and do not need to be relearned in every interaction. A case in point is Equal Exchange and Divine Chocolate. They share information on at least a weekly basis due to the friendship that has developed between members of the organisations. The norms are that the information is passed freely, at the earliest possibility and without alteration. Since both sides understand that this is the method through which information is transferred there is no necessity for substantiation.

Obligations and expectations – Nahapiet and Ghoshal (1998) define obligations and expectations as the commitment or duty to undertake some action in the future. In the case organisations we find active management of obligations when it comes to the active trading between companies. Equal Exchange recognises that its dealings in both Cafédirect coffee and Divine Chocolate brands involve an obligation to keep the margins on the product distribution to a minimum to support the shared goal of poverty alleviation. That obligation also led to Divine proposing a relationship finder's fee to Equal Exchange when it considered pulling out of the trading relationship to trade directly with the wholesalers (in the end Divine decided against this to demonstrate solidarity with Equal Exchange).

However, Cafédirect, when offered the same deals by the wholesalers as Divine to cut Equal Exchange out of the distribution network, took the opportunity against the expectations of Divine and Equal Exchange. This indicates that, although obligations and expectations can have a positive impact on relationships by reducing the level of formality, they are a weak tie between profit-seeking organisations which can easily be broken if the inducement to do so is considered sufficient.

Identification – Identification is the extent to which individuals or organisations see themselves as at one with another individual or organisation (Nahapiet and Ghoshal, 1998). Their identification with its aims led Christian Aid, Comic Relief and CRG to work with Divine. Similarly, it was the identification of identical aims which led the founders of Cafédirect to come together and remain together even though, in most other facets of business, they are in direct competition. Fair trade organisations see themselves as a united network with shared value systems and missions. To this extent, the term 'identification' appears to be intrinsically linked to 'shared values' as discussed in the cognitive dimension. Thus, we argue that Tsai and Ghoshal's (1998) use of shared values as a proxy for the cognitive dimension may have been in error and their assertion of the link showing the cognitive dimension driving the relational dimension is a function of the analysis tool used. The identification between partners as a function of shared values is a valuable construct in both the formation and value creation capability of social capital; however, we propose a closer link between the cognitive and relational dimensions than that identified by Tsai and Ghoshal.

DISCUSSION

Nahapiet and Ghoshal (1998) suggested the three-dimensional view of social capital as a way to explain the benefits of social capital. We have applied this tool to explore the importance of social capital in the success of fair trade organisations and the results suggest that the framework has considerable explanatory power in this context. The results provide empirical support for all of the elements of Nahapiet and Ghoshal (1998)'s three dimensions through a multi-case analysis across a number of small and dynamic organisations which has been called for by numerous parties (BarNir and Smith, 2002; Kogut, 1996; Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Social capital is vital in producing the considerable growth and profits observed in the participant fair trade organisations. As individual organisations they would not have the size or capability to compete with the dominant players in their market but, using their social capital, they have carved out a substantial niche which has then expanded to form a significant proportion of the mainstream market. An outstanding example of social capital at work in a fair trade organisation is Cafédirect, which has become the 5th biggest coffee brand in the UK.

As predicted by the Nahapiet and Ghoshal's framework (1998), these organisations benefit from intellectual, financial and human capital generated by their business relationships. Examples include relationships with other fair trade institutions for ideological support, with journalists to gain significant press coverage, or with multinational corporations to gain shelf space. Nor has this success been confined to niche markets: the case companies have all taken on large multinational corporations with established brands, thousands of times their employee numbers and many millions of pounds more financing. They have not only survived but flourished: Cafédirect, for instance, is the second best selling ground coffee in the UK, has a strong position in the instant market, and has successfully expanded its portfolio of other hot beverages.

The investigation into the cognitive dimension in the case organisations has proved particularly useful in understanding competitiveness in fair trade. It is clear that their status as fair trade organisations produces a potent resource for successful fair trade organisations. In a desire to improve their own social responsibility impact or recognition, other companies are anxious to become associated with fair trade, either as part of a broader corporate responsibility (CSR) initiative or to gain a share of the burgeoning market for fair trade products. Thus, organisational values (cognitive dimension) can themselves be a source of future value creation. This is clearly evident with the co-branding, licensing and free advertising so prevalent across fair trade, which is simply not available to organisations without the appropriate cognitive construction.

Our results suggest not only that the strong value set and brand recognition of fair trade is an exploitable asset, but also that the ability to capitalise on this asset is key to the growth and commercial success of many fair trade organisations. The results provide some empirical support for Tallontire (2000), who suggested that, through the creation of networks with 'traditional business model' organisations, things can change. One example of positive industry-wide change is the Common Code for the Coffee Community (4C) which shares many of its principles with fair trade if not, as yet, the strong audit mentality.

The research presented in this paper provides evidence that fair trade organisations are able to compete in cut-throat Western commercial marketplaces because they are able to access high levels of social capital through their networks. However, rather than simply producing value through previously-recognised social capital benefits such as intellectual capital etc., our research suggests that the fair trade organisations also obtain social capital through the direct exploitation of their values and fair trade certification as an asset in its own right. These values become an asset of value to network partners through reputation and benefits by association.

The implications of our research for the fair trade movement are, however, not universally positive. This study has focused on the *commercial* success (growth and profitability) of fair trade organisations and has found evidence of fair trade values as a commercial asset. Others (Low & Davenport, 2006; Moore, Gibbon, and Slack, 2006) have argued that acting within the existing business model corrupts the fair trade ideal because the values of fair trade become nothing more than an asset for exploitation, and question the appropriateness of fair trade ideals being absorbed into the mainstream trading practice (Golding and Peattie, 2005; Valor, 2006). This is an issue of stark relevance to fair trade organisations as their previously-unique asset is increasingly assimilated by traditional business model organisations that no longer require the legitimacy of an incumbent fair trade supplier.

As with all resources, it is possible that the fair trade resource is limited. Once enough companies either have relationships with fair trade organisations or have themselves been certified, fair trade becomes mainstream and, therefore, the fair trade organisations become redundant. In this way, its commercial success may undermine fair trade's ability to influence changes in the market (Moore, Gibbon, and Slack, 2006). Low & Davenport (2006) even argue that, rather than the mainstream organisations migrating to fair trade principles, it is fair trade that has reverted to commerciality where it "will remain a small, lucrative niche" (p.322).

These concerns are countered by Tallontire (2002) who argues that it is directly through commercial success that fair trade is able to interact with the tradition business models in such a way as to influence major players in the market into change. To date there has been little consensus in the literature as to the eventual outcome of fair trade's move into the mainstream. A number of authors question whether fair trade actually delivers all that it promises to the grower communities and to consumers (Lyons, 2006; Getz and Shreck, 2006), although a number of papers including Haynes (2006) on local economics; Lyons (2007) on human rights; Raynolds (2002) on improved linkage between consumers-producers; and Tallontire (2000) on networked benefits to growers, demonstrate some benefits to growing communities for their inclusion within fair trade. More research is needed to understand the end solution to this ‘traditional business model vs. fair trade ideal’ as fair trade companies exploit the social capital created through their value systems to the greatest extent possible before derivable benefits are exhausted.

Conclusions

The importance of social capital and the effective management of social networks have been of fundamental importance to the growth of fair trade. We are able to use social capital as a lens to provide an in-depth review of competitive positioning with fair trade, and build upon the growing field of interest in this area.

Beyond the insights into fair trade, this paper provides empirical support for the important nature of cognitive and relational dimensions as well as structural dimensions in value creation through social capital. This has been achieved through demonstrating the importance of trust, shared values, norms, obligations and identification in the ongoing interactions between participating organisations. We therefore provide support for the propositions of Nahapiet and Ghoshal (1998). Through an analysis of the social networking interactions in some of the key proponents of fair trade we are able to identify how and why these relationships have promoted success in these organisations.

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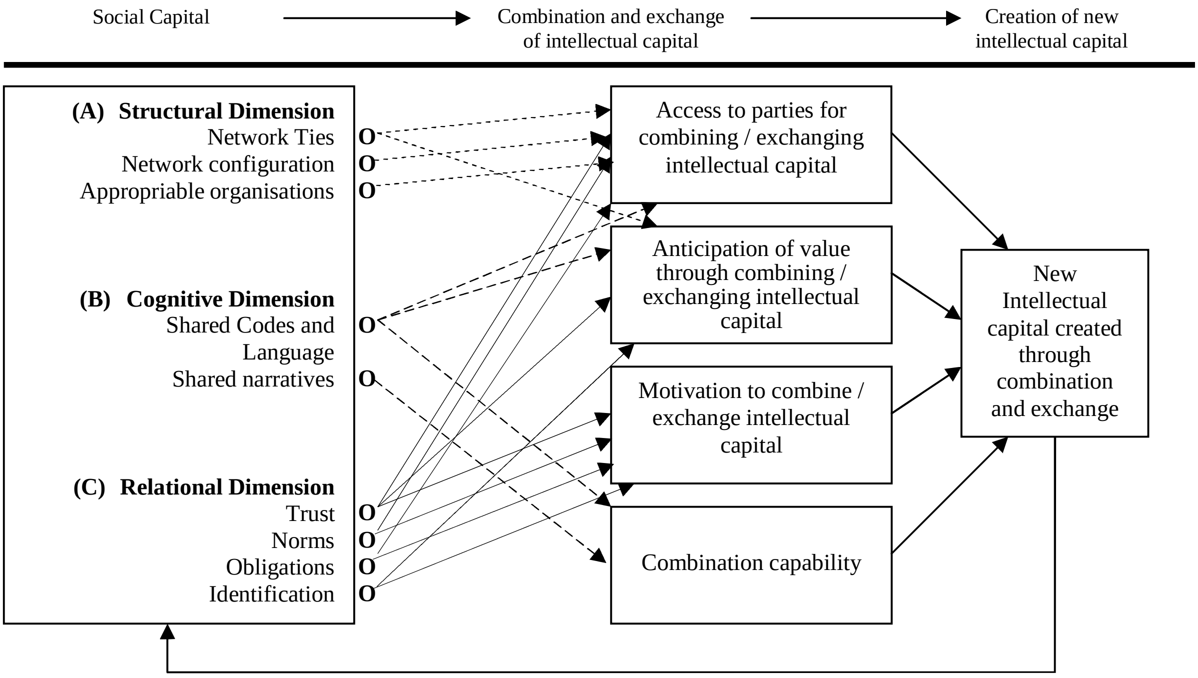
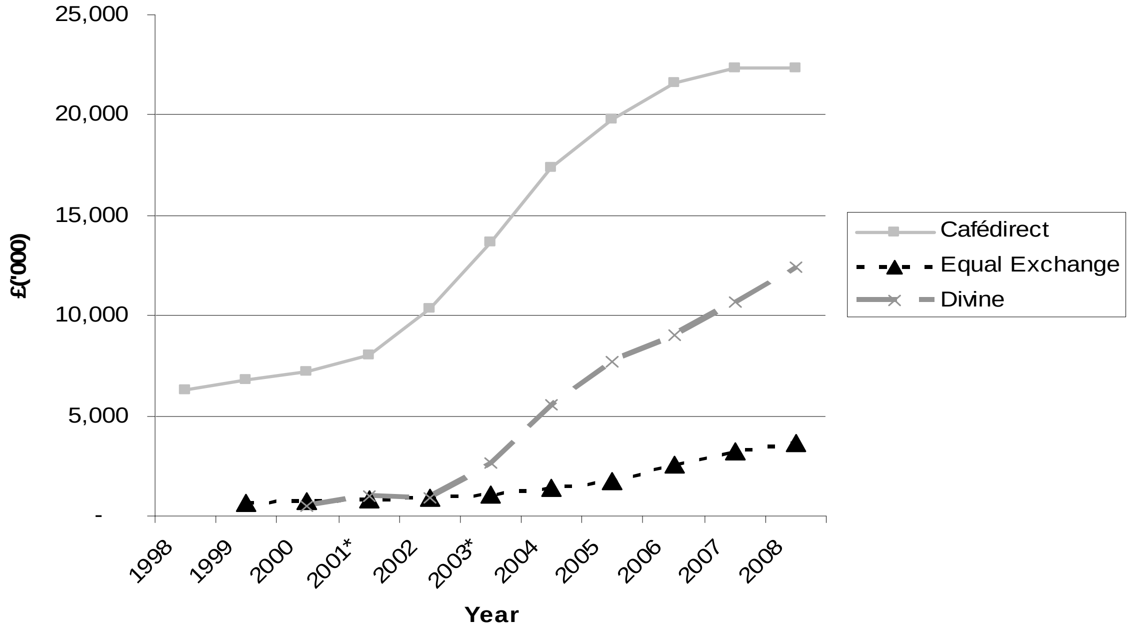


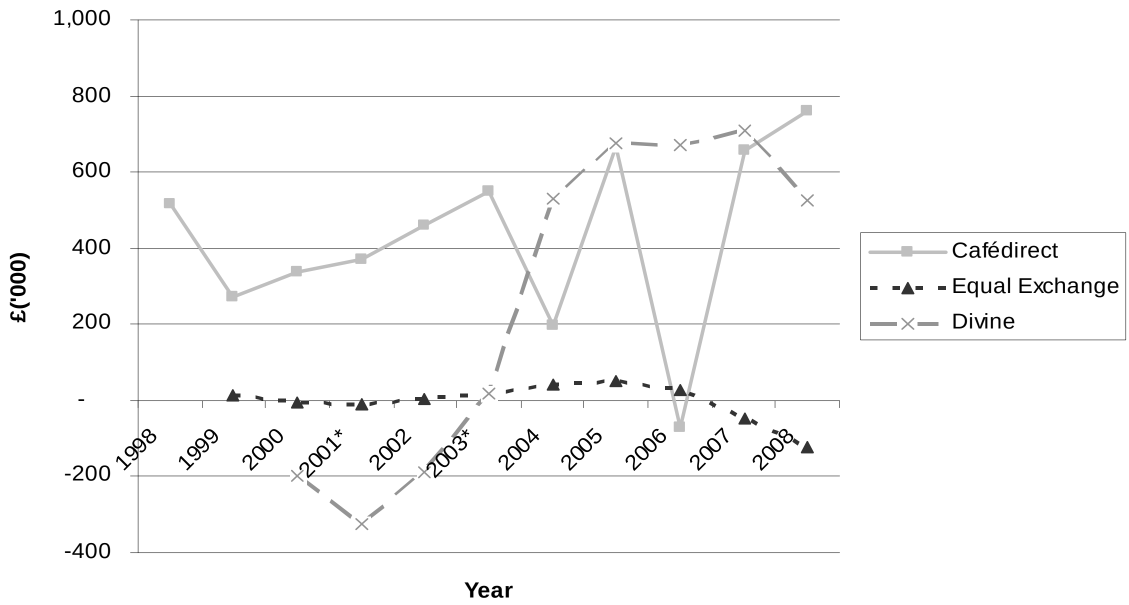
Figure 1: Nahapiet and Ghoshal (1998): Social Capital and the Creation of Intellectual Capital

Figure 2: Turnover by year



* data adjusted for change in accounting years (Cafédirect in 2001, Divine in 2003)

Figure 3: Operating Profit per year



* data adjusted for change in accounting years (Cafédirect in 2001, Divine in 2003)

Table 1: Company information

Case study	Employees over period	Turnover (in 2008)	Access	Ideology	Use of Ideology	Notes
1. Divine	10-15	£12.4	3 visits, 7.5 weeks 16 interviews (4 repeats)	Demonstrate successful Alt. Trading to drive change in cocoa industry and pass profits back to Growers	Aids Formulation and Justifies action	Founded in 1998 as a joint venture between Ghanaian growers Kuapa Kokoo, The Body Shop and Twin Trading. The Body Shop donated its share in the company to the growers
2. Equal Exchange	5-8	£3.6m	2 visits, 5 weeks 10 interviews (4 repeats)	Demonstrate alternative trading through relationships	Forms action	Founded in 1979 as a political movement called "Campaign Coffee" later became a worker co-operative
3. Cafédirect	20-32	£22.3m	2 visit, 3 Days 7 interviews (2 repeats)	Pioneer fair trade into mainstream to maximize sales and therefore grower income	Aids formulation and Justifies action	Founded in 1991 as a joint venture between Equal Exchange, Traidcraft, Twin Trading and Oxfam. Now a public limited company, part owned by producers

Case company	Key relationships	Type of relationship
Divine Chocolate	Equal Exchange	Fair trade – Fair trade
Divine Chocolate	Canoflan Traidcraft	Fair trade – Fair trade retailer
Divine Chocolate	Co-operative Retail Group (CRG)	Fair trade – High street retailer with strong fair trade values
Divine Chocolate	Sainsbury's	Fair trade - High street
Divine Chocolate	Kuapa Kokoo	Fair trade – Producer, board member, part owner
Divine Chocolate	Twin Trading	Fair trade – Fair trade supply chain manager, owner
Divine Chocolate	Christian Aid	Fair trade – Charity, Fair trade campaigner, board member
Divine Chocolate	Weinrich	Fair trade – Long term manufacturer of FT chocolate
Divine Chocolate	Starbucks	Fair trade – Coffee Outlet and fair trade licensee
Divine Chocolate	Body Shop	Fair trade – Founder, FT retailer and FT lobbyist
Divine Chocolate	Comic Relief	Fair trade – Charity, FT Supporter, Board member,
Divine Chocolate	Jenks	Fair trade – Supplier to independent retailers
Equal Exchange	One World Shops	Fair trade – Fair trade retailer
Equal Exchange	Twin Trading	Fair trade – Fair trade supply chain manager
Equal Exchange	Equal Exchange Charity	Fair trade – Charity, owner
Equal Exchange	Green City	Fair trade – Co-operative Wholesaler esp. organics
Equal Exchange	EE America	Fair trade – Fair trade (unrelated firms but share a name and many brands
Equal Exchange	Northern Tea Merchants	Fair trade – Long time roaster and grinder of fair trade coffee
Cafédirect	Co-operative Retail Group (CRG)	Fair trade – High street retailer with strong fair trade values
Cafédirect	G8	Fair trade – Supra-governmental organisation
Cafédirect	Gtz	Fair trade – Non-Governmental Organizations on Climate Change
Cafédirect	The Guardian	Fair trade – Newspaper, FT Supporter, Board member
Cafédirect	DfID	Fair trade – UK Government department on international development
Cafédirect	National Students Union	Fair trade – Governing body for student unions
Cafédirect	Edinburgh Fringe	Fair trade – World famous arts and comedy event
Cafédirect	Sainsbury's	Fair trade – High street retailer
Cafédirect	Twin Trading	Fair trade – Fair trade supply chain manager, owner
Cafédirect	Equal Exchange	Fair trade – Fair trade, owner
Cafédirect	Divine Chocolate	Fair trade – Fair trade

Table 2: Key relationships by case

Table 3: The Structural Dimension Sample Data

Structural Dimension	Case study	Illustrative Quotes and notes	Contribution to business success	Importance to business success
Network Ties	1	"Body Shop has been a great support to us. It has a world-wide reputation and it also has, a media team: an unequalled team that give us support and advice. That has been very good, with a company that has a similar ethical basis so it was not just getting ideals from anywhere but from someone with similar goals."	Advice, finance, PR, legitimacy	High
	2	"Working with Equal Exchange America has been great, they have so much knowledge and experience and we can share in that"	Knowledge, experience, supply chain management, new product development	High
	3	"being in direct contact with the wholesaler not only provides better margins but now we can get information from them first hand, which is faster and the information we want"	Fast information, higher margins	Moderate
Network configuration	1	Divine gained a great deal of free publicity from the relationship with Comic Relief e.g. the free sponsorship of Celebrity Big Brother 1 (BT paid 40 million pounds to sponsor Big Brother series two only months later). However, the biggest benefit for Divine was to be associated with Comic Relief, giving the company a great deal of public acceptance. The relationship, however, also provides a wealth of intellectual capital because of the size and scope of Comic Relief means they have a broad range of people from many disciplines with a wide knowledge base.	Marketing, links to third parties, legitimacy, market research, governance	Moderate
	2	“Twin are our strongest allies in fair trade” sharing great volumes of information. Twin is Equal Exchange’s biggest coffee supplier and therefore a trading partner, but they also ran a joint brand, and contact each other regularly, representing a united front on the board of Cafédirect. The extensive relationship has run for many years and according to respondents, the trust levels between them are exceptionally high. The sharing of information has provided both organisations with valuable intellectual capital, especially in locating supply chains. It has also provided commercial opportunities and a gateway to relationships with further organisations.	Information, joint branding, supply chain management, links to third parties, Joint representation on Cafédirect’s board	High
	3	"[Equal Exchanges] contribution to Cafédirect was that [they] were the only [founding] members who had any marketing experience. Twin had the coffee supply chain management, Oxfam had campaigners and Traidcraft had Traidcraft reps. So they all said they would chip in this capital but that was as much equity as the company had.	Marketing, existing network usage, sales,	High
Appropriable organisations	1	"I think working with The Co-op has been good. I mean doing the bar with them has been a learning curve. Working with them has been useful but also dialogue with them has told us more about the retail sector. That because none of us has come from food retail we needed to learn fast and so having people like that telling us that something is normal is [invaluable]."	Knowledge, experience, access to third parties, legitimacy	High
	2	"We were losing business so we made a strategic move, almost from being entirely based on mail order to distributing through wholesale. With the collaboration of Martin at Green City we started talking to the Whole-food co-ops and SUMA and Essential etc. It was from this we changed to a distribution-through-wholesale company." "without the knowledge and expertise of the wholesalers and their willingness to share that with us we would not be able to remain competitive, we don't have the resources"	Knowledge, experience, access to markets, value sharing	Low
	3	"support from major supermarkets has been good, especially the Co-op, I mean, they give us eye line shelf	Knowledge, experience	Moderate/ Low

		space, work with us to ensure stock is we controlled, and talk to us regularly about what's happening and what we can do"		

Table 4: The Cognitive Dimension Sample Data

Cognitive Dimension	**Case study**	**Case Company**	**Partner**	**Degree to which language / values shared**	**Importance to business success**
Shared Codes and Language Shared narratives	1	"We share principles and values, and so to enter into a relationship with them on the basis that we have some shared values seems to be a good idea" “The Co-op had demonstrated a commitment to fair trade over a number of years”	“…it was the first own label product on the market so we wanted to work with Divine and have the joint brand to give it the credibility” (Co-op)	Moderate	High
	1	"Sainsbury's are our second biggest customer…I heard they were going to do a [fair trade] chocolate anyway … I felt it was important that at least one of the [own-brand] products was being supplied by fair-traders, so that a fair-trader could help see that it was being traded properly”	"We had a few choices of where to get the chocolate but then [Divine] approached us and we thought that getting a, you know, proper fair trade company involved could only move our drive forwards" (Sainsbury’s)	Low	Moderate
	2	"Working with Divine has been good, they could see what we did for Cafédirect and what we could do for them. Working with another fair trade company is always good, we think the same"	"Equal Exchange was an obvious choice… They work closely with the wholesalers even though they are small. They are also fair-traders" (Divine)	High	Low
	2	"Oxfam and Traidcraft were packing through NTM so there was lots of sense for us to do the same…We went to someone who already knew what they were doing and knew about fair trade"	"In the end we have had a part to play in fair trade… Through the years we have learned so much more about the industry and the part we play… Working with the fair traders is good because you know they understand the whole process" (Northern Tea Merchants)	Moderate	Moderate
	3	"They are our owners but still work closely with us as a partner too. Their people really know fair trade and really know supply chains"	"[Cafédirect] has been great, to be involved in such a success really pushed fair trade forwards... and we can move with that and keep sharing" (Twin Trading)	High	High
	3	"Sainsbury's are increasingly getting involved [in fair trade]. Working closely with them helps because there are people there that think like us and want to help"	"Cafédirect has really pushed fair trade forwards. We are heading in that direction and working with them helps us" (Sainsbury’s)	Moderate but Increasing	Moderate

Table 5: The Relational Dimension Sample Data

Relational Dimension	Case study	Illustrative Quotes and Notes	Degree of perceived risk	Duration of relationship	Importance to business success
Trust	1	"Passing Sainsbury's due diligence was a big step for us. It shows the market that we are a serious business and they know they can deal with us"	Low	Short	Moderate
	2	"We take time to get to know the people we work with, that's important. Ultimately that is about trust so people trust us… we don't have the resources to build sophisticated systems and do sophisticated analysis we have to find other ways of reducing the risk, we do that through increasing trust"	Medium	Always Long	High
	3	"Your have to work at the relationship, it takes time but eventually you reach a point where you are comfortable with what they tell you and can believe in that"	Medium	Often short	Medium / high
Norms	1	"Provided they (CRG) continue to treat us as they always have I seen no reason why we won't continue to pursue more joint brands, its good for both of us and we work well together. We get so much from them and they get to maintain their position in fair trade. It works both ways"	Low	Long	High
	2	"When you have worked with someone for many years then the relationship takes less and less work, you just know that it will continue"	Low	Long	High
	3	Despite Cafédirect pulling away from its trading relationship with Equal Exchange, they still visit the company in Edinburgh to pass on promotional information and build their knowledge of the wholefood sector. This is a function of the history of the companies since Equal Exchange were the original marketers of Cafédirect and are still a major connection to the wholefood sector. This being the case the relationship, despite the disagreements regarding governance and trading carries on much as it always did.	High	Long	Low
Obligations	1	"we felt it was not appropriate to just move away from Equal Exchange. They have been good for us and move [to distributing directly to the wholesalers] was not appropriate. We initially said to them we would pay an annual finders fee, but in the end decided that we should continue to help them by supplying through them"	High	Long	Low
	2	"Since our aim has been to demonstrate other means of trading, it made sense to us to assist other new fair trade companies get started. As with Divine, we offer good rates to them for the distribution of their [chocolate] bars and they know they will always get the best deal we can manage"	Low	Short	Low
	3	"Equal Exchange was an expensive route to market, and we also lost some control because of that, it was an obvious choice to deal directly with Suma when they asked"	Low	Medium	Low
Identification	All	The similarity between identification and having a shared value appears intrinsically linked and as such identification is seen as a bridging point between relational and cognitive dimensions. However examples such as the shared marketing and PR during fair trade fortnight and joint representation at grocer conferences and to the Students Union shows the propensity for the companies to *act* as a single body, not just *feel* like a single body			