



## THE ROLE OF FAIR TRADE IN DEVELOPING CORPORATE SOCIAL RESPONSIBILITY: AN EMPIRICAL EXAMINATION BASED ON MULTIPLE CASES

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### ABSTRACT

**Purpose:** *Corporate social responsibility is becoming more and more important for the firms from developed countries. The main purpose of this research paper is to examine empirically the role of fair trade in developing corporate social responsibility (CSR) and to find out the dynamics of CSR being used in organizations.*

**Design/methodology/approach:** *This qualitative case study research reviews the fair trade incorporating the historical developments, its conceptualization, and main motives along with CSR and its historical developments and conceptualization including major theories of CSR. The role of fair trade is developed by identifying the importance of CSR factors. To empirically examine the role of fair trade in developing CSR, this research employs the comparative multiple cases in Finland and Pakistan.*

**Findings:** *The main conclusions are as following: fair trade firms give equal importance to economic, social, and environmental responsibilities. Further, this study identifies the important factors included in each level of corporate social responsibility. Findings also reveal that suppliers are important stakeholders of the firms. Moreover, it depicts the importance of fair trade in developing CSR for diversified products.*

**Originality/Value:** *This research highlights the importance of fair trade in developing the economic, social, and environmental responsibilities of fair trade firms by focusing an important stakeholder group (i.e., suppliers). These trends represent the increasing demand of fair trade in businesses and also help them to know the important factors in corporate responsibility by considering the significance of suppliers as important stakeholders.*

**KEYWORDS:** Sustainability, corporate social responsibility, integration, fair trade.

### INTRODUCTION

Corporate social responsibility (CSR) has been described as important responsibility which improves firm's competitive advantage, market value and financial performance (Maloney 2009). Corporate social responsibility reduces exposure to reputational risk, encourages the ability to enhance brand image, and improves corporate reputation via positive relationships. It increases the customer loyalty and helps to improve culture and recruitment, motivation, and retention of staff (Maloney 2009). CSR helps to identify its stakeholders (i.e., organizational stakeholders, economic stakeholders, and societal stakeholders) and to meet their needs (Carroll 1983; Werther & Chandler 2006). By articulating relationships with these stakeholders and fulfilling their needs, firms realize the importance of CSR and sustain its performance.



On general level, corporate social responsibility (CSR) is linked to ideas like; sustainability, corporate citizenship, the triple bottom line, socially responsible investment, and corporate governance (Maloney 2009). However, Frankental (2001) argues that *“CSR is a vague and intangible term which can mean anything to anybody, and therefore is effectively without meaning.”* Further, he comments that *“CSR is highly subjective and therefore does not allow for a universally applicable definition”*. In spite of all these difficulties in defining the CSR, Carroll (1983) steps forward and defines the CSR in following way; *“Corporate Social Responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exist with contribution of money, time and talent”*.

The main concepts studied in this research are fair trade, CSR, and importance of fair trade in developing CSR. Most of the studies have focused either on fair trade or CSR separately. Only few studies have linked these both concepts together. Table 1 summaries the main important studies used to develop the research framework. These studies help this research to draw a picture to answer the main question of the research. Some of the studies are totally based on the fair trade phenomenon and explaining its dimensions whereas some studies are enlightening different dynamics of CSR and its theories. More importantly, the main studies who link up both of them (CSR and fair trade) are mentioned which direct to represent the role of fair trade in corporate social responsibility. In this vein, this research provides a theoretical background in different methodologies and its focus to the concept.

Author(s) / Years	Focus of studies	Methodology
<b>Studies on fair-trade</b>		
Davies (2007)	Investigation of the increased mass-marketing in the fair trade industry. The nature of participants in and industry structure in fair trade.	Longitudinal case study
Fridell (2009)	Analyses of fair trade network in the North through a comparative assessment of two different fair trade certified roasters.	Multiple case study
Hira and Ferrie (2006)	Fair trade activities increase awareness and availability of products. The challenges faced by fair trade for reaching the mainstream.	Theoretical
Jones et al. (2005)	Labeling initiatives is an opportunity to introduce fair trade products to the UK consumers via retail channels.	Case study
Moore (2004)	The defining characteristics of fair trade are covered and adoption of Southern producer perspectives to review the issues of fair trade. An investigation into pricing within the fair trade movement, related research projects, mainstreaming, and impact of fair trade on the Southern producers.	Theoretical
Nicholls (2002)	Expansion of market by examining the key drivers behind it, noting the growth of ethical consumerism as a contributing factor.	Survey
<b>Studies on corporate social responsibility</b>		
Bennett (2002)	Corporate social responsibility in MNCs and conflicts where multinational corporations have promoted international organization, the media, human right groups, social investors and consumers.	Multiple case study
Carroll (1979)	A conceptual model which describes the three essential factors of corporate social performance including answers of CSR social issues and modes of social responsibility.	Theoretical
Halme (2007)	CR brings something good for everyone, link between corporate responsibility and financial performance, social performance and implication of alternative CR action-orientation types with regard to financial and social performance.	Theoretical
Ketola (2006)	Eight different approaches to corporate responsibility and variations in the CR emphases between different companies.	Multiple case study

Ketola (2008)	Corporate responsibility can be utilized to manage and develop individual, cultural and biodiversity and turn them into business strategy.	Multiple case study
Meehan et al. (2006)	Develops a link between CSR definitions and strategy and offers guidance to managers on how to connect socially to achieve economic and social objectives.	Theoretical
<b>Studies on fair trade in CSR</b>		
Audebrand and Pauchant (2009)	Historical study of fair trade movement focuses on the originalities and challenges of the FT movement and its contributions to the current theory and practice in business ethics.	Theoretical
Bezencon and Blili (2009)	The motivations of distributors of fair trade products and how they organize and communicate fair trade values. Strategies and managerial practices related to fair trade product distribution.	case study
Davies and Crane (2003)	The study of ethical decision making in fair trade company.	Survey
Reed (2008)	Corporate participation has the potential to rapidly extend the market for fair trade goods, primary concern for the plight of small producers and goal of developing an alternative approach to trade and development.	Theoretical
Strong (1997)	The role of fair trade principles within sustainable development. The relationship between customers and environment and idea of sustainable development incorporated human aspect of sustainability.	Theoretical

**Table 1.** Some previous studies.



The purpose of this research is to help the managers to understand the importance of fair trade in developing CSR in their business activities by highlighting the importance of societal environmental responsibilities along with financial benefits. To empirically investigate the role of fair trade in developing CSR, this research chooses multiple cases as research strategy in food sector.

The main research question of the study is:

*How does fair trade perform the main role in organizing or developing corporate social responsibility (CSR)?*

Fair trade permits a realistic set of improved trading conditions that allow substantial volume to be traded against these improved conditions and it actually leads to an increase in producer income. It develops code of conduct and standards that really come to the reality of compliance, sustainable production and a better product with a better price (Perk 2006). Fair trade creates new ways in CSR to define better trading conditions that do not interfere with the market and create a social framework which allow prices to tell the truth about social and environmental production costs (Perk 2006).

Fair trade is an old business activity which adds ethics into business and seeks greater equity in international trade (Fairtrade Labelling Organization International 2009). Fair trade offers the better trading conditions in sustainable development for the fair trade producers and workers especially in the South. Fair trade organizations participate actively in supporting producers, raising the awareness and practice of conventional international trade. It helps the producers and workers to move from a position of susceptibility to security and economic self-sufficiency. Fair traders have done much to increase consumer and business awareness of the issues involved while helping small producers improves the conditions under which they work and live. Fair trade certified products help to increase availability and variety, to raising public awareness and to develop and manage the CSR in the organizations. Fair trade improves the social consciousness of the consumers and increase pressure toward the broader adoption of ethical codes of conduct by mainstream processors and retailers.

## RESEARCH PARADIGMS

Methodological approach can be either qualitative or quantitative. This research consists of a qualitative research method with an inductive approach. Furthermore, qualitative research typically combines data collections methods such as archives, interviews, questionnaire, and observations. The evidence may be qualitative, quantitative, or both (Eisenhardt 1989). These different ways of data collection give flexibility to researcher in data collection than quantitative method. This means that researcher has an opportunity to get deep inside into the research phenomenon and come close to the respondents for the affective analyses. In conclusion, qualitative method is suitable to analyze the exploratory study by emphasizing on understanding and observing the concept (Ghauri, Kjell& Ivar 1995).

For this research paper, method base is qualitative research as research strategy. The qualitative research approach fits to the nature of research question (i.e., how) of this study, which starts as "*How does fair trade perform the main role in organizing or developing corporate social responsibility (CSR)?*" The choice of qualitative research will help to go

more in depth of research phenomenon. This research uses multiple case studies as research methodology. According to Yin (2003), “case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. According to Eisenhardt and Graebner (2007), multiple case studies are beneficial in many ways as; 1) it provides replication logic, 2) it helps in extending the existing theory, 2) it helps to focus on real world context, and 4) it helps in developing theory. According to Eisenhardt (1989), the sampling of cases from chosen population is unusual when building theory from case studies. Such research relies on theoretical sampling (i.e., cases are chosen for theoretical, not statistical reasons).

The basic purpose of primary data was to get information that is related to personal understandings, experiences, and observations. As a result, primary data was collected through digitally recorded unstructured interviews with open-ended questions. Further, to gain the basic information about the case companies’ histories, operations, industry context, annual profit, and current activities, secondary data was collected from case companies’ websites, annual reports, and old magazines for a detail version of the information along with primary data.

Data analysis is an important part for developing results. Yin (2009) describes the data analysis as; examining, categorizing, recombining, and tabulating the evidences. He arranges the data analysis in two strategies; 1) focuses on the relation of data with theoretical framework derived from literature, and 2) focuses on the development of case description and descriptive framework to present the data. Validity and reliability measures are used to test the quality of the study. These measures can be considered as an ideal of the research. Validity and reliability provide researcher a source to test the quality of the research and the credibility of the results. Whereas validity concerns not only with the data collection but focuses on the coherence of the research and relation of findings. It refers the accurate measures taken in research and truthfulness of the results (Saunders et al. 2007). Yin (2009) posits that validity can be divided into; construct, internal, and external validity. In conclusion, present research is not looking for causal relationships between the variables, so internal validity is not concerned in present study.

Reliability refers to minimize random error, enabling subsequent researchers to arrive at the same insights if they conduct the study along the same steps again (Gibbert et al. 2008). The key words here are transparency and replication. Transparency can be enhanced through measures like careful documentation and clarification of the research procedures. Replication may be accomplished by putting together a case study database, which should include the case study notes, the case study documents, and the narratives collected during the research, organized in such a way as to facilitate retrieval for later investigators (Gibbert et al. 2008). In present research, questions were designed according to the theoretical framework so that respondents should have a focus on the main point to ensure the reliability. The idea was to develop a relationship between the questions and their explanation about the topic to explore relative results. The language used in interviews was English to minimize the risk of misinterpretation and misunderstanding the answers for the credible and reliable results. However, the results of the research are based on the subjective evaluation and subjective interpretation for respondents and the author. Thus, chosen respondents were the people who had a great knowledge about the fair trade and corporate social responsibility.



## THEORY OF FAIR TRADE AND CSR

### Fair Trade

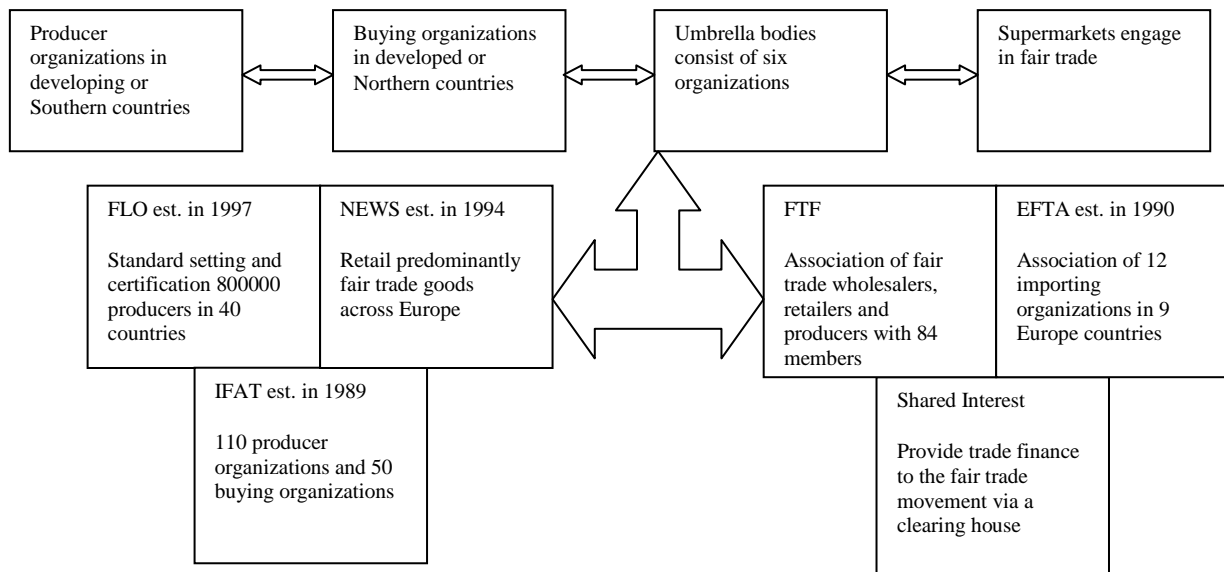
Most of the world's biggest companies have started fair trade brands and they are trying to incorporate it into their CSR agendas. This has resulted in considerable sales growth for the network stakeholders (Fridell 2009). Fair trade (i.e., alternative trade) was developed as an alternative model of business with political activity, i.e. "a business and campaign" (Zadek & Tiffen 1996). The basic purpose of the international fair trade activities is selling products from marginalized Southern producers (Low & Davenport 2005). In the early 1990s, fair trade considerably developed and grown into the broad product groups, differentiating and directing the products in the biggest market. Fair Trade Labeling Organization (FLO), Fair Trade Foundation (FTF) and International Federation for Alternative Trade (IFIAT) are the authorities of fair trade that are engaged in oversee fair trade activities and to audit related organizations. A group of profit seeking companies was developed in 1990s; the purpose was to create a profit from ethical group of consumers, therefore, this era named as niche market era of fair trade. After that, many companies engaged in the fair trade business and expanded it into leading products lines that created the mass-market era of fair trade (Davies 2007). This era also resulted in development of fair trade conceptualization.

Raynolds et al. (2007) highlights the importance of groups involved in fair trade and defines the fair trade as "Fair Trade movement is comprised of a set of groups which are linked through their membership associations – the Fair Trade Labelling Organizations International (FLO), the International Federation of Alternative Trade (IFAT), the Network of European World shops (NEWS!), and the European Fair Trade Association (EFTA)." These organizations work together as a FINE network. FLO is a united organization which labels fair products to ensure the intensity of fairness in the products marked in large volume distribution. Moreover, there are tensions between two visions of radical and pragmatic. Radical conception observes fair trade as a tool, and the pragmatic concept highlights the inclusion of products from the South to North markets.

Figure 1 summarizes all about industry structure of Fair Trade organizations, containing four main groups of organizations; the producer organizations, buying organizations, umbrella organizations, and supermarkets. Umbrella bodies that consist of a combination of six further organizations, i.e., IFAT, FLO, NEWS, EFTA, FTF, and Shared Interest (Moore 2004). IFAT, FLO, NEWS, EFTA, FTF are the organizations that have discussed earlier, but there is an organization in umbrella bodies called shared interest. It is not a trade organization like other bodies, but it helps in trading activities by providing trade finance to the fair trade movement through a channel of clearing house, which has been serving producers certified by FLO.

### Industry structure

Main organizations involved in the Fair Trade movement can be divided into four groups that further have detailed structure.



**Figure 1.** Industry structure of fair trade.

Fair trade movement is a link between social responsibility and free-market capitalism, which ensures the living wage, affordable credit facilities, and promote different activities that are sustainable for workers and environment (Linton, Chiayuan & Ann 2004). Low and Davenport (2005) identifies five different types of businesses, consisting of fair trade organizations, value driven business, proactive CSR business, defensive CSR business, and disbelievers.

In this research, some fair trade challenges exist that are complicated and overlapped. First challenge is all about the increasing activities of fair trade in the global market by capturing business partners, huge markets and customers, large-scale traders, distributors, supermarkets, and many other related retailers. Second challenge for fair trade arises from the incorporation of large-scale estates or plantations within fair trade production, requiring the needs production of extraordinary certified goods, integration of bigger numbers of producers, and workers. The third challenge of fair trade is about the changing nature of the movement. Traditionally, fair trade was depending on the Northern NGOs and Southern producers and workers, but now the trend of fair trade is changing and getting advance in its activities after the success of their hard work. The final challenge is all about the shifting consumer base (Raynolds et al. 2007), and its importance in the development (Hira & Ferrie 2006).

### Corporate social responsibility

For the past many years, academia has been trying to explain and define the Corporate Social Responsibility (CSR) concept to develop a proper definition, but still lacks consensus on the conceptualization of CSR concept (Dahlsrud 2006). Moon (2004) argues that CSR is a complicated idea which cannot be clearly defined. It is difficult to distinguish CSR from related concepts of sustainable business, corporate citizenship, environmental responsibility, the triple bottom line; social, environmental, and corporate accountability. Further, research



presents multiple views on CSR, such as social performance, business ethics, social contracts, stakeholder management or triple bottom line (cf. Carroll 1979; Moon 2004; Valor 2005). CSR is a concept of core performances and responsibilities of the companies which has a strong impact on the societies in which they concern. It is not an optional set of activities for the organizations (Dahlsrud 2006).

### **Ideologies of corporate responsibilities**

Spielman (2000) explains CSR ideology, and differentiates the responsible business behavior from irresponsible business behavior. He argues that in responsible business behavior, organizations focus more on economic welfare of employees to keep them retain and to provide benefits to the consumers with fair products. It is a group effort in an organization for the wellbeing of general public and especially for the environment. While, irresponsible business behavior is an act of serious actions such as (unethical economic harm) impose to the employees, unfair products and services to the consumers, unfair competitions with other organizations and harmful for the general public and environment (Spielman 2000).

Desjardins (1998) presents three kinds of CSR ideologies that are important for the organizations. These ideologies are;

- Owner focused ideology
- Stakeholder Ideology
- Broad responsibility Ideology

Owner focused ideology is called classical ideology. In this ideology, organizations focus on the revenue of shareholders by maintaining the high profit ratio and financial growth of the company (Desjardins 1998). Whereas stakeholder ideology is called neoclassical ideology. It signifies a general concept that organizations are responsible for their stakeholders in addition to their responsibilities for shareholders. This ideology is an integration process of economic, socio-cultural, and ecological responsibilities in which each level is a set of activities toward society, humanity and environment (Desjardins 1998).

### **CSR theories**

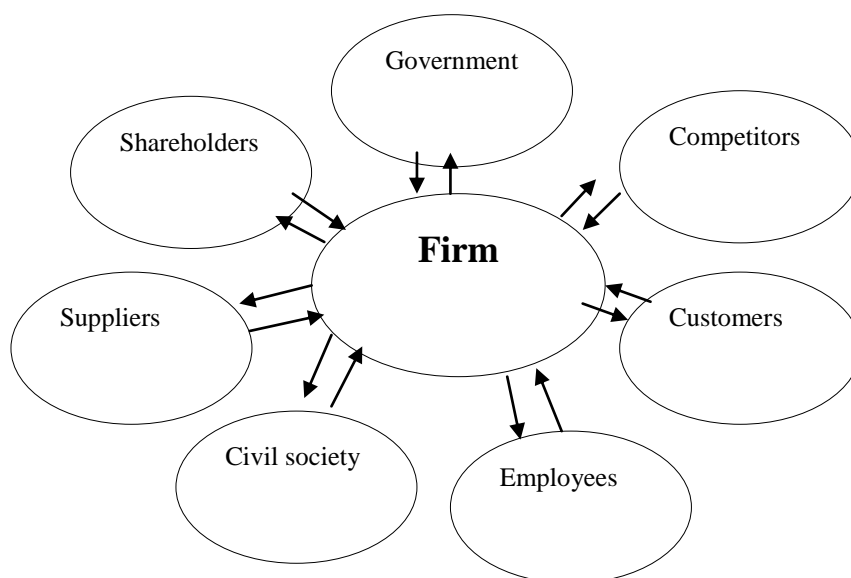
Garriga and Mele (2004) developed CSR theories by using a structural approach to organize CSR into four proportions or groups that define the relationship between business and society. These groups are 1) Instrumental theory, 2) Political theory, 3) Integrative theory, and 4) Ethical theory.

Instrumental theory is a strategic tool to get economic goals and wealth creation. It is all about the profit increasing actions. Friedman presents it as “social responsibility of business is to increase its profit” (Friedman 1970). Further, Windsor (2001) argues that “a leitmotiv of wealth creation progressively dominates the managerial conception of responsibility” (Windsor 2001). There are three following sub-groups of instrumental theory; maximization of value of shareholders, achieving competitive advantage, and cause-related marketing actions (Garriga & Mele 2004). Whereas political theories represent the linkage between business and society based on the power and position in business. Political theories comprise of two major theories called “corporate constitutionalism”, and “corporate citizenship” (Garriga & Mele 2004). This group of theories focuses on the discovery, scanning of, and

response to the social stress to get social legitimacy, prestige and social acceptance. Integrative theories define the integration of social demands and business dependence on society (Garriga & Mele 2004). There are four groups in integrative theories that clear the concept of integration in CSR. These include; 1) issue management, 2) the principle of public responsibility, 3) stakeholder management, and 4) corporate social performance (Garriga & Mele 2004). Further, ethical theories posit that organizations should focus on the betterment of society by providing those best and harmless products and services, and they should contribute positive activities for the wellbeing of the society (Garriga & Mele 2004). In the positive activities, there are several ways to contribute, and these may be in different forms.

Corporate social responsibility and stakeholder theory have a strong relationship with each other. To survive and fulfill its economic and non economic objectives, firms have learnt to invest in CSR activities to meet the needs of various stakeholders (Argandona 1998; Harvey & Schaefer 2001; Post 2003). Stakeholders are those groups which have a stake in company's operations. They can be divided into three different forms of; 1) organizational stakeholders (i.e., employees, managers, and unions), 2) economic stakeholders (i.e., customers, creditors, distributors, and suppliers), and 3) societal stakeholders (i.e., communities, governments and regulators, and non-profit and non-governmental organizations) (Werther & Chandler 2006). In the same vein, Clarkson (1995) divided above stakeholders groups into two forms; primary and secondary stakeholders. The primary stakeholders consist of customers, distributors, shareholders, employees, and suppliers. Further, the secondary stakeholders consist of governments, competitors, and civil societies.

In stakeholder theory, the managers play an important role in supporting all stakeholders' groups with balancing and maximizing the interests of stakeholders overtime (Freeman & Phillips 2002). Regarding the responsibilities, this theory has articulated the shared sense of the value that managers create and bring them together. Stakeholder theory allows firms to produce outstanding performance by focusing on different relations with stakeholders (Freeman 1994). In the following figure 2, the important stakeholder's groups are identified:



**Figure 2.** Stakeholder theory of the firm (Crane & Matten 2007: 59).



Stakeholder theory is one of the most used and prominent theories in international business activities and CSR discourses. Philips (2003) suggests that there should be a distinction between normative and derivative stakeholders in order to identify them. Normative stakeholders are those who have ethical responsibility towards the other social factors. The link between CSR and stakeholder theory demonstrates the relationship between social disclosures, and social and economic performance (Ullmann 1985).

### **Key elements of fair trade in corporate social responsibility**

Stakeholders are an important part of the organization and all the firm's operations revolve around their significance. Economic responsibility focuses on the financial sustainability of the firms and it is integrated in firm's norms (Ketola 2009a). Socio-cultural responsibilities consist of those activities and practices that embody fairness, justice, standards and ethical responsibilities (Carroll 1991). Social responsibility symbolizes the standards, norms or expectations that replicate consumers, employees, shareholders and community's regard and respect or protection. Social responsibility is achieved by respecting the limits of human and culture. Developing countries are characterized by environmental degradations, which also affect the social conditions. In response to these limitations in developing countries, fair trade performs a key role to sustain and achieve the required objectives (Strong 1997). Whereas, fairly traded products encourage the model of consumption and production in those societies, which helps to reduce environmental stress, and to meet the needs of humanity. Fair trade products ensure the suppliers of developing countries for a standard production process, benefits of trade, and good working conditions for employees (Strong 1997).

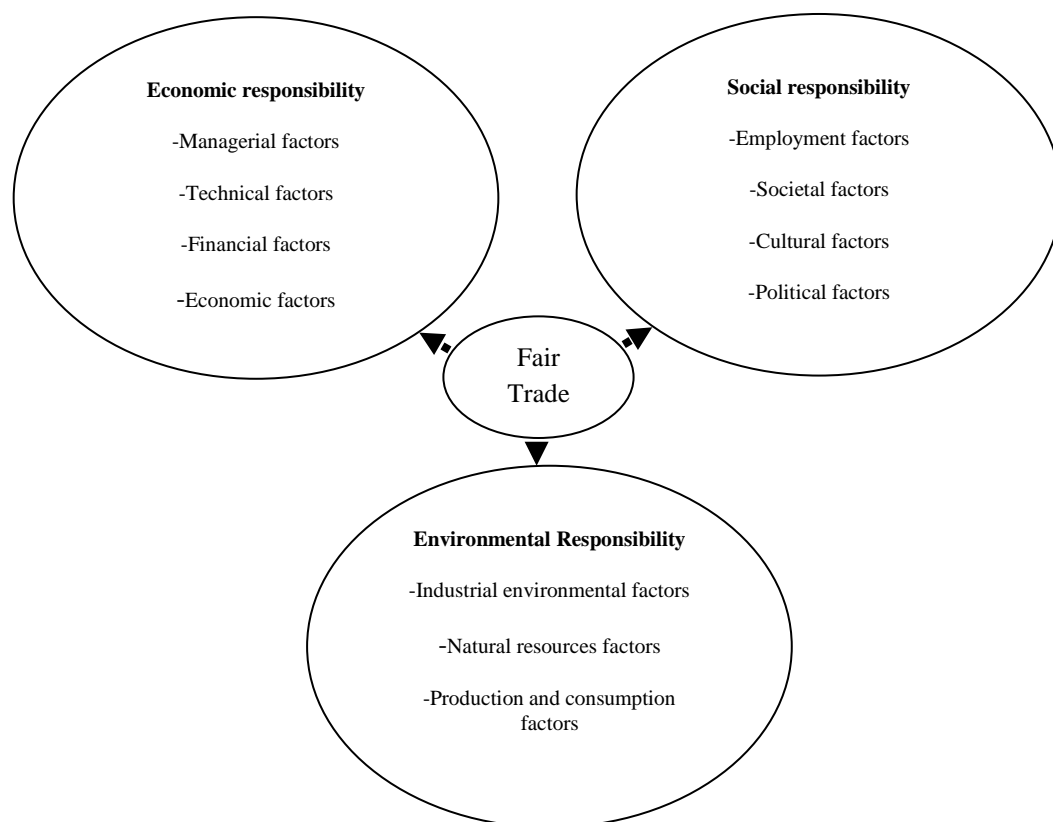
### **Summary of theoretical framework of the research**

Fair trade as a component of economy movement or objectives of corporate social responsibility and ethical trade can be viewed by several ways. This research focuses on the role of fair trade in corporate social responsibility means that fair trade is a part of ethical consumerism and many factors of CSR. Fair trade movement creates the environment for responsible business to become more responsible, community oriented and environment oriented. For the reason, customer demands for fair traded products also open the ways of awareness of fair traded products and to help marginalized producers in less developed countries. Moreover, fair trade movement encourages the community development and assigns power to the producers. To protect human rights, fair trade mechanism has become a complete package (Davies & Crane 2003).

In this sense, Figure 3 summarizes the role of fair trade principles in corporate social responsibility (CSR). The Figure shows the clear impact and role of fair trade in corporate social responsibility levels. This role of fair trade in CSR levels means that it also has a significant impact on internal and external stakeholders of the firm because all stakeholders are related to CSR values and areas: economic, social and environmental. These factors are kept into mind while collecting the empirical material while the focus is clearly on fair trade role in corporate social responsibility. Fair trade and corporate social responsibility concepts are closely related to some other concepts like ethical consumerism or ethical business but to get reasonable results, or to build a clear concept of role of fair trade, empirical data is collected only on the base of fair trade role in corporate social responsibility which is the key question of the research.

Furthermore, this research provides the impact of fair trade role in CSR's levels separately which means it discusses the stakeholder theory separately in CSR levels and relationships of all stakeholders to each other as well. Figure 3 elaborates the concepts of economic, social and environmental responsibility and consists of several important contents of three of responsibilities. Economic responsibility presents four main factors which are related to internal and external stakeholders. *Managerial factors* related to internal stakeholders that provide different management issues in CSR and the effects of fair trade in these issues. *Technical factors* are related to quality, machinery and production issues and they belong to internal stakeholders as well. *Financial dimensions* provide the clear picture of financial profitability and competitiveness and the last factor of economic responsibility is *economic factors* which is related to external stakeholders including costumers, society, economy etc. (Mikkilä 2005).

There are four factors of social responsibility discussed in this study related to internal and external stakeholders. These important factors of social responsibility show the effects of fair trade role in the society. Employment and cultural factors are related to internal stakeholders while societal and political dimensions are linked with external stakeholders. In these dimensions of social responsibility, fair trade performance in different areas is discussed empirically. Fair trade has a significant impact on the three levels of environmental responsibility. These dimensions of environmental responsibility consist of *industrial environment factors*, *natural resources factors* and *production and consumption factors* (Mikkilä 2005).



**Figure 3.** Theoretical framework.

## **EMPIRICAL STUDY**

This research focused on the role of fair trade in developing CSR in case companies from Pakistan and Finland. CEO of Pakistani Company is interviewed and some officials from Finland Company are interviewed. Identical questions were asked to all of the officials and they have been allowed to answer after taking as much time as they want. Interview questions were developed according to the theoretical framework of the research so that results would create a combination between theory and empirical findings. By keeping in mind all above validity factors, data was collected and the results of this research demonstrate a key relation of fair trade role in corporate social responsibility in the case companies.

Mountain Fruits (Pvt.) Limited Pakistan was developed by the Aga Khan Rural Support Program in 2000. The purpose was to train the people to improve the drying fruit practices by utilizing the hygienic fruit drying system in the northern areas of Pakistan, and to create the opportunities for disadvantaged producers for organizing, producing, and selling the international quality products under fair trade mark. The company targets the producers of dried apricots, wild apricots; apricot kernels (sweet and bitter), dried apples, organic walnuts and almonds from the northern areas of Pakistan (Mountain Fruits). Furthermore, it helps the “mountain areas fruit farmers’ association” (i.e., a group of 2,000 farming families from 78 different village organizations located in the mountainous northern areas of Pakistan) to promote their products in developed countries (e.g., United Kingdom) through fair trade. It trains the farmers in improved agriculture techniques, making the farmers to be flexible with the technology.

Reilu Kauppa is a non-profit organization, having 30 member organizations. The main goal is to raise awareness and promote fair trade in general. It licenses the use of fair trade certification mark in Finland and Baltic States. The company is also involved in monitoring and approving the usage of fair trade mark. There are 1500 fair trade certified products in Finland, and consumption of fair traded products in 2009 reached to € 86.9 million which makes € 16.31 per capita. The case organization is trying to tenfold its sales in coming 5 years (i.e., 2010-2015). According to the company’s annual report (2009), 82% consumers in Finland know about fair trade, and 49% want to buy more fair trade products. Further, 78% consumers in Finland have a confidence on fair trade mark. In conclusion; the company provides an opportunity to producers in developing countries to promote their wellbeing through fair trade, and an opportunity to consumers in Finland to consume the fair trade products in line with their own values.

This section analyzes the theoretical model of this research in the light of findings from the above case companies. The discussion examines the role of fair trade in developing the corporate social responsibility (i.e., economic, social, and environmental factors). Economic responsibility focuses on the financial sustainability of the firms. Carroll (1991), and (Ketola 2009a) argue that business organizations are made for the economic activities, and profit motives are primary incentive for all the organizations. In the case company A (Mountain Fruits (Pvt.) Limited Pakistan), the intentions were to give economic benefits to farmers (i.e., suppliers). The main factors included in economic benefits were reducing production costs, assigning good prices to products, increasing competitiveness of producers’ products, increasing their profitability, and helping them to reinvest some profit in expanding business. In the same vein, the case company B (Reilu Kauppa) is a non-profit organization. The case



company promotes fair trade between Finland and developing countries, with the intentions to give economic benefits to producers. The main factors included in economic benefits were; assigning good prices to producers' products, and increasing their profitability.

Case companies	Role of fair trade in developing the economic responsibility
Case company A	To reducing the producers' production costs, assigning good prices to their products, increasing competitiveness of their products, increasing their profitability, and helping them to reinvest some profit in expanding business
Case company B	Assigning good prices to producers' products, and increasing their profitability

**Table 2.** Role of fair trade in developing economic responsibility.

Socio-cultural responsibilities focus of those activities and practices that embody fairness, justice, standards and ethical responsibilities (Carroll 1991). Fair-trade labeling organizations and importers in developed countries ensure about the satisfaction of developing countries' producers in terms of their social needs. In the case company A the assurance of farmers' satisfaction with their social needs was the most important responsibility. The main factors included in social benefits were; following the national and international laws about the labor rights, providing fair salaries, employees training, employee's health and safety, managing employee's cultural diversity, education of village children, forbidding child labor, and creating opportunities for all without discrimination. In the same vein, the case company B also contributes to social welfare of producers in developing countries. The case company takes into consideration the needs and special characteristics of different-sized producer organizations and makes sure that they are fulfilled. The main factors included in social responsibilities are; fair Payton workers, no child labor, education of farmer's children, decent living standards of workers, schools, health clinics, safe water and simple bridges.

Case companies	Role of fair trade in developing the social responsibility
Case company A	Following the national and international laws about the labor rights, providing fair salaries, employees training, employee's health and safety, managing employee's cultural diversity, education of village children, forbidding child labor, and creating opportunities for all without discrimination.
Case company B	Fair pay to workers, no child labor, education of farmer's children, decent living standards of workers, schools, health clinics, safe water and simple bridges.

**Table 3.** Role of fair trade in developing social responsibility.

Organizations achieve environmental responsibility by staying within the limits of carrying capacity of ecosystems (Ketola 2009a). Ketola (2009a) argues that practices like usage of renewable energy forms, zero emissions, and recycled or renewable natural resources constitute as environmental responsibilities. The case company A makes sure that the



producer is making environmental friendly product. The main factors included in environmental responsibilities were; shipment by sea, wastage handling, pollution reduction. In the same vein, the case company B also helps the producers in preserving the environment. According to case company's 10<sup>th</sup> anniversary report (1999-2009), fair-trade environmental standards call for the protection of the natural environment and encourage to work towards organic practices. The environmental standards include; environmental impact assessment, planning and monitoring, soil and water protection, reductions in the use of agrochemicals and compliance with the FLO Prohibited Materials List, guidelines on correct waste management, and ban on genetically modified organisms (GMOs).

<b>Case companies</b>	<b>Role of fair trade in developing the environmental responsibility</b>
<b>Case company A</b>	Shipment by sea, wastage handling, pollution reduction
<b>Case company B</b>	Soil and water protection, reductions in the use of agrochemicals, correct waste management, and ban on genetically modified organisms

**Table 4.** Role of fair trade in developing environmental responsibility.

## CONCLUSION

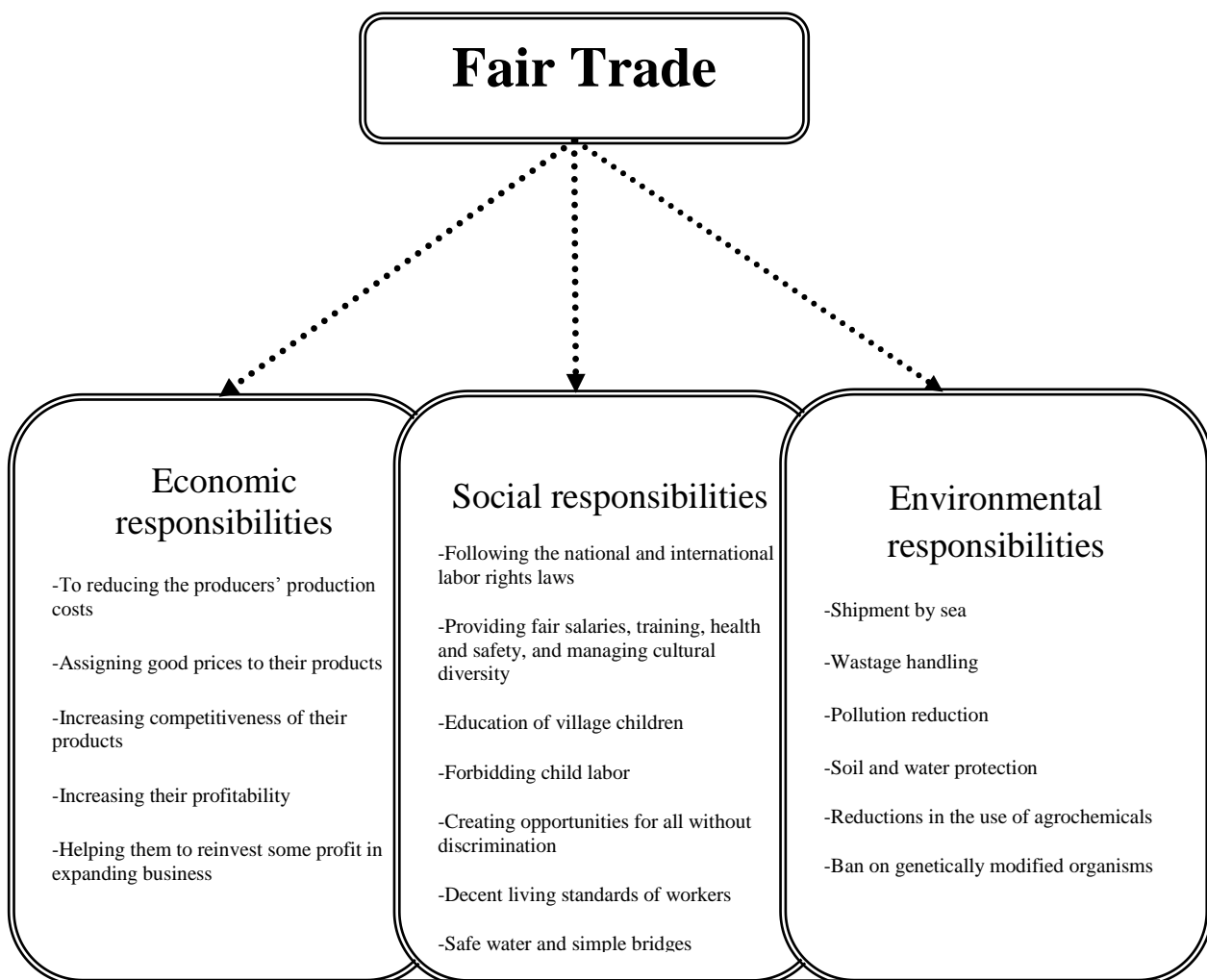
Most of scholars agree that fair trade is becoming more and more important for the firms from developed countries (e.g., Davies 2007; Fridell 2009; Hira and Ferrie 2006). In the light of this increasing interest in fair trade, previous research has focused on conceptualization of fair trade and its general benefits to producers in developing countries (e.g., Moore 2004; Fridell 2009; Low & Davenport 2005). Despite these recent interests, current research is silent in describing the comprehensive responsibilities of fair trade firms. This research therefore seeks to examine the role of fair trade in developing corporate social responsibility. The key findings of this research are: First, fair trade firms give equal importance to economic, social, and environmental responsibilities. This finding depicts that fair trade is an organized movement to help the marginalized producers in all areas of corporate social responsibility, comprising of economic, social, and environmental areas. Previously, research has either focused on the importance of fair trade for generating only economic benefits to producers (Smith 2007), and economic and social benefits to producers (Ronchi 2002; Lyon 2007; Mare 2008), or have considered fair trade as a form of CSR (Mohan 2009). However, this research finds that fair trade companies give equal importance to economic, social, and environmental responsibilities to develop the livelihood of the producers.

Second, this research identifies the important factors included in each level of corporate social responsibility (i.e., economic, social, and environmental). Figure 9 presents the main factors included in economic responsibility, social responsibility, and environmental responsibility of the fair trade firms. These findings support and extend the previous research on corporate social responsibility (e.g., Bennett 2002; Meehan et al. 2006; Carroll 1979).

Third, this research depicts that producers are important stakeholders of the company. Fair trade firms develop corporate social responsibilities by highlighting the significance of producers. By fulfilling corporate social responsibilities (i.e., economic, social, and environmental), the fair trade firms create goodwill of producers among consumers. Fourth,

previous research on fair trade has mostly focused on coffee (e.g., Ronchi 2002; Lyon 2007; Renard 2003; Low & Davenport 2005), giving limited evidence about the importance of fair trade for diversified products. However, this research depicts the importance of fair trade in developing corporate social responsibility for diversified products (i.e., Apricots, Apple, Wine, Coffee, and etc.).

Figure 4 shows the adopted model on the role of fair trade in developing corporate social responsibility. Model combines the theory and main empirical findings and depicts a rich picture that fair trade firms give equal importance to economic, social, and environmental responsibilities. Further, model depicts the important factors included in each responsibility (i.e., economic, social, and environmental) of fair trade firms.



**Figure 4.** Developed framework of fair trade role in (CSR).

### **Managerial implications and future research suggestions**

This research study has given results on the role of fair trade in developing corporate social responsibility. A major contribution of this research is that it highlights the importance of fair trade in developing the economic, social, and environmental responsibilities of fair trade firms by focusing an important stakeholder group like suppliers. Further, the research brings

out the important factors included in each responsibility (i.e., economic, social, and environmental) of fair trade firms.

These empirical findings have several empirical implications. Firstly, the demand of fair trade products is increasing in developed countries on general level, and specifically in Finland. According to the annual report of Reilu Kauppa (2009), 82% Finnish consumers know about fair trade, 49% want to buy more fair trade products, and 78% Finnish consumers have a confidence on fair trade mark. These trends depict that demand of fair trade is increasing in Finland. So, the Finnish firms should know the importance of fair trade and its role in corporate social responsibility. Secondly, research findings can help the Finnish firms to know the important factors involved in each responsibility (i.e., economic, social, and environmental) of fair trade firms. Thirdly, the research findings can help the Finnish firms to know about the significance producers of developing countries as an important stakeholder.

Regarding future research directions; firstly, research should incorporate the viewpoint of all stakeholders (i.e., producers, consumers, importers, distributors, and etc.) on the role of fair trade in developing corporate social responsibility. Secondly, most of previous research on fair trade has concentrated on a single product of coffee than diversified products. Future research should focus on the importance of fair trade in diversified products. Thirdly, most research on fair trade and corporate social responsibility is either conceptual or based on case studies. The future research should conduct quantitative research with bigger sample sizes to have more external validity.

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