

**UNIVERSITY OF VAASA
FACULTY OF TECHNOLOGY
DEPARTMENT OF PRODUCTION**

Khuram Shahzad
**THE ROLE OF FAIR TRADE IN DEVELOPING CORPORATE SOCIAL
RESPONSIBILITY:**
An empirical examination based on multiple cases

Master's Thesis in
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UNIVERSITY OF VAASA**Faculty of Technology****Author:**

Khuram Shahzad

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Tarja Ketola

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ABSTRACT:

Corporate social responsibility is becoming more and more important for the firms from developed countries. This study suggests that fair trade plays an important role in the development of corporate social responsibility. More specifically, this study seeks to answer the following research question; *How does fair trade perform the main role in developing corporate social responsibility (CSR)?*

In the theoretical part of study; firstly, the idea of fair trade is presented, incorporating the historical developments in fair trade, its conceptualization, and its main motives. Secondly, the idea of CSR is presented, incorporating the historical development in CSR, its conceptualization, and major theories in CSR. Thirdly, the role of fair trade in developing CSR is discussed by identifying the importance of CSR factors.

To empirically examine the role of fair trade in developing CSR, this study employs the comparative multiple cases in Finland and Pakistan. The empirical data is collected through the annual reports of the firms, their publications and, semi-structured interviews. 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 (i.e., economic, social, and environmental). Findings also reveal that producers are important stakeholders of the firms.

KEYWORDS: Fair trade, corporate social responsibility, stakeholders, economic, social, environmental.

1. INTRODUCTION

1.1. Background of the study

Making the world a better place to live is an idea that is increasing over the four quarters of the globe and the business empire is no exception. The increasing globalization has been described as a key factor in shaping the environment, and creating pressures and demands for the businesses. For developing their businesses, firms are becoming active in fulfilling the ethical responsibilities by going beyond their profit-oriented activities and trying to boost the wellbeing of the community (Nicolau 2008). More and more firms are shifting towards a positive and constructive way of doing business by focusing on the human rights, environment, poverty, and other social issues (Porter & Kramer 2006). Porter and Kramer (2006) report that in year of 2005, 64% out of the 250 largest MNEs have included the corporate social responsibility (CSR) in their annual reports. These trends show an increasing interest in CSR. In conclusion, corporate social responsibility (CSR) has become a key factor in the lives of the firms to improve the livelihood of the society.

Corporate social responsibility (CSR) has been described as important responsibility, which improves firm's competitive advantage, market value, and financial performance (Maloney 2009). Further, it 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.

In spite of such benefits of CSR to the society and business firms, research lacks consensus on the conceptualization of corporate social responsibility. 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*”.

Although, research has highlighted the importance of CSR in the lives of all organizations, we have limited knowledge on the importance of CSR for the firms conducting fair trade. 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 (Fairtrade Labelling Organization International 2009).

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. UN high commissioner for human rights Mary Robinson said the following on business as an “*organ of society*” (Bennett, 2002: 397). Further, Bennett (2002) highlights the importance of fair trade as; “*It is not a question of asking business to fulfill the role of government, but of asking business to promote human rights in its own sphere of influence*”.

The above discussion highlights that fair trade is an important business activity and has an important role in the development of CSR. Fair trade creates and expands international market relationships by incorporating sustainability and social responsibility (Linton, Cindy & Kelly 2004). Fair trade is coming out of its niche and is becoming mature. Previous research has not explicitly focused on the role of fair trade in developing CSR. Consequently, the role of fair trade in developing CSR needs research attention. Present study aims to understand the important role of fair trade in developing corporate social responsibility. By investigating this research issue, this study will help the managers to understand the importance of fair trade and its role in organizing CSR to better manage their business activities.

1.2. The purpose and objectives of the study

The above discussion highlights the course of present study. Study highlights the role of fair trade in corporate social responsibility (CSR) and more specifically, how fair trade is related to corporate social responsibility. It helps 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 study 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 is an important movement, constantly developing and looking for new ways, ideas, and models to come closer to sustainable world economy, community, stakeholders and small producers to gain common benefits. It provides an important platform for the firms to develop CSR and provides a convenient access of fair trade products to customers and generates customer's awareness. 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).

Based on main research question, present study developing the following four sub objectives:

- *To study the conceptualization of fair trade*
- *To identify the characteristics of CSR*
- *To study the role of fair trade in developing CSR*
- *To empirically investigate the role of fair trade in developing CSR in case companies*

The purpose of first sub objective is to define the fair trade in the present study and to discuss the history of the fair trade. To achieve the above purpose; the historical developments in fair trade, complexity in its conceptualization, motives, and challenges are discussed. This is achieved by focusing on some relevant previous studies on the

development of fair trade concept. The purpose of second sub objective is to deeply study the broad concept of CSR. This is done by focusing on the evolution of CSR, its conceptualization, main ideologies and theories, and previously developed models. Further, the purpose of third sub objective is to link the fair trade and CSR. This is done by highlighting the importance of business engagement, sustainable development, and ethical decision making through fair trade. Finally, the purpose of fourth sub objective is to get the primary data through semi-structured interview questionnaire with open-ended questions from case companies to analyze the role of fair trade in developing CSR.

1.3. Scope and limitations of the study

The scope of this study is in the fair trade firms .The empirical data on the role of fair trade in developing corporate social responsibility is collected from fair trade firms. The present study focuses on producers as important stakeholders than taking into account the viewpoint of all stakeholders. Further, the study is based on multiple cases than utilizing a big sample size. So, the results cannot be generalized to all fair trade firms.

1.4. Previous studies

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. The followings are the main important studies used in my thesis to develop the study framework.

Table 1. Some previous studies.

Author(s) / Years	Focus of studies	Methodology
Studies on fair trade		
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. (2003)	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
Studies on corporate social responsibility		
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
Studies on fair trade in CSR		
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

1.5. Structure of the study

The study is divided into six chapters, where the Chapter 1 focuses on the introduction of the study, background, purpose, importance, research gap, and approach of the research. Previous studies are briefly viewed and structure is defined.

Chapter 2: This chapter describes the nature of fair trade. This chapter opens up with the definition of fair trade, its importance, and motives. Furthermore, this chapter elaborates the challenges of the fair trade.

Chapter 3: This chapter starts with explain the foundations of corporate social responsibility and complexity of concept of corporate social responsibility. Furthermore, this chapter explains the ideologies, theories, and models of CSR.

Chapter 4: This chapter describes the development of role of fair trade in CSR. It explains the ethical decision making, business engagement, and sustainable development through fair trade. Finally, this chapter ends by drawing the framework of present study.

Chapter 5: This chapter defines the research methods, and discusses the selection and justification of data collection. It opens up with the discussion of research method, case study research, advantages and disadvantages of case study, and reliability and validity of case study research.

Chapter 6: This chapter is all about the case study analysis and study findings by introducing case companies and empirical results.

Chapter 7: In this chapter, summary and conclusions are drawn on the basis of empirical findings. This chapter also includes the suggestions for further research and managerial implications.

2. THE NATURE AND CONCEPTUALIZATION OF FAIR TRADE

Table 2. Some previous fair trade studies.

Fair trade		
Author(s) / Years	Focus of the studies	Methodology
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. (2003)	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

2.1. Review of historical developments in fair trade

The origins of fair trade movement goes back to 1950s and 1960s, in the “charity trade” and “development trade”, that have been linked with a custom of practical approaches including the efforts of both producers and consumers (Low & Davenport 2005). At that time, fair trade entered into Europe and created a belief in the mind of people that poor society should not avoid business and MNCs should support fair trade (Snedker & Redfern 2002). In 1970s, the FTOs of North and South made a network to cover the countries that were involved in international trade and retail, and they engaged in selling products through alternative networks of distribution (health food shops, church organizations, student organizations, political groups etc.). In the early 1980s, fair trade

used the strategy of market segmentation and focused on target customers to attract the expanded range of goods. By the early 1990s, fair trade enhanced the market internationally for handicraft goods (Low & Davenport 2005).

Davies (2007) describes the four eras of fair trade that conclude clearly the basic roots of fair trade. It includes the life cycle of fair trade in which all stages cover a time span. During these eras, different changes occurred in global market, and fair trade brought changes according to the market circumstances. He suggests four eras of fair trade life cycle: solidarity era of fair trade, niche-market era, mass-market era, and institutionalization. A Dutch writer (Eduard Douwes Dekker) published a book in 1859 called *Max Havelaar*, which focused on the unfair trade of coffee between Netherland and Indonesia (Snedker & Redfern 2002). A free market model of trade and development was described by Rivero (2001), in which fair trade is a model of economics where price and balance of power are related with cost of production and fair access to markets because it creates a balance between the organizations and workers. He also criticized the study of Adam Smith and Charles Darwin about free trade and described that these are neither ethical nor justifiable in modern culture (Rivero 2001). A UK-based NGO Oxfam was developed in Europe to increase the returns and opportunities of the producers in South and North including a trading subsidiary in 1964 and a Dutch alternative trade organization (ATO) in 1967 (Rivero 2001).

2.1.1. Solidarity era

Davies (2007) defines the solidarity era of fair trade, in which some alternative trading organizations (ATOs) and other organizations participated to raise awareness of developing world and introduced the craft products, pin-cushions, baskets, bags, and art commodity products. The product range and branding was very limited and distributed through mail order and limited world shops. In this era, fair trade started to develop gradually; some new organizations developed and helped producers to grow in the

market. Its goal was to change the way of trade in a better approach (Snedker & Redfern 2002).

2.1.2. Niche-market era

Niche-market era has its significant importance in the history of fair trade. In this era, fair trade developed more ATOs, authorities, companies and adopters were taking interest in fair trade development. The principal products of niche-market era were like solidarity era and extended with coffee, tea, chocolate, cocoa, sugar, nuts and fruit. The product range was in larger range of brands, and branded fair trade products were distributed through supermarkets, world shops, mail orders, online, and with limited representatives. The basic goal was to appeal the groups of ethical consumers, and marketing structure was consumer focused, press relations, public relations, print media, promotions, limited celebrity endorsement, and TV advertisement (Davies 2007). Fair trade sales of new and quality products grew across Europe and some extent in North America. Fair trade labeling initiative grew up through a complicated rule-based documentation method across Europe. First certified product under this method was coffee launched in Netherland under the Max Havelaar mark due to most of coffee cooperatives registered under this section. In this era, producers had the opportunity to get some mainstream market access and products produced in a way of gaining access to market distribution (Snedker & Redfern 2002).

2.1.3. Mass-market era

This era has a significant value in the development of fair trade for the successful cooperation embodied in the Europe and worldwide extension. Food and agriculture products were sold in a mass market, and ATOs and other fair trade organizations enabled to produce economies of scale. An Institute for Social and Ethical Accounting (ISEA) was developed, focusing on the system of social and ethical accounting,

auditing, and reporting to develop a standard of values and performance targets regarding social and ethical problems in strategic management of the organization (Snedker & Redfern 2002). In this era, the participants were fewer ATOs, authorities, companies, adopters, and branders. Their strategy was a broad range of consumers in multiple segments. This era is explained as an extension of products; including sugar, nuts, fruit, rice, wine, and footballs. Further, product range was in larger amount and high quality consistency. Distribution networks expanded also in this era through different supermarkets, corner shops, online service sector, world shops, and mail orders. The organizations were quality focused and marketing through press, newspaper articles, public relations, vast point of sales, and sponsorship (Davies 2007).

2.1.4. Institutionalization

Institutionalization era has a clear opinion and point of view that fair trade products available in the bulk and Fair Trade Labelling Organization (FLO) is getting bigger in service sector. This era represents the customer demand for fair trade products and business to business relationships, and carries out some plans to make sure the reductions in the child and forced labor. Most of the organizations are focusing on their CSR policies and these implementations come closer to fair trade principles. This era represents the participants of fair trade including service sector and to develop a strategy of incorporation of bare minimum requirements within many product categories. This era brings universal products with a range of grades and consistency in fair trade market through universal distribution networks (Davies 2007).

2.2. Definitions and motives of 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). However, there is a difference between international fair trade movement and social movements. The basic purpose of the international fair trade activities is selling products from marginalized Southern producers (Low & Davenport 2005). However, Levi and Linton (2003) argue that "*while fair traders do offer a tangible market product, what they are essentially trying to sell is the norm that people in prosperous countries should factor global social justice into their buying decisions*".

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. They award the organizations with marks of certification (Davies 2007). 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.

According to the World Fair Trade Organization (WFTO 2009), "*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”.

Further, Fair Trade Labeling Organizations International (FLO) defined fair trade as:

“An alternative approach to conventional trade and is based on a partnership between producers and consumers. Fair trade offers consumers a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fair trade offers consumers a powerful way to reduce poverty through their everyday shopping.”

This conceptualization of fair trade focuses on prices and costs of sustainable development. Further, conceptualization also highlights the importance to manage the costs of an additional fair trade premium, advance credit, longer-term trade relationships and decent working conditions for hired labor (FLO 2009).

Fair trade is most vibrant of a range of activities, initiatives and campaigns that have appeared in response to the effects of globalization in recent decades (Raynolds, Murray & Wilkinson 2007). These activities create “the new globalization” concept in the world of trade, which helps to reshape the model of international trade in the global economy. Fair trade is an important action to readdress globalization’s transformative powers towards the formation of greater social equity, which means an international trade with a worthily concept of social development. This term is utilized by neoliberal politicians as a “free trade” to enhance the moral worth in their arguments to reduce trade restrictions. A progressive sense used fair trade as a broad arrangement of activities which share at least some familiar opinion with fair trade movement (Raynolds et al. 2007).

Further, 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 Worldshops (NEWS!), and the European Fair Trade Association (EFTA).” These organizations work together as a FINE network. An environmentally certified producer can get the fair price only if consumers are agreed to pay fair price in developing countries. It involves both wholesale and retail trade in developing and developed countries. Responsible companies have to bear some cost dealing with fair trade products to maintain a structure of fair trade relations globally (Ketola 2009a).

FLO is a united organization which labels fair products to ensure the intensity of fairness in the products marked in large volume distribution. They use Max-Havelaar label (a certification mark) to distinguish fair trade products from usual products (Beji-Becheur, pedregal & Özcaglar-Toulouse 2008). It consists of an exchange of tangible and intangible goods and its special anticipation is to help poor producers by creating an environment in which private consumption should be encouraged rather than charity or public actions and promotion of free marketplace without drawbacks of capitalism. There are two different approaches to fair trade consist of specialization and labeling. In the specialization approach, exchange comprises importers and distributors of fair trade goods, but in the labeling approach; fair trade reaches to the least consumers and increase sales volumes to help producers. This model is called reformist model which is based on trade arrangements to introduce a fairer exchange (Beji-Becheur et al. 2008).

Furthermore, Golding (2009) argues that fair trade has the potential to play a strategic role to make contribution to sustainable development goals. This contribution also helps to get the deep knowledge about the mainstream markets and future of fair trade. Fair trade provides direct access to the market for producers and covers the costs of more sustainable production. It creates a stable business partnership with producers with long-term contracts and provides the facilities of necessary resources to producers that sustain basic labor standards and basic environment goals. Alternative Trade

Organizations (ATOs) are eager to support marginalized producers that put up management and production competence to access export markets (Golding 2009). There are different product categories that can be break down into two product sectors; called craft and commodity sectors. The certification difference between both of them differentiates each other. The craft sector does not hold the infrastructure of auditing and labeling, only fair trade guarantee is the key to sustain organization's reputation on a trust, but the commodity sector is audited by the Fair Trade Labelling Organization (FLO) in return of a fee to get the fair trade certification (Davies 2007).

Further to that, 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. This dissection provides evidence between these choices for the fair trade marketing. In general, strong branding, promotion, and advertising strategies are the basics of fair trade and its market development process and many quantitative studies emphasize that customers purchase the products for personal reason (Carrigan & Attalla 2001). Therefore, many different ideologies of the Fair Trade Labelling Organizations International (FLO) and Fair Trade Foundation (FTF) are customized to equal the changing demands of the market (Davies 2007).

For the purpose of this study, Fair Trade is taken to include the goals and challenges that are ambitious and straightforward. According to Raynolds et al. (2007), fair trade has the following key goals:

- Fair trade develops the security and sustenance of the producers by providing an assurance and stability in trading association, good price, strengthening producer organizations and market access.
- It is a trade which also promotes growth prospects for the women and deprived producers, but on the other side, it defends child labor and promotes their rights.

- It is useful to situate a model of corporation in trade activities with the development of discussion, precision and respect, because it protects human privileges and economic security with the support of social fairness and sound environmental activities.
- Fair trade is a useful activity to create a trust between consumer and producer internationally, and it brings new and fair ways of trade by creating the relationships between consumers and producers.

Above goals provide two basic components or ideas; first idea presents a working model consists of international trade making a difference to the consumers and producers. The second and more important component is to challenge a belief or orientation in business activity with a movement of being a “tool for modifying the dominant economic model” (Renard 2003). There are four significant ways that provide advantages to the marginalized producers including, 1) definite prices in tropical commodity market, 2) improved organizational capability which is required to represent the producers and workers, 3) increase in production and marketing expertise and 4) provision of a social premium to finance broader society (Raynolds et al. 2007). On the other hand, Nicholls (2002: 7) defines fair trade characteristics including direct purchase from producers, long term trading association, agreed prices, development and technical assistance and market information. The goal is to exploit the return to the supplier rather than the margin of the consumer contained by an arranged development structure (Nicholls 2002). In the following, the industry structure comprising on different groups involved in fair trade is discussed.

Industry structure

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

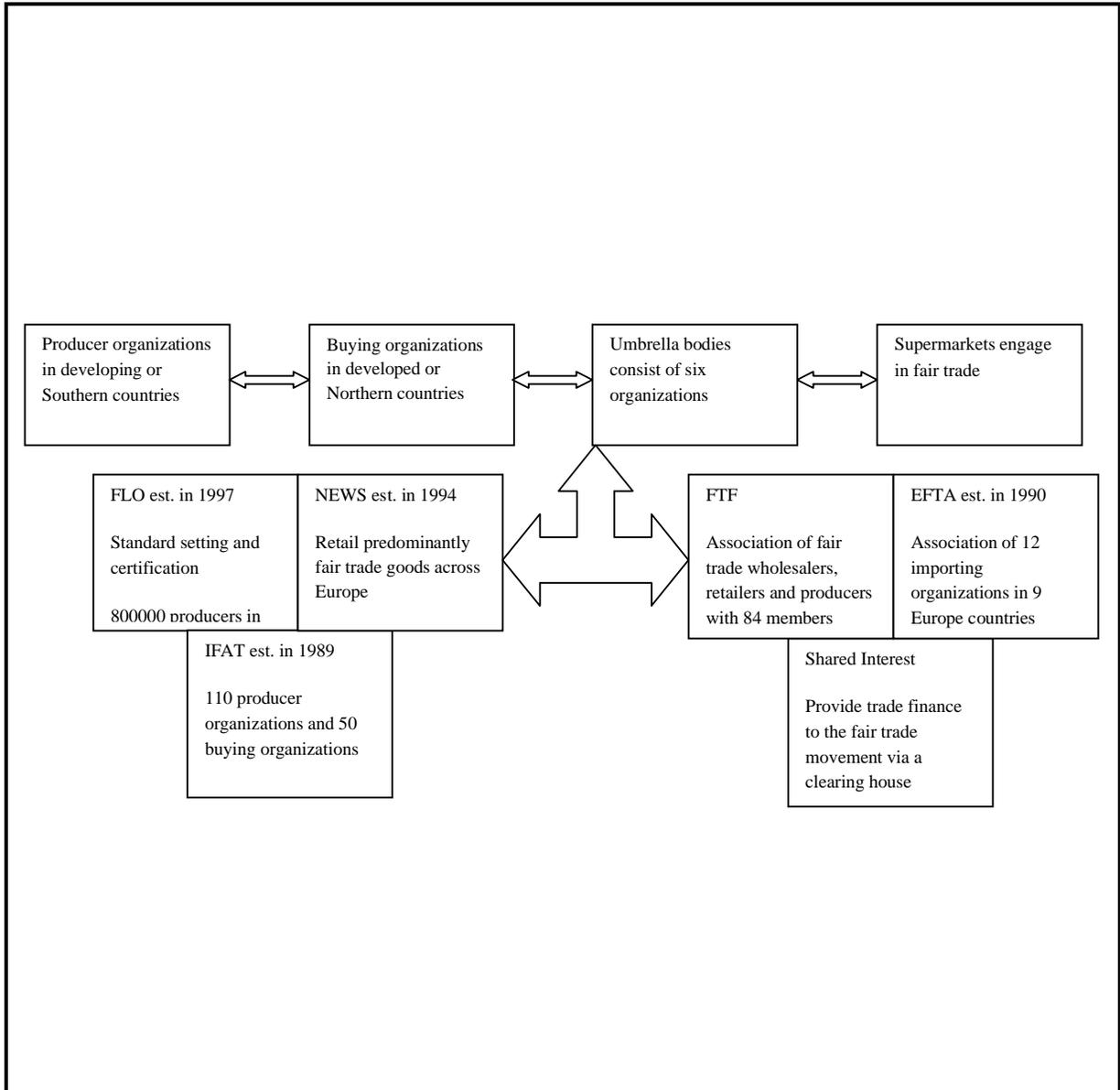


Figure 1. Industry structure of fair trade.

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). Producer organizations make and supply products exist in Southern countries and buying organizations are in the developed or Northern countries that are engaged in imports the products from South and wholesalers and retailers of products are included in this category. 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. Supermarkets and co-operative supermarkets especially in U.S., U.K., and Canada are playing a significant role in enhancing the credibility of fair trade (Moore 2004).

2.3. Fair trade characteristics

The characteristics of fair trade movement bring an interesting change and enrich the traditional business ethics. In this sense, fair trade is inducing these characteristics combined in a single model of business (Audebrand & Pauchant 2009). There are five characteristics enriching the business ethics:

Fair trade makes a relationship between South and North countries with an openness of markets to all producers under non-brutal conditions, rather than international donations and charity programs. Most of the poorest countries carry out only a small ratio of global trade but multinational companies control a majority of this trade and create huge revenue. From this point of view, fair trade created an alternative to international aid

and charity because it balances the unbalanced global world (Audebrand & Pauchant 2009).

Secondly, fair trade success shows the price of the products do not need to be established exclusively but also by the calculation of a cost price which helps to ensure the healthy, social and ecological conditions for dignified living of producers. Fair trade proponents argue that integral price is central to fair trade objective price of the product consists of several costs. Social cost is for producer's dignified living, environmental cost helps to protect the natural environment and transportation and distribution cost can eliminate the middleman. Fair trade products are costly from the others but this difference can defend the superior quality of product and also for the producers (Audebrand & Pauchant 2009).

Third aspect of fair trade characteristics suggests evaluation of the company's ethics by an accreditation system which rates local production conditions and management practices. This mechanism guarantees the weak links of the chain get a fair profit portion and legitimizes it from the standpoint of consumers. Certification is an essential characteristic of fair trade control by multiple organizations and the challenge of fair trade survival is the recognition of its unique label (Audebrand & Pauchant 2009).

Fourth, it shows an alternative international trade system that can be improved with the coalition of small producers so that consumers can aware of responsible consumption. Small producers demand special price protection measure, but rather producers proud of their production because they are selling them to consumers who are more receptive. The challenge for fair trade is not to maintain institutions but challenge lies in the people's mind (Audebrand & Pauchant 2009). According to some other authors, fair trade plays with psychology of the people that result from the individual's decisions and preference to participate in fair trade movement (Davies & Crane 2003; Mance 2005; Nicholls & Opal 2005 cited in Audebrand & Pauchant 2009). This responsible

consumption can also be seen as alternative to traditional boycott which intend to compel a company to change its practice.

Finally, fair trade shows that intense human source can be exposed by living with poor people that allows understanding and responsibility development between others and self. Van der Hoff (2005 cited in Audebrand & Pauchant 2009) differentiates misery and poverty with a suggestion that misery atrophies the human spirit and poverty can be suffered with dignity.

2.4. Challenges of fair trade

In this study, some fair trade challenges exist that are complicated and overlapped. These challenges display in the fair trade movement to identify changing environment of global markets. In the following, these critical challenges are discussed:

1. 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. ATOs (Alternative Trade Organizations) are providing the best services to do so but they are possibly ignored the margin of the mainstream market. Fair trade activities can be get erode within conventional market with the unfair and unequal nature of conventional international trade (Raynolds et al. 2007), but Hira and Ferrie (2006) provide the two versions of fair trade that are engaged in awareness of the hypocrisy “free trade” through a campaign like Oxfam’s “Make Trade Fair”. One part of the versions, looks after the basic problems in global capitalism including trade and search to create a whole new system which comes into existence through distribution channels including NGOs (non-governmental organizations) or ATOs (alternative trade organizations). The

other one, which is supported by Oxfam, helps to promote fair trade within conventional trade structure, distributors and retailers (Hira & Ferrie 2006).

2. 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. With producing larger commodities and getting economies of scale, fair trade has to integrate small-scale producers, and help them to reap the benefits (Raynolds et al. 2007). To face this challenge, fair trade as currently carried out by ATOs like Oxfam, Traidcraft, and Twin Trading to source their products by providing a social premium for development projects and make a price to cover the cost of production. A partial payment in advance helps small-scale producers to make a contract of long term production planning and trade relations with planning and production practices. Fair trade movement allows small-scale producers to take an important part in democratic cooperatives. The certification organizations; including Transfair, and the Max Havelaar are using the brand symbols, and FLO is an umbrella NGO for different groups, but some retailers are not certified because they do not meet the basic standards (Hira & Ferrie 2006).
3. 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. NGOs are working actively to maintain the importance of fair trade in future and trying to make it an essential component in global markets for social justice. In this area, the challenge is, whether fair trade will preserve its basic principles working with global markets and take initiatives to develop awareness in the global South and North, or not (Raynolds et al. 2007)? Fair trade has a global exposure especially in U.S., Canada, and Europe. Fair trade's basic principles cannot be avoided in these countries as they are strict about their certification and social fairness. Public sector participation helps fair trade to increase the awareness, availability,

promotion of its standards, forces the private sector to respond, and institutional channels (Hira & Ferrie 2006).

4. The final challenge is all about the shifting consumer base (Raynolds et al. 2007), and its importance in the development (Hira & Ferrie 2006). Generous consumers are the base of fair trade, and it has to maintain its worth by taking initiative to bring social justice and with the connection of consumer sector. An important role in this challenge is to maintain and communicate its basic exclusive message in the global market and to promote broader citizen actions in the favor of social fairness (Raynolds et al. 2007). As, fair trade claims principled justice and norms to reshape the world economy, these principles can play a productive role beyond promoting fair trade by moving carefully toward business concerns. For streamlining, there are two possibilities that focus on the European proposal for the purpose of international public standards and decentralization of NGOs. These programs can be helpful for the development of global ethical standards, and economies to ensure civilized living conditions, and to get healthy and educated environment (Hira & Ferrie 2006).

3. CHARACTERISTICS AND CONCEPTUALIZATION OF CSR

Table 3. Some previous CSR studies.

Corporate social responsibility		
Author(s) / Years	Focus of the studies	Methodology
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

3.1. Introduction and evolution of 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. To run a profitable business, socially responsible corporation has a significant concern with all positive and negative environmental, social, and economic effects on the society (Dahlsrud 2006).

According to Carroll (1983), *“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”*.

Although research highlights the importance of social in “corporate social responsibility”, many firms do not integrate it with CR. Ketola (2006) differentiates and explains that companies have different kinds of responsibilities and these responsibilities vary according to the line of business. In her article, *“From CR- psychopaths to Responsible Corporations: Waking up the Inner Sleeping Beauty of Companies”*, she claims that, there are different kinds of attitudes in the single line of business, for example, the Finnish oil company Neste Oyj which believes that a ‘profit cake’ of the company can be cut between economic, social and ecological responsibilities. This example clears the concept of three CR branches and identifies a definite object that a company cannot survive without CR ideologies. According to her, CR is a complete package of responsibilities, while the American ExxonMobil company considers their responsibility as zero sum game in which economic responsibilities must win. BP and the Royal Dutch shell create a difference between CR and CSR because they are typical CSR companies and focus on economic, social and ecological demands of different stakeholders. This means that they do not care about the environment as such, but only when stakeholders pay attention to it. Environment has its own value in CR and covers economic, social and environment responsibilities. (Ketola 2006).

Corporate Social Responsibility is an important activity for the firms and helps to improve financial performance. It contributes positively to market value suggesting that manager can get competitive advantages and financial benefits by investing in CSR. It also helps to reduce exposure to reputational risk, and encourages the ability to enhance brand image, and corporate reputation via positive relationships. Customer loyalty is increased, and it is a helpful tool to improve culture and recruitment, motivation, and retention of staff (Maloney 2009). Even more, most of the work on CSR focuses on exploring and investigating corporate responsibility policies, programs, and proposals (Halme 2007).

Furthermore, responsibilities of business have gained strength over the past three decades, and researchers have different arguments about the corporate social responsibility. According to Drummond and Bain (1994), responsibilities of the companies should be very lively and profitable to benefit society and company as well. If companies do not focus on supplementary responsibilities, they will lose the profits and will misfit in legal and democratic base to follow some societal activities (Andriof & McIntosh 2001). On the other hand, some researchers argue that stakeholders are main responsibilities for the companies, suggesting the society as an important responsibility for solving the social and environmental problems (Deresky 2003).

3.1.1. The evolution of CSR

Throughout the 20th century, business studies pointed out the importance of businesses' social responsibility. In 1916s, J.M. Clark highlighted the importance of CSR. He argued that businesses are as responsible for their dealings as men are responsible for their actions, whether these actions are identified or not (Mbare 2004). In 1930s, Theodore Kreps introduced an audit system in the companies for social actions and responsibilities using the term "social audit". This term was followed by Drucker (1942), who explained it further by including social aspects in company's

responsibilities. These primary responsibilities of businesses are engaged in the defense of freedom (Katsoulakos 2006).

Corporate social responsibility concept was not developed properly until 1950. In early 1950s, Bown (1953) explained this concept in business activities. He clarified about the CSR values to businessmen to follow the rules and policies that can be helpful for the society. At that time, the idea of business ethics became the base of CSR with decision making ethics within legal and regulatory structure (Wood 1991; Mbare 2004). Hopkins (1999) describes the related activities of business and society that were result from social awareness, corporate misdeeds, and increased in dangerous products.

In the current era, CSR has a significant value and considerable acceptance in the business world, and it is getting the broader meaning for the businessmen who adopt sustainable ways of doing business. It has become a critical tool for sustainable development. Companies all over the world are trying to do something for society to incorporate CSR activities (Sethi 1977; Cannon 1994).

3.1.2. CSR areas and activities

CSR is very broad term used in business in the form of areas and activities. However, McIntosh (2003), and Yakovlava (2005) explain four significant areas of CSR, including 1) environmental management, 2) health and safety, 3) employee relations, and 4) community development. Organizations are involved in taking the responsibility with different kinds of activities such as, developing programs, and monitoring and changing effects within these areas of CSR (McIntosh 2001). Similarly, these areas allow firms to allocate the resources and organize them all for the betterment of society. These CSR areas are most important part of business and academia because corporate decisions have significant impact on the important issues like environmental

management, employee welfare and safety, community development, consumer concerns, and lack of equal opportunities (Dereskey 2003).

The activities of CSR can be divided into two parts such as internal and external. Internal CSR activities involve the employees benefits such as welfare including health and families benefits, working environment, educational support, home, and different other benefits. On the other side, external activities comprise on environmental management which involve energy protection, pollution control, some humanity activities like sponsorship, donations, infrastructure development, distribution of safe products, ethical supply chain management, and diversity in human resource performances etc. (Johnson & Scholes 1999). While, Sen and Bhattacharya (2001) divide the CSR activities into six categories, that are similar to Johnson and Scholes's (1999) concept of CSR. These activities include 1) community support, 2) about environment, 3) non-domestic operations, 4) diversity, 5) employee support, and 6) products.

3.2. 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. He suggests that CSR ideology should be a good and responsible human resource practice for the outside world (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

3.2.1. Owner focused 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. This classical ideology believes that value growth responsibility of the shareholders is more important than socio-cultural and ecological responsibilities. If shareholders are satisfied with operations and growth of organization, there will be no dispute among them and should not obstruct the ability of the company to attain its objectives. Most of the listed companies follow this ideology (Desjardins 1998).

3.2.2. Stakeholder ideology

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. Many SMEs have adopted these ideologies and more and more MNEs are getting involved in these ideologies (Desjardins 1998).

3.2.3. Broad responsibility ideology

Broad responsibility is also called sustainability. In this ideology, the principle of the organizations is to enhance the welfare of humans and nature, and to build a structure to do so. Ketola (2008) argues that money should be means to an end than being an end in itself.

Based on above discussion, the corporate companies must recognized the classification of ideologies, and define the boundaries of their own CR from these ideologies. Many organizations define their ideologies in a platform of vision, mission statements, values, codes of conduct, and operational strategies. These ideologies are usually derived from a set of ideologies mentioned above (Ketola 2008). Ketola (2008) differentiates CR model in different level of sustainable development; such as techno centric, ecocentric, anthropocentric, and ecocentric sustainable development. A company which involves decreasing its level of economic, social and ecological responsibilities is called suicidal company, and the ideal company is totally the opposite of suicidal company in the modern society. Further, the plutocentric companies prioritize economic responsibilities over social and ecological responsibilities. The anthropocentric companies prefer social responsibilities over others. The biocentric company gives preference ecological responsibility and a patriarchal organization which is a traditional form of business prefers both economic and social responsibilities. The techno centric company takes the economic and ecological responsibilities very seriously. Lastly, a matriarchal company gives more favor to social and ecological responsibilities than economic responsibility (Ketola 2006).

3.3. 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.

3.3.1. Instrumental theories

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). Many researchers present the relationship between financial performance and social responsibility of the organization (Garriga & Mele 2004). 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).

3.3.2. Political theories

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). Davis (1960) introduced the concept of corporate constitutionalism and explained the business power in the society and its social impact. Davis developed two basic principles of corporate constitutionalism in which, “social power equation” states the social power of businessman which can create social responsibilities. The second

principle is “iron law of responsibility” which consists of the social power that a businessman does not use (Davis 1960; 1967 cited in Garriga & Mele 2004).

The second group of political theories is “corporate citizenship”. It elaborates three different views of; 1) Limited view, i.e., corporate citizenship as a social investment and corporate philanthropy, 2) Common view, i.e., common concept of CSR, and 3) extended view, i.e., doing more than assumed in the limited view (Garriga & Mele 2004).

3.3.3. Integrative theories

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).

Issue management is about the social responsiveness, that an organization manages it internally (Sethi 1975). This approach manages the gap between the organization’s performance and public expectations. Firm realizes this gap and acts according to the environment to close this gap (Ackerman & Bauer 1976). The second concept of “principle of public responsibility” is given by Preston and Post (1975, 1981) by criticizing the previous concept of issue management. They proposed proper guidelines for the public policy and broad this public policy by adding social directions in public opinions, emerging issues, formal legal requirements, and enforcement practices. Stakeholder management and corporate social performance are subsumed in the

integrative theories. It is all because stakeholder management includes the integration of stakeholders of the firm into decision making process of the firm and corporate social performance includes the social legitimacy for proper responses, and outcomes of corporate behaviors (Garriga & Mele 2004).

3.3.4. Ethical theories

Ethical theories give the concept of betterment of society, where the core belief is to achieve a good society. Freeman (1984) identifies the importance of this theory and argues that stakeholder management has become an ethical based theory (Garriga & Mele 2004). This theory helps to maintain the human rights as a basis of CSR, and the common good of society are referential value for the ethical theory (Mohan & McGohwan 1991; Velasquez 1992). 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. If the companies adapt ethical theories, they have to respect the dignity and essential rights of the individual and society. The concept of ethical theories enables organizations close to the society to manifest the wellbeing of the society, and stakeholder approach contains the ethical values that bound organizations to do so (Garriga & Mele 2004).

The above CSR theories are based on the stakeholder theory. Therefore, this study draws on stakeholder theory for the development of theoretical framework. Stakeholder theory will be applied for the empirical verification in current study.

3.3.5. Stakeholder theories

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 (Argandoña 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. These secondary stakeholders are directly or indirectly affected by the company's decisions (Werther & Chandler 2006). The basic structure of stakeholder theory is that how an organization manages its relations with different stakeholders and this leads to the increased importance of CSR measures.

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, the important stakeholder's groups are identified:

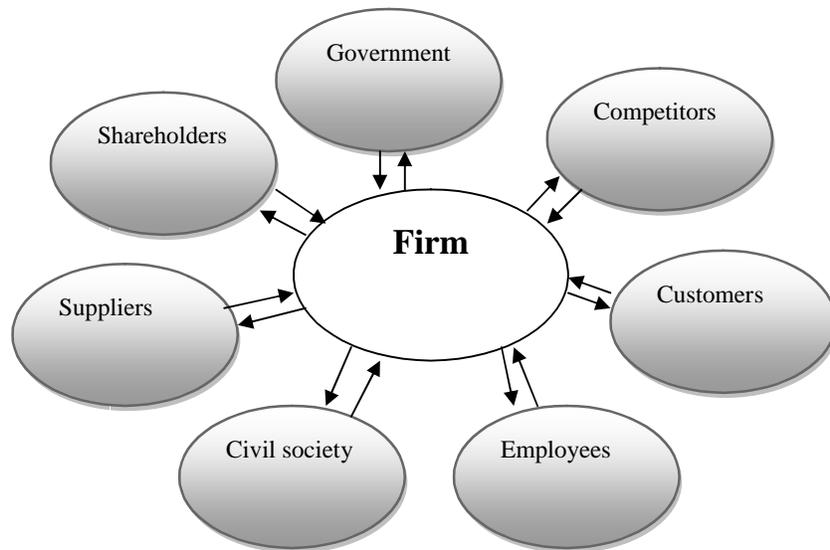


Figure 2. Stakeholder theory of the firm (Crane & Matten 2007: 59).

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. Further, the derivative stakeholders are those who can affect the organizations and its normative stakeholders. The link between CSR and stakeholder theory demonstrates the relationship between social disclosures, and social and economic performance (Ullmann 1985).

Currently, most of the companies are facing the conflicts between stakeholder's interests. CSR can be an effective tool to reduce these conflicts and meet the

expectations by a useful strategy. Successful businesses always try to resolve the conflicts among stakeholders because they truly affect the organizational goodwill and competency (Werther & Chandler 2006).

3.4. Carroll's three dimensional model of CSR

Carroll (1979) suggests three dimensional model of CSR by developing and expanding the corporate social performance (CSP) model of Sethi (1975). This model consists of four groups of corporate social responsibility. In his model of CSR, Carroll focuses on those groups of responsibilities and states that organizations face to become good corporate citizens. These responsibilities include; 1) economic, 2) legal, 3) ethical, and 4) philanthropic. Companies should fulfill these responsibilities to maintain a balanced sustainability image. Further, the companies involved in responsible business should include the basic definition of CSR in their policies. This act depicts that companies understand the issues regarding social responsibility and are responsive to these issues in productive way (Jamali & Mirshak 2007). Carroll refers different ideas about CSR that are relating the CSR's types and suggests that effective strategy of CSR is all about the integration and adoption of CSR strategies in practice.

First sub category of Carroll's CSR model is economic. It represents that responsibility has an economic nature which can provide the return on investment to the owners and shareholders. It creates the job opportunities, remunerations, creation of new resources, technological advancement, innovation in products, and services. From this perspective, business is a basic economic unit in the society, performing its activities according to the above mentioned categories of economic responsibility (Carroll 1979). The second sub category of the Carroll's model is legal responsibility. It is the most important factor in CSR. It involves the anticipation of the legal agreements, and performing the activities according to rules and regulations in the society. This responsibility of CSR

allows firms to operate and perform economic functions within legal requirements (Carroll 1979). Many authors identify that rules and regulations cannot apply equally to all firms operations. Legal requirements are reactive in nature that creates the opportunity for the firms to be proactive. In conclusion, firms only focus on fulfilling the legal requirements than the ethics and morality in practice (Solomon 1994; Pratima 2002 cited in Jamali & Mirshak 2007).

Third sub category of Carroll's CSR model is ethical responsibility. It conquers the limitation of rules and regulations with the help of ethical culture, and identifies the right and fair in the society. Ethical activities are not enacted by the legislative body, creating the opportunity to perform functions with societal members by respecting people, avoiding social destruction, and avoid social injury (Carroll 1979). These kinds of responsibilities are found in spiritual certainty, human principles, and rights commitments (Lantos 2001). However, this kind of responsibility has some limitations. It cannot cover the essence of CSR, and creates the consequent difficulties for business in practice (Carroll 1979). The final sub category of responsibility is philanthropic. It refers the optional judgment and choice regarding decisions on specific activities. It aims at giving back to society. This kind of responsibility creates a concept of putting the business and society together in an organic way, like philanthropic contributions, carrying out in-house treatment programs for HIV positive employees and educational chances for employees and scholarships (Carroll 1979). However, Jamali and Mirshak (2007) argue that it creates the organizational image as profit making firm, conflicting with the basic conceptualization of philanthropic responsibility.

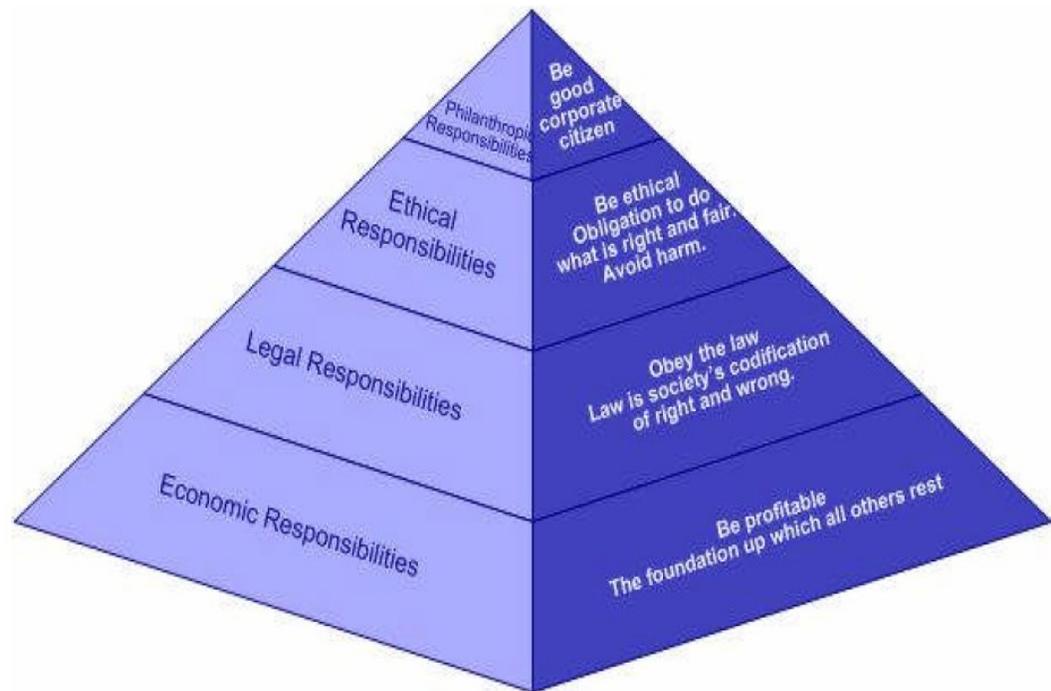


Figure 3. Carroll's CSR pyramid (Carroll 1991: 39-48).

Carroll revisited his CSR model, and arranged the concept of corporate social responsibility into four-part pyramid mentioned in figure 3. He organized these responsibilities, and linked each responsibility with its specific characteristics. Carroll's CSR pyramid focuses on the economic, legal, ethical and philanthropic responsibilities. The arrangement of pyramid's components forms the basic foundation of different responsibilities, helping the organization to follow them and apply in the society to show its other responsibilities. The conceptualization of the model also implies the aggregative responsibilities in a sense to achieve a true social responsibility.

4. ROLE OF FAIR TRADE IN DEVELOPING CORPORATE SOCIAL RESPONSIBILITY

Table 4. Some previous studies of fair trade role in CSR.

Fair trade		
Author(s) / Years	Areas identified	Methodology
Audebrand & 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 & 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 & 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 C. (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

Fair trade is a well-known phenomenon in retailing business. It demands higher prices from developed countries' consumers to help the developing countries' producers for getting a fair price for their products. To run the successful process of fair trade, a responsible organization takes the responsibility of cost management for helping the consumers and producers. The sustainability of a company depends upon its stock of fair trade products (Ketola 2009a). Fair trade organizations fulfill the economic, social, and ecological responsibilities (Ketola 2008). 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).

Fair trade performs a significant role in the social responsibility by providing financial development programs to the producers, preventing producers from sinking into poverty, and suggesting plans of community initiatives. Oxfam and alternative trade organizations (ATOs) are important fair trade organizations, which operate fair trade movement. These organizations support the local producer for commercial activity than to rely on charity (Crane & Matten 2007). 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).

Fair trade is an opportunity for distributors to get competitive advantage by performing in the ethical consumer market segments (Strong 1996). In conclusion, fair trade is not only an opportunity to develop the profit ratio in terms of corporate social responsibility (CSR), but it also develops the competitive advantage in new niche market (Nicholls 2002). CSR's definitions include the firm's voluntary actions that are designed to get social and environmental benefits beyond the legal requirement. The concept of voluntary actions directly flows from fair trade. These voluntary actions are integrated in CSR to improve social and environmental conditions (Bezencon & Blili 2009).

In the followings, the study will discuss about; the business engagement with fair trade principles, ethical decision making in fair trade, fair trade principles and sustainable development, sustainable development through fair trade, and then key elements of fair trade in economic, social and environmental responsibility. Finally, the summary of theoretical framework will be drawn from reviewed literature.

4.1. Business Engagement with Fair Trade Principles

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. They put this business on a continuum ranging from fair trade organization to disbelievers based on the two measures of “engagement with fair trade products” and “engagement of fair trade principles”. They argue that the purpose of fair trade is to improve the well-being of producers. Fair Trade organizations have a strong belief in this concept, and they practice in their operations. They sell only fair trade products and participate in the fair trade movement through their membership in umbrella organizations (Bezencon & Blili 2009). The second type of business, i.e., Value-driven organizations is very close to ethical principles, and they also perform these principles in their operations to promote fair trade. Further, the pro-active CSR businesses are engaged highly with fair trade, but still they do not hold the fully practice of fair trade. These businesses stock fair trade goods just for one element of consumer choice. On the other side, defensive CSR businesses sell fair trade products just to respond to the pressure groups and other stakeholders. Finally, disbelievers do not have any engagement in social or environmental actions and they don’t stock fair trade products (Bezencon & Blili 2009).

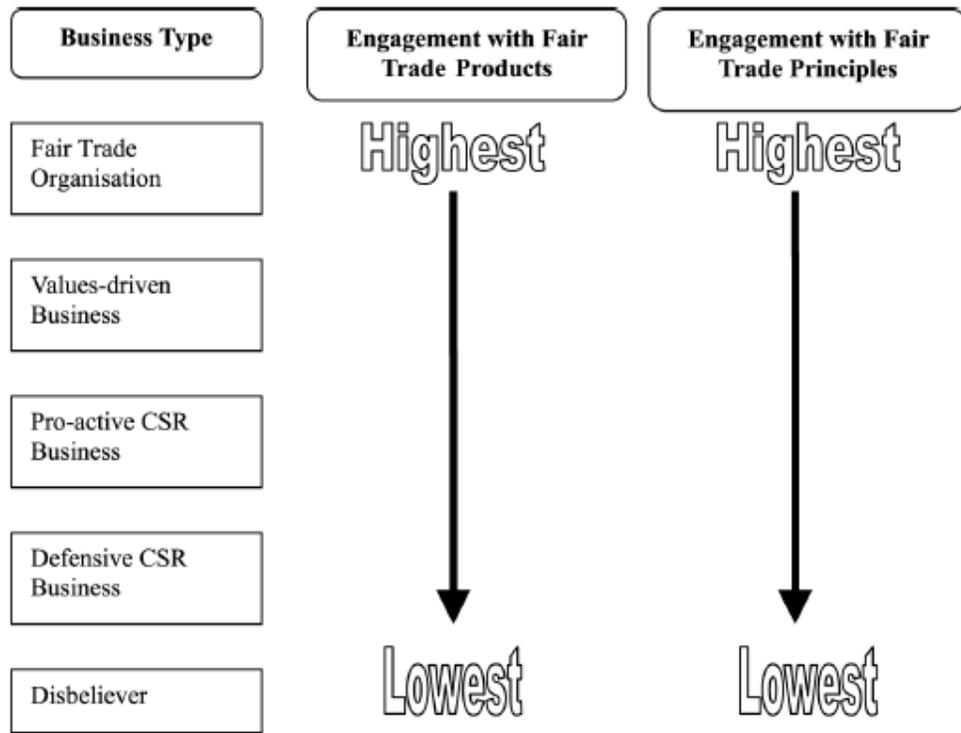


Figure 4. Characterizing retailer engagement with fair trade (Low & Davenport 2005: 501).

4.2. Ethical decision making in fair trade

The main aim of fair trade is to encourage the community by protecting their human rights, empowering the disadvantaged producers with the assurance of minimum prices, and setting up conditions and codes of conduct of fair trade supply agreement (Brown 1993).

According to Thompson (1995: 185 cited in Davies & Crane 2003), “ethical decision making is a multifaceted social process that entails interpretations regarding the nature of the ethical issues, a corresponding definition of the community of concern, and the recognition of various and potentially competing stakeholder interests”. This clears that ethical decision making has a significant role in the organization’s dealing with corporate social responsibility. Therefore, the for-profit organizations have ethical dilemma, fair trade inserts it and adds more ethical mission in term of helping producers and creating ethical image in the market. While, in business ethical decisions face the challenges of different stages in which people are involved and influences on the decision making process, but individuals have to recognize a moral issue in the organization (Davies & Crane 2003).

Furthermore, ethical decision making consists of two types of “influences”, called issue-related influences and organizational influences. Issue-related influences focus on the intensity of ethical issues that are facing by decision makers. Further, organizational influences include socialization processes, authority factors, and group dynamics. These two influences have a strong impact on the ethical decision making in the organizations concerning with fair trade (Jones 1991). Fair trade organizations have different commercial goals that encourage them to integrate profit considerations and ethical supply demands regarding their decisions. The policies of fair trade involve the morality in decision making process, and encouraging the people about fair trade by getting the right people in the right way. Even, while advertising to the children, fair trade organizations focus on the perceived moral intensity. These kinds of decisions help the society in beneficial way (Davies & Crane 2003).

4.3. Fair trade principles and sustainable development

Sustainable development is a concept which focuses on the present needs without compromising the abilities of future generations for the purpose of meeting their own needs (Charter 1992 cited in Strong 1997). There are three main strategies to achieve sustainability. These include; 1) value the environment, 2) extends the time horizons, and 3) equity (strong 1997). In the same vein, Peattie (1992) argues that sustainability can be achieved by following means of; people's rights to healthy environment, preservation of environmental resources, assessment of environmental impact, information provision on the environmental effects of economic activity, co-operation over using trans-boundary resources, planning and implementation of environmental standards, and limiting domestic and trans-boundary environmental damages and risks. These principles of environmental responsibility include the people factor of fair trade. He also explains the sustainable development as a growth that is forceful, socially structured and environmental sustainable. This means that social and environmental factors are the most important in sustainable development. There are issues of poverty, and environmental problems in less developed countries, but these issues can be improved through the policies of sustainable development.

Moreover, a leading approach to economic management in a capitalist society focuses on the growth element rather than development of society. Economic trade paradigms create ecological imbalances, degrading the environment, and un-sustainability. In response to this sole focus on economic trade paradigm, Peattie (1995) developed an alternative paradigm, linking the business, society, and environment. In the context of developing countries, primary producers are insecure because of the uncertain situation in the physical system they depend upon. These insecure conditions cause unfair trade practices in developing countries. The mere focus on green consumption has tended to heighten the importance of environmental dimension on the cost of human side. To give equal importance to both human and environment, fair trade principles equally focus on both human and environmental agendas (Strong 1997). There is still need to

acknowledge the human factor in sustainable development, and fair trade makes human element as central focus along with environment. In conclusion, fair trade principles deal with these aspects of risk (Strong 1997).

4.3.1. The role of market mechanism

The pursuit of sustainable development is commonly linked with the authority and control of market-led programs. The market and consumer response usually creates many environmental problems (i.e., pollution from factories, used rappers, and etc.). Market and consumers usually do not get together for the principles of fair trade to solve these environmental problems. In conclusion, the issues of whose responsibility? , and what are the solutions? are not concerned with the ecological and social factors of sustainable development. In this situations, market-led solutions are significant by giving an ability to consumers to communicate and influence their concerns, their decisions can also influence the path of sustainable development generally (Strong 1997).

4.3.2. The role of consumption

Fair trade has a significant role in sustainability and consumption. The environment is a source of consumption of raw materials and for the physical existence of human, animal and plant. Customers and environment has a wide relationship as taking supplies from sustainable resources can increase the consumer's perception which helps to ensure sustainable development. Some producers repositioned their basic products for sustainable development and supplemented product includes supporting products and services which can focus on sustainable aspect by improving the support production (Strong 1997).

4.4. Sustainable development through fair trade

Sustainable development through fair trade is a significant process in which fair trade practices seek a fairer relationship through consumer and producer's direct involvement with each other to support the independent development of producers. In this sense, modification of capital markets and incorporation of environmental cost are the ways to promote long term investments and to achieve sustainable development. Fair trade developed from the activities of Western-based charities that engaged beyond the traditional economic standard looking for the economical labor and raw material for reasonable trading relationship. Different fair trade organizations like Oxfam and TWIN Trading made the useful contacts with developing countries to establish their needs with tools, equipment and knowledge conditions and to find the best markets for their products (Brown 1993).

4.4.1. New consumers and suppliers growth

Fair trade performed a significant role to create new consumers and suppliers in the market. A Consumer Market Research Survey (1994) tells the increasing number of consumer story. According to the findings of that survey, 48% consumers prefer to buy fairly traded products and 68% consumers are keen to pay more for fairly traded products. Furthermore, four out of ten people are aware of fair trade products. The Oxfam survey in (1994) clears the huge ratio of consumers (81%), who prefer fair trade products if this really helps the ultimate producers. These consumers are educated, urban and part of a strong social group and they can afford the premium price of the products (Strong 1997).

Fair trade has also contributed much more in the distribution of the products and large number of super markets is performing a key role for the marketing of fair trade products. Increasing number of consumers is more educated about fair trade products.

Consumers are more socially and environmentally aware. More and more consumers are demanding a say in the resourcing of the raw materials and production and processing of fair trade products. A fair price paying to the developing country's producers is an ethical issue, which helps to provide minimum wages, long term trading commitments, and fair credit terms, the provision of minimum health, safety, and environmental standards, justice and natural resources. Fair pricing has become a significant supporting effort for the producers and society (Strong 1997). The organizations like Oxfam, Twin Trading Equal Exchange, Tradicaft, and Fair Trade Foundation are the most active organizations to support and promote fair trade. The successful campaign of Body Shop, "Trade not Aid" is the best example of fair trade aspect of production and process. This campaign was the most effective way to alleviate poverty issues around the world. The principles of this campaign are focused on environment, culture, nature, traditional skills and materials, trade sustainable alliances, and long term commitments (Strong 1997).

4.5. Key elements of fair trade in economic, social and environmental responsibility

Stakeholders are an important part of the organization and all the firm's operations revolve around their significance. Traditionally, firms have been focusing on the financial performance of the organization but now increasing number of stakeholders are taking interests in environmental performance of the company. This issue is expanding in the organizations by focusing on the increased activities of fair trade and ethical trade. Today, stakeholders are demanding higher ethical standards and fair trade practices (Strong 1997). So, fair trade performs significant role in three categories of corporate social responsibility which are discussed as follows:

4.5.1. Economic responsibility

Economic responsibility focuses on the financial sustainability of the firms and it is integrated in firm's norms (Ketola 2009a). Historically, business organizations are made for the economic activities and profit motive is primary incentive for all the organizations (Carroll 1991). Staying within the limits of financial resources, global, regional, local, legal and ethical norms help companies to achieve economic sustainability, and to support environmentally and socio-culturally life (Ketola 2009a). In conclusion, fair trade performs a creative role in economic responsibility by giving fair rewards to all stakeholders; incorporate a commitment to equity, implying a commitment not simply to creation of wealth but fair distribution (Jacobs 1991). Fair trade principles integrate non-economic criteria of equity such as ethical dimensions, environmental criteria, and quality of life issues in the profit distribution and trading benefits. The objectives of fair trade are different from the traditional economic objectives, and are not based on purely financial objectives, but include a fair price of raw material, sustainable use of natural resources, and reinvestment of profits in the community to provide education and health care. In addition, there cannot be an economic growth without integration of social and environmental effects (Strong 1997).

4.5.2. Socio-cultural responsibility

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. Moreover, regenerating the human cultural diversity also helps their life support system (Ketola 2009b). In developed countries, social implications of consumption are well known through consumerism, trade unionism and strict product liability laws. In comparison, developing countries lack these opportunities. 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).

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. Fair trade helps to create an economic development model in less developed countries for the capital expansion and utilization of natural resources. Fair trade is the best action to satisfy the social needs of the community based on their specific ecological conditions. To eliminate the poverty and environmental problems, fair trade provides a platform in which equitable trading and provision of fair trade practices perform the role of creating the supplier-buyer relationships (Strong 1997).

4.5.3. Environmental responsibility

Organizations should try to achieve environmental responsibility by staying within the limits of carrying capacity of ecosystems (Ketola 2009a). It is pretty difficult to explain clearly the carrying capacity of ecosystems. The available data indicates the vast knowledge in near future. Companies try to be environmentally responsible by using only renewable energy forms, zero emissions, and recycled or renewable natural resources. These practices can protect the environment, and sustain earth's energy and diversity (Ketola 2009a). Fair trade principles link the preservation assessment and co-operation with its good working standards and conditions. Fair trade performs the people aspect of environmental responsibility with recognition of rights to a healthy environment, protect environmental resources, ecosystems, ecological processes and biological diversity, current and planned economic activity, economic activity effects of environment, trans-boundary resource usage, monitoring and researching the

environment, planning and implementation of environmental standards and to limit domestic and trans-boundary environmental damage for the benefit of future generation (Strong 1997).

4.6. Summary of theoretical framework of the study

Fair trade as a component of economy movement or objectives of corporate social responsibility and ethical trade can be viewed by several ways. This study 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. Corporate social responsibility (CSR) is a concept which shapes the fair trade concept as a meaningful and affective in business activity and makes its role very important to integrate fair trade measures into their business. Fair trade movement creates the environment for responsible business to become more responsible, community oriented and environment oriented. Moreover, 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.

In this sense, Figure 5 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 study.

Furthermore, this study 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. Following figure 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).

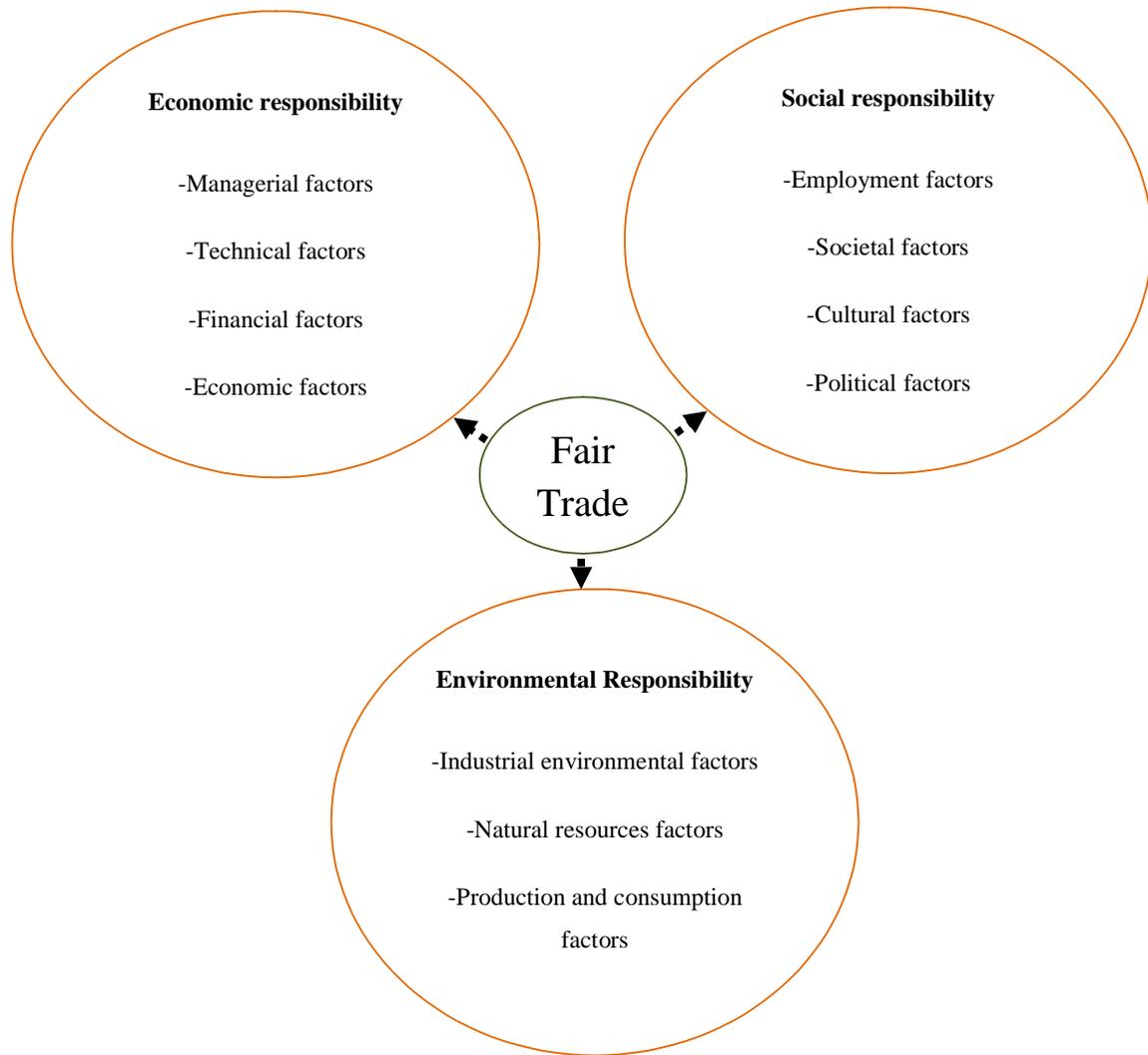


Figure 5. Theoretical framework.

5. RESEARCH DESIGN AND METHODOLOGIES

This chapter explains the methodology used in this study. The following section explores the method of research, case study research, and justification for the chosen methodology and data collection method. Furthermore, this chapter presents the validity and reliability of the study which concludes the better results for the study.

5.1. Research approach

Research includes theoretical and methodological approaches. The researcher has to decide about the suitable theoretical approach and suitable research method based on research questions and nature of studied phenomenon. The theoretical method can be either inductive or deductive. However, methodological approach can be either qualitative or quantitative. This research consists of a qualitative research method with an inductive approach.

5.1.1. Qualitative and quantitative methods

The difference between qualitative and quantitative methods of the study should be identified so that the methodology of the study can be defined. Broadly, qualitative research methods address the question of “how and why” (Eisenhardt & Graebner 2007). Moreover, Gephart (2004) describes the qualitative research as multi-method research that helps to use an interpretive and realistic approach to the subject matter. It also helps to address the questions about how social experiences are created and given meanings. In conclusion, qualitative research uses a naturalistic approach, which helps

to understand the phenomenon in a specific atmosphere by providing answers to the research questions (Saunders, Lewis & Thornhill 2007). Furthermore, qualitative research typically combines data collections methods such as archives, interviews, questionnaire, and observations. The evidence may be qualitative (e.g., words), quantitative (e.g., numbers), or both (Eisenhardt 1989). These different ways of data collection give flexibility (i.e., research deepness) to researcher in data collection than quantitative method. This means that researcher has an opportunity to get deep inside into the study phenomenon and come close to the respondents for the affective analyses. In conclusion, qualitative method is appropriate method to analyze the exploratory study by emphasizing on understanding and observing the concept (Ghauri, Kjell & Ivar 1995).

Hancock (2002) argues that quantitative research method focuses on specific factors that can quantified. Broadly, quantitative research deals with questions of; “*how much, how many, how often, and to what extent*”. In quantitative research methods, data is collected from a large sample size through a survey, and quantitative data is analyzed through statistical formulas. Yin (2003) argues that research can be classified as exploratory, descriptive and/or explanatory based on the purpose and functions of study. Exploratory research focuses on the explanation of new problems to get a better understanding. However, descriptive research provides the descriptions of the study factors, and is suitable to use when research is structured (Zikmund 2000). On the other hand, explanatory research explains the cause and effect relationship to answer the questions (Aaker, Kumar & Day 1998).

For my study, I base 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 study phenomenon.

5.1.2. Inductive and deductive approaches

Inductive approach in qualitative research means to building theory from case studies. Usually case studies consist of one or more cases to create theoretical concepts, proposals, and mid-range theory from case based empirical evidence. Case studies are rich, empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources. The theory is developing in the sense that it is positioned in and developed by recognizing patterns of relationships among constructs within and across cases and their underlying logical arguments (Eisenhardt & Graebner 2007). In conclusion, qualitative research is inductive in general, as it helps to develop the theory. On the other hand, deductive research is conducted by developing hypotheses and then they are verified by empirical data. Deductive approach is used to test the theory than to develop the theory (Zikmund 2000).

My study is inductive in nature, as 1) it uses qualitative multiple case research strategy, 2) it draws the conclusions from empirical data, 3) it develops the theory based on empirical results

5.2. Multiple case study as a research method

This study uses multiple case studies as research methodology. The research question of this study; *“How does fair trade perform the main role in organizing or developing corporate social responsibility (CSR)?”* demands the multiple case studies 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 prolonging 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 rare when building theory from case studies. Such research relies on theoretical sampling (i.e., cases are chosen for theoretical, not statistical reasons). The cases may be chosen to replicate the previous cases or extend emerging theory, or they may be chosen to fill theoretical categories and provide examples of polar types. While the cases may be chosen randomly, random selection is neither necessary, nor even preferable.

In conclusion, multiple cases are more suitable from replication, extending the theory, studying the phenomenon in real context, and to develop the theory. From my study, I have followed the replication logic of cases in their real context to develop the theory on the role of fair trade in CSR.

5.2.1. Advantages and disadvantages of multiple case study method

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, 4) it helps in developing theory, and 5) it helps to collect data from many sources (Eisenhardt & Graebner 2007). In spite of such benefits, multiple case studies are not without criticism. According to Dyer and Wilkins (1991), multiple cases have several weaknesses as; 1) it ignores the context as compare to single case company, 2) it is not a good approach for theory generation as compare to classical case study (i.e., single case), and 3) it does not allow to go in deep to study the phenomenon as compare to single case study.

For this study, I will try to overcome the weaknesses of multiple case studies by collecting detailed information from several sources. This will help to go more in deep to study the phenomenon in real context.

5.3. Data collection methods

This section describes about the methods which present study utilizes to collect the required data. Eisenhardt (1989) argues that case studies can combine data collection methods such as archives, interviews, questionnaires, and observation. He further argues that evidence may be qualitative (e.g., words), and quantitative (e.g., numbers), or both. The present study collects data through interviews, archives, and questionnaires. It means that present study collects both primary (i.e., interviews; questionnaires) and secondary data (i.e., archives). 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 from Mountain Fruits through digitally recorded unstructured telephonic interviews on 19 October, 2010. Further, primary data from Reilu Kauppa was collected through webmail queries on 22 October, 2010. To gain the basic information about the case companies' histories, operations, industry context, annual profit, and current activities, I collected secondary data from case companies' websites, annual reports, and old magazines for a detail version of the information along with primary data.

It has been described that interviews are a useful source to find out the relevant information (Yin 2003). Further, interviews can be structured, semi-structured, or unstructured. However, a structured interview gives a limited point of view to the respondent for a specific idea. As a result, the information lacks the richness and variety. Saunders et al. (2007) argue that structured interview gets the limited possible responses that cannot fulfill the requirement of questions. The semi-structured questions

are the key to ask facts of a matter, in this category; respondents propose their own opinion about the events. Furthermore, respondents can also suggest another related person to ask the relevant questions (Yin 2003). Open problem discussions are useful in the qualitative and explorative study. It opens the possibilities to create new dimensions of research problem and allows respondent to discuss in detail which helps to gathered variety of information.

For present study, I conducted unstructured interviews (i.e., Semi-structured questionnaire). This method helped me to be flexible in asking questions and find relevant information. The interviewees have been describing the issues in a story telling way, and they were flexible in disclosing the information.

5.4. Data analysis

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. In the same vein, Miles and Huberman (1994) described three simultaneous flows of activities. They conclude that, data reduction, display, and conclusion are the important parts of data analysis. Data reduction focuses on sorting out of data, data display presents the organized information in a compact manner, and interpretation of findings and making an effective conclusion are the important parts of data analysis. These organized activities allow researcher to be critical and open-minded so that he can sum up a considerable conclusion (Miles and Huberman 1994).

For present study; firstly, I tried to put the data in tables and then compared it with developed framework. Secondly, I removed the unimportant data. Thirdly, I drawn results from comparing the empirical findings with available literature.

5.5. Validity and reliability

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 study and the credibility of the results (Winter 2000).

5.5.1. Validity

Validity concerns not only with the data collection but focuses on the coherence of the study 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.

Construct validity refers to conceptual or operational quality of the significant perception. Construct validity is used when there is need to collect the data. As such, it refers to the extent in which a research examines the claims to investigate; a procedure leads to a true observation of reality (Gibbert, Ruigrok & Wicki 2008). For the present study, construct validity was focused by putting emphasis on constructs conceptualization. In present study, main used constructs are; economic responsibility, social responsibility, and environmental responsibility. These constructs are operationalizing based on available literature. Further, these constructs were checked for

their prospective meanings in the mind of interviewees. Interviewees had similar type of conceptualization of these constructs as literature has described them. These steps verified construct validity.

Internal validity is also referred as rational validity and refers to the causal relationships between variables and results. Here, the issue is whether the researcher provides a rational causal argument, logical reasoning that is powerful and convincing enough to defend the research conclusions. Further, Internal validity refers to the data analysis phase (Yin 1994). According to Gibbert, et al. (2008), there are three measures used to increase the internal validity. First, researchers should develop a clear research framework which can prove that variable x leads to the result of y, and variable y is not caused by another variable z. Second, internal validity can be enhanced through pattern matching. In this sense, researcher should compare empirically observed patterns with either predicted ones or patterns established in previous studies and in different contexts. Third, theory triangulation enables a researcher to authenticate findings by adopting multiple perspectives.

In response to this internal validity, Piekkari, Welch and Paavilainen (2008) argue that case studies do not focus on causal relationship between the different variables but used to find the interesting findings. In conclusion, present study is not looking for causal relationships between the variables, so internal validity is not concerned in present study.

External validity refers to an instinctive belief that theories must be displayed to explain the phenomenon. It should not be shown in the setting in which they are studied, but also in different (Gibbert et al. 2008). Further, external validity is all about the generalization of the findings of the study beyond its immediate cases (Yin 2009). Case studies focus on the analytical generalization rather than statistical. However, case studies are lacking of generalization. Methodologists differentiate the statistical

generalization and analytical generalization in which analytical generalization is a process separate from statistical generalization (Gibbert et al. 2008).

This study focused on the role of fair trade in developing CSR in case companies from Pakistan and Finland. CEO of Mountain Fruits (Sher Ghazi) and Account Manager of Reilu Kauppa (Jaana Helminen) were interviewed. Identical questions were asked from both 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 study 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 study demonstrate a key relation of fair trade role in corporate social responsibility in the case companies.

5.5.2. Reliability

Reliability refers to reduce the random error. It enables the subsequent researchers to reach at the same vision 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. While, replication can 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 study. It should be established in such a way to simplify retrieval for later researcher (Gibbert et al. 2008). In present study, 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 study 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.

6. EMPIRICAL FINDINGS AND ANALYSIS

This chapter presents the analysis and the empirical findings of the case companies. Firstly, this chapter describes in detail the background information of the case companies. Secondly, this chapter presents a detailed analysis of case companies according to the themes in theoretical framework. Finally, this chapter draws empirical findings and the improved framework from empirical findings about the role of fair trade in developing CSR.

6.1. Introduction of case companies

This section provides the background information of case companies. The background information of case companies (i.e. Mountain Fruits and Reilu Kauppa) is presented in the followings:

6.1.1. Mountain Fruits (Pvt.) Limited

Mountain Fruits (Pvt.) Limited Pakistan was developed by the Aga Khan Rural Support Program in 2000. It was developed for multiple purposes. Firstly, 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. Secondly, the purpose was to create the opportunities for disadvantaged producers for organizing, producing, and selling the international quality products under fair trade mark. The company was formally registered as a fairly trading private limited company in 2004. 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).

The company 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. The company is actively involved in rural development programs and holds its mission to improve the income and opportunities for isolated farming communities in the area. It trains the farmers in improved agriculture techniques, making the farmers to be flexible with the technology. The company has developed a nut cracking machine to help the producers for cracking walnuts and extracting the edible kernels from apricot stones. These kinds of developments are encouraging the producers to increase production, and thereby enhance the income of poor communities from the sale of their high quality products. In order to develop the fair trade for producers, the company organizes the small scale farmers into a democratic organization with a legal status, and hence contributes to their social and economic development. It assures the farmers for receiving a guaranteed fair and stable price and an additional premium to invest in such projects, including the benefits to their families and communities (Fairtrade Foundation).

6.1.2. Reilu Kauppa

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. The company's annual report (2009) depicts that Finnish sales yielded fair trade premium of around €1 million to producers in developing countries.

6.2. Role of fair trade in developing corporate social responsibility: Analysis from case companies

This section analyzes the theoretical model of this study 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). In the followings, the role of fair trade in developing economic responsibility, social responsibility, and environmental responsibility is discussed in sequential order.

The analysis is based on primary data collected from Mountain Fruits through digitally recorded unstructured telephonic interviews on 19 October, 2010 and from Reilu Kauppa through webmail queries on 22 October, 2010.

6.2.1. Role of fair trade in developing economic responsibilities

Economic responsibility focuses on the financial sustainability of the firms. "Carroll (1991), and (Ketola 2009a) argue that most contemporary business organizations are still made for the economic activities, and profit motives are primary incentive for

all the organizations. However, in the context of fair trade, the economic benefits are directed towards the producers in developing countries (Jacobs 1991).

In the case company Mountain Fruits (Pvt.) Limited Pakistan, the intentions were to give economic benefits to farmers (i.e., producers). 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. The following quote from the case company' CEO (Sher Ghazi) illustrates the role of fair trade in developing the importers' economic responsibility towards producers:

“The farmers (i.e., producers) of fruit; including apricot, cherry, and apples make a good profit by selling their products to importers in developed countries (specially United Kingdom) through fair trade..... We help them (i.e., producers) to reduce the production cost, get a fair price of products, invest a good amount of profits in expansion of the program, and improve quality of their products (CEO of Mountain Fruits)”.

In the same vein, the case company 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. The following quote from the case company' Account Manager (Jaana Helminen) illustrates the role of fair trade in developing the importers' economic responsibility towards producers:

“Finnish food and textile industries are continuously increasing their interest in ethical sourcing of raw material in developing countries on fair prices and helping those countries’ producers to make good profit (account manager of Reilu Kauppa)”

Case companies	Role of fair trade in developing the economic responsibility
Mountain Fruits	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
Reilu Kauppa	Assigning good prices to producers’ products, and increasing their profitability

Figure 6. Role of fair trade in developing economic responsibility.

6.2.2. Role of fair trade in developing social responsibilities

Socio-cultural responsibilities focus of those activities and practices that embody fairness, justice, standards and ethical responsibilities (Carroll 1991). In the context of developed countries and developing countries, Strong (1997) argues that developed countries are characterized by trade unionism and strict product liability laws than the developing countries. 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 Mountain Fruits (Pvt.) Limited Pakistan, the assurance of farmers’ satisfaction (i.e., producers’ 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. The following quote from the case company’ CEO (Sher Ghazi)

illustrates the role of fair trade in developing the importers' social responsibility towards producers:

*“We help the producers to following national and international labor rights, and FLO inspectors monitor and check these rights.....We help the producers to get fair pays, provide on job training in land and abroad, make sure their health safety, and manage their diverse cultures (i.e., speaking different languages like Wakhi, Khawar, Brushisnki, Balti, and Shena).....We also provide help in children education, implement strict rules against child labor, and provide equal opportunities for all without discrimination. It is important to mention here that before fair trade, farmers were even not able to get labor cost with which they could educate their children (**CEO of Mountain Fruits**)”.*

In the same vein, the case company Reilu Kauppa 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 pay to workers, no child labor, education of farmer's children, decent living standards of workers, schools, health clinics, safe water and simple bridges. The following quote from the case company' account manager (Jaana Helminen) illustrates the role of fair trade in developing the importers' social responsibility towards producers:

*“We make sure that all the fair trade products sold in Finnish shops and cafés are produced under good conditions. This means that all those who work on farms and in factories will be fairly paid for their work, no child labor is used, farmers are able to educate their children, and can make a decent living out of their own work..... Further to that, we develop social premium. This social premium enables the producer organizations to contribute to community development and welfare like Schools, health clinics, safe water and simple bridges (**account manager of Reilu Kauppa**)”.*

Case companies	Role of fair trade in developing the social responsibility
Mountain Fruits	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.
Reilu Kauppa	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.

Figure 7. Role of fair trade in developing social responsibility.

6.2.3. Role of fair trade in developing environmental responsibilities

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. Fair trade recognizes the importance of environmental responsibilities for producers to minimize the environmental damage (Strong 1997).

The case company Mountain Fruits (Pvt.) Limited Pakistan 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. The following quote from the case company' CEO (Sher Ghazi) illustrates the role of fair trade in developing the importers' environmental responsibility towards producers:

“As formers are called FT farmers, so we help them in fulfilling environmental responsibilities. Even to save environment, we help the producers to transport products through ships than by air cargo.....Further to that, we help them to use hydro

power. But some time they also use generators.....Further, we help them to recycle the wastage (i.e., shells) (CEO of Mountain Fruits)”

In the same vein, the case company Reilu Kauppa also helps the producers in preserving the environment. According to case company’s 10th 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). The following quote from the case company’ account manager (Jaana Helminen) illustrates the role of fair trade in developing the importers’ environmental responsibility towards producers:

Equally important is to ensure the preservation of a clean and natural environment. Fairtrade environmental standards include protection of soil and water resources and reduction in the use of chemicals. The standards also encourage producers to work towards organic practices (account manager of Reilu Kauppa)”.

Case companies	Role of fair trade in developing the environmental responsibility
Mountain Fruits	Shipment by sea, wastage handling, pollution reduction
Reilu Kauppa	Soil and water protection, reductions in the use of agrochemicals, correct waste management, and ban on genetically modified organisms

Figure 8. Role of fair trade in developing environmental responsibility.

7. CONCLUSIONS AND FUTURE RESEARCH DIRECTION

This chapter concludes the findings from empirical part of the study. Furthermore, concluding model on the role of fair trade in developing corporate social responsibility is presented. Finally, managerial implications and some implication for further research are suggested that emerge from the present study.

7.1. Conclusions

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 study therefore seeks to examine the role of fair trade in developing corporate social responsibility. The key findings of this study 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 study finds that fair trade companies give equal importance to economic, social, and environmental responsibilities to develop the livelihood of the producers.

Second, this study 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 study 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 study depicts the importance of fair trade in developing corporate social responsibility for diversified products (i.e., Apricots, Apple, Wine, Coffee, and etc.).

Figure 9 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 9. Developed framework of fair trade role in corporate social responsibility (CSR).

7.2. 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 study 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 (i.e.,

producers). Further, the study 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**, study 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 study 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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APPENDIX 1. INTERVIEW FORMAT AND QUESTIONS

Questionnaire for analyzing the fair trade role in developing corporate social responsibility

A. General background of the company

Name of the company and address:

Interviewee's name and title:

Date of Interview:

Year of establishment:

Industry in which main activities are concentrated:

B. Questions for Internal and External Stakeholders regarding Fair Trade Role in Corporate Social Responsibility

Can you shortly describe the motives of fair trade movement in Pakistan?

How relevant are fair trade products with corporate responsibility?

How do you take the cost responsibility to benefit the customers and producers?

What are the main steps you have taken to protect human, labor and ethnic rights?

How the company expands and modifies capital markets with fair trade products?

Do you think that fair trade products are profitable for the company?

What are the main factors to make a competitive strategy and how you get competitive advantage?

How much the company focuses on quality and production issues?

Are fair trade products enough for the capital investments?

How much social security you provide to employees at work?

What kind of issues you are facing regarding salaries and new opportunities of employees?

What are the important steps for the development and training of the employees?

What kind of culture do you have and how much diversity is in the culture?

Do you take specific steps for the sustainability of culture?

Do you manage the sustainable economic impact on society? If yes, then how?

Can fair trade products play a key role for the welfare of the society and what kind of things can bring a liaison between company and society?

Is the company involved in any education support program?

How do you manage and sustain natural resources?

Is the consideration of emission, effluent, and waste a difficult issue for the company? If not, then how you manage it?

How much awareness is in the society for the fair trade products?

What are the environmental effects of the fair trade products?

What are the company's basic principles to promote fair trade movement?

What are the key steps you have taken to empower the disadvantaged producers?

Do you consider the ethical issues while you are decision making?