

Activist Social Entrepreneurship: A Case Study of the Green Campus Co-operative

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Abstract

The globalization of the garment industry has encouraged transnational companies to further externalize their cost of production on workers and the environment around the world. Producing countries are engaging in what many scholars refer to as a “race to the bottom” regarding global wages and labor standards as these countries compete to attract foreign investment. There have been many attempts to push back against the egregious effects of this process through anti- sweatshop campaigns, laws, codes of conduct, union activism, and most recently, social enterprise. While these actors have traction in some ways we have yet to see significant changes in the behaviour of transnational corporations. This action- research case study introduces the concept of the activist social enterprise that not only engages in commercial activity but also advances a social and/or environmental mission through institutional entrepreneurship practices, in this specific case fair trade. Using institutional entrepreneurship theory, social capital theory and cognitive frames theory this case study attempts to create a normative framework to understand how social enterprises can begin to pave the way for systemic change in the garment industry by:

1. Fighting to capture and influence institutional norms and regulations of business behaviour.
2. Training managers to embrace the navigation of trade-offs between economic, social and environmental progress.
3. Leverage social capital to develop a radical mainstreaming distribution strategy when competing with traditional corporations.

Acknowledgements

When a rock climber begins an ascent, they will probably link their harness to pitons bored along the face of the mountain. These pitons were not created naturally, but rather some brave climber before them had volunteered to absorb all the risk of climbing without supports. These individuals are often seen as eccentric, brave or even crazy to take on risk with such a blatant disregard for their own safety.

The business world is no different.

New ideas in the business world that challenge the status quo of profit maximization, shareholder primacy and introduce wealth or surplus re-distribution methods are often also seen in contemporary business discourse as eccentric, naively brave, but most often crazy. Managers are usually not willing to “stick their neck out” for an idea that has not been tried and tested or cannot be analyzed through a traditional business case framework. This does not mean that those individuals are not brave, incapable of creative thinking or don’t care about the consequences of status quo thinking. Rather, as organizational theory would suggest, they are bound to the institutional rules that surround them and these rules breed cognitive frames of thinking and perceiving problems that are innately irrational. The very concept that you are expected to be one type of person in your business life and another in your personal life eloquently demonstrates this confused set of norms that lead to a sea of irrational thinking and decision-making in business.

This major research project is dedicated to those crazy, brave, piton-boring individuals and the paths up insurmountable mountains that they have begun to try and carve out for the rest of the world to follow.

I would like to acknowledge a few of them before you dive into this major paper. The first is Jennie Coleman and her entire team at the Equifruit banana company. There are few products that can be imported fought with more logistical peril than bananas. First, the banana industry is an oligopoly dominated by a few major import giants that have a frightening history of squashing

any entity that seeks to challenge their market share. (Gertten. 2011) Second, bananas themselves are incredibly temperamental fruits. If a container is open they die, if the temperature goes one degree above or below 14 degrees they die, if they're not ripened exactly right... you guessed it, they die. Third, bananas are highly devalued in the market place with the bulk of costs pushed down to the producers. Equifruit has been supplying Fairtrade and Organic Certified bananas from small scale producers, paying both a fair price and a quality differential for organic with a price tag about two times that of a conventional banana. They champion a grass-root marketing style visiting retailers, schools and trade shows, teaching consumers one-by-one about the pitfalls of conventional banana production. Any traditional MBA analysis would likely determine that Equifruit is inefficient, uncompetitive and frankly; doomed. Yet, not only have they been operating for 10 years strong, they are **thriving**, growing 22% just last year and demonstrating to us all that sometimes, crazy works. Traditional grocery retailers and distributors are now beginning to take on the formerly insurmountable task of supplying Fairtrade Certified fruit products using the pitons bravely laid out by Jennie Coleman and her team of five.

I would also like to acknowledge another crazy individual, my mentor throughout this project, Darryl Reed. His unrelenting tenacity and determination to start and continue our cotton project has inspired me to believe in the ability to challenge status quo businesses. It is a rare pleasure to have an educational experience where you can collaborate and co-create with your professors. The experience of working in this unconventional business has been tumultuous, but has also helped me to begin to develop the backbone, bravery and mental stamina that one needs to build something that even I at times perceived as a crazy idea. Solutions to the egregious human rights abuses and environmental degradation that is the modern globalized garment industry are not in sight and to claim that our small co-op has all (if any) answers would be both foolish and arrogant. However, while we don't have answers we do have questions, but more importantly we have the organizational freedom to ask those questions and seek rational answers.

Finally, I'd like to thank my supervisor Rod MacRae and the MES program itself. Rod provided me with breaths of objective fresh air in the times I needed them the most while working on a project I have been so personally involved in. My time in MES has been significant and I would not have been able to do any of this if not for the creative freedom that the MES program affords.

The ability to attend Schulich MBA classes has allowed me to challenge and be challenged by conventional business school logic. I truly hope that the faculty continues this partnership, it is so important for all of us to communicate and co-create with each other. I don't want to leave this program and apologize now for the claw marks that the faculty will ultimately have to clean up when they drag me from the graduation podium to the outside world.

Foreword

My plan of study began with the following paragraph:

“My aim in this program is to explore the qualities that foster an environment for transformative business strategy. When I say “transformative” I’m referring to strategies that transform the particular industry of that business for the better by invoking policy change or creating alternative systems in which value propositions can be made from an integrated sustainability and social justice position.”

Little did I know at the time that the pursuit of this question would involve endless conversations, aggressive MBA pitch competitions, hundreds of journal articles, the overthrowing of a corrupt board of directors, painting devil masks in an indigenous Costa Rican community, dodging tuktuks in Mumbai and the bootstrapping of two interesting, albeit entertaining co-operative businesses. I’ve had an opportunity to think big, think small and everything in between along my journey to discover what it takes to create a transformational business. I now feel prepared to attempt to discuss this exploration to the best of my ability in this research paper.

In order to better understand transformative businesses I have had to analyze a number of business strategies for sustainability and empathize with those firms in order to understand the ways in which they were being influenced to make decisions. I’ve studied and collaborated with a number of co-operatives to understand how their governance structures work and how that, in turn, can promote systems-changing sustainability practices. I’ve studied individuals through the lens of behavioral heuristics and explored the internal biases that invisibly prompt us to make certain choices in business and in life. I’ve explored social movements and participated actively in the fair trade movement to better understand how networks of strong and loose ties can challenge the status quo. Finally, I’ve read a number of case studies on self-proclaimed social enterprises and analyzed their potential for creating transformation in their industries.

One major limitation in the connection between my plan of study and my major research paper was the exploration of key performance indicators. Early on during my research I noticed that sustainability managers had restricted cognitive frames for which they scan, diagnose and treat problems. For this reason I felt that key performance indicators were not a sufficient tool for changing systems, as they would be limited to a narrow businesses case for sustainability. I instead chose to step back a bit further and look at business case thinking vs. paradoxical think, juxtaposing the two. I feel that in order for business to embrace systems change they must first embrace the paradoxes between business and society, once this is done, a broader conversation about KPI's can be had. I hope that other students of business sustainability can learn from the lessons I've identified in this paper. The questions involved with systems-change are not easy to answer definitively, life is dynamic and ever changing, as such the limitations of this case must be acknowledged. The principal aim with this paper is to provide a broader range of theoretical frameworks that may have not otherwise been considered when looking at system-changing, transformative enterprises. Without further ado,

Introduction: Who's to Blame?

On April 24th 2013 a five-story commercial factory named Rana Plaza in Savar Upazila of Dhaka District, Bangladesh collapsed killing approximately 1,135 workers. (Mortimier. 2015) Collapsing alongside Rana Plaza that day was the institutionally acquiescent norm that large-scale apparel companies could purchase garments from factories with little-to-no knowledge about their health and safety procedures. I would like to say what followed this tragedy was a clear and progressive march towards a collective improvement; but instead we see a myriad of different responses. Many of these responses have taken the form of coalitions, which are established through networks of businesses and organizations that (typically) share a common vision. These coalitions then fight for who will control the respective institutional norms and regulations that will govern business going forward. In the case of the Rana Plaza there was the Accord for Building Safety in Bangladesh instituted by labour rights coalitions such as the Workers' Rights Consortium, the Marquila Solidarity Network and a number of European businesses. In addition to this response has emerged the Alliance for Building Safety in Bangladesh which is advocating for self-monitoring and is being championed by companies like Walmart and the Gap. It is this broader business environment that is the subject of this major research project, particularly understanding the institutional and organizational behaviour of actors in relation to that environment through a unique case study.

In a perfect world, if the conditions of the free market were present, then theoretically each product sold on our shelves would reflect a perfect cost to create it. Of course, this theory comes with a set of assumptions including that the supply of goods equals the demand, there are a large number of buyers and sellers, we have perfect information about our products with minimal to no transaction costs and thus no negative externalities are being imposed on any member of the value chain. (Reed. 2015)

It is evident, however, that free market principles are not perfectly present in our globalized economy; in fact, governments have attempted regulations like anti-trust and disclosure law to try to mitigate some of the fallacies of this imperfect free market. (Reed. 2015) Consumers are bombarded with asymmetric information and marketing schemes that exploit our inherited behavioral heuristics and massive oligopolies control price equilibriums. Despite some regulatory attempts, there is a despairing global reality in which the North is dematerializing production and shifting the environmental burden of resource extraction and manufacturing to the south with little added-value

to the producing country. (Giljum, Stefan, & Nina Eisenmenger. 2004) It has been estimated that 20% of the world's population is currently appropriating approximately 80% of the world's natural resources. (Giljum, Stefan, & Nina Eisenmenger. 2004) Furthermore, as business has been able to circumvent regulation and exploit the capitalist free market system, we have seen a growing disparity in compensation for north-south links in the value chain. In 2006, share dividends paid out to Amancio Ortega by the parent company of Zara fashion brand was approximately 1.3 billion euros; simultaneously, an average garment worker in Bangladesh typically earns just over \$900 USD a year. (Oxfam, 2017) Perhaps our collective belief in the invisible hand of the market has subjected us to the fallacy of reification; the delusion of prescribing real world value to theoretical economic constructs.

In the wake of the Rana Plaza, many fingers were pointed at a number of actors: the factory owner for not being in compliance, the companies that bought from him, the government for not setting proper regulations and the consumers for supporting these types of value chains. In reality it can be argued that we are all partially to blame; but to assume that a global manifesto to correct this market failure garners support from all business, civil society, consumers and governments is, in this author's opinion, a fruitless task.

Let's consider for a moment that the Rana Plaza collapse was the result of a wide-spread market failure in the apparel industry and that the very systems that we have designed (both explicitly and implicitly) to govern a corporation's behaviour (and therefore trade between nations) is truly at the heart of the problem. In the United States, one percent of shareholders own about two-thirds of all shares (these shareholders could be wealthy individuals, banks or institutions) and these shareholders are able to vote (weighted against how many shares they own) once a year for the board of directors. (Wolf. 2017) This very small population of people then decides the actions and outcomes for all the stakeholders that rely upon the outputs of the corporation. If we are to place the burden of correcting market failures in the hands of corporations, then realistically, the responsibility truly rests in the hands of that tiny minority population of executives and shareholders.

The problem is that this small population of people is not accountable to anyone but their (often) like-minded peers and their actions are becoming increasingly self-serving. (Wolf. 2017) The benefits of economic activity is growing for those at the top of the value chain but decreasing for

those at the bottom. By 2007, the top ten Canadian executives were making upwards of 444 per cent more than they were twelve years earlier while the average annual pay for a Canadian worker was in decline. (Hood. 2009) For decades, corporations have been subject to shareholder primacy, profit maximization and competitive cost-leadership strategies. More recently, boards have tended to compensate executives with stock options over cash, further incentivizing them to push for high quarterly returns and short-term thinking. (Hood. 2009) Any push to incorporate wealth redistribution or to incorporate a “true cost” throughout the value chain would likely render the corporation less-competitive, or reduce executive and shareholder’s personal earnings. For these businesses, attempting to integrate any sustainability strategy into a business model will most likely be vetted through a business case for sustainability. It must first be compatible with the elements of the business that make it competitive, successful and most importantly; profitable. This is why in the wake of the Rana Plaza, Walmart introduced the Alliance for Building Safety in Bangladesh rather than signing the legally binding. The Accord required that safety reports be made public, workers inside the factories would be included in the inspections and companies would be required to financially support the factories for repairs and renovations; none of which was found in the Alliance. (Oxfam. 2014) The Alliance was a much more corporate-friendly agreement that was compatible with Walmart’s cost-leadership strategy. It did not challenge the allocation of benefit along the value chain, nor did it support unionization and it maintained Walmart's executives and board as the chief decision making officers. Agreements like the Alliance are not capable of addressing what this paper defines as the heart of the matter: a system that creates and allows for wide-spread market failure.

Emerging as an alternative to the dominant business paradigm is the social purpose business otherwise known as social enterprise (SE). A small segment of these SEs have purposefully structured themselves to incorporate a true cost along the value chain and organized in a manner that mitigates the harmful effects of shareholder primacy. SEs can take on for-profit structures, not-for-profit structure or hybrid models that seek to maximize the SE’s ability to fulfill its mission. While the concept of SE has become very popular in recent years, the business world has yet to see SEs emerge as dominant players in the global economy. They are often at strategic disadvantage in the mainstream market-place against larger more well-established players that do not self-regulate to the same degree as the mission-centric SE. They also struggle to attract capital particularly in what is referred to as the “pioneer gap” between the ideation and the validation stages of growth. (Baird, Bowels & Lall. 2013) The question becomes how do SEs scale to the point where they are

able to challenge industries that succumb to market failure and how can they re-think competition, leverage social movements and attract growth capital in a manner that does not compromise their ability to be mission-centric?

This paper will explore the case of the Green Campus Co-operative (GCC), a self-proclaimed activist social enterprise incubator that seeks to influence these institutional norms to advance its mission of fair trade. The paper will begin with two literature reviews. The first will define the various types of social entrepreneurship in North America and place the activist social enterprise within that broader context of entrepreneurship. The second literature review will define and place the GCC in the broader context of the co-operative's social mission of fair trade. The third section of this paper explores three theoretical frameworks: institutional theory, social capital theory and cognitive frames theory. It will then present the case of the Green Campus Co-operative followed by a normative discussion on how the co-operative can utilize each of these theories to advance its mission of fair trade.

Chapter 1: Literature Review

Social Enterprises

Social entrepreneurship (SE) is an increasingly attractive concept both in public and academic spheres and as such is being taken up in different forms by several actors. Much has been discussed in defining a universal understanding of what a social enterprise ought to be or if a universal definition can (or should) be achieved. (Mari & Marti 2004; Dees, 1998; Martin & Osber. 2007) Much has been written about the characteristics of a successful social entrepreneur and often the majority of an enterprises' success is attributed to those unique individuals. (Elkington, Hartigan. 2008, Bornstein, Davis. 2010. Dees. 1998) All of the definitions acknowledge that the social entrepreneur must capture value (earn income) and simultaneously create some form of additional value (typically referred to as social and / or environmental value.) However, while these elements are central to any definition; capturing and creating value within the broader business environment can often be paradoxical in nature as the market logics of maximizing efficiencies do not always work in harmony with maximizing social or environmental value. (Dees. 1998) As a result, some researchers have suggested that market disciplines will not always effectively assess the successful utility of resource-use by the SE and that an alternative approach to determining things such as enterprise risk will also need to be developed. (Dees. 1998)

In the previous chapter it was mentioned that some social enterprises have purposefully structured themselves to incorporate a true cost along the value chain and organize in a manner that mitigates the harmful effects of shareholder primacy. It is for this reason that this section will go on to describe the vast spectrum of business involvement in sustainability and define with more clarity as to why the social enterprise model can be used to course correct market failure through activist social entrepreneurship.

Hybrid Business Models

Kim Alter in her Social Enterprise Typology describes enterprises along two spectra, the first she refers to as a Hybrid Spectrum.

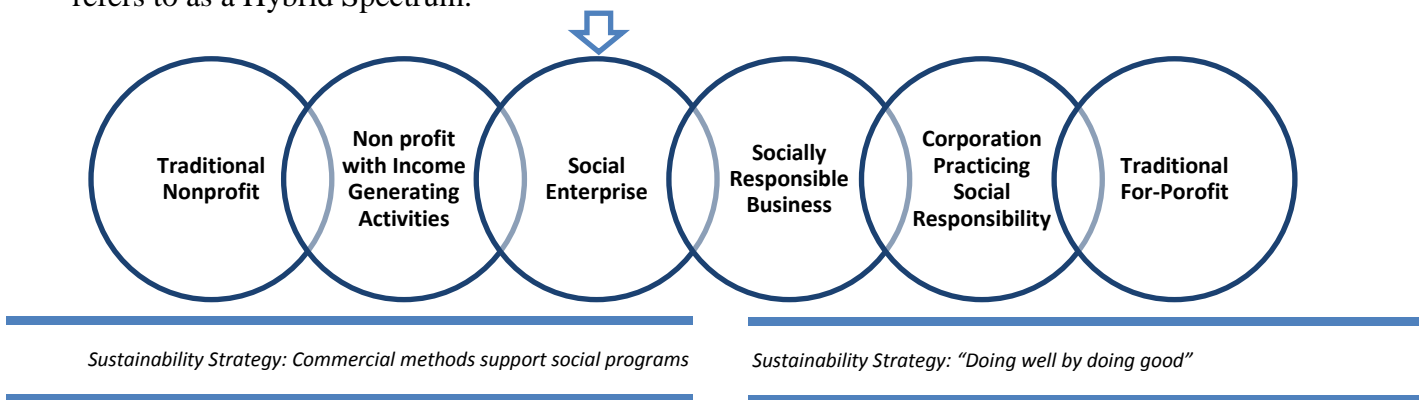


Figure 1: Alter Social Enterprise Typology. 2007

Traditional nonprofits rely solely on donor dollars and government funding to operate. They also have a voluntary board of directors whose values are typically connected to the nonprofits core mission. They can take the form of a charity or foundation (which gives them tax exemption benefits) or a simplified nonprofit that has restriction on the way they can generate revenue as the surplus is intended to be reinvested into the core mission of the organization. (Alter. 2007) As a slight differentiation, nonprofits with income generating activities have an integrated business whose revenue generation component resides under the same legal entity. The purpose of this income generation is either to recover costs for operational expenses, services or to provide unrestricted income that will be used towards fulfilling the mission of the organization. One example of this would be the YMCA that has both a core charitable mission and a gym service that subsidizes their mission fulfillment expenses. (Alter. 2007) Social enterprises can either be a department within an organization or their own separate legal entity. They seek to create social purpose through market-based activities and to solve a social problem or a market failure. These entities typically use

business vehicles such as innovation, financial discipline and have a strategy orientation. They are also often under some form of social ownership that can occasionally be reflected in the legal structure. Me to We for example is a legally incorporate for-profit social enterprise that donates 50% of its revenue generation to its partner charity Free the Children. The La Siembra co-operative produces Fairtrade and Organic Certified chocolate and is legally incorporated as a worker co-operative (which means that it is owned by its workers.) This co-operative seeks to both offer a product and fulfill their social mission of fair trade. Both cases would be examples of social enterprises. (Alter. 2007) Socially responsible businesses are (in some cases) willing to sacrifice profits to produce social good. These businesses will typically incorporate sustainability into their culture and their strategy. They are usually privately-owned businesses that allow a few managers to make high-level strategic decision and prevent mission-drift. (Alter. 2007) In contrast, corporations practicing social responsibility are traditional corporations that will engage in different forms of philanthropy; however, their core business will not divert from shareholder-primacy and profit maximization. They may have an isolated department or product that is socially or environmentally conscious, but this will be largely disconnected from the core business. Finally, traditional corporations fully embrace shareholder primacy and profit maximization. Social and/or environmental values are not taken into consideration in decision-making. (Alter. 2007) The core objective of a social enterprise is to address their mission with a market-based intervention and commercial strategy. These businesses must re-imagine their industries while simultaneously competing with the traditional players in that industry. (Elkington, Hartigan. 2008) This competitive pressure requires immense financial discipline and strategic competencies while also requiring the SE to step outside of the box and develop new process and procedures that optimize their ability to maximize their mission. Another element however must be present for the social enterprise to succeed at correcting market failures and that is that its commercial success and mission fulfillment must be achieved simultaneously.

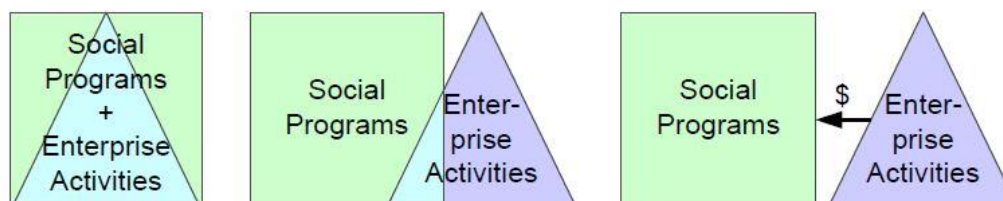


Figure 2: Alter Social Enterprise Typology. 2007

The first element of this diagram represents an embedded enterprise. In this enterprise model social impact and economic activities are in “lock-step,” meaning that revenue creation and mission

advancement are achieved simultaneously. (Alter. 2007) An integrated social enterprise exists when a mission is achieved by commercializing services that have a synergistic relationship to the core mission but may not directly advance the mission. (Alter. 2007) Finally, an external social enterprise is when the economic generating activity is designed to support and provide unrestricted income to nonprofit activities. (Alter. 2007)

Me to We for example has grappled with two different strategies (degrees of embedded-ness) for revenue creation to help finance their charity, Free the Children. The first strategy is to offer products produced and traded fairly in the communities that they work with, providing economic empowerment and in-turn fulfilling their core mission; in this model the core mission is in lock step with the revenue generation. Me to We also however has generated revenue by licensing out their brand to traditional corporations like Brita and Unilever. (McKoll, Jayme & Helen, Y He. 2016) This would be considered external social enterprise activity as the value that is created benefits the brands who gets increased brand reputation and Me to We that gets licensing revenue; the core mission is not in lock step with their revenue creation. (Hopper. 2017)

Mission Quality - TOMS shoes

The **quality of the mission** is crucially important to address market failures especially as more and more we are seeing philanthro-capitalism models becoming confused with social enterprise. In 2004 Blake Mycoskie went to Argentina and realized that many of the children that he was encountering didn't have proper footwear. He was very bothered by this and as a budding social entrepreneur took up "providing children with proper footwear in Argentina" as his core mission. Instead of building a charity he chose to engage in a commercial strategy that would donate one pair of shoes for every pair purchased, with a newly formed for-profit company called TOMS shoes. (Mycoskie. 2012) Very quickly Blake realized that he had hit a goldmine, TOMS shoes was

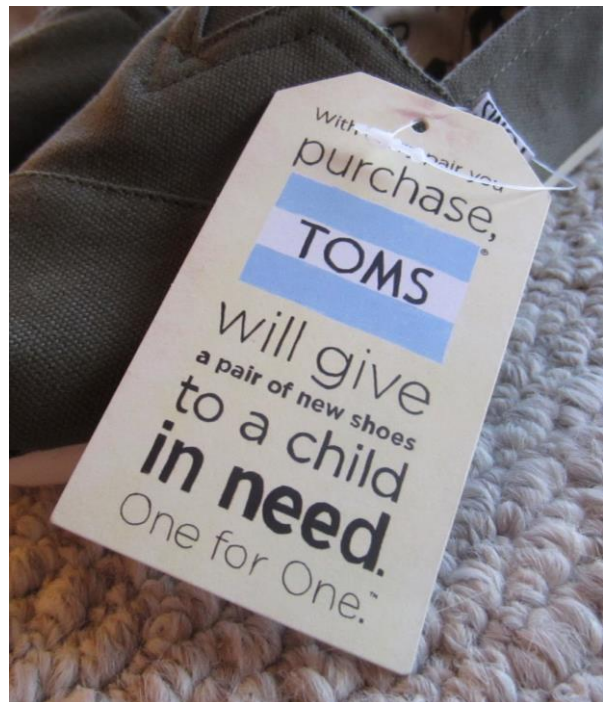


Image 1: CauseMarketing.com

met with incredible success, within just ten years his company valuation skyrocketed to \$645 million and was majority purchased by Bain Capital. (Stock 2014) His success came with lots of acclaim having demonstrated a consumer demand for more social messaging in branding. However, as time passed, people started to notice many flaws in the model largely revolving around issues of “inefficiency, economic disenfranchisement, and aid dependency.” (Reed. 2017) The first major issue is that children without shoes are often a symptom of a larger more systemic problem. Merely treating the symptom (children with no shoes) perpetuates a cycle of dependency that poor communities historically face when the externalized costs of producing those exact shoes are placed directly on them. The product economics also tell a different story; for TOMS shoes to produce their one for one model the company has further increased the pressure on the factory to produce that shoe for 50% less in order to incorporate TOMS margins and the cost of production. Their free shoe model also disrupted local markets for shoes that were being sold before; this created a further dependence on foreign agents. (Reed. 2017) Finally the commodification of the poor by presenting them as helpless individuals with no personal agency perpetuated negative psychological features on the target population. (Fanon. 1952)

An SE that seeks a quality social mission will have to look beyond marketable symptoms and treat the underlying problems. For TOMS shoes to understand *why* those children didn't have shoes and treating the root causes of that symptom would require TOMS to re-imagine the way a shoe company does business in the first place.

Mergers, Acquisitions and Combating Mission Drift

Although system-disrupting companies have been known to thrive and become competitive forces in the broader business environment their success is often met with buy-outs as they reach barriers to growth. Some examples of famously large buy-outs include L'Oreal acquiring the Body Shop, Coca-Cola buying an organic juice company called Odwalla and Clorox or buying Bert's Bees. For this reason, the category of social enterprise can also be changed by the evolving ownership structure of the enterprise. Ben and Jerry's is a famous ice cream brand from Vermont that was opened in 1978 by two partners Ben Cohen and Jerry Greenfield. The two perceived their business as “an experiment to see if it was possible to use the tools of business to repair society” (Edmondson. 2014) The two purchased milk from local dairy farmers, paid fair wages, used local marketers for all their branding and graphics and had a 5-to-1 pay ratio where the highest paid person could only make 5 times more

than the lowest paid person. Over time the brand was widely hailed for their unique approach to local economic development and the two partners enjoyed tremendous success being featured in over hundreds of articles branding them as the poster child for social enterprise. (Edmondsdon. 2014) The partners held the company privately until 1984 when they decided to do a direct public offering (DPO) to the public (specifically Vermont residences.) They sold shares for \$10.50 with a min of 12 shares per buyer raising a total of \$750,000. The company began to increase their commitments to social responsibility driving profits into their mission fulfillment. By the 1990's however, their financial performance started to waiver resulting in a share price drop-off of 50% from its peak as its distribution channels were becoming a challenge. This blood in the water began to attract a few large buyers including Dreyer's Grand Ice Cream and Unilever who made bids as high as \$43.60 dollars a share, claiming that they could save the company with the assumption that if Ben and Jerry's just loosened its relentless and costly grip on sustainable performance it could become an industry leader again. (Edmondsdon. 2014) Unilever as one of the aspiring buyers knew that Ben and Jerry needed to be assured that their core mission would be upheld. To comfort the partners Unilever struck an agreement to uphold the original board of Ben and Jerry's by giving them 9 out of 11 seats and would also have to contribute 1.1 million dollars a year to the Ben and Jerry's foundation for duration of 5 years among other clauses that would seek to uphold the original intent of the Ben and Jerry's brand. The two companies eventually settled on a cash agreement of \$326 million. (Edmondsdon. 2014)

Ben and Jerry's have transitioned from a social enterprise with an embedded strategy into Unilever's external social enterprise. This has complicated the relationship between the company and its social mission and the additional pressures of profit maximization and corporate culture bore down on the team. (Edmondsdon. 2014) Although Unilever had upheld their end of the bargain by contributing the decided amount to the foundation and used portions of the proceeds for social benefit, the company lacked the transparency it once had. (Edmondsdon. 2014) The team switched from long term relationships into contracts, they hired a CEO that was not recommended by the board and unsympathetic to their social cause, which in-turn prompted Jerry to leave the board. Unilever laid off several employees to cut costs and addressing complex social issues became very difficult to sell to the CEO as he preferred to go after low hanging fruit causes that would lead to more exposure with consumers. (Edmondsdon. 2014) There were attempts to cut costs and lower the quality of the ice cream to raise profit margins. It took several years, a number of different CEOs and a lot of infighting for Ben and Jerry's to find new ways of working together and begin to reconcile the

paradoxical divide between them. (Edmondson. 2014) Some have argued that this M&A activity can be beneficial as it influences larger players that have considerably more purchasing power than the smaller SE. Unilever has rolled out ambitious environmental initiatives since the acquisition that some attribute that to their experience with Ben and Jerry's. While this paper cannot conclude if this activity is positive or negative, the question would make for an interesting research topic for the future.

Fair Trade

Fair trade has been referred to as a "predecessor to the contemporary social entrepreneurship field" (Alter. 2007) As with most SE innovations, fair trade has manifested in different ways along the enterprise spectra of Alter's typology. Beginning in the 1940s through to the 1960s fair trade was referred to as "charity trade." It was characterized by several NGOs including the Mennonite Central Committee, Oxfam, and others that would sell handicrafts made by vulnerable communities as a way to foster small-scale regional economic development. (Reed. 2015) Perhaps not quite yet a movement, the whole process was minimal, inefficient, and primarily conducted through volunteer labour in churches. The late 1960s and 70s however witnessed global mobilization of the fair trade movement driven largely by newly formed alternative trade organizations like Ten Thousand Villages, and Tradecraft. As countries were becoming decolonized, fair trade adopted highly politicized "trade not aid" rhetoric. The ultimate goal of this alternative trade movement was to create systems that would reform the regulation of international trade.

The primary objectives of fair trade today, (as defined in Fairtrade International's theory of change) are threefold; to make trade fair, to empower small producers (via co-operatives) and workers (via unions) and to foster sustainable livelihoods. (Fairtrade International. 2016) It does this by providing producers with a minimum price that is meant to protect them from volatile commodity markets, offer a social premium that is meant to be used for local development projects, and encourages democratically-controlled producer networks (typically in the form of co-operatives) to improve their organizational capacity. (Reynolds and Murray. 2007)

Despite unprecedented growth, fair trade has always been to varying degrees (and remains today) a highly contested arena. Academics and practitioners argue about what a fair trade value chain should look like (Reed. 2016, Reynolds. 2000, Fridell, Nicholls & Opal. 2005), and how the governance of the international fair trade system should work. (Reed & Fridell. 2009) This clash has led to a

polarization in fair trade discourse between what some scholars refer to as “pragmatists” and “radicals.” (Reynolds and Long 2009, Huybrechts. 2012) Pragmatists largely believe that increasing market share for Fairtrade Certified goods is the most material indicator for progressing towards (what the pragmatist defines as) its ultimate goal of impacting producers. (Huybrechts. 2012, Teather. 2006) The sheer volume of corporate participation in fair trade has greatly increased the market share for the movement’s products. In the pragmatist’s scenario, the traditional corporate dominated value chain can remain relatively the same in which the Northern retailers hold the majority of the power over the southern producer.

In contrast to this, radicals see fair trade as an alternative to traditional markets that must include additional non-monetized benefits to the producers such as close, long-term relationships and a natural proclivity towards solidarity and justice in all aspects of the business model. (Huybrechts. 2012) Radical businesses trade through social economy value chains and often reflect the legal structure found within the social economy (non-profit, co-operatives, B-corp, social enterprises.) (Reed. 2009) In some cases ownership of the trader is also shared with the producers, as is the case with Divine Chocolate. (Tranchell. 2007) Perhaps the major ideological difference in the two perspectives is the role of regulation in trade. While most radical companies would advocate for fair trade standards to become a legally binding institution in the global market place, mainstream companies would likely advocate against it as the bulk of their business enjoys the benefits afforded to buyers in a liberalized free market.

Reflected in this movement is therefore a paradox; in order to fulfil its ultimate mission of a fair and just trade system, business needs to (at least eventually) subscribe to the fair trade ideology. However, in order for fair trade to attract business to its mission it must build incentives for business to do so. A pressing question then becomes, how much can fair trade governance systems acquiesce to the institutional norms and behaviours of business before it is co-opted by the conventional global market? On the flip side; how much can business acquiesce to fair trade ideology before eroding its traditional competitive positioning in the global marketplace?

The recent Mondelez scandal highlights the tensions in this arena. In 2009, Cadbury (parent company Mondelez) converted one of their dairy milk chocolate bars to fair trade. (Doherty. 2016) This marked not just a huge spike in both fair trade licensee revenue for Fairtrade International, cocoa producers and their respective licensing bodies, but also increased exposure of the fair trade brand to the mainstream markets. In tandem with this, the mainstreaming of fair trade through pragmatist corporations affected the chocolate sales of radical fair trade companies like Divine and Traidcraft

who are 100% committed to fair trade practices. (Davies, Tranchell. 2012) It also increased the dependency of fair trade governing bodies on Mondelez and other large mainstream accounts that make up the bulk of the licensee revenue. As licensee revenue grows, national fair trade labeling organizations (NFOs) budgets grow; more staff is hired, more projects are taken up. To then lose a single licensee that accounts for a large portion of one's overall budget can be a devastating blow. This may (at least partially) explain the Fair Trade Federation's decision to partner with Mondelez when the company eventually dropped the fair trade label in 2016 to work with their in-house scheme, a move that spurred a small uprising through the broader fair trade movement. (Hopper. 2018) Some authors would define this process as a co-optation of fair trade. (Reed et al. 2010; Fridell. 2007; Reynolds and Long 2007,)

A bulk of the fair trade literature maintains a healthy skepticism towards mainstreaming, often highlighting the corporation's limited embrace of fair trade as one facet of a larger sustainability strategy geared towards capturing nice markets and brand reputation. (Troulis. 2016) Less work has been done to strategize a resolution for this paradox. One proposed solution by Tranchell is the concept of "radical mainstreaming." Tranchell identifies in her paper that consumer-citizen pressure on the mainstream market is still an enormous push factor to convert to fair trade. She also points out however that the consumer message in the mainstream is diluted to merely "paying a fair price" and lacks the more radicalized notions of reforming the international trade system to account for power inequalities as well. (Tranchell & Doherty. 2007) When large traditional corporations like Mondelez occupy the mainstream fair trade space they essentially hold the microphone telling the fair trade story to mainstream consumers. To this end, Tranchell suggests that developing radical companies who seek to occupy the mainstream fair trade space (not just specialty markets) can begin to affect the narrative of the fair trade story as received by the mainstream consumer. This will require more radicalized licensees to develop national distribution strategies much like the example of the La Siembra Co-operative whose reach throughout the Canadian market is unprecedented for a radical fair trade company. These strategies can, as we will discover, come with high capital costs and require immense expertise that can often present a challenge for smaller mission-centric social enterprises.

Another under-researched, but nonetheless interesting resolution to the paradox, is the increased participation of civil society in the Canadian fair trade movement, particularly in its attempt to institutionalize fair trade procurement policies. (McHugh. 2018) Beginning in 2001 the Lancashire market town of Garstang UK became the first fair trade town making a formal procurement

commitment to purchasing fair trade goods. By 2011 there were over 1000 fair trade towns worldwide. (Fair Trade foundation. 2015) In Canada, the First Fair Trade Town was designated in 2007 and the town designation process was formally institutionalized by the Canadian Fair Trade Network (CFTN) in 2012. (McHugh. 2018) The program has since moved on to designate campuses, faith groups, schools, events and workplaces. The five Fair Trade Town requirements are: (1) a fair trade town steering committee, (2) product availability, (3) public awareness and education, (4) community support and (5) political support. Each of these elements is noted as being crucial to systematically re-institutionalize procurement behaviours of these organizations and ensure that the commitment is continued beyond the longevity of the campaign. The Canadian Fair Trade movement has witnessed tremendous success with its campaigns program and has begun to ratchet-up these commitments with silver and gold designations that are being sought after by many championing institutions today. (CFTN. 2018)

Chapter 2: Theoretical Frameworks

Institutional Theory and Institutional Entrepreneurship

As was mentioned in the introduction, activist social enterprises need to be able to scale in order to intervene in industries that have succumbed to market failure. To do that they will need to capture and influence the institutional norms that governs business behavior and change the competitive landscape to favor their missions. For us to better understand how this is possible this section will explore institutions and the organizational behaviours that they engage in.

In their most abstract forms, institutions are the structures (sets of social relationships) that make up the social fabric of our societies. These structures are comprised of implicit and explicit rules that govern both cultural and economic social interactions. (Hodgson. 2006) As a subset, organizations are types of institutions, commonly understood by the presence of individuals that are “bound together by some common purpose to achieve certain objectives”. (North. 1994) Under this definition, an organization must distinguish who is a member and who is not and, in some cases, may involve a hierarchy of command that determines who is in charge of what. (Hodgson. 2006) For the purpose of this paper, a university would be considered both an organization and an institution. It is an organization because it has distinct members and a distinct hierarchal structure. It is also an institution because it has institutionalized within itself several implicit and explicit rules that govern and influence its members’ social interactions and their resulting decisions.

The interplay between organizations and institutions determines the underlying code that dictates the outcomes of our decisions in a globalized economy and for that reason it is a significant topic for any social enterprise trying to advance a mission such as fair trade.

Institutional Theory

Institutional theory is drawn from both organizational theory and constructionism. The theory suggests that social norms are constructed over time because of repetitive behavioral patterns (decisions, attitudes, processes) conducted by actors within organizations or institutions. These patterns become validated as they are institutionalized by organizations and prescribe intrinsic value by other organizations that adopt those behaviours through a process known as mimetic-isomorphism. (Valente. 2017) As an example of this, one can look at Phil Knight, the CEO of Nike, who developed a new strategy for selling shoes in 1962. He would save by outsourcing all manufacturing to low cost parts of the world and pour the extra money into marketing, particularly through high profile celebrity endorsements. This strategy drove Nike's profits from \$60,000 in 1972 to \$49 million over a period of 10 years. (Spar. 2002) When Nike first decided to outsource all production only 4% of footwear in the U.S was imported, but by the early 2000s that number had risen to 98% (Peterson. 2014) Institutional theorists could attribute (in part) this dramatic global shift in shoe production to the decisions made by individuals like Phil Knight whose new lucrative model was adopted by competitors and new entrants. Nowadays one would find it very difficult to compete with a company like Nike without adopting a similar pricing and supply chain model, as the competitive playing field has been fundamentally changed for everyone.

Mimetic-isomorphism is not, however, the only force that influences organizational behaviour. Under the institutional theory umbrella, there are multiple isomorphic channels of pressure that are constantly influencing organizational behavior. This paper will address the following three: mimetic (presented above), coercive and normative. (Palthe. 2014) The second channel, coercive, refers to the explicit and formal rules that govern organizations, typically in the form of laws. This force is implemented through rewards and punishments for compliance with the laws. An employer understands that they must pay an employee in Canada a standard minimum wage set by our provincial government if they want their business to be deemed legitimate and avoid penalty. Simultaneously an employee knows they need to show up to work on time if they want to be paid

that wage. Nike's choice to patronize low costs countries has often been attributed to the fact that the regulatory environment in those countries is different (more flexible, cheaper, looser labour laws). Coercive isomorphism can also come in the form of accreditation from an outside agency; Fairtrade Certification would be one such example. If a company achieves Fairtrade Certification they must meet a specific set of standards and be able to demonstrate compliance through routine audits. If a company does not maintain compliance, then they lose their accreditation and potentially reputation among their key stakeholder groups.

The third channel, normative, refers to the in implicit informal rules that govern behaviour within an organization. This would refer to work roles, preferred work habits, culture, standards, business education, curriculum and standard operating procedures. (Palthe. 2014) Employees of any given organization will be under constant implicit pressure to conform to the rules of their workplace. These pressures will vary based on the organizational logics and rules that dictate success. The definition of success for an NGO will be very different from that of a fortune 500 company, for example.

Organization Fields

Within the study of organizational behaviour it must be noted that these pressures are not universal, but rather, the institutional influence on actors within organizations have boundaries and those boundaries are called organizational fields. (Valente. 2017) Sets of institutional norms can be applied to some organizations while other similar organizations may be

influenced by a different field with different normative, coercive and mimetic pressures. Referring to figure 3 (source: Hopper. 2018) we can see an example of an organization field. Each isomorphic sub-group represents a host of elements that, to varying degrees, influence how a firm will operate. Some forces may be stronger influencers as others and the dynamics between them can change overtime.



Figure 3: Organization Field Map

Social Capital Theory

Social enterprises (particularly one that subscribe to co-operative, fair trade and organic values and certification standards) can be at a natural disadvantage against large scale, traditional competitors. Co-operatives are restricted in their capital raising strategies as they cannot do IPOs or attract venture capital in the same manner as traditional corporations. Fairtrade and Organic Certifications also come with price differentials, particularly when a commodity price is below the fair trade price floor. This restricts their ability to grow quickly and to offer competitive pricing through mainstream outlets. One potential support measure to compensate for these disadvantages is the social enterprise's perceived adeptness at building social capital through civic engagement.

Social capital theory speaks to the networks, values, norms and relationships among organizations, individuals and groups in society that impact the levels of trust and co-operation between them. (ILO. 2018) It also refers to the assets and resources that are generated through these networks and relationships. (Davies & Ryals. 2010) In their paper The Role of Social Capital in the Success of Fair Trade Davies and Ryals measure the benefits that are accrued by a fair trade social enterprise as a direct result of their network. They use three factors in their assessment, relational dimensions, structural dimensions and cognitive dimensions to differentiate between *sources* (means for social capital generation) and *benefits* (competitive advantage derived from social capital transactions). The relational dimension refers to the levels of trust and reciprocity between the two organizations. How likely is one to take advantage of the other and how well can they freely share information with one another? The structural dimension refers to the strength of the ties within the network and the amount of ties that the organization has altogether. Do the organizations have multiple overlapping touch-points and connections to a firm? Do they have networks that can compensation for a number of shortcomings? Finally, the cognitive dimension refers to opportunities for shared understanding; this includes shared language, a share narrative, and shared organizations. (Ryals & Davies. 2010) Do the organizations have values or other relatable qualities to one another that can help them bond and build trust?

Social capital is particularly predominant within fair trade, as the movement shares a set of tangible organizational values as demonstrated in Ryal and Davie's research. Their paper follows three radical fair trade coffee importers: Cafédirect, Divine Chocolate and Equal Exchange who have achieved considerable market share (about 14%) in the UK against traditional corporations by mainstreaming

their product (competing with traditional business models rather than selling only to its niche.) (Ryals & Davies. 2010) The study goes on to explore the various forms of social capital employed to gain a competitive advantage with varying degrees of success and obstacles. Cafédirect is the largest of the three and the most opened to co-operating with traditional retailers, the media and distributors. Equal Exchange is the oldest and smallest company who has historically had the most restrictive criteria for who they will partner and share value with, while Divine is the youngest and has the most consistent year over year growth of the three. (Ryals & Davies. 2010)

The relational perspective speaks to the manner in which these companies conduct themselves when engaging in social capital transactions. The function of building relational capital is to reduce the perceived risks between the two organizations and increase the likelihood of co-operation through mutual trust and respect. This means being consistent, easy to work with and reliable when dealing with potential partners or allies. Equal Exchange for example cites that while they do not have the resources to build sophisticated systems and analytics, they do compensate with building trust. Equal Exchange and Divine (two seeming competitors) freely share information regularly, thus providing intellectual capital, without the fear of using that information to capture each other's markets. (Ryals & Davies. 2010) The study also notes however, that **not** being able to demonstrate operational capacity (e.g. not being able to fill orders, sending poor quality product, etc.) can critically undo any benefits that would have been derived from social capital relationship building. Therefore it is critical for activist social enterprise to develop their organizational competencies before attempting to build social capital relationships that may not be able to be fulfilled. (Ryals & Davies. 2010)

The structural dimension in Davies and Ryal's paper speak to the organizations ability to maintain a large number of relationships. They discovered that there is a positive correlation between the number of connection and the rapid growth of a firm. Divine's strategy, for example, was to engage in long-term partnerships with their network members. They are partly owned by their producer co-operative, Kuapa Kokoo and engage in co-branding opportunities with other organizations like Starbucks, Sainsbury, Oxfam and the Co-operative Retail Group through white-label products.¹ (Ryals & Davies. 2010) These relationships are often formalized by offering board seats to key partners. Cafedirect in contrast has a large number of relationships, however, prefers short-term service agreement to long-term commitments. They do not white label any of their products and instead insist on leveraging their social capital to build their own brand recognition. Finally, Equal

¹ A white label product is when a company supplies the product to a partner who will then brand it under their own private label

Exchange strictly limited the amount of engagement they had with mainstream companies until 2004. Until then they worked exclusively with other fair trade co-operative businesses, resulting in the slowest growth of the three. (Ryals & Davies. 2010)

Finally the cognitive dimension as one where shared values and understanding breed trust and reciprocity had varying effects amongst the three cases. Having a shared-value of development all three organizations connect with large NGOs such as Oxfam and Christian Aid. Equal Exchange found shared value with Green City and Suma Wholesalers because they both shared co-operative values. Divine became the exclusive supplier of Oxfam chocolate when they dropped their own in-house brand. Costa Coffee chose to sell Cafédirect because it had brand value that was tied to their values. The study found that relationships, which were formed through shared understand and shared values, had the highest degree of resource exchange. One distinct drawback that the study did cite was in building relationships with traditional corporations. They noted that there is a tendency for traditional mainstream corporations to drop fair trade once they have been positively associated with it, or to limit the amount of Fairtrade Certified product lines to as little as possible. Furthermore, as traditional corporations enter mainstream markets with fair trade products, the comparative advantage of fair trade to consumers begins to erode for radical companies as their mainstream competitors can claim some of the value themselves. Therefore companies engaging in cognitive social capital generation need to be mindful about the potential consequences of certain partnerships, as these values alignments may not be genuinely beneficial in the long-term. (Ryals & Davies. 2010)

Activist social enterprises may be at a strategic disadvantage, but in order to challenge the status quo of business they need to compete with it directly. Leveraging social capital is one way to bridge the gap between world shops and major retailers. Activist social enterprises however, need to have a long-term vision for their partnerships so that they do not enable a future mainstream competitor to capture their differentiation. (Ryals & Davies. 2010)

Cognitive Frames in CSR Theory

Corporate social responsibility is typically characterized as a win-win-win equilibrium between society, the environment and corporate objectives. Sustainability initiatives supposedly live at the intersection of this equilibrium. (Hahn, etal. 2010) It is often recommended in business literature that sustainability officers seek out these synergies between revenue generation and social and

environmental value, claiming that over time this will enviably produce higher financial returns in what is otherwise known as “the business case for sustainability.” (Hahn, etal. 2010) In contrast to this, in what’s understood as “trade-off situations”, financial, social and economic benefit cannot be achieved simultaneously. For this reason redistribution models like fair trade that essentially involve paying more for the same product to producers is seen as a trade-off to profit; it exists outside of the equilibrium. Therefore the process of developing corporate strategies for sustainability are in conflict with redistribution and business managers will often reject the concept unless a substitute benefit can be identified. Fair trade NFOs² have often sought to reconcile this trade-off by emphasizing the brand value of the Fairtrade mark to potential licensees (implying that they can charge a premium for the product, thus off-setting the additional costs.) As mentioned earlier, large corporations will often purchase one SKU of Fairtrade Certified product as their commitment to sustainability to test if the trade-off is sufficient to create a real business case for sustainability; if it isn’t, they will likely drop that SKU. This rejection of trade-offs inhibits corporations from becoming a full participant in resolving some of the core tensions between themselves, society and the environment. It also leads to what Hahn refers to as a “limited analytical perspective on corporate sustainability initiatives and strategies” (Hahn, etal. 2010) as every decision ultimately falls victim to tunnel vision imposed by the boundaries of profit maximization or risk reduction.

In their paper Cognitive Frames in Corporate Sustainability: Managerial Sensemaking with Paradoxical and Business Case Frames, Hahn, Preuss, Pinkse and Figgee explore the role of behavioral heuristic in management decision-making. They suggest that researchers in business management need to address the conflicts between business, society and the environment and take a more critical stance towards the win-win business cases framework for CSR. (Hahn, etal. 2014) They also suggest that we need to begin to develop frameworks for addressing these conflicts rather than pushing them to the margins. They begin with the individual in their cognitive frames theory.

Cognitive frames are the filters in which information is categorized and classified in the human mind as a result of the proclivities that we naturally have when giving meaning to an issue or question. According to Hahn et al, this sense-making process produces managers whose cognitive frames reside somewhere between the two extremes of business case or paradoxical thinking. The business case manager seeks to eliminate tensions (like those mentioned above) and reduce problems to simplistic equations. In contrast, paradoxical frames allow managers to look at problems in their

² NFO = National Fairtrade Organization (Fairtrade Canada, Fairtrade America, etc.)

complexity and embrace the trade-offs in order to develop a comprehensive CSR strategy and to not restrict activities to conflict-free solutions. In fair trade for example, a corporation will need to embrace the “trade-off” of a small loss at times when the commodity price for their goods is below the fair trade price floor. They will also need to absorb the costs of social premium (used for community economic development) and licensing fees (used for auditing, research and fair trade brand recognition purposes.)

During the process of sensemaking (a manager understanding and taking action on a decision), Hahn, Peruss, Pinksa and Figge identify a sequence of events that transpire to reach a decision. The first is scanning (gathering information.) Due to the phenomena of confirmatory bias that dictates human beings will “selectively notice information that conforms to their cognitive frame” (Hahn, et al. 2014), the rule of a win-win-win business case framework will manifest a narrow, albeit targeted scan of the problem. These thinkers will not often notice the complexity of a sustainability issue until regulators or competitors force it upon them. In contrast, the paradoxical thinker will take a broad range of issues into consideration without giving primacy to one aspect. They will also tend to take outside stakeholder information into consideration more often. The second process in the sequence of events is interpreting the information collected. Their study found that business case thinkers tended to have a much higher degree of confidence in their ability to solve the problem because they’ve limited the information received into clear cause-and-effect models. Their interpretations also tended to focus on aspects of sustainability that are clearly positively or negatively related to financial performance. The paradoxical manager will feel less control to solve the problem as they embrace the complexity and acknowledge tensions; as a result their analysis of a sustainability issue may not lead to clear plans of action that can be measured by traditional quantitative methods. The third process is responding, these different frames of thinking will result in different “decision making stances.” Business case thinkers will have a very narrow focus on one or two sustainability issues that will either be perceived as an opportunity or a threat for the business. These managers will also base their decision off of similar examples from the peers in their organizational field. These solutions will naturally become very pragmatic and seek to disrupt the business as little as possible. In contrast to this, the paradoxical manager will consider many aspects and not take a stand on the issues quickly. They will usually respond, not with mimetic isomorphism like the business case, but rather will seek out alternatives that may not have been tried yet. (Hahn, et al. 2014)

Paradoxical thinking in firms can bring a strong diversity of opinions and challenge narrow confirmatory viewpoints. In order for students of business sustainability to become trained in paradoxical thinking they will need to interact with more stakeholders that have diverse views from their own. They will also need to be trained in qualitative assessments that exist outside the paradigm of business case thinking and rewarded when presenting alternatives that embrace complexity and acknowledge the core tensions between business and society.

Chapter 3: Methodology

Study Rationale

This action-research case study introduces the concept of the activist social enterprise that not only engages in commercial activity but also advances a social and/or environmental mission through institutional entrepreneurship practices, in this specific case fair trade. Using institutional, social capital and cognitive frames theories this case study attempts to create a normative framework to understand how SEs can begin to pave the way for systemic change in the garment industry by:

1. Fighting to capture and influence institutional norms and regulations of business behavior.
2. Train managers to embrace the navigation of trade-offs between economic, social and environmental progress.
3. Developing dense networks of strong and loose ties that share a common vision.

An action-research approach was chosen to better understand how the Green Campus Co-operative could leverage the tools found within the study of institutional entrepreneurship to address market failures found within the globalized garment industry. I have adapted the characteristics of action-research in order to address my familiarity and participation in the project and applied them to an exploratory case study method. The intention of the study is to describe the Green Campus Co-operative by analyzing how various stakeholders perceive and make sense of their experiences in relation to the co-operative and the broader fair trade movement. It explores what the co-op has done thus far and then recommends how the co-op can utilize the theoretical frameworks outlined in this paper as a strategy to advance a systems-change approach to the garment industry. As our case is a very young enterprise it cannot be determined with any significant degree of confidence whether or not this business has been able to enact systems-change. Rather, the purpose of this exploration is to

identify strategies for how the co-op could utilize the aforementioned theories to better equip them for systems-changing behavior.

Selection of Site

The pool of data was collected from three primary sources as they relate to our case; macro, meso and micro stakeholders.

Macro Stakeholders	Meso Stakeholders	Micro Stakeholders
The Broader Fair Trade Movement	Board Members	Placement Students
University Institutions	Green Campus Cooperative	Downstream supply chain
Direct Customers	Staff	

Macro stakeholders belong to the broader business environment surrounding to co-operative, these individuals are considered to be prominent long-term members of the fair trade movement in Canada since the creation of Canada’s first NFO, TransFair Canada. They are individuals who work with other fair trade licensees or in the adjoining civil society organizations. Macro stakeholders also involve campus leaders and members of university institutions who are familiar with the rules and behaviours expected of business operating within a university setting. The meso stakeholders are those directly involved in the co-operative, including both founders as well as current and former board members. Micro stakeholders are the co-operatives placement students who have worked with the co-op to satisfy course requirements. This group is comprised entirely of undergraduate York University students from a variety of disciplines. Downstream supply chain interviews were conducted in May 2018 with the merchandise managers at the GCC’s primary supplier, Assisi Garments Ltd and members of the Rights, Development and Education Center, an nonprofit, factory watch dog operating out of Sathyamangalam, Tamil Nadu.

Data Collection

Observation

For two years I have been participating in the Green Campus Co-operative and in the boarder fair trade movement as board treasurer and one of the primary entrepreneurs trying to get the project off of the ground. I have used a field journal about my own interpretations of the co-operatives operations and connection to its external environment. I wrote down observations in a journal about

the assumptions that I was making about the experiences that were both confirmed and denied during the interview process.

Interviews

I conducted opened-ended semi-structured interviews with 15 participants from the three different stakeholder groups after obtaining written consent form each participant. Each stakeholder group was asked different sets of opened-ended questions. Most of these questions focused on an individuals' experience and their opinions on various concepts. I also asked knowledge-based questions to better understand particular situations.

Questions for macro stakeholders were designed to identify the specifics of the co-operatives organization field and to understand how the Green Campus Co-operative fits within that broader field of fair trade and the apparel industry. They were also designed to allow for a broader conversation about the fair trade movement and understand how they have individually navigated through that contested landscape.

Questions for meso stakeholders sought to identify a historical recollection of the co-operative's development including participants' motivation for involvement, the types of involvement, the role the co-operative played in achieving their respective goals and their thoughts on how it can be improved.

Questions for the micro stakeholders were to understand how placement students felt about their experiences working with the GCC, how that experience has influenced their views on business and fair trade, where they found value, what they believed could be improved and how they plan to use that experience going forward in the careers. Downstream stakeholders were asked about the current situation for garment workers in Tamil Nadu and what systems of recruitment and regulations of labour were taking place. Broader questions about audits and fair trade were also asked to begin to identify the value that Fairtrade Certification may or may not add to a garment supply chain.

Other Methods

I have also analyzed documents from various groups including the Canadian Fair Trade Network, Fairtrade Canada, Fairtrade International, the Rights Education and Development Center as well as past GCC marketing materials and internal documents.

Data Organization and Analysis

The data was organized by stakeholder groups. Themes, concepts and insights from those groups have been deduced and embedded into the narrative of the case study. The intentions of the interviews were (1) to understand the lived experience of past and present GCC members from diverse and unique perspectives. (2) Understand the broader business environmental (organizational field) surrounding the GCC, and (3) to understand the experiences of the GCCs past placement students for the purpose of improving the program.

- (1) Data collection and analysis for the purpose of re-telling the GCC story was designed to objectively explain the GCCs progress. Multiple participants have a different lived experience of their time with the GCC, including different assumptions on what its purpose was, what its strategies should look like, etc. For this reason this interview processes lent itself to the creation of a historically re-telling that not only reflected multiple perspectives but challenged my own assumptions of its purpose and strategy as a participant myself.
- (2) Data collection and analysis for the purpose of understanding the broader business environment was intended to challenge my assumptions of how other actors perceive their involvement with the GCCs core mission (fair trade.) These questions were both designed to understand the personal connection as well as the historical series of events that lead to their involvement in fair trade and the concurrent successes that they have achieved in their respective organizations.
- (3) Data collection and analysis for the purpose of strengthening the experiential education program was designed to evaluate the program's strengths and weaknesses and to identify the levels of autonomy that students can tolerate during a placement. It also sought to assess the resulting knowledge accrued by the student and to assess if they've developed a deeper connection to the GCCs core mission of fair trade through their experience.

Two initial interviews with members of each stakeholder group were recorded and selective themes were written down during the interview process. The researcher reflected on the themes presented and the interview process that took place. Upon refinement of interview questions and processes as a result of the reflection, additional interviews were conducted. Evolving patterns and trends were identified from each stakeholder group and categorized in separate written documents in which

conclusions were drawn and tested against a field journal of the researcher's own personal experience.

Limitations to Data Collection

I have had a very active role in this co-operative and as such my own ideas and interpretations have subjected my analysis to certain cognitive biases. I may have become subject to confirmatory bias in which I would seek to validate my own perceptions of the world by seeking out like-minded information. In order to build in check and balances for this phenomena I kept a journal logging my assumptions and then testing them through interviews. (However, the possibility that I sought out self-validating information may still be present beyond my knowledge.) Another bias I may have encountered was group think bias through the group classwork that would evolve to become chapters of this MRP as Faculty and fellow members of my program likely subscribe to a similar ideology as myself. I made sure to take a number of MBA classes during this time when I was constructing the building blocks for this research project. I collaborated with many MBA students that were predominantly being taught traditional business school logic. This allowed me to look at the issues from conflicting logics, preventing me from sinking into one single cognitive frame for my sense making process. Group think bias may have also influenced the outcomes of many of my interviews. I have a high degree of familiarity with many of the participants which may have caused them to gloss over criticisms or concerns. There is also a power dynamic involved as a number of the students were under my supervision for their placements. In order to address this potential I ensured that all students were no longer under my supervision at the time of their interviews, I avoided stating my opinions or preferences and I did not voice any particular expectations of them. Finally there may be an element of ethno-centrism on my part as my cultural biases may inhibit my abilities to look objectively at some of the social norms and practices that I have encountered during my time interviewing in India.

Chapter 4: The Green Campus Co-operative, a Case Study

Darryl Reed is not your typical professor, in many ways he is an activist trapped in a professor's office. Heavily influenced by Greg MacLeod from Cape Breton University and their shared love for praxis, he has turned any and all opportunities for research funding into a slew of start-up co-operative business models, each geared towards solving complex social and environmental problems.

Darryl, along with his colleagues at the GCC, have long grappled with the balance between providing experiential education, producing academic research and creating business solutions for real world problems, all under the organizational umbrella of a co-operative model. After many attempts, the co-op was able to develop their first business in partnership with two other corporate members; the York University Faculty Association and the Graduate Students Association. The second business (and main focus of this case study) is a sustainable garment company (Green Campus Cotton) that champions Fairtrade and Organic Certification standards. The complexity of the typical global garment supply chain has produced tremendous inertia around supply chain reform. Having written many research papers on fair trade value chains, Darryl was well aware that corporations were not likely to subscribe to redistribution models like fair trade in a manner that could mitigate the harm done by neoliberal free trade. The co-operative however, found itself in a unique position to experiment with an activist social enterprise business model because it is able to leverage academic, financial and operational support from the university it resides within. In addition to this they also had access to an established network of campus activists³ that have built an impressively large movement around the co-op's primary missions of fair trade standards. For these reasons, Darryl decided that it was time to dive into the world of cotton.

What is Green Campus Cotton Trying to Address: The Current Situation in the Indian Garment Industry

Anjali⁴ feel asleep in the middle of her shift working at a local spinning mill in Tirupur, Tamil Nadu. She had decided to work at the mill to help pay her father's medical bills as her family had been living in poverty much like the rest of her rural village and could not otherwise afford the treatments her father needed. She had just worked for three days non-stop when she was awoken to a pick axe handle colliding with her chest followed by an attempted sexual assault by the factory foreman. She escaped the next morning and returned home devastated⁵ to a concerned family that was told she would be protected under her contract. (Wishing Step Productions. 2017) This is but one of thousands of testimonials by women and girls working along the modern day garments supply chain.

The Indian textile industry is the largest contributor of exports (13% of total) and the largest employer in the country. (IBEF. 2018) Garment manufacturing involves a number of decentralized processes including cotton production, ginning, spinning, weaving/knitting, dyeing, printing,

3 This network is the participants in the Fair Trade Campus designation program run by the Canadian Fair Trade Network

4 Name changed for confidentiality

5 Retelling for a Wishing Step Production documentary, filmed at READ in Sathyamangalam

embroidery, cut and trim, tagging/packing and exporting. (Reed. 2012). Although there is ample opportunity for employment and innovation in this space, the globalization of production in garments has completely transformed the nature of its trade into one that is often characterized by “very flexible and casualised employment relations.” (Mezzadri, 2012) In a study conducted by Rani and Unni in 2004, the formality of employment in this sector transitioned drastically during the structural adjustment period⁶, post-1990 from a highly formalized industry into a highly in-formalized one. (Rani and Unni, 2004. Mezzadri, 2012) These informalized patterns of production have led to mass exploitation, particularly of workers who fit into particular age, gender, caste and geographic conditions. As reported by the Rights, Education and Development Centre (READ) in Tamil Nadu, the majority of unskilled labor in the garment sector now comes from the Arunthathiyar community, otherwise known as the “untouchables” or the ‘Dalit.’ These terms refer to a particular caste of people living primarily in India, Pakistan, Nepal, Sri Lanka and Bangladesh. Historically, Hindu culture was constructed into a four-fold caste system, (Brahmin, Kshatriya, Vaisya and Shurda.) The Dalit fall outside of these folds and as such, hold undesirable traditional occupations of waste / body disposal, and scavenging. Although the caste system in India has been outlawed, these former outsiders still face high levels of discrimination, low levels of education and extreme poverty. This reality makes them target populations for exploitation in the globalized export industry often administer through what’s known as Sumangali Schemes. (Samy. 2018)

Sumangali Schemes

Mr. Karuppusamy, Executive Director of READ (Rights, Education and Development) explains the process of the scheme as one that seeks to exploit the existing patriarchy and cast system of India in order to circumvent legally mandated labour regulations. Sumangali translates to “single girl becoming a respectable woman through marriage.” Its definition is consistent with its promise to provide poor rural women with enough money to afford a dowry upon completion of the contract. Sumangali agents will visit rural villages and proposition parents to relinquish their children targeting primarily young women 15-18 years old. The agents mislead parents by claiming that their factories have decent food, air conditioning, amenities, 8 hour working days and that they will be compensated with a lump sum (approximately Rs. 30,000) at the end of their (average) three year contract that can be used for a dowry. Girls are transported to the major textile exporting regions of Western Tamil

⁶ Structural adjustment is an economic development model that promoted export-led growth that is commonly associated with lowering / eliminating trade barriers including wages and labor standards.

Nadu; Tirupur, Dindigul, Coimbatore, Eeorde and/or Salem in what Mr. Karuppusamy refers to as “soft trafficking,” where these women have been reportedly kept in factory hostels employed as “apprentices.” Once under the supervision of the factory many of the promised working standards are not present. In a study of 220 working girls in Sumangali Schemes, it was found that 55% of interviewed workers in mills were child laborers (under 18)⁷, 81% were Dalits, 53% were required to work over 12 hours a day, 50% were hired through agents, 82% received less than minimum wage, 47% of workers signed a contract with no understanding of what it said and the other 53% had not signed any formal contract whatsoever. There have been a number of testimonials reporting poor food quality, poor training, poor safety procedures, unhygienic conditions, compulsory overtime, lack of autonomy or freedom to leave the premises, health problems including infertility, lung and respiratory conditions, and frequent sexual harassment often resulting in physical violence.(Karuppusamy. 2018)

An Alternative Approach: Activist Social Enterprise

Darryl had been devising new ways to teach undergraduates about co-operatives for years. Historically, much of the co-operative presence in Canada was found in the agricultural sector. With declining participation in agriculture (and with the increased prevalence of large operations, new co-ops were becoming a distant memory), many young people had limited opportunities for coming into contact with co-operatives. Both Darryl and his colleague J.J. McMurtry were profoundly concerned that new generations were not seeing the co-operative model as a viable form of business. By 2005, in order to remedy this gap, the professors developed a stream in their program called the Social Economy which had a significant emphasis on co-operatives. In this program, they developed a placement course that they hoped might contribute to fostering a new generation of co-operative entrepreneurs. Despite this program’s relative success, Darryl and JJ struggled to find a nice range of local co-operatives that could become sites for experiential education. Moreover, their work with Fair Trade organizations highlighted to them the importance of co-operatives participating in international social economy value chains. For these reasons, Darryl and his colleagues felt that generating new co-operatives specifically designed to participate in new social economy value chains was the best course of action.

⁷ Describe child labor here

The GCC within Fairtrade

In 2006, Darryl, J.J. McMurtry and Ananya Mukherejee-Reed received a research grant to investigate how to develop a new fair trade product. Their intention, to create a 100% social economy dominated value chain, needed to uphold the original intent of fair trade.

When fair trade was introduced as an alternative to conventional trade it was largely characterized by short value chains run by very small social enterprises and NGOs. The original fair trader organization, such as Tradecraft, Oxfam and Ten Thousand Villages traded with small producer associations on the basis of solidarity rather than conventional market relationships. With the introduction of a formal certification system, the system began to accommodate larger corporate businesses in order to expand the market. (Reed, et al.) As more large corporate actors became certified they brought with them conventional business concerns (about maximizing profits) and practices (such as developing niche ethical markets) which change the nature of fair trade relations. Darryl and colleagues began publishing on the evolving state of fair trade with the objective of creating a normative framework to evaluate the different types of value chains that we now see.

Type of Value Chain	Level of Corporate Involvement	Nature of Exchange
Wholly social economy	None	Solidarity-based relations
Social economy dominated	Retail	Solidarity-based relations
Corporate dominated	Retail, licensing	Socially regulated market relations
Wholly corporate	Retail, licensing	Socially regulated market relations

Four Variants of the Fair Trade Value Chain. Reed, et al.

A wholly social economy value chain is one that involves all social economy actors that share the same principles of familiarity and long term relationships with the specific objective to revolutionize the nature of trade (on the basis of fair trade principles). The traders sell directly to consumers without the mediation of conventional, for-profit (investor-owned) firms. Social economy dominated

value chains are one where the primary licensee (the importer) is trading in solidarity relationships, but selling to conventional retailers that do not share the same organizational logic. An example of this would be the La Siembra Camino chocolate bars that trade in solidarity and have nation-wide distribution in most conventional grocery retailers. A corporate dominated relationship is one where a corporation, such as Mondelez and the Cadbury bar, buys cocoa from small producers (under minimum standards) but also produces chocolate along its regular supply chain and sells to conventional retailers. A wholly corporate chain involves a corporate licensee purchasing Fair Trade products from large estates (rather than small producers) and processing and distributing the final product along its regular supply chain. Darryl and colleagues hypothesize that the absence of a social economy buyer in the value chain de-politicizes the original intent of fair trade as a market intervention strategy, separating it from the broader social movement and leaving producers vulnerable to the same liberalized trade regimes that they were seeking to emancipate themselves from.

In their analysis, Darryl and colleagues began to see that the more dominant corporate participation in fair trade became, the more tensions arose in the fair trade movement. As worlds collided and power dynamics shifted on the international fair trade stage, the original principles and values began to hold less sway. The pragmatists that were encouraging more corporate participation began to engage in trade-offs of values for market share. Darryl and colleagues identified two major processes of co-optation:

Dilution

The more managers from neoliberal corporations became involved in fair trade the more traditional business-case logic began to influence the certification. Fairtrade originally sought to support small scale agricultural producers and viewed the relationship as the primary source of value as opposed to being “based upon convenience, necessity, and/or past history” (Reed. 2009) Corporate managers acting out of a narrowed cognitive frame tend to evaluate certifications on the basis of “how can this generate more revenue” or “how can this decrease my risk of losing revenue.” As such, some corporations have leveraged their position as a large licensee with Fairtrade International to attempt to lower their standards to ones that reflect more traditional value chains. (Reed. 2009)

Parallel Production

Corporate managers also have tended to only certify one SKU of product in order to address the consumer demand and certify the rest of their products with either an in-house scheme or a less

stringent more corporate friendly scheme. This allows large corporations to demonstrate a commitment to fair trade principles when confronted with fair trade activists but keep the bulk of their production in traditional corporate-dominated value chains that reap the benefits of liberalized free trade. (Reed. 2009)

Searching for Supply Chain Partners

In 2005 the GCC, being comprised entirely of professors at this point, recognized that while they were proficient at research, they lacked the fundamental business skills that would be required to start and operate their own ventures. For this reason the team decided to engage in a partnership with the Sumac Co-op (an existing worker co-operative in Guelph). Under this agreement, the Sumac Co-op would handle the business ends while the researchers helped with supply chain development. Two trips to India were made, the first by Bill Barrett, worker owner in the Sumac Co-operative who visited and documented testimonials of women who had been widowed after an epidemic of farmer suicides. He also visited a number of cotton farmers, both ones that were fair trade and non-fair trade, as well as different co-operatives and factories that handled the various steps in the supply chain. During the second trip they traveled to Tirupur, Tamil Nadu to visit a number of garment factories, here they focused on one factory in particular, Assisi Garments.

Assisi Garments Private Limited was developed by a group of Franciscan nuns that had been working in Kerala, India. Their primary objective was to help the poor and disadvantaged, specifically those with leprosy and later with general disabilities. (Reed, etal. 2012) The women that they were working with found it difficult to find employment after school due to their various disabilities, they also weren't often in positions to get married. They established Assisi Garments in 1994 with the idea that they would offer employment and training to women who had either hearing or visual impairments. The nuns later had to branch out to employ the rest of the potential work force in Tamil Nadu. (Reed, etal. 2012) Women could come to Assisi to gain skills, build income and would be paid a bonus of 10,000 Rs per year, of which the typically intention was to use those funds for dowry by the family. The sisters were aware of exploitative Sumangali schemes and the fact that the dowry practice had become illegal in India (though still widely used). Their decision to participate in similar practices came with the intention of providing true value for the family through more compassionate policies and formalizations. (Reed, etal. 2012) Many of the young women were meant to stay for five years, however more and more they were beginning to stay on with the company and receive other forms of training for higher skill / higher pay positions. Assisi seems like

an oasis of in a sea of chaos and uncertainty, the nuns greeted the researchers with open arms and surprising transparency, telling them all about their supply chains, costs, policies and impressive social account metrics.

The organizational structure of the Sumac Co-operative was mirrored after Mondragon, a large worker co-operative in Spain that owned a number of businesses to service their membership. The Sumac Co-operative owns a coffee chain (Planet Bean) and workers employed at Planet Bean can work towards becoming members of the Sumac Co-operative, which in turn will entitle them to vote and share in the profits of the co-operative. Much like Mondragon, the Sumac Co-operative is designed to own as many businesses as its membership wishes with the idea that they would all be owned by the membership community. Operational micro-decisions about each business would be taken by the CEOs and workers of the business; however, larger macro-strategic decisions would be taken by the Sumac co-operative. (Barrett. 2018) In order to partner on this initiative with the GCC, the Sumac Co-operative incorporated a new company “Wear Fair” that would wholesale Fairtrade, Organic t-shirts with the assistance of the researchers who would contribute research support and help develop new supply chains. (Reed. 2018)

Some key challenges began to complicate the partnership. First, the Sumac Co-operative preferred that they focused on raising enough capital to import a large amount of inventory that would reduce transaction costs and ensure that orders could be met before processing them. The GCC felt that it would be able to import smaller orders to fill demand and not worry as much about raising capital. Second, the Sumac Co-operative did not want to integrate into printing services and just wanted to supply wholesale, while the GCC felt that this was necessary to succeed. (Barrett. 2018) No resolution was found as they two entities struggled to attract debt-capital. As a result, the Wear Fair Company became dormant (although the two organizations do still occasionally work together in other informal ways to educate students about co-operatives and fair trade with guest lecturer visits and as participants of the larger fair trade movement.)

Revitalization

In 2015, Darryl and I had decided to revitalize the project under a new brand “Green Campus Cotton.” The Liberal Arts and Professional Studies faculty where Darryl and some other members of the board were employed had agreed to order 5000 shirts for all of their incoming LA&PS students. This order gave the new co-op the ability to process their first big sale, determine their product

economics and pull more stock through the shipment. It also gave them something that they would come to learn was very valuable: institutional legitimacy. The first obstacle however, that the cooperative had to tackle was the issue of price.

The Issue of Price

Prices in the modern day garment industry have declined, which is extremely unusual considering that almost every other industry's prices have increased. This phenomenon can be attributed to many factors: the solvency of the multi-fiber agreement, the prevalence of neo-liberal trade regimes, the globalization of production, and the emergence of fast fashion. To further make sense of this phenomenon however, we can also look from an organizational behaviour perspective, after all none of these elements in-and-of themselves directly explains why the entire industry's prices have been dropping. This analysis suggests that the feedback loops between organizations and their behaviour have played a large role in fundamentally changing the nature of competition between garment importers.



Figure 5. Changes in consumer pricing between 1986 – 2013. Baldwin. January 6 2017.

In order to further explore this feed-back loop we can look at the fish bank simulation. One very popular economic simulation program used to illustrate the importance of prudence in MBA and environmental economics course work is the fish bank simulation. In this simulation, students are put into teams that manage their own simulated fishing companies. Here, students must balance efficient resource- use in a competitive field against the other teams. Their objectives are to maximize their own profits while simultaneously maintaining a healthy population of fish. If one team over fishes they gain significant profits but to the detriment of the common pool resource (the fish population).

The phenomenon of a team over-fishing is referred to as “shirking” of one’s responsibility to maintain a balance of that resource. When one team “shirks” it often begins a feedback loop that causes the other teams to overfish as well as the competitive field has changed into one where players feel they need to get as much as they can before the resource runs out. In order to maintain a health population of fish every team must act with prudence and concern for the greater good when fishing.⁸

Think of the consumer dollars as a common pool resource and apparel companies as the “managers” of that resource. As fish are drawn to the lure so too are consumers to low prices.⁹ Low cost leaders adopt the strategy of driving down the costs of production so that they may better exploit this consumer behaviour. In this competitive field, if one company decides not to do this on principle, they take on the very real risk of losing a competitive edge. Low costs leaders will also engage in price wars where they drive the retail price down with the intention of pushing out an emerging competitor. In some cases, companies will even take a loss on the product and raise the prices back up to regular margins when the war has concluded. These feedback loops make it incredibly difficult to compromise on margins as it will make the company extremely vulnerable to competition when prices are depreciated overall. As stated by Guildan in a 2003 media release “our success depends on our continued and unwavering commitment to be the global low-cost producer of active wear and to constantly drive down our manufacturing cost structure” (MSN. Page 40) When one low cost leader gains an efficiency or externalizes the cost of production and lowers its retail price, it sets a new price precedent that other companies must conform to in order to attract consumers within the organizational fields that they share with that competitor. The Walmart effect is a perfect example of how the phenomenon happens. The size of Walmart’s purchasing power means that it can dictate the terms of a purchasing agreement with its wholesales as well as its employee compensation structure. This in turn forces other companies that serve a shared customer base with Walmart to drop their own prices and employee compensations as well in order to compete. (Investopia. 2018) Walmart is the quintessential low cost leader whose mere presence has changed the competitive field of most communities that it enters. (Fishman. 2006)

⁸ <http://www.uvm.edu/~lpolya/ENVS%20295/Readings/Building%20the%20Fish%20Banks%20%20Model.pdf>

⁹ This is based off of the assumption of consumer irrationality.

Today’s garment industry is one where companies that have decided to “shirk” have changed the competitive field for almost everyone in the game. Externalizing the cost of production has become so woven into modern day supply chains that finding a clean supply chain¹⁰ is virtually impossible.

The Co-op and Price

Today the average garment retailer is estimated to add a 100%-350% mark-up on the wholesale price from the factory, however of course this differs between individual companies that adopt different pricing strategies and with a lack of data, true pricing models can be difficult to attain. (Kentin. 2010) Darryl having access to many administrative leaders on his campus was able to deduce that his Liberal Arts and Professional Studies faculty paid around \$6 per shirt for their fall orientation order. This means that the wholesale price paid at minimum would be \$3 with a 100% markup. In order for the co-operative to be able to supply t-shirts at a fair price it would need to figure out what its margins should be and how to increase the amount that universities were willing to go to in a competitive climate where prices are incredible deflated. The Liberal Arts and Professional Studies faculty would not be able to buy the GCC’s Fairtrade t-shirts for \$6. They had convinced their finance department that their willingness to pay should be increased to at least \$9.50 in order to reflect a truer cost of production.

What the GCC’s costs were for the first order		What the GCC would have had to buy shirts for to sell at \$6 with a 100% mark up	
Cost per piece (CAD):	5.94	Cost per piece (CAD):	0.40
Banking fees:	.01	Banking fees:	.01
Freight:	1.29	Freight:	1.29
GST:	0.31	GST:	0.31
Customs / Import Duty:	0.96	Customs / Import Duty:	0.96
Brokerage:	0.03	Brokerage:	0.03
Fairtrade Licensee Fee:	0.09	Fairtrade Licensee Fee:	Would not apply
Total:	8.63 per piece	Total:	3 per piece
Retail Price:	9.5	Retail Price	6
Margin:	10%	Margin:	50%

While larger, more established low costs leaders will have larger transactions and therefore smaller transaction costs per unit the above diagram shows what the GCC as a startup would have to buy

¹⁰ A supply chain that does not have modern day slavery, debt slavery, unfair compensation, excessive unpaid overtime, hazardous work, with no collective bargaining, etc.

shirts for if they wanted to adopt a low cost leader strategy. Taking lower margins however, will mean that the co-op as a wholesaler will have to sell more volume in order to compensate for the low margin and will not be able to offer discounts or sales prices as the wholesaler if they ever expect to hire any employees to run the business. In fact they will have to sell 11.1% more volume than if they had a 20% margin and 38.9% more volume than if they had a 25% margin in order to earn the same amount.¹¹

The co-operative tries to compensate for this by being a not-for profit with the intention to hire one Executive Director at \$40,000 / year and to take a loan for \$20,000 in order to buy printing equipment. This will result in a burn rate of approximately \$4,200 per month which will require them to earn a minimum of \$180,000 a year in net sales¹² for five years to stay cash-flow positive.

The co-operative has sold about \$130,000 CAD from 2016-2018. This means that they will need to triple their current sales volume per year in order to sustain an employee. The co-operative can mitigate for these low margins with a variable costing structure and by adding margins onto their printing services. Of course, adding these services will incur capacity costs that also must be taken into consideration.

Product Economics		
Landed costs average = \$7.50		
# of Shirts	Wholesale Costs (per unit)	Margin
>5	\$14	52%
5-19	\$12.50	40%
20-49	\$12	36%
50-199	\$11.50	34%
200-499	\$11	31%
500-999	\$10.25	26%
1000+	\$9.5	21%

The GCC as an Incubator

¹¹ See appendix D

¹² This figures comes from a cash flow analysis of sales that are all sold with a 20% margin.

While relatively ad-hoc to this point in time, the Green Campus Co-operative resembles the beginnings of a unique campus incubator/accelerator model geared towards encouraging new fair trade and co-operative start-ups. Virtually every campus today has a campus-linked incubator, accelerator or entrepreneurial support center in it. An incubator focuses on early stage companies that require an immense amount of support to become self-sufficient. Incubators can take the form of workshops and mentorships that teach basic entrepreneurial skills like developing a product, building a value proposition and seeking seed investment. Accelerators are usually the next step providing more structure and typically work programmatically from a few weeks to a few months in length. Accelerators also typically provide co-working space, mentorship and the chance to be awarded start-up capital. (Zajicek. 2017) The Green Campus Co-operative is a variation on these concepts with a number of distinct differences.

First, the co-operative retains (at least partial) co-operative ownership of all their ventures as opposed to traditional campus incubator/accelerators that support external enterprises. The GCC also integrates governance processes and legal ownership through multi-stakeholder relationships. One of Darryl's primary concerns was that the majority of students aren't ready to start their own businesses straight out of university, nor can many of them afford to bootstrap one. (Reed. 2018) The second issue was that the economic pressures of funding and sustaining a new enterprise cause the entrepreneur to pursue paths of least resistance. This makes developing redistribution models like fair trade (that may create a competitive disadvantage in the market place) less attractive options.

The second is the exclusivity of nonprofit, co-operative models. This exclusivity makes sense in some contexts for ownership as some of the businesses are owned collectively by entire faculties through their professional associations. The not for profit, co-operative model also limits the types of funding that the start-ups can attract specifically preventing venture capital expectations to cause mission drift. (Reed. 2018)¹³ Finally it allows the co-operatives to amass under an unofficial federated umbrella, creating networks of strong and loose ties that can potentially resource-share and rally together in movement building. (Hopper. 2018)

¹³ Not for profit, co-operative status helps the board of directors (comprised entirely of students and faculty) to avoid potential conflicts of interest that may ensue from directing research towards entrepreneurial projects Some professors have had to step away from the co-operative as they've ascended into higher-level administrative roles. (McMurty. 2018)

The third difference is the politicization of the co-operatives and the strong emphasis on being mission-centric. Both of the co-operative businesses have align missions of local, organic and fair trade practices. (Reed. 2018, Russo. 2018) They are designed to prioritize and explore the advancement of their missions in tandem with revenue generation. Mission and revenue creation must be in “lock step” meaning that they are interdependent; one cannot exist without the other.

Finally, the co-operatives provide a variety of experiential education opportunities that are administered through a variety of different programs (not just business and entrepreneurship.) All of these practices are formalized by their three strategic pillars.

- To promote sustainable consumption and production on campuses (via fair trade)
- To promote the co-operative business model
- To provide experiential education opportunities for students on campus (Green Campus Co-operative. 2018)

The GCC as a Co-op

While Darryl and colleagues were intent on creating a new fair trade value chain they were also very interested in incubating new co-operatives to teach and encourage students to learn about co-operative businesses. The board was intended to be a working board in which those members would act as the collective entrepreneurs for the development of new co-ops. They wanted students to not set up their own businesses, but to rather to learn how a new business gets set-up within a relatively sheltered environment (not having to put in capital, etc.) The board had 9 seats of which 5 are designated for professors and 4 for students; however, students currently make up the majority of the seats. There were a few committees, marketing and events, sustainability and finance that were designed to take responsibility for the various elements of the co-operatives business development that would be led by the committee chair. Four past student board members were interviewed two of which served six years terms and the rest serving less than a one-year term thus far. For most of the students this was their first board experience as well as first co-operative business experience. Respondents all claimed that their time working with the GCC was a positive experience and some of them have sought out more board work in the broader co-operative sector upon completing their term. Other respondents noted that they felt like they were unable to engage in the short-term goals of the co-operative as opportunities would come and go without their knowledge. Many respondents

noted that they enjoyed working with external stakeholder (like the Sumac Co-operative) and they wish they could do it more. Some board members noted however that they do not fully understand the structure of the co-operative, nor the scope of their role. (Interviews with micro-stakeholders. 2018).

Limitations

While the operational board structure of the GCC is a unique and distinctive design, it is difficult to execute and faces many challenges. First, the board is the primary decision making body for the operations of the enterprise but involves a number of students that often lack previous board experience. Without a sophisticated board training process students may feel unprepared or intimidated to challenge the more experienced members making them susceptible to various cognitive biases like group think or confirmatory bias. An interesting parallel model to the GCC is the Guelph Campus Co-op whose commercial objectives are to sell textbooks and offer various student housing projects through a similar consumer co-op mode. The staff at all of the Guelph Campus Co-op's businesses is made up of hired professionals that are responsible for training the board. (Barrett. 2018) Since meso stakeholder respondents have expressed their interest in a more formalized board training process this model may prove to be an interesting concept to draw insights from. One final sometimes confusing element of the GCC's cotton initiative is identifying who the membership is. Technically as a consumer co-operative it would be required that the customers would be the membership and therefore become the owners of the business, however this is not the case with the GCC. This unclear membership makes it difficult to understand the utility of the co-operative model and as a result to teach the co-operative model through praxis. The GCC will have to re-think their membership structure to clarify the utility of their co-operative model and meet the legal requirement of a consumer co-operative business.

Concluding Remarks

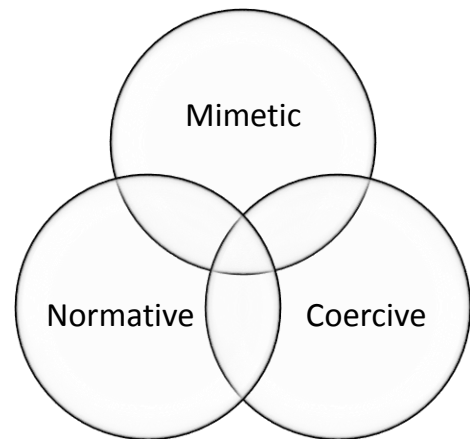
The Green Campus Co-operative is taking on a very ambition task. Although they have no major dominating competitors, they operate in a fully saturated market, a market where price precedents have been driven down to unsustainable levels. To succeed, the co-op will need to rethink many aspects of their industry; they will need to battle with the paradoxical nature of the pricing, find reliable and sustainable long-term supply chain partners and engage in activism with relevant

stakeholders that share their vision and praxis. It will be very interesting to see how the co-op is able to navigate their way through the apparel industry in Canada. I am sure their process will make for more interesting research in the future as more data is collected.

Chapter 5: Discussion

A Normative Analysis: Green Campus Cooperative and Institutional Theory

Like all businesses the GCC exists within an organizational field and this field is subject to “normal” patterns of behaviour. As organizational theory would suggest these patterns of behaviour are to varying degrees affected by the normative, coercive and mimetic pressures that seek to influence them. Each of these forces apply different leverage points that the co-operative can use to advance their mission of fair trade, local and organic purchasing on campus.



Mimetic Pressure:

The first problem that campus activists were facing when thinking about how to integrate Fairtrade and Organic Certified cotton apparel into Canadian Universities was the simple fact that no businesses were supplying it. Mimetic isomorphism is the tendency for an organization to copy another organization’s strategy because they see value in it. For this reason, providing a product alternative is a key strategy not just for availability, but also to demonstrate proof of concept for Fairtrade, Organic garments in the broader business environment and provide an example for which others can copy. As the Green Campus Cotton can sell to more institutional buyers, the more they will be able to validate a market demand for Fairtrade and Organic Certifications.

Challenges

As an activist social enterprise that champions a mission and a product / service, the Green Campus Cooperative faces a unique paradox. While one objective is to have more companies adopt Fairtrade and Organic Certification, simultaneously the brand value derived from those certifications is the main differentiation point for the co-operative. This paradoxical reality is a large theme for an activist social enterprise concerned with systems-change.

If the Green Campus Co-operative gains market validation for Fairtrade, Organic cotton then other larger traditional corporations may decide to certify a small portion of the products as Fairtrade to capture the niche-market. To prepare for this eventuality, the Green Campus Co-operative will have to do a very thorough job educating their customers and nurturing their relationship with champions that share the vision of fair trade. They will need to develop strong social capital relations that can preserve their markets and ensure that the quality of their products and services are on-par with traditional brands.

Normative pressure

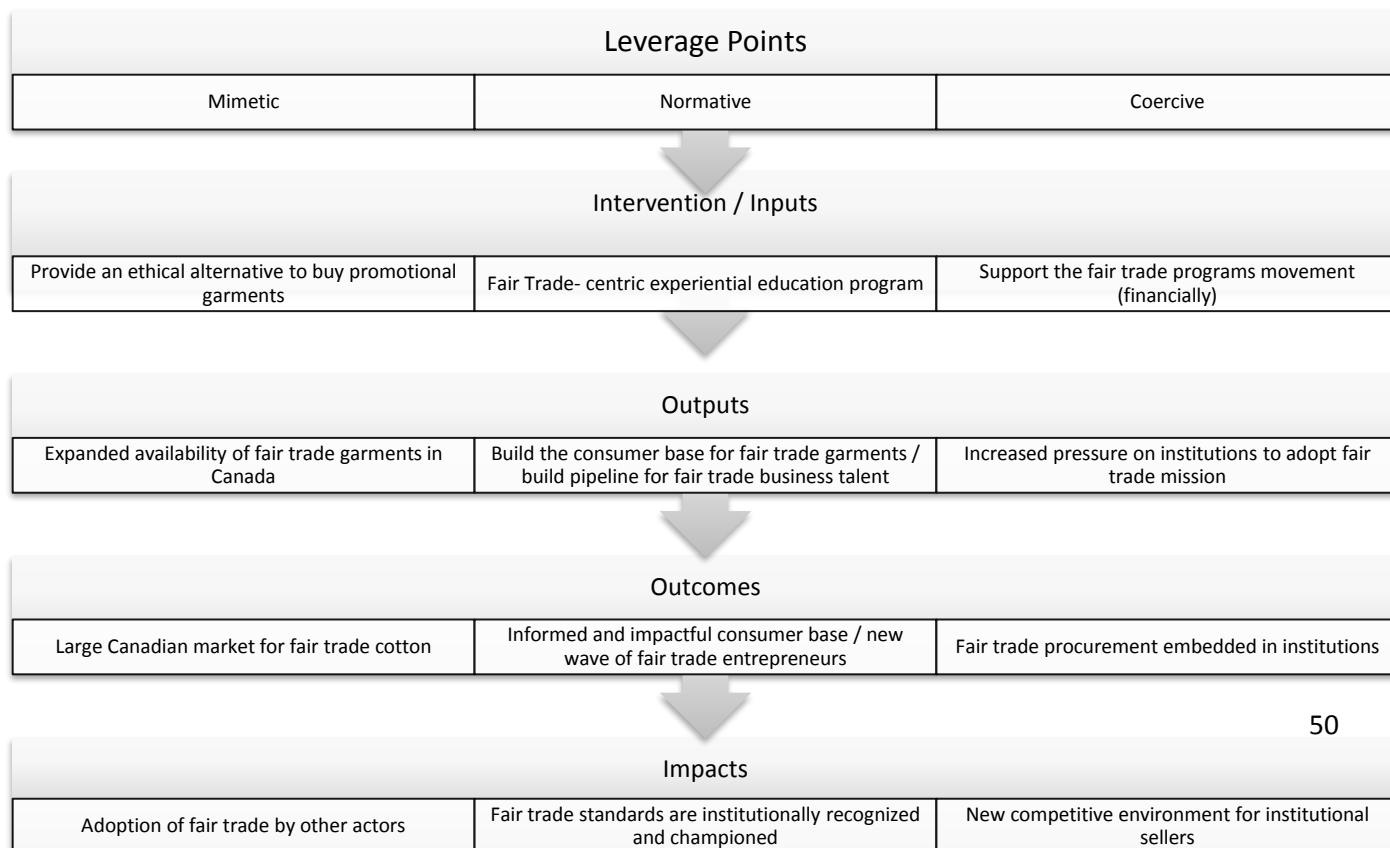
Normative pressure refers to the professionalization of organizations and the internal cultural dynamics that result. There are no formal business programs at universities that teach redistribution as a primary driver for creating a fairer global trade system. In fact, the concept of fair trade is often seen as a byproduct of international development, not business. Many proponents of fair trade however (producers included), do not consider the system to be a development model, but rather an alternative trade system that is entirely propelled through business transactions. As a result, business students entering the professional world are not introduced to the concept of redistribution and are actively discouraged from supporting these methods in prominent research like Creating Shared Value by Porter and Kramer (due to their perceived competitive restraints). The GCC's experiential education program can actively seek to professionalize students to work in fair trade businesses and can produce academic business-centric research about fair trade value chains. The co-operative can also work with existing fair trade programs like the Canadian Fair Trade Network origin trip program to send students to fair trade producer co-operatives as part of their educational experience and support the education of administrations bodies to understand the benefits of fair trade. They can also support (through social capital relationships) other organizations that seek to change the normative pressures on business managers.

Coercive pressure

Coercive pressure, being the formal rules that govern an organization behavior, also provide a good leverage point for the co-operative to gain a competitive advantage. The Canadian Fair Trade Network has been running their fair trade designation program since 2012 and has thus far designated 32 campuses under their program. These designations require that all food service locations offer Fairtrade Certified coffee, at least 3 Fairtrade Certified teas and one Fairtrade Certified chocolate bar. It also requires the formation of an ongoing steering committee that must report annually on their

efforts to increase product availability and monitoring the food service departments. (CFTN. 2018) When the designation program first began with the first certified campus (the University of British Columbia), it took several years to gain traction. It wasn't until 2015 that the program began to expand rapidly now with 32 designated universities and a steering committee on virtually every campus across Canada. (McHugh. 2018) Due to its success and demand from top performing campuses the CFTN has developed new tiers of designation; silver and gold. In the gold designation each campus needs to have at least one Fairtrade Certified cotton product available. This compliance measure helps incentivize some university bookstores to seek out the co-operative's goods. Further development of this program could in time help to change the competitive environment on campuses. If all cotton products were required to be Fairtrade Certified then any emerging competitor that wanted to sell on campuses would have to compete not just economically, but also within the co-operative's social and environmental mission. Universities are a very large client group for promotional materials, with governments, nonprofits and public institutions (including universities) holding 9.2% of a \$1.9 billion dollar industry in Canada. (IBIS. 2018). In an opened market the cooperative is disadvantaged; they will have to sell more volume to make up for their smaller margins compared to their competition. In this hypothetical scenario however, there would be no room for cost leaders to "shirk" and take advantage of an externalized cost of production, they would have to pay a Fairtrade minimum price leaving only differentiation strategies as the main source for competitive advantage.

Suggestions:



The Green Campus Co-operative itself should institutionalize the principles and theory of institutional entrepreneurship and engage its strategy through that methodology. It should give priority to building out its commercial solution so that it may service the demand for Fairtrade Certified cotton, it should take advantage of its position on a university campus to embed fair trade education into curriculum, and it should actively seek to change the nature of competition in its primary market: the university campus by supporting the Fairtrade Campus designation program. By embracing these three pillars the co-operative is not only setting itself up for success, but also influencing the environment around it to support its mission. Above is a sample table for a theory of change that the co-operative can use as a guideline.

Normative Analysis: Green Campus Co-operative and Cognitive Frames Theory

A very large component of the Green Campus Co-operative's mandate is to provide experiential education programs to students. This gives the co-operative an opportunity to allow students to explore business sustainability solutions that embrace trade-offs. Thus far the GCC educational program has lacked structure and focus as the uncertain hustle and bustle of creating new business has made it a challenging space to create a program within and with limited capacity. Now that the co-operative has established two primary businesses its experiential educational program has space to evolve.

Reflecting on the inferences derived from cognitive frames theory it can be understood that the widely accepted understanding of a sustainability strategy in business is one that emphasizes a win-win-win model of financial social and environmental success. This cognitive frame of thinking is dangerous as it limits the scope of possible solution building to ones that have a clear business case. As a result, issues like modern day slavery, volatile commodity markets and sweatshops that do not have a clear business case solution will often be overlooked or miss-diagnosed. The Green Campus Co-operative should take advantage of its resources, location and mandate to provide experiential education as an opportunity to provide students with an environment that allows for paradoxical thinking. Placement students are presented with complex social and environmental problems when working with the GCC and these problems can be diagnosed with solutions that embrace then tensions between business and society. Students can scan problems with the input of a variety of stakeholders and should be encouraged to challenge their own assumptions or confirmatory biases. When collecting information, the students should be encouraged not to seek out definitive answers

but rather multiple paths that have been well researched. Finally, the students can and should be encouraged to test new theories, ideas or variations that may fall outside of typical business case frameworks utilizing information from interdisciplinary backgrounds. One potential assignment for an experiential education student at the et al (the café / pub) may look at a particular dish and research the social and environmental ramifications or benefits of each ingredient, then weigh that through a cost / benefit analysis to determine how financial feasible it is and if they can stomach any potential trade-offs. Students can do carbon accounting modeling around ingredients or t-shirts that can be used to articulate impact to membership and then test how those metrics affect purchasing habits by running trials through the bar. These are but a few examples of opportunities that this model affords students for exploration as the enterprises principle mandate allows them to focus on aspects of the business that may not have obvious financial benefits.

Although the co-operative is fulfilling its mandate to provide experiential education to students, the core objectives of providing co-operative and fair trade education remains unclear. The experiential education within the GCC can be provided in two different manners, one, education on paradoxical decision making with the placement students and two, co-operative governance for those students that run for a board position. There is no shortage of students willing to take a placement on campus, and the co-op will have some work to do in the upcoming year to design an experience that is meaningful to both the student and the movement.

A Normative Analysis: Green Campus Co-operative and Social Capital

The Green Campus Co-operative is a small enterprise that faces many unique growth challenges, one because of its co-operative mode, which has capital raise restrictions. Two, it buys on fair trade terms, meaning that they have to pay for orders up-front and those costs will vary depending on the market price for cotton and the US dollar. They also pay a quality differential for Organic cotton and have students on their board that lack practical business experience. Finally, they are bootstrapped and at capacity with one full time employee who needs to handle all of the operations of the business with a low margin and high volume model. This employee will have to sell large amounts of clothing while simultaneously growing the organization's social capital and facilitating placement students experiential education. While this may seem overwhelming, the co-operative also has a number of advantages due it is mission primacy and positioning. First the co-op has a number of faculty board members who specialize in many different aspects that relate to the co-op (supply chain, business, sustainability, food systems, etc.) These individual can lend both intellectual capital and social capital

by providing expert information and linking the co-ops to their own broader networks. Secondly, the co-operative's student board members eventually graduate and go on to work with other organizations that can also build networks and social capital. In fact, there are many ways in which the GCC can leverage its unique model to build its intellectual, financial and structural social capital.

Cognitive Social Capital

By virtue of being a co-operative, academic and a fair trade social enterprise, the GCC has many opportunities for values alignment. When the first Liberal Art's and Professional Studies order was placed the co-operative sent a press releases to its NGO network (that shared its core-values of fair trade and development) (e.g. Fairtrade Canada, the CFTN, Fair Trade Toronto, The Ontario Council for International Co-operative and CASC) These organizations then provided free advertisement that the co-op was able to relay back to the faculty, thus bridging a connection between the customer and civic engagement. By leveraging this press from its NGO network it is able to demonstrate added value to its customer by rewarding the aspects of its transactions that fulfill the GCC's core mission. The GCC also provides experiential education opportunities that many faculties are interested in developing for their students. In doing this, the GCC's identity is becoming more closely relatable to its core customer as the values alignments of education can be made on top of fair trade, organic supply chains. This increases the likelihood for building more network connections outside of the transaction with a target customer. The GCC can also appeal to other co-operatives to buy from them, (as they will likely be more receptive to the GCC's relatable model.)

The GCC will begin to encounter cognitive barriers as it tries to move into more mainstream markets (events, corporate workplaces, etc.) If the co-op desires to engage with these prospects, in order to leverage cognitive social capital it will have to get creative with its value proposition by packaging it with things that are material for that business or event.

Structural Social Capital

The GCC benefits from structural social capital in many ways. Its office space was given free of charge by the Liberal Arts and Professional Studies faculty (LA&PS) at York University and the co-op retains insider industry knowledge from York's Bookstore. Board members sit on a number of other boards including Fairtrade Canada, The Canadian Association for the Study of Co-operatives, the Canadian Fair Trade Network, Fair Trade Toronto, Karma Co-op and many others. This structural alignment grants the co-op intellectual resources as other members of those boards are

often key stakeholders in particular target markets and can make referrals, introductions or lend operational knowledge. The co-operative's partnership in the et al faculty and grad student lounge and café has also opened up doors for the GCC to gain access to other individuals who have a values alignment with their core mission and the respective organizations that they collaborate with.

Conclusion

This paper has explored the unique case of the Green Campus Co-operative that seeks to develop core competencies in both business and activism. It suggests that while the GCC is on the surface a commercial enterprise its core objective is to change the institutional norms and behaviors of the actors within its organization field. This means increasing its buyers' willingness to pay by educating them about the social and environmental benefits of Fairtrade, Organic Certified supply chains. It means changing the competitive field in its core market (primarily university campuses and cities) to one in which social and environmental considerations have a competitive advantage over profit maximization. To do this the GCC must participate in the fair trade programs to ratchet up procurement standards on campuses and in towns using the principles of coercive isomorphism. The paper also suggests that the GCC needs to embrace the principles of normative isomorphism by training students to embrace the trade-offs between economic, social and environmental progress. In doing this, their students will not only potentially become paradoxical thinkers, but they will become educated in the principles of institutional entrepreneurship and can replicate activist social entrepreneurship (or intra-preneurship) in their future careers. Finally, the importance of building social capital and developing dense networks of strong and loose ties that share common vision and praxis was discussed. This ensures that it's radical vision of fair trade is upheld within its own movement and I have proposed a number of ways in which it can do that.

So, to re-visit our introduction, *who is to blame?*

In a perfect world, if the conditions of the free market were present, then theoretically each product sold on our shelves would reflect a perfect cost to create it. This fundamental economic assumption is the core of decades of economic theory that has enlightened policies, business transactions and global economic flows of capital. For all members of our global economic system to prosper let's start with this fundamental building block: striving to reach a perfect cost to be reflected in our pricing. We should blame any entity that supports a system that would exploit this concept, to "shirk" and gain an unfair comparative advantage by driving its externalized costs of production onto any other member

of the value chain. We should blame firms that try to control market prices through oligopolies and use that power to bankrupt competitors by locking them into impossible pricing wars. We should strive to minimize asymmetric information flow to consumers and encourage competition that reinforces rational behavior on the part of business managers. Finally, we should seek out meaningful missions that treat the systemic root-causes of the problems we want to correct with our social enterprises. Finally, we should fight through organizational conflicts when SEs are absorbed by larger entities, or when their visions are challenged by well-resourced opponents.

Next to only oil, the global garment industry is the second highest polluter on earth. (Morgan. 2015) Cotton uses 25% of all insecticides and 10% of all pesticides in a world that is now consuming 400% more clothing than only two decades ago. (Morgan. 2015) There are approximately 40 million garments workers in the world today, of which 85% are women. (Morgan. 2015) Among these workers there are more slaves working in bonded labor now than during any other point in history. (Wishing Step. 2017)

We can do better, one activist social enterprise at a time.

Appendix

Appendix A: Interview Guide

Institutional Entrepreneurship: A Case Study of the Green Campus Co-operative.

Abstract:

This action research case study will explore the Green Campus Co-operative's unique hybrid structure (as a not-for profit co-operative) and its location within a university campus to explore if it is well equipped to address industries that have become subject to market-failure. The comparison will measure this impact through selected institutional entrepreneurship frameworks and will focus on the GCC's ability maximize its own mission. It will be specifically looking at the co-operative's attempt to actively engage with and change the practices, policies and strategies of the stakeholders that it interacts with and encourage them to adopt the enterprise's social mission of fair trade.

Method:

A participatory action research case study approach was chosen to identify how the Green Campus Co-operative has been able to leverage institutional entrepreneurship to advance their mission of fair trade. I have adapted the characteristics of action research in order to address my familiarity and participation in the project and applied them to a case study method

so I can isolate and understand to some degree how the mission of fair trade has been diffused through the

broader business environment surrounding the cooperative.

Participants will be asked a series of questions that relate to their experiences with either the Green Campus Cooperative and/or the Canadian Fair Trade Network / Fairtrade Canada towns, campus, workplace, events, faith groups, schools campaigns. It will be coded and analyzed through selected isomorphic indicators, (coercive, mimetic, and normative.)

Sample Question(s):

1. Please describe your experience with the Green Campus Co-operative
2. Has your knowledge of fair trade increased since working with the Green Campus Co-operative?
3. How has the broader business environment changed over your career with regards to its embrace of fair trade
4. What tools have you observed over the course of your career that has (in your opinion) legitimized the fair trade movement in terms of (regulation, societal acceptance, vendor acceptance, university acceptance)
5. Have you started noticing other fair trade products since working with the Green Campus Co-operative?
6. (In your opinion) How has your institution changed since becoming fair trade designated?

Conflicts of interest:

The research declares no conflict of interest.

Assessment of Risks:

There are no perceived significant risks to participation in this study.

Assessment of Benefits:

Participants from various stakeholder groups will be able to use this framework for analysis in their ongoing attempts to peruse their various mission(s). It will also provide a monitoring and evaluation framework for the

Green Campus Cooperative to measure its ongoing attempts to correct the market failure that it seeks to address by advancing its mission of fair trade. *Study Overview*

Appendix B: Price Discount Calculator

Discount Calculator							
Gross Margins							
	20%	25%	30%	35%	40%		
Cut your price by --->	1%	5.30%	4.20%	3.40%	2.90%	2.60%	
	2%	11.10%	8.70%	7.10%	6.10%	5.30%	
	3%	17.60%	13.60%	11.10%	9.40%	8.10%	
	4%	25%	19%	15.40%	12.90%	11.10%	
	5%	33.30%	25%	20%	16.70%	14.30%	<-- Sales growth required to brean even
	6%	42.90%	31.60%	25%	20.70%	17.60%	
	7%	53.50%	38.90%	30%	25%	21.20%	
	8%	66.70%	47.10%	36.40%	29.60%	25%	
	9%	81.80%	56.30%	42.90%	34.60%	29%	

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