



An Exploratory Assessment of Sourcing Criteria of the Fair Trade Apparel and Soft Goods Supply Chain

Caroline Schumm and Linda S. Niehm, Iowa State University

Introduction:

Apparel supply chains are experiencing major shifts regarding how products are sourced and produced, from raw materials through to the end consumer. These shifts are due to changes in consumer behavior, pressure from grassroots fashion activism, political governance, and global disruption (e.g. COVID-19) (Awaysheh & Klassen, 2010; Ganesan et al., 2009; Perry & Towers, 2013). In response, apparel companies have implemented corporate social responsibility (CSR) practices and have reexamined the complexity, dependency, and distance of their supply chains (Abbasi, 2017). Third party auditing firms, such as Social Accountability International (SAI) implement SA8000 for fair trade practices and certify products through fair labeling organizations (FLOs), have made it easier for large corporations to implement fair trade practices in their supply chains (Carter et al., 2016; Reed, 2009).

Research indicates that corporations that implement fair trade practices within their supply chains or have certified fair trade products have noted increased sales and profits due to economies of scale and brand positioning in the marketplace (Awaysheh & Klassen, 2010; Perry & Towers, 2013). However, much of the existing research has disregarded fair trade's true purpose, and instead follows an instrumental perspective that places economic concerns above social or environmental concerns (Montabon et al., 2016; Pagell & Wu, 2009). These observations highlight the need for an expanded view of fair trade verified (FTV) companies and their supply chains that focuses on sources of non-economic and relational value.

FTV companies function much differently than larger corporations (Lamy, 2019; Mason & Doherty, 2016). When put into practice, FTV enterprises conduct business built on equity, transparency, and respect while focusing on rebalancing the distribution of wealth within the international trading system (Fair Trade Federation [FTF], n.d.). In doing so, they intentionally create long-term sourcing partnerships with artisan groups in developing countries (FTF, 2020.; Littrel & Dickson, 1998). Artisan groups are typically small groups of less than 100 economically marginalized craftspeople, living and operating in developing countries (FTF, n.d.). FTV supply chains uniquely operate at the intersection of social, environmental, and economic gains. FTV companies have been operating for decades using unconventional business practices and methodology that have created employment opportunities for marginalized artisans, created well-being outcomes such as worker empowerment, used environmentally friendly practices, and have remained profitable.

FTV companies are 'fully fair trade' in their business operations (Fair Trade Federation [FTF], n.d.), meaning that all facets of their product supply chain adhere to fair trade principles, as put forth by the FTF. They typically have fewer than 100 employees (Carter et al., 2016), have annual sales of \$5 million or less (FTF, n.d.), and behave akin to small businesses with limited resources (human and financial) and social enterprises, balancing their mission-based goals with maximizing profits (Dorado, 2006; Lamy, 2017; Mason & Doherty, 2014).

Purpose:

Despite being a multi-billion-dollar market (Carter et al., 2016), relatively little is known about the supply chains of FTV companies. The majority of literature focusing on fair trade supply chains revolves around how large corporations implement fair trade practices into their already robust operations (Awaysheh & Klassen, 2010; Perry & Towers, 2013; Reed, 2009). The present study addresses this void by examining sourcing criteria and characteristics of the FTV supply chain.

Methodology:

This grounded theory study utilized one-on-one interviews and secondary source documents (e.g., company website) to explore the functions and characteristics of sourcing activities within the FTV for profit company. In-depth interviews were conducted with 19 key sourcing personnel across 18 FTV companies (Creswell & Poth, 2018). Findings were triangulated with secondary documents –from the company's e-commerce websites and marketing materials. Data collection concluded when repetitive responses indicated saturation (Charmaz, 2014).

Findings & Discussion:

Across the 18 FTV companies, artisan group selection was determined first through the missional lens of the company, then through the relational fit with the artisan group, and finally through the functional capabilities of the artisan group. However, tradeoffs were made within the relational and functional capabilities of the artisan group based on the resources and structure of the FTV company. Additional considerations and negotiations were made based on artisan group embeddedness in their culture and cultural customs. Outcomes regarding informal sourcing criteria were mutual trust between the FTV company and artisan groups, viable products for a western marketplace, financial sustainability, and artisan wellbeing.

Throughout each of the interviews it was clear that FTV companies were constantly trying to find the 'right' balance within their supply chain to fulfill their mission and to achieve financial sustainability. The 'right' balance that led to firm performance of both financial and nonfinancial measures was different for each company. Factors considered in the assessment of 'right' balance included in-country structure, resources (tangible and intangible), and artisan group relational and functional factors situated within their unique culture. Constant tension in sourcing decision making within the FTV company is similar to what Mason and Doherty (2016) propose as *Performance Paradox Theory*. As demands on the organization's resources and outputs increase, tension starts to build between financial sustainability, operational efficiencies and missional outputs. The FTV company is constantly assessing what is going to be the best sourcing option given their organizational resources and the artisan group's capabilities.

Implications and Conclusion:

The results of this study indicate that in-country structure has large implications on which artisan group selection criteria will be more salient, but also ultimately can impact the FTV company's financial and non-financial measures. Sourcing managers in FTV companies should assess their in-country resources and capabilities to determine the right balance of relational and functional sourcing criteria. The majority of FTV companies had either full time or part time in-country managers. This is the lowest level of in-country support out of the four

in-country structures implemented by the participating companies. While some companies employing this structure were able to train-up or develop artisans it was not as effective as those with more developed and comprehensive in-country support. Due to this, companies with lower in-country support may want to place more weight on the functional aspects of artisan selection criteria to be sustainable.

If FTV companies can find the right relational and functional fit given resource constraints that maximizes current resources and creates combined resources between the FTV company and the artisan group, they will increase performance of both financial and non-financial measures and create an inimitable competitive advantage. As Mason and Doherty (2016) found, it is the social enterprises that are comfortable managing the tension of mission and profit that are sustainable.

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