Creating value in ‘Fair Supply Chains’;
An exploration of the relationship between opportunism, fair-trade and experimentation via Strategic Niche Management in the textile industry.

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Abstract ................................................................................................................3
1. Introduction........................................................................................................4
2. Literature review ............................................................................................5
   2.1. Opportunism ............................................................................................5
   2.2. Ethical performance: classifying fair trade businesses .........................7
   2.3. Performance of the ‘fair trade’ niche .......................................................9
   2.4. Managing opportunism: TCA and SET and SNM ....................................10
      2.4.1. Controlling opportunism costs by TCA ..........................................10
      2.4.2. Managing cost from opportunism alternatively by SET ..................11
      2.4.3. Managing experiments: the input from SNM ...................................11
   2.5. The relationship between antecedents of Opportunism, SNM and fair trade
        organisations ...............................................................................................13
3. Methodology motivation ..................................................................................19
4. Case study: Fair Trade Sport Uniforms (FTSU) in Flemish schools ...............20
   4.1. Basic facts about Fair Trade Sport Uniforms .........................................20
   4.2. The core network as a shelter for its niche by mutual dependency ..........22
      4.2.1. Finding a production site .................................................................22
      4.2.2. Finding a pilot school .....................................................................23
      4.2.3. Extending the network and making it more dense .........................24
   4.3. Reducing uncertainty .............................................................................25
   4.4. Learning ..................................................................................................26
   4.5. Low formalization to develop in different directions ............................27
   4.6. Good relational norms to align expectations .........................................28
5. Discussion and further research ....................................................................30
6. Conclusions and management implications ..................................................31
7. Attachment 1: summary of all actions that can enhance network growth .......35
Abstract

Opportunism is widespread in the western capitalism culture. The phenomenon of opportunism or lack of ‘intentional trust’ in economics has been well studied but not completely understood. Opportunism has been defined as ‘self-interest seeking with guile’. Individual companies do have to invest to be able to protect themselves from the opportunistic behaviour of its supply chain partners. Companies use management concepts like Total Cost Analysis (TCA) and Social Exchange Theory (SET) to manage opportunistic threats. There are also other ways to protect oneself from opportunism. The fair trade movement uses a strong selection of trustworthy partners in a supply chain. Those partners do not want to pursue advantages in cost leadership, product/service differentiation and product/service excellence in the first place, but have policies with a focus on sustainability criteria. The fair trade movement is one of those networks what could be called ‘Fair Supply Chains’ as they deliver products to a niche public who factor ethical behaviour in their buying decision. Hawkins (2008) did suggest further research of the performance of such supply chains that are less inclined to opportunistic behaviour. Therefore, this paper employs a literature study and an experiment to explore how those fair supply chains create value for their niche market through the reduction of opportunism in buyer-supplier relationships. Strategic Niche Management (SNM) was used in a case study to describe the creation of value by the reduction of opportunism. This methodology’s three processes ‘networking, learning and convergence of expectations’ were originally used to support new sustainable technologies through societal experiments. SNM was also used as a policy tool to build a framework between SNM, opportunism antecedents and fair trade. This framework suggests that self enforcing circles exist while SNM processes benefit from reduced opportunism and they contribute in the same time to reduction of opportunism. The value created by applying the framework is related to the creation of a competitive advantage which can lead to switch behaviour of business customers. Though, operational profits were not perceived as a main benefit, composing a ‘Fair Supply Chain’. Moreover, this study indicates that even ‘Fair Supply Chains’ have to deal with the explicit existence of opportunistic behaviour. Moreover, a too high focus on opportunism can lead to “activism behaviour” which might hamper other important SNM aspects like ‘continuous improvement’. Further research could indicate in which extent the concept of reduced opportunism should be included in strategic management models to develop sustainable competitive advantages out of its niche.
1. Introduction

A central precept of Western capitalism is its selfish and individualist nature (Helper, MacDuffie et al. 2000). Companies tirelessly and aggressively pursue advantages in cost leadership, product/service differentiation, and product/service excellence (Porter 1980). Opportunism is a widespread problem in business-to-business relationships, working together in supply chains (Schary and Skjott-Larsen 2001; Hawkins, Wittmann et al. 2008). Opportunism is defined as ‘self-interest seeking with guile’ or as aggressive selfishness and it disregards the impact of the companies actions on others (Williamson 1975; Lai, Liu et al. 2005). Opportunism has been indicated many times as biggest trigger for the economic crisis that started with the bank crisis in 2008 (Porter and Kramer 2011). Activities include stealing, cheating, breach of contract, dishonesty, distorting data, obfuscating issues, confusing transactions, false threats and promises, cutting corners, cover ups, disguising attributes or preferences, withholding information, deception, and misrepresentation (John 1984; Williamson 1987; Anderson 1988; Wathne and Heide 2000). The phenomena opportunism also costs money. Methods as Total Cost Analysis (TCA) show clearly the costs involved to manage opportunism. In the last decades, some alternative managerial methods were explored defining more ethical rules between stakeholders. Social Exchange Theory (SET) (capital 2.4) has been developed as such a model. Around 1960 the ‘fair trade movement’ was founded as a reaction to the exploitation of third world countries. In that context, the ‘fair trade Movement’ started with a campaign ‘Trade, not Aid’ after a convention from the ‘united nations’ in 1954. They succeeded to create a niche where buyers and suppliers behave in a more ethical way dividing profits equally between the stakeholders. Currently, fair trade organisations are doing well, considering the permanent growth in difficult times of crisis. Though, the biggest success of ‘fair trade’ often has been realised to the profits for the partners in the south (EFTA 2000-2009; Porter and Kramer 2011). Other targets of the fair trade movement include ‘spreading the word’ about ethical buying aspects, to more and more customers. Although the message has been received (Tiffen 2005), there is still a big gap between the consciousness about ethical matters and the buying behaviour of those customers. Only 5% of the consumers do want to validate fair trade criteria in their buying decisions (Develtere and Stessens 2006). Today, even classical management gurus as (Porter and Kramer 2011), start to realize that current capitalism is at its limits and introduce concepts as ‘Creating shared value’, which brings corporate responsibility back in the picture. Some authors do mention a research gap in the relation between the impacts of opportunism on the value creation process (Hawkins, Wittmann et al. 2008). The phenomenon of opportunism is not completely understood as well but has significant effect on the firm performance. Therefore, Hawkins 2008 proposed
promising paths for further research on performance in order to select partners in a supply chain, who are less inclined to behave opportunistically. He stated: **more value is created in supply chains which rely on relational norms as governance mechanism**. Supply chains acting on an equal high ethical level could then be called ‘Fair Supply Chains’. This study aims to give in depth insight how ‘Fair Supply Chains’ are benefiting from reduced opportunism. Thereby, this study is not questioning if sustainability criteria can replace economic profit to enable change and path creation (Hoogma, Kemp et al. 2002). This study acknowledges this economic power as the most important, but focuses on the complementary aspects in strategic models to create competitive advantages. Can a ‘Fair Supply Chain’ create extra value for its consumers and/or create competitive advantages? To what extend one should decline the ethical level, so this value can be created? Which other factors moderate probably this relationship?

In a literature study, the phenomena of opportunism and trust are analysed. Strategic Niche Management (SNM) was used to make a framework for the reduction of opportunism. Afterwards the activities of ‘Fair Supply Chains’ were linked to the SNM-processes and the reduction of opportunism. A case study was set up especially for this study.

### 2. Literature review

The classical performance parameters in terms of cost leadership and product differentiation (Porter 1980) have been enriched by their value for the society. This concept is wider known as ‘Corporate Responsibility’ or in a larger scope as ‘Shared value’ (Porter and Kramer 2011). One could simply define it as ‘Ethical behaviour’. ‘Fair trade businesses’ have to compete in real competing markets. Competition is the ‘constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s) and thereby, superior financial performance’ (Hunt 2000). Companies are expected to leverage their advantages in the marketplace. The question now is: how can a reduced level of opportunism contribute to create value for (fair trade) businesses?

#### 2.1. Opportunism

Fair trade business tries to reduce opportunism within their supply chain in several ways. Above opportunism was described as ‘self-interest seeking with guile’. In order to better understand the phenomena, one should involve the antecedents of opportunism and make a distinction in trust. The continuous struggle to improve performance creates potential for decision-makers to choose for behaving opportunistically. Trust has often been related to
opportunism. We can distinguish 3 kinds of trust (Williamson 1993). Trust in competence, trust in intentions and trust in external conditions or bounded rationality. Examples are respectively the ability of partners to follow through in a deal, their intention to do so as good as they can, and their endeavour not be thwarted by unforeseen and uncontrollable conditions. It is important to distinguish between trust in competence and intentional trust, since their breakdown calls for different actions. If competence fails, one may give support to improve it. If intentions fail, one may improve incentives or give threats. The problem of course is that when the real reason for lack of performance is lack of intention, such as opportunism, the culprit will claim failure of conditions or shortcomings of capability as an excuse. As indicated by (Williamson 1993), we can classify sources of collaboration in a two by two matrix (figure 1). Sources can be on macro level, applying to a community as a whole, or on micro level, applying to individual relations. They can be based on self-interest or on concern for others. A macro ego-centric source is the law, with its threat of punishment. This is the framework companies in western countries have to work in. Big discounters like Aldi and Walmart, strictly use this framework. Those companies will rarely react when unethical production methods are fought by NGO’s who are defending labour rights in prosperous countries. The elements of other-directed macro sources are ‘norms and values’ of a decent conduct. So some big companies like H&M for example define policies for ethical behaviour for themselves and their suppliers. Micro self interest sources form the realm of the forms of governance proposed by transaction cost economics (TCA): power on the basis of dependence, distribution of ownership, monitoring, hostages, reputation. Buyers can use their personal assets and company assets to put their suppliers under pressure. Micro other-directed sources are bonding through emotions or kinship and habituation or routinization in specific relations. The more ethical a business works the more his macro- and micro sources of trust will depend on the concern for others.

Tabel 1: sources of collaboration (Williamson 1993)

<table>
<thead>
<tr>
<th>self interest</th>
<th>concern for others</th>
</tr>
</thead>
<tbody>
<tr>
<td>macro</td>
<td>Law</td>
</tr>
<tr>
<td>micro</td>
<td>Use buying power (TCA)</td>
</tr>
<tr>
<td></td>
<td>Norms and Values</td>
</tr>
<tr>
<td></td>
<td>Relations Centered</td>
</tr>
</tbody>
</table>

The same sources apply to intentional trust. (Nootboom 1996) gave a narrow and a wide definition of intentional trust. The wide definition is as follows: the expectation that someone will not intentionally damage one’s interests, or the neglect of that possibility, whatever the basis for such expectation or neglect. It may be based on a tight contract, or the conviction that it would not be in a partner’s material interest to cause damage. In the narrow definition, the expectation is that damage will not be caused even if there is both an opportunity and an incentive for the partner to cause damage. The latter definition approaches the common sense notion of trust and will be more applicable to fair trade practice. According to that notion there is no trust if it is based on legal coercion or self-
interest. Note the danger of misunderstanding involved. When someone says he can be trusted he can mean that he is contractually bound or he can mean that he will not act opportunistically even when he has the opportunity and the interest to do so. It is important to know which of the two is at play (Nooteboom 2000). The essence of ethical behaviour is using the latter definition of trust. This performance is defiantly the main difference between 'fair supply chains' and other 'supply chains', though it is not easy to classify 'Fair trade businesses'. In the next capital (2.2) a classification model will be discussed.

2.2. Ethical performance: classifying fair trade businesses

When looking at Corporate Social Responsible (CSR) businesses, a distinction should be made on the level of their performance with regards to ethical issues. On the other hand, Fair trade claims are not legally protected and therefore the ethical performance in Fair trade has to deal with a lot of ambiguity. Though, Low and Davenport 2005 created a useful framework to get an idea of this complex way of performing (Figure 1: Fair trade engagement level). From the bottom to the top in ethical behaviour we find the ‘Disbelievers’, who are common in the textile industry. NGOs complain about exploitation in the garment industry where giant retailers as Walmart, Tesco, Carrefour (Hearson 2009), Lidl and Aldi (ACV 2010; SchoneKleren 2010) use their buying power in a highly ‘self-interest’ way. Because of their large scale buying power and market share in many countries they dominate suppliers and push them into offering lower prices. In the group of ‘Defensive CSR businesses’ (CSR = corporate social responsibility), we find big trademarks like Adidas, Nike and H&M, who are for example member of the fair trade Labelling (FLO) organisation. This organisation is mainly assessing the company policies about social issues. When those organizations are having a limited part of ‘fair trade products’ in their assortment and/or apply internal policies about ‘Fair Practice’, then they become rather ‘proactive CSR businesses’. Though, to be defined as ‘Value driven businesses’, they should have embedded ethical principles in their business practices and assure their willingness (mission) to promote fair trade principles. An example is the cooperative organisation ‘The body shop’ and ‘Ecolena’ which uses only certified products in their assortments. On the top, ‘fair trade businesses’ exist to improve producer well being. The majority will only sell fair trade goods and will participate in the development of fair trade principles through their membership in fair trade umbrella organisations. Those highest ‘fair trade’ organisations, bring together committed parties to create the ‘value’ of social change, social development, fairness and equity through consumption by shortening commodity circuits between producers, retailers and consumers (Low and Davenport 2005). (Levi and Linton 2003) argue ‘while fair traders do offer a tangible market product, what they are essentially trying to sell is the norm that people in prosperous countries
should factor global social justice into their buying decisions’. Extending the network and making it denser should also be taken into account to their performance.

**Figure 1: Fair trade engagement model (Low and Davenport 2005)**

Definition, certification, scope and cost building issues are common critics at the address of fair trade businesses (Mog 2004; Biélande 2005; Mann 2008). First, **sustainability is very hard to pin down**. Mog 2004 tried to summarize it: “Sustainable Development” must be seen as an unending process—defined not by fixed goals or the specific means of achieving them, but by an approach to creating change through continuous learning and adaptation (Mog 2004). Considering supply chains, a lot of hybrid structures exist, especially when independent organisations form supply chains with partners from higher or lower levels in ethical performance. Even the highest ‘Fair trade organisation’ has to transport their goods to the western markets by mainstream forwarders and pay all kinds of taxes like every other organisation. Another problem lays in the claim to be a ‘sustainable’ business practice. Businesses use certification schemes of extern parties to assess their efforts. Extern auditors provide certification, what should guarantee consumers that fair practices are applied. They are a hard trade off while they are often very expensive. Further, it starts to get confusing for the consumer to know which certification brand is legitimated (Gow D. 1988; Biélande 2005). There are several certification programs, which assess business practices with own developed criteria for the level of ethical performance. On the other hand, the claim ‘Fair trade’ is not legally protected, so it can be used in an opportunistic way to gain consumer preferences. Mainstream producers, who want to gain a fair trade image, communicate their very little efforts (scope) of the ethical behaviour, which is not representative for the company’s business processes. This phenomena is known as ‘Clean washing’ (Low and Davenport 2005). It is clear that dealing with companies who are on the bottom of the model or using ‘clean washing techniques’ will not be the ones who will decline the level of opportunism in a supply chain by excellent relational norms.
In the next paragraphs, several ways to manage opportunism are discussed. Total Cost Analysis (TCA) and Social Exchange Theory (SET) are the most common ways. Thereby, in this study Strategic Niche Management (SNM) has been used as policy tool to reduce the level of opportunism.

2.3. Performance of the ‘fair trade’ niche

If companies want to obtain sustainable competitive advantages, they can implement strategies that exploit their internal strengths and external opportunities and avoid their external threats and internal weaknesses (Porter 1980; Barney 1991). There are four indicators to measure the potential of firm resources to generate sustainable competitive advantages—value, rareness, imitability and substitutability. If those are the characteristics of a company’s resources, they are helpful to innovation and companies can exploit them to gain competitive advantages (Porter 1980).

When we look at the created value in ‘fair trade organisations’ it is clear that the created value Hawkins predicted will have to be interpreted more freely. ‘Fair trade organisations’ often have been criticized for their operational performance. Performance in operational surroundings could be expressed in terms of: a superior physical distribution system, aggressive innovation, effective marketing efforts, strategic needs, indirect performance indicators, and profits (Gassenheimer, Baucus et al. 1996; Nunlee 2005). Fair trade products are also perceived as having lower quality than not fair trade brands (Biélande 2005). Furthermore it is not always easy to get the products available to the customer (Maxhavelaar 2010). Finally, marketing activities in order to promote the products are very limited and basic. It is obvious that ‘fair trade organisations’ operating mainly with volunteers, are not cost leaders and are not able to give excellent services to their customers. Fair trade organisations expect consumers to participate and make the trade off against ethical performance. The emotional feeling/benefit of contributing to improved conditions for human beings in a globalising world is more likely to be the created value. The greatest value for the ‘Fair trade lover’ is mainly being part of a big network giving the opportunity to contribute to a better world in a very concrete way. Additionally, they can learn from the partners in that network.

Innovation enables companies to create and deploy their capabilities that support the long-run business performance (Teece 2007). Successful innovation can make external imitation more difficult and allow firms to sustain their advantages better (Garci´a-Morales, Llore´ns-Montes et al. 2008). Here ‘fair trade businesses’ have a difficulty of strong ambiguity. ‘Fair trade businesses’ actually aim to have a spill over effect to mainstream markets, so this markets trade more fair. On the other hand they have to grow to extend their niche and finance their operations. Tiffen, 1999 did refer to this ambiguity by stating that ‘fair trade’ is ‘in and against the market’.
'Fair trade organisations’ were very innovative at their start and created a possibility for customers to buy more consciously by giving information about the production process and communities. They realised to start a social movement towards ethical consumer buying behaviour (Biélande 2005; Porter and Kramer 2011). During those activities, the fair trade movement did learn from its activities. The movement was also able to establish big networks between producers and consumers based on trust and commitment. They set up a flexible network of volunteers and found their way to alternative financing. The fair trade movement developed a unique way of dealing with their stakeholders, and satisfying them. On the customer site, only the ‘Fair trade lovers’, a small group of only 5% of all consumers, are willing to make the trade off from price against other attributes like quality, availability and promotion. The ones not belonging to that group, ‘fair trade Likers’, or ‘not fair trade likers’ are not significant acting in different way when it comes to take fair trade buying criteria in consideration (Develtere and Stessens 2006). So, when ‘fair trade organisations’ want to serve consumers outside their niche, they have to pay attention to other market players and consumer wishes (Messina and Harris 2009).

2.4. Managing opportunism: TCA and SET and SNM

To manage the influence of opportunism on a business, one could act in different ways. Common methods are: Total Cost Analysis (TCA) and Social Exchange Theory (SET). They are the dominant theoretical perspectives in opportunism-related research (Lai et al, 2005). This study suggests that for experimentation projects in a niche, Strategic Niche Management could also contribute to the reduction of opportunism.

2.4.1. Controlling opportunism costs by TCA

The impact of opportunism on a firm's acquisition strategy is rooted in TCA theory. Two studies examined the prediction of TCA theory that: (1) where opportunism costs are high, firms will assimilate the activity into their own hierarchy, and (2) where opportunism costs are minimal, firms will procure the items/services from the market. Furthermore, this relationship is moderated by management stockholding and risk aversion. TCA theory predicts an increase in transaction costs resulting from opportunism. (Dahlstrom and Nygaard 1999) support this relationship with three types of costs: bargaining, monitoring, and maladaptation. Bargaining costs are those associated with negotiations between the parties. Once the initial contract is formed, bargaining costs will not cease. On the other hand, changing circumstances coupled with bounded rationality guarantee continued negotiations. Another cost is the one for monitoring. Those costs are ‘made to guarantee the fulfilment of contractual obligations’. Examples include quality assurance inspections and on-time delivery surveillance. The last costs found are the ones of maladaptation. Those result from communication and coordination failures such as too much, too little, or
poor timing of information. In addition to firm performance, firm boundaries and costs, opportunism impacts several other variables that are important in buyer–supplier relations. From TCA theory, these variables include contractual safeguards (+) and transaction specific assets (TSA) investments (−) (Gundlach, Achrol et al. 1995).

As a reaction on TCA, Social Exchange Theory (SET) is commonly used as a foundation for relationship marketing and buyer-seller relationships (Dwyer, Schurr et al. 1987; Morgan and Hunt 1994; Wilson 1995; Luo 2002; Kingshott 2006). As evidenced in the literature, the study of opportunism expanded to SET resulting in the discovery of other associations such as: trust (−) (Parkhe 1993), commitment (−) (Skarmeas et al., 2002), satisfaction (−) (Gassenheimer et al., 1996), motivation (−) (Dahlstrom & Boyle, 1994), terminated relationships (+) (Li & Ng, 2002; Morgan & Hunt, 1994, 1997), conflict (−) (Morgan & Hunt, 1994, 1997), uncertainty (+) (Morgan & Hunt, 1994, 1997), cooperation (−) (Morgan & Hunt, 1994, 1997), acquiescence (−) (Morgan & Hunt, 1994, 1997), and relational exchange (−) (Lee, Pae, & Wong, 2001).

2.4.2. Managing cost from opportunism alternatively by SET

Social Exchange Theory (SET) is the other common alternative to deal with opportunism and the foundational premises may be summarized as follows: exchange may involve both social and economic outcomes. While TCA assumes widespread opportunism, SET rejects the assumption of universal opportunism and suggests that there is an alternate form of long-term relationships. These outcomes are compared to other exchange alternatives. Positive outcomes increase trust and commitment and, over time; norms develop that govern the relationship (Lambe, Wittmann, & Spekman, 2001). Relational norms refer to shared values and expectations between exchange partners about what constitutes appropriate or inappropriate behaviour in their relationship (Joshi & Arnold, 1997: p. 827). Hence, firms with high relational norms have the willingness to: (1) react to contract changes in good faith; (2) freely and continually exchange information; and (3) strive for the benefit of the relationship rather than individual interests.

2.4.3. Managing experiments: the input from SNM

In this study the concepts of SET and TCA are enriched with insights from Strategic niche management (SNM) to suit better in an experiment environment. The SNM methodology makes focus on the introduction and diffusion of new sustainable technologies through societal experiments. A ‘niche’ is the protected place to organise experiments. They form a specific application domains for a new technology. A niche can be defined as a discrete application domain (habitat) where actors are prepared to work with specific functionalities and accept teething problems as higher costs. In a niche, partners are willing to invest in
improvements of new technologies and the development of new markets (Hoogma et al. 2002, p. 4). SNM would be most successful when it is able to contribute to a broad shift to more sustainable economic development. Hereby, the methodology integrates technological progress and system-wide social-institutional transformation (Weber and Weber 1999; Kemp, Rip et al. 2001; Hoogma, Kemp et al. 2002; Elzen, Geels et al. 2004). This study aims that SNM processes contribute to the reduction of opportunism as it results in a social-institutional transformation of an organisation (table 2). SNM was first used in evolutionary innovation economics where various stakeholders collaborate and exchange information, knowledge and experience. Learning processes in the network facilitate the incubation of a new technology. In a ‘proto-market’, the technology involves the market parties, when the technology is still in a laboratory phase. When incubation goes well, an actual market niche will develop in an commercially effective project. (Hoogma, Kemp et al. 2002). SNM has been mainly used to set up experiments (Caniëls and Romijn 2008). The shared view about the nature of the niche formation process is remarkable for all SNM studies. It is seen to consist of three interrelated and mutually reinforcing sub processes: Networking (1), learning (2) and Alignment of expectations (3). To create a niche it is required to start a co-operating actor network. Hoogma (2000) point out that actors’ motivations to participate should not be centred on short-term financial gains. Furthermore, network composition is important ((Kemp, J. Schot et al. 1998), 191). Experimentation-based learning gives the chance to see the possibilities and constraints of the innovation in a better way. It shows the specific application domain and its acceptability. Learning processes help to set sustainable policies and promote the innovation as well. To become socially embedded, one could use an experiment as a way to stimulate the articulation processes that are necessary for the new technology (Weber and Weber 1999), 190). If learning happens inter functional in for example supply chains, where companies can learn from each other. Chen et al 2009 argue that ‘Relationship Learning’, when combined with ‘absorptive capacity’ has a positive influence on innovations as well. Absorptive capacity is the ability to enable firms to effectively acquire and utilize their internal and external knowledge. Further, to enhance these learning processes, the ‘supply chain learning’ should include the customer as well. SNM authors (Von Hippel 1986), point out that users have an important role to play, which goes beyond the delivery of market information(Weber and Weber 1999; Hoogma and Schot 2001). Finally, the ‘alignment of expectations’ process has to do with the building of a common core view with the participating actors about where they are heading to. Actors’ strategies, expectations, beliefs, practices, visions, and so on, must go in the same direction and become more specific and consistent (Hoogma 2000), 85–6). Summarized: Technologies are suited for SNM if they: (1) have significant development potential and a synergy with ongoing developments (like the evolution of user preferences and societal values, policy developments, areas of rapid technical advances) and (2) are attractive to use for certain
applications in which the disadvantages of the new technology count less and the advantages are valued high (Caniëls and Romijn 2008).

### 2.5. The relationship between antecedents of Opportunism, SNM and fair trade organisations

Figure 2 shows an overview of the concept to how the theory of SNM, fair trade practice and the reduction of opportunism are linked to each other. Table 2 shows details about the antecedents of opportunism found by Hawkins 2008 enriched by factors from SNM and fair trade business. Hawkins summarized that the occurrence of opportunism is positively affected by the Transaction Specific Asset (TSA) receiver dependency, high formalisation, bad relational norms and high uncertainty (column1). The framework points out how SNM principles and fair trade principles could be linked to the antecedents of opportunism in a supply chain. Those antecedents of opportunism have been compared to the SNM processes which support successful experimentation (column 2). The number of the ‘process’ (column 3) refers to the three SNM processes: Learning (1), networking (2) and convergence of expectations (3). The impact level is the reported level of relevance in successful SNM experiments. There are a number of stronger and weaker surrounding variables that determine the successful experimentation (column 4). Finally, a comparison has been made of how ‘Fair trade organisations’ fit the other factors (column 5).

![Figure 2: relation SNM, Fair Trade and the reduction of opportunism](image)
<table>
<thead>
<tr>
<th>Antecedents opportunism (what)</th>
<th>SNM literature (method)</th>
<th>fair trade Organisations (applied)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>hawkins 2008</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unequal dependency (TSA receiver)</td>
<td>‘a shared sense of urgency is required for successful learning’</td>
<td>Reminding stakeholders for solutions now (millennium goals)</td>
</tr>
<tr>
<td></td>
<td>The creation of sheltered spaces for incubation</td>
<td>Creating volunteer networks and alternative financing shelter the niche (Porter 2011)</td>
</tr>
<tr>
<td>high uncertainty</td>
<td>… already attractive to use for certain applications in which the disadvantages of the new technology countless and the advantages are highly valued.’</td>
<td>Factor ethical criteria in buying behavior (De Pelsmacker 2008)</td>
</tr>
<tr>
<td></td>
<td>‘broad public support base’</td>
<td>Giving information: the message has been received’ (Tiffen 2005)</td>
</tr>
<tr>
<td></td>
<td>policy actors can play a crucial role</td>
<td>Use alternative financing and urge politicians</td>
</tr>
<tr>
<td></td>
<td>sufficient institutional support, actor skills, knowledge and techniques</td>
<td>Focusing on trust, solidarity, flexibility and harmonization of conflict (EFTA 2006)</td>
</tr>
</tbody>
</table>
There are four predominant antecedents affecting opportunism; Unequal dependency, high uncertainty, bad relational norms and high formalization. The first antecedent is **high dependency**. Dependency is defined as existing when the rewards sought and received in a relationship are not available so they have to be sought outside the relationship (Thibaut and Kelley 1959; Lambe, Wittmann et al. 2001). This refers to the unequal investment in transaction specific assets (TSA). The TSA provider invests more in the relationship and thereby has a less powerful situation against the TSA receiver which is the company that does request the investment. Using that power to bargain violates against the narrow trust definition of (Nooteboom 1996), described above. Fair trade suppliers can build strategies knowing that long term investments will be not interrupted by opportunistic behaviour. For example, when a cooperative organisation is requested to invest in an organic cultivation method they will have a guarantee that when wine prices drop a solution will be sought on a equally power based negotiation. Schot and Hoogma (1998, 183) emphasize, for successful SNM, it is necessary to have a sheltered place for experimentation, without the pressure of technical or market performance. Fair trade creates by this network a strong shelter, by doing business with supply chain partners, which are willing to divide the profits equally between all stakeholders (WFTC 2009). The fair trade network shelters for example as well, by covering extra costs by its volunteer network and by finding alternative financing. Declining the shelter is as well one of the biggest challenges of current ‘Fair trade organisations’ to enter the mainstream markets (Verbong, Selm et al. 2001; Kamp 2002; Messina and Harris 2009). Brown et al (2004, 215-16) issued as well that ‘a shared sense of urgency is required in the process of regime change. When urgency of the given innovation is present, learning can happen much faster. Like that events or organisations what remember consumers about their behaviour on ethical issues could impact their learning process. Lots of actions of all kind of NGO’s remind consumers and policy makers at a frequent basis of the urgency of the need for change. The most known are the ‘millennium targets’ to ban poverty out of the world.

(Lee 1998) enhances understanding of **uncertainty** by decomposing it into three components: adequacy of available information, predictability of outcomes, and confidence about outcomes. Those elements were discussed above, when the process of building trust was discussed. When certainty comes in the network, it provides a huge shelter for its niche. ‘Fair trade lover’ customers often have to trade off performance of their bought products against other variables (Biélande 2005). Like this, a higher price will sometimes result in less quality but it weight out against the advantages like ‘equal share of profit’. Fair trade consumers, what made that choice are also more loyal towards ‘their products’, which has been seen when the economic crisis did hit Europe, but grow did continue for the fair trade niche (Maxhavelaar 2010; Schools 2010). Alternative financing methods as
sponsoring can shelter a business as well and bring certainty into the chain. Though, there are side-effects of sponsoring. They could cause delay on the learning curve and the organisation can get stuck with suboptimal design (Verbong, Selm et al. 2001; Kamp 2002). These authors suggest that even for promising products, alternative financing should be systematically declined to provide enough incentives for improving business practices and being able to break through to mainstream markets. Bounded rationality and market volatility leads regularly to renegotiations and contingency clauses in contracts. This uncertainty has a high impact on the opportunistic behaviour of companies (Hawkins, Wittman et al. 2008). SNM suggest that certainty will be more likely in the experiment, when they are ‘already attractive to use for certain applications’. Fair trade markets are willing to make the trade off the disadvantages of the new technology (higher price, less quality) which countless than the advantages like ‘equal share of profit’ which are highly valued by their niche consumers.

‘Policy actors’ can bring certainty as well. They set the macro-self-interested sources of collaboration, which contribute to decline uncertain situations for all (legal) businesses. If sustainability issues get imbedded in law, they are enforceable, which makes it possible that users of the wide definition of trust are not behaving in an opportunistic way. On one hand, some authors argue that the value of giving information about ‘Fair trade business’ is decreasing as the information of ‘unethical trade’ became more and more common good. Tiffen 2005 stated ‘The message has been received’ (Tiffen 2005; Develtere and Stessens 2006). On the other hand, even if the message has been received, SNM theory suggests that it still has value to facilitate successful learning, which can lead to a ‘broader public support base’. Networking can also help to cover knowledge gaps. On one hand, uncertainty is sometimes also created by insufficient institutional support, actor skills, knowledge and techniques in the existing regime (Kemp, Rip et al. 2001), 276. Sometimes, actor skills and knowledge could be an issue in Fair trade organisations. On the other hand, more and more people are looking for ‘societal relevance’ in their work/life.

‘Bad relational norms’ are another strong antecedent of opportunism (Brown, Dev et al. 2000)p. 62. Those norms are made operational by solidarity, mutuality, flexibility, role integrity and harmonization of conflict. Good communication together with real efforts to ‘trade fair’ can create ‘structural regime instability’, which is highlighted by SNM theory for successful experimentation. People should be dissatisfied with the current way of opportunistic behaviour in business. Examples are present what show the results of opportunistic behaviour in business relationships. The economical crisis introduced by the bank crisis in September 2008 is one to support regime instability(Porter and Kramer 2011).(Gassenheimer, Baucus et al. 1996) also examined the moderating role of
communication. Though communication did not alter the relationship of opportunism on performance, it did moderate the effect of opportunism on satisfaction.

A last strong antecedent of opportunism is the **degree of formalization** in a relationship. This means in which level agreements have to be documented in a contract. This kind of formalization could be seen as a form of ‘Calculative commitment’ which has a negative impact on the level of trust (De Ruyter, Moorman et al. 2001). Except of the higher operational cost involved, bounded rationality limits also the possibility to formalise every situation (Hawkins, Wittman et al. 2008). Sometime the introduction of bureaucratic procedures brings certainty in the management of a volunteer network, but hampers this network to go in different directions, when needed. On one hand, ‘Fair trade organisations’ can rely on trust and do not need to make detailed written agreements about their behaviour in certain situations. For example, employees in ‘World shops’ can have responsibility about the turnover of a shop from one day to the other, without having to show identity papers, sign a contract etc. On the other hand, formalization is very high in the description of the core processes. A complete stranger could come in to the shop and start the business as usual by manuals, text messages, forum boards etc. It might be this ambiguity which is necessary to create stability in a volunteer network but causes the difficulties to follow different directions when necessary.

SNM suggests that the new technology must be open for development in different directions, so that evolutionary variation and selection processes are able to work together (Kemp, J. Schot et al. 1998). Although we could relate SNM theory with a lot of antecedents of opportunism it is of course not limited to processes what eliminate opportunism from a supply chain. In table 3, there are listed some very important conditional processes for successful SNM experimentation which are not directly related to the elimination of opportunism. The conditional factors (column 1) are listed with their impact level in column 2. In Column 3, the link was made to current attention in ‘Fair trade organisations’.

**Table 3: other important SNM elements for succesfull experimentation**

<table>
<thead>
<tr>
<th>Conditional factors of SNM</th>
<th>Impact level by SNM</th>
<th>Fair Trade Organisations (applied)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. . . the new technology must . . . exhibit temporal increasing returns or learning economies’</td>
<td>high</td>
<td>Fair trade has short term goals: selling products; as long term goals: influence buying decisions</td>
</tr>
<tr>
<td>2. Possibility for continuous evaluation and incremental improvement by means of broad stakeholder interaction processes</td>
<td>high</td>
<td>watch out: not very prominent</td>
</tr>
<tr>
<td>3. Identification of promising next steps</td>
<td>Medium</td>
<td>watch out: struggling with strategy Bielande 2005:</td>
</tr>
</tbody>
</table>
Continuous evaluation and incremental improvement by means of broad stakeholder interaction processes is a very important element of SNM. Like this there should be temporal increasing returns coming from the experiments while learning will result in more effective and efficient activities. Continuous evaluation is requesting advanced measuring systems. Though, Hawkins 2008 suggests that one could have benefits cutting activities as monitoring and quality assurance costs. (Hill 1990), argues that there are even situations, a firm may benefit from opportunism. Activities what are originally made to control opportunism might be the right activities to do the continuous evaluation and incremental improvement. Continuous evaluation is embedded in Quality management systems.

Measuring business performance is often used to control the total cost and opportunism suggested by TCA but is as well the first step to introduce quality systems. Furthermore quality models like 6sigma, IKZ and TQM use Key Performance Indicators (KPI’s) to measure operational performance reducing total costs for companies and creating value for customers. Different empirical research did show the success of those approaches. At the end, when ‘fair trade organisations’ want to break out of their niche with some products, they will have to make concurrence with other organisations that have a lower ethical level, which have bargaining capabilities.

Another essential aspect of regime modulation is the identification of promising next steps when niche processes are underway. A useful way to define promising next steps is to conduct visioning exercises among stakeholders. This includes the critical review of the progress in ongoing technological experiments periodically in the light of the long-term views. Visioning is important for developing a long-term desired direction. It forms a yardstick through which the outcomes of the intermediate phases in the experimentation process can be evaluated and promising next steps identified (Elzen, Geels et al. 2004), 290. It is important to path the way for short and long term goals to give direction to the activities. Fair trade organisations struggle in their strategy with the ambiguity of being ‘both in and against the market’ (Tiffen 1999).

On one hand, ‘Fair trade organisations’ did manage to build a niche, where experimentation can happen. The protection of the niche happens by a high reduction of opportunism, what are also strong factors to facilitate experimentation, suggested by SNM theory. On the other hand, there are more strong factors suggested by SNM what are not fulfilled by only a reduction of opportunism. Where ‘fair trade organisations’ might intuitively take care of the first set of SNM factors, they might benefit implementation of
the last set of factors as well.

Figure 2: Reducing opportunism by SNM does effect successful experimentation

3. Methodology motivation

To measure the ethical attribute in buying decisions, measuring explicit attitudes is not the most valid method to predict ethical buying behaviour. Instead, measures that are closely related to the actual purchase behaviour are called for (Hawkins, Wittman et al. 2008). Furthermore, computational methods are not ideally suited to capturing the rich and qualitative features of a social system. Therefore, the researcher uses a qualitative research strategy, which concentrates on generating in-depth insights into the behavioural aspects and the dynamics present within a single setting (Caniëls and Romijn 2008).

There has been chosen to set up a new controlled experiment in a niche (Kumar 2011) especially for this study via Strategic Niche Management as described above. A pre-study was made via a marketing plan to describe the current situation in the specific environmental situation. A list of trade-offs in the management process are being defined by (Caniëls and Romijn 2008), and used as an active guide for creation of the supply chain and making strategic decisions during the project (attachment 1).

The information on which this paper is based, involved substantial fieldwork during the set up of the project from 2010 to April 2011. Field data about the project were gathered through own experience from the researcher to set up a new supply chain in the garment industry in Belgium. Most information is gathered by the researcher in person. This happened mainly by email, personal meetings, taking part in events and 'direct non formal interviews'. There was no structure used to make the interviews and the respondents had the focus on the outcome of the project, rather than they would contribute to a paper. This had the advantage that attitude-behaviour gap could be reduced. This side effect is known from ethical buying behaviour theory. Stakeholders, especially activists, sometimes suffer from the willingness to align their answers with the 'fair trade norms' rather than illustrating their behaviour (De Pelsmacker 2006). Therefore, the project leader and
researcher was the same person. Although, this could also include researcher bias, this set up made it possible not to lose in depth information. Existing supply chain management, marketing literature was used as a secondary source of information.

4. Case study: Fair Trade Sport Uniforms (FTSU) in Flemish schools

SNM analysing method is used to describe the three niche processes: Learning, networking and convergence of expectations. Then the theoretical framework has been applied from the above table 2 to document the SNM processes what reduce opportunism and the dynamic in fair trade business. A marketing plan and other communication tools coming from that plan, was based on guidelines from BTB marketing, Supply Chain Management theory and SNM.

4.1. Basic facts about Fair Trade Sport Uniforms

50 percent of Flemish schools are using sport uniforms for the lessons Physical Education (PE). Most schools source from a few suppliers (oligopoly) specialised in the Belgian market for sport uniforms to business users. Other schools use mass customised textile printers what offer alternative products for the lower priced market segment.

A project has been started with a textile designer, project leader/ logistics professional (researcher) and marketing professional to create Fair Trade sport uniforms. The model in figure 3 shows the core activity of the ‘VZW Fair Supply Chain Solutions’, which was mainly establishing a network what was able to create the uniform. The organisational form can be classified as a ‘Particular organisation’ or ‘4th pillar organisation’(Develtere and Stessens 2006). This is an organisation without the embedment of the common organisational development structures. More formally to tax and customs the Belgian VZW or ‘not for profit’ structure was set up. Embedding the project in the existing fair trade movement could also be an option, but organisational freedom was necessary to be able to use the project by SNM guidelines. Following Law and Davenport 2005 we could assess the project as a hybrid version between ‘Fair trade Organisations’ and ‘Value driven organisations’, as there is a total absence of focus on profit. Margins are used to extend the scope of the fair supply chain and the organisation is
running on volunteer work. Elements of a ‘value driven business’ classification is based on a high focus to include customer requirements into the specifications. This is rather atypical in fair trade organisations, what does push products more to the market. A marketing plan has been created to assess the potential for the project. External and internal strengths and weaknesses (SWOT) were analysed. Hereby, three management issues were distinguished: Gaining a fair trade status, finding a ‘fair trade lover school’ and creating a full ‘fair supply chain’.

The supply chain looks as follows: Cotton first has to be cultivated. After harvesting the cotton, it needs to be washed. Then wires have to be spun. Those wires can be woven or knitted to textile. Clothes require knitted textile, which is stronger. Depending on the required colour, there has to be a bleaching or colouring process. Then the product has to be manufactured from material on rolls to the final product. Finally a logo’s has to be printed on the shirt and or short and packed individually. A T-shirt and a short from one material might look simple, but as the process describes, the supply chain is still average complex.

It was clear that product specifications were very important to make the project successful. Schools need a good price and trustworthy partners who deliver on time and for a long period, but Product quality in terms of design, cotton quality for washing and tearing resistance was the most important specification for the teachers PE also representing the children’s wishes.

The price build up of the ‘fair trade sport uniform is showed in figure 4. The budget was expected to set the price below €19.90 per uniform. This ‘concurrent price setting’ is based on the precondition that the invoices to the students could not rise. From this price only a small percentage goes back to the production site. This includes making the uniforms with print. Value added taxes (VAT) and import are the biggest expenses. Transport is another big expense. The margin has to be sufficient to cover exchange costs and operational costs which was not the case.

1 ‘Marketing plan FTSU’ available by email to hentzenmaarten@gmail.com
4.2. The core network as a shelter for its niche by mutual dependency

Unequal dependency is closely related to opportunism. Dependent stakeholders need to be protected as they have a high risk to be exploited by the existence of opportunist behaviour of the more powerful stakeholder. Dependent stakeholders will be vulnerable for opportunist behaviour of supply chain partners (Hawkins, Wittmann et al. 2008). One of the elements what can be found in fair trade is the establishment of long term relationships with prosperous countries (WFTC 2009) while SNM is focusing that actor networks do have a huge impact on the strength of the shelter of a niche (attachment 1) (Caniëls and Romijn 2007). Though, composing a new network is not that easy and takes time as one can find in table 4. The first link to become effective, was finding a ‘fair trade supplier’. Furthermore, a school had to be sought which loved fair trade in such a way that they would want to face some early teething problems to make experiments in this niche (Hoogma, Kemp et al. 2002). Then a designer for textile, a printer and other schools, NGOs and fair trade organizations had to be sought. All partners needed to have a comparable ethical level.

Table 4: Timing main activities in the project:

<table>
<thead>
<tr>
<th>Activity</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking: finding a sustainable partner; becoming effective:</td>
<td>February-10</td>
</tr>
<tr>
<td>Align expectations: Writing a business plan with internal and external</td>
<td>April-10</td>
</tr>
<tr>
<td>analysis and swot analysis</td>
<td></td>
</tr>
<tr>
<td>Product development: prototypes/user acceptance.</td>
<td>September-10</td>
</tr>
<tr>
<td>Networking: Finding a pilot school</td>
<td>October-10</td>
</tr>
<tr>
<td>Align expectations: Make improvements for product quality, cost</td>
<td>June-11</td>
</tr>
<tr>
<td>efficiency and customer specifications, sustainability, problem solving.</td>
<td></td>
</tr>
<tr>
<td>Production and transport</td>
<td>December-11</td>
</tr>
<tr>
<td>First Implementation in the pilot school</td>
<td>September-12</td>
</tr>
</tbody>
</table>

4.2.1. Finding a production site

The scope of the project could be declined by finding a wholesaler of organic cotton T-shirts and shorts, which keeps it simple and stupid as SNM guidelines suggest. Unfortunately wholesalers were not available, so contacting a manufacturer was necessary. This was a very time consuming process as there was a limited budget, minimum order quantities, high product and service specifications and language and culture differences. Finally a small production site was found, which had interest in the project. From their

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2 A complete list is not published for privacy reasons.
email: ‘Fair Trade Uniforms (FTU) is a project of Handcrafting Justice. Handcrafting Justice (HCJ) is a not-for-profit affiliated with the Sisters of the Good Shepherd. The ‘Regina Center’, in Nang Khai, Thailand, which makes most of the uniforms, is composed of three self-help centers which provide training and employment for up to 200 young women. Over 100 others, who are caring for young children have the opportunity to work from home. This site does have access to 100% organic cotton material. The FTU project is small with a staff of two working on it, part-time and has limited resources to provide customer service.’

Trust in all its forms needed to be assured by all partners. First, a T-shirt and a short is a very simple product, they had 15 years of textile experience and the production site was willing to free up resources so ‘trust in competence’ was easy to achieve. There was also interest in learning more about the Belgian market and supply chain management principles. Extensive communication between volunteers was facilitating the knowledge exchange. Secondly, it was necessary to build up ‘trust in intentions’ with ‘Regina Center’, as they were afraid when all information was gathered, that the researcher would leave them without an order (fear for opportunistic behaviour). Transaction specific assets (TSA) were made by both partners in time and cash. There was an extensive marketing plan, the financial investments to set up the vzw, the product development investments, support from the world shops, the meeting with the manager from the production site in the Netherlands and the joined sales of other products on a ‘Oxfam fair trade fair’ in Belgium (Mariakerke). Though, there was an issue with the organic cotton as described below, actions were taken in order to find solutions. Finally, the ‘trust in external conditions’, had to be realised. Regina Center does integrate children education in their project, which was promising to make partnerships in the future with the Belgian school. On one hand, the risk they would go out of business was also pretty low as production is not their core business. On the other hand uncertainty in price setting remained by for example the unknown evolution in exchange rates between the Euro and the Bath.

4.2.2. Finding a pilot school

After finding a production partner, a pilot school had to be found. Belgian schools communicate extensive about ‘ethical behaviour’ via school projects, websites, final attainment levels, lessons, support to 3th pillar inititatives, religion..., but only very few schools have explicit ethical buying specifications to fulfil their own needs. At the time of research no school was found what was wearing ‘Fair trade’ or ‘organic’ sport uniforms³. Moreover, it is well known that textile industry suffers from bad behaviour in sustainable matters (ACV 2010; SchoneKleren 2010). On one hand, one could say that there was a

³ Analysis of the current suppliers by internet research and other sources in Flemish schools in 2010, a list is confidential.
healthy interest in possibilities to better ethical buying behaviour and all kind of activities reminding teachers and directors of schools of their responsibility in ethical buying. On the other hand, schools suffer sometimes from a behavioural gap. This means that they are communicating more sustainability than they act in a sustainable way. De Pelsmacker 2006, stated that only 5% of consumers, ‘Fair trade lover’ consumers, can make an ethical trade off against other buying decisions. Lack of time and resources for sourcing, lack of satisfaction with earlier fair trade products (drinks) and often a lack of interest were the main reasons given by the questioned school principles. At the end, they face 95% of the parents, not being ‘Fair trade lover’(De Pelsmacker 2006). Trust had to be established with the school as well. Sharing a lot of information did support ‘trust in competence’. Also this study and the marketing plan were also contributing to build a professional relationship. School are used to personal selling and its advantages like incentives and personal attention. To gain ‘trust in intentions’, a not-for-profit organisation was set up in Belgium: ‘vzw Fair Supply Chain Solutions’. The schools are familiar with regulations in VZW organisations as they often have their own VZW daughters as well. Finally, the ‘trust in external circumstances’ was realised by buffering this risk with a budget from the project leaders’ income and the low financial impact for the total project. The school had a limited risk also could just stay with their old supplier, when the project would not be able to be finished for some reasons.

4.2.3. Extending the network and making it more dense

The personal network of the researcher contained a lot of bounds with the education system. As a high involvement of the schools was expected as important as they had to accept early teething problems. After unsuccessful contacting schools by Email, a call action was prepared. The call action showed most mails were read but classified, even for schools with a high ethical profile. At the end, the personal network brought the documentation to a school in Antwerp (Belgium), which was willing to participate. The first line contact was an employee in different schools and knew the principle, who had been involved in fair trade earlier in his career. From the first contact with the school director, there was a high interest in the project.

Furthermore, the network was extended with different fair trade organisations but only a few could cooperate actively with the project. The ‘Oxfam world shops’ were prepared to exhibit the uniforms in their window of the shop during the start of the new school year 2010. Furthermore, Max Havelaar who is certifying wanted to help with further research for organic cotton suppliers by passing trough contact details from suppliers, which were unfortunately not able to assist. The organisation 11.11.11 has a special department for supporting this particular or ‘4th pillar initiative’, which is sponsored by the Flemish
4.3. Reducing uncertainty

Reducing uncertainty declines opportunistic behaviour and shelters the niche. From the very early start in the process, the principle brought certainty into the experiment, which was experienced as very strong. SNM describes a few ways to decline uncertainty to guide a technology to a successful experiment. A first way to get certainty for the partners happens when ‘there is attractiveness, to use the experiment for certain applications, in which the disadvantages of the new technology countless and the advantages are highly valued.’ (Caniëls and Romijn 2008). To make the project attractive for the schools, a marketing campaign and extensive communication with the (school) press was offered explicitly as a part of the program. The main concern from schools is their open claim of being ‘Social responsible’, as described in the networking paragraph. One of the early ‘applications’ for the production site was also a possibility to access a network for selling those other products. There was an early turnover on those textile toys on the Belgian fair trade market using the fair trade network. Like this the production site could sell 1000 € on a fair trade fair in Belgium (Mariakerke), which supported early returns.

In project management is a decent budget always handy to crash time or have extra performance (Smyth, Gustafsson et al. 2010). On one hand, a volunteer network in the fair trade movement could save costs and time, but it would have boosted the project if a budget was available. On the other hand the network could provide solutions for that as well. The uniform proto types were developed by sharing costs between the production site and the researcher. ‘Oxfam world shops’ did display them for some time in there window. ‘Regina center’ exchanged some expertise like tax&customs regulations and marketing and sales experiences from the past. Also the personal network caused that a lot of costs could be saved. A lot of time, packages were hand over via the personal network to the pilot school. All partners had the highest ethical behaviour, but this was not causing ‘a natural niche’. A natural niche refers to the common goal of all stakeholders and reduces the need for support in innovations (Caniëls and Romijn 2008). On one hand, external sponsoring could have brought extra shelter. Therefore, a marketing plan⁴ has been made and a few sponsors were approached like BTC and Triodos bank which is resp. a central sponsor office from the Belgian government and a Dutch bank what is only working in ‘sustainable businesses’. Both confirmed the possibilities in this niche but they could not sponsor the project as the project had economic activities. On the other hand, Kamp 2002 and Verbong et al 2001 warn that side-effects of sponsoring can cause suboptimal design. There would be for sure less effort put in finding alternatives for import problems when costs would have been ‘sponsored’. Because there was no budget available, another supplier has been

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⁴ Marketing plan march 2010 available on demand: Hentzenmaarten@gmail.com
sought to help (Ecolena). This leaded to a cheaper solution with more added value. Like this the T-shirt was fully certified by Max Havelaar who is very known in Belgium (Biélande 2005) and Goths, which is an international organic standard, well known in the textile industry. This caused also a delay of one year, because the deadline could not be met to supply at the start of the school year in September.

Other elements did also reduce uncertainty. The uniforms itself are also less vulnerable by mode changes, stock keeping problems and urgent deliveries. ‘policy actors’ did bring also certainty into the ‘Fair Trade business’. Events by other not for profit organisations cause permanent pressure on the textile industry (SchoneKleren 2010). Government is also an important ‘policy actor’. Making sustainability issues to become a buying criterion in government buying is an enforceable objective what can motivate CSR businesses to redesign their business processes. The city of Ghent has fair trade criteria in their local buying policies. Also the Flemish government buys fair trade coffee. 4th pillar support includes network facilities for small projects.

So SNM processes above contribute to the declination of opportunism, but there are other SNM processes what are not related to the antecedents of opportunism and which are of high importance for successful experimentation. The possibility for ‘continuous evaluation and incremental improvement’ by means of broad stakeholder interaction processes and ‘the definition of promising next steps’ are other strong conditions in SNM, as noted in the literature study above. Though, evaluation stayed very limited. As the ‘Regina center’ was very proud on what they ‘could do’ they did not reflect very much on the issues what they can do better, like the organic cotton issue. For the later incubation phase to other schools, it was necessary to start that sourcing processes. Though, all parties agreed this was necessary, it was very difficult to the ‘Regina Center’ manager to spend time for this or to delegate this activity to a person who could. The missing of structural ‘continuous improvement’ combined with a ‘push’ culture was a big obstacle present in the ‘Regina Center’. Promising next steps has to do with definition of a strategy. Probably a better focus to deal with the ambiguous fair trade niche and an attention to strategic questions (Tiffen 1999; Biélande 2005) would improve incubation of the niche, which seems to be very difficult.

4.4. Learning

Some supply chain projects fail when organisations are afraid to lose their competitive advantage by exchanging knowledge vertically or horizontally in the supply chain (De Vries and Van der Vaart 2004). (Kemp, J. Schot et al. 1998) argue in this context that: ‘the new technology must… exhibit temporal increasing returns or learning economies’. Here mainly learning was the interest of all stakeholders. ‘Fair trade organisations’ do want to exchange
Fair Trade organisations are also associated with naiveté and idealism (Biélande 2005). Both were also noticed in this project, but those capacities were beneficial for creating the drive in all the actors of the project. A driven ‘project champion’ is also mentioned as a prerequisite in the SNM guidelines (attachment 1).

Without a certain level of idealism, it was hard to get partners in the project. Some stakeholders did drop out because of a lack of idealism. Participants in this project needed a hunger to learn new things. All stakeholders needed to have interests in exploring the outcomes. The first developed uniform was an explicit choice from all stakeholders involved to spend money and energy to learn as the developed product probably would not be used later. Activities included prospecting customers, the search for the pattern maker, availability of (organic) cotton and different quality issues (colour and thickness). Accepting a level of uncertainty to participate in this project was rather possible for organisations what accept a certain level of trust. Keeping the partners motivated is also a learning process. Skilled volunteers are who are willing to help are available, but it has to fit in their time schedule. This caused sometimes delays as well.

Although, the principle of the pilot school was a ‘fair trade lover’, the school had to learn as well about Fair trade, SNM and opportunism. It became clear that their current supplier was not very honest in its communication about the origin and production of its products. Certification should give a guarantee to consumers that fair practices are applied but it starts to get confusing for the consumer to know which certification brand is legitimated (Gow D. 1988; Biélande 2005). Further more, the pilot school had a uniform they liked in colour and quality. It took some effort to explain their role in innovation to accept the teething problems as having to accept another colour and not the exact copy of their model. A crucial role was then for the researcher to inform about the efforts what had been made to fulfil their wishes, the problems and the request to accept them or fail in the project.

4.5. **Low formalization to develop in different directions**

High formalization is another antecedent of opportunism. Written contracts and agreements were totally absent till the final offer to the school. Though there was a lot of communication about prizes by email, this was mainly for double checking the whole process of import, export, transport etc, rather than for controlling or monitoring. Moving in another direction was sometimes necessary to revitalise the project. For example, there was made a uniform by a textile designer but the final pilot school choose for an own design. Another example was the temporary switch to a wholesaler of organic cotton (Ecolena), what provided the T-shirts. Not having to worry about contract details, made it possible to find a wholesaler of organic uniforms for the pilot school to cover a temporary solution.
4.6. **Good relational norms to align expectations**

Fair trade organisations are operationally driven by the feeling for solidarity for the production sites with their employees, the mutual benefits and trust, the flexibility to make modification in good faith and the harmonization of conflict to reach mutually satisfactory compromise (Joshi and Arnold 1997). The Fair trade movement on its own did lead to structural regime instability (Porter and Kramer 2011). It is very clear that now even mainstream businesses as 'Fruit of the loom' and 'B&C' as well as price discounters like the German distribution company 'Aldi'; do explore the niche of fair trade in the textile industry (ACV 2010; SchoneKleren 2010). Further, the current economic crisis is also urging better ethical behaviour in business (Porter and Kramer 2011). At the end, created instability leads to experiments, to develop a promising option for the future. This process cannot be managed in the strict sense of the word, because the outcomes are too open-ended and the process is too complex (Hoogma, Kemp et al. 2002). Trust to do efforts to continue the relationship with the supply chain partners is a prerequisite for avoiding opportunistic behaviour (Hawkins, Wittmann et al. 2008). One of the 3 core processes of SNM has to do with ‘alignment of expectations’, like discussed in the section below.

There were very challenging situations, when deadlines were not met and it took a long time before the pilot school was found. Fear of opportunism existed at consumer and production site that the researcher/project leader had enough info for the paper and would leave the other partners behind. There were several major obstacles to tackle during the set up of the project. At first, fair trade has a push culture. Fair trade producers often push products to the market in a very simple way that western consumers are not used to any more (even fair trade lovers). Regina Center focused on what the employees can offer, rather than the focus on what the consumers want. For example: women affected by Aids, deliver home made textile products to the ‘Regina Center’ instead of bagging for money in the street. Women, who stay longer in the center, will get training to make other (textile) products. This means that the culture is rather to push what they can deliver rather than to learn what is wanted by western consumers. Their core competency is helping people in an integrated way, not doing business to satisfy western consumers. Learning and educating people is an explicit part of their production process.

Like mentioned before, sourcing ‘organic cotton’ caused a lot of tension between the channel partners. Organic cotton refers to the way cultivation is happening in a sustainable way. Though, the production site specified in earlier correspondence this was possible, it was simply not available. Supported by SNM literature to aim high, but not too high and the guideline not to allow ‘too much activism’ in projects, solutions were sought. On this topic, good communication from both sites about what and why, did save the relationship. A school uniform is made from 100% cotton. When the cotton would not be ‘organic’, the
added value going to fair trade would only be around half of ‘Regina Center’ share, which is the cost of buying cotton. Still, comparing to the current competitors of the mainstream markets, the production process of the ‘Regina Center’ could be a sufficient social sustainable difference, compared to mass producers. Then the center offered EKO cotton, which means the cotton was dyed in a natural way, as an alternative. Still the right colour and cotton quality had to be assured. Then the production center had to admit that they could only source a very limited variety of cotton types, colours and quality. It was important that one could feel empathy with the other partners from the network, to work further. Also good communications can avoid a lot of frustrations. Following the suggestion from SNM that one should be able to develop in different directions, the plan was then to delay sourcing of certified cotton to a later face in the project. Buying combinations could be sought in a later stage to be able to gain access in Thailand to ‘organic cotton’. This did cause that again a different direction had to be followed. Then, a new network solution came up; Regina Center producing the short and a new fair trade whole seller producing the T-shirts.

All schools have to reach final attainment levels about sustainability, so most schools carry sustainability goals in their educational project. Although, the behavioural gap could be found in a very prominent way (De Pelsmacker, Driesen et al. 2005) Although trust is very important in SNM and fair trade, it could be that trust sometimes hampers progress for continuous improvement. The price setting of the school uniforms for example in ‘Regina Center’ was not very transparent. The center wanted to be trusted that they did the right thing, calculating and using their profit. Although, for western consumers, abuse of those systems is already so wide spread that also ‘fair trade lovers’, who pay a premium price, want the guarantee that the ‘real women in need’ get their fair deal. It is naïf to think that this trust is present in consumers, not knowing the center. Therefore certification can add value in the ‘fair supply chain’. Different assessing organisations use administrative control and visit the location to verify the level of commitment to the fair trade principles with a set of indicators (Lewandowski and Faaij 2004). The authors have several recommendations but they point out the difficulty and cost for a complete objective sustainable certification process.

Getting to a minimum operational performance is another alignment what had to happen. At the end, basic offer characteristics, with product performance product output and after sales service are not only influencing the relationship building blocks trust and commitment, but affecting direct customer loyalty (De Ruyter, Moorman et al. 2001). When benchmarking the operational performance of the experiment to real competing businesses, discrepancies exist in terms of product quality, price and service. Those teething problems needed to be accepted by the pilot school as well.
5. Discussion and further research

Hawkins et al. suggested in 2008 that more value could be created in supply chains which rely on relational norms as governance mechanism. This research employed a literature- and a case-study to understand the phenomenon of opportunism better and to explore how supply chains can benefit from it, by the creation of value for their niche. Therefore, the results will be mainly useful in this specific niche market, but as well in niche markets, where strategic relationships are more frequent than the other buying segments in the buying grid (Kraljic 1983). SNM could then be seen as a policy tool to reduce the level of opportunism by applying the SNM processes itself: networking, learning and convergence of expectations. Of course, a project in a ‘fair supply chain’ could then benefit from this methodology as it fits better than the classical theories driven by cost leadership, product/service excellence and product/service differentiation (Porter 1980). On one hand, the created value found in this experiment could be seen as a way to gain a competitive advantage what can create switch behaviour by business consumers. On the other hand, this research could not give an answer if operational benefits could be achieved as the case study was not focused on that. To find operational profits, longitudinal studies are necessary in bigger projects/companies which maintain a quantitative characteristic. This study suggests that in smaller projects, other variables like a small budget and having to deal with a volunteer network are too dominant to study operational benefits in a quantitative way. As a result, the suggested operational benefits by TCA like monitoring, bargaining and maladaptation, could not be found in this case study. In this extend, this study suggests that extensive communication with the volunteer network might replace those costs related to opportunistic behaviour.

This study indicates as well that fair supply chains lack ‘continuous improvement’ which is a basic element from SNM and many quality systems. Therefore, it would be interesting to investigate further Hill (1990) who stated that some companies (fair supply chains?) might benefit from opportunistic behaviour. To understand the concept of opportunism better, further research could focus on the positive relation between opportunism and continuous improvement especially within fair supply chains.

Finally, management gurus like Porter indicate that it might be the moment, business will have to focus on more ethical trade (Porter and Kramer 2011). As more and more organisations face the results of regime instability, it would be interesting to investigate in which extent a sustainable experimentation-strategy (SNM) can strengthen (fair trade) businesses and fits in more global strategic models as for example listed by (Estampe, Lamouri et al. 2010).
6. Conclusions and management implications

When partners in a supply chain have a similar level in policies about sustainability and relational norms, they might operate in the same niche network and can be called ‘fair supply chains’. This study did show via a literature study and an experiment, that the concepts fair trade, Strategic Niche Management (SNM) and the reduction of opportunism are self enforcing principles that can increase value by the creation of a competitive advantage and a very good embedment for the SNM-processes: Learning, Networking and convergence of expectations. The experiment indicates that managing (volunteer) actor networks is one of the most important aspects to achieve results, as it forms a huge shelter for the niche. Further, SNM-guidelines were also helpful as a tool to manage the supply chain through its transformations.

Managers in/from ‘fair supply chains’ should be aware that their created value is based on a shelter from niche consumers/volunteers. Managing fair trade products for mainstream markets is requesting a different approach than managing a niche network. SNM can provide guidance to extend those niche markets, support new niche projects and can let them grow to economies where higher levels of opportunism exist. Moreover, opportunism could not totally be eliminated from the ‘fair supply chain’. For this reason, one needs to be able to deal with opportunism, when wanting to incubate the niche to a real profit economy. Fair supply chain managers would probably be attracted mostly by the elements that avoid opportunistic behaviour, but they would benefit most by focussing on the SNM elements that are complementary to opportunism. When giving attention to all the SNM elements, there will be less chance that activism is hampering successful experimentation and incubation. To let products break through to mainstream businesses, the shelter has to be reduced systematically. Therefore, managers will have to prepare the fair supply chain to be able to deal with competitors in and out of its niche. SNM can help managers in fair trade niches to give structure to those processes. Focussing on SNM elements as ‘continuous improvement’ and ‘defining promising next steps’, which are now less prominent, could help in that search to compete ‘in the market’.


Messina, P. and P. Harris (2009). To what extent the Fair Trade can move from a market niche to a mainstream and sustainable business?

7. Attachment 1: summary of all actions that can enhance network growth

“We distinguish actions from network participants as well as actions of public bodies. In addition an overview is given of possible actions for network participants to become independent from government support and several suggestions are given for actions of government bodies to break down protection.” (Caniëls and Romijn 2008)

<table>
<thead>
<tr>
<th>Suggested actions for network participants</th>
<th>Suggested actions for government</th>
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<tbody>
<tr>
<td>Goal: Promoting network growth</td>
<td></td>
</tr>
<tr>
<td> Adhere to Keep It Simple Stupid</td>
<td> Strike a continuous balance between protection and selection pressures</td>
</tr>
<tr>
<td> Change agent / innovation champion should be present</td>
<td> Avoid coddling</td>
</tr>
<tr>
<td> Use a combination of a hands-on project champion combined with a promoter at a high level in the cluster’s hierarchy</td>
<td> Incentive structure must consist of a judicious combination of carrots and sticks</td>
</tr>
<tr>
<td> Technology should offer a plausible promise</td>
<td> Learn from failed experiments as well as from successful ones</td>
</tr>
<tr>
<td> Aim high but not too high</td>
<td> Challenge every assumption about the new technology</td>
</tr>
<tr>
<td> Initiate user-producer interaction</td>
<td> Seek out independent external evaluators to assess the progress in the experiment</td>
</tr>
<tr>
<td> Build on what is already there</td>
<td> Policy makers should assume the role of enabling actor and</td>
</tr>
<tr>
<td> Overall management should go with the flow (reflexive experimentation)</td>
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<tr>
<td> Explore several technological trajectories or promising options in parallel</td>
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<tr>
<td> Undertake long term scenario building in order to think out of the box</td>
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<tr>
<td> Have an attitude of openness and flexibility</td>
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<tr>
<td> Consultations with and active involvement of project partners is essential for creating a broad support for the project</td>
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<tr>
<td> Create opportunities for interaction with external actors who potentially will be affected</td>
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<tr>
<td> Ensure an effective constellation of stakeholders who connect effectively with each other</td>
<td></td>
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<tr>
<td> Monitoring potential barriers to effective</td>
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</tr>
<tr>
<td>The actor network must be managed dynamically (be flexible and do not have overly high expectations of one’s project partners)</td>
<td>Keep the momentum going – avoid losing important lessons for future use</td>
</tr>
<tr>
<td>The network of an experiment should be driven and guided by a network manager, whose role is to coordinate the process</td>
<td>Top managers should ensure financial backing, be a catalyst, create sense of common purpose (indirect management)</td>
</tr>
<tr>
<td>Hands-on project champions should daily practice community building and enhance interactive processes, through sharing expertise, talk, social events, negotiations, discussions etc.</td>
<td>Top managers should put in place the right organisational structures, incentives and focus on orchestration</td>
</tr>
<tr>
<td>Hands-on project champions should mobilize the network’s creative potential through games, competitive events, encourage the emergence of divergent views and ideas that can rub against each other ect.</td>
<td>Top managers should endorse the innovative results that come up from within the organization (‘retrospective legitimising’)</td>
</tr>
<tr>
<td>Diversity on the individual level in the actor network is important – members should vary across race, gender, nationality, age personality profile and experience</td>
<td>Top managers should act as mediators and decision makers in conflicts between project champions and critics (‘judging and arbitration’)</td>
</tr>
<tr>
<td>Core team members should be dedicated to the innovation development for at least 50% of their time in order not to suffer from task fragmentation</td>
<td></td>
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<tr>
<td>The cluster manager must ensure that the participating team members are to be actively involved at an early stage at the determination of the project’s operational controls such as goals, budgets and schedules</td>
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<tr>
<td>The cluster manager should organise regular professional conferences and meetings at which data are presented for the technological community’s reaction, and to gain potential customer interest through early market probes</td>
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</table>

**Goal:**

- Decrease dependence on

<p>| Goal: Decrease dependence on | The protected space should be dismantled gradually, in order to avoid disruption of the ongoing processes |
| the R&amp;D unit (the sending unit) and the operations unit (the receiving unit) should assess transition readiness by sharing information | |
| A transition team should draw up a transition plan that lays out the tasks, timetable, roles and responsibilities | |</p>
<table>
<thead>
<tr>
<th>government support</th>
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<tbody>
<tr>
<td>✗ The transition team should organise continuous learning by undertaking regular</td>
</tr>
<tr>
<td>market probes and analysing feedback.</td>
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<td>✗ A transition oversight board should be created, composed of senior managers</td>
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<tr>
<td>with organisation clout and knowledge of the transition process.</td>
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<td>✗ Transition funding from corporate resources should be committed.</td>
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<tr>
<td>✗ The transition team should do the groundwork for a big market launch, while</td>
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<tr>
<td>senior corporate managers should continue to assume championing roles at this</td>
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<tr>
<td>commercialisation stage.</td>
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<tr>
<td>✗ Conventional marketing techniques are quite useless and may even be misleading</td>
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<tr>
<td>and counterproductive. Instead techniques are needed that will help create a</td>
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<tr>
<td>new market, such as market probes by</td>
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<tr>
<td>o organising demonstrations of early prototypes in the organisations that form</td>
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<tr>
<td>the firm’s network, and organising potential customers’ evaluations of early</td>
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<tr>
<td>working versions.</td>
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<tr>
<td>o conducting sequential market try-outs, 'probes', with early prototypes in</td>
</tr>
<tr>
<td>different market segments ('product morphing')</td>
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<tr>
<td>✗ Try to team up with manufacturers of established products that are in some</td>
</tr>
<tr>
<td>way complementary or related to the new product, initially utilising their</td>
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<tr>
<td>distribution and marketing channels.</td>
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<tr>
<td>✗ Offer a variety of models of the new technology in order to attract a larger</td>
</tr>
<tr>
<td>clientele in the initial stages, when demand for any specific model is still</td>
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<tr>
<td>well below the threshold profitability level.</td>
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<tr>
<td>✗ Adoption in small instalments could be advisable in the case of new products</td>
</tr>
<tr>
<td>that are divisible, such as small-sized packages. In the case of non-</td>
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<tr>
<td>✗ Continued protection will be wasteful when it has become evident that the</td>
</tr>
<tr>
<td>prospects for the new technology are not good enough so that it is unlikely to</td>
</tr>
<tr>
<td>become financially viable - try to utilise the network that was formed for more</td>
</tr>
<tr>
<td>promising fresh experiments.</td>
</tr>
<tr>
<td>✗ Protection should also be withdrawn when a newly developed technology with good</td>
</tr>
<tr>
<td>market prospects is ready to be exposed to market discipline.</td>
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</tbody>
</table>