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Multiplicity and plurality in the world of standards

The escalation of governance: Standards in the fair trade-sector [1]

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The escalation of governance: Standards in the fair trade-sector

Abstract: Research on forms of coordination emphasizes the distinction between markets, hierarchies, and networks. Recently, a new form of coordination has attracted attention: voluntary standards which often are certified by third parties. The paper focuses on the dynamic interplay between standards and other coordination modes. On the basis of an illustrative case study - the historical development of the fair trade sector – it is shown that institutionalized forms of coordination can lead to further forms of coordination. As a consequence, we find a multiplication of coordination mechanisms. The case, thus, illustrates that coordination modes may be related to each other not just in competitive ways.

Introduction

In the social sciences, coordination principles of society build a central research topic. In the debate about different forms of coordination, three types of coordination and governance have become widely accepted as core features of contemporary societies: markets, hierarchies, and networks. With the publication 'A World of Standards', Brunsson and Jacobsson (2000) have directed the attention towards standards. According to their view, standards have become a fundamental form of coordination and governance to which the social sciences have paid too little attention yet. They argue that voluntary standards which often are certified by third parties need to be considered as a form of regulation just as crucial as hierarchies, markets and networks.

Brunsson and Jacobsson's contribution is perfectly in line with classic and contemporary studies on governance which highlight differences between distinct types of coordination. They analytically distinguish coordination modes and elaborate their peculiarities. On that base, modes of coordination can be seen as functional equivalents which compete with each other. In contrast to such comparative approaches, we illustrate how modes of coordination and governance are interrelated. The purpose of this paper is to illuminate such interdependencies. It will be shown that standards are not just an alternative to other modes of coordination and governance. Instead, the institutionalization of standards can require further

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coordination. Such coordination can be based on new competitive markets, on new organizations and networks – and on new standards. Coordination is thus not a zero sum-game. Instead, the institutionalization and enactment of governance types can trigger the emergence and spread of further (probably different) types of coordination. This ongoing process results in a multiplication of coordination principles.

Our findings are based on an empirical case study of the market for standardized fair trade goods. The development of the fair trade sector demonstrates significant growth in production and sales, which is accompanied by an economic rationalization of the field. At its core we find the establishment and implementation of formal standards which are embedded in a broad range of ordering arrangements. Different stages in the historical development of fair trade can be distinguished with respect to specific modes of governance: After an initial phase of non-standardized alternative trade, labeling and certification practices began to diffuse and national labeling organizations were founded worldwide. The multiplication of fair trade organizations, then, became harmonized through umbrella organizations. Apart from this hierarchical arrangement, new standard setters were founded. This has led to an increase in density and competition. This new situation has resulted in further coordination efforts by establishing meta-standards, i.e. standards about how to outline and implement standards. In sum, this development in the fair trade sector indicates that a broad range of interacting coordination mechanisms has emerged over time.

The paper is structured in the following way: It starts by discussing various coordination modes. With reference to sociological contributions about global regulation, it is claimed that in current society, not only markets, hierarchies, and networks but also standardizations are fundamental elements of coordination and governance. Against this background, our specific research interest is presented: the interplay and interdependence of coordination mechanisms over time. In advance to the investigation of our empirical case, we provide information about methods and data. Then, by describing the evolution of the fair trade sector, we identify different types of coordination and governance all of which are based on the initial standardization. Subsequently, the main findings are summarized and research perspectives are discussed.

Coordination and standards: conceptual starting points

The basic idea of analytically distinguishing between types of coordination dates back to the 1930s when Ronald Coase raised the question why contemporary capitalism is composed of so many large organizations which restrict market mechanisms (Coase, 1937). As economists assumed that markets are more efficient than intra-firm hierarchies, the empirical trend towards large corporations which integrate what otherwise would be objects of market exchange seemed to be an odd development. Either the assumption that competition favors more efficient forms and selects what is less efficient or the belief that markets per se are the most efficient solution to coordination problems needed to be revised. Following Coase`s perspective, Oliver Williamson systematically compared market- and organization-based transactions (Williamson, 1975). According to his view, both types of transaction imply costs which vary with respect to asset specificities and context variables (i.e. predominantly regulation and available technologies). The boundaries of a firm, then, indicate which transaction problems are dealt with most efficiently by hierarchies and which ones are less costly when based on market principles.

Williamson describes markets and hierarchies as (the only) ideal types of coordination. Critically referring to this concept, then, Walter Powell (1990) identified networks as a mode of coordination which was distinct from both markets and hierarchies. There was massive evidence for network-based forms of coordination – not only in the economy (Powell and Smith-Doerr, 1994) but also in politics and, more broadly, in the third sector of contemporary societies. As compared with both markets and hierarchies, networks were thicker with respect to culture and communication, less focused and formalized, not necessarily contract based, and more high riding on "Gemeinschaft".

As the discussion of network-based forms of coordination continued it became evident that there is a large variety of networks (for a suggestion of a typology cf. Hage and Alter, 1994). Regardless, the analytical distinction between markets, hierarchies and networks has become common ground in research on coordination and governance. This can be seen most clearly in comparative institutional analysis where originally a distinction was made between liberal and coordinated market economies (Hall and Soskice, 2001). Whereas the former was described as being based on market principles and powerful large firms (hierarchies), the latter seemed to put more weight on network-based forms of coordination – i.e. governance by powerful associations or even cartels and many informal inter-firm relations.

Against this background, the notion of deregulation has another meaning as in political debates. A retreat of legal constraints and state interventions is to be seen as an opportunity for markets, firms or network-based forms of coordination. It thus has been argued that in today's new global order, contemporary trends towards deregulation are accompanied by a strengthening of other types of governance (Hasse, 2003:138-146). For example, Levi-Faur and Jordana (2005) have argued that private regulation mechanisms have increased in the shadow of the state. In a similar vein, Djelic and Sahlin Andersson (2006) emphasize that the transnational world is characterized by a rise of multiple regulatory and governance activities. From this perspective, standards and standardization may be seen as a tool for private coordination, and according to Brunsson and Jacobsen (2000) this tool has to be described as a coordination mode which is distinct from markets, hierarchies and networks. To put it bluntly: formal standards, implemented voluntarily and certified by third parties, are considered as a fourth type of coordination.

Although plenty of sociologists from different fields meanwhile have analyzed standards and standardization processes, the new research field still lacks a coherent perspective. Thus, 'one might say there is little standardization in the study of standardization' (Timmermanns and Epstein, 2010:74). As a consequence, different understandings of standards and standardization co-exist in current research. A major research strand, which is related to the field of science studies, uses a very broad understanding of standards and standardization (e.g. Bowker and Star 2004; Lampland and Star, 2009; Busch, 2011). By contrast, our comprehension is consistent with Brunsson and Jacobsson's (2000) more specified notion of standards, also common in theories about global regulation (e.g. Loya and Boli 1999; Mörth, 2004; Tamm Hallström, 2004; Djelic and Sahlin-Andersson, 2006). By using the term standards we refer to formal and voluntary standards that are produced and implemented by organizations. In our empirical case study, the standards that are under discussion can even be more specified, because their implementation is labeled through a certification mark.

Due to our research interest of analyzing the dynamic interplay of coordination mechanisms it is crucial that Brunsson and Jacobbson (2000) describe standardization as a fundamental concept of coordination which so far has been neglected. They argue that not only markets, hierarchies and networks but also standardizations form a principal element of social order. According to this perspective, standardizations – like markets, hierarchies and networks – are

capable of influencing and guiding the behavior of different actors such as individuals, organizations and nation states.

The analysis of Brunsson and Jacobsson is based on a comparative perspective which emphasizes similarities and differences between standardization on the one hand and other coordination forms on the other. Our contribution is perfectly in line with the assumption that standardization is a crucial element of global order, but it does not aim to provide further evidence to its distinct characteristics. Rather, its objective is to identify the interdependence of analytically distinguished modes of coordination. A focus on the dynamic interplay of coordination mechanisms is relevant in different respects:

Firstly, it puts emphasis on cumulative effects of coordination mechanisms which tend to be ignored in most contributions to research on governance and coordination. A seminal article by Cohen & Levinthal (1990) may serve as a model for such research perspective. With respect to issues of research & development the authors convincingly show that business firms not just have to draw a make or buy-decision. Instead, a firm`s internal R&D-capacity is to be seen as precondition to outsource research and to collaborate successfully with external partners. In-house research is thus not just an alternative to research collaborations. Instead of being an institutional alternative to research collaboration, it makes such collaborations more attractive and thus stimulates it. A similar course of argument is to be found in the institutional theory of sociologist Helmut Schelsky (1970). Based on basic insights from cultural anthropology, Schelsky argues that institutions solve fundamental problems, but tend to result in problematic side effects which lead to further institutions. As a result, institutional cascades emerge – e.g. the institution of marriage is supplemented by institutionalized divorce which is supplemented by rights of child custody and so forth (cf. Hasse and Krücken 2005: 15).

Secondly, not restricting the focus on a specific phase of the life course of standards provides opportunities to investigate in the dynamic and variation across time. As proposed by Timmermanns and Epstein (2010), the life course can be divided into the phases creation, implementation and resistance, and outcomes. Thus, empirical research about standardization has shed light on the production (e.g. Tamm Hallström, 1996; Abraham and Reed, 2002) and the realization of standards (e.g. Timmermanns and Berg, 1997; King, Lenox and Terlaak 2005; Greenhalgh, Flynn, Long and Tyson 2008). In regard to the latter, neo-institutionalists

put emphasis on forms of decoupling (e.g. Beck and Walgenbach, 2005; Boiral, 2007) and illuminate diffusion processes (e.g. Guler, Guillén and Macpherson 2002; Neumayer and Perkins, 2005; Dahl and Hansen 2006). While these contributions are linked to a specific life phase of standards, the focal point of this paper is on dynamics of coordination arrangements over time.

Thirdly, the empirical case comes from an area of society which is rarely analyzed in the standardization debate. The vast majority of empirical studies has dealt with standards and standardization processes in technical fields. As a result, analyses of ISO standards have become the model (e.g. Furusten, 2000; Mattli and Büthe, 2003; Tamm Hallström, 2004; Beck and Walgenbach, 2005), and technical standards, as e.g. in the IT-sector, have become a preferred object of investigation (e.g. Schmidt and Werle 1998). By investigating the fair trade-sector, we focus on an empirical case beyond the field of technical standardization. In this sector there is no dominant actor which may be compared with ISO, and the development seems to be more open. Furthermore, fair trade forms an integral part of the so-called sustainable economy. It has the potential to stimulate profound shifts in the globalized economy, and standards, and with it labels and certifications, already are widespread.

Fair trade as an empirical case

Fair trade is an early and typical phenomenon of private regulation (Abbott and Snidal, 2009) that has expanded enormously since its commercialization. Its standardization system, which is based on multi-stakeholder dialogue, is a pioneer in sustainable certification. A case study on the historical development of the fair trade sector shall give evidence about the interrelation of alternative ordering principles in a specific regulatory field. By defining the concept of a regulatory field, Hedmo, Sahlin-Andersson and Wedlin (2006) emphasize the importance of considering inter-organizational dynamics. Such organizational relations constitute core aspects of our case analysis. Due to the fact that the process of standard-setting and certification of fair trade is to be located in the northern Hemisphere, we do not include the application of theses standards in the production process (which is located in the Southern Hemisphere) in our research.

Data for our case study is essentially drawn from documents and files. Organizational self-descriptions on homepages, in brochures, and in annual reports provide comprehensive

information. Secondly, expert interviews with involved actors and decision makers of the fair trade sector were conducted. Thirdly, the formation and development of the fair trade sector has been reconstructed with respect to studies of the 'Center for Fair and Alternative Trade' (e.g. Raynolds, 2002; Murray, Raynolds and Taylor 2003; Raynolds, Murray and Wilkinson 2007; Raynolds, 2009). To illustrate coordination dynamics in the fair trade-sector, we discuss founding rates of relevant organizations and associations. We also identify key events in the history of fair trade.

Fair trade (written in two terms) refers to an organized social movement. It aims at supporting southern and marginalized producers by rising consumer awareness with market-based strategies. The objective is to empower disadvantaged producers through the establishment of an economically fair supply chain. Product-certification, with *Fairtrade Labelling Organizations International* (FLO) as its dominant actor, constitutes an essential part of this broad field of fair trade. Fairtrade (written in one term) refers in this paper to certified fairtrade products and processes of certification.

Standards and certificates have transformed the fair trade sector from a formerly small niche into a substantial market segment. The ongoing multiplication of standard setters has stimulated the application of a broad range of coordination mechanisms. Chronologically, different ordering patterns in the market for standardized fair trade goods can be identified. The field is characterized by a dynamic development with respect to the introduction of market mechanisms, foundations of new standard setters and higher level associations, and the introduction of new standards. At an advanced stage of the development, we detect the formation of meta-standards. Due to growth processes and dense competition, these meta-standards deserve particular attention. They seem to be a key instrument in solving coordination problems and achieving coordination of different established standard setters in an advanced regulatory field.

In line with the overall rationality of standardization (Loya and Boli, 1999), the trend in the historical development of the fair trade sector can be subsumed under the notion of an ongoing rationalization. While the concept of fair trade initially aimed to support the peasants in the South on the basis of an alternative trading system, it gradually started operating within the capitalist market system by implementing market-compatible certification structures. Based on scientific methods of organizing – such as expert-based standards, audits, and third-

party certification – a rational order has been set up. This order is based on economic rationality – actors seek to avoid competition by setting up barriers to entry and by forming competitive niches (Hasse and Krücken, 2012). In succession to the rationalization of fair trade, principles of marketization (Djelic, 2006) were adopted. Contrary to what might be expected, this economic rationalization has not led to a simplification of the standardization systems: rather a multiplication and an increased complexity of standardization and regulation are to be observed. Overall, the entire development of the sector can be subdivided into four historical steps. In the remainder of the paper, we will concentrate on these steps.

Invention and diffusion of formal standardization systems

In the early beginning of the fair trade movement, the main goal was the establishment of an alternative North-South trade. At this time, formal standards and certification strategies were missing. It was claimed that the system could be sustained through relations of trust (Raynolds and Long, 2007:18). Thus, NGOs, charitable and religious groups, world shops, and private actors aimed to support the peasants in the south, by providing an alternative to the capitalist market system.

In the late 1980s/ early 1990s, when the governance of the global agrifood system increasingly became shaped by private governance mechanisms (Fuchs, Kafalgianni, Clapp and Busch, 2010) and a boom of sustainability certifications and labels had set in (SustainAbility, 2011), a turning point occurred in the fair trade sector: The actors, who formerly constituted a social movement, gave the initial push for the institutionalization of a new market practice (King and Pearce, 2010): labeling of standardized fair trade goods. NGOs became institutional entrepreneurs for private regulation (Bartley, 2007). The first national labeling initiative was introduced in the Netherlands by a NGO called *Max Havelaar Foundation* in 1988. In succession, similar labeling initiatives were founded worldwide, mainly with initial funding from state agencies (see table 1). The diffusion of the standardized fair trade principles resulted in a multiplication of standards managed by independent national labeling initiatives in the North. Probably owing to the territorial separation of the national standard setters, they co-existed quietly and complemented each other in the aim of promoting the fair trade concept globally.

TABLE 1 ABOUT HERE

The elaborated fair trade standards, which are one of the pioneers in sustainable certification, enabled for the first time the possibility to assure fair trade's quality features. Because consumers cannot directly observe the quality of fair traded commodities (even after consumption), fair trade products are typical credence goods (McCluskey, 2000). Therefore, certification is a reasonable instrument to assure and signal their superior but unobservable quality attributes (Terlaak and King, 2006). In accordance with Bartley (2007), certification can be seen as a particular type of transnational private regulation that recently has risen significantly in order to address social and environmental conditions of production. As a result, Bartley (2007) considers that certification as a market-oriented model of institutional design is on a path towards institutionalization.

The rationalization of fair trade on the basis of certified standards was accompanied by a profound shift of the underlying legitimation base: Fair trade no longer intended to realize an alternative trading system. Instead it aimed at reforming the capitalist market. This was seen as a politicization of the market, and the marketplace became a site for political action (Micheletti, Follesdal and Stolle, 2004) to create changes in the North-South trade. In other words, the original social movement became compatible to the conventional market system, and at the same time it contributed to a moralization of markets (Stehr, Henning and Weiler, 2010). Based on certified standards, a remarkable growth of the market share of fair trade-products has set in. It thus may be argued that the strategy of a marketization of certified standardized products has been highly successful. However, and despite stable increases in sales, the impact of the fair trade business model in the global trading systems has remained rather limited thus far. According to Vogel (2005:103ff.), this circumstance exhibits the weakness and limit of the market for virtue.

The foundation of meta-organizations

In succession to the emergence of a growing number of national labeling initiatives and an overall field expansion, a new instrument to foster coordination was introduced in the field of fairtrade: the formation of associations (or meta-organizations). On the one hand national standard setters founded umbrella association in order to coordinate their activities, avoid competition and gain political power. On the other hand, the more grass root oriented alternative wing of the fair trade scene established its higher level organizations. The overall

goal of these organizations was to coordinate and harmonize the growing market for fair trade goods. Associations might be characterized as a distinct institutional basis for social order.

In 1997 and with financial support from governments, national labeling organizations founded the powerful umbrella organization *Fairtrade Labelling Organizations International* (FLO). The foundation of FLO was seen as a higher stage of institutionalization of the fair trade movement (Renard, 2005:425). FLO served as a meta-organization which coped with the plurality of national standard setters and a corresponding lack of uniformity. It also aimed at promoting fairtrade's goals uniformly on a transnational scale.

Today, FLO can be characterized as the central actor in the fair trade sector. It is a private standardization organization which serves as a constant frame of reference for fair trade issues (Glasbergen, 2011). FLO generates trustworthiness in its regulatory field and assists in coordinating economic activities in the North-South trade. Through the use of globally valid standards and certificates, FLO contributes to the reduction of complexity by simplifying comparability with other (conventional) southern products and by facilitating coordination between southern producers on the one hand and northern purchasers on the other. Thus, FLO fosters product differentiation, supports the creation of stable networks between trading partners, and provides opportunities to prevent direct price wars. Consequently, fairtrade standards allow for non-price competition, which is a common feature of standards that are used to differentiate (Busch 2011:154ff.). Today, the members of FLO – 19 national labeling initiatives, three producer organizations and three marketing organizations – work under a uniform quality seal. Due to the membership in FLO, the national standard setters limit their activities to marketing campaigns and the licensing of companies in their respective countries.

In 2003, FLO professionalized its certification system by founding the independent certification company *FLO-Cert*. Flo-Cert is a third party certifier. Certifying standards by third parties is an established mode which is widely-used (Busch, 2011:208ff.). In comparison to first- and second-party certifications it is highly legitimated (Conroy, 2007:10ff; Raynolds, Murray and Heller 2007). FLO-Cert's main goal is to increase trust and to reduce risk by offering transparent and credible certifications. In order to meet these requirements, FLO-Cert follows the ISO 65 norm to demonstrate its competence as certification body operating a product certification system since 2007. Hence, a further independent third party ensures FLO-Cert's compliance with the ISO 65 norm. This professionalization and rationalization of

the fair trade standardization system supports Power's (1994) concept of an audit explosion, where regulatory systems rely increasingly upon 'control of control'. So the audit society, which is characterized through a significant enhancement of auditing, evaluation, and monitoring activities, seems to have captured the field of fair trade. As Power (2000:115) assumes that auditing systems and related processes aim at producing external legitimacy and reaffirming order rather than generating critique, such auditing cascades are not surprising. In the case of FLO-Cert and its independent certification accordance with ISO-standards probably has contributed to the legitimacy of the fair trade standardization system.

FLO's success has been accompanied by profound increases in involved actors. New and powerful stakeholders have entered into an originally small alternative niche. Although multi-stakeholder standards may have a higher potential for effective consensus-building, knowledge-sharing, and interest representation (Fransen and Kolk, 2007), a lifecycle perspective on standards indicates that such a multiplication of stakeholders ends in a loss of efficiency and reduced quality of standards (Hülsse and Kerwer, 2007). Such a trend can be related to the re-composition of the balance between alternative and commercial considerations. Whereas the fair trade network initially was dominated by idealistic NGOs, commercial organizations later entered the fair trade field and gained much influence. Through such preeminence of the business side, one generally risks that the standardization organization loses authority and credibility (Boström, 2006). In the fair trade sector, such risks are severe due to a cleavage between mainstreaming certification business and radical social movement-considerations. While the concept of the fairtrade certification and the involved organizations expanded and gained importance, the original charitable and alternative wing of the fair trade movement were concerned about losing terrain. In order to strengthen their position, however, they founded different meta-organizations:
- the global representative body *World Fair Trade Organization* (WFTO),
- the association of European importers *European Fair Trade Association* (EFTA), and
- the *Network of European World Shops* (News!).

TABLE 2 ABOUT HERE

Together with FLO, these three associations formed the association FINE in 1999 (see table 2). Its composition reflects fair trade's generic distinction between (pure) charitable organizations on the one hand and standard setters and their clients on the other. Their

divergent interests, practices, and aims prompted the foundation of FINE as an umbrella organization. FINE promised to push coordination and reduce the potential for conflict. It was also backed by the expectation that harmonization might give greater political weight to the fair trade initiatives and strengthen the movement.

Today, the meta-organization FINE no longer exists in its original form: The umbrella organization of the world shops News! has been dissolved and FINE has diminished to an advocacy office in Brussels with limited power and influence. These circumstances reflect the historical shift of problems in the fair trade sector. While at an earlier stage the distinction between alternative and commercial fair trade concepts dominated the fair trade agenda, today distinct challenges need to be met. As will be illustrated below, these challenges include questions of market positioning in an increasingly competitive environment.

<u>Competition of standards</u>

Despite the mentioned harmonization efforts, alternative options for certifying fair trade products have emerged beyond FINE and its members, predominantly in the last ten years (see table 3). According to Haveman (1993), such market entries are not surprising as the existence of successful incumbents results in a high legitimacy of the fair trade market. However, high rates of market entries and dense competition does not only affect the attractiveness of the market. It can also result in a lowering of standards which has the potential to negatively affect the legitimation base of the entire sector. This is the risk of a plurality of standards in the market for fair trade goods to which new actors such as the *Rainforest Alliance* (which campaigns on the basis of the *Sustainable Agriculture Network*'s standards) and *Utz Certified* have contributed (Raynolds, Murray and Heller, 2007). Further social standardization organizations are the *Ethical Trading Initiative,* the *Union for Ethical Bio Trade,* the certification program *Fair for life*, and the *4C Association*. The last mentioned is of interest because with its launch it was thought that some of the existing socially concerned labels would converge with its common codes. However, this has not happened yet, and the proliferation of different labels holds on (Mohan, 2010).

TABLE 3 ABOUT HERE

In accordance to the overall growth of sustainable certification (SustainAbility, 2011), the extension of standard setters in the fair trade sector and the resulting variety of standard systems have led to a multiplication of new label offerings. On the one hand this label creation might appeal to potential new clients, but on the other it might also result in label confusion among consumers and distributors. Two consequences of increased competition in the field of fair trade are illuminated: First, the emergence of standard evaluation systems and second, concerns about a lowering of standards due to dense competition of standard setters.

In order to handle the ongoing label proliferation and to achieve comparability among different labels and standards, so-called standard comparison frameworks have been introduced by different NGOs and state agencies. Such frameworks aim at increasing transparency and comparability by providing detailed information which can be either addressed primarily to consumers or to businesses. In order to assure the trustworthiness of such information it is claimed that such comparisons between standardization systems need to be accomplished independently. Thus, legitimate standardization processes through organizations will potentially require, apart from an independent control, an evaluation through an independent fourth party. Currently, we identify altogether nine evaluation systems for sustainability labels with distinct reach and importance: *Ecolabelindex* (international), *Standardsmap* (international), *Labelinfo* and *Labelreport* (Switzerland), *Infolabel* (Belgium), *Label-online* (Germany), *GreenerChoices* (USA), *Ökoweb* (Austria), and *Ecolabel NZ* (New Zealand). The elaboration and maintenance of these systems are usually financially supported by state agencies.

Market expansion and with it increased competition has not only led to the risk of standard confusion and the establishment of standard evaluation systems but also to concerns about fairwashing strategies and business friendly adaptations of the existing fair trade standards (Low and Davenport, 2005:503f.; Jaffee, 2010;). Fairwashing strategies are based upon more generous and unreserved licensing practices of so-called free rider labels. A trend toward business friendly adaptations, however, also corresponds with an increased demand for fair trade products, which cannot be satisfied by the production output of small-scale producers. In order to raise the quantity of certified goods, the standard setter FLO thus decided to integrate commodities from plantation production in the fairtrade system. Though economically rational, such modifications are still controversial. For some social movement actors, the inclusion of plantation production serves as an indicator of alienation from one of

the core principles of fair trade - supporting small-scale producers in the South through a partner relationship (Jaffee, 2010:277). These critics worry about a race-to-the-bottom, where (competitive) standards get in a downward spiral to maintain and expand the number of their followers. The interplay of manifest fairwashing on the one hand and the social movement-based criticism of such trends on the other clearly has the potential to de-legitimize the overall fair trade sector and to result in stagnation or even reduction of the niche market. However, persistence on 'traditional' fairtrade concepts also seems risky. For example, the certification of coffee still requires that it is produced by small producer organizations. In other words, plantation production is not allowed in the coffee fairtrade standardization system, which is perfectly in line with fair trade's original core principles. This unwillingness to modify a core principle of the fair trade idea recently has caused the first exit of a member organization of FLO. Fairtrade USA (now Fair Trade USA), which in previous years achieved the second highest turnover, resigned from the FLO network at the end of 2011 in order to loosen its demands and to successfully compete with standard setters which have entered the fair trade-market.

Meta-standards

Against the background of high founding rates and competing standard setters harmonization and coordination are crucial. Thus, it does not come as a surprise that the growing number of standards and standardization organizations has not only led to meta-organizations but also to a standardization of standards. We label this type of coordination meta-standards (standards for standards).

In 1999 (formal foundation in 2002), FLO and three other established certification organizations – the *Forest Stewardship Council* (FSC), the *International federation of organic agriculture movements* (IFOAM), and the *Marine Stewardship Council* (MSC) – founded a meta-organization called *ISEAL Alliance*. ISEAL Alliance has set (meta-) standards on how to conduct labeling in social and environmental issues (see table 3). These meta-standards provide a common frame for the members' standards in order to pursue the target of fostering credibility and legitimation. Against this background, Glasbergen (2011:200) claims that ISEAL Alliance holds an explicit meta-governance role. Closer examination of the ISEAL standard setting code reveals a high generalization of the standards, referring to broad and abstract qualities such as effectiveness, transparency, and stakeholder dialogue.

While attempting to simplify and ease the complexity of social and environmental standard setting, ISEAL Alliance paradoxically has contributed to the multiplicity of standards. According to Boström and Klintman (2011:102), ISEAL Alliance has been established to carve out some regulatory space for certification and labeling instruments in a partly conflicting but not competitive relationship with other transnational actors such as WTO and ISO. But by observing the recent development strategy of ISO norms, it becomes apparent that ISO has started to get involved in the field of sustainability. This is mainly demonstrated through their engagement in environmental protection (ISO/Technical Committee 207 environmental management and its basic standard ISO 14001) and its recent standard on social responsibility (ISO 26000). The latter is not for use as a certification standard and contains at present only voluntary guidance. Nevertheless, it seems obvious that ISO's expanded field of action starts to overlap with the sphere of ISEAL Alliance. Hence, it is of interest how these standardization organizations will evolve prospectively and by which means they will coordinate their activities.

Discussion

The last decades have witnessed a massive expansion of the fair trade sector. This trend is based on labeling practices which signal accordance with formal standards. On that base commercial retailers could be included. Today, fair trade business holds a significant market share in some fields, and in others enormous growth processes are to be expected. This development has required the utilization of various modes of coordination and governance: Fair trade actors organized and started to found meta-organizations. While some of theses meta-organizations are committed to the original social movement-perspective, others are more commercially oriented. Also new standard setters emerged. As a consequence, density and competition in the field of certifying fair trade-products increased profoundly. In order to cope with the risk of label confusion, evaluation frameworks were introduced. While these frameworks aimed at comparing standardization systems, concerns about the launch of free rider labels and a competitive race to the bottom (i.e. a lowering of standards) remained. As such concerns may cause severe legitimation problems for the entire sector, further coordination efforts have evolved. Of particular interest is the foundation of higher level standard setters that generate and implement meta-standards for their member organizations.

Coordination attempts through continuative forms of standardization seem to be a common strategy. Epstein (2009) argues on the basis of an investigation of the standard human in biomedicine that problems of standardization are solved by reforms which themselves are built on standardization. Thus, none of the identified problem-solving strategies acts beyond standardization. In a similar way, a longitudinal analysis of the emergence of an international regulatory field of financial reporting indicates that contestation between different standard setters within a commonly accepted procedural framework may back up (international) standardization (Botzem and Quack, 2006). It thus may be concluded, firstly, that standardization induces further standardization. Secondly, our case indicates that standardization processes also stimulate other modes of coordination and governance: There is the constitution of new markets for both fair trade products and their certification, we find the founding of new organizations and associations, and, finally, new networks have been set up which aim at negotiating issues of interest for their members. Against this background it has to be concluded that the introduction of formal standards being certified by third parties has not replaced traditional forms of coordination and governance. Instead, it has stimulated the growth of any other mode of coordination and governance. These modes interact with each other and push coordination and governance on higher levels of abstraction. Hence, we find standards about standards and organizations or networks which are composed of organizations or networks.

In light of our findings, we identify two research perspectives: On the one hand our understanding of the cumulativeness of social coordination needs to be deepened. In particular, the formation and development of markets for fair trade-products needs to be described with analytical rigor. Referring to the development of total volumes and market shares may be a promising starting point, here, because this development can be related to organizational dynamics of the sector (e.g. founding rates and mortalities of standard setters and their networks and associations, trends towards professionalization and specialization of standard setters, inclusion of commercial retailers and other established actors in the sector). On the other hand further research about the dynamics of standardization with respect to material modifications in the standardization system is needed. To what extent does the diffusion and mainstreaming of standards affect the content of standards? Is it accompanied by a trend towards specialization which results in distinct market niches or has it resulted in a lowering of standards? And, where do such material modifications come from – from reforming established standards or from the introduction of new standards and certificates?

As dealing with such questions may contribute to a better understanding of standardization processes in general, standardizations in the fair trade sector and the dynamic interplay of involved means of coordination and governance deserve a much closer look. As the objective of this paper has been to illustrate historically that in the fair trade sector modes of coordination and governance are related to each other in complex ways, it may serve as a starting point for such endeavor.

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Tables

Table 1: Founding rates of national fairtrade standard setters

Year	Country
1988	The Netherlands
1992	France, Germany, Ireland, Luxemburg, Switzerland, United Kingdom
1993	Austria, Japan
1994	Canada, Italy
1995	Denmark
1996	Sweden
1997	Norway
1998	USA, Belgium
1999	Finland
2005	Australia/New Zealand, Spain
2008	South Africa
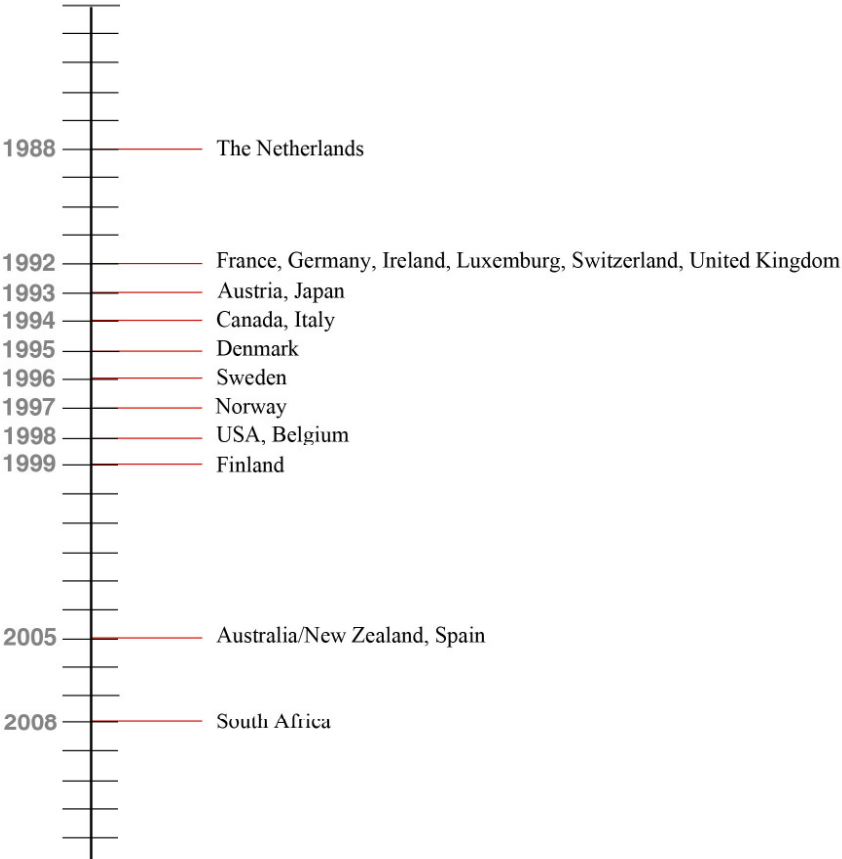
Table 2: Founding rates of fair trade meta-organizations

Year	Organization
1989	World Fair Trade Organization
1990	European Fair Trade Association
1994	Network of European Worldshops
1997	Fairtrade Labeling Organization International
1999	FINE Informal Association of Fairtrade Networks

Table 3: Founding rates of standard setters on social issues

Year	
1987	Rainforest Alliance
1991	Implementation of Sustainable Agriculture Certification
1997	Fair Trade Labeling Organization, Sustainable Agriculture Network
1999	ISEAL Alliance
2002	UTZ Certified
2006	4C Association, fair for life
2007	Union for Ethical Bio Trade