

Fair Trade and Organizational Hybridism: reflecting on the organizational design of cooperatives certified by Fairtrade

Comércio Justo e Hibridismo Organizacional: refletindo sobre o arranjo organizacional das cooperativas certificadas pelo Fairtrade

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Abstract

This study aims to understand how Fairtrade certification mechanisms influence the organizational design of cooperatives as hybrid organizations. Based on organizational hybridism as a theoretical basis, the study is guided by the contributions of interpretive management scholars who consider cooperatives as hybrid social organizations. This investigation is qualitative; exploratory research carried out from a case study in Fairtrade coffee growers cooperative in Espírito Santo. As a data collection instrument, the triangulation of techniques was used through semi-structured interviews, non-participant observation and documents analyzed through content analysis. The main results pointed to the need to forge the cooperative arrangement to the Fairtrade design to adapt to the normative instruments, creating specific governance mechanisms to avoid the loss of legitimacy.

Keywords: fair trade; hybrid organizations; cooperatives.

Resumo

O objetivo deste estudo é compreender como os mecanismos da certificação Fairtrade influenciam no arranjo organizacional das cooperativas enquanto organizações híbridas. Fundamentando no hibridismo organizacional como base teórica, o estudo se guia pelas contribuições dos estudiosos interpretativistas de gestão, que consideram as cooperativas como organizações sociais híbridas. Essa investigação estrutura-se como uma pesquisa qualitativa, de caráter exploratório, realizada a partir de um estudo de caso em uma cooperativa de cafeicultores Fairtrade do Espírito Santo. Como instrumento de coleta de dados foi utilizada a triangulação de técnicas, por meio de entrevista semiestruturada, observação não participante e documentos, analisados a partir da análise de conteúdo. Os principais resultados apontaram a necessidade de forjar o arranjo da cooperativa ao desenho do Fairtrade, para se adequar aos instrumentos normativos, criando mecanismos de governança específicos para evitar a perda de legitimidade.

Palavras-chave: comércio justo; organizações híbridas; cooperativas

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1 INTRODUCTION

The constant changes in work relations, the production of goods and services, and the access to different markets have been developed from a change of perspective of several organizations (HUDSON; HUDSON, 2003). If, on the one hand, traditional organizations focus on their economic bias and their lucrative purpose, on the other hand, social organizations have been increasingly fortifying themselves in different areas of performance to promote exchanges to their public (BATTILANA, 2006).

However, despite the rapid growth of both traditional and social organizations, a phenomenon that blends these two aspects and opens the range to other logics has been configured as a survival strategy for numerous enterprises: organizational hybridism (BATTILANA; DORADO, 2010; BATTILANA; LEE, 2014; LEE; BATTILANA, 2020).

The approach of organizational hybridism combines multiple logics of action. It has gained strength in management studies in the last decade for considering the multiplicity in the performance of organizations from numerous markets and scenarios constituted by the relationship and perception of the subjects involved (OCASIO; THORNTON; LOUNSBURY, 2017).

Thus, organizational hybridism represents a field of studies focused on the possibility of coexistence of different strands, objectives, parts or organizational formats to pursue common organizational goals (WOOD JR., 2010). The hybrid organizations' result of this process has, for example, their economic, social and environmental aspects juxtaposed in the same organizational format, aiming to achieve specific market niches and meet the specific demands of their public (CHU; WOOD JR., 2008).

Numerous studies have shed light on hybrid organizations. The main ones are focused on understanding local

communities that are sustained from the action of multiple logics of organizations' actions (DIMITRIADIS *et al.*, 2017; MARQUIS; BATTILANA, 2009); the identity mechanisms of hybrids (BATTILANA, 2006; BATTILANA; DORADO, 2010); the role of leadership in hybrids (BATTILANA; DORADO, 2010); the institutional change generated by the union of hybrid projects in the same organization (BATTILANA; CASCIARO, 2013); the governance processes (EBRAHIM; BATTILANA; MAIR, 2014) and; mainly, the role of hybrid social organizations to manage the tensions generated by their multiple aspects (BATTILANA; LEE, 2014; LEE; JAY, 2015).

In this conception, the cooperatives gain prominence as a unique hybrid organization model whose goal is to meet the interests of its members from the advancement of its economic, social and, in some cases, environmental dimensions (AUDEBRAND, 2017). Moreover, such organizations act in the search for multiple results beyond financial return, living the clash of an economic organization and a democratic association coexisting in the same organizational space (BAUWENS; HUYBRECHTS; DUFAYS, 2020). Such elements thus characterize a fertile ground for the complex unfolding of the hybrid project (PARANQUE; WILLMOTT, 2014).

The complexity involved in the processes of hybrid organizations such as cooperatives leads to tensions that generate numerous paradoxes, which can either drive or stagnate the management of the enterprise (AUDEBRAND, 2017). However, despite the movements permissible from these tensions and paradoxes, cooperatives have leveraged their hybrid strands to access specific markets. Moreover, many of these markets are regulated by specific norms, requiring that all parties' production and distribution relationships be considered fairer (ethically

and economically) (BACON, 2005; PARANQUE; WILLMOTT, 2014).

In this context, fair trade, institutionalized by the Fairtrade System, has been accessed to enhance these aspects since producers, distributors, and final consumers are protected by environmental, social and economic principles in their transactions (GEIGER-ONETO; ARNOULD, 2011).

Fairtrade in Brazil had broad adherence from Small-scale Producers Organizations (SPO) such as associations and cooperatives, mainly coffee producers. The organizations of Fairtrade coffee producers are part of a vast network of actors, such as national traders and exporters (known as traders), strongly dependent on the demands and production standards dictated by the market and on public managers who invest in the organizations' projects. The particular interests of these actors can drive the creation of specific organizational arrangements to meet different demands, creating very particular formats in each organization (BOSSLE *et al.*, 2017; MIRANDA; SAES, 2012).

Given this context, this article aims to understand how Fairtrade certification mechanisms influence the organizational arrangement of cooperatives as hybrid organizations. The study is based on the theoretical contributions of authors who are epistemologically closer to the interpretative strands and understand organizational hybridism as a plausible phenomenon of interpretations in social organizations such as cooperatives. The main structuring of this theoretical strand stems from the seminal article on the subject by Julie Battilana and Matthew Lee (BATTILANA; LEE, 2014), in which a model for understanding the dimensions in hybrid organizations is presented.

In parallel, Julie Battilana's other contributions - in partnerships with other researchers - that explore the adjustments and tensions arising from the hybrid model are adopted (BATTILANA, 2006;

BATTILANA *et al.*, 2015; BATTILANA; CASCIARO, 2013; BATTILANA; LECA; BOXENBAUM, 2009; DIMITRIADIS *et al.*, 2017; EBRAHIM; BATTILANA; MAIR, 2014; LEE; BATTILANA, 2020). In addition to these, contributions from authors who understand hybridity as a process anchored more critically to the particularities of the cooperative model are adopted (ARRUDA *et al.*, 2018; AUDEBRAND, 2017; BAUWENS; HUYBRECHTS; DUFAYS, 2020; KOLK; LENFANT, 2016; TEIXEIRA; ROGLIO, 2015).

The article can potentially advance the field of interpretive management studies by understanding the institutional elements that make and give meaning to its practitioners (LIMA, 2011). In this case, producers in the Fairtrade network, in hybrid organizations. Moreover, we believe in its potential to weave new arguments to confirm or refute the studies on cooperatives, which consider them as hybrid social organizations shaped by different actors, processes, conflicts, negotiations and institutional pressures.

2 ORGANIZATIONAL HYBRIDISM IN COOPERATIVES

The neo-institutionalist studies turned their attention to understanding the role of institutions in the action of subjects, in the realization of certain practices and in the institutionalization of specific policies (SELZNICK, 1996). The researchers of the strand of sociological neo-institutionalism, concerned with understanding the socially appropriate models for building the identity of actors, emphasized the role of culture as an element responsible for creating and recreating their perception in organizations (MORRISON; WILHELM JR., 2007). Starting in the 1990s, when these studies robustly explored such a perspective, studies became more concerned with multiple institutional logics for subjects' actions in organizations (OCASIO;

THORNTON; LOUNSBURY, 2017; THORNTON; OCASIO; LOUNSBURY, 2012).

The institutional logics approach emerged as a meta-theory concerned with understanding the underlying ways in which organizations act, which is responsible for shaping heterogeneous conditions, stability, and change in both individuals and organizations (OCASIO; THORNTON; LOUNSBURY, 2017). These multiple institutional logics have become a result of the multiple scenarios that organizations develop, grounded in acting between the public and the private; between the economic and the social; between the social and the environmental; among so many other ways (VILLAR, E. G.; RESE; ROGLIO, 2019).

These institutional logics have gained breadth and strength in contemporary literature, mainly by exploring the complex scenario of living of organizations, from adaptations, overlaps and struggles for space, directing the organization to change (LEE; BATTILANA, 2020). In this context, the hybridity of institutional logics arises, or as it is conventionally characterized, organizational hybridity (HAIGH *et al.*, 2015).

Organizational hybridism can be understood as a phenomenon, a quality or an acquired state in which the organizations exposed to the sharing of activities are involved (BATTILANA; LEE, 2014; WOOD JR., 2010). Organizational hybridism represents, then, the junction of different logics of action, adopted by the organization together in the same time and space, and can be developed in the search for a dominant logic or from the adaptation of preconceived structures (as from quality standards and certification) or by the permanent performance of complementary institutional logics (BATTILANA; DORADO, 2010).

The actors' performance in this environment of multiple logics is fundamental to expand the conception of

the organization and allow the spaces of tensions, juxtapositions and dialogues not to paralyze the organization (CHU; WOOD JR., 2008; WOOD JR., 2010). In this research, the focus is on organizational hybridity formed from preconceived structures, which in the case studied, comes from the Fairtrade standards.

Several studies have explored organizational hybridity from, or as a result of, distinct organizational formats. Much of the research explores the critical role of governance in aligning economic and social missions (EBRAHIM; BATTILANA; MAIR, 2014; GROSSI; THOMASSON, 2015; MAIR; MAYER; LUTZ, 2015; WOLF; MAIR, 2019).

Others emphasize the numerous tensions generated by the forced adjustment between the parties (AUDEBRAND, 2017; CHU; WOOD JR., 2008; TEIXEIRA; ROGLIO, 2015) and the valorization of the local community in organizations with a more social character (DIMITRIADIS *et al.*, 2017; FERNANDES *et al.*, 2015; MARQUIS; BATTILANA, 2009). Finally, in a complementary way, some more recent studies have dedicated themselves to understanding the role of the workforce in the composition of hybrid organizations (BAUWENS; HUYBRECHTS; DUFAYS, 2020; DUFAYS; HUYBRECHTS, 2016; KOLK; LENFANT, 2016).

Despite these multiple approaches present in the literature concerning organizational hybridity, the studies of Julie Battilana and Mathew Lee are used as a basis for this study, for the authors have, over time, developed research on hybrid social organizations that represent an "ideal" model of organizational hybridity from an interpretive perspective. For the authors, such organizations have the dual mission of seeking financial results and social purpose simultaneously and thus cannot be fitted as for-profit organizations, philanthropic organizations, or public institutions but rather as hybrid organizations (BATTILANA; LEE, 2014). Thus, Battilana and Lee (2014) developed a

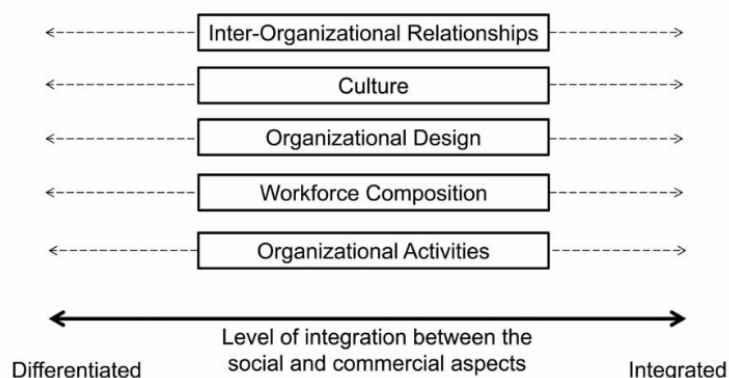
model to be reflected in hybrid social organizations such as cooperatives.

The model advocated by the authors considers five dimensions that share at their core the business, as a financial product, and the help for the development of groups, as a social product. These dimensions are distributed in five, namely: 1) Inter-organizational Relationships; 2) Culture; 3) Organizational Arrangement; 4) Workforce

Composition and; 5) Organizational Activities.

Depending on the strategies and actions implemented, each dimension can have its social and business aspects more differentiated or more integrated. This will determine how central or peripheral each aspect is to the enterprise and how consolidated the hybrid project is, as presented in Figure 1:

Figure 1 – Dimensions of Hybrid Organizing



Source: Battilana e Lee (2014, p.).

According to Battilana and Lee (2014), the Organizational Arrangement seeks to understand how leaders transform strategy into action based on three mechanisms: 1) Organizational Structure; 2) Incentives and Control Systems and; 3) Governance. Each of these mechanisms should specify how managers conduct the objectives of the enterprise from the structure developed, which mechanisms allow them to encourage and control the derivation of the economic and social mission, and which governance mechanisms are articulated to this.

The concern with these issues can reveal the management project developed by hybrid organizations to avoid the overvaluation of one of its strands and the forms of governance that allow the management of tensions and conflicts (EBRAHIM; BATTILANA; MAIR, 2014).

Cooperatives have economic and social nature. Hence, cooperatives fit into the perspective of hybrid organizations living the constant paradox of adjustment of the parts of their economic enterprise and

their democratic association (AUDEBRAND, 2017). However, the concern about the organizational arrangement developed in cooperatives has raised questions about the guarantees of the cooperative model to sustain this hybrid project.

As pointed out by Paraque and Willmot (2014), the ownership and governance structures of the cooperative members can get mixed up in the conduction of the enterprise, creating organizational paralysis, and preventing the organization from moving forward. In a complementary manner, vigilance to democratic principles can prevent adaptation to ready-made models of entrepreneurship, ensuring that the desires of the cooperative members are translated into management strategies.

3 FAIR TRADE FROM FAIRTRADE

In this new conception of hybrid organizations, acting in multiple scenarios

and mediated by new relations of production, distribution and consumption, fair trade emerges as a movement capable of trying to diminish the asymmetries of power present in the mercantilist logic that feeds the current economic model (RAYNOLDS; MURRAY; TAYLOR, 2004; SCHMELZER, 2010; VAIL, 2010).

According to Cotera and Ortiz (2009), fair trade can be understood as "(...) the process of production-distribution-consumption exchange, aiming at a solidary and sustainable development (COTERA; ORTIZ, 2009, p.60)". This proposal for justice in the chain links culminated in the search for product certification to guarantee its origin and ensure reliable practices for consumers.

The beginning of this proposal dates back to the late 1980s and early 1990s, with the certification initiative known initially as Max Havelaar. Such initiative gained notoriety in much of Europe and some countries in Asia and started to be replicated in other markets (FAIRTRADE, 2019). Thus, in 1997 the Fairtrade Labelling Organizations International (FLO) was created in Bonn, Germany, uniting organizations linked to fair trade in different national spheres and responsible for creating certification standards worldwide (FLOCERT, 2021).

For Cortera and Ortiz (2009), the union of all the initiatives in an international fair trade seal allowed them to work together in order to promote the exportation of small producers who are distant in all dimensions from the big markets in a fairer attempt to reduce the inequality in the distribution of goods between North and South.

The Fairtrade System is then understood as a governance and certification system that tries to reduce unfair relations of production, distribution, and consumption, remunerating production better and valuing local practices and culture (RAYNOLDS, 2017). As a governance system, it is instituted by FLO, regulating norms and behaviours from

forums of dialogue and collective learning. As a certification system, Fairtrade is developed by a set of criteria developed by FLOCERT, based on the economic, social and environmental tripod and carefully audited in the certified enterprises (FAIRTRADE, 2019; FLOCERT, 2017).

In Brazil, the Fairtrade system is developed by the Latin American and Caribbean Coordinator of Small Producers and Fairtrade Workers (CLAC) and the Association of Fairtrade Producers' Organizations of Brazil (BRFAIR), articulating producers and exporters of coffee, herbs, herbal teas, spices, fruits, honey, nuts, fruit juice, pulps, oilseeds and oleaginous fruits (FLOCERT, 2021).

CLAC forms specific networks from each producer group to strengthen them in their specific production chains, such as the "Coffee Network", which brings together 155 producer organizations throughout Latin America and the Caribbean (CLAC, 2019). BRFAIR, in turn, acts by identifying the demands of the SPO and articulating strategies to strengthen the productive groups considering the particularities of each product (BRFAIR, 2019).

Coffee producer enterprises dominate the national Fairtrade scenario since of the 57 enterprises of certified producers, 29 are coffee producers (51%) (FLOCERT, 2021). The Fairtrade coffee market is an alternative to the injustices of the conventional market, which exploits the production of southern hemisphere countries, offering low-quality coffee to large end consumers of the product, besides oligopolizing the market, commercializing its products only with large organizations (FRIDELL; HUDSON; HUDSON, 2008; OLIVEIRA; ARAÚJO; SANTOS, 2008).

Fairtrade, in turn, guarantees better bargaining power to coffee growers, improvements in production practices with incentives to organic production, reduction to the maximum of pesticides, access to specific lines of credit, minimum price guarantees, payment of social premiums, and the insertion of children in educational

and cultural activities without them being forced to work in the field (GEIGER-ONETO; ARNOULD, 2011; LEVI; LINTON, 2003).

Although there are other institutionalized ways of operationalizing fair trade (with the use of other seals and even without their use), it can be said that the Fairtrade system is one of the most recognized and successful ways around the world (FAIRTRADE, 2019). However, despite being widely spread and seeking to reduce inequalities mainly in the profitable coffee market, this system is also the target of criticism by those who do not identify all this justice in the chain (BEJI-BECHEUR; DIAZ PEDREGAL; OZCAGLAR-TOULOUSE, 2008; KHAREL; MIDDENDORF, 2015).

Furthermore, this model is questioned regarding the real potential of the mechanisms created to establish transparency in transactions among chain members and valid incentives for producer participation (RAYNOLDS; MURRAY; TAYLOR, 2004; VÁSQUEZ-LEÓN, 2010).

Nevertheless, as presented by Bacon (2005), despite the criticism, Fairtrade represents an alternative for small coffee producers who are so vulnerable to the various market oscillations but who see in this model opportunities for growth and appreciation of their practices that are more supportive and adapted to their realities.

It is worth analyzing more closely whether the norms, rules and incentives created by Fairtrade help in this search for an alternative scenario to the conventional one or whether they restrict and mould the organization to adopt a pre-moulded arrangement, curtailing the freedom and cultural practices of local players.

4 METHOD

This study can be classified as qualitative research because we aimed to understand the infinite subjectivities present in the organization's daily life in an intimate

way, from the moment it was possible to interact with the reality of the subjects (BANSAL, PRATIMA, KEVIN, 2011). In parallel, the study is classified as exploratory, as it allowed us to understand the reality presented by the different research subjects based on the experience of their daily lives, the spaces of articulation and the local context in which they are inserted (STEBBINS, 2001).

The research was based on a case study in order to enhance the richness of the specific (SIGGELKOW, 2007; YIN, 2003), conducted over two years (2017-2018) in the Cooperative of Coffee Growers of the South of the State of Espírito Santo (CAFESUL), located in the city of Muqui, the southern region of Espírito Santo. The organization was created in 1998, is part of the OCB (Organization of Brazilian Cooperatives) cooperative model, has about 150 cooperative members and 11 employees, and joined the Fairtrade certification in 2008. Currently, the organization is the only cooperative of coffee producers, certified by Fairtrade in Espírito Santo and the first in Brazil certified with coffee of the Conilon variety (FLOCERT, 2021). Such elements emphasize the particularities of the case chosen for the investigation.

A triangulation of data collection techniques was established based on 46 semi-structured interviews, nine non-participant observations, and seven documents. The interviews were conducted using a predetermined script, built based on the theoretical framework of this research, and applied to internal members of the cooperative (cooperative members and leaders), members of support and training organizations, members of local financial institutions, members of the local and state public power, and traders. All interviews were audio-recorded and transcribed in full.

The observations (made on the cooperative's premises, on rural properties, at trade fairs, and in local coffee shops) also adopted a script based on the theoretical framework, with a specific focus of

observation in each one of them, and were recorded in field diaries, always at the end of the collection.

The documents (internal to the cooperative and referring to the Fairtrade and CLAC guidelines), in turn, were selected based on the criteria of authenticity (unquestionable origin), representativeness (represents standard publications on the subject) and significance (clear and understandable) considering the originality, relevance and contribution to the interpretation of the information, as advocated by Flick (2009).

The data were analyzed using the content analysis technique, adapting the protocol developed by Sonpar and Golden-Biddle (2008). This protocol was then developed in four steps: 1) Floating Reading of the data; 2) Thematic Coding; 3) Analytical Categorization; 4) Theoretical Categorization.

After a floating reading of the data, aiming at adapting the text and correcting typing errors, the entire corpus (collected material) was inserted into the Atlas.ti software. The second step consisted of thematic coding, identifying possible codes and themes from the research subject's text segments. The third step was the Analytical Categorization, gathering themes and codes into categories that made common sense, i.e., categories that explained the gathering of the group of codes.

Such categories, in turn, were related to the three theoretical categories defined by Battilana and Lee (2014) in the discussion on the organizational arrangement of hybrid social organizations. The synthesis of the protocol used is shown in Table 1 and the objective of each category.

Table 1 - Data analysis model

Thematic Encoding	Analytical Categorization	Theoretical Category
<ul style="list-style-type: none"> - Cooperative's Infrastructure - Change of business profile - Fairtrade proposal - Financial impact - Cultural change - New organizational structure - Social and commercial partnerships 	<ul style="list-style-type: none"> - Emergence and structuring of the cooperative to Fairtrade - Impact of the adequacy of the standards 	<p>Organizational Structure</p> <p><i>Objective:</i> understanding how the organization is structured to meet the hybrid dimensions of business and social aid. If they are compartmentalized, they may compromise the search for expected results.</p>
<ul style="list-style-type: none"> - Fairtrade Premium - Fairtrade Minimum Price - FDP - Forms of employee training - Incentives for participation 	<ul style="list-style-type: none"> - Fairtrade control instruments - Cooperative Incentives to Adapt to Fairtrade 	<p>Incentives and control systems</p> <p><i>Objectives:</i> Understanding incentive and control systems to determine what behaviours are measured and rewarded. Understanding the values that do or do not reinforce hybrid</p>
<ul style="list-style-type: none"> - Worker profile - Forms of training and work socialization - Sector structuring for audits - Network formation - Resistance to market pressures - Valuing participation 	<ul style="list-style-type: none"> - Governance mechanisms for translating strategy into action 	<p>Governance</p> <p><i>Objectives:</i> Identifying the mechanisms of joint accountability to social and economic objectives and avoid one-sided deviations</p>

Source: Prepared by the authors (2022).

In order to protect the identity of the respondents, the interviewees were named only by their position.

5 RESULTS AND DISCUSSION

5.1 The organizational structure forged from Fairtrade

The emergence of CAFESUL is the result of a series of efforts by rural producers from Muqui-ES in search of better opportunities in the coffee market. The main desire was to constitute an enterprise that would take them out of the dependence on coffee intermediaries.

However, from 1998 to 2002, as stated by the President, "it was practically stagnant, that is, it existed on paper, but it was not working [...] (President)". The cooperative then took four years to meet the demands of the producers. One of the reasons for this initial stagnation pointed out by the cooperative members and constantly identified from the field observations was the strictly economic profile of the President in the initial years, as pointed out in the cooperative member's speech:

[...] So, at the time, the other manager who was here had an expansive vision. I think he forgot that he was here in Muqui. You have to know where you are and which public you have. He had a tremendous vision and passed some of this on to the members that we would become a mega cooperative, which is not like that. If we are small, the cooperative has to be minor, if we are a group of low-income members of low production because our limits are limited, it also has to be a small cooperative, but it has to be self-sustainable here for its movement and also the life of those who are there in the field. [...] (Cooperative member 5).

As pointed out in the cooperative member's speech, there was an imbalance between the manager profile demanded by the cooperative members in the face of the local

reality and the profile found in the organization.

The harmony between the profile of the leader and the profile of the organization can be seen as one of the major problems faced by hybrid organizations, for such a mismatch can generate problems of definition of their business core and social core, since instead of promoting activities balanced between the two fields, the profile of the manager can lead one of the sides to become peripheral. This scenario is similar to the one pointed out in the studies by Battilana and Dorado (2010) regarding the misalignment of workers' profiles in Bolivian microfinance organizations.

The peripherality given to the social core of CAFESUL in its initial years demanded an articulation of the cooperative members to decide what should be done with the enterprise. In 2002, a group of producers closer to the cooperative's demands elected a new president who recognized the need to attend to the market and escape from intermediaries. At the same time, social improvements were built together with the cooperative members.

In this resumption of the organization by the cooperative members, who believed in the enterprise and organized a new board of directors, the Fairtrade certification proposal was presented by the current Manager of Family Agriculture of the State Secretariat of Agriculture, Supply, Aquaculture, and Fishing (SEAG), who, at the time, was the municipal secretary of agriculture and already knew about the certification. The proposal for CAFESUL's certification arose from the recommendation of a member linked to the municipal public power in a turbulent period of change in the organization's posture, both for survival and for trying to reposition itself as an enterprise. The circumstances were favourable for the certification, and it happened, as described in the President's account:

[...] Then we saw his [the Fairtrade consultant's] lecture, and we came

back excited, "wow, salvation table," that is, we are going to have a differential for these people that go through coffee here, and they have no way to get this differential, why? It is a collective certification, it has to be the cooperative or an association, but the cooperative is certified. It is not an individual certification, nor can I make groups, so everything is tied together [...] (President).

The current president's speech shows how certification became fundamental to rescue the cooperative from the dramatic situation. The use of the expression "life board" shows that certification came as a saviour by allowing the organization to try to get back on its feet, adapting to some guidelines, and being able to position itself to what it had been longing for: the detachment of the figure of one more intermediary in the city.

Besides, the strictly commercial vision of the intermediary stands out in the President's speech as something they would like to lose. The organizational image centred on such a stereotypical or controversial vision can hinder the mission of hybrid organizations because both their local public and potential investors may not recognize themselves as participants of this structure, as already evidenced by Ebrahim, Battilana, and Mair (2014) and Marquis and Battilana (2009).

To meet the stipulated criteria, CAFESUL demanded a drastic attitude concerning the profile of the cooperative member that met this new reality. As a result, the cooperative conducted an individual consultation with each member interested in meeting or not meeting the certification criteria and saw its membership reduced from 540 to 127 cooperative members (24%).

This reduction impacted the economic side of the organization, which lost an expressive volume of income precisely at a time that demanded more significant investments. As pointed out by Marquis and Battilana (2009), the process of change in hybrid organizations is

permeated by moments of imbalance in one of the parts of the business, which, if not well managed, can generate irreversible tensions and conflicts. In the case of CAFESUL, such imbalances compromised, at first, the economic logic of the enterprise.

In order to meet this new structure indirectly demanded by Fairtrade, the cooperative expanded its partnerships to build a support network that would guarantee the necessary infrastructure for the business.

Partnerships were established with local and state governments to obtain parliamentary amendments to purchase machinery. Together with public foundations, such as the Banco do Brasil Foundation, resources were raised to purchase equipment and the viability of environmental projects. Together with INCAPER, SENAR, SEBRAE, and OCB/SESCOOP-ES, partnerships were established for training on issues related respectively to rural training, business management, and training cooperative. Commercial partnerships were established with traders to purchase Fairtrade certified conilon coffee.

Dimitriadis *et al.* (2017) pointed out that hybrid social enterprises tend to guarantee their hybrid business proposition as they structure themselves in a support network that guarantees their commercial and social imprint. While the support agencies ensured the development of the social issues of the cooperative, the traders and public agencies ensured the investment in the economic issues of the organization.

From the above, it is possible to see what Mair, Mayer, and Lutz (2015) already pointed out in their studies on hybrid social organizations: the adoption of conflicting institutional logics can cause institutional change or paralysis in decision making. In the case of CAFESUL, the democratic articulation of the members based on what Audebrand (2017) characterizes as a "sense of communality" typical in cooperatives

allowed a re-articulation of the group to the true interests.

In this process of resuming the mission, which deviated from what Battilana and Lee (2014) emphasize as peripherality of objectives, or loss of orientation, there was no stagnation of the cooperative, no compromise of the hybrid project, but the impetus of it towards organizational change.

For Ebrahim, Battilana, and Mair (2014), in organizational change, tensions are inevitable, and it is up to the prominent leaders to assume the role of institutional entrepreneurs. According to Battilana (2006), in hybrid social organizations, institutional entrepreneurs lead the economic and social practices, balancing them so that those involved do not take the organization to other formats or assume only one of them, thus making the path to a joint change of operating logics unfeasible.

At CAFESUL, this construction of the path to change came with Fairtrade, headed by the main stakeholders in the business and who did not want to give up one of the hybrid parts of the organization. Thus, the partnerships established allowed the organization to prioritize quality and service to new market niches in the face of the drop in financial revenue culminated by the reduction in the number of cooperative members.

Such partnerships aim to meet the producers' demands for knowledge, improvements in their working conditions, more robust management practices, socio-environmental changes in the production process, and meeting the market's quality parameters instead of dismissing the hybrid model reinforced it. As a result, the cooperative started to transit in new institutional logics of action beyond that of a simple coffee trader.

Despite the different scales of hybridization, an organization can be more or less hybrid depending on the movements and partnerships it makes (BAUWENS; HUYBRECHTS; DUFAYS, 2020). For Dufays and Huybrechts (2016), regardless

of the degrees, the adopted project's strength is the potential of both the work team and the vision provided by the business partners. The more horizontal and structured vision allowed that, despite Fairtrade production and marketing demands, the members became more able to meet the new markets' desires and improve their working and living conditions.

5.2 Incentives and control systems

Not always a bed of roses in the vast scenario of the new rules with Fairtrade certification. Several new mechanisms determined by Fairtrade for the organization to structure its activities came into existence from this new reality.

Among the main instruments, it is worth mentioning those that demanded more care from the organization to adapt to its organizational arrangement: the Fairtrade Premium, the PDCJ and the Minimum Price. These mechanisms ensure that the Fairtrade principles of justice are respected throughout the chain (from producer to final consumer) (FLOCERT, 2021).

The Fairtrade coffee buying and selling mechanisms must respect the proposal developed by FloCert for certification that considers the London Stock Exchange quotation for Robusta (Conilon) coffee, fixed minimum prices, the Fairtrade premium, and incentives for organic production, as specified below:

The Fairtrade Minimum Price is a value that must be respected for all transactions with Fairtrade coffee. It varies by species (Arabica or Robusta) and by post-harvest process (washed or natural) [...] The Fairtrade Premium is a fixed amount of USD\$0.20 cents/lb and cannot be deducted. Therefore, the Fairtrade Premium must be indicated as a separate and additional value to the price in contracts. In addition to these two price components, the Fairtrade system also has a differential for organic coffees of USD\$0.30 cents/pound that, like the previous

premium, cannot be deducted (CLAC, 2016, p.2).

As demonstrated in the document that exposes the procedures for fair trade pricing, the pricing system must consider two scenarios: 1) When the market price reference is less than or equal to the Fair Trade Minimum Price; 2) When the market price reference is greater than the Fair Trade Minimum Price (CLAC, 2016).

One should always consider the more excellent value: the market price reference (exchanges) or Minimum Price. However, if the market reference price observed in the stock exchange quotations is less than or equal to the Minimum Price, Fairtrade guarantees that the minimum will be paid to producers, covering their production costs and an additional value. In this case, the price paid will be the fixed value of the minimum price for each type of coffee, plus the premium and the organic differential, if any.

Because it is a more complex market mechanism, CAFESUL invested in making sure that the president and the employees involved in buying and negotiating coffee knew to understand the minimum price parameters and how to apply the Fairtrade premium. The incentive mechanisms for this commercial aspect of the organization were made possible by courses on Stock Exchange negotiation given by the President and Q Grader courses (R Grader for Robusta coffee) given by the Operational Manager, focused on conilon coffee tasting and classification.

Although Fairtrade does not stipulate coffee quality, traders establish their purchasing parameters, demanding knowledge from the operational manager responsible for purchasing from the cooperative members. Therefore, the larger the coffee purchase, the higher the amount paid for the Fairtrade Premium. As evidenced, the Fairtrade Premium is used for investments in issues related to fair trade. The economic mechanism that regulates the Fairtrade coffee market is directly responsible for promoting social

demands (CEZAR; ROSA, 2020; OLIVEIRA; ARAÚJO; SANTOS, 2008).

The Fairtrade Premium is possible through the Fairtrade Development Plan (FDP). The financial resources from the Fairtrade Premium are invested in the social and environmental issues of the organization in three specific lines: 1) in the business investment; 2) in the livelihood or; 3) in the community (FLOCERT, 2021).

At the AGM, the accountability of the previous year's FYDP is presented, and the following year's FYDP is voted on. In the case of CAFESUL, in 2017, the investment of the Premium was delimited into seven types of expenses: 1) Improvement of coffee quality; 2) Administrative expenses; 3) Training; 4) Communications; 5) Social Events; 6) Use of part of the Premium for eventual market fluctuations and; 7) Environmental. Therefore, despite the dynamism in the application of resources, a good part of the expenses are directed towards "Coffee Quality Improvement" and "Environmental" activities aimed at the sustainable increase of production.

Even though the organization has other planning mechanisms, such as the Strategic Planning, it is through the PDCJ that we can see the valorization of its hybrid proposal by using incentive and control mechanisms so that, in an assembly, the members can visualize, question, approve or disapprove what will be invested in their economic and social spheres. This proposal is in line with what CLAC encourages:

[...] but what we want with planning, the values that are behind it is a democracy, that everyone participates, that there is an assessment of the members' needs, that the members can share these expectations and develop joint strategies to reach the goals they want to achieve, so it is a fulfilment of the checklist. However, behind this, there is a series of values and development of skills, right, because the person has to learn to plan, the leaders have to function better, so they are social developments of how one

thing is pulling the other right [...] (CLAC Coordinator).

As pointed out by the coordinator of the CLAC, this planning can be seen as a formal mechanism of the organization to encourage its employees to perform activities based on the pace of development that their leaders want and to encourage transparency in the organization.

Growth at all costs is not an organization's position, and reinforcing this ideology among employees through formal mechanisms, such as the elaboration of the PDCJ and the Strategic Planning, reduces both particular interests and the execution of ungrounded activities.

If the action strategies are not based on a plan that considers its hybrid structure, intractable tensions and conflicts may be generated by the mismatch of its multiple aspects, compromising the organization's future once it may no longer rebalance itself (BATTILANA *et al.*, 2015). However, although the control instruments stipulated by Fairtrade demand a direct intervention by managers and employees with the cooperative members, the organization acts through training, encouraging participation, and transparency to conform to what is stipulated and avoid conflicts.

Although the literature on hybridism clarifies the separation between incentives to reinforce the hybrid project and control to avoid mission drift, this reality is blurred in the cooperative studied. At the same time that empowerment strategies and incentives for participation can be seen as ways to guarantee the democratic exercise and the desires of certification, they can also be seen as forms of control.

For Paranque and Willmott (2014), it is curious to have to safeguard democratic practices in cooperatives so that they are not "swallowed up by capitalism" (AUDEBRAND, 2017). However, the authors highlight how contradictory this can be, as, since their constitution, it is in the adaptation or confrontation to this model that these organizations develop.

In this way, we understand that the Fairtrade model does not determine the partnerships that the organization must make but drives it to adopt a standard like any other form of certification. Furthermore, in this standard, especially to achieve more excellent value from the Fairtrade Premium, the essence of the organizational model becomes audited and reinforced in practices that should already be exercised. This was also pointed out in studies of Romanian cooperatives carried out by Bauwens, Huybrechts, and Dufays (2020), who, seen through the lens of hybridism, pointed out the need to reinforce the cooperative model in order not to get lost in the market practices.

In a complementary way, the certification instruments such as the Minimum Price and PDCJ are also shown at the same time as incentive and control mechanisms. The incentive to participative decisions articulated by the PDCJ guarantees what Reynolds (2020) characterizes as "community empowerment". The author emphasizes that the products are valued for their practices that ensure more sustainable production, and, instead of selling such intangible to the middleman, the producers receive a value that encourages them to continue and plan collectively.

The same happens with the Minimum Price instrument, which, despite restricting the sale for a price below the stipulated value, ensures that no producer is harmed in the eagerness to sell quickly what he has produced at a derisory price. For Kolk and Lenfant (2016), in their study of 53 hybrid social organizations, including five cooperatives that operate in the marketing of coffee in the Democratic Republic of Congo and Rwanda, such price mechanisms promote the education of all members of the chain. For the authors, this occurs as they socialize the idea of valuing the work of these groups, which often only recognize themselves as valued as the cooperative organizations see them and promote them in different spaces.

5.3 Governance

The cooperative adheres to a preconceived Fairtrade structure by meeting the certification requirements but develops governance mechanisms representing the organization's true identity. Ebrahim, Battilana, and Mair (2014) pointed out that these mechanisms are used in the hybrid organization to coordinate the interests of its public in performance accountability and accountability, avoiding the pendulum to one side.

Thus, to translate the designed strategies into action and, to some extent, mitigate certification charges, CAFESUL acts through three governance mechanisms: 1) alignment of work team profiles; 2) democratic network articulation and; 3) non-subversion to market appeals.

CAFESUL used its mechanisms to get to know new markets from national and international coffee fairs by forging its arrangement as a cooperative organization with the Fairtrade design. With the project of transitioning to organic production (since, as shown, it is a criterion for paying a higher value to production and because it is a desire of the cooperative members), the organization decided to align its parameters in hiring employees as pointed out in the speech below:

[...] in the technical part, we even look a little bit at the issue of how that technician looks at the environmental and social issues because, in fact, that is what we will be working on ahead, so if you get a guy who has worked in an agrochemical company all his life, he does not have the profile to work with us, certainly not [...] (President).

As said by the President, the profile expected for the technical positions is part of a strategy defined to verify if there is adherence with the cooperative's profile. The candidates should have experiences that facilitate working with environmental and social issues.

Past experiences with activities that may interfere with the work and the learning

in this direction are not well seen by the board of directors, which has a precise aim of seeking a more sustainable production, which moves towards organic production and values the social development of the cooperative members.

As Battilana and Dorado (2010) mentioned, the complexity in hiring the workforce of hybrid organizations is latent because hiring mechanisms and labour socialization must be consistent with the dubious ideals that the organization advocates. In addition, the profile must align the employee to the commercial and social mission of the enterprise because these are the ones responsible for possible changes in the organization (BATTILANA; LECA; BOXENBAUM, 2009).

From the focus on hiring technicians who are concise about their environmental and social performance, the cooperative created a specific sector to prepare the members for the audits. In addition, although CLAC performs the monitoring, the cooperative decided to have a sector and a specific employee for this, preventing the cooperative member from being surprised with an audit without the proper preparation.

This follow-up is essential for the cooperative member since, as the years go by, the criteria become more specific, demanding more understanding about what is allowed or not, as specified in the speech below:

[...] I think it is tightening a little bit now, the issue of herbicide deposits, insecticides and all that work that we have to do with the people on the property, the issue of garbage, the issue of housing can not be close to the crop, and one of my houses is near the crop, so we put a sign to protect these people near the house, right, it is quiet there. Now, this other one wants to stop this Roundup business, so I do not know if I cannot weed the crop today [...] (Cooperative member 7).

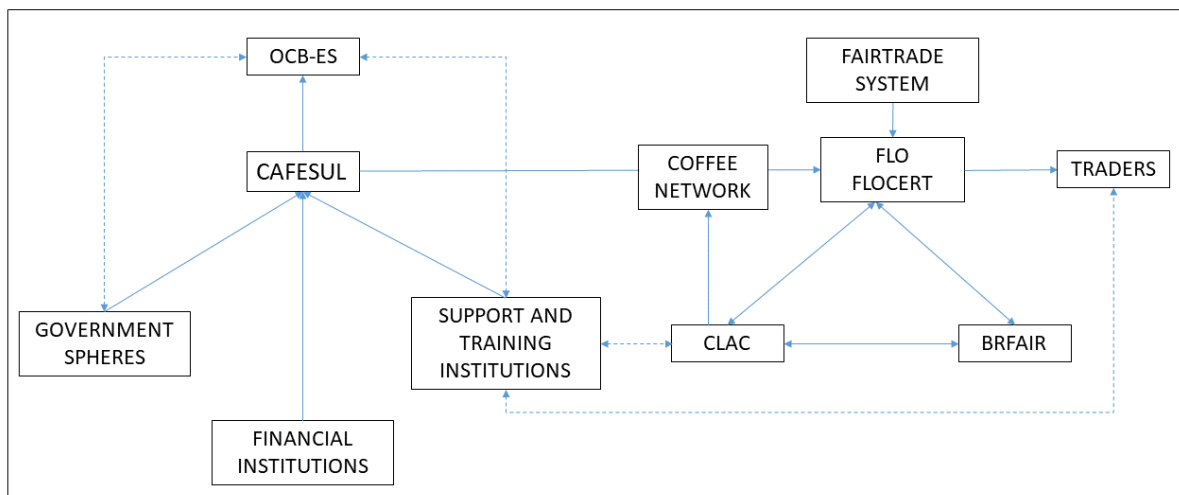
This change in the production standards pointed out by Cooperative member 7 demands a change in the cooperative

members and the organization's posture. Despite being small in the number of members, the cooperative is concerned about sustainably structuring itself and creating mechanisms for the members to see the meaning of the proposed changes. In this way, by aligning the hiring profile to what was demanded by the cooperative members, the cooperative made it possible,

through the mechanisms created, to subsidize the proposed institutional change (BATTILANA, 2006) without driving the cooperative members away from the enterprise.

The second mechanism created by the cooperative is the proposal of democratic network articulation, as explained in Figure 2:

Figure 2 - Network formed by the cooperative



Note: The arrows represent direct links between actors, and the dashed lines indirect links
Source: (CEZAR; ROSA, 2020).

Locally, CAFESUL acts according to the cooperative principles of OCB-ES and is structured by partnerships with governmental spheres (City Hall and State Government), Financial Institutions (Fundação Banco do Brasil, Banco do Brasil, Cresol and SICOOB) and Support and Training Institutions (INCAPER, SEBRAE, SENAR, SESCOOP-ES). These support and training institutions prepare (each in its area) the cooperative members to meet the requirements of the Fairtrade System.

By being part of the Fairtrade System, CAFESUL follows a set of certification norms (developed by FLOCERT) and a governance system (established by FLO), building forums for dialogue and collective learning. To maintain and develop a certification, the CLAC acts to democratically adjust the

norms to the realities of producers in each of the enterprises belonging to BRFAIR.

In parallel, CLAC fosters the "Coffee Network" to strengthen Latin American and Caribbean producers in a format close to their demands related to the coffee product. The "Coffee Network" sets the guidelines that FLO and FLOCert will periodically validate. These rules determine the buying and selling mechanisms by the traders to the final consumer.

As pointed out by Battilana *et al.* (2015), some tensions can become productive for the performance of hybrid organizations. In the case of CAFESUL, the democratic governance articulated in a network creates numerous spaces of tension that are productive for the organization. In adapting norms, the cooperative members have the opportunity to adjust the norms "from the outside" to the Brazilian reality. This democratic articulation occurs in

democratic spaces such as forums and meetings promoted by CLAC and BRFAIR, where each organization has the right to voice and vote. Thus, this governance encouraged by participation allows the organization to breathe in the face of the tangle of norms from the top down through the Fairtrade system.

Another governance mechanism in which the cooperative tries to impose itself is the non-subversion to market appeals. As pointed out, the cooperative conducts its commercial transactions in a network of Fairtrade certified traders. However, although Fairtrade does not charge a coffee quality standard, the traders have their buying criteria very well defined, as pointed out in the speech below:

[...] we tried to make a coffee that specifically required a beverage, which is very difficult in the region, and they were not able to attend to the beverage because the machine does it, regardless of what comes out of the machine, good coffee will come out, but the machine does not solve the problem of the beverage. So, like this, he [the *Operational Manager*] has a good intention, knows what he has to do, tries the competition, and knows how to taste coffee, but he knows how difficult the region is for him. So much so that we try to make an Arabica coffee with them all our lives. Man, if there is an Arabica, we have more turnover for this standard of coffee and his region, unfortunately, where his cooperative members are, is more Conilon, which is already for altitude, because for the production itself, he cannot [...] (Trader 1 Company A)

[...] To produce special conilon is hard! (Trader 2 Company A)

As pointed out in the traders' statements, "the machine does not solve the beverage problem" and "it is hard," conilon coffee is challenging to market as a beverage. The traders firmly pointed out that the transition to Arabica coffee is a way out.

This struggle for the cooperative to position itself in a market dominated by

Arabica coffee as in Fairtrade makes the project increasingly questioned by its business partners and other BRFAIR members. In the observations made during the meeting to review the Fairtrade standards, it was possible to notice how complex the struggle for recognition is in a network formed almost entirely by Arabica coffee producers. However, despite this pressure from traders, the cooperative does not intend to transition because this type of coffee represents a mechanism of identity with the cooperative members who have consistently produced this type of product.

Due to the failure to meet the market's appeals, the cooperative had to move in new directions and develop new strategies for survival as a hybrid organization. Thus, its coffee brands were developed: Casario (valuing local historical heritage issues) and PóDe Mulheres (produced by Women with reinforcement for gender issues). These new market niches have allowed the organization to get even closer to the cooperative members who, despite so many adaptations to adapt to the certification, have seen their old projects come true.

As pointed out, governance represents one of the most studied areas in organizational hybridism. In the case of CAFESUL, it is possible to observe confirmation of the theory regarding the need for articulation of the work team, as pointed out by Kolj and Lenfant (2016) and Dufays and Huybrechts (2016). The network of business, political, and enabling partners (both in production practices and recognition of worker issues) prevents the pendulum from swinging to one side, as pointed out by Lee and Battilana (2020). Thus, we ratify what the literature is emphatic in saying: the type of partnership (commercial, social, environmental, etc.) can influence the form of hybrid governance and the pursuit of organizational outcomes.

However, as argued in the article by Battilana and Lee (2014) that represents the backbone of this article, the social

organization representing an ideal model of hybrid organization manages to bring together particular elements that do not allow it to fit uniquely into existing formats. In this way, the democratic articulation, so valued in cooperatives and rescued as an essential element to be certified as a Fairtrade organization, makes cooperatives an even more particular hybrid organization model. For Villar, Rese, and Roglio (2019), the model advocated by the cooperatives, in addition to rescuing the associative values that value them, allows for a more open translation of strategy, transparently sharing their actions based on the different members present in the network.

6 CONCLUSION

In order to understand how Fairtrade certification mechanisms influence the arrangement of cooperatives as hybrid organizations, this exploratory study was based on the case study of a small cooperative of coffee producers to bring to particular light elements of the organization for such an understanding.

Although not generalizable, the study showed a structural overflow when forging the cooperative's organizational arrangement to the Fairtrade design. This structural overflow leads parts of the cooperative to not fit into the Fairtrade structure (such as, for example, the governance mechanisms that value the identity of the enterprise) and leads parts of Fairtrade not to be developed by the cooperative in its integrity (such as the planning of more social actions in the PDCJ).

The organizational structure developed by the cooperative to meet the normative Fairtrade control systems was propitiated from the established partnerships. Despite the impact of democratically adapting and articulating itself in a network of players, the cooperative managed to keep its hybrid project as an economic enterprise and a democratic association without losing its

identity as a cooperative from the interior of Espírito Santo, producer of conilon coffee. This process highlighted the importance of the sustainable growth of hybrid organizations so that their constituent parts do not promote imbalances.

Fairtrade plays a positive role in the cooperative's hybrid project as a certification and governance mechanism by reinforcing certain economic and social management practices.

The reinforcement of economic and social practices should already come as an essence of the cooperative model; however, certification ensures the hybrid project as the coffee market is highly commodified and demands more economic than social actions. At the same time, the formation of commercial and even training partnerships can push the organization towards a production pattern that does not necessarily represent the producers' wishes. This should be watched more carefully and critically, lest mission drift occurs, as Battilana and Lee (2014) pointed out.

Thus, this study advances in the discussion of hybrid organizations by showing that predetermined certification mechanisms, such as Fairtrade, can compromise the hybrid project of cooperatives since, indirectly, by approaching market demands, they can compromise the social aspect.

Even though Fairtrade enables fairer and more ethical relations, in the coffee-growing scenario, the network formed is greatly influenced by the market's quality criteria, which encourages the cooperatives to adapt. However, the study showed that creating governance mechanisms that value the enterprise's identity might represent a way to subvert this logic without getting rid of certification.

Furthermore, the article advances by showing that in hybrid organizations such as cooperatives governed by certification standards and carefully audited rules, the instruments of governance and control can be confusing, for as they drive the organization towards organizational

change, they also restrict it. New studies may point out if this restriction guarantees the hybrid model and the performance of the distinct institutional logics in favour of the mission or if certain factors demand such movement.

Although the case study presents local particularities, it does not present a more comprehensive view of the other Fairtrade-certified enterprises in Brazil. Given this limitation of the study, new investigations can point out studies of the entire network formed and indicate the central structural tensions and the governance mechanisms developed. Complementarily, issues related to justice throughout the Fairtrade chain can also be considered an agenda for new investigations.

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