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Corporate-NGO Partnerships for Sustainable Development

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Abstract
In the last 15 years, the trend of NGOs working in cooperation with business has developed considerably. The global community – including leaders of international governmental institutions and of the non-profit sector as well as some business leaders – has recognized the importance of including business in the process of international development. NGOs, on the other hand, have become instrumental in development work internationally, but they generally do not have the means and resources to carry out their projects efficiently in a sustainable manner. This is why engaging business with the public and non-profit sectors to find common solutions to problems has been an increasing trend globally. The first section of this paper analyzes the general trend of increasing interaction between the public and the private sector. It outlines some of the benefits of partnerships to both corporations and NGOs, the practical difficulties they present, and the elements necessary to establishing a healthy collaboration between both actors. The second section illustrates the potential of such partnerships by looking at their effectiveness in the fair or ethical trade movement. Partnerships in fair trade seek to address both the economic and social/environmental aspects of sustainable development, so they present benefits and challenges simultaneously. We shall use a case study from the coffee industry, to analyze how a large corporation such as Starbucks works successfully with NGOs to promote sustainable and fair coffee production practices. Finally, we shall discuss the success of partnerships, drawing conclusions from the analysis of the case study.

Keywords
sustainable development, NGO, corporate social responsibility, partnerships, fair trade, Philosophy Politics & Econ, David Ludden, David, Ludden

Disciplines
Political Economy

CORPORATE-NGO PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT

How corporations and nongovernmental organizations can work together,
illustrated with examples from the Fair Trade movement.

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INTRODUCTION

The purpose of this paper is to analyze a topic that represents a concrete illustration of how philosophy, politics, and economics are interconnected on a practical level. Partnerships between corporations and nongovernmental organizations (NGOs) seeking to promote sustainable development draw on themes derived from all three disciplines. They challenge how we traditionally think about the role of business in society and toward its stakeholders; they change how the for-profit and non-profit sectors conceive of each other and how they interact with one and other; and they influence how we analyze the idea of international developmental aid and the effectiveness of policy making strategies.

Corporate-NGO partnerships can be formed and implemented in different ways. It is difficult to evaluate the number of partnerships currently in existence, because many are formed between small local businesses and community groups and are not publicized. Additionally, partnerships can often involve other actors beyond NGOs and corporations such as local or national governments, international development institutions, or privately funded non-profit entities (such a philanthropic foundations), which makes them more complex to analyze. In this paper we focus on partnerships that attempt to promote development in a sustainable and ethical manner, for the stakeholders in developing countries of large corporations that carry out business internationally.

We propose to do this in two parts. The first section of this paper analyzes the general trend of increasing interaction between the public and the private sector. It outlines some of the benefits of partnerships to both corporations and NGOs, the practical difficulties they present, and the elements necessary to establishing a healthy collaboration between both actors. The second section illustrates the potential of such partnerships by looking at their effectiveness in the fair or ethical trade movement. Fair trade serves as a good example of an area where partnerships can link poor producers in the South to rich consumers in the North. Partnerships in fair trade seek to address both the economic and social/environmental aspects of sustainable development, so they present benefits and challenges simultaneously. We shall use a case study from the coffee industry, to analyze how a large corporation such as Starbucks works successfully with NGOs to promote sustainable and fair coffee production practices.

Finally, we shall discuss the success of partnerships, drawing conclusions from the analysis of the case study. Success can be analyzed on two levels. The first entails looking at the results of practical implementation of partnerships, which show whether corporations and NGOs work well together and whether they achieve the set objectives of their specific partnership projects. The second requires asking whether the trend of increasing corporate-NGO partnerships can overall significantly contribute to sustainable development and poverty reduction. We argue that while partnerships are generally a positive force in promoting development, they also present some limitations. If this trend continues, structural and regulatory changes that increase the transparency of projects may be necessary to make corporate-NGO partnerships easier to evaluate from the outside. Only then, through analysis informed by time and clearer, more accessible data, can we truly assess the contributions of partnerships to sustainable development.

PART I: Corporate-NGO partnerships in general

A – The emerging trend of corporate – NGO partnerships

In the last 15 years, the trend of NGOs working in cooperation with business has developed considerably. The global community – including leaders of international governmental institutions and of the non-profit sector as well as some business leaders – has recognized the importance of including business in the process of international development. Business has the potential, capital, and efficiency to impact various stakeholders in a positive way. But despite this capacity, there is a concern that business is not always attuned to the needs of corporate social responsibility (CSR). Companies desiring to be more responsible do not necessarily have the knowledge, training, or dedication to carry out development programs. NGOs, on the other hand, have become instrumental in development work internationally, but they generally do not have the means and resources to carry out their projects efficiently in a sustainable manner. This is why engaging business with the public and non-profit sectors to find common solutions to problems has been an increasing trend globally.

International institutions specializing in aid and economic development have recognized the value and importance of cooperation between sectors in promoting sustainable development. In December 2005, the United Nations General Assembly unanimously adopted a resolution "Toward Global Partnerships." The text of the resolution describes the joint role of organizations and businesses in the eradication of poverty and national development:

> *"Recalling […] the Millennium Development Goals, and the reaffirmation they have received in the 2005 World Summit Outcome, particularly in regard to developing partnerships through the provision of greater opportunities to the private sector, non-governmental organizations and civil society in general so as to enable them to contribute to the realization of the goals and programs of the Organization, in particular in the pursuit of development and the eradication of poverty."*[1]

The UN expressed the desire to "enhance the contribution of non-governmental organizations, civil society, the private sector and other stakeholders in national development efforts"[2] through global partnerships. The resolution encouraged public-private partnerships in the following areas: generation of new investments and employment, financing for development, health, agriculture, conservation, sustainable use of natural resources and environmental management, energy, forestry and the impact of climate change. The development of tripartite partnerships, encouraged by UN agencies and institutions has contributed to bringing NGOs and business closer together in order to promote development. For example, the World Bank launched Business Partners for Development in an effort to bring together business, NGOs and government on particular projects.

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[1] UN Resolution Toward Global Partnerships
[2] UN Resolution Toward Global Partnerships

Why have business and NGOs come to be seen as major actors in the promotion of international development? One reason is a decline in the role of the nation-state in the context of an increasingly "globalized" international economy. Beyond the rationale of corporate responsibility and image, transnational corporations (TNCs) or multinational corporations (MNCs) have gained increasing power of the last decades. Stephen Chen, Chong Ju Choi, and Carla Miller, in the article "Global Strategic Partnerships Between MNEs and NGOs,"[3] refer to this phenomenon as the "rise of global corporatism." They argue that this has taken place throughout the world and has shifted power from governmental institutions to the private sector. "In the developed industrial nations, state and national governments are often seen as doing the bidding of their major corporations, while in the less developed world, MNCs may often be seen to have more economic power than governments."[4]

Simon Heap, a former researcher for International NGO Training and Research Center (INTRAC) who focused much of his research on corporate-NGO relations, believes that as business has become more multinational and electronic means of communication have advanced, there has been a "perceived reduction in the powers of the nation-state to affect development and a rise in the powers of the business community"[5]. TNCs are responsible for about 25% of the Earth's gross national products, so that they have unprecedented resources at their disposal. Because of their ability to have far reaching activities, there is an increasing sense that business has a responsible role in promoting development: "the welfare state is giving way to the business welfare."[6]

However, business, especially large multinationals, is also perceived as ruthless and exploitative in many ways, caring only about the bottom line. They tend to do what is necessary to stay within the bounds of laws and regulations, but have little incentive to promote practices that go beyond what is required. Yet TNCs today have a considerable influence on national governments and international institutions, for example increasing trade liberalization because "the preconditions to increasing trade and investment involve cutting regulations and diminishing the role of national governments in protecting local industries and public good services."[7] Increasing international corporate power and reach have made the private sector much harder to regulate at the national level, and no supra-national organization seems prepared to take on this task. Stuart L. Hart, author of *Capitalism at Crossroads,*[8] agrees that the power of governments has eroded in the wake of globalization. He also notes that this is due the growth of transnational corporations whose supply chains span several continents. But he argues that "NGOs and civil society groups have stepped into the breach, assuming the role of monitor and, in some cases, enforcer of social and environmental standards."[9] Hart points to the drastic increase in the number of NGOs in the last ten years as

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[3] Stephen Chen, Chong Ju Choi, and Carla C.J.M Millar. "Global Strategic Partnerships between MNEs and NGOs: Drivers of Change and Ethical Issues." *Business and Society Review* 109, no.4 (Winter 2004): 395-414.
[4] Miller, Chen, Choi 405.
[5] Heap, Simon. "NGO-Business Partnerships: Research-in-progress." *Public Management* 2, no.4 (Dec 2000): 556
[6] Heap. 556
[7] Canadian Council for International Cooperation *"Bridges or Walls? Making Our Choices on Private Sector Engagement"* 4
[8] Stuart L. Hart. *Capitalism at Crossroads*.(Upper Saddle River, NJ. Wharton School Publishing) 2005.
[9] Hart:19

a result of this, noting that there are currently more than 50,000 international NGOs, compared to fewer than 20,000 only a decade ago.

The increased interest of business in CSR stems from the current importance of brand image to a company's performance. In "Beyond Self-Regulation,"[10] Jim Bendell discusses the effect that brand image can have on a corporation's profitability or stock value. The rapid development of telecommunications in the last decades has contributed to this phenomenon. The public in general – consumers, investors, and NGOs – are more informed of business practices around the globe, and of their negative or positive impacts. Not only does this awareness facilitate the efforts of civil society groups in contesting business practices, but it also can impact brand image and become a financial liability for corporations. Although their motivations may be mostly due to public relations (PR) concerns, socially responsible investments are increasing. In 1999, over $2 trillion were invested in a socially responsible manner in the US, representing 13% of all professionally managed investments in the country.[11]

Simultaneously, NGOs are seeking new ways to achieve their goals. John Elkington and Shelly Fennell, in "Partners for Sustainability"[12] argue that NGOs have become frustrated in their efforts to improve environmental practices through legislation, and that therefore some are attempting to work directly with business to achieve their goals. "Quite simply, NGOs realized that business participation was essential to the development of any long-lasting solutions."[13] NGOs are also facing the difficulty of maintaining and finding new sources of funding. In 2001, the Canadian Council for International Cooperation (CCIC) created a guide for NGOs called *"Bridges or Walls? Making Our Choices on Private Sector Engagement"* which outlines possible ways of engaging with the private sector. It explains that cutbacks in international development aid by governments have put pressure on the non-profit sector to find alternative funding. Some NGOs have turned to the private sector for funding, but they do not want to be in a position of dependency vis a vis corporations. Thus partnerships are a way of engaging the private sector in projects in which it has an interest, rather than simply receiving funding from a corporation that could withdraw its support at any time.

The push for more responsible business practices has caused some corporations to seek out NGOs as partners to help them implement solutions to development problems. Because NGOs are usually more trusted by the public, which sees them as more reliable than businesses on issues concerning the environment and social responsibility, a company associated with an NGO can have a more positive public image. In 1997, the Corporate-NGO Partnership Program was launched by the Japan Center for International Exchange (JCIE). It was recognized that with the rise of civil society and corporate philanthropy in the Asia-Pacific region, relations between NGOs and businesses were moving toward partnerships

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[10] Jem Bendell. "Self-Regulation: An Introduction to Business-NGO Relations and Sustainable Development." *Greener Management International* 24 (Winter 1998): 3-9.
[11] CCIC : 5
[12] John Elkington, and Shelly Fennell. "Partners for Sustainability." *Greener Management International* 24 (Winter 1998): 48-60
[13] Elkington & Fennell: 49

rather than simple relations of donor to recipient. The goal of JCIE was to take a case study approach to researching the emerging realm of partnerships in order to come up with some general principles that contribute to making them successful in a wide range of areas.

Following a conference in 1999 in Tokyo, attended by both corporate and non-profit representatives, JCIE published the lessons learned from its study of corporate-NGO partnerships in *Corporate-NGO partnerships in Asia Pacific.*[14] This report, written in part by Tadashi Yamamoto, illustrates and confirms the trends noted above:

> *"In addition to the expansion in the size of [NGO] sector, there has clearly been an evolution in the scope and nature of NGO activities. NGOs have begun to transform themselves from traditional organizations that provide charitable contributions and services to the poor into organizations that directly involve themselves in addressing issues in developing countries, such as rural development, poverty alleviation, nutrition and health, reproductive biology, and education, and global issues such as environmental preservation, human rights, refugees, and the population crisis."* [15]

The report notes the parallel need for more funding as government sponsorship is declining while activities of NGOs are increasing. Simultaneously, "corporations appear to have started adding a new dimension to their philanthropic activities by developing partnerships with emerging Asian NGOs rather than merely continuing the traditional pattern of charitable giving."[16]

Yamamoto observes the recent decline of government power, and the transfer of responsibilities to the non-profit sector, as one of the causes for this trend in Asia. In the phases of economic boom of the "Asian Miracle" in the 1980s and 1990s, "governments were considered the sole arbiter of public goods […] and both corporations and nonprofit organizations were put under their control or were subject to their guidance."[17] However, since the Asian financial crisis of 1997, governments have been relying increasingly on NGOs to help alleviate social problems across the region. Globalization has also created new sets of concerns about CSR and has required domestic adjustment on the part of all actors. During the Asian Miracle, corporations experienced economic gains which enabled them to expand their activities and role as engines of economic growth in the region, thus strengthening their impact on society. They took on a more active and direct role in solving social problems that went beyond charitable giving, and began to see NGOs as useful partners in their activities involving stakeholders. "A new generation of managers and owners played a role in transforming the way that corporations interact with the broader society [as] younger executives hold different views from their predecessors on the roles and responsibility of their companies."[18] They have come to recognize that the long-term success of their business is closely related to the health and stability of the societies in which they operate.

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[14] Yamamoto, Tadashi. "Corporate-NGO Partnership: Learning from Case Studies." *Corporate-NGO Partnerships in Asia Pacific*. (Japan: Japanese Center for International Exchange, 1999)
[15] Yamamoto:14
[16] Yamamoto: 15
[17] Yamamoto: 21
[18] Yamamoto: 20

There appears to be general agreement among various actors that corporate-NGO partnerships will increase in number and scope in the future. Elkington and Fennell's article was intended to present the results of research done on NGO-corporate partnerships and relations in the context of environmental issues. The analysis was commissioned by British Petroleum (BP -now Beyond Petroleum) in 1996, in an attempt to find out what kind of NGO they should be engaging with, how many organizations they should be involved with, and how to make such partnerships successful. BP hired SustainAbility to carry out the research on this topic. In conducting their research, the authors surveyed over 60 NGOs and companies and interviewed 20 companies that have experience with corporate-NGO partnerships. They found that both companies and NGOs believed relations between the two sectors would improve in the future, and 85% of the respondents believed the number of partnerships would increase over the next five years. However, neither side foresaw an end to confrontational relations.[19] Heap notes that within the NGO community, people believe NGOs will increasingly work in accordance with TNCs rather than against them in the future. He sites a 1998 study of 133 NGOs that supported this conclusion.[20] The very fact that CCIC wrote a guide for NGOs helping them conceptualize their relationship to business is an indicator of increased interaction between the two sectors.

"Partnerships between business and NGOs may be a contemporary solution to pressing present-day problems [but] a changed environment has implications for the way NGOs and businesses think and work."[21] This is because traditionally the two sectors have been conflicting rather than cooperating with one and other. Business and NGOs used to interact only through confrontation or through charitable donations given by the private sector to fund NGO activities.[22] NGOs and business are often considered to be on "opposite ends of the continuum of concern on issues of poverty and development." [23] While business is perceived as caring only about the financial bottom line, the non-profit sector is typically seen as being concerned with poverty reduction, and more social or environmental goals. This has led to stereotyping on both sides translating into mutual suspicion and resistance to change. NGOs see themselves as the losing party in attempts at collaboration because they have weaker bargaining power. They therefore believe that most of the benefits of partnerships are enjoyed by corporations. On the other hand, companies view NGOs as being too idealistic and not having enough discipline to function in the market. The most prevalent stereotypes are rooted in the fact that "NGOs view companies as unreliable, dominated by economic self-interest, while they in turn see NGOs as marginal 'do-gooders' who cannot manage their finances."[24]

CCIC's guide illustrates the dilemma faced by NGOs in relation to business. They do not know if they should be working in conjunction with corporations or working against them. There is a fear that partnering would not necessarily change the way business is conducted, but that it may negatively influence the non-profit sector. It is true that "large TNCs are of the

[19] Elkington & Fennell: 50
[20] Heap: 558
[21] Heap: 556
[22] Bendell: 4
[23] Heap: 558
[24] Heap: 558

greatest concern to the NGO community because of their direct impact on the lives of the poor, and their power to influence the rules of global trade and investment."[25] But NGOs regard the growing power of TNCs, and the concentration of power in their hands, as one of the main contributing factors to the growth in disparities between the rich and poor worldwide. "When we compare company sales figures and national GDP [in 2000], 51 of the world's largest "economies" are corporations; only 49 are countries."[26] This difference illustrates the economic power of the business sector relative to macro-economies of developing countries. NGOs face a dilemma in deciding whether they should encourage business to use this power to further the goals of sustainable development, or whether they should work against corporations by pushing for more private sector regulations in an attempt to harness the power of the private sector.

David Lewis, in "Nongovernmental Organizations, Business, and Management of Ambiguity,"[27] argues that relations between business and NGOs have traditionally been seen as oppositional because there is distrust between the two sides created by outdated, ill-informed, or stereotyped perceptions of each other. These have been reinforced by how researchers traditionally analyze corporate-NGO relations.[28] But these relations are now changing as NGOs are finding themselves increasingly involved in areas of commercial activity. They have taken on an active role in providing credit, supporting micro-enterprises, and have formed links with producers of various products such as handicrafts and primary goods. These new areas of activity have led NGOs to "seek the kind of expertise and knowledge found in the private sector" and benefit from "its practices for improvement in efficiency and economic sustainability."[29]

Accordingly, the differences between businesses and NGOs are becoming increasingly blurred. The main perceived difference – that "NGOs have monopoly over principles while companies focus on profit" – is still generally accurate today. But the frontier between these sectors is breaking down as we see more and more links developing between them. Heap points to the fact that both sectors have begun to adopt each other's vocabulary and methods: "both now talk about branding, niche marketing and customer satisfaction."[30] According to him, the main NGO aid agencies may be charities, but they are managed similarly to companies with huge turnovers, marketing strategies and revenue targets. Heap points out that there is a move on the part of NGOs to focus more on the goal of "humanizing capitalism" rather than simply fighting it or turning to profit-making entities for funding[31]. On the other hand businesses are increasingly concerned with explaining and publicizing their social and environmental policies. Most large corporations post mission statements, CSR reports, or ethical codes of conduct on their company websites, and have restructured their communications efforts to address consumer and NGO expectations.

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[25] CCIC: 4

[26] CCIC: 4

[27] David Lewis. "Nongovernmental Organizations, Business, and the Management of Ambiguity." *Nonprofit Management & Leadership* 9, no.2 (Winter98): 135 -151.

[28] Lewis:137

[29] Lewis:137

[30] Heap: 557

[31] Heap: 557

Thus we have seen that there is an increasing trend in the NGO and the business world to work in a cooperative rather than a conflictual mode. In the next section we shall address the range of mutual benefits for corporations and NGOs of such collaboration.

B – Benefits of corporate-NGO partnerships

1) Benefits to the private sector

Heap discusses the motivation for both the private sector and for NGOs to engage in partnerships. It is often thought that NGOs would benefit more from such partnerships, but there are positive incentives that could or should concern the private sector as well, especially when focusing on the long-term benefits partnerships may afford. "The world has spent many years debating what business can offer the NGOs, but what NGOs can offer the corporate world is a recent trend."[32]

Image and credibility

Company reputation is becoming more and more important to both investors and consumers. "A company's impact on its stakeholders is an emerging benchmark of corporate performance since stakeholders are beginning to ask what companies can do for society, not what society can do for companies."[33] Trust has become a driver for partnerships between NGOs and business because the public trusts NGOs more than it does companies. In the article "Collaborating with Activists: How Starbucks works with NGOs,"[34] Paul Argenti quotes a public opinion survey carried out by the consulting firm Yankelovich which asked American citizens: "des business strike a fair balance between profit and public interest?" He notes that in 1968, 70% of the population agreed that it did, while at the end of the 20th century only 28% agreed.[35] On the flipside, the "Voice of the People" survey, conducted by Environics and the Gallup Organization in 2002 across 47 countries, showed that only 48% of respondents believed global corporations operated in society's best interest, and only 52% of respondents believed national businesses to be doing so. NGOs were distrusted by only 32% of respondents, and 59% stated that they had a great deal or some trust in NGOs.

So in the public eye, NGOs are more trustworthy than corporations in terms of benefiting society. A company that partners with an NGO can hope to be seen as trustworthy and be more credible in its attempts at CSR through this association. Maintaining trust between the public and NGOs is the reason Heap believes that NGOs should not simply be playing an endorsement role with corporations but should be instead engaging with them critically.[36] Thus, for a corporation, it is "prudent to cultivate the public impression of socially

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[32] Heap: 560
[33] Heap: 559
[34] Paul Argenti. "Collaborating with Activists: How Starbucks Works with NGOs." *California Management Review* 47, no.1 (Fall2004): 91-116
[35] Argenti: 92
[36] Heap: 560

and environmentally responsible business [because] most consumers do not trust business claims [but] nevertheless, believe what NGOs tell them."[37]

Heap contends that philanthropic activities can lead to positive or negative marketing, deeming them a "potential minefield"[38] for corporations. Some companies trying to boost their public image have seen backlash from groups that consider their efforts to be merely superficial and without any substance. Engaging in an actual partnership brings to a company's reputation a credible sense of commitment to social responsibility. Business PR motivations are tied to economic incentives for companies to maintain interest in NGOs. The potential for raising profits through 'cause related marketing'[39] is great, especially with increasing consumer education. Because corporate image has become more important in retaining a competitive edge,[40] is not enough for a company to appear to be doing the right thing anymore. "The fact that a company chooses to form a partnership with an NGO entails a higher degree of commitment than unilateral forms of community involvement, and has a stronger impact on the corporation itself as well."[41]

Miller, Chen and Choi point to the larger role to consumers of "intangibles" concerning goods and services they purchase. "Whereas in the routine exchange of money for commodity goods it was possible to approximate the anonymous exchange of the pure market-economic model, it is now important to the consumer of many tangible goods […] to have a perception or feeling about intangible aspects accompanying these goods."[42] There is also intensified "need to know the provenance of what is being acquired to validate and value the provider."[43] Hart observes that groups at the 'fringe' of a firm's stakeholder network can be very outspoken publicly about the company. To avoid negative publicity from these groups, businesses must proactively seek out these new actors that have previously been ignored by the private sector: "to survive and compete for the future, firms must harness these voices to identify creative new business models and opportunities."[44]

Financial sustainability: entering new markets and increasing long-term profits

The market and corporate citizenship do not necessarily have to be in opposition: "if a community is healthy […] it will thrive socially and economically, and business in turn will benefit through increased consumerism and reduced dependence on social programs."[45] When considering long-term economic goals and corporate sustainability, "there is scope for a more marketing-oriented philanthropy which contributes both to the bottom line and to society."[46] Long-term profitability requires foreseeing the needs and demands of consumers in the future

[37] Bendell: 5
[38] Heap: 18
[39] Heap: 20
[40] Yamamoto: 26
[41] Yamamoto: 27
[42] Miller, Chen, Choi: 404
[43] Miller, Chen, Choi: 404
[44] Hart: 20
[45] Heap, Simon. *"NGOs and the Private Sector: Potential for Partnerships?"* Occasional Paper Series no.27. INTRAC:1999: 20
[46] Heap OPS: 20

and working to create environments conducive to the continuation of business activities toward this goal. However, as Heap points out "the difficulty for any firm considering [CSR] relates to the distribution of costs and benefits: broader social benefits (creation and maintenance of a stable and well-functioning society) have an impact on everybody in a society (including business) but direct business benefit will not necessarily accrue to the individual company within the time scale of immediate commercial decisions."[47] For these reasons, business must adopt a more long-term vision when weighing the consequences of taking a more socially responsible approach to their activities. Although precise calculations are hard to obtain because of variances across different sectors and industries, socially networked firms, in the long run, could outperform those which are not. Thus, corporate strategy that takes into account these long-term objectives could benefit from including partnerships into their vision.

NGOs can also facilitate a corporation's approach to local consumption and production markets.[48] Knowledge and better understanding of market needs are some of the benefits of working with local NGOs that possess valuable knowledge about onsite conditions. A 1991 survey performed by Burson-Marsteller, one of the largest Public Relations firms in the world, with UK and other European businesses and their American counterparts facing problems breaking into new foreign markets, revealed that the most important reason for these difficulties was lack of information about local conditions and how these would affect the company's financial investment.[49] "Given NGO's expertise in language, local issues and contact facilitation, this is surely an area which could lead to private sector engagement, especially with TNCs moving into a new market or seeking advice on the impact of a local factory in their supply chain."[50]

Miller, Chen and Choi argue that in today's globalized economy, "international business is increasingly about collective ownership among MNCs, states, and NGOs."[51] Therefore cooperation among all actors is necessary especially when these come from varying cultural and professional backgrounds. Understanding and working effectively within these parameters is essential for a company to retain and increase its competitive edge. Engagement with local communities and demonstrating sensitivity to their concerns is dependent on a company's ability to penetrate and participate in local networks which is very difficult to achieve as an outsider. Hart explains that firms desiring to tap into isolated, but potentially profitable, markets should aim to diversify their partners. He finds that successful strategies are ones that rely on nontraditional partners, including non-profit organizations, community groups, and local governments. On the other hand, relying on traditional partners, such as national governments and large local companies may prove unsuccessful because "[they] are as far removed from low-income markets in terms of knowledge and experience as the firms trying to launch the venture."[52]

[47] Heap OPS: 20
[48] Yamamoto: 26
[49] Heap OPS: 22
[50] Heap OPS: 22
[51] Miller, Chen, Choi: 400
[52] Hart: 202

Local institutional knowledge is "strategic and fundamental for economic and business success within the local business system."[53] Large economies need to revolve around fixed, formal rules in order to operate with useful levels of integration. But within the overall economic structure, there may be "subnetworks" which, on a much smaller scale, tend to operate around informal rules and norms that stem from strong collective ideologies and cultures: "Such subnetworks of limited size within the economy will capitalize on the existence of such social bonds and reciprocal exchange mechanisms, [and] within this environment, the need for linkages among subnetworks and from them to the overall network is fulfilled by a mix of institutions, among which local NGOs are significant."[54] NGOs possess both social capital and specific knowledge that is valuable, especially to TNCs. Because of their participation in these localized subnetworks, NGOs are in a better position to understand the operation of the specific informal relationships that hold them together. Thus, NGOs can play a bridging role in the transfer of institutional knowledge to international or foreign corporations: they possess the advantage of having a dual voice with both market and institutional value, and they are able to work on specific localized issues while retaining a sense of the international context in which economic development may take place.

Heap insists that NGOs must do a better job at selling themselves to businesses by emphasizing not just their agendas but also their capabilities and assets.[55] As Hart points out, "working with non-traditional partners means going beyond the typical focus on customers and suppliers, [and] by including civil society, community groups, and local players, firms are better able to understand and leverage existing strengths in the environment rather than trying to change that environment to resemble the Western way."[56]

Better CSR policy as part of a corporate strategy

Partnerships can play a role in enhancing the quality of a company's CSR policies. "It can be argued that corporations are the only organizations with the resources, the global reach […] and the motivation to achieve sustainability, but at the same time there are political and social issues that exceed the mandate and capabilities of any corporation."[57] Heap cites the Executive Director of the World Business Council for Sustainable Development (WBCSD), Bjorn Stigson, who in 1997 recognized the need for business to think in terms of collaboration and include other non-business organizations in partnerships.[58] Corporations have been switching their CSR focus from charitable donations to actually becoming involved in community activities.[59] Many companies have found that such involvement is best undertaken through working with local NGOs. Environmental issues are an area where partnerships have been very successful: "NGOs have access to community residents, can readily identify community needs, and are equipped with professional expertise to meet such needs."[60] In many instances, corporate managers find NGOs have the capacity to propose innovative ways

[53] Miller, Chen, Choi: 397
[54] Miller, Chen, Choi: 400
[55] Heap OPS: 36
[56] Hart: 204
[57] Heap OPS: 5
[58] Heap OPS: 5
[59] Yamamoto: 23
[60] Yamamoto: 24

to solves social problems that are useful to their company. Because of their experience working with community organizations and villages, NGOs are better trusted among local populations, so that they may serve as a bridge between business partners and the communities in which corporations wish to be active.

In fact, Yamamoto reports that "many corporate participants [of JCIE's Tokyo Conference] maintained that partnership with NGOs is an important element in establishing their own identity in society and improving their corporate governance."[61] Yorato Kobayashi, the chairman of Fuji-Xerox Corporation and chairman of the Japan Association of Corporate Executives gave a keynote speech during the JCIE conference in which he contended that profit-making was not or should not be the ultimate objective of a company but rather it is the necessary means by which a company accomplishes its mission.[62] This reflects the tendency of companies dedicated to CSR to view collaboration with NGOs as a means of implementing their business strategy. During his opening speech at the Tokyo Conference, Barrett Baron, the co-chair of Asia Pacific Philanthropy Consortium and executive Vice President of the Asian Foundation, observed that "more and more corporations have come to view corporate citizenship in cooperation with NGOs as part of a business strategy that must respond to their core business interests and their multiple constituencies."[63]

2) *Benefits to the non-profit sector*

Financial sustainability and funding diversification for projects

As we have mentioned previously, NGOs are under increasing pressure to diversify their sources of funding. Partnerships provide a source of funding independent of government funding. One of the major problems for NGOs in acquiring private funding is that they usually lack direct contacts in the corporate world that would be a basis for potential donations. A partnership based on personal relations between NGO staff and corporate executives could help solve this problem.

But partnerships entail more than a simple donation from a company. Actually engaging with companies is recognition of the fact that "business can bring economic benefits to poor communities by creating jobs and transferring technology."[64] This approach is taken by those in the NGO community who consider both business and the non-profit sector as necessary for tackling issues of poverty. They see both sides as having valuable and complementary assets: the private sector is instrumental in creating employment and economic growth and therefore has a direct impact on the lives of the poor; but NGOs have expertise in working to strengthen communities to ensure that the poorest benefit from this growth.[65] Alleviating poverty requires both collaboration and coordination from both sectors.

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[61] Yamamoto: 26
[62] Yamamoto: 26
[63] Yamamoto: 25
[64] CCIC: 7
[65] CCIC: 8

Access to free marketing

Such partnerships also present an opportunity for NGOs to make their voices heard and to publicize their activities through the marketing of a collaborating company. Since corporations invest heavily in publicizing their involvement in social causes, NGOs in essence get "free" advertising through what Heap calls "social marketing" on the part of corporations that simultaneously enhance their brand image.[66]

Management skill for improved efficiency

From the perspective of NGOs, potential gains from partnerships with business go far beyond financial advantages. It can be argued that private sector, although it "lacks sensitivity to the needs of the poor"[67] has much to offer the non-profit sector in the areas of financial management and long-term planning. Individuals who work in the private sector have "insight into different management styles and business skills; innovative, risk-taking perspective, the injection of leadership capacity; [and] the ability to focus on making things happen and getting results."[68] For NGOs that are venturing into selling ethical or green products, these assets are very important. The non-profit sector needs to be more pragmatic about its mission: there is a sense that NGOs have a tendency to focus on the process of implementing development projects, but have not yet learned to expect results, much less account for lack of results. On the other hand, "corporations bring to the partnership a sense of accountability and hard-nosed, result oriented attitude that is often lacking in their NGO counterparts."[69] Cost-effectiveness is important, especially when funding resources are scarce. The non-profit sector could benefit from incorporating some efficiency standards inspired by corporate influence into its practices: "NGOs can capitalize on the skills and expertise of the individuals involved through board participation, project development or employee volunteerism."[70]

In addition, the business sector provides access to resources in research and development, experience and expertise in marketing support, distribution services, and outreach. Because a large part of non-profit work is providing services to clients, NGOs need to be able to market these services. "An increasing number of NGOs are becoming business-like, and partnership with corporations is a powerful instrument for these NGOs to develop a self-sustaining pattern of activities."[71] NGOs cannot usually afford to work on building better financial management, information and technology, or strategic planning skills which would help them to better carry out their mission. Thus help from a corporation with expertise in these areas could be very desirable.

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[66] Heap OPS: 26
[67] CCIC: 9
[68] Heap OPS: 26-27
[69] Yamamoto: 28
[70] Heap OPS: 25
[71] Yamamoto: 28

Better results by changing corporate mentality from within rather than through confrontation

The CCIC guide illustrates the NGO sector's different approaches to engagement with business that need not be mutually exclusive. It shows that progressive thinking on how to engage the private sector in a non-confrontational way is gaining terrain among NGO leaders. As the authors point out "one approach is at times necessary to create the right conditions for a subsequent approach to succeed."[72] However, there are advocates in the NGO community who "believe the interests of corporations are fundamentally incompatible with the interests of the poor."[73] They argue NGOs should be focused on pushing for a more regulated private sector rather than working in conjunction with it.

Others believe in the potential to change the values of the business sector itself as CSR is increasingly being taken into account by big corporations. The idea of the "triple bottom line" which focuses on the social, environmental and economic performances of a company is starting to become part of private sector mentality. Supporters of this view want to capitalize on increased access to information in order to influence the mindset of consumers and investors. They hope to encourage more demand for socially responsible and sustainable business, and thus give companies positive incentives to change their practices. In this context, the triple bottom line would become aligned with the financial bottom line.[74]

In response to those who believe only confrontation with business will lead to productive change, the CCIC guide warns that such actions could be less effective and in some cases counter-productive. Consumer backlash against a company's products does not last very long in today developed countries. Increased public access to information also means that people can become "over-exposed" to the point of saturation, leading to desensitization or lack of maintained focused on a particular issue. Therefore, defenders of cooperation argue that it is better to try to change attitudes and practices from within the private sector, in order to have a more long-lasting impact. In addition by pushing an agenda of confrontation, NGOs may end up hurting the people they are trying to help. "By imposing northern standards of what we consider fair working conditions on developing nations, we remove their greatest competitive advantages."[75] Heap stresses this point by using the example of campaigns exposing the widespread use of child labor in the textile and carpet industries of Bangladesh and India. Some argue that such campaigns may be counter-productive because as companies abandon their practices, children are forced to find alternative employment, generally in even worse conditions.[76]

We have outlined the variety of motivations, both in the public and private sector for desiring to work together in partnerships. They illustrate to a certain extent the differences across sectors that can be mutually beneficial to both partners. However, these differences can create challenges in the context of a partnership. The following section details some of these

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[72] CCIC: 7
[73] CCIC: 7
[74] CCIC: 12
[75] CCIC: 11
[76] Heap: 7

difficulties and outlines some possible solutions that enable to bridge the worlds of for-profit and non-profit.

C – Difficulties of partnerships and requirements for implementation

Partnerships between an NGO and a corporation are usually complicated and delicate. They come with their specific set of problems that must be addressed from the beginning of the relationship. "The concept of sectoral ambiguity helps to explain observed problems with confused expectations, management tensions and lack of sustainability."[77] Because partnerships are situated in both the for-profit and non-profit world, it is a challenge to align the interests and desired outcomes of both parties.

Partnering with corporations can lead to many sorts of issues for NGOs. Some partnerships can create problems of coordination and policy making between different departments. The fundraising, policy and campaign departments may not see eye to eye on how best to interact with a corporation. Although NGOs have several credible assets (advocacy, legitimacy, information, vision and expertise) they need to be better organized and more certain about the goals they want to achieve by partnering with a corporation. "Everyone would be better served if NGOs were to decide if and when to engage, and what they want, before approaching companies."[78] If they do not adopt a more clear-cut vision of their own expectations, business will not chose to engage with NGOs, especially since they are already perceived as organizationally weak. Elkington and Fennell also observed a tendency in both NGOs and companies to be in disagreement internally about the type of interaction they desired with the other partner. They refer to this phenomenon as "internal schizophrenia." This can cause tensions between staff and workers in the same company or organization since "often, the decision to enter into a partnership comes down to individuals […] and those promoting partnerships find themselves in direct conflict with their more skeptical colleagues."[79]

Some of the difficulties underlined by Miller, Chen and Choi in the creation of partnerships were finding qualified managers and ineffective institutional infrastructure. Businesses must enter into partnerships with the idea that they are not looking to impose a plan of action, but to develop a common road map to a successful project through coordinating with NGO leaders. "It is evident that MNCs themselves risk partnerships failing when […] through the choice of inappropriate managers to implement their policies, […] they impose a rigid western economic model."[80] While NGOs must retain their independence and autonomy, they also need to become more attuned to the realities of working with business if they are to be successful in attracting corporate partners. One of the obstacles encountered by companies in communicating with NGOs is the staff's relative inexperience in dealing with the corporate world and their lack of "professional expertise."[81] One solution is to turn to intermediary NGOs that facilitate communication between the two sectors. JCIE sees itself as

[77] Lewis: 136
[78] Heap: 560
[79] Elkington & Fennell: 51
[80] Miller, Chen, Choi: 405
[81] Yamamoto: 33

one such mediator that brings together representatives from both sectors to work on ways to improve their interactions with one and other.

Another problem is that business must be genuinely dedicated to the goals of partnership. Beyond mission statements, partnerships require commitment of business leaders to achieving the goals set forth in their company's mission statement. One factor shared by all companies engaged in partnerships is that, not only do they clearly state their mission and dedication to corporate philanthropy, but they also desire their contribution to take place through community involvement.[82] In the cases analyzed by Yamamoto, the corporate statements of companies involved in partnerships all included, in one form or another, clauses to engage responsibly with the communities in which they operated. "These case study reports indicate that these statements are indeed buttressed by the personal commitments of senior corporate officers to achieving these stated objectives."[83] Participating companies stressed the importance of making social principle an integral part of corporate culture by diffusing the CSR mission to its employees. This helps get greater employee involvement in community issues. JCIE's comparison of partnership projects showed that this contributed to their success in many cases. "Participation by employees in such partnership activities enables corporations to address the needs of their communities as they are perceived by people from the communities themselves, and reinforces the corporation's commitment to community involvement."[84]

Heap sets out to identify characteristics that would help build high-quality, long-term, partnerships between corporations and NGOs. He emphasizes the fact that partnerships are most successful when they are established with both parties thinking about the long-term benefits to be rendered of their cooperation: "there is a need for both the NGOs and business to play the long game on this, to see beyond the next campaign or project to where their organization will be in a generation's time, a time when sustainable development will be not only the mood but the practical issue of the twenty-first century and beyond."[85] Heap also suggests that a partnership must be tailored to addressing a specific problem or need. "Whether safe water or access to primary health care services, the defined problem helps to guide the nature and formation of the collaborative effort."[86] Partners must have a mutual understanding of what the other party's interests and needs are. Only then can their expectations of each other be realistic and can a trusting relationship be established, both of which are central to the success of any partnership.

Building and maintaining such a relationship requires partners to work together as equals, and for them to minimize power imbalances as much as possible. Organizations and corporations should be honest and specific about what they hope to achieve through collaboration during the initial discussions before the partnership is setup. "Both sides need to anticipate and resolve conflict; acquire a unity of vision and purpose, with an emphasis on

[82] Yamamoto: 29
[83] Yamamoto: 30
[84] Yamamoto: 31
[85] Heap: 560
[86] Heap OPS: 30

goals defined by consensus and agree to mutually acceptable and explicit time frames."[87] Effective communication between partners plays an essential role in the successful cooperation toward a common goal. "It is critically important from the beginning of the partnership arrangement to focus on the desired outcomes, including which stakeholders and constituencies the partners are aiming to serve, and how to measure the outcome of such activity."[88] Not only is it important to have common goals and roadmaps on how to achieve these goals, but good communication must also take place in monitoring and evaluating projects.

Following from this, there must necessarily be organizational structures set up between the two partners that go beyond simple contact between individuals in charge. Heap suggests the need for "shared and explicit leadership, and mechanisms for internal conflict resolution. There needs to be the leadership development and support within partner organizations to enable the relationship not to depend solely on one or two people in each organization and to ensure that the history of the partnership is known and appreciated."[89] Different partnerships are formalized in various ways: some are very informal, while others are based in some type of legal document. Heap points out that while a formalized agreement is desirable in order to institutionalize a partnership, it is important that it be the outcome of thorough negotiations and discussions that lay out a specific plan of action. Formalizing a relationship too soon could lead to unpleasant surprises down the road if both partners are not clear on what they expect from the partnership. Similarly, a formalized agreement should leave room for flexibility and adjustment to unexpected factors, so that partners have the option of realigning their agreements and strategies in case difficulties are encountered during the initial implementation of a partnership project.

Finally, partnerships between NGOs and corporations must take place within the context of a positive relation with local authorities and the public sector in general. "Governments have the ultimate capability to create an enabling environment for non-profit organization [since they] have the authority to determine the incorporation and registration processes, fiscal and tax treatment, and other factors that can serve as incentives of disincentives for partnerships."[90] Many partnerships thus operate in the broader context of multisectoral partnerships. These can involve government authorities, media, and the community at large. Many partnerships are fostered under the auspices of international governmental organizations and institutions such as the World Bank.

One of the lessons drawn from case studies was that there are multiple and very diverse ways to undertake partnership projects and thus there is no unique model for success. The motivations of different companies may be different as well. Some see partnerships as incorporated into their business strategy while others believe them to be improving corporate governance and responsibility. But the most important element contributing to success is that all parties be willing and able to perceive each other as offering something positive to each

[87] Heap OPS: 30
[88] Yamamoto: 33
[89] Heap OPS: 35
[90] Yamamoto: 34

other. “Efforts must be made to further dismantle the lingering lack of trust between the two sectors.”[91]

Now that we have broadly analyzed the various motivations for partnerships and the components that can help make them successful, we propose to analyze corporate-NGO partnerships in the context of the ethical or “fair trade” movement. This is an area where many businesses and NGOs have collaborated, and that illustrates many of the issues discussed above. We shall begin by discussing some lessons that can be learned from one of the first companies to engage in the fair trade movement: the Body Shop. We shall then focus on a case study related to ethical trading in the coffee industry, by closely analyzing how Starbucks works in partnership with NGOs to source its coffee.

[91] Yamamoto: 37

PART II – Corporate-NGO partnerships in the ethical trade movement

NGOs participating in market-based, income generating activities, have an opportunity to reduce dependency on international development assistance or government contract funds. They can build sustainability for both themselves and their clients by generating resources more independently and seeking to increase scale and effectiveness of their activities. Ethical or fair trade is one arena in which this can be accomplished. Lewis defines fair trade as "linking economic benefits of trade with social ones."[92] Ethical trade sources products in developing economies to be sold to consumers in developed countries while offering prices that give producers in the global South a greater rate of return. Organizations working to promote fair trade research and identify sources that do not exploit the environment or the local people, while encouraging consumers in the North to use their purchasing power ethically.

There are two organizational routes to undertaking fair trade. One is through non-profit businesses that are rooted in an NGO called alternative trading organization (ATOs). These work with the clients and beneficiaries of southern NGOs. The other is through the financial support of a socially conscious company, usually a large corporation, seeking to use business as an engine for social and environmental change by committing to incorporating fair trade sources into its supply chain. Often, an NGO that certifies fair trade products will facilitate contact between fair trade producers and companies. This is especially the case for primary products which are certified and sold to corporations through non-profits.

Fair trade schemes can help create and increase economic benefits for small-scale producers in developing countries by generating employment and income. They may seek to "build local organizational capacity by improving the performance of local producers and marketing groups."[93] Lewis explains that, in order to accomplish these goals, there needs to be a focus not only on better redistribution of wealth generated through trade, but also on improving the efficiency of resource allocation and promoting sustainable business. He especially stresses the importance of the latter for the viability and success of fair trade: "although fair trade is primarily a practical tool for redistributing wealth, as a concept it feeds into ongoing unresolved debates about the nature of development: for example, the question of the relationship among income growth, social equity, and environmental sustainability."[94]

The main potential of fair trade partnerships lies in opening international markets to small community producers; exploring ways to break existing patterns of resource dependency that make progress on poverty reduction vulnerable to flows of aid lacking sustainability; and educating consumers (particularly those in the North) to select products made and marketed in an ethical manner.[95] However, these partnerships are delicate, and the "problem of converting producers and their organizations into successful marketing

[92] Lewis: 138
[93] Lewis: 139
[94] Lewis: 139
[95] Lewis: 136

operations with the ability to sell high-quality goods in competitive, complex, and rapidly changing international markets"[96] poses some problems.

A – Lessons drawn from the Body Shop's Community Trade Program

The Body Shop started its Community Trade Program (originally "Trade Not Aid") in the 1980s. The company stated that it is committed to several principles.[97]

- respecting environments and cultures;
- using traditional skills and materials,
- seeking to benefit primary producers,
- creating sustainable trade links,
- trading renewable natural resources,
- encouraging small-scale community economics,
- treating partners with respect and integrity,
- giving people control over their own resources, land and lives.

Lewis explains that "within this vision a progressive developmental role is envisaged for the socially aware business sector" which may be considered more efficient and effective than official and non-government aid because the private sector is "better resourced than the nonprofit sector, more innovative than government."[98] However, at its beginning, the project was critiqued as being too small and insignificant to have a real impact, as only 1-2% of the Body Shop's overall turnover was generated by fairly traded products. The company has since committed to increasing this percentage. In 1994-1995, fairly traded products represented 17.8% of the Body Shop spent on accessory purchases.[99] In 2003/2004, £5 million worth of natural ingredients and accessory items were purchased through the program, including 700 tons of natural ingredients.[100]

In "Nongovernmental Organizations, Business, and the Management of Ambiguity," Lewis analyzes trade links between the Body Shop and its non-profit partners in Bangladesh and Nepal - two countries already heavily dependent on international aid - in order to draw conclusions about which aspects of the partnerships were successful and which needed to be improved.

1) Nepali Non-Governmental Organization (NNGO) and the Paper Company (PC) (1988-89)

The Paper Company (PC) was a small family-owned paper business established in 1984 which supplemented its profit-making business objectives with a set of environmental, social, and economic objectives. The industry was facing several challenges. It did not have access to international markets, while local markets for hand-made paper goods were not

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[96] Lewis: 136
[97] Lewis: 139
[98] Lewis: 140
[99] Lewis: 140
[100] Body Shop company website. http://www.thebodyshop.com/bodyshop/values/support_community_trade.jsp

lucrative. In addition, cultivating the local shrub *lokta* used traditionally in paper-making was restricted by the government because of environmental problems associated with overcultivation. Thus, the goal of the trade link was not only for PC to gain access to export markets but also to find an environmentally sound alternative to *lokta* With the help of the Body Shop, the PC increased its outputs and turnover rapidly. It went from employing only 27 staff in 1988 to employing 104 local members of the community in 1995. More environmentally safe production methods were developed with Body Shop engineers that reduced the cost of production and avoided the emission of toxic wastes or the use of non-renewable energy. PC profits increased from only a few thousand pounds from domestic sales in the mid-1980s to over ₤250 000 in 1995. Thanks to this growth, the Nepali NGO (NNGO) was created by senior managers, owners and associates of the PC. The idea was to use the profits from the business to benefit the community through working on credit, improving literacy programs, and later on HIV/AIDS awareness and prevention. The NNGO "was financed in an innovative way through the payment of a 10% premium by the Body Shop, over and above the agreed price paid for the paper products."[101] The work on HIV/AIDS gained so much importance nationally that in 1995, the United States Agency for International Development (USAID) began to fund the NNGO's activities in this area as part of a national two-year program.

Lewis points out that, despite these successes, sustaining the partnership was the main challenge. When the Body Shop established this trade link, the demand from Northern consumers for paper products was high. However, this demand dropped in 1995 leading the Body Shop to reduce its orders of paper products, forcing PC to scale down its activities. This revealed that the problem of dependency still remained, although it had been shifted from aid to dependency on trade with one company. PC was too reliant on a single buyer and had not been able to diversify into other export markets. This was in part due to problems of copyright related to selling products developed in conjunction with the Body Shop to other competitors. Slight alterations had to be made to the products in order to sell them to other companies. According to Lewis, "the resulting structure remained just as dependent on continuing trade with the Body Shop as other NGOs tend to be on the flow of funds from particular aid donors." [102]

This situation highlights the importance of diversifying trading partners in order to avoid vulnerability to particular buyers and markets. Maintaining good relations between all parties of a fair trade agreement involves planning a time frame and a realistic scale of operations that should foresee the fluctuations of market demand. Learning from these lessons, the Body Shop and the PC have downscaled their activities, identified ways to manufacture products for other international buyers, and have successfully reentered the local market for paper products while maintaining their social and environmental goals.

[101] Lewis: 141
[102] Lewis: 142

2) Bangladesh: partnership between the Body Shop and the Handicrafts Organization (1993)

The importance of efficiency and quality is shown through this example. Handicrafts Organization (HO) is an ATO that works with rural women making handicrafts out of jute (fiber made from plants that can be used to manufacture bags and cordage) and terra-cotta. "The jointly agreed objective was to enable the HO to improve its management practices, to respond more effectively to increasingly competitive export markets in terms of product design and quality control, and to leave behind its predominantly charitable image"[103] for the benefit of the rural women's communities which it served across the country.

The Body Shop's relation with HO started in 1993, twenty years after the establishment of HO as a nonprofit marketing ATO by Caritas, a Catholic Bangladeshi NGO. Although now HO functions as an independent nonprofit, it retains strong links to Caritas. Lewis explains that in the early 1990s "consumer expectation [had] become more demand-led and less motivated by charitable impulse, and that the HO [had] been unable to produce and market products that [could] compete internationally."[104] While people wanted more fairly traded goods, they wanted them to be of high quality which is not how handicrafts are traditionally marketed. To tackle these problems, the Body Shop became the main international trading partner for HO, buying near 30% of their products in 1995. Together they developed a line of new terra-cotta and jute products to be produced on a higher scale than was achieved before and capable of being competitive in the international market. HO became educated about the expectations of Northern consumers in terms of quality and marketing. It also learned how to work with a large commercial buyer such as the Body Shop, which requires certain managerial demands and understanding of large-scale business.

Problems of collaboration were encountered along the way. The sudden increase in order size required some adaptation in production capacity and skill. Many costly trips were made by representatives of the Body Shop to try and pinpoint and solve the weaknesses of HO. In addition, the mindset of the HO staff needed to be altered because "appeals to potential international buyers were [still being] made on the basis of the needs of the women producers rather than on the quality of the products offered."[105] This illustrates how staff working in the nonprofit sector in fair trade schemes must adapt to new commercial environments created by partnerships with corporations, instead of remaining reliant on the goodwill and charity of their customers. "A key problem was that differences in expectations and values between the two trading partners led to clashes of organizational culture that made the identification of, agreement on, and meeting of joint objectives very difficult."[106]

Lewis draws several conclusions from this analysis that stem from the idea that partnerships in the fair trade arena take a lot of time to be properly established, because both sides need time to adapt to the goals and structures of their partners. Trying to upscale activities too quickly can lead to clashes between profit-making and social development

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[103] Lewis: 142
[104] Lewis:143
[105] Lewis: 143
[106] Lewis: 143

priorities. While it is important for the company to be dedicated to sourcing products in a way that enables producers to benefit even if this increases costs, NGOs must also consider fair trade partnerships as a kind of business arrangement that must fulfill certain criteria of quality in order to be viable and sustainable. The example illustrates the difficulty of transferring business skills between business and nonprofit entities. Lewis notes that this is especially true for NGOs based in countries where international aid is prevalent, because the non-profit sector is usually shielded from competition in the market. Thus, steps must be taken to ensure thatthis transition is gradual and as smooth as possible for both sectors.

These examples are worth consideration because they illustrate the significant management challenges of fair trade partnerships. Lewis outlines four dimensions to fair trade partnerships that are associated with different goals, presenting unique management challenges for both partners. He draws the following table:

Levels and Objectives of Fair Trade

Level	Objective
Material	Well-paid producers; safe and healthy conditions; high quality products; sound environmental management.
Social	Resources generated for common good and public benefit; targeted beneficiaries in the wider community.
Educational	Educated consumers in the North who can make informed ethical market choices; educated producers in the South who can meet expectations of Northern markets.
Cultural	Reorientation or development of an organizational culture in keeping with both social and business objectives.

Source: Lewis p145

For each of these issues, “a high level of formal and informal communication activities, joint problem solving, and frequent crisis management and troubleshooting visits”[107] is necessary in terms of operating a fair trade partnership. It is true that the private sector must make certain compromises within partnerships, weighing increased costs and the challenges to efficiency when collaborating with NGOs on fair trade. But fairly traded products are bought on the basis of their quality rather than simply buyer sympathy or solidarity toward producers. Thus the goal of fair trade is to promote development through a certain type of profit-making business model, albeit an ethical one. NGOs traditionally committed to non-profit work, have the added challenge of adapting to this business model without losing sight of their original purpose.

Lewis argues that partnerships between NGOs and business contribute to the creation of ambiguity across sectors. Fair trade initiatives are particularly vulnerable to problems arising out of ambiguity because “fair trade explicitly mixes the objective of profit making with the objective of social or environmental development and change [so that] organizations

[107] Lewis: 144

within fair trade partnerships are forced to operate beyond the rules of their usual environments."[108] For example, dependency on a large socially aware corporation can be the result of local NGOs perceiving the company as a development agency or donor "especially if it does not behave like a conventionally aggressive, profit-oriented business."[109] NGOs planning a fair trade partnership must foresee some form of adjustment to the competitive-market as part of its objectives. For example, "diversified outlets for community-level producers are crucial because dependency on a single supplier, such as the Body Shop, runs the risk of reproducing problems associated with conventional aid flows and projects."[110]

Nevertheless, as Lewis acknowledges, ambiguity can also generate innovative solutions through collaboration and mutual exchange between the business and NGOs. "Fair trade partnerships are beginning to link the business and the nongovernmental sectors in creative ways and are building the prospect of positive impacts on local livelihoods in disadvantaged communities."[111] He suggests that much is to be learned about fair trade experiments, through their successes and failures, which in many cases have yet to be played out because this a relatively new area of research in the NGO and business communities. "The success and longevity of fair trade ventures […] will depend on proponents of fair trade successfully renegotiating and agreeing on joint interests within the ambiguous zone between the commercial sector and the third nonprofit sector."[112]

Given these difficulties generated by the overlap between sectors, we now turn to analyzing fair trade (or more broadly ethical trade) in the coffee industry. We chose this example because coffee is one of the most important products traded in this manner internationally. It represents a primary product that is typically grown in developing countries, and that is altered through various stages along an international supply chain, ending with marketing and retail directed toward consumers located in developed countries. Coffee is also an industry in which large roasters and retailers in the North have turned to NGO-certified sources for purchasing coffee as part of their CSR policies. Throughout this process, there has been concern about maintaining quality standards driven by consumer expectations and brand image. Thus, analysis of a partnership between an NGO and a large Northern coffee retailer can illustrate the concerns of the private and non-profit sectors, while providing an example of how fair trade can link producers in developing countries with rich consumers in developed countries in a way that is mutually beneficial.

B – Case study of a successful partnership in sustainable coffee: Starbucks and Conservation International

1) Background of the coffee industry: the coffee crisis

The global coffee crisis began in the 1990s. According to Oxfam International, in 2002, 25 million coffee growers worldwide were affected by the fall in prices which reached a

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[108] Lewis: 147
[109] Lewis: 148
[110] Lewis: 146
[111] Lewis: 149
[112] Lewis: 149

20 year low. Many growers in developing countries have felt the consequences of the crisis as the cost of producing beans exceeded the income generated by sales. Falling prices were due to overproduction as global coffee production has increased by 15% since 1990, while consumption has increased by only 7%.[113] During the 1990s the price for green Arabica coffee declined from a high of $2.71/lb to a low of $0.48/lb. "Coffee producers, especially the small farmers who grow over half of the world's coffee, earn only a fraction of this export price because the typical pathway from producer to consumer involves several intermediaries."[114] As a result, growers have been producing at a loss, and borrowing money against future harvests in order to pay off their expenses. They have been unable to engage in other income-generating activities because they do not have the resources, knowledge, and technical support to transition from their traditional coffee crops. The crisis has left many coffee growers indebted and in worsening living conditions for their families, especially regarding health and education. Meanwhile, consumers in the North are continuing to enjoy the benefits of premium prices for coffee.

By 2000, coffee was the second most traded commodity in global markets after oil, representing an $80 billion industry.[115] In 2001, 50% to 70% of coffee worldwide came from small-scale farmers who usually do not have the resources to process their own beans. In some cases farmers in a collectivity can own mills, but most mills are operated by large farms that have power in negotiating prices. In turn, small producers have to sell their produce at lower prices in order to reach markets and be able to compete with the large farms. They typically must go through intermediary buyers, middlemen known as "coyotes" to sell their product. Coyotes have the means to transport coffee beans to markets, which small farmers in remote locations cannot access or afford. During the year, small growers find themselves in financial difficulty and are forced to take out loans at very high interest rates with the coyotes, or to sell them their crops before the harvest at lower prices in exchange for a cash advance. "As a result, small-scale farmers are often caught in perpetual cycle of poverty: low production levels limit their access to cash which, in turn, hinders the potential for increasing output."[116] As market coffee prices drop due to an oversupply of poor quality coffee, and as more and more farmers struggle to stay in business, their share of income is diminished by the many intermediaries between farmers and consumers.

The documentary "Guatemala/Mexico – Coffee Country"[117] by Sam Quinones, illustrates the struggle of coffee farmers near the town of La Reforma in Guatemala. The only work in this town is in the coffee industry, but as farm owners are unable to sell their beans at a good price, workers are being let go from their jobs. Over 200,000 coffee workers in Guatemala lost their jobs between 2000 and 2003. One worker from La Reforma who was interviewed explained that he had to take his children out of school because he could no longer afford to pay for their education, and because they were now needed to generate income for the household. Farmers who own the coffee plantations feel the effects of the

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[113] Linton: 600
[114] Linton: 601
[115] Argenti: 97
[116] Argenti: 97
[117] Guatemala / Mexico – Coffee Country (PBS-Frontline, Sam Quinones)
http://www.pbs.org/frontlineworld/stories/guatemala.mexico/thestory.htm

coffee crisis as a well. One grower who was interviewed explained he could receive only $0.07/lb for his coffee which is much lower than the cost of production. He attributed these low prices to the fact that he could sell his beans only through the intermediary of the coyotes who took his beans to market and sell them for him for a profit.

The percentages taken by the coyotes significantly reduce the income generated for growers, who have no alternative to reach global markets. As a consequence, many coffee farms have been abandoned. In some places, workers have taken them over and formed cooperatives in order to keep the farms alive. But they too are running out of money and most are barely surviving, without any guarantee that they will be able to sustain their activities in the next year.

The documentary shows representatives from one cooperative of 175 workers who took over the abandoned estate of Baluarte, meeting with Bob Stiller, the founder and owner of Green Mountain, a specialty coffee company based in Vermont. This meeting was important for the farmers as it established a face to face contact with a buyer willing to pay a good price for their coffee. The documentary illustrates the need for more direct relationships along the coffee supply chain to eliminate the impact of the coyotes. But the interview with Stiller revealed that he could commit only to buying high quality coffee from the cooperative, which represented only a portion of the coffee that is grown in Baluarte. Thus it is important for the workers in the cooperatives to learn how to select the best quality beans and use production methods that will enable them to gain some kind of certification, without which they will continue to receive low prices for their produce.

2) *Sustainable Coffee :Overview of Ethical Trade Practices*

In the article "Partnering for Sustainability: business-NGO alliances in the coffee industry," April Linton contends that "finding a solution to the coffee crisis is thus a test of whether trade liberalization can be made to work for poor people and poor countries"[118] because part of the solution calls upon corporations and consumers in rich countries to act as "global citizens" rather than simply global marketers and global consumers. She explains that non-profits and NGOs have been playing a role in trying to promote coffee growing practices that are attuned both to the livelihood of the farmers and to environmental concerns. Current strategies aim to link producers, corporations, and consumers within the framework of "sustainable coffee."[119] This broader categorization is necessary to encompass the many different kinds of certifications present in the industry, of which the "Fair Trade Coffee" label is only one type. Partnerships between NGOs that started this movement, and corporations which serve as marketers and retailers of coffee products in the North, can play an important role in supporting the sustainable coffee movement and broadening the scope and reach of sustainable or fair trade coffee sales.

There are many approaches to the promotion of sustainable coffee. Some organizations focus more on social and economic goals. For example, fair trade labeling

[118] April Linton. "Partnering for sustainability: Business–NGO alliances in the coffee industry." *Development in Practice* 15, no.3/4 (June 2005): 601
[119] Linton: 602

organizations such as TransFair USA, seek to influence consumer and retail culture in the North. They tend to encourage and support methods for farmers to process and market their own beans, thereby allowing them to share in a bigger percentage of the profit made on the end product. Other organizations focus on promoting environmentally-sound growing methods that yield more plentiful crops and better quality coffee, while reducing farmers' dependency on chemicals and pesticides to protect the natural resources and habitat of the areas where crops are planted. Organic and shade grown coffee are two such types of certifications. Consequently, there is a wide variety of organizations working on the promotion of fair and sustainable coffee. Roaster and retailers in the North, especially small specialty labels have been trying to promote the sale of this type of coffee. As large corporations such as Starbucks and P&G (which owns Folgers Coffee) have started to take an interest in promoting socially responsible business practices in the last decade, they too have turned to NGOs in the field to work with them on promoting and increasing sales of fairly traded coffee that is produced in a sustainable manner.

"Advocacy-led certification processes represent an increasingly successful pursuit of alternatives to the downward pressure upon social and environmental responsibility by the refusal of the WTO to permit the use of production and processing methods as a basis for trade policy."[120] Because regulations and legislation are often hard to pass and implement, certifications give retailer companies positive incentives to participate in the sale of ethically produced products. Linton presents a number of reasons why corporations would adhere to the sustainable coffee movement and choose to partner with NGOs in order to promote it. She identifies branding, vulnerability, risk reduction, and credibility as the main reasons.[121] In terms of marketing prospects, corporations have a much stronger ability to advertise a certified product. Through "cause related marketing" a large brand may attach its name to a relevant social cause, and thus become associated with it in the eyes of consumers. While from the NGO's perspective, access to marketing resources is greatly increased by partnering with large corporations, companies also benefit from the positive PR generated for their brand.

The primary goals of alliances between businesses and NGOs in the coffee industry are to promote quality coffee, and to facilitate more direct relations between the producers and buyers. In his documentary, Sam Quinones continues to travel with Bob Stiller to an organic cooperative that is located high up in the mountains of Nicaragua. This secluded village, which functions entirely around the cooperative, produces only organically grown coffee that is certified as such. Thanks to this certification, farmers are able to directly supply specialty companies such as Green Mountain, committed to paying a certain base price for their coffee. In this cooperative the farmers are guaranteed a price of \$1.26/lb, while other farmers in this region who must go through the coyotes only get \$0.20/lb. This makes a real difference in the livelihood of the farmers and their families. In sharp contrast to the coffee workers in La Reforma, one farmer from the cooperative who was interviewed explained that he was able to send his son to university in Guatemala City to study accounting thanks to the steady income generated by the cooperative.

[120] Linton: 604
[121] Linton: 604

However, certification and direct sales to specialty buyers imply that farmers must produce high quality coffee that will meet the standards of consumer demand and buyers in the North. The documentary also illustrates this problem for growers. Culturally, Guatemalans do not drink coffee, so they do not know what a cup of coffee tastes like when it is sold in the US. In fact, none of the workers had ever seen their coffee packaged before and were surprised to see that Green Mountain uses images of indigenous coffee farmers to market their coffee in American specialty stores. In another cooperative village located in Mexico, workers did not know how to use different types of coffee making apparatuses that are considered mainstream in the North. Traditionally, Mexican growers did not separate quality beans from lesser grades. The workers from this particular cooperative, located in Veracruz, had to be educated by certifiers and buyers about how to select quality beans that could be sold for a good price. Elaborate tasting sessions determined whether the coffee they had produced that year would be bought by Green Mountain representatives. Even though in the end only half of their coffee was purchased, the workers explained that in working through a fair trade label that offered contact with Green Mountain staff, they had learned a great deal about perfecting their produce and had benefited from this advice.

Consequently, client buyers need to make regular visits to coffee farms and educate growers about what constitutes quality coffee. In order to achieve this, more personal relations must be established between parties and more constant communication upheld, both of which may be facilitated by certification NGOs.[122] Because "certification schemes promote direct relationships between producers and buyers, eliminating intermediaries along the way to market,"[123] it shortens the supply chain and ensures that growers get a larger percentage of profits, by paying a price that is higher than the market price for coffee. Thus, small growers are able to access the global market and to sell their higher quality beans at a guaranteed price, instead of harvesting coffee at a loss and watching their harvests spoil when they are unable to sell them.

For a company that already enjoys customer loyalty, Linton believes these certified labels could successfully become "brand extensions."[124] Such is the case for a corporation like Starbucks. "Starbucks does not aim to single out one particular certification, but rather to offer a whole line of products that have been produced and obtained through socially responsible means."[125] In dealing with certification coffee and ethical purchasing guidelines, Starbucks has come to work with several different label and organizations which encompass Fair Trade Certified Coffee, Farm Direct, and various Conservations Coffees. The company has worked with organizations such as TransFair USA and the Rainforest Alliance, and has formed a long-term partnership with Conservation International. The purpose of the next section is to explore in detail the types of engagements Starbucks has had with NGOs and whether they were successful in establishing true partnerships with them.

[122] Linton: 607
[123] Linton: 605
[124] Linton: 604
[125] Linton: 604

3) Starbucks – NGO collaboration for sustainable coffee

Starbuck's corporate commitment to ethical sourcing

As Starbucks states in its company CSR Report: "Starbucks is committed to purchasing our coffee in an ethical and sustainable manner, regardless of labels and certifications."[126] The goal is to ensure the livelihood of the growers who supply the green coffee to Starbucks. In 2001, the company paid on average $1.20/lb for green coffee (compared to $0.48/lb at market price) to ensure that it was purchasing the best quality coffee. But this price did fluctuate somewhat with the market. Between 2001- 2002, Starbucks made the decision to dramatically increase the amount of coffee it bought at fixed prices. Whereas in 2001, almost 90% of its coffee was purchased at variable price tied to the prevailing wholesale market price, in 2002, the company bought 74% of its coffee at a fixed price, and 31% of its purchases were made through long-term contracts.[127] The company also increased direct purchases from small and medium size farms or co-ops from 9% to 59% from 2001 to 2002. One could argue that this shift took place in conjunction with the success and renewal of Starbucks' partnership with the environmental NGO, Conservation International (CI).

CI - Starbucks Partnership and the Chiapas Conservation Coffee Program

Conservation International, an NGO founded in 1987, works to conserve the Earth's natural heritage and protect biodiversity, in ways that prove harmony is possible between human societies and nature. It has identified 25 "biodiversity hotspots" around the world where the most concentrated and threatened number of animal and plant species are located. The organization has collaborated with a range of different actors on its projects, including companies, conservation groups, multilateral institutions, governments, and private foundations.[128] In an effort to encourage businesses to endorse the environmental agenda, CI established the Center for Environmental Leadership in Business (CELB0 in 2000. Its mission was to "engage the private sector worldwide in creating solutions to critical global environmental problems in which industry played a defining role."[129] Thus CI is an organization perceived as willing to collaborate with the private sector rather than fight it.

During the mid-1990s, CI came to realize that coffee production was severely affecting biodiversity and hindering conservation efforts, as 25 million acres of rainforest had been converted to coffee plantations worldwide.[130] This was due to the abandonment of traditional growing methods, which used shade trees to protect plantations, for more high-yielding but lower quality varieties that could be cultivated in direct sunlight while using pesticides to protect them. These new growing methods were heavily promoted by various international aid agencies but they caused shade-covered plantations to be displaced and resulted in habitat destruction.[131]

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[126] Starbucks CSR Report 2005 http://www.starbucks.com/aboutus/csrannualreport.asp: p11
[127] James E Austin, and Cate Reavis. "Starbucks and Conservation International." HBS No. 9-303-055. Boston: Harvard Business School Publishing, 2002: 6
[128] Austin and Reavis: 6
[129] Austin and Reavis: 7
[130] Austin and Reavis: 7
[131] Austin and Reavis: 7

CI began its Conservation Coffee Program in 1996 through a pilot program working in the three coffee cooperatives that were located at the edge of the El Triunfo Biosphere Reserve in Chiapas Mexico. El Triunfo is home to over 100 species of mammals and 1000 species of flora, and provides a habitat for several endangered and rare species of birds and mammals. The forest also has an important role in regulating regional climate, and as one of the country's highest rainfall areas, it provides water to wells and hydroelectric plants nearby. Farmers in the surrounding areas at the base of the reserve traditionally have grown coffee over the last century. Approximately 14,000 farms are situated in this "buffer zone" surrounding the reserve. CI believed that conservation efforts in the reserve, which were strained by a limited governmental budget, could be helped by promoting and preserving shade-grown coffee in the buffer zone, thus limiting deforestation in areas surrounding El Triunfo.

An interview with the head of CI's Coffee Initiative, Matthew Quinlan, revealed that growers needed to be convinced of the economic viability of the Coffee Initiative Project. "Farmers are great economists: 'a day doing what I know, I feed my family. A day trying a new way, I might not.' So we knew from Day One that we had to offer clear benefits to accelerate adoption of conservation practices."[132] Technical assistance was provided to them to improve growing methods but also the quality of the coffee. As an economic incentive for farmers to sign on to the project, CI also helped the cooperatives to better market their coffee and put them in direct contact with a specialty coffee buyer. On its website, CI states its belief that "the world's major coffee roasters can become a positive force for biodiversity conservation by integrating environmental and social considerations into their purchasing decisions."[133] The company that was originally supposed to work with CI pulled out of the project when the main person interested in a partnership left the company, illustrating how individuals are instrumental in establishing successful partnerships.

CI then tried to find other buyers and focused its attention on Starbucks. CI's CEO Peter Seligmann had met the Chairman of Starbucks in 1997 and found the company's dedication to social responsibility to be very encouraging. CI wanted to work with Starbucks on the Chiapas project but the company had to fulfill certain requirements for partnership that entailed further research and talks with senior executives within the company. Specifically, CI wanted to have a "sponsor" of sorts, preferably a senior executive, who shared the same concerns as CI, and could commit to championing the project with Starbucks. In initial meetings between Glenn Prickett, CELB's executive director, and Starbucks Senior Vice President, Dave Olsen, Starbucks was at first reticent to sign on to the project because of concerns about the quality of the coffee. They did not want to commit to buying a fixed amount without some guarantee of quality. At the same time the company was already under pressure from customers and interest groups asking what the company was doing to protect the rainforest. Instead of giving in to pressures, Starbucks decided to try to establish a partnership that would exploit both CI's expertise in conservation and Starbucks' expertise in quality coffee.

[132] Austin and Reavis: 8
[133] Conservation International Website – Starbucks Partnership Profile http://www.conservation.org/xp/CIWEB/partners/corporate/starbucks.xml

Because Starbucks had previously partnered with another environmental nonprofit, it was more experienced, and more confident about engaging into a partnership with an NGO. Sue Mecklenburg, the director of environment and community affairs of Starbucks at the time, explained that their first partnership took longer to establish because there was a fear that the NGO would expose the company since no confidentiality agreement was signed. But, in establishing a partnership between a corporation and a non-profit, it is necessary for the NGO to retain its independence: it was understood that Starbucks was not hiring the NGO in a consultative role, but partnering with it in a way that the NGO could still be trusted to make independent judgments about the company's performance.[134] Within four months, CI and Starbucks jointly crafted a memorandum of understanding (MOU) that incorporated the interests of both partners and outlined goals, responsibilities, and a timeline to which both could realistically commit. It was signed in 1998 by Orin Smith, President and CEO of Starbucks, and Prickett. Smith stated: "This was [a partnership] that I got comfortable with really early. They were pragmatic, and getting it done was what mattered most. The synergies between what they were trying to do environmentally and what we could do potentially with the coffee were attractive."[135] Initially, Starbucks agreed to commit $150,000 to the project over three years, but signed no agreement committing to buy the coffee produced.

The signing of the MOU was followed by a visit by Starbucks representatives to Chiapas to meet face to face with the farmers, and to hike up to the top of the El Triunfo Reserve. This was an opportunity for both CI and Starbucks staff to get to know each other and build a trusting relationship. The interviews conducted with participants on the trip indicated they found they had more in common than it would appear. Starbucks director of environmental affairs, Ben Packard stated: "the trip enabled us to see each other's dirty laundry."[136] On the other hand, CELB's senior director of business, Amy Skoczla, explained that there was the realization that "both [partners] share the same sense of integrity with our marketing messages, and we are both dedicated to talking about results, not intentions."[137] The meetings with the growers gave Starbucks a chance to communicate to them what was necessary in order to increase the quality of their coffee.

Concretely, the project was managed mostly by CI whose staff on the ground who had previous contact with the farmers, and who facilitated the relationship between them and Starbucks, as a purchasing company setting quality standards for the coffee. Producers were evaluated on how well they integrated conservation growing methods based on individual targets set by CI and each farmer, which were tailored to the climatic and physical characteristics of the farms. When they reached Starbucks quality standards, growers were allowed to sell an increasing percentage of their crop to Starbucks at a premium price. Not only were environmental criteria important (such as preserving and planting trees for shade and using organic fertilizers such as the pulp from coffee cherries), but farmers also had to agree to pay fair wages to their workers and to shelter them. CI monitored progress and results by visiting every farm. If they met the proper criteria, farmers could become certified as

[134] Austin and Reavis: 9
[135] Austin and Reavis: 9
[136] Austin and Reavis: 9
[137] Austin and Reavis: 9

organic producers by independent certification organizations that in part used data collected by CI staff for their evaluations.

Training the farmers in new methods, and educating them about quality was one of the most important aspects of CI and Starbucks' work on site. CI provided courses in villages to growers, managers of co-ops, and technicians which taught them about farming methods, tree planting, pulping methods to produce organic fertilizers, and quality control. Co-op leaders had access to classes on management and planning. In terms of quality control, Starbucks saw itself as having a responsibility to educate producers. Mecklenburg explained that given the growers' distance to the final product that is sold, "even if they were to taste it, they don't have any idea what we'd be looking for on this end. So they lack the information about what the market's expecting. We are in the process of communicating to farmers what we expect, what beans should look like etc."[138] CI played the relay role between Starbucks and individual farmers. Starbucks' business practices manager, Dennis Macray, explained that "Starbucks does not generally deal directly with individual farmers. We could not do this without CI."[139] Unlike a big corporation, CI had the ability to communicate at a very local level. The staff not only sampled and graded every lot of coffee delivered by farmers, but they also ensured that cooperative members had access to these evaluations so that they could receive feedback on their performance, as well as suggestions for improvements. CI also operated a training center, jointly financed by Starbucks, Green Mountain Coffee, National Arboretum, and CONCAFE (the Mexican governmental agency overseeing the coffee industry). Farmers could purchase organic fertilizers from the training center at a third of the price of equivalent chemical ones. A Starbucks consultant also contributed to designing a dry mill for the purpose of demonstration.

As we have seen previously in Lewis, with ethically traded commodities it is important for an NGO to diversify the number of buyers, and to not depend on a sole source of financing for the project. Quinlan observed the difficulty of protecting farmers without insulating them from market realities: "Bringing them into the global marketplace is like putting goldfish in with the sharks. But you do no favors pretending that the market is not what it is. We need to prepare them to meet the demands of the marketplace."[140] From the beginning of the project, CI had in mind a non-exclusive relationship with Starbucks. Prickett stresses that "both sides saw the partnership […] more as a leadership initiative which [they] hoped to extend throughout the industry."[141] Since Starbucks did not commit to buying any fixed amount of coffee, CI ensured that cooperatives were able to sell to other specialty companies such as Green Mountain Coffee Roasters, Frontier Organic Coffee, and Sustainable Harvest Coffee Company. This was very important since in the first year of the project, Starbucks purchased only 76,000 pounds of shade-grown coffee through this partnership, representing a total of 2 containers. Starbucks itself sees this diversification as a positive aspect of the work it is doing with CI. In the company 2005 CSR report, Starbucks states:

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[138] Austin and Reavis: 11
[139] Austin and Reavis: 11
[140] Austin and Reavis: 11
[141] Austin and Reavis: 9

"CI reports that farmers participating in the program increasingly recognize the environmental value of incorporating Conservation Coffee Best Pratices, and that through local partnerships they are able to sell coffee to other buyers beyond Starbucks. This is especially important when Starbucks is unable to purchase all of the coffee produced through this program."[142]

In 1998, when Starbucks announced its decision to introduce Mexican shade-grown coffee into its stores, the small amount purchased that year reflected poorly on their commitment to their partnership with CI. Mecklenburg recalled approaching Orin Smith with concerns about negative publicity. She explains: "I can't defend 76,000 pounds of coffee in a company that's dealing with hundreds of thousands of pounds, so either we need to get serious about this, or we need to discontinue it."[143] Starbucks decided to renew its commitment to the partnership in a more credible way: by 2002, the company increased its purchases to 1.5 million pounds of conservation coffee. It chose to buy coffee grown on plantations considered to be "in transition" but that were not yet certified as organic, if the coffee met its quality standards. In addition, in 2001 CI set up the Conservation Enterprise Fund to allow farmers to take out loans at low interest and to sustain them during pre and post harvest periods, thus liberating them from their harmful dependency on loans from coyotes. Funding for the loans was provided through several sources, including the World Bank's Global Environmental Facility. A $150,000 co-investment was made by EcoLogic Enterprise Ventures and guaranteed by Starbucks for this project. Despite Starbucks' original reservations, the loan program was very successful: all loans had a 100% repayment record and credit was extended to 2001-2002. Between 2000 and 2003, Starbucks provided a guarantee to support $1.4 million in micro-loans made by CI and EcoLogic Enterprise Ventures to Chiapas farmers.[144]

Overall, the Chiapas project has been successful. The amount of land incorporated into the project between 1998 and 2004 increased by 220%.[145] Cooperative sales increased steadily, as well as the price received by farmers compared to the local price of coffee.

	% Increase in Sales (lbs of green coffee)	% Increase in Price over Local Price
1999-2000	125	40
2000-2001	50	61
2001-2002	110	87

(Source: Conservation International)[146]

The success of the Chiapas Conservation Coffee project has led Starbucks and CI not only to extend their partnership on the Chiapas project, but also to further it in other areas. In an effort to bring both closer together, Orin Smith joined CI's board of directors in 2001. He

[142] Starbucks CSR report: 25
[143] Austin and Reavis: 12
[144] CELB website: "Partners: Starbucks Coffee Company," http://www.celb.org/xp/CELB/partners/com/starbucks.xml
[145] Austin and Reavis: 12
[146] Austin and Reavis: 23

personally believes that "preserving environmental diversity was a high-priority issue facing the world and that CI's approach of blending the environmental with the economic was particularly effective."[147] For CI, this represents the security of having the CEO and President of a major coffee retailer championing their partnership together. In 2003, Starbucks committed to contributing $1.5 million over 3 years to CI's Conservation Coffee program to support its expansion in Central America, Peru and Colombia.[148] Conservation Colombia Coffee, which originates from farming communities located next to Tatama National Park and the proposed Serrania de los Paraguas nature reserve in Colombia, was launched in Starbucks stores in March 2003.[149] In addition, Conservation Peru Coffee is currently available in select international markets as well.[150] Furthermore, Starbucks started working closely with Verde Venturas, a $7 million investment fund managed by CI. In 2003, it provided $2.5 million in loans to "provide small-scale coffee producers with direct access to affordable credit"[151] during 2004-2005, representing the largest commitment of its kind by a specialty coffee company. Verde Ventures stresses the leadership role that Starbucks has taken in addressing the financial difficulties facing small-scale farmers.

Perhaps the most successful and impressive aspect of the evolving partnership between CI and Starbucks is their decision in 2001 to jointly develop coffee purchasing guidelines that would support Starbucks' dedication to sourcing coffee in a socially and environmentally responsible way. The guidelines were developed and formalized in several stages and were based on CI 1999-2000 "Conservation Principles for Coffee Production," created by CELB in association with multiple stakeholders from the coffee industry. For Starbucks, in the company's effort to further its social and environmental responsibility practices, this collaboration was a way of benefiting from CI's expertise and experience in conservation methods as well as the NGO's knowledge of how these would impact local small-scale producers.

In 2001, Starbucks and CI created the Starbucks Preferred Supplier Program based on a set of quality, social, environmental, and economic guidelines. They planned for a two year pilot program in 2002 and 2003, during which they solicited feedback from producers and improved the specificities of the guidelines. In 2004, these improved guidelines were renamed the Coffee And Farmer Equity (C.A.F.E.) Practices.[152] This formalization into purchasing guidelines was the result of weekly conference calls between Starbucks and CI staff who remained in close communication throughout the process.[153] Suppliers of any size or location could earn up to 100 points for their performance in three areas of sustainability: 50 points for environmental impact, 30 points for social conditions, and 20 points for economic issues. Every 10 points awarded producers a $0.01 premium over Starbucks' regular price, and a producer that reached 100 points would become a preferred supplier for Starbucks. Quality prerequisites were also incorporated into C.A.F.E standards independently of the point system. Scoring in each area was to be carried out by independent third party verifiers. Since

[147] Austin and Reavis: 13
[148] Starbucks Website: http://www.starbucks.com/aboutus/conscoffee.asp?cookie%5Ftest=1
[149] CI Website – Starbucks Partnership Profile
[150] CELB Website - Starbucks Coffee Company
[151] Verde Ventures: http://www.conservation.org/xp/verdeventures/about/supporters.xml
[152] Starbucks CSR report: 19
[153] Austin and Reavis: 14

the C.A.F.E. practices have been in place, Starbucks has been committed to improving and expanding them to include and encourage other small-growers to apply.

What is interesting about the C.A.F.E. guidelines is that they truly represent an example of a cooperative effort between a corporation and an NGO that has had a meaningful impact on both that company's business strategy and the NGO's program. In 2005, Starbucks purchased 76.8 million pounds of C.A.F.E. certified coffee, which represents 24.6% of their total coffee purchases (increasing from 14.5% in 2004).[154] The company plans to increase their purchases to 150 million pounds in 2006 while simultaneously working on extending guidelines to more growers worldwide, especially small-scale producers. In addition, there is a sense that this collaboration has an impact on a much larger scale than the work done with specific programs such as the ones described above. Mecklenburg is quoted as saying: "While the Chiapas project is totally amazing and beyond what any of us could have imagined, it pales in comparison to what we've done with the sourcing guidelines. What we want to do with these is really define what sustainable coffee production is."[155] The company also sought to influence the specialty coffee industry as a whole. It "hoped to create a network of industry leaders who will join [Starbucks] in finding a way to create positive change within the global coffee community."[156] Prickett noted that engaging other companies was necessary in order to globally solve problems surrounding coffee production, since the actions of Starbucks alone were naturally insufficient to achieve this goal.[157] Starbucks' hope is that the C.A.F.E practices will become equal to other types of certifications, such as fair trade or organic certification, which the company appreciates as important in the promotion of a sustainable coffee industry.[158]

As stated in the company mission statement, Starbucks has continued to source its coffee from other types of sustainable coffee certifications established independently of the company. This is the case, for example, of "Fair Trade" certified coffee which Starbucks purchases through TransFair USA. Yet these types of collaboration, and the ensuing attempts at partnerships following from them, have overall been less successful than the partnership established with CI.

Starbucks and Fair Trade coffee initiatives

Starbucks' initial involvement with Fair Trade Certified coffee was a completely different experience than that with Conservation Coffee. One major difference was that it came out of an antagonistic relationship with an NGO rather than through collaboration. The example illustrates how a company would want to partner with NGOs (and other actors) to reduce its vulnerability to negative publicity, but it is also shows how this approach can lead to a less stable and successful association than the one Starbucks established with CI.

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[154] Starbucks CSR Report 2005: 4
[155] Austin and Reavis: 14
[156] Austin and Reavis: 13
[157] Austin and Reavis: 14
[158] Starbucks CSR Report 2005: 20

In the article "Collaborating with Activists: How Starbucks Works with NGOs," Paul Argenti describes the beginning of Starbucks' involvement with Fair Trade certified coffee. In 1999, when the company was approached by the NGO Global Exchange about the idea of selling fair trade coffee in Starbucks stores, it hesitated to do so. Peaceful protests were organized outside Starbucks stores in Seattle, so that the company gave in and announced in 1999 a one time purchase of 75,000 lbs of Fair Trade Coffee. But Global Exchange was not satisfied with this result and several months later, fair trade campaigners appealed to Starbucks stockholders at their annual meeting in April 2000. That year, market price for coffee had plummeted to just over $0.64/lb, but Starbucks was paying $1.20/lb as it focused supply only on premium quality beans. Although the company was already paying prices high above normal market prices, and in its mission was committed to the livelihood of its suppliers, none of them were certified as Fair Trade growers. But Starbucks' reaction had made Global Exchange decide to target the company and launch an awareness campaign for fairly traded coffee, in order to put pressure on Starbucks to start buying from these sources.

Because it was already paying a higher price for quality coffee, Starbucks was perceived as being more likely to cave under pressure to pay a slightly higher price for certified coffee. Indeed, Starbucks' resistance to the idea of incorporating Fair Trade coffee came not from higher prices - since it represented only a 6 cent increase per pound - but from the fact that these certified suppliers did not have to meet any criteria of quality for their beans.[159] The company's reputation and competitive edge were built not only on its position as a socially responsible company, but also as a provider of quality products. "If Starbucks were forced out of the high quality niche, its competitive position would erode, opening it up to competitive threats from smaller players […] which were small enough to escape Global Exchange's notice."[160] At the same time, company executives feared the effect of a boycott by Global Exchange. They wanted to avoid protests taking place in front of their retail stores all over the country and felt the need to quickly respond to the immediate publicity threat.

In essence, Starbucks had to prioritize between its mission to be socially responsible and its desire to sell quality coffee.[161] The company had to take into account the impact of such a decision, not only on its customers, but also on its other suppliers. There was a concern that farmers who had supplied high quality beans to Starbucks for 20 years would react negatively when hearing that certified Fair Trade producers were receiving the same price for lesser quality beans.[162] In terms of customers, Starbucks didn't know whether there was a market for Fair Trade certified coffee, but the company did not have time to research the matter because of pressure of an imminent boycott by Global Exchange. Starbucks executives decided to commit to selling some certified coffee from TransFair USA in domestic stores for a one year period, at the end of which they would reevaluate their decision based on the performance of Fair Trade coffee. Argenti explains this as a sort of middle ground solution that was intended to buy time in order to assess consumer demand for the product.

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[159] Argenti: 101
[160] Argenti: 102
[161] Argenti: 104
[162] Argenti: 103

On April 12th 2000, Starbucks announced an agreement with TransFair USA and agreed to create materials to educate its consumers and employees about the condition of coffee producers. Linton notes, that this hardly constituted a real partnership: "for NGOs such as TransFair […], a business partner may simply be a company that buys coffee that the group has labeled or certified, but when businesses publicize their partnerships with NGOs they are talking about a relationship that includes joint, long-range goals and a commitment of financial support on the part of the company."[163] According to Mecklenburg, Starbucks tried to collaborate more closely with Global Exchange and TransFair on the fair trade agenda to promote quality guarantees, but both NGOs refused. Global Exchange saw itself in a strictly independent role toward Starbucks, because it abided by the principle of not collaborating with business. TransFair was content remaining in a position of simply selling coffee to Starbucks without further engagements reasoning that as a certification agency it could not accept funding from an industry leading corporation.

According to Argenti, this first decision pushed Starbucks to further its efforts in ensuring the livelihood of coffee farmers and pushed fair trade up onto the company's agenda. After its initial assessment of Fair Trade Coffee, Starbucks, in a proactive attempt to diversify its suppliers, decided develop a two year pilot program in partnership with Oxfam America, the Ford Foundation, and the Oaxacan State Coffee Producers Network (CEPCO). These represented a diverse group of organizations to be working together, going beyond a simple corporate-NGO partnership. Oxfam America, a branch of Oxfam International, is an NGO that deals with alleviating problems of poverty and hunger in developing countries; CEPCO is the largest association of small-scale coffee producers in the state of Oaxaca – one of the poorest in Mexico – whose members include 44 cooperatives and 16,000 farmers; and the Ford Foundation is a non-profit organization (as opposed to an NGO *per se*) that awards charitable donations to fund the activities of other groups dedicated to pursuing goals of poverty reduction and international cooperation. Starbucks and the Ford Foundation each committed $125,000 per year over two years to funding the project. The goal of the project was to:[164]

- increase the supply of high quality Certified Fair Trade coffee to the US specialty coffee market from small farmer cooperatives,
- improve the skills of small-scale coffee farmers by providing resources and training to implement and standardize post-harvest improvement,
- provide information and support to enable farmers to earn premium prices for their coffee by producing high quality product,
- enable the farmers to disseminate their learnings to other coffee cooperatives.

All parties to the partnership had converging agendas for the project, even if these stemmed from different perspectives. Oxfam stated that it had been working for the past 30 years with small coffee growers and believed that "quality – cup quality, the rewards in pricing for quality, and the perception of quality – is one of the major challenges to increasing

[163] Linton: 605
[164] Oxfam America Website: "Starbucks, Ford Foundation, Oxfam America and CEPCO Announce Innovative Collaboration to Increase the Supply of High Quality Fair Trade Coffee." Press Release 29 July 2002. http://www.oxfamamerica.org/newsandpublications/press_releases/archive2002/art3007.html/print.html

the amount of coffee sold at fair trade prices."[165] Since their work in the coffee industry was geared toward "finding new and innovative ways to secure a greater market share for small-scale coffee farmers" they were excited not only to find a source of funding to implement a project in Oaxaca, but also to be working in collaboration with a specialty retailer like Starbucks that could participate in the training process and eventually purchase the coffee produced at a premium price. CEPCO farmers were interested in learning new growing techniques that would enable them to produce higher-quality products consistently, thereby making them less vulnerable to fluctuating market prices. Jaime Hernández, CEPCO's general manager declared at the beginning of the partnership: "We are aiming to produce coffee consistency so we can offer the same high quality coffee. We'll be able to ask for the right price for our good work too – improving our business."[166]

Simultaneously, Argenti explains that each partner came in with their own set of concerns about entering into a partnership.[167] The Ford Foundation was worried about being perceived as providing financial support to a corporation, a practice that is forbidden by its bylaws. They were very careful to make sure donations were allocated to Oxfam for the purpose of the project. Oxfam, on the other hand, had never partnered with a corporation before. They feared a negative reaction from the NGO community and did not want to be seen as "selling out" by working with Starbucks. They had to face attacks from groups such as the Organic Consumer Association that disapproved of Oxfam's association with a larger company. Starbucks was equally nervous about the logistics of partnering with many different organizations, which is more complicated to carry out efficiently than a bilateral partnership with a single organization.

Nonetheless, through careful and steady negotiations and efforts, the partnership was established. In July 2002, Starbucks, the Ford Foundation, Oxfam America and CEPCO officially announced their collaboration. Starbucks representatives were sent to Oaxaca in February 2003 to see conditions on the ground. Following this initial contact, the leaders of CEPCO were invited to go to Seattle to tour Starbucks' roasting plants, where they learned more about roasting techniques and different quality coffees through organized tasting sessions. Starbucks' support of this project also went further than simple funding. It provided technical support to CEPCO that included building and equipping cupping labs, and contributing to the purchase of an electronic sorter that helped growers separate high quality beans and enhance the quality of their supply.[168] The idea was to train farmers to teach these same techniques to other farmers in the cooperatives.

Between 2001 and 2005, Starbucks increased the amount of Fair Trade Coffee it purchased from 653,000 pounds to 11.5 million pounds and is planning to increase that number to 12 million pounds in 2006. This represents about 10% of Fair Trade Certified coffee imported worldwide.[169] However, despite this increase there have been some problems with sourcing Fair Trade Coffee. First, customer demand in the US is very low. In general,

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[165] Oxfam Website
[166] Oxfam Website
[167] Argenti: 109
[168] Argenti: 110
[169] Starbucks Fact Sheet http://www.starbucks.com/aboutus/StarbucksAndFairTrade.pdf

trends show a large imbalance between supply and demand of fair trade coffee. TransFair USA stated that only 32 million pounds out of 235 million pounds produced in 2002 were actually sold as Fair Trade Coffee.[170] Second, Starbucks has found that many suppliers are not consistent in the quantity and quality they can provide because certified co-ops tend to be very small scale. The large suppliers that Starbucks has ties with, cannot be certified as Fair Trade because of their size, even though the company still pays a premium price for their coffee. According to Argenti, "the current Fair Trade system neither provides Starbucks with sufficient economic transparency nor does it have well-defined environmental criteria or relevant social standards to help ensure the sustainability of Starbucks suppliers."[171]

This can be seen as a stark contrast to the success of C.A.F.E practices. One explanation is that Starbucks had an active role in creating the C.A.F.E. standards. These were the product of real cooperation with the non-profit sector and they fuse business concerns of quality with social and environmental concerns in a way that Fair Trade does not. Mecklenburg suggested as much by saying: "The Fair Trade movement is very focused on solidarity among small farmers and paying good prices, which we as a company tend to do, but we have other things to be concerned about which aren't necessarily being met in the Fair Trade Model."[172] Thus, the success of C.A.F.E practices in comparison to Fair Trade demonstrates the value of collaboration and partnerships versus confrontation in achieving sustainable development goals.

4) Conclusions: Starbucks – NGO collaboration for sustainable coffee

As a result of these activities "not only did Starbucks actively pursue and evaluate the Fair Trade model, but the company also continued to expand its social responsibility programs and explored several alternatives to Fair Trade in an effort to reach the same goal: improved livelihoods for the small farmer."[173] Specifically, it tried to find ways of cooperating with NGOs and certification organizations over a longer period of time, instead of reacting to an immediate threat as it had done with Global Exchange and TransFair USA. As it states in its company CSR report:

> *"Starbucks is committed to purchasing our coffee in an ethical and sustainable manner, regardless of labels and certifications. The Fair Trade system only certifies cooperatives of small-holder, family-owned farms, a system that currently produces about two percent of the world's coffee supply. The majority of the high-quality coffee Starbucks purchases is grown by farmers outside this system, many of whom are small-holders. Fair Trade Certified™ coffee is one source of supply for our global coffee purchases."* [174]

Several observations can be made in this case study that may be generally applicable for any potential corporate-NGO engagement. Argenti argues that, contrary to rational expectations, "truly socially responsible companies are actually more likely to be attacked by

[170] Argenti: 105
[171] Argenti: 105
[172] Austin and Reavis: 15
[173] Argenti: 105
[174] Starbucks CSR Report 2005

activist NGOs than those that are not."[175] This is because these companies usually advertise their social policies and bank part of their reputation on this fact. They are also perceived as more willing to enact change in their policies if they are truly dedicated to carrying out their social goals. Companies that are willing to collaborate should therefore be more proactive about identifying the issues that make them vulnerable. Argenti notes that too often, companies wait for a crisis to erupt before trying to address problematic issues, as was the case with Starbucks and Global Exchange. They could more actively seek out NGOs that are willing to collaborate with them to help address these vulnerabilities. Not only does this give companies the ability to "set the agenda before they are put on the defensive and before and adversarial relationship develops", but it also allows companies to "focus on the issues rather than the 'fight."[176]

With regard to Global Exchange and TransFair, both NGOs illustrated a form of thinking that is hostile to partnerships between the for-profit and non-profit sectors. They perceived their role as being completely independent from business and did not wish to compromise their practices by entering into collaboration with Starbucks. While this is a view that is shared by others in the NGO community, one might wonder if they may not have achieved their goal by trying to work with Starbucks' quality requirements. In 2006, Starbucks plans to purchase 150 million pounds of C.A.F.E certified coffee and only 12 million pounds of Fair Trade certified coffee. Perhaps, if Starbucks and Global Exchange had worked together on a project that satisfied both parties, Starbucks would have had a more positive incentive to advertise Fair Trade Coffee and educate its consumers to create a more important demand for the product.

This example also shows that in order to establish true collaboration, it is important to build relationships between partners carefully over time. This is essential in facilitating mutual understanding and trust, which are the key to long-lasting and productive partnerships. Starbucks' reaction to Global Exchange's campaign was rapid, and only addressed the problem in the short-term. A more lengthy relationship also gives time for both parties to learn to be flexible and to adapt to each other's work methods and management style. Although this may seem more time consuming initially, "rather than spending five years under constant attack from an adversary, companies can dedicate one to two years working with the same organization on a plan that may actually achieve mutually beneficial results and potentially lead to a stronger reputation in the long-run."[177] This is exactly what Starbucks attempted to do by collaborating with Oxfam America, the Ford Foundation and CEPCO and in furthering its involvement with CI.

[175] Argenti: 110
[176] Argenti: 111
[177] Argenti: 113

CONCLUSION: Assessing the success of corporate-NGO partnerships

Measuring the success of corporate-NGO partnerships in general is very difficult. As mentioned previously, there are many different forms of partnerships that take place at various levels ranging from small and medium businesses working with local community organizations, to large TNCs working with foreign localized non-profits or big international NGOs. Research carried out for this paper has revealed that there has not yet been much published on the topic. This is a relatively new trend that has only recently been receiving attention in the North because of increased concern with CSR, and the search for ways to rethink traditional development aid strategies within the framework of a more diversified and globalized political economy. Many of the authors writing on the topic conclude that more research needs to be carried out before concluding whether these partnerships can significantly contribute to sustainable development.

Furthermore, it is also difficult to assess the success of specific individual projects. For every partnership established publicly, there could be a multitude of failed attempts. Some are announced to the press when an agreement is reached, but no subsequent information is provided on the concrete impact of the project, or on whether it was even carried out to implementation. This is the case, for example, of Starbucks' partnership with Oxfam, the Ford Foundation, and CEPCO. At the time it was announced, Starbucks desired media attention in order to shake its negative image in regards to Fair Trade Certified Coffee. But in the company's 2005 CSR report, its website, even on the Oxfam website, there is relatively no follow up on the outcome of this particular partnership, making it difficult to say whether or not it was successful. One could argue that it was not, because partners would have advertised their success had this been the case, much in the same way that Starbucks publicizes its partnerships in Conservation Coffee projects.

Additionally, it is very hard to obtain an objective analysis of partnership projects, especially ones that involve large corporations that have a widespread brand image to uphold. These companies spend a lot of money on marketing themselves in a positive light, and therefore control the content of their CSR reports to reflect their achievements without mentioning their failures. For instance, Starbucks' report frames the Fair Trade initiative as being successful but merely constituting one aspect of what the company is doing to promote sustainable coffee. But the C.A.F.E. guidelines are explained in great detail, including how they were developed over several years in conjunction with CI and the company's desire to continue expanding their scope. Most of the specific details of partnerships are confidential, and the information accessible to the general public is usually controlled by corporate partners. Thus it is difficult to find independent case studies assessing the efficiency of a partnership.

The studies used in this paper to analyze how Starbucks works with NGOs contained specific information on the projects because the authors were able to obtain interviews with high-ranking and responsible representatives of both the company and the NGO, who allowed this information to be published. However when I tried contacting Starbucks and CI to talk to someone about these partnerships, they both refused to grant me an interview. The Starbucks representative with whom I spoke told me that there were confidentiality issues involved, and redirected me to the company website for more information. This is not to say that the case studies necessarily present a skewed view of the partnerships, but it does illustrate the lack of reliable detailed information on the outcome of partnerships.

In addition, there is little to no public data available that measures development progress for the stakeholders impacted by development projects. Public corporations are required to put annual financial reports containing analyzable figures necessary to stockholders and investors. Governments and international institutions collect data and publish economic and development indicators at regional, national, and subnational levels. But companies and NGOs alike are not required to measure the progress and efficiency of their projects in terms of development (although they may do so internally to assess their viability) and they do not make this information readily available. These various factors help explain why partnerships are so difficult to evaluate without performing original research onsite, as well as the relatively low number of academic articles written on the subject.

The other challenges to evaluating the success of partnerships are that most are too recent and too small in size to allow researchers to reach clear conclusions about whether they are sustainable, and whether they can significantly contribute to development in the long-term. For a company like Starbucks, certified sustainable sources still represent only less than 30% of total coffee purchases. It is questionable whether Starbucks can one day achieve 100% sourcing from certified growers, and whether this is (or even should be) a desirable goal for the company. Although the ethical or fair trade model is technically easier to carry over to other types of industries than other very localized forms of corporate-NGO partnerships, there are difficulties implementing it within the overall coffee industry itself. Because Starbucks is a specialty retailer focusing on a high quality product, it is already committed to paying premium prices for its coffee. Thus the financial burden of buying through sustainable sources is minimized. It is unclear whether retailers that are not concerned with cup quality, for example fast-food chains, would have the motivation to pursue these same goals. Ethical trade demands the dedication of a certain type of company that caters to a certain kind of consumer, usually a more educated and richer consumer, who has the resources and the desire to pay more for a higher quality product. It is also questionable whether this model is replicable for industries involving other types of tradable primary goods. For example, fair trade tea and sugar have enjoyed less success than cocoa and coffee because they do not present retailers with the same advantages of marketability through quality.

As we have seen, one of the reasons corporate-NGO partnerships can be successful is because they are more focused, and target development on a much smaller scale than larger aid-driven projects. They have the capacity to impact fewer people but to do so in a more significant way. NGOs collaborating with Starbucks work with relatively small numbers of farmers, and while CI is expanding its efforts to different countries, there is a sense that ethical trade is limited in how much it can actually influence the coffee industry as a whole. CI is able to work with Latin American growers and facilitate contact between producers and buyers in this region, but it is much harder to imagine doing this for growers in Africa or Asia for practicality purposes. If the goal of development in these projects is to help lift producers out of poverty, it is questionable whether ethical trade standards may ever reach this goal across the industry as a whole. Current efforts are successful because they are localized, small, and focus considerable resources on small projects facilitated by many different NGOs. Paradoxically, these qualities also constitute limitations because trying to upscale activities risks removing the very aspects of partnerships that make them successful, which are not sustainable on a more macroeconomic scale.

These concerns raise broader questions about how partnerships projects tie into development as a whole. Beyond the risks of dependency on aid being “reassigned” to the private sector, the fact that impact and success are not easily measurable poses significant problems in terms of accountability. If these projects fail, who is responsible? Furthermore, should NGOs and businesses even be held to certain standards of accountability in these projects in the same way we would consider governments, or international institutions should be accountable? If the trend of NGOs working closely with business continues, it may be necessary to have some kind of overseeing body or agency capable of imposing measures of transparency. So far this has not been the case because NGOs are considered trustworthy. But as they move more and more toward working in collaboration with business, it is conceivable that the sector as a whole could lose credibility (especially with the existence of confidentiality agreements with companies) which is why some NGOs seek to retain a strict separation between the non-profit and the private sector.

Nonetheless, despite these problems, we can conclude from this research that corporate-NGO partnerships are a step in the right direction in terms of influencing corporate culture as well as the non-profit sector in many ways. Although partnerships may not lead to large scale improvements in sustainable development and poverty reduction, they do have the ability to significantly improve the livelihood of the individuals they specifically target. More time, and further analysis is needed to see how these trends will evolve, and the importance they will take on in the future.

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