

# Governance Challenges in Fair Trade Organisations (FTOs)

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# Overview



- Rational
- Methodology- 3 longitudinal case studies
- Literature
- Cases & Findings
- Conclusions








# Literature

- **SEs practice good governance** (Aiken & Bode 2009, Diochon 2010, Spear, Cornforth and Aiken 2009)
- **Stakeholder view of governance** (Banarjee 2008, Phillips, Freeman & Wicks 2003)
- **Farmers as shareholders** (Koning & Pipers 2009)
- FTOs aim to redistribute power and wealth (Huybrechts 2010, Taylor et al. 2006)
- **Conflicting demands** (Cornforth 2004)
- **Not enough research on critiquing** governance in SEs (Curtis 2008, Dey & Steyaert 2010, Nicholls 2006)

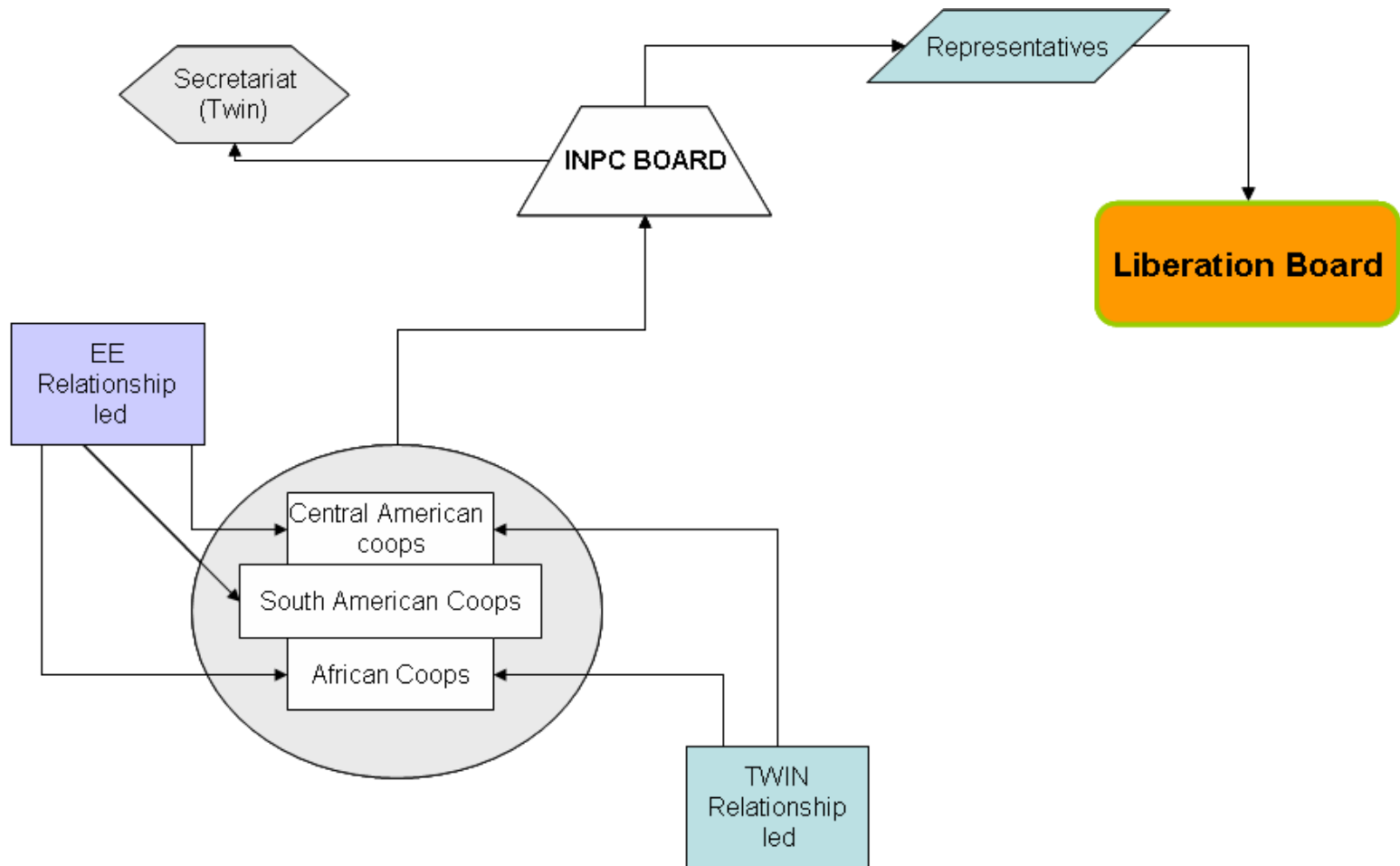
# Research Questions

- **What critical challenges and benefits arise from stakeholder ownership of FTOs?**
- **How can boards manage these challenges in conflicting and uncertain environments?**

# Social enterprise case studies

Company	% Shareholding	Number of Seats on board
	KK Farmers Union <b>45</b> TWIN 42, Oikocredit 12	13 seats, <b>KKFU-2</b> seats, Twin- 2, Oikocredit-1, <b>CR-1, CA-1</b> , plus 6 independent & FD & MD.
	Oxfam 11.9, Oikocredit 20, Cafedirect Producers <b>6</b> , Rathbone 4.2, Consumers 57.8	8 seats, <b>2 producer directors</b> , Chair, CE, FD, 1 guardian, 2 non execs
 <small>The world's only farmer-owned Fairtrade nut company</small>	<b>INPC 42</b> , Twin 24, Cordaid 17, Equal Exchange 7, EE US 1.5, Clarkes 1.5, MS Trust 6	12 seats, <b>INPC-3</b> , Twin, EE and MS-1 each, 5 non-execs, chair

# Liberation Governance Structure



# Cafedirect Producers Foundation

(Andrew Ethuru- Director and Chair, Nimrod Wambette- Director, Alvaro Gomez and Claire Rhodes, Cafedirect)



- In 2006 producers became shareholders in Cafedirect and Cafedirect Producers Ltd was formed.
- In 2009 the Cafedirect Producers Foundation (CPF) became owners of CPF and managers of their own PPP programmes.
- This is a charity run by the producers to support producers.

# Pros of FTO Governance



- Strengthen position of producer groups- voting rights
- Stakeholder boards motivated by shared social mission- provide blend of resources
- Farmer ownership delivers trust
- Farmers influence Fair Trade policy and acquire international reputations in their own right
- Developments in Governance of producer organisations
- Improved joint understanding of supply chain



# Challenges of FTO Governance

- Balancing dual mission
- Balance of skills at board level
- Conflicts of interest
- Resource intensive to manage
- Unrealistic expectations
- Different knowledge levels





# Lessons Learnt

- All three companies have established market positions and have remained independent
- Crafting balance between commercial and social objectives at board level
- Manage conflicts of interest
- Facilitate producer participation
  - Pre-board briefings
  - Induction for new producer representatives

# Workshop Activity



- In groups discuss and note down other potential innovations in Governance that would strengthen the fair trade system and the its stakeholders?
- Choose your top 3 ideas to present back to the group?