

## Can partnerships change the world? (in a little bit more than 1500 words)

In last year's Max Havelaar lecture Jeffrey Sachs opened his speech with the assertion that the Millennium Goals CAN be met, despite the fact that many people say they are a distraction to economic growth. He stressed that these goals cannot be met by economic forces alone, that it was imperative to realize that public efforts are required too, and that "Washington's realism has let children die." Times have worsened considerably since then. The financial system is now beyond the brink of collapse, to a point where *everything* is a distraction to the economy. For businesses that are struggling to stay solvent social responsibility will be less than an afterthought, and governments that have already spent an estimated \$ 3.3 trillion<sup>1</sup> on bailing out their banks will doubtlessly have to tighten their 'Millennium' budgets.

Yet at this year's lecture all the key note speakers seemed to have caught the Obama vibe of "YES WE CAN". Literally hours after he won the U.S. election, his rhetoric of change and collaboration was fittingly (and maybe a little unsurprisingly) applied to the lecture's topic of partnerships for development. George S. Yip straightforwardly quoted him, Marilou van Golstein Brouwers of Triodos Bank called for change in terms of the way capital is valued, and Noreena Hertz declared that in wanting to be agents of change we were all Americans that day. She also emphasised the reference Obama made to the urgency of collaborating to address matters overseas, *especially* in context of the financial crisis, because the consequences will be felt elsewhere too. She wanted the promises to address our social and physical environment to be remembered, and for our governments (and businesses) to not just concentrate on bailing out our banks. So how can partnerships contribute to this, and which partnership strategies have been effective? How do they stimulate sustainable development? And could they form 'a new narrative' that will change the world, or is it really nothing more than rhetoric?

Partnerships for development have been receiving increasing attention as a means through which development goals can be met, particularly since the World Summit on Sustainable Development in 2002 (Rob van Tulder<sup>2</sup>). Trust in governments has decreased, NGOs have become more influential, and new demands are being made from businesses. The grey area where the responsibilities of business and civil society are blurred is growing – which has created a new playing field within which businesses have to operate. From a business perspective partnerships with governments, NGOs, academia and/or other companies are therefore often seen as an effective way to improve community spending, and they have covered a wide spectrum; ranging from doing barely more than sponsoring an NGO, to aligning partnership objectives very closely with corporate objectives. So while Noreena Hertz assured us that "the business of business is still business", she believes that what will ensure greater profits has evolved.

Now it's easy to see how changing government, NGO, but also consumer and investor demands have lead to a growing willingness from companies to meet their social responsibilities - and having to

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<sup>1</sup> The "global" bailout plan consists of \$700 billion from the US, and an estimated \$2.3 trillion and \$277 billion from the E.U. and Japan respectively. Critically note that Africa's has been estimated to be around \$200 billion.

<sup>2</sup> Van Tulder (2008) *BACKGROUND PAPER: PARTNERSHIPS FOR DEVELOPMENT* obtained from:  
<http://www.maxhavelaarlecture.org/downloads/Max%20Havelaar%20Lecture%20Tulder2008.pdf>

collaborate with other societal actors to do credibly and effectively so - but demands for clear guidelines and monitoring systems have been changing too. This is where governments have an important role to play. Just because businesses are increasingly investing in areas that have traditionally been considered to be government tasks, does not mean governments can let themselves 'off the hook'. With regards to the characteristic watch-dog role of NGOs, partnerships with businesses could also lead to an inability for NGOs to take a critical stance. Not only is there then a danger that businesses could abuse partnerships to only publish glossy brochures and do a superficial, 'patch-cover-up' job, we could also lose sight of the fact that partnerships are a means, and not an end in itself. More has to be done than forming alliances, although alliances will probably always remain a prerequisite to make a solution work. Yet regardless of NGO and government in/reactions it will just not make commercial business sense to only pay lip-service to the objectives of a partnership. As Giles Bolton from Tesco warned, today there needs to be genuine common ground between developmental and commercial objectives, or businesses' most important stakeholders - customers and shareholders - will become suspicious.

Since the success of a partnership depends on how it relates to the core of a company's overall strategy, the types of partnership strategies that have emerged vary widely. However, in proving the business case for fair trade, Max Havelaar has shown that introducing fair trade considerations into the supply chain is perhaps one of the most straightforward and viable partnership-for-development strategies. The fair trade movement is founded on the principles of empowerment and the alleviation of poverty, which by definition only works if open and long-term partnerships are formed. These commercially based partnerships serve the mutual interest of all parties involved; from a commercial entity's point of view it creates a better reputation and a stable supply-base on the long term, from a customer point of view it offers meaningful and unique products, and for marginalized producers and workers it creates better trading conditions and the opportunity to become economically self-sufficient. Finally, from a more general public point of view, fair trade brands and labels have created more awareness for the often appalling conditions in which our products are made. This is already shifting the mindset of some (western) consumers to realizing that we can afford to compromise a little on price, but that by 'voting with our wallets'<sup>3</sup> for products from companies that treat their workers fairly, are environmentally friendly, or both, we can actually change the way in which companies (and governments) have and still abuse environmental and social resources in developing countries.

An often quoted example of such a transformative and high-profile partnership is the global Red campaign, which is a big-name company initiative to donate profits to fighting HIV/AIDS in Africa. But these types of market-driven partnerships are not just limited to applying old product or investment strategies and mechanisms to new social demands. Nor are they limited to large corporations forming alliances with rock stars, leading NGOs or international governmental organizations. Innovative and novel partnership strategies are often pioneered by small entrepreneurs, such as Body Shop's founder Anita Roddick, or the now legendary founder of the Grameen Bank Mohammad Yunus, who once had the vision that development could be stimulated by creating village-level access to capital. The increasing number of 'social ventures' that are set up provide solutions to challenges that range from poverty, to health, to environmental degradation. What they all have in common though, is that they

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<sup>3</sup> Noreena Hertz

approach the often complex challenge of creating and managing social change with an entrepreneurial, innovative and market-oriented mindset. They demonstrate that, at least on small scale (the Body Shop and Grameen bank are still exceptions rather than a rule), it is possible to do good by doing well.

But more resources are needed to maintain and support this growing movement of social entrepreneurs and entrepreneurial non-profits. These are the organizations that are often best-equipped to meet the needs of the poor, and probably understand best what has to be done help their producers with gaining access to the power of the market. The problem is that traditional mainstream investors will not take the risk to expect anything less than a market-rate return on investment, and they are yet to revalue the way and period over which performance is measured. This especially applies to those ventures that have proven that their concept works, and need capital to aggressively grow before someone else reaps all the benefits from the approach that they have established. Social ventures may take longer to generate profit, but the impact they have on society should also be assigned value. Governments could provide better incentives for investors, and create a regulatory and tax environment that enables rather than hampers these initiatives.

From a personal perspective, this is something that I have experienced firsthand. Having been inspired by my studies that I too could make a contribution to sustainable development, I took the decision to set up a fair trade jewellery brand with a fellow student about a year ago. The brand, called ISAbella, sprang forth from our shared passion for exclusive jewellery and wanting to make a difference to people's lives. Combining the two, we believed that hand-made jewellery from developing countries can be both stylish and luxurious, and that by trading fairly we can also benefit the lives of artisans and crafts(wo)men producing it.

While our main aim is still to meet customer's expectations regarding high quality, uniqueness, and a personal feel with the jewellery, we are not willing to compromise on the welfare of those producing it. Fair prices, safe working conditions, the empowerment of women, and long-term partnerships are principles we are strongly committed to. By giving our suppliers increased access to markets as well as patience and support in gaining the necessary skills, they will be able to create their own opportunities and ultimately improve their own quality of life. But we are not just an importer of fair trade jewellery. In searching for suppliers we are particularly targeting those producers from remote or underdeveloped areas for whom access to foreign markets is difficult, if not impossible, without our help. This includes small producers, but also NGO-led initiatives and established co-operatives of women that will need a bigger market to develop and grow. Generally we have found that the group of people living slightly below the poverty line - called the 'entrepreneurial-poor'- already have a tremendous set of skills, they just need a market to sell to. These are also the people who, as we will grow, will be able to employ more people from their local community. By creating long-term partnerships with our suppliers, we hope that in the end we can all be better off.

Despite the general difficulties of starting up a business, as well as having faced added challenges that come with setting up a social venture, having had the ability to form meaningful partnerships through our studies, network and on the basis of enthusiastic reactions from our immediate surroundings, we are now at a point that we can officially start sales this month. I have therefore become very aware that

our company is product of our environment. That – as Noreena put it – it was a matter of random luck that I have the opportunities available to me to do this, only because I was born in the Netherlands instead of in a village of Africa. Having travelled the world due to my father's profession, my eyes were opened to strikingly different realities from a young age, but I also learned that people across the world have remarkably identical hopes and dreams. We are all connected, the world is a small place, and that actions taken here can have a vital impact on the lives of distant people who are in real despair (and are now also aware that they can have more than their local context has to offer them).

The proverbial domino's fall especially quickly when it comes to consumption; and as a Business-Society Management student I came to realize that this is ultimately where the real power of change will lie. While consumers will always have the choice not to act, in our connected age they cannot choose to ignore. But consumers need to become more aware that they are able to *demand* from the companies from which they buy that they support - rather than exploit - the communities where their products are made. And that haphazard donations are not enough, nor are they effective. Philanthropy is an outdated concept; it is better provide the tools and/or teach to fish than to give a fish. This will require effort, partnerships between all societal actors, and probably some additional costs on the short-term, but the long-term result is a win-win-win-win-win situation. Companies win from a better reputation and having consumers and workers identify with them; governments win because the efficiency of the market can create effects that no amount of humanitarian or debt relief can achieve; NGOs win because their agendas will have consumer backing rather than just having to rely on much smaller charitable support; and last, but definitely not least, the communities in question will win from fair prices and the ability to develop and better their own lives. Business-Society case closed!