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Partnerships intervening in global food chains: the emergence of co-creation in standard-setting and certification

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ABSTRACT

In the agri-food sector, global partnerships between lead firms and international NGOs design standards that aim to enhance environmental sustainability and to some extent realise social justice. However, the effectiveness of such standards is limited when their content and governance provokes resistance in production regions upstream in the chain. This paper addresses the question whether and how multi-stakeholder partnering makes internationally constructed standards fit local institutions, i.e. norms, rules and practices in producers' regions. The case studies make use of 'global value chain' and 'global production network' approaches to analyse two examples of global–local interactions: Utz Certified rooibos tea in South Africa and Aquaculture Stewardship Council certified shrimp in Indonesia. The analysis demonstrates that producer regions are not always merely standard-takers. Co-creation in standard-setting and certification may occur when the chain's commercial exploitation of natural resources threatens sourcing in the long term, when local partnerships experienced in environmental protection of the resource become involved in the implementation, and when global and local partnerships interact not only via hierarchically organised value chains, but also via a newly emerging public space.

1. Introduction

In the past decade a plethora of voluntary sustainability standards have emerged that could potentially reduce environmental impacts of production around the world. A number of the well-known standards, such as the Marine Stewardship Council, the Roundtable on Sustainable Palm Oil, Rainforest Alliance and Utz Certified, are embedded in partnering processes between multinational enterprises, non-governmental organisations and producers at global and local levels. The main drive behind these cross-sector arrangements is achieving win–win situations by exploiting 'collaborative advantage' (Huxham, 1996). Partnerships combine the unique capabilities and resources of each party, which contributes to outcomes that individual partners cannot easily achieve in isolation within their own sector (Selsky and Parker, 2005).

Multinational enterprises (MNEs) have various reasons to engage in global partnerships, varying from genuine ethical considerations to sheer business interest. A recent survey among 120 supply chain managers from European companies found that 'sustainability' and 'reducing the environmental footprint' is considered to be among the top five main business challenges that drive the supply chain agenda for 2013 (SCM, 2013). Particularly in the agri-food sector, MNEs show growing awareness about the strategic vulnerabilities of critical raw material supplies. This leads to a greater engagement of these firms with host country suppliers and their governments, including a shift from specialisation and fragmentation of global value chains towards strategic collaboration (Gereffi, 2013). Non-governmental organisations (NGOs) are considered to be suitable partners as they bring to the partnership legitimacy, knowledge of environmental problems, and network contacts among suppliers especially in developing and emerging economies (Schouten and Glasbergen, 2011, 2012).

International NGOs opt for MNEs as powerful allies in their strategy to protect natural environments because these companies play a powerful role in worldwide sourcing, production, and trade. About 80 per cent of global trade takes place via international networks of suppliers and buyers that are coordinated by MNEs

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(UNCTAD, 2013: 135). The world's leading firms possess the means to make a decisive difference in their supply chains, because the "purchasing power of a corporation can become a unique driver for bringing about positive change in society. Companies must use this power to achieve a purpose and make their supply chain a vehicle for inclusive growth" (Anand Mahindra, Mahindra & Mahindra Ltd, quoted in UNGlobalCompact (2010: 15)). This perspective has triggered research on the how sustainable supply chains can be managed (Ahi and Searcy, 2013; Seuring and Müller, 2008).

International alliances between MNEs and NGOs expect environmental and social value chain standards to reduce negative impacts of industry worldwide. Standards are the "external points of reference by which a product or a service's performance, its technical and physical characteristics, and/or process and conditions under which it has been produced or delivered, can be assessed" (Nadvi and Waltring, 2004). One of the major limitations of such standards is that they primarily respond to public pressures and concerns in consumer markets that may not be shared in producer regions (Blowfield and Frynas, 2005). Moreover, private sustainability standards depend on unequal power relations within the value chain. Food MNEs together with international NGOs and the 'certification industry' can be considered as standard setters, while the primary producers act as standard takers (OECD, 2011: 34) whose contribution to addressing problems associated with the standards receives little attention.

This paper addresses this global–local challenge of standards by looking into the role that partnerships play in overcoming contradictory views on sustainability standards in consumer and producer regions. MNEs engage with a variety of standards, but the contribution of MNEs to sustainable development not only depends on the agreed standards per se. The partnering of MNE's and NGO's at global level and the involvement of local partnerships in the implementation shape the conditions under which impacts are realised (Schouten et al., 2014). The central question is whether and how multi-stakeholder partnering makes internationally constructed standards fit local norms, rules and practices in producers' regions. We develop the argument that opportunities for co-creation between global and local actors emerge because of the involvement of and interactions between multi-stakeholder partnerships at global and local level. This shifts the attention to the role and capacity of local public–private partnerships to act as countervailing power to the MNE-NGO alliance at the global level. The credibility of sustainability labels is not merely determined by global convergence of technical rules and certification procedures that address concerns in consumer markets. Credibility may be seriously hampered when the labels provoke resistance in producer regions. Local partnerships can reduce such global–local frictions by advancing certain levels of divergence in standard-setting and implementation so as to attach more value to local norms and practices.

In the remainder of the paper we first explain our conceptual approach, which combines 'global value chain' and 'global production networks' theories. In the methodology section, we clarify the choice for the two case studies and explain the data collection and analysis approaches. Subsequently, we use a cross-case analysis to report on how processes connecting global and local partnerships evolve. The selected case studies, the introduction of the Utz Certified standard in South Africa for Rooibos tea production and the intended employment of the Aquaculture Stewardship Council (ASC) standard for shrimp farming in Indonesia, show similarity at a global level where partnerships frame standards. The case studies document the processes through which these standards touch down in environmentally vulnerable regions, i.e. the biodiversity-rich Fynbos area and mangrove forests. Finally, we discuss the implications of the global and local partnerships' interactions in respect of the emergence of co-creation and a new public space.

2. Global value chains and global production networks: how to unpack global–local interactions?

Global sustainability standards can be analysed with global value chains (GVC) theory that analyses the structure of a value chain or industry (Gereffi and Korzeniewicz, 1994). The level of analysis is the network of companies rather than an individual company, while the chain is used as a metaphor for studying the relationships between aligned firms in the context of the chain's international expansion and geographical fragmentation (Gereffi and Lee, 2012). Governance, the centrepiece of this approach, refers to internal chain coordination that may take various forms ranging from arm's length market-based interaction to hierarchical control in vertically integrated firms (Gereffi et al., 2005). This coordination can be largely driven by either the supply or the demand side of the chain. In demand-driven chains, 'lead' firms are operating at the downstream end of the chain, in or close to the international market (Gereffi et al., 2005). Because of their influential position in governing the conditions for production in the entire chain, lead firms positioned in the consumer markets have become the targets for multi-stakeholder sustainability initiatives.

The multi-stakeholder partnership to tackle collective action problems is possibly emerging as a new form of value chain governance (Gereffi, 2013). Such partnerships in consumer markets have the ability to define sustainability and to embed the related and codified quality information in standards and certification procedures (Ponte and Gibbon, 2005). This insight from GVC literature demonstrates that value chain governance not only depends on coordination and steering by the lead firm (Gibbon and Ponte, 2008); it also includes abilities to make globally defined quality conventions work at the upstream end of the chain through the activities of, for example, auditors, support agencies, or producers' organisations. Accordingly, recent GVC literature broadens the analysis by addressing the effects of quality standards on national level public–private collaborations outside the boundaries of the value chain (Tallontire et al., 2011) or on exchange and regulation of (inter)national markets (Ouma, 2010).

Value chain governance is closely connected to processes of upgrading, which comprise strategies of suppliers, regions, or countries to improve their position in the chain and the global economy by acquiring higher value-added activities through the enhancement of production processes or by engaging in new product lines (Gereffi and Lee, 2012; Humphrey and Schmitz, 2002). In this paper the term upgrading serves a conceptual purpose and has no normative meaning (Ponte and Ewert, 2009). Upgrading is not necessarily positive to individual chain actors. Despite its positive connotation, *up*grading efforts by individual firms or cooperatives to remain included in global value chains may end up in a race to the bottom (Gibbon and Ponte, 2005). Functional *down*grading i.e. withdrawing from higher value-added activities and concentration on more upstream activities can be a more efficient strategy to enhance competitiveness of some chain actors (Meyer-Stamer, 2004).

We conceptualise upgrading as a set of practices and strategies driven by producers, in contrast to the implementation of standards importantly induced by lead firms or global partnerships via the hierarchically coordinated value chain. Yet, a major intended outcome of upgrading is inclusion in the (global) value chain. Upgrading in this paper refers to companies in the chain that invest, for example, in production processes to become preferred suppliers (Dolan and Humphrey, 2004); or to local producer associations that prepare themselves to supply niche markets, such as Fair Trade, and