Fairtrade Facts and Fancies: What Kenyan Fairtrade Tea Tells us About Business’ Role as Development Agent

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ABSTRACT. Various promising claims have been made that business can help alleviate poverty, and can do so in ways that add value to the bottom line. This article begins by highlighting that the evidence for such claims is not especially strong, particularly if business is thought of as a development agent, i.e. an organization that consciously and accountably contributes towards pro-poor outcomes. It goes on to ask whether, if we did know more about either the business case or the poverty alleviation case, would this give cause for greater optimism that business could make a significant contribution to development. By exploring the experiences of producers of Fairtrade tea in Kenya, we reveal the complex nature of what constitutes a beneficial outcome for the poor and marginalized, and the gap that can exist between ethical intentions and the experience of their intended beneficiaries. The lessons of these experiences are relevant for Fairtrade and any commercial initiative that seeks to achieve outcomes beneficial and recognizable to the poor, and raise questions about the integration of social and instrumental outcomes that a future generation of ethical entrepreneurship will need to address.

KEY WORDS: corporate social responsibility, Fairtrade, international development, poverty alleviation


Introduction

Can business play a role in tackling the sort of poverty and marginalization that is held up as one of the downsides of economic globalization? This question is increasingly asked, both by those who favour greater private sector participation (e.g. Easterly, 2006; Moyo, 2009; Nelson, 2007; Ruggie et al., 2006; Wilson, 2006), and by those who are more sceptical (e.g. Bond, 2006; Karnani, 2007; Newell and Frynas, 2007; Utting, 2007). There are two ways to go about answering that question: one is to enquire what benefits a poverty focus has for business; the other is to ask what benefit the conscious participation of business in tackling poverty has for the poor and marginalized themselves.

In this article we explore both of these dimensions to the business–poverty conundrum. We will show that much more attention has been paid to why business should care about poverty (the instrumental business case) than to why the poor should welcome the private sector (the developmental poverty case), although there is still a shortage of evidence to draw many conclusions about either case. But despite the problems with the evidence, we will explain why a focus on the business case is problematic, especially if what advocates mean by business’ participation in poverty alleviation is something more than business doing business in poor countries, i.e. not just acting out the expected role of private enterprise within capitalism.

Our interest is in business as a development agent, by which we mean an institution that consciously strives to deliver, and moreover is held to account for, developmental outcomes. There are many examples of companies claiming to serve as development
agents (Blowfield, 2008a, b, 2009; Brainard, 2006), but perhaps the most widely acclaimed approach in the major consumer markets is that called Fairtrade, which began at the margins of retailing but has increasingly been recognized by the retail mainstream with companies such as Nestlé, Tesco, Ahold and Cadbury all having Fairtrade product lines (Reed, 2008). We are aware that placing Fairtrade alongside other approaches that fall under the umbrella of corporate social responsibility (CSR) is to court controversy. For certain, there are a variety of Fairtrade models (see Tallontire, 2000), and for the most part in this article we use the term to refer to the certified labelling approach developed under the auspices of Fairtrade Labelling Organization International (FLO), a model that itself has been criticized (Schmelzer, 2007; Sexsmith, 2008). Equally, we acknowledge that Fairtrade has ideological and historical origins that distinguish it from conventional business practice of the late twentieth century. But as products from the Fairtrade system gain more mainstream market share, and become the product of choice in organizations from student unions to the World Bank cafeteria, Fairtrade has rightly earned a place in the pantheon of approaches whereby business seeks to negotiate and manage its relationship with society, i.e. as a manifestation of what is meant by CSR (Blowfield and Murray, 2008).

In describing Fairtrade as an approach within the far wider universe of CSR, we are not claiming that all CSR initiatives are equally ethical, or that markets deliver optimal ethical outcomes (although we would emphasize that capitalism is a system with inherent ethical norms). As others have noted, economic activity cannot be equated with ethical activity (McMurtry, 2008), and it is this distinction we draw attention to when we talk of business as a development agent. Moreover, of all the private sector initiatives seeking to influence poverty, Fairtrade might be expected to be the most effective: it was after all set up to address the inequities of the conventional trading system, and is one of the most well-known examples of ethical entrepreneurship, i.e. the achievement of ethical goals through entrepreneurship (Wempe, 2005). Therefore, by exploring the experience of Fairtrade in a part of Kenya, this article examines the possibilities and limitations not only of Fairtrade, but also the much wider poverty case for private sector engagement in development.

Before examining this further, we would point out that development is a multi-faceted, contested concept, and the aims and policies of a pure neo-liberal development agenda, for example, are inherently different to other approaches (Mukherjee Reed and Reed, 2009; Utting, 2007). We have examined the way different development approaches affect the role of business in a separate article (Blowfield, 2009), but for the purposes of this article it is sufficient to say that contemporary practice positing business as a development agent (including Fairtrade) is situated within the dominant neo-liberal development paradigm, and although the boundaries of possibility are to an extent negotiable, ultimately all business as development agent models are at most attempts to modify rather than oppose the dominant norms and values of that paradigm (Blowfield, 2003).

The rise and rise of the business case

As McMurtry (2008) highlights, there is a body of thinking that equates the opportunity to engage in free market activity with ethical outcomes (e.g. Easterly, 2006; Sachs, 2005). From this have flowed various attempts to encourage business to help the poor by showing there is a positive business case to be had from operating at the “bottom of the pyramid”. Pick up almost any book on CSR and you will see how important the business case has become to contemporary notions of the responsibilities of the private sector. For business managers, government officials, academics, and consultants, to name but a few, making the business case for tackling social and environmental issues has become the Holy Grail.

This is especially true in the developing country context because it is used to justify why companies should pay deliberate attention to their impact on the poor and otherwise marginalized. The justification is variously framed in terms of how companies exacerbate poverty, are a victim of it, or can ameliorate it; and analysis of the nature of the business–poverty relationship (i.e. what business is responding to) shows that the appropriateness and efficacy of different approaches is strongly affected by context, location and circumstance (Blowfield, 2009). But whether we are talking about a multi-stakeholder approach to improve workers’ conditions, an industry-wide initiative to overcome the consequences