

# Fair trade and leadership management essay

[Business](#), [Management](#)



<http://cdn7.triplepundit.com/wp-content/uploads/2011/05/world-fair-trade-day-logo.jpg> Fair Trade and Leadership Carlos Rodríguez Millennial Atlantic University Organizations and Leadership -MGT-520-Dr Otto F. von Feigenblatt, BS, MA, PhD, FRAS, KHS Wednesday, April 24th, 2013 Abstract This paper starts explaining how Leadership is connected and related to Fair Trade and to the Case Study that is analyzed about the company Nestlé. Also, is explained how Fair Trade affects Leadership and how Leadership affects Fair Trade and shows the connections between them. There is background information provided about Nestlé, specific examples, information about the Fair Trade movement, and some justification as to why this topic is considered important and relevant with the Fair Trade issue. Are explained the ideas and theories that are applied to relate it with Nestlé and its Fair Trade practices. These theories are applied to understand the Case Study and are used to explain the relationship and connection between story of Nestlé and Fair Trade. Nestlé Partners' Blend is a tool used by Nestlé to certify some of its products with the Fair Trade brand by the Fairtrade Foundation. It helps coffee farmers from different countries of the developing world paying them fair prices and assuring that they product quality goods operating within the mark of good standards. But, there has been some type of criticism and boycotts against the company, because some organizations accuse the organization of having practices that contradict the good principles of Fair Trade, like child labor used to produce coffee in Africa and bad working conditions in countries of Southeast Asia. Finally, this paper recommends Nestlé to look for ways to help in dissuading the ever-growing boycotts ensuring that before giving any form of certification to any

company or organization, it has clearly assessed the conditions of the suppliers of the raw materials to the company. Also, is recommended to ensure that all forms of adverts or products have been approved by the people who consume it before certifying it.

## **Introduction**

There is a connection between leadership and Fair Trade as well as in the case study. Leadership has traits that help in running Fair Trade. Leadership in Fair Trade is seen in its approaches toward conventional trade. It is based on partnership that exists between the consumers and the producers. Fair Trade leadership offers producers with regulations to follow when offering deals as well as improved terms that govern trade. This eventually allows them an opportunity that helps in improving their lives as well as planning their future. The policies and rules introduced by leadership help in offering consumers powerful ways to end the poverty that they go through daily. Once a product achieves Fair Trade Standards, then it gets the Fair Trade mark (Leslie, 2007, p. 56). The setting of these standards by the leadership team addresses the imbalances of power in several trading relationships, conventional trade injustices, and unstable markets. When it comes to the case study Nestlé, leadership here could be characterized by what is referred as social change leadership. It is used as a business strategy and at the same time, it guides the way in which the business is run (Eddy & VanDerLinden, 2006, p. 6). It is important to talk on a brief history of Nestlé, which is a company whose roots stretch back to the year 1843. Henri Nestlé bought a beverage and food factory in Switzerland. He then came up with another substitute for a mother's breast milk. This is by combining wheat

flour and cow's milk in powder form. The company continually merged with several companies and in 1938, it released the first coffee product. It has since then expanded to several countries in the world. The controversy, which is one of the examples, however occurred in the late 1970s. This was when government officials and boycotts claimed Nestlé was harming developing nations' children by marketing infant baby formula to mothers of low income. They argued that these consumers did not have good access to clean drinking water and therefore the water they used caused the infants to be ill once they consumed the powdered milk. The Fair Trade movement is a movement that works toward ensuring that workers involved in the raw materials' production receive sufficient pay. The connection between these two and leadership is important. Fair Trade plays a role in marketing Nestlé's products and ensuring the welfare of the workers is fair. Leadership is what steers these two to achieve their policies (Cohen, 2010, p. 5). Also, there was criticism and accusations that Nestlé was using child labor in the Africa farms to produce coffee and that union workers in Philippines were being killed. This was never clarified. Fair Trade is one of the organizations that offer marketing strategies. Marketing strategies keep changing over time and it is important to employ recent strategies in order to get more market. The case of Nestlé in this paper is important because it is through it that people learn the importance of Fair Trade Logo and branding. The Fair Trade organization also looks into the rights of workers and laborers ensuring that they have rightful payment. The use of Nestlé also outrights the importance of leadership. Good leadership in Nestlé is what has led to its production of quality goods operating within the mark of good standards. Poor leadership

can lead to the fall of good companies. The case of Nestlé talks about how it works the Nescafé Partners' Blend in the British brand of the organization. The case explains how the problems experienced by poor producers and workers in developing countries differ greatly from product to product. The majority of coffee and cocoa, for example, is grown by independent small farmers, working their own land and marketing their produce through a local co-operative. For these producers, receiving a fair price for their beans is more important than any other aspect of Fair Trade. Most tea, however, is grown on estates. The concern for workers employed on tea plantations is fair wages and decent working conditions. To address this there are two sets of generic producer standards. The first set applies to smallholders organized in co-operatives or other organizations with a democratic, participative structure. The second set applies to organized workers, whose employers pay decent wages, guarantee the right to join trade unions and provide good housing when relevant. On plantations and in factories, minimum health and safety as well as environmental standards must be complied with, and no child or forced labor can occur. (Lawrence, J. T. & Beamish, P. W., 2013, p. 267). During the development of the Partners' Blend product, some managers of Nestlé talked about the possibility of certifying the product with the Fairtrade Foundation. By certifying Partners' Blend with Fairtrade, Nestlé had planned to agree to pay a minimum fixed price for the coffee to the farmer cooperatives. If the traded price of coffee rose above that established price per pound, then Nestlé would pay a fixed amount premium over the market rate. Under this agreement, a portion of the price would be established a little amount of the price to be re-invested back into the farmers' communities for infrastructure,

education, improvement of growing techniques or diversifying into other crops. Nestlé also stated to pay two per cent of revenue to Fairtrade for the licensing of the Fairtrade mark. (Lawrence, J. T. & Beamish, P. W., 2013, p. 276). Leadership is a socially influenced process. A person enlists support and aid of other people in order to accomplish a main task. It involves organizing several people with the aim of achieving common goals. The leader can have either informal or formal authority. Studies to do with leadership have theories including function, values, situational interaction, vision and power. These are some of the factors used when analyzing leadership. Leadership has affected Fair Trade. There are several voices that run Fair Trade. All these have come together to alleviate poverty and raise standards of people. Through good leadership, good decisions have been made on the mission of Fair Trade. Currently, leadership main focus is on small farmers' to be organized into cooperatives, which will help alleviate their bad conditions. Another effect of leadership on Fair Trade is about awareness. Through good leadership, European consumers' awareness of Fair Trade has gone up to over 80%. Fair Trade on the other hand affects leadership. It has principles that must always be applied. In Fair Trade, the cooperatives and groups that the farmers form have leaders who ensure the groups remain close to one another. Fair Trade affects the leadership in these groups by bringing and applying the social change theory of leadership to make good decisions. Fair Trade has played excellent roles in ensuring that there are established links between organizations from several supply chain areas. This is in order to maximize the producers' impact.

## **Theoretical Framework**

There are ideas and theories to be used in analyzing the case study involved. The first one is Systems Theory. Systems Theory refers to an interdisciplinary systems study. It has goals of elucidating certain principles. These principles are then applied to nesting levels found in research fields. It is a form of specialization of the way in which systems think and systems science generalization. The prospect theory on the other hand is where people value both losses, gains a different, and often bases a decision on specific perceived gains rather than the losses. Fair Trade is a social movement that is organized. It has market-based approaches aiming at empowering various developing countries' producers as well as promoting sustainability. This movement also advocates for the payment of fair prices. This includes environmental and social standards in all areas that relate to the production of various goods (Leslie, 2007, p. 54). Fair Trade particularly focuses on exports coming from developing countries to the developed countries. These include fresh fruit, cotton, flowers, sugar, cocoa, tea, handicrafts, wine, coffee, and honey. Its strategic intent is to work purposely with all the marginalized workers and producers with the aim of helping them to move from vulnerable positions to economic self-sufficiency and security as well. Finally, it empowers them toward becoming their organizations' stakeholders. This leads to them playing greater roles in the international arena. Eventually they get to achieve sufficient equity in all forms of international trade. There are several theories of leadership. The basis of the Trait Model of Leadership is on the characteristics of both the successful as well as unsuccessful teachers often used in predicting leadership

effectiveness. Integrative Social Contracts Theory goal is to provide a certain framework to be used when making business decisions with respect to relevant communities, moral standards and ethical norms (Gosling & Huang, 2009, p. 409). The Path-Goal Theory explains on how the behavior of a leader is contingent to the motivation, performance, and satisfaction of his or her subordinates. The Contingency Theory entails a behavioral theory class that fully supports making good decisions as the best way to run an organization. The Situational Leadership Theory states that there is no better leadership style (Pinnington, 2011, p. 337). In order to lead effectively, leaders need to adapt to maturity. The Multiple Linkage Goal of Leadership states that performance in leadership depends on variables like teamwork, cooperation, resources' availability, subordinate ability and effort and external coordination (Eddy & VanDerLinden, 2006, p. 8). Participative Leadership targets on seeking the involvement of other people in the management of the place. This includes subordinates, stakeholders, superiors, and peers. Team Leadership focuses on effective management and leadership originating from the top most supervision branch. This often leads to success. Social Change Leadership works towards addressing all the underlying social problems on the national, community, individual and institutional level (Eddy & VanDerLinden, 2006, p. 9).

## **Analysis**

In the Analysis, it is important to look into the relationship between leadership and Fair Trade. This involves the use of Theory of Leadership in explaining the existing relationship. Fair Trade being a social as well as an economic movement aims at improving the welfare of workers and laborers



who are involved in raw materials' production that is used by companies in manufacturing consumer products. Nestlé is governed by the Social Contracts' Theory of Leadership where the business decisions made by the company are governed by societal norms and ethics (Gosling & Huang, 2009, p. 411). The relationship between Nestlé and Fair Trade is best expressed by the Theory of the Supportive Leadership. In this leadership type, the leader focuses on the needs of the employee. The leadership also focuses on the ways of helping the followers to do their jobs. The leader is the first servant aligned with the organization's goals. The main attention is mainly emphasized on exports that come from developing nations to the developed nations. Fair Trade works toward ensuring that the laborers in Nestlé get a fair price for the raw materials that they supply to Nestlé. Its working toward ensuring that there is a maintained parity between producers in the developed world as well as those of the developing world has not stopped. Effective Leadership in Fair Trade is what has made it to achieve its long-term policies of fighting for the laborers and workers (Low, & Davenport, 2009, p. 98). This applies greatly to the case study. Nestlé and Fair Trade does not have a rosy history. The company is doing well however the point of contention is because Nestlé harmed children by marketing infant baby formula unethically to mothers of low income. Campaigners argued that this was not right.

## **Findings**

The Findings according to the Analysis depict the way this company has faced major embarrassment. The embarrassment is due to boycott movements that run against the company. This is from the 1970s. Certifying

Fair Trade in specific Nestlé products is what has enhanced its reputation as a socially aware and responsible company. It is ready to mingle with the farm workers in Africa as well as other developing areas in order to address their troubles and thereafter provide the farmers with better living standard. Another finding is on the way the world continually scrutinizes the Fair Trade certificate. This was awarded to Nestlé despite some gaping holes in the company's requirements and promises to fulfill. The company will eventually profit from this Fair Trade certification. It has repaired the company's damaged reputation and aided in increasing people's sales. Another finding is on the fact that people have developed an awareness of some of the business related social issues and issues related to productions. The Fair Trade certificate has not affected sales in any way. It has given a good history and detailed information to customers and therefore making Nestlé's products to be preferred choices over several other similar products that do not have a Fair Trade reputation.

## **Recommendations**

The company has been unable to dissuade boycotts. These boycotts have gained momentum because of awarding Fair Trade to the company Nestlé. One of the recommendations is for the company to look for ways to help in dissuading the ever-growing boycotts originating from the company. The boycotts believe that this certificate is a farce. They have decided to be highly vocal in blogs and web pages on the effects of allowing gross violators of rights of suppliers to get away with accolades and appreciations. Fair Trade on its hands needs to ensure that before giving any form of certification to any company or organization, it has clearly assessed the

conditions of the suppliers of the raw materials to the company. It also needs to ensure that all forms of adverts or products have been approved by the people who consume it before certifying it. The company leadership is also important. Nestlé's management and leadership must work on developing new strategies. This is because of an increasing on non-branded cheap products that are offered by competitors. The strategies being one of the recommendations need to target newly emerging markets like Latin America, Asia, and Eastern Europe for growth possibilities.