

COLLABORATIVE TRANSFORMATION



THE ART OF MAKING
INTERNATIONAL TRADE
MORE SUSTAINABLE

JOOST OORTHUIZEN, HANS VERMAAK,
CARLA ROMEU DALMAU, ELEA PAPAEMMANUEL

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For all the people
who have worked for and with IDH
to change international trade
for the better

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FOREWORD

In a world where we have reached planetary boundaries and still expect further population growth, we have no other option but to turn away from the unbridled exploitation of all resources and toward the long-term sustainability that is within our boundaries. Some may see this as constricting; I see it as a momentous historical invitation to ignite human ingenuity, moving us toward ever-increasing resource efficiency and thereby reaching sustainability.

In all honesty however, this is easier said than done. Sustainability can only be successfully pursued if it is sought simultaneously at all levels of the system, in all sectors, and across all geographies. The complexities are hard to imagine, let alone classify into some neat organizational structure. We have never faced such an all-encompassing endeavour, and every day we walk further into unknown territory.

Making trade more sustainable is an important part of this mammoth challenge. And it similarly requires intentional and effective collaboration among all relevant sectors. Even if every actor worked independently toward a sustainability transition, we would never reach our 2030 Sustainable Development Goals; working in silos simply isn't good enough.

For the past 10 years, IDH, The Sustainable Trade Initiative, has been one of the key organizations creating broad collaborations globally to achieve sustainability transitions within international trade. As I learned in the process of bringing together diverse voices, needs, and interests to craft the Paris Agreement, building extensive coalitions that can create systemic change is not easy. There is no single recipe for how to achieve change that can work for all. Change is always preceded by a transition from the old (familiar and comforting to many) to the new (often vague, unknown, and understandably scary). Transitions differ from each other, contexts shift in time, and actors and factors all influence one another in constantly changing landscapes.

There is one factor however that is *sine qua non*: optimism as a starting point. Especially when it comes to complex systems change, optimism cannot be only the result of achievements; it has to be the starting point from where we approach the challenges. History does not give us one example of an important achievement that started with pessimism. It is our optimistic conviction that change is both necessary and possible which unleashes the necessary creativity to think and act. In the face of grand challenges, we must have not only clarity of outcome but flexibility regarding the process toward achieving that outcome. We must also have a profound understanding of the barriers we are facing, and an uncompromising perseverance in finding a way beyond those barriers. This combination is what I call 'stubborn optimism.'

This book is a wonderful example of stubborn optimism. It presents an intriguing model for enabling sustainability transitions within international value chains based on 5 carefully elucidated underlying dimensions. The model is complemented with useful examples from IDH's first-hand experience working in facilitating transitions toward sustainability. The conceptual analysis is not limited to trade, however, and can be applied to other complex issues that are also kaleidoscopic in nature.

As we take on challenges never faced before, it is important that we understand what has worked, which means making explicit tacit knowledge so that it can be shared widely. I am grateful to IDH for their work in reflecting on what they have come to know over the last 10 years, and for sharing their magic with all of us. The better we understand the fundamental dynamics of achieving sustainability transitions, the faster we will make the world more sustainable.

Christiana Figueres

Former Executive Secretary of the
UN Framework Convention
on Climate Change
Founder and Partner of Global
Optimism Ltd.



INTRODUCTION

International trade can make a huge difference towards sustainability, as over half of what is produced globally crosses national borders. Several of the United Nations 2030 Sustainable Development Goals – such as realizing ‘zero hunger’ and ‘no poverty’, ensuring all have ‘decent work’, and taking ‘climate action’ – crucially depend on transforming the way international trade is organized. But international value chains are complicated, involving many different people working in diverse contexts that change over time. Therefore, various players – businesses, governments, NGOs, farmers, unions, and trade associations – must work together in coalitions and they must design innovations within and across several domains, such as technology, policy, and economics, simultaneously. And they must bounce back from setbacks and persist in their efforts over time.

Transitioning to sustainability in international trade has all the traits of a ‘wicked problem’: everyone involved recognizes that change is needed, but no single entity acting on its own can make it happen. Common solutions may have little effect, and they can even slow down any real progress. Working with a wide variety of partners over the last 10 years has taught us the value of ‘clumsy solutions’, which take shape incrementally as those involved learn, and tinker, and learn more again. This process of collective exploration, while imperfect, is most powerful when dealing with complexity.

Clumsy solutions are difficult to pin down, especially considering that much of the knowledge used by the various people involved is tacit. Studying the successes of past endeavours, we find that there is an art to transitioning toward sustainability, something that can be learned and practiced and improved. We have identified 5 key dimensions that are essential for the success of sustainability collaborations, and in the pages that follow we describe these dimensions and how collaborations can attend to them simultaneously, weaving distinct efforts together to create powerful change.

Partnering with companies, governments, civil society organizations, and other stakeholders around the globe, IDH has, for the last decade, facilitated collaborations and crafted clumsy solutions to make international trade more sustainable, together transforming the playing field in several industries:

- ▶ Shifting nearly 20% of the cotton industry towards sustainable production, thereby impacting the farming practices of more than 1 million cotton farmers, and doing this in 21 countries in just 8 years.
- ▶ Fostering a true collaboration with all stakeholders from the tea supply chain for a more competitive and profitable Malawi tea industry, which has so far resulted in significantly reducing the wage gap for 50,000 tea workers within three years.
- ▶ Forging an alliance between the governments of Côte d'Ivoire and Ghana – countries that are home to 70% of global cocoa production – and the chocolate industry, which in just 8 months created a framework to halt deforestation related to cocoa production.
- ▶ Designing a data-driven methodology that helped 40 companies improve the services they provide to more than half a million smallholder farmers, demonstrating that companies that invest in smallholders can gain a competitive advantage while simultaneously improving smallholder livelihoods.
- ▶ Establishing the Aquaculture Stewardship Council, which today independently manages the world's leading certification and labelling program for responsible aquaculture.

So what works to make change within the complexity of international trade? And how can such efforts be accelerated? To answer these questions, we studied these and other examples of collaborative transformations, using an approach inspired by action research and grounded theory. We selected several case studies of successful collaborative transformations IDH has been involved in, based on their impact and their complementarity. We analysed key documents related to these cases and identified common strategies that were used to create change. We met periodically with other IDH practitioners and academic experts to discuss the research as it progressed. Doing so, we found a set of patterns that enable sustainability transitions, related to the following 5 dimensions: relational, discursive, institutional, reflective, and implementing. The examples we present in the pages that follow make clear that there is no simple succession of steps to follow; instead, stakeholders succeed when they attend to all of these dimensions simultaneously. Stakeholders' efforts in these 5 dimensions must be intrinsically interwoven, catalysing each other, building on one another.

Of course, the following reflects only the experiences of IDH and our partners, and does not purport to be an exhaustive list of every possible strategy that can facilitate transitions. Nor is it a simple formula for success. It is, instead, offered as a first step in forging a common language and understanding, one that may enable us all to better support such transitions. We do this in the hopes of sharing – and multiplying – the magic of collaborative transformation, and thereby positively shaping our collective future.

RELATIONAL DIMENSION

Building coalitions for change



Sustainability transitions happen through shared effort, led by strong and effective coalitions. Such coalitions often start with a small group of people who are interested in creating change and who have something at stake in the process. While these individuals may be well respected within their networks and wield enough influence to lay a foundation for change, they only create systemic shifts by working with like-minded others who also have influence and whose positions complement each other. These other stakeholders may be motivated to join the group once they realize that a wider coalition can achieve changes that individuals and small groups cannot. Negotiating agreements that benefit everyone involved can also ensure the participation of stakeholders. Because coalitions consist of stakeholders with different interests and perspectives, trust needs to be built over time and a convener is often needed to bring everyone together.

We can see the emergence of such a coalition in the effort to produce cocoa more sustainably. IDH, the World Cocoa Foundation, and the Prince of Wales' Charities International Sustainability Unit partnered to end deforestation linked to cocoa production. They all realized that this issue was way too complex to be solved by one party alone, and they recognized each other as good partners to start building a broader coalition. In just 8 months, they forged an active commitment of the governments of Côte d'Ivoire and Ghana, countries that represent 70% of global cocoa production, and the world's largest cocoa and chocolate companies to work together to end deforestation and forest degradation in the global cocoa supply chain. Never before has there been a public-private coalition working together to halt deforestation within a particular sector.

How does such sweeping change happen? To begin, the people who launch effective coalitions usually have given the challenges they face quite a bit of thought. They have been involved in and learned from past initiatives, understand the landscape they are operating in, and have ideas about new pathways for change. They recognize the need for collaboration, and they represent institutions that matter and that can make a difference. They are like tempered radicals trying to change the system from within.

These committed individuals tend to know each other through non-institutional settings, for instance through face-to-face encounters on the margins of international conferences. Their relationships grow over time, and they come to recognize each other as like-minded. They exchange thoughts, evaluate developments, and explore new ideas. In doing so, they better understand each other's interests, beliefs, and capacities. And when they come together to collaborate, they form a powerful inner group.

When choosing coalition partners, the inner group needs to 'read the landscape' within the area where they want to have impact. This is not just about identifying key individuals to bring on board, but also thinking about the institutions they represent. Both informal relationships and formal partnerships matter. There are at least three considerations when building a coalition: enthusiasm, power, and complementarity. A few words about each of these...

Our experience has taught us that crafting clumsy solutions in the domain of sustainable trade can be both contentious and ambiguous, especially in the early stages. For this reason, it is important to get players on board who are enthusiastic and willing to commit, especially those who find being part of 'the first wave' appealing. This is true for both individuals and institutions. Leading companies are often sought out because they have already shown to be committed to quality and growth and they tend to be more sensitive to reputational loss. And within those companies, internal champions with sufficient clout are key.

We also find that systems only change when powerful individuals and organizations put their weight behind change-making efforts. In making trade more sustainable, it is essential to work with companies with strong market positions, as their involvement will bring into alignment larger parts of the supply chain. An initial coalition representing only a small share of the market may suffice to get the ball rolling, but to get real shifts to happen, you need to have around 25% of the market share at the table. This holds true for public organizations too: governments of major producing

and importing countries need to be on board to make headway. For cotton, for example, China, India, and Pakistan need to be involved; for cocoa, Côte d'Ivoire and Ghana must be at the table. In addition, key donors should be recruited to fund the early efforts of pulling a coalition together, as their involvement lends legitimacy to the endeavour.

For the Initiative for Sustainable Landscapes it was important to get senior representatives from Nestle, Unilever, and SAB Miller to participate as members of the coalition's Coordination Board. Their participation added authority and power to the effort to shift to more sustainable production while securing livelihoods and protecting the forests. Having these major companies on board made the coalition more effective than previous initiatives that had lacked such private sector support.

Power is not exclusively based on size, but can also be derived from an iconic image or much-needed know-how: both may influence public perception and lend credibility to a coalition as a force for good. Power can also be based on the ability to thwart change from happening: when certain organizations function as 'bottlenecks' in the road ahead, it is better to include them than to keep them out.

Another lesson we've learned: to effect systemic change, stakeholders need to complement each other in terms of their positioning within the value chain and the geography they relate to. If, for instance, brands are the major part of the initial coalition, key manufacturers and producers from other parts of the value chain should also be included, so that demand for more sustainable commodities is not frustrated by a lack of supply. Geography also matters: including several regions and/or countries can enable sufficient production and governmental backing. Those building coalitions should remember to involve those who will be most impacted, either because they will have to do most of the work or because they have the most to gain or lose. In working towards sustainable soy in Brazil, for instance, it was realized that producers had to be given a central role, as, at

the end of the day, they own and farm the land, so they are the ones who need solutions to be able to produce soy without impacting the forest. At the same time, other players such as traders and the animal feed industry were included to increase the leverage of the coalition, because without a market for sustainable soy, farmers wouldn't have an incentive to change.

Identifying a coalition's ideal composition is one thing, but bringing various stakeholders into a robust working relationship is quite another. Stakeholders are often attracted to the idea that a diverse group can achieve things together that none could individually. However, that very same diversity and complementarity of those involved implies that their interests and values may well differ. Negotiations are often needed to ensure that the steps to be taken will benefit all those involved – not necessarily to the same extent, but at least enough to elicit everyone's support. In such negotiations, we find it is best to focus on underlying values and interests; this creates more room for negotiations and potentially more ambitious future agreements.

A key concern for organizations and companies entering into collaborations is the competitive nature of their interests, which can limit the scope of their partnership and their willingness to share information. This can easily cripple coalitions and dampen the boldness of common goals. Trust needs to be gradually built while the coalition matures, by focusing on principles rather than rules and by respecting the limits of each stakeholder. Once trust increases and joint analyses can inform the discussions, coalition members may feel comfortable extending the scope of the collaboration to allow for farther-reaching activities. We witnessed this when four global coffee brands approached IDH to work together on scaling up the sustainable production of coffee. They understood they needed to work together if they were to solve complex issues confronting the sector. Initially, their collaboration was defined in rather limited terms: increasing the volume of certified coffee produced in the largest coffee-producing regions, including Brazil and Vietnam. However, as trust grew and the coalition

partners engaged in joint analyses of the problems they were facing, the collaboration's scope became more far-reaching and impactful. In the end, the coalition also targeted low-productivity 'opportunity countries', such as Ethiopia and Uganda, and provided them support not only in producing more certified coffee but also in addressing systemic problems related to legal, policy, technology, and investment constraints.

Given their non-institutional character, cross-cutting coalitions are not self-sustaining. They require active convening to keep them alive and kicking. This generally requires a clear and mandated role for an independent party to serve as an honest broker among all the parties involved. The convener of the coalition must be sufficiently trusted by all the stakeholders and clearly committed to the coalition's purpose. Such conveners play an intermediary role, between competitors as well as between businesses, NGOs, and governments. They drive the process forward, hold players accountable, and suggest changes in course or composition when needed. Their mandate and authority need to be robust enough so that coalition members allow themselves to be guided.

Lastly, it is worth noting that coalition building requires maneuverability. Coalitions shift and grow over time, becoming more complex, geographically spread out, and organized around different parts of the value chain. Coalitions also shift as new trends emerge, new players come to the fore, and new obstacles and opportunities arise. At the same time, building and convening coalitions is a constant balancing act between the size of the coalition and the depth of the change envisioned. While a broader group is needed to create systemic shifts, a broader group can also slow down progress and reduce the depth of the change. Therefore, coalition building requires flexibility: a straightjacket in terms of commitment, size, timing, and course of action only gets in the way.

How to build and convene strong coalitions?

- ▶ Pull together a high-powered inner group that becomes active and motivated.
 - ▶ Constantly read the landscape to bring in relevant and complementary stakeholders.
 - ▶ Negotiate and honour agreements that sufficiently benefit all involved.
-

DISCURSIVE DIMENSION

Creating a framework for a shared future



A common framework can help stakeholders with different pasts and interests work together to transition toward sustainability. In order to envision a future that all stakeholders are willing to rally behind, partners must first come to agree on the lessons to be drawn from the past. Coming to a critical but empathic understanding of the failures of previous efforts can help coalition partners see what's worked and what hasn't. Then they can articulate a collective vision, a kind of a compass that inspires all stakeholders to work towards a 'true north' that they can only reach together. This common vision has implications for each organization, and members need to see their own interests and circumstances reflected in how the endeavour is framed. With both a collective vision and the understanding of each partner's specific circumstances, the coalition can choose a path forward that reassures all players and seems both possible and powerful.

Our work in Kenya with the tea industry and NGOs to protect the Mau forest taught us a great deal about the need for a common framework. The Mau forest is the largest indigenous montane forest in East Africa and a critical water catchment area for the country. The tea sector, the biggest foreign exchange earner in Kenya – even more than tourism – crucially depends on this forest. However, the forest is being degraded by encroachment, illegal charcoal production, logging, and cattle grazing. The tea industry and NGOs had made earlier attempts to protect the forest, but these met with little success. By carefully talking through the past experiences, coalition members drew two conclusions. First, to succeed in protecting the forest, they had to join efforts and resources, as independent projects had little impact on their own. Second, to protect the forest in the long run, replanting and surveilling were not enough; local communities needed to take up alternative livelihoods. With these lessons it became possible to bring together all of the key stakeholders, including national and county governments, into a common framework for the first time. Together, they created an integrated action plan to protect the forest while supporting the development of alternative livelihoods for the people in local communities.

When embarking on a transition toward sustainability, some stakeholders might be frustrated with earlier failures or stuck on unsatisfying solutions. If inquiry into what has gone awry does not take place, the underlying problems can persist, thwarting new efforts and fomenting scepticism. When such inquiry is both critical and empathic, it can transform cynical reluctance into collective intelligence to move forward. Studying the past often reveals that existing routines are part of the problem; together we come to realize that ‘what got us here, won’t get us there.’ Because confronting people with past failures or unhelpful routines can lead to shame or guilt, it helps to discuss failure as a normal occurrence. We can borrow a motto from the world of design – ‘fail early and fail often’ – when pursuing ambitious visions to tackle complex problems.

Transitioning toward sustainability involves collectively dreaming up a new future, by defining a bold vision that aligns the interests of the people involved. Such a shared vision often relates to the values and identities of the stakeholders, who may feel a moral imperative to deal with ‘wicked problems’ such as impoverished coffee farmers or tropical deforestation. But it can also relate to the economic imperative of companies to shift their value proposition toward sustainability.

People get inspired when they realize that in allying with others, they collectively have the capacity to make a difference on an issue that has bothered them for a long time. Although the pathway towards that vision may not be straightforward, the desire to resolve the issue is at least shared. Recognizing their collective power, stakeholders can begin imagining a new horizon, one that might seem impossible to reach but that still deserves their best efforts. And this boldness is itself inspirational.

Such collective inspiration emerged around the issue of sustainable cotton production in a meeting in 2009 in Helsingborg, Sweden, at the offices of IKEA. At that time, IKEA was purchasing almost 1% of all the cotton produced in the world, and it had made progress in procuring cotton

from India and Pakistan that met the sustainable 'Better Cotton' standard system. But IKEA realized that many other brands needed to get involved if sustainable cotton was to become a global endeavour. So IKEA brought together other brands such as H&M, Marks & Spencer, Levi Strauss & Co., as well as the World Wildlife Fund. Together, they realized that the Better Cotton Initiative could be scaled up into a global program that would transform the whole industry, improving the lives of millions of cotton farmers and reducing the use of chemicals in cotton production. Doing so together, they could also finally build a low-cost but effective assurance system for procuring sustainable cotton, which would allow them to meet their respective (and sometimes ambitious) corporate sustainability targets. This collective vision laid the foundation for later successes within this coalition.

For each organization to fully embrace such a collective vision, each stakeholder needs to know that their interests will be met. They also must feel confident that the endeavour is feasible for them, and that their particular circumstances are being taken into account. We can imagine this as making a case – business or otherwise – for stakeholder's participation, to gauge how this common endeavour can be doable for each party. Crafting each case may require slightly altering the framing, language, timelines, and goals of the collective vision. The process of defining and refining the case often informs internal debates, and helps each player assess which risks and opportunities the common endeavour may bring before they can make an internal commitment and truly sign on.

This process of framing allows for the collective endeavour to be fully multi-voiced, as each player gains a greater sense of ownership of the broader effort. As time goes on, the influence of the dominant players in the value chain lessens and stakeholders' contributions become more balanced. We saw this in Malawi, where we are fostering a more competitive and profitable Malawi tea industry where workers earn a living wage. The largest international tea buyers were on board to address concerns about low wages and poor working conditions in Malawi's tea sector, as their needs were

primarily reputational in nature. The producers in Malawi, however, could not agree to such a narrow framework: they needed the program to also help revitalize their plantations (through irrigation, factory refurbishment, and replanting); this would allow them to attract higher prices from buyers, which would, in turn, enable the producers to increase tea workers' wages. Thus, the framing of the program was carefully crafted to include the needs of both parties.

Once such frameworks have been established, they need to be translated into a common path, one that reassures all players and seems feasible. This common path needs to interlink the various (business) cases through a pragmatic balancing act. And although it needs to show a likelihood for success, it's not necessary to create a detailed plan that predicts everything and guarantees results. None of the players involved would really believe in such a plan anyhow, given the complexity of the issue and their past experiences with it. The path thus needs to use a language of opportunities rather than one of solutions, conveying a tone of excitement rather than one of control. It should simply detail the first steps, as only further action and research will increase the partners' understanding sufficiently to shape what comes later. As E.L. Doctorow has said about writing, 'It's like driving a car at night. You never see further than your headlights but you can make the whole trip that way'. A collective path that is exciting and emerging allows participants to become braver: there is a realization that they are not alone, that something can be achieved together that no one could accomplish individually, and that this may be a chance to be part of something big.

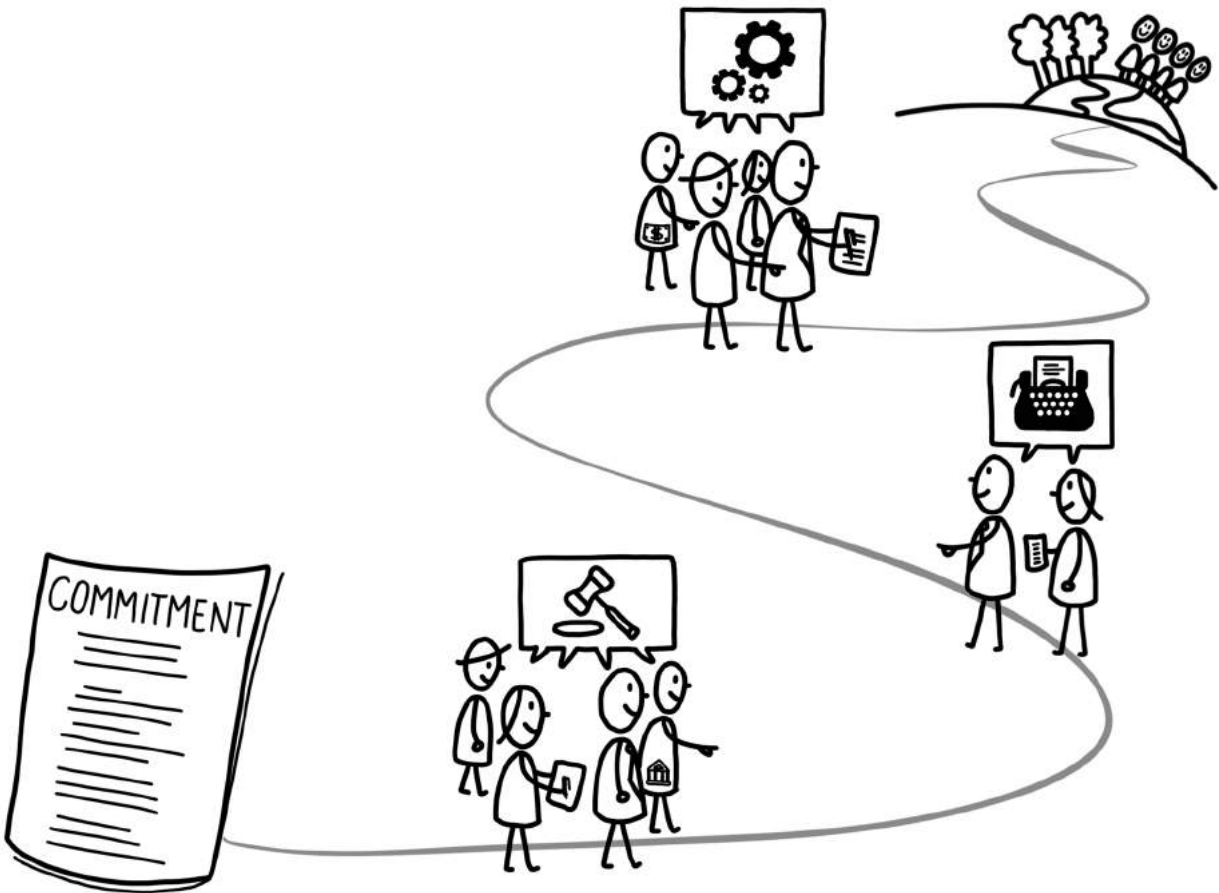
Overall, creating a framework for a common future is a dynamic process: as new lessons are learned, visions shift, new actors come on board with their own interests and circumstances, and new paths unfold. In the end, it is not simply the framework that matters, but the people who believe in and act upon it. Our words make worlds, so we must speak out our highest aspirations in a way that invites others to collaborate with us in creating our common future.

How to create a framework for a common future?

- ▶ Establish a critical and empathic understanding of why earlier endeavours did not succeed.
 - ▶ Articulate a collective vision that serves as a ‘true north’ for the coalition.
 - ▶ Sketch out a common path that accommodates each stakeholder’s interests and circumstances.
-

INSTITUTIONAL DIMENSION

Supporting collaborations with structure



Coalitions that have agreed upon a common path towards sustainability need to structure their collaboration through institutional arrangements. Such arrangements, often temporary in nature, help to encourage fair play by defining the commitments and the contributions of each player, and by supporting and guiding the work to be done. Collaborative structures include formal bodies, such as steering committees, working groups, and secretariats, and more informal arrangements for ad hoc activities such as information sharing. While these arrangements can get things moving, they can also slow things down if they become too rigid. Ideally, they bring sufficient stability while allowing for innovation and entrepreneurial experimentation.

To help ensure fair play and transparency among stakeholders, coalitions can put in writing what each stakeholder is committing to, including the resources they will contribute, and for what purpose. Their investments can differ as long as the contributions are considered fair and transparent: some may invest funds while others may offer ‘in-kind’ resources such as staff or know-how. At the same time, it needs to be organized so all players can be held accountable for their contributions. Setting such commitments and accountability processes down on paper not only brings transparency but also helps to sustain and increase trust over time. And because companies and governments have strict routines for making decisions about new directions, resource management, and performance accountability, detailing the rules of the game also provides reassurance to each stakeholder’s boards, lawyers, and accountants.

Defining a coalition’s ‘rules’ or ways of operating is necessary as more players get involved. One way to communicate the rules of the game to newcomers and enforce them is through covenants, which clearly state the goal of the endeavour and the requirements that members commit to upon signing it. In 2012, one such covenant was signed by 13 players in the fresh produce sector; signing on committed each of them to import by 2020 only fruits and vegetables that had been grown sustainably. Called the Sustainable

Initiative of Fruit and Vegetables, by 2018 this covenant had 39 corporate signatories, which together sourced 67% of their imports from sustainably produced fresh fruit and vegetables. For accountability purposes, covenant members annually report their progress to a third party, and we at IDH can review these individual reports to ensure fair play and to steer progress. If a company doesn't demonstrate commitment toward achieving 100% sustainable sourcing, it can be asked to leave the group. To date, no one has been asked to leave.

Institutional arrangements can also make things more manageable and practicable, thus supporting the coalition's endeavours. To this end, formal bodies such as steering committees, working groups, and secretariats are needed. A steering committee translates the coalition's vision into specific actions, including crafting the main strategy, agreeing on governance, arranging funding, and evaluating progress. Such committees typically consist of players and investors who have 'skin in the game'. In situations where commodity sectors are skewed, small steering groups may already control sizeable parts of the market (e.g. coffee, cocoa, tea), which can allow for swift decision making. However, in some sectors the field is more fragmented and larger representation is required. For instance, the flowers and plants industry consists of hundreds of medium-sized suppliers. For them to work together on sustainability, the Floriculture Sustainability Initiative (FSI) was created to bring together more than 50 organizations from around the globe under a board structure that makes decision-making manageable. The board is composed of an independent chairperson and just five representatives: one seat each for retail, traders, producers from the North, producers from (sub)-tropical countries, and civil society organizations. Representatives from each category can offer themselves as candidates for the board, and every three years FSI members vote for their preferred representatives for each seat.

In some cases where governments are a major sponsor in terms of funding or policies, they too may be part of a steering committee. NGOs may

also participate, which can lend legitimacy to the committee. Choosing the members of the committee is critical: seniority matters, but not at the expense of consistent attendance; representation matters, but less so when it compromises decisive action. Adding members is also somewhat irreversible; as one of our partners put it, ‘once you get members in you never get them out.’

Working groups are used to develop and review plans as well as to manage and monitor their execution. It makes sense to organize this group separately from a steering committee as its participants need to be closer to field-level operations, in contrast to the senior executives in the steering group. Working groups may also include agencies (consultants, NGOs) that are contracted to help implement the plan, which are generally less involved in funding or strategic decisions.

Another key support structure is the secretariat, which typically guards, serves, and leads. In its guardian role, a secretariat will help set rules and remind those involved of them, guarantee transparency, mediate conflicts, and manage expectations. It can serve by offering operational support to the other structures, such as setting up meetings, leading them, and taking minutes. But serving also may involve managing finances and information, and initiating learning and evaluation processes. Lastly, the secretariat may lead by guiding the coalition into new territory, tracking progress, and ensuring difficult decisions are made, for instance in relation to the inclusion or exclusion of certain players.

Beyond the functions executed by these formal bodies, other key functions tend to be organized more informally. For instance, there is often a need to organize meetings to keep stakeholders informed, to find solutions to specific bottlenecks, to organize sessions for broader knowledge exchange, and even to inform the wider public if there has been a scandal. The need for these activities is unpredictable, and informal, flexible, and ad hoc

arrangements therefore work better than formal structures with their scheduled meetings and official representatives.

Separating these support functions into parallel structures or arrangements allows large, sectoral-wide programs to be inclusive and to leverage as many members' contributions as possible, while still keeping the coalition's decision-making processes streamlined. High-level influencers are more often part of the steering group, while stakeholders with technical skills are more often involved in working groups. With differentiation between structures comes the need to link them, for instance by having the working groups report to the steering committee, thus allowing for 'knowledge on the ground' to be used in strategic thinking.

The Public-Private Partnership for Sustainable Agriculture in Colombia, like other initiatives from the World Economic Forum's New Vision for Agriculture, consists of three structures. A main board is composed of a small, high-level group, drawn from both private and public sectors, that champions the overall vision, provides strategic guidance, and enables policy dialogue. Working groups focus on priority value chains (dairy, cocoa, mango, and avocado) and are composed of representatives from the government, the private sector, civil society, farmers, NGOs, and research institutions. They define and implement action plans, monitor results, and share what they have learned. Finally, a secretariat convenes meetings and supports the governing bodies, and facilitates collaboration and alignment.

Though institutional arrangements are necessary to get things moving, they can also slow down innovation and progress if they become too rigid. The key is to create sufficient order to enable action, allow for looser arrangements when they suffice, and redesign structures when they restrict the next step forward. And as coalitions and programs mature, institutional arrangements should be adjusted. When a transition toward sustainability is still in the ideation or prototyping phase, institutional arrangements can be simple and loose to allow for quick innovation. But as the processes designed

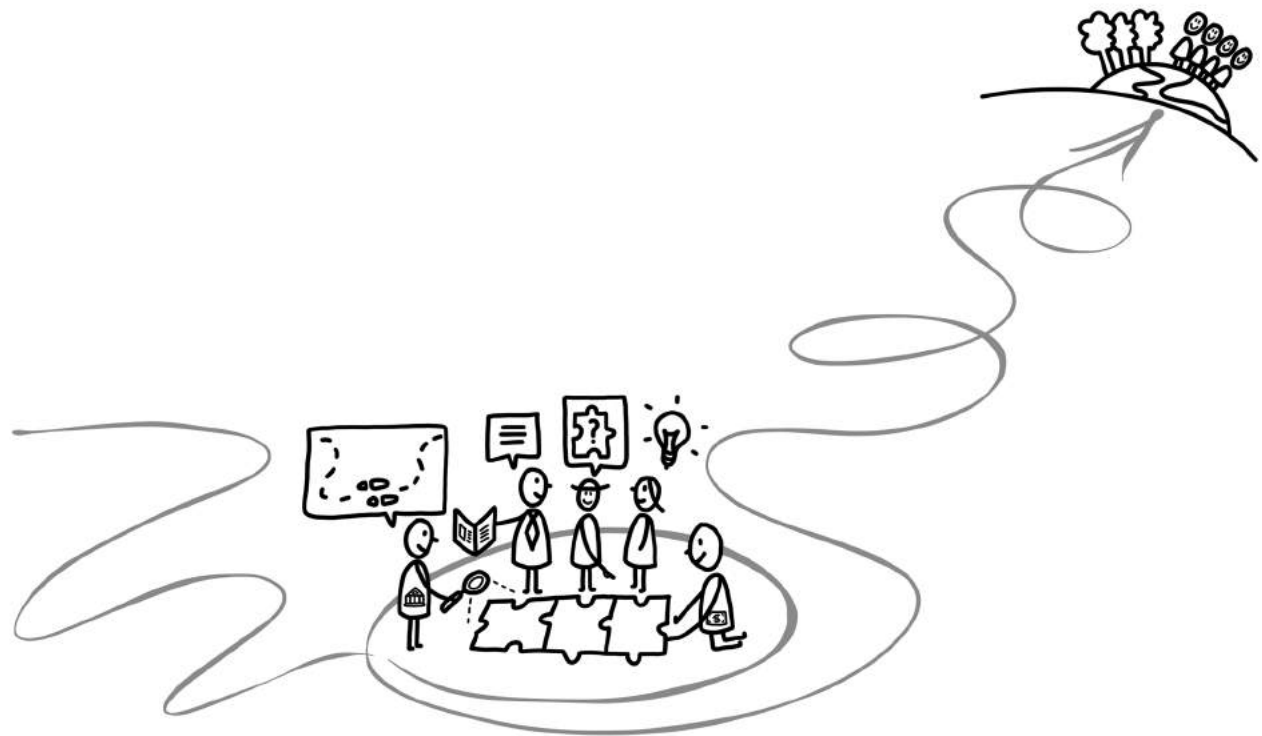
to deepen the transition become more complex, such arrangements will need to evolve into independent organizations, with their own funding and management. Eventually, the collaborative structures that have been created will fade away, as they become embedded within regular business or governmental institutions.

How to use institutional arrangements to support collaboration?

- ▶ Detail the commitments of each player and ensure accountability.
 - ▶ Set up a steering committee, working groups, and a secretariat, and allow informal arrangements to support and guide operations.
 - ▶ Strive to balance organizational stability with entrepreneurial innovation.
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REFLECTIVE DIMENSION

*Incorporating learning and
adjusting along the way*



Learning needs to be orchestrated and lessons need to be incorporated to make collective action more effective. Successful coalitions learn and adapt their endeavours as they go. Learning is used to forge fragmented views into a common understanding and definition of the main problems. If prevailing ideas become an obstacle to progress, coalitions can engage in research and orchestrate their own learning to break the ‘logical loops’ that have created dead-ends. And coalitions continue to learn by monitoring and evaluating progress, gathering information to discern when actions need to be strengthened or adjusted in the transition toward sustainability.

One of the biggest challenges in transforming a market is a lack of common understanding of how the whole supply chain works. While governments sometimes lack insight into global market trends that can strongly affect their countries, companies sometimes lack insight into a country’s economy or its social and environmental problems. In coalitions, learning can be orchestrated to lessen the asymmetry of information among partners; this can be achieved through a participatory process that elicits and combines the different perspectives around the table. By bringing the different stakeholders together to learn from one another, the coalition can develop a perspective that resonates sufficiently with all those involved. And sometimes research is needed to complement the knowledge of the stakeholders. Forging diverse and partial views into a shared understanding and definition of the main problems allows stakeholders to align themselves on the path to be taken.

Dangote Rice Ltd. is committed to sourcing 1 million metric tons of paddy rice while also adding value to the rural communities in Nigeria where they source. The company partnered with an IDH-led consortium and, with support from the Bill & Melinda Gates Foundation, used a data-driven approach to learn how to provide the most added value to all parties in the supply chain (farmers, aggregators and mills), while also ensuring supply and economic viability. The research showed that a sourcing model that includes smallholders can achieve this goal by offering farmers better input

packages, improved seeds, and training, which together would quadruple their productivity. This sourcing model would create a robust supply of paddy rice for the company while enhancing the livelihoods of over 100,000 farmers. In this case, doing data-driven supply chain analyses and acting upon what was learned lead to a common path forward, one that would benefit all of the parties in the supply chain.

Sometimes having a common understanding of the main problems is not enough to fully enable progress. If the root causes of such problems are overlooked because it is too uncomfortable to face them, any path forward will be compromised. In such cases, coalition partners must bring to light missed perspectives and underlying causes, thereby disrupting what has been taken to be 'the truth.' Symptoms are easier to discern than the underlying causes behind them, and it takes deliberate learning to shift the attention away from what is easy to see and to discover the more hidden and ambiguous dynamics that drive the whole system. Doing so may take the help of credible outsiders. Once such dynamics are identified, more innovative paths will emerge.

In the early years of the Better Cotton Initiative, there was a stalemate that required the partners to deliberately learn how to break through the impasse. Field-level projects had been successful in increasing farmers' skills to produce sustainable cotton, but they were expensive and did not scale, despite efforts to make that happen. A study was commissioned to dig deeper into the issue. The stakeholders learned that scaling the existing trainings to reach a million farmers would require a budget that was a hundred times what the stakeholders were willing to commit. The shock forced the stakeholders to realize that it was time to abandon the existing model and to switch to a larger, business-driven procurement approach to increase the production of sustainable cotton at scale.

Learning can also help stakeholders assess progress and identify when adjustments are needed. Regular monitoring and evaluating can be tedious

and time-consuming, but it provides data about how well efforts are working. To generate practical, actionable information, the data captured need to reflect the system as a whole rather than a specific area or aspect. Qualitative information can capture changes that cannot be easily counted. Coalition partners should therefore not only monitor progress in the field (e.g. how many farmers have been trained or how many hectares of forest have been protected) but also document any changes achieved within the organizations engaged in the transition.

Setting up such a monitoring process was key for the Farm and Cooperative Investment Program. Established in 2016 by IDH and Le Conseil du Café-Cacao, this program encourages financial institutions and agribusinesses to provide financial services to and build the capacity of farmers and cooperatives in Côte d'Ivoire. To assess the program's progress in achieving these goals, a system to collect both quantitative and qualitative data was put in place to keep track of the financial products offered and the farmers and cooperatives reached, as well as the farmers' profitability and cooperatives' professionalism. The coalition found it difficult, before the system was built, to have a shared idea of progress and to identify when or where they needed to intervene. With the system, the coalition began to hold regular meetings to review the data collected, to identify what was working, and to learn from each other regarding remaining challenges.

Systems to monitor and evaluate progress can and will be fragmented, as the collected data come from different and sometimes even contradictory sources. Coalitions need to assess the trustworthiness of each source (and even more so when data are self-reported) and to reconcile discrepancies. As the transition deepens, and more and more tasks and processes are being implemented, assessing such data grows more challenging. A way to ensure a more impartial assessment of the progress made towards sustainability transitions is by involving third-party researchers.

Monitoring processes can also be useful as motivational and communication tools. Within the Sustainable Initiative of Fruit and Vegetables, where all participants have committed to procuring 100% of fruits and vegetables from sustainable sources from Africa, Asia, and South America by 2020, each member must report annually on the percentage of sustainable product they have sourced. This reporting increases transparency within the coalition and nudges members to keep progressing towards their common goal, as they can compare themselves with their peers. The initiative publishes the aggregated progress reports annually, and several members use their performance to showcase their progress externally.

One of the challenges of working together in a common endeavour is that it is not always possible or even sensible to decipher the contribution of each player. Achieving sustainability goals through collaborative effort can hardly be attributed to one actor alone. This can be difficult for stakeholders who need to account for the public funds used and who may feel pressured to claim progress as their own. But for monitoring systems to be useful to the whole coalition, they must focus on assessing the overall progress towards sustainability.

We've discussed three types of learning here, and they serve contrasting purposes: generating alignment among multiple parties, disrupting old dynamics and held beliefs, and assessing progress. Coalitions that cleverly combine all three can reap the benefits of their complementarity. For instance, constant monitoring of projects can reveal a lack of progress, and then coalition partners can engage in learning to disrupt the root causes of this blockage. Other times, research may be needed to uncover blind spots before alignment among stakeholders can take place. There is no formula: each situation should dictate how these three types of learning are best sequenced and combined throughout the transition process.

How to incorporate learning to inform action?

- ▶ Turn fragmented views into a common understanding of the main problems.
 - ▶ Uncover root dynamics and held beliefs that block the way to innovative solutions.
 - ▶ Monitor progress to discern when adjustments are needed.
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IMPLEMENTING DIMENSION

***Delivering tangible shifts at every
level***



Sustainability transitions depend on changes becoming tangible throughout the whole system. Shifts toward sustainability take multiple forms, each of which relate to their location within the larger landscape of the transition. At the field level, successful prototypes of new production and processing approaches show that real change is doable. At the value chain level, an increased demand for the newly created sustainable supply is evidence for coalition partners that the transition is underway. At the business level, when companies embed sustainability targets, plans and assessments in their core business, it changes how they carry out their corporate practices. And when governments craft policies and provide support, it further enables or even forces changes in the other three levels. When coalition partners enable and coordinate shifts at all four levels, they deliver real change towards sustainability.

Since many of the social, economic, and environmental challenges are manifested at the field level, it is there that most of the changes need to happen. But long-term, ambitious visions naturally take time to materialize. Coalitions can ‘buy time’ by ensuring that discrete shifts become tangible along the way, while they carefully craft the common framework and path towards systemic change. Beginning with smaller projects that can easily succeed helps establish a culture of ‘getting things done together’ amongst partners and encourages further cooperation. Doing so can also test coalition members’ commitment to making a difference, especially to show this commitment to those who will be most impacted by the transition.

The Malawian tea sector suffered from a vicious cycle: low quality product – low prices – low investments – low wages – low quality product. Plantation owners were wary to join a coalition to raise wages for 50,000 tea workers: most felt forced into it by foreign buyers and were worried about how much it would cost them. The coalition focused first on low-hanging fruit: the tea workers’ malnutrition. Early analysis showed that the quality of food served by the plantations could be improved substantially without adding much cost. The coalition provided this cost-free analysis and testing, which

boosted trust among the members, and especially among the plantations. This increased everyone's confidence that they could accomplish the harder work that was still to come, including securing a living wage for tea workers.

Although 'quick wins' can help get things moving, real shifts at the field level come from establishing successful prototypes of new production and processing approaches. Prototypes are typically small enough projects that they can be easily financed, carefully designed, and permit experimentation, while at the same time have the potential to be scaled. Such prototypes can improve practices on farms and in processing plants, for example, to create a supply of more sustainable materials. A prototype might test how cotton farmers could reduce their use of water and pesticides without hampering productivity, or how apparel manufacturing factories might improve workers' representation. They are, however, not pilots, which normally are conducted under ideal conditions that are difficult to replicate elsewhere. In Malawi, IDH and our partners could prototype how the tea industry might pay workers a living wage, because it is a relatively small but still 'real enough' setting. If prototypes prove successful, they can inform the efforts of the larger industry and other governments; the Malawi prototype may demonstrate to other larger tea regions (e.g. Assam, Kenya) how they may also achieve a living wage for tea workers.

Tangible shifts also need to occur in parallel throughout the value chain. While prototyping the scaling up of sustainable supply, a consistent demand from trade and manufacturing needs to be gradually built. To link supply with demand, timing is quite critical, as the risks taken and investments made on the supply side only pay off when the demand is there, and vice versa. It is even more complicated for global companies sourcing from multiple production sites in different geographies at the same time. In the cotton sector, global brands source their cotton from complex supply chains in at least 10 different locations. For the Better Cotton standard to become the new norm, the coalition had to kickstart large production programs simultaneously in Brazil, the US, China, Pakistan, India, and so on. This

allowed the leading brands to direct their second- and third-tier suppliers (basically processors) to source their cotton from those sites exclusively. Once it appeared feasible for companies to source cotton at the right price, time, volume, and quality, the brands were confident enough to make the shift to Better Cotton. Running parallel projects provided comparative data on how to best produce and source cotton sustainably. This information could then be used to re-direct resources to the most promising projects, to share best practices across sites, and to create useful monitoring systems. In the case of Better Cotton, this information allowed for a dramatic reduction of production costs, from 130 euros/farmer in the early stages to 9 euros/farmer in recent days, in large-scale production countries.

At the business level, companies make a tangible shift when they institutionalize sustainability by including it in their core business. Within large multinational companies, sustainability transitions begin when corporate social responsibility departments start advocating for them, knowing full well that such changes require key departments to join in. Sourcing departments are often one of the first to join, as supply chains need to be mapped, and they have to negotiate with suppliers and provide new procurement guidelines. This typically leads to involving IT departments, who create systems that provide assurance for the tracing of sustainable products at a low cost. Once an innovation is prototyped at the factory level, the company must adjust its operations, including revamping manufacturing facilities. And companies need to look at the consumer side of their business to ensure an adequate return on their transition toward sustainability: how can more sustainable products be innovated, marketed, and sold? Marketing and R&D departments then come into play to develop business plans on when to launch which type of products in which locations. The sweet spot for business is when a new product that is sustainably produced is also considered to be of better performance or quality.

Lastly, tangible shifts toward sustainability can be enabled or even required by policies and governments. At the market end of value chains, governments can stimulate businesses to import sustainable commodities, ban illegal or unsustainable products, stimulate sustainable consumption by leading the way, and re-design the tax system to favour sustainable practices. Within countries where production and processing take place, governments can stimulate new practices and reassure businesses and the international community about present and future conditions in the country. Such backing becomes more robust when it also involves governmental actions, such as mandates (e.g. giving initiatives a formal status), policies (rules, regulations, permits, etc.), monitoring and enforcement of such laws and regulations, and investments (ranging from subsidies and co-funding to improved infrastructure).

Public sector support is key in building ‘sustainable landscapes,’ which drive sustainable production while securing livelihoods and protecting natural resources (including forests, water, and fertile soil). Too often production is driven by the private sector, whilst protection is left to governments and NGOs. A promising example of a more integrated approach has emerged over the last few years in the state of Mato Grosso, Brazil, the largest producer of soy and beef in Latin America. The impressive growth of this industry has regularly been at odds with environmental protection. Leading the ‘Produce, Conserve, and Include’ strategy, the state has brought together producers, traders, manufacturers, brands, municipalities, knowledge institutes, and NGOs. The goal is to maintain and conserve 60% of the state’s native forest, while freeing up land to intensify cattle production and to farm sustainable soy and other crops. Doing so may help the government to boost economic growth, while still delivering on ambitious environmental and social targets. Having the government participate from the very start in a convening role has increased the chances of success considerably.

As a last reflection, creating tangible shifts at each level (field, supply chain, business, and government) is a complex undertaking, even more

so considering that these shifts are interdependent. It requires the ability to deal with constant messiness, as different realities (e.g. local vs. international; public vs. private) and layers (e.g. technological, political, economic) also come into play, each with different speeds and depths of change. Implementing transitions toward sustainability is more like a fleet of sailboats somehow all tacking in the same direction, working with the wind, than a single mammoth ship chugging forward as a captain barks out orders.

How to deliver tangible shifts?

- ▶ Engage in quick projects that build cooperation and confidence while creating prototypes that can be scaled.
 - ▶ Link sustainable supply with market demand and stimulate businesses to embed sustainability in their core business.
 - ▶ Partner with governments so they can enable or demand sustainable production and trade within their countries.
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ACCELERATING CHANGE

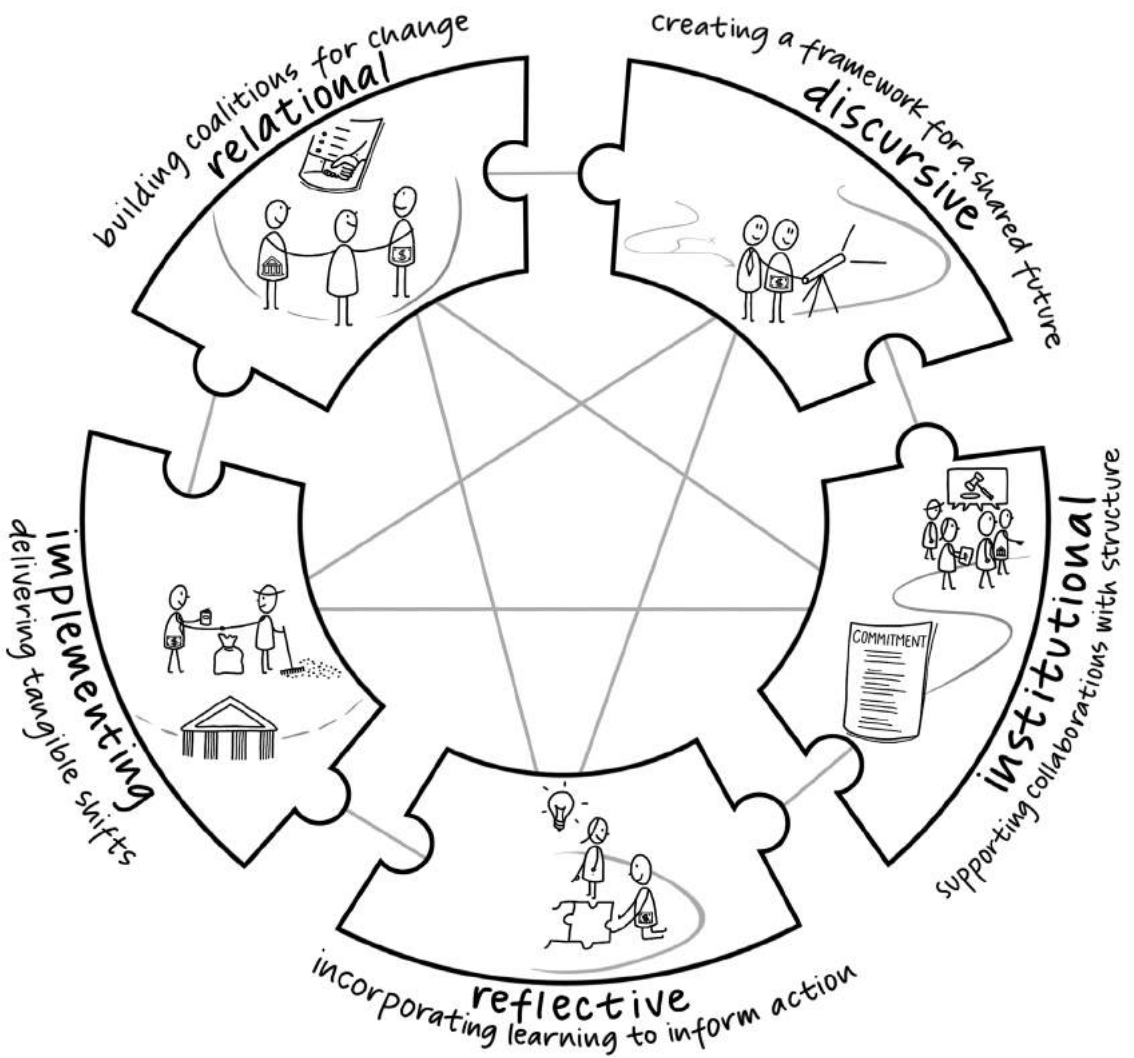
The art of collaborative transformation involves balancing attention to the 5 key dimensions we've discussed. If stakeholders weave together their efforts in all 5 areas, they can significantly accelerate transitions toward sustainability within international trade.

Attention to each of these dimensions is needed simultaneously and throughout the transition, right from the start. An added bonus: everything continues to evolve in the process. Coalitions shift and grow over time, as new actors become relevant to pursue a deeper transformation. The common framework is constantly reworked as the vision and path shifts. Supportive structures change in size and form throughout the transition, starting small but becoming independent organizations by the end. Constant learning strengthens the alignment of the partners, improves their understanding of the problem, and determines the best trajectories for change. And tangible shifts need to be implemented at every level.

Stakeholders' efforts in each of these areas also trigger and build on each other. For instance, what is learned will trigger changes in the framework and in the processes to be operationalized; institutional arrangements will trigger

new convening processes when structures need to become independent. Besides being interrelated and interdependent, or probably because of this, the dynamics of each of these dimensions can come into conflict with the others. For instance, institutional arrangements tend to value stability, whereas learning tends to destabilize structures. Attention to language is key when hammering out a framework, but action is prioritized over words to deliver tangible shifts. Building coalitions involves forging relationships, while institutional arrangements are impersonal. These tensions may seem paradoxical, but they also drive innovation: they force those involved to constantly question the current path and to find new and better ways to deal with the challenges. We have found that stakeholders often favour one of these dimensions over others, for example saying, ‘if you don’t have a good coalition nothing happens’, or ‘if there is no learning, there will never be innovation’, or ‘it’s all just words until there is implementation on the ground’. This is good news, as simplifying can only hamper innovation, while tensions can spur it on.

Addressing the ‘wicked problem’ of sustainability transitions involves crafting ‘clumsy solutions’. It is an intrinsically imperfect and complex process of collective exploration, where solutions only become obvious after the transition has ended and the whole playing field has been transformed. Such complexity requires the artful work of many change agents. They are found in the small, inner group that first lays the foundation for change, and they are the conveners who keep the common endeavour alive and kicking. They sit on the steering committee that determines the overall strategy, and they participate in the working groups that monitor its execution. They are also the thinkers and researchers who ensure that learnings are used to strengthen action, and they are the farmers who change their practices in their own fields. They are the big donors who fund the first steps, and they are the public servants who design policy and incentivize sustainability. In short: to solve wicked problems many contributors, roles, and skills are needed. Not everyone will take the lead, but the more people who play their part, the better.





CONCLUSION

This book brings forth the tacit knowledge of IDH and our partners, accumulated over the last 10 years as we have together engaged in the messy practice of accelerating transitions toward sustainability in international trade. We have endeavoured to distil what we've learned in the process of crafting 'clumsy solutions,' build on the ideas that other practitioners and academics have developed before us, and conceptualize our insights into 5 essential dimensions for the success of sustainability collaborations, conveying all this in plain language.

This is not a cookbook providing step-by-step recipes to make transitions happen, but we do think the observations herein can aid each of us to take our own steps a bit more deliberately. We expect to gain more insight and discover more patterns as we continue our work, and we believe this topic will deserve further attention for years to come.

More than ever before, the world of trade is faced with wicked problems that call for collaborative transformations. We hope that this book will allow for deeper discussions and more powerful actions to address these thorny issues that are seen as everybody's and nobody's problem.

AUTHORS

JOOST OORTHUIZEN is since the foundation of IDH the Executive Director. Previously he worked as a management consultant in the Netherlands and abroad. Joost holds a PhD on Natural Resource Management from Wageningen University, a post-graduate Master of Change Management degree (MCM) and was trained at INSEAD. He sits in several boards of international sustainability initiatives as well as Investment Funds.



HANS VERMAAK is an independent consultant, researcher and lecturer. He is senior research fellow at the Netherlands School for Public Administration (NsoB) and associate partner at both the Twynstra Consultancy Group and the Inter-university Centre for Development in Organizational Studies and Change Management (Sioo). He has over a hundred publications to his name on organizational development, systems thinking and action research.

CARLA ROMEU DALMAU

is the senior manager of Impact and Learning at IDH. Previously she worked as a researcher at the University of Oxford. She holds a PhD on Agricultural Ecology from the Autonomous University of Barcelona (UAB) and a MSc in Sustainability Studies and Ecological Economics from the Institute of Environmental Science and Technology (ICTA). She has published twelve publications on agriculture, sustainability, ecosystem services and poverty.



ELEA PAPAEMMANUEL is a Program Manager at IDH. She has worked toward achieving market transformation within multiple industries, such as cotton, cocoa and tin. She holds an MSc in Public Policy and Governance from the London School of Economics (UK), with a specialisation in designing performance management tools for Public Private Partnership, in the health, infrastructure and water management sector.



IDH, THE SUSTAINABLE TRADE INITIATIVE is an international organization that convenes, finances and manages large programs to accelerate transitions toward sustainability together with multinational and smaller companies, governments and civil society. Headquartered in the Netherlands and funded by different governments and foundations, IDH delivers scalable, economically viable impact on the Sustainable Development Goals. IDH operates globally in 12 different industry sectors ranging from coffee and tea to cotton and soy, and encourages joint investment in innovative models to realize long-term solutions for environmentally and socially sustainable production and trade.

