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Inclusive Growth Through Fair Trade: An Empirical Case of NGOs' Involvement in China

RESEARCH ARTICLE

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Abstract

As a response to imbalanced economic development across different regions, this study aims to explore how the Fair Trade nongovernmental organisations (NGOs) promote inclusive growth in areas facing insufficient institutional supports and challenging local conditions in a developing market. Through a 5-year longitudinal case study in the context of small-scale tea supply from rural China, this paper explores and identifies a set of institutional voids blocking economic growth and challenging the realisation of the Fair Trade goals. We systematically describe how the Fair Trade NGOs intervene and integrate with other actors in local supply chains. The results reveal important and complex roles the NGOs play in coping with the institutional voids to stimulate Fair Trade. From an institutional perspective, this paper finds that the Fair Trade NGOs can leverage and shape local institutions through collaboration in market structure building, norm promotion, and cognitive development to achieve inclusive growth. Our findings contribute to the understanding of the crucial roles NGOs may play in Fair Trade, inclusive growth, and poverty alleviation. They offer important and practical guidance for NGOs, small farmers, as well as relevant government agencies in their initiatives to fight poverty and achieve economic equality and inclusive growth.

Keywords: Fair Trade, inclusive growth, institutional voids, NGO, supply chain

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1 Introduction

Nongovernmental organisations (NGOs) refer to a wide and ‘loosely identified’ range of groups undertaking ‘an enormously varied range of activities, including implementing grass-roots or sustainable development, promoting human rights and social justice, protesting environmental degradation, and pursuing many other objectives formerly ignored or left to governmental agencies’ (Fisher, 1997: p. 440). Since the early 2000s, international and NGOs ‘have increasingly focused on developing and transforming the institutions needed for engaging the poor in market activities’ (World Bank, 2001, 2008). As the income inequality in the Asia-Pacific region intensifies and the dimensions of inequality (i.e., economic, political, and social aspects) continues increasing, the Asian Development Bank (ADB) introduced the concept of inclusive growth (ADB, 2006; 2007). In the context of P.R. China, the second-largest economy of the world by GDP, rural populations in many regions suffer poverty issues, but uneven development across the nation is often overlooked. On 28 May 2020 the Prime Minister of PRC China claimed that there are 600 million Chinese living on about Chinese yuan (CNY) 1000 every month, equivalent to about US\$5 a day.

As a system of certification, Fair Trade aims to build and maintain a set of standards (see <https://www.FairTrade.org.uk/what-is-FairTrade/>), which is increasingly adopted in the production and supply of agricultural produce and ingredients. As one of the most representative campaigns and a practical commercial engagement, the certification mark of ‘Fairtrade’ and ‘Fair Trade Certified’, accredited by the Fair Trade Labelling Organisations International, guarantees that a fair share of the selling price is given to the farmers or workers involved in producing the goods, be it tea, coffee, sugar or any other economic product (Le Mare, 2008). The rapid development of Fair Trade through NGOs at a global scale is considered a reflection of the increasing awareness on the issue of inequality, or failure in achieving inclusive growth. These Fair Trade NGOs promote trade cooperation based on negotiation, transparency and respect, by providing better trade conditions for disadvantaged small-scale agricultural producers in developing countries, ensuring their rights, and educating consumers to cultivate their social conscience, and that traditional international trade rules can be changed (Fair Trade Federation, 2003). Studies have shown that Fair Trade significantly contributes to economic growth and the sustainability of environmental and social aspects, improving the capacity and diversity of livelihoods, especially in developing economies (Le Mare, 2008). However, there is a lack of study exploring inclusive achievement in changing local systems, especially in the agricultural sector (Hoffecker, 2021).

To understand the non-traditional actors in such context, it requires an integrative and holistic approach (Carmagnac, 2021). Developed from a longitudinal case study with qualitative interviews with five tea co-operatives (co-ops) and other supply chain stakeholders over five years, this empirical paper centres on achieving institutionalised Fair Trade of a single agriculture produce (i.e. tea) in a historically underdeveloped region. Our analysis of the institutional voids in Hunan Province in P.R. China and the activities of the Fair Trade NGOs allow for developing further understanding of changing institutional pressures. Building on a rich empirical case, we identify a set of local institutional voids as the source of market exclusion and the effort and mechanism built through Fair Trade market structure building, norm promotion, and cognitive development to achieve inclusive growth. More specifically, this paper answers the following research questions:

RQ1: What roles do the Fair Trade NGOs play in an emerging agriculture supply chain to cope with the challenge imposed by specific local institutional voids and stimulate Fair Trade initiatives?

RQ2: From an institutional perspective, how do the NGOs leverage and alter local institutions through collaboration to realise and achieve inclusive growth?

2 Literature review

2.1 *Inclusive growth and influencing factors*

The recognition of the relevance and importance of inclusive growth in developing Asia has been triggered by the rising concern that the benefits of spectacular economic growth have not been shared fairly (Ali and Zhuang, 2007). Since its introduction by the Asian Development Bank (ADB, 2004) inclusive growth has increasingly attracted attention as a solution to inequality and sustainability issues, resonating with many aspects of the UN Sustainable Development Goals. Ali and Zhuang (2007) define inclusive growth as growth with equal opportunities and believe that inclusive growth can bring four outcomes: sustainable and equal growth, social inclusion, empowering (which means acquiring productive assets, capabilities and resources so that everyone can participate in the growth process) and social safety (i.e., nets to prevent extreme deprivation). Suryanarayana (2008) takes a similar but slightly different view by claiming that the aim of inclusive growth is to reduce the inequalities of growth of per capita income between the agricultural and non-agricultural sectors, rural and urban areas, and different socioeconomic and ethnic groups. In the context of P.R. China, Jiang et al. (2021) suggest that inclusive growth in rural areas can be measured from four aspects: economic growth, social equity, environmental sustainability, and infrastructure.

Inclusive growth relies on stronger institutions, institutions, and policies, especially in increasing fair opportunities for income growth, welfare, and participation, in particular in the participation of the poor in economic development (Ostry and Berg, 2011), aimed at cultivating the abilities of marginalized groups (Ianchovichina and Lundstrom, 2009; World Bank, 2013). Recent attempts have been made to explore what factors may influence the achievement of inclusive growth, but mainly from a macro level. Fiscal, monetary and structural policies can play an important role in broadening the benefits of inclusive growth and structural reform, such as efficient labour market and industrial competitiveness policies would help improve growth inclusiveness (Aoyagi and Ganelli, 2015). Globalisation, foreign direct investment, and trade openness can promote inclusive growth (Ajide et al., 2021; Anand et al., 2013). Population growth, female labour force participation and macroeconomic stability are important in enhancing inclusive growth (Sajid and Ali, 2018), while informal employment market can also affect inclusive growth (Amponsah et al., 2021).

Financial expenditure on infrastructure and irrigation is also one of the key factors in promoting inclusive growth, especially in the broader markets, education, and health sectors, enabling the poor and people in rural areas to access these opportunities and improve production capacity (Calderon and Serven, 2014). The adoption of information and communication technology significantly contributes to economic and inclusive growth (Adeleye et al., 2021). Digital finance makes it easier for low-income households in rural areas to start businesses, thereby helping to improve income distribution in rural areas and promoting inclusive growth in P.R. China (Zhang et al., 2020).

2.2 *Realisation of inclusive growth through Fair Trade*

For such a newly emerged idea, there is not yet a consensus on definition clearly setting out a commonly accepted notion of inclusive growth among academics and stakeholders. Our work, hence, takes an ontological position where the concept (or the reality) is not clearly defined, but continuously being executed and self-referred in an iterative manner (Law and Singleton, 2000; Diedrich et al., 2013; Gond et al., 2016). More specifically, we claim that practicing Fair Trade, which is often recognised as a type of ‘development project’ to deliver the various key elements covered above (Krupka, 2012; Le Mare, 2008; Nigh, 2002; Paul, 2005), is realising inclusive growth.

Fair Trade guarantees that a fair share is paid to the farmers or workers (Le Mare, 2008) and offers a better standard for the customer, in terms of both quality control and ethical concerns. In the case of Brazil nut oil supplied to the Body Shop (UK), Morsello (2002) finds that the Fair Trade approach brings both higher

income and better equality than the conventional business model. It fosters empowerment of small-scale producers and improves their life quality (Littrell and Dickson, 1999). In similar scenarios, the Fair Trade NGOs are seen promoting efficiency of coffee producer co-ops in Costa Rica (Ronchi, 2002) and Tanzania (Paul, 2005); sustainable farming of banana in South America (La Cruz, 2006; Paul, 2005); and organic tea producing in South Africa (Nel et al., 2007). As it seeks to achieve better sustainability (e.g., economic growth, poverty reduction, and equality, which are key foci of inclusive growth) through improving market relations and institutional development, the Fair Trade NGOs make a significant contribution to promoting the well-being of individuals and families, especially the less privileged in developing regions, and fostering sustainable institutions (Le Mare, 2008). Adopting Fair Trade not only contributes to capacity development of the farmers and workers, but also to far-reaching institutional development (Morsello, 2002). Previous studies find that Fair Trade enhances both production efficiency and the utilization of institutional resources so that small players can be better off in market competitions (Doherty and Meehan, 2006; Krupka, 2012). For example, it helps to enhance smaller firms' access to the market, and improves their confidence, self-esteem, relationship building and management (Nigh, 2002; Paul, 2005; Tiffen, 2002).

2.3 The role of NGOs in Fair Trade supply

Fair Trade is considered an effective form of development project to achieve inclusive growth (Krupka, 2012; Le Mare, 2008; Nigh, 2002; Paul, 2005). The study by Paul (2005) on Fair Trade coffee and banana in Africa and South America shows that NGOs can strengthen the benefits of Fair Trade. Nel et al. (2007) evidenced the NGOs' role in the Fair Trade organic tea case in South Africa, where the active involvement of Fair Trade NGOs enhanced the positive impact of Fair Trade program. Other studies show that, through NGOs, Fair Trade may help small producers improve their production efficiency and utilization of institutional resources so that they can compete with larger and more resourceful corporate competitors (Doherty and Meehan, 2006). However, as recently pointed out, it remains unknown how the NGOs, as an innovative actor in the agricultural supply chain, work with and manoeuvre other actors to nurture positive shifts in the local institutional environment (Carmagnac, 2021; Hoffecker, 2021).

As identified in a recent literature review NGOs, as well as government branches and quangos, can play vital roles in the promotion of Fair Trade and its benefits through fostering continuous and sustainable commercial partnerships (Le Mare, 2008). The term NGO was first formally introduced in Section 71 of the UN Charter signed in June 1945, and then subsequently adopted as Resolution 23 of the UN Economic and Social Council in 1946. Since then, the missions of NGOs have often been linked to the economic, social, and cultural development of a country or a region (Frantz, 1987). The Council's definition refers to NGOs as non-profit international civil organisations that are not established as a result of intergovernmental agreements. NGOs bridge gaps between the public sector and private sectors, between institutions and individuals, and connect internal and external groups to coordinate key stakeholders (Yan et al., 2018). Many NGOs are committed to creating social values and reducing the negative side-effects of economic activities, which in practice often involves empowering the less privileged and eliminating market barriers, alleviating poverty, protecting environment and eco-system, promoting equality, and ultimately achieving sustainable goals (Austin et al., 2006; United Nations, 2015).

NGOs have been present in many developing regions to fight poverty. For example, the renown NGO Rainforest Alliance has jointly promoted standards with Nestle to help coffee farmers in Latin America improve the quality of coffee produce, which in turn helps improve the economic situation and farmers' life quality (Alvarez et al., 2010). The Rainforest Alliance has also established a partnership with Unilever to improve the product quality and economic status of poor tea farmers in Africa (Lipton, 2015). Indeed, as a key stakeholder, NGOs are considered crucial external actors in developing initiatives and improving sustainability in supply chains (Rodríguez et al., 2016). By providing expertise and support in such relationships connecting other supply chain participants, NGOs often effectively act as a member of the supply chain from outside the chain (Hyatt et al., 2016). They are considered to be key actors in developing socially sustainable supply

chains. For instance, Kong et al. (2002) and Rodríguez et al. (2016) find that NGOs' partnership with supply chain stakeholders fosters positive changes to address social issues (e.g. poverty alleviation). Stekelorum et al. (2020) find that the collaboration between NGOs and business entities (especially smaller ones) has brought positive and strong effects on environmental and social sustainability by enhancing corporate social responsibility. Table 1 summarises the various important roles of NGOs in the literature.

2.4 Fair Trade NGOs acting against institutional voids

As the above review shows, numerous studies have illustrated the significant changes brought by NGOs, particularly in the contexts of Fair Trade and inclusive growth. In the present research, we aim to explore how the NGOs certified with Fair Trade (we refer to it as Fair Trade NGOs) intervene and collaborate with supply chains stakeholders to cope with the institutional voids and advocate Fair Trade.

Organisations' decisions and behaviours are often shaped by the influence of conflicting forces, both individual and organisational, internal and external (Dacin et al., 2002; DiMaggio and Powell, 1983; Teo et al., 2003). Academic research focused on sustainability issues has increasingly shifted to an institutional

Table 1. Roles of NGOs identified in the extant literature

Role	Description	Source
Watchdog	Monitor and maintain mandatory processes and standards; take responses and actions	Niedzialkowski et al. (2012a); Ryu et al. (2004); Tan (2014)
Value perceiver	Promote associated values beyond legal and/or regulative requirements; raise awareness	Crotty and Hall (2013); Niedzialkowski et al. (2012b); Wearing et al. (2005)
Lobbyist or advocator	Advocate for social change; lobby stakeholders on economic inputs and moral concerns	Choup (2006)
Coordinator or mediator	Provide public goods; coordinate among stakeholders; housekeeping and promoting education; balance power dynamics among stakeholders; convene joint actions	Bruntrup-Seidemann (2011); Dorado and Vaz (2003); Gazley and Brudney (2007); Ménard (2013); Nelson (2013); Pasquini et al. (2011); Reed (1997); Svendsen and Laberge (2005); Werhane et al. (2011)
Service provider	Provide services to local communities; supplement public services and goods; offer education and training	Wellesley Institute (2008)
Bridger	Address gaps between public and private sectors; link stakeholders	Kong et al. (2002); Lewis and Kanji (2009); Stafford et al. (2000); Wellesley Institute (2008); Young (1999)
Knowledge transmitter and consultant	Educate stakeholders; work with research institutions to promote knowledge transfer; consult land use and other environmental agenda and issues; steer policy development and implementation	Čada and Ptáčková (2013); Haigh (2006); Harris and Lyon (2013); Leibenath (2007/2008); Margerum (2008); Ménard (2013); Torfing et al. (2012); Wynne-Jones (2012)
Capacity builder	Develop the capacities of the local community; provide accreditation and empowerment	Nikkhah and Redzuan (2010)
Initiator	Ignite social changes (by leading and working with stakeholders)	Kong et al. (2002)
Innovator	Bring in innovative solutions to address challenges	Choup (2006)

perspective, where the functioning parties are embedded in their business and social contexts and interact with local institutions (Winch and Maytorena-Sanchez, 2020). NGOs serve as a crucial source of funding and technical guidance in the emergence and development of farmer groups (e.g., co-ops), while facing institutional challenges.

In developing economies, business entities often face institutional voids, where appropriate institutional conditions are either absent or weak, failing to offer adequate supports in need (Mair and Marti, 2009). This term, institutional voids, has been widely adopted in studies across academic disciplines, where economists have particularly elaborated on how such challenging institutional conditions undermine the functioning of markets (Bothello et al., 2019; Khanna and Palepu, 2000; Leff, 1978; North, 1990). A well-received classification of institutional voids was proposed by Khanna and Palepu (1997), which identifies five groups of void: product markets, labour markets, capital markets, regulations, and contracting, as displayed in Table 2.

Through a thorough literature review across key subjects, we have identified two major gaps. First, the vast majority of research studying NGOs has focused on phenomenological and practical issue-based questions with limited theoretical underpinning; that is, the NGOs are portrayed intuitively categorising their operational roles and functions in practice (see Table 1), which needs to be further explored in a systematic and theoretical manner. Second, although there is extensive literature that adopts the institutional theory to explain how organisations secure their positions and legitimacy by conforming to the rules and norms of the institutional environment, little endeavour has focused on how they may purposefully and strategically shape and leverage factors intrinsic in the local environment, especially in agricultural supply chains where international NGOs face inadequate supportive institutional conditions (i.e., institutional voids).

One fundamental question the institutional perspective allows us to address is: Why and how do individual and organisational actors maintain or upend pre-existing conditions? (Durand and Thornton, 2018). This paper, therefore, explores how the NGOs delivers Fair Trade while facing those institutional voids, under the three categories of institutional environment: regulative, normative, and cognitive (Thornton et al., 2012).

3 Research methodology

To empirically address such dynamic research question, this paper adopts an in-depth, single-case study approach (Sayer, 1992; Yin, 2009), which is an increasingly popular qualitative research approach in management literature (Piekkari et al., 2009) and it especially suits for investigating under-studied emerging significant social phenomena (Gebauer et al., 2020; Gibbert et al., 2008; Yin, 2009). A single-case study approach is adopted for its strong theoretical purpose and relevance (Glaser and Strauss, 1967), which has been applied in longitudinal research in supply chains contexts involving agricultural co-ops to generate rich and robust insights (e.g., see Bailey et al., 2020; Wu and Pullman, 2015). Answering a call to advance the understanding of non-traditional actors in supply chain and sustainability (Carmagnac, 2021), we have

Table 2. Five-type classification of institutional voids in emerging markets

Institutional voids	Explanation
Labour market	Shortage of staff supply with adequate skills
Contract enforcement	Lack of formal and binding contracts or contract enforcement
Product market	Produce market fluctuation and/or barriers
Capital market	Limited (access to) finance resources
Regulation	Unstable political environment and/or unpredictable regulation change from central/local government

Sources: Khanna and Palepu (1997); London and Hart (2004); Parmigiani and Rivera-Santos (2015); Rivera-Santos et al. (2012); Webb et al. (2010).

developed a longitudinal study (from 2017 to 2022) to examine an under-researched but increasingly important research topic — the role of Fair Trade NGOs in inclusive growth — and to explore the changing dynamics and underpinning mechanisms with rich and robust qualitative data in the case.

Following a theoretical sampling approach, we selected the Fair Trade tea case from Guzhang County in Hunan Province, P.R. China. The region is characterized by informal governance, weak policy enforcement, poor local infrastructure, uneducated workforce, and weak or absent property rights. These characteristics make the region the perfect setting for our study. The farmers' specialised co-ops involved, including an exemplar scaled tea co-op,¹ are suitable for our research, not only because it started within certain institutional context relevant to this study, but also because it has evolved and developed through various stages, and ultimately resulted in major inclusive growth achievements benefiting grassroots villagers. Thanks to the Fair Trade tea production and supply, by early 2018 the community of the Co-op D had successfully won the fight against poverty, and its hosting village in Guzhang County (i.e., Pancao Village) had become an officially recognised village out of poverty (Liu et al., 2021). The case contributes to the understanding of rural China and offers a unique and valuable approach to promoting agricultural communities and achieving sustainable development goals through Fair Trade and inclusive growth (United Nations, 2015).

The primary data collection was conducted using qualitative semi-structured interviews. 19 formal interviews were conducted in person with different groups of key stakeholders, each lasting between 30 and 160 minutes (see Table 3, interviewees anonymised). The interviewees include representatives of (governmental) provincial tea companies, members of case village committees, officials of tea bureaus of local administrative departments, directors of tea co-ops, core members and general members of tea cooperatives, farmers in Pancao Village, and contacts of the Fair Trade NGOs. All interviews were recorded with permission. The research team

Table 3. Interview details

Interviewee No.	Interviewee profile	Interview date	Interview duration (min)
1	Chairman of Tea Professional Co-op A	16 December 2017	82
		4 December 2018	101
2	Chairman of Tea Professional Co-op B	16 December 2017	64
3	Chairman of Tea Co-op C	17 December 2017	100
4	Official from local Tea Bureau	12 December 2017	37
5	Chairman of Co-op D	13 December 2017	33
		14 December 2017	98
		18/6/2018	40
		3 December 2018	78
		22/1/2019	32
		12 April 2022	62
		20 April 2022	80
6	Member of Tea Co-op D	14 December 2017	35
7	Chairman of Co-op E	14 December 2017	32
8	Chairman of Co-op F	11 December 2017	161
9	Organic Tea Company G	13 December 2017	75
10	County Science and Technology official	11 April 2022	120
11	Village related staff	12 April 2022	56
12	Manager of state-owned tea company	14 April 2022	88

¹ The Co-op D was established in 2009 and became an exemplar of co-op of Hunan Province. The co-op has 3200 acres of tea farms and 321 members.

processed all audio data obtained from the interviews into text materials according to the 24-hour principle (Voss et al., 2002). Archived documents, government and media reports, and interviewers' observations were collected as supplementary data that are available from the authors upon request.

We employed a constant comparative way to process the collected data, blending empirical and theoretical codes (Glaser, 1965; Miles and Huberman, 1994). Illustrative quotations for each code will be placed in the corresponding analyses to enhance the validity of findings (Miles and Huberman, 1994). Informal interviews, accompanied observations, follow-up phone calls, and field notes were used as additional supplement sources of information to reach triangulation, which helps enhance the validity and reliability of this qualitative case study (Yin, 2009). The codes and themes were developed in a cyclical and iterative progression of logical reasoning. The summary of the data structure is displayed in Figure 1.

4 Results

4.1 Case description — the Fair Trade co-op tea from Guzhang

Guzhang County is a mountainous region affiliated with the Xiangxi Tujia and Miao Autonomous Prefectures in Hunan Province. As its pillar industry, tea farming in Guzhang County comprises a total area of 150 000 mu (1 mu equals 0.067 ha), including 41 000 mu of ecologically organic tea farms. Of the county's rural population 60% is involved in tea farming and processing. In 2017, the county was recognised as 'The Hometown of Chinese Tea Culture' by the China International Tea Culture Research Association. Guzhang Tea's brand recognition reaches both home and abroad, with the locally produced tea exported to over 30 foreign markets in the US, Japan, the EU and Middle East.

From its 252 households, 400 out of the 1100 villagers in Pancao Village in Guzhang directly engage in tea production. In 2009, the Co-op D (as well as other co-ops involved in this study) was founded by rural entrepreneurs and tea farmers to gain economies-of-scale and a better market position (Liu et al., 2021). Still, like in many other rural regions of China, the tea farming in this village was rather dispersed. The scattered small-scale operations could not guarantee the quality or safety of tea produce, which resulted in difficulties for these small farmers to enter the international tea market and to develop modern agricultural supply chains.

In 2012, the per capita income of tea in Pancao Village was raised to about CNY 2000 per year (around GBP 200 at the exchange rate of the time), and many of those villagers still lived in poverty (Liu et al., 2021). In 2012, the Fair Trade NGOs 'joined' the local tea supply chain in Guzhang, promoting Fair Trade teas to improve sustainable tea producing and inclusive growth. By 2017, the annual per capita income of tea had more than tripled, reaching a historical high of CNY 7000. By the beginning of 2018, the whole village had been successfully lifted out of poverty (the regional poverty threshold is net income of CNY 3800 per annum). As a non-traditional supply chain player, the presence of the Fair Trade NGOs not only brought marketing channels for the co-ops and tea farmers, but also gradually altered other operational and institutional arrangements.

The Fair Trade NGOs started with the exemplar Co-op D and added more local tea co-ops (including the other ones that participated in this study) later to supply Fair Trade tea. They also worked with other local institutions, including the regional tea association and governmental tea companies and bureaus, to develop and secure an international tea supply chain meeting the standards and needs of large-scale international buyers. Figure 2 presents an illustration of the current supply chain structure of the Fair Trade tea produce from Guzhang and the key relationships and interactions. The NGOs are integrated into the tea supply chain, interacting with local institutions, providing various forms of direct and indirect incentives and supports, and promoting the Fair Trade values and goals.

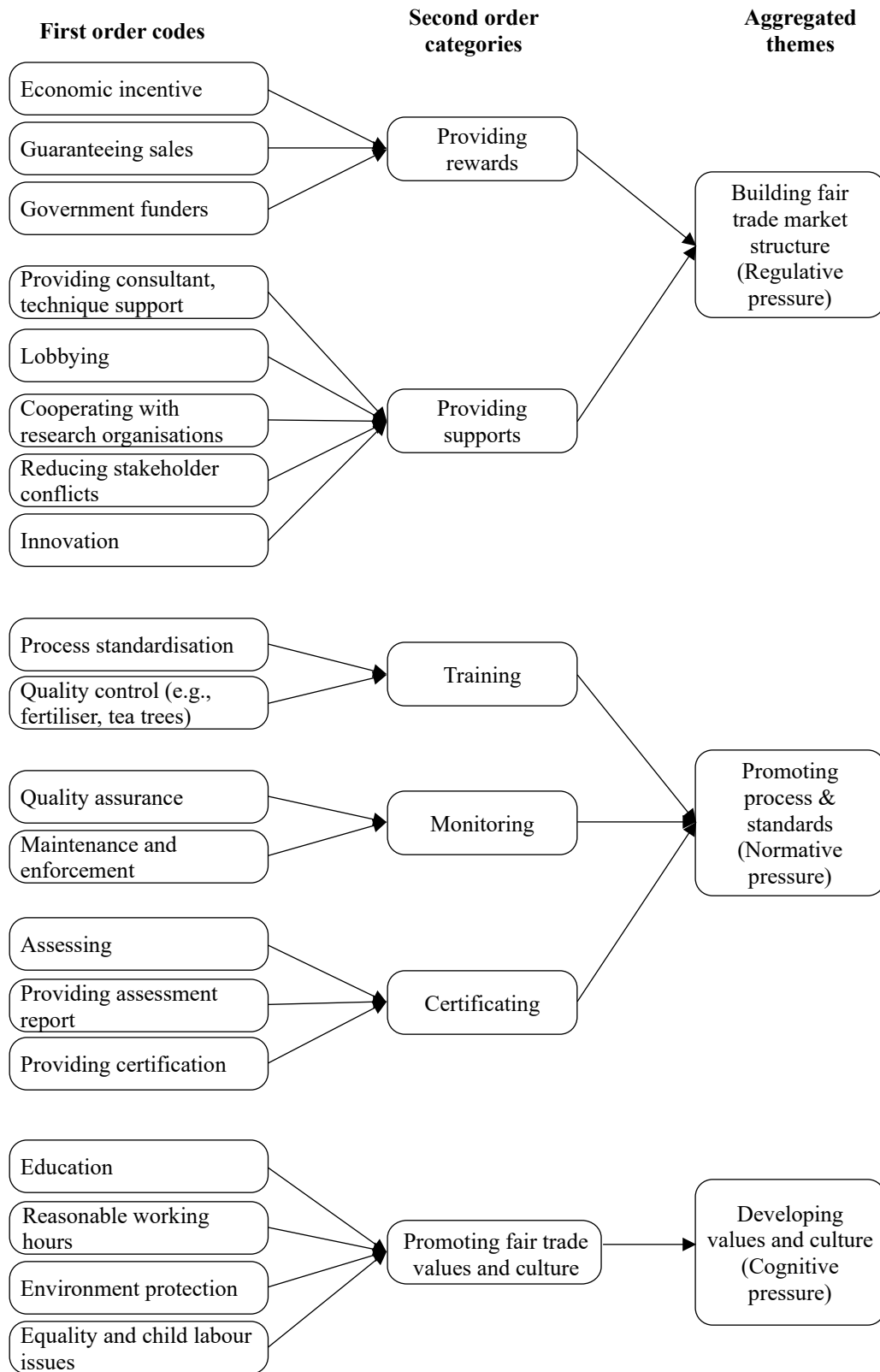


Figure 1. Summary of the data structure.

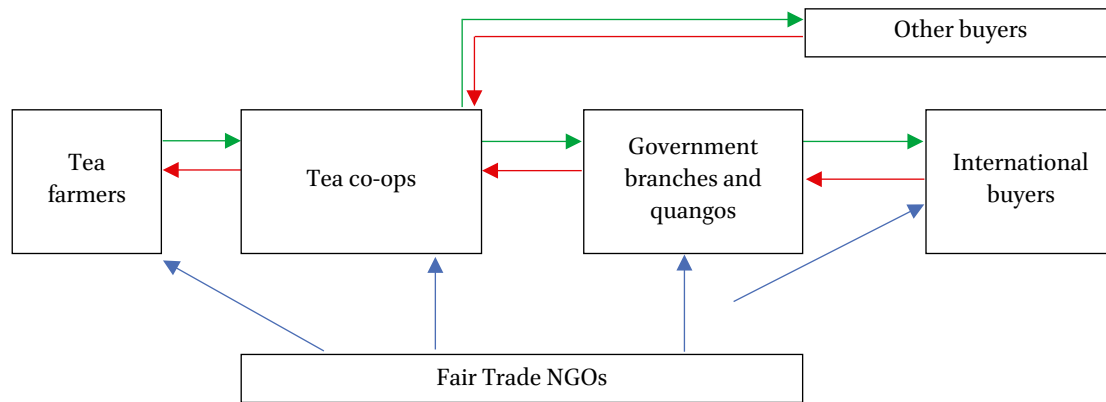


Figure 2. Fair Trade tea supply chain in Guzhang. Green arrows, material flow in Fair Trade tea supply chain; red arrows, finance flow in Fair Trade tea supply chain; blue arrows, NGOs' engagement with key stakeholders in Fair Trade tea supply chain.

To further illustrate how NGOs help foster inclusive growth through Fair Trade, we first systematically examine the local institutional voids (Section 4.2) and then analyse the NGOs' roles in coping with those voids and promoting Fair Trade and inclusive growth through local collaborations (Section 4.3).

4.2 The local institutional voids in Guzhang

As a remote and rural region, the economic and social underdevelopment of Guzhang County is reflected in various disadvantages caused by institutional voids. All five main types of institutional void from the literature (Table 2) are identified in the local context of Guzhang; these are found to be detrimental to economic growth, particularly to small-scale business entities — limiting market functions, jeopardizing co-op tea business development, and undermining Fair Trade and inclusive growth.

Labour market voids

There are three categories of institutional void identified in Guzhang's local labour market: limited labour with tea farming or processing skills, labour shortage and seasonal labour fluctuation, and rising labour costs (Table 4).

From multiple interviews we found that there is not enough labour with adequate skills for tea production. Tea harvesting is easier and most local labours can be trained enough to perform, but further processing of tea requires a high level of skills and experience. Skilled farmers/workers represent only a small portion

Table 4. Labour market voids

Void identified	Sample quotes from interviewees (code name)
Limited tea farming and/or processing skills	'Only 5 or 6 out of my 16 processing teams really mastered the adequate skills, the rest can only work as support.' (5)
Labour shortage and seasonal fluctuation	'We experience seasonal labour shortage every year. There's not much the local government did or could do. There is competition for the labour, which drives up the wages.' (10)
Rising labour costs	'We have to pay more to hire workers from outside regions.' (11) 'Labour cost is getting way too high.' (10)

of available labour, and this challenge is compounded by consistency issues, i.e., not everyone can perform to the same level.

There is also the issue of insufficient local labour and fluctuation in availability in the labour market. Like many other regions, local labour, especially young people, have left for other opportunities outside Guzhang. As tea farming grows bigger, it is not uncommon for co-ops and farmers in Guzhang to experience labour shortage. Seasonality and timing are very important for tea production, which means the competition for labour fluctuates as well. Some tea co-ops have to pay to hire labour from outside the local region, which normally is more expensive and would incur additional training costs.

Contract enforcement voids

The experience and situation of contract enforcement also raise concerns. The contracts between tea farmers, co-ops, and tea buyers are often legally vague and hence without strong binding power. To make it worse, the fulfilment of contracts is not satisfying, and breach of contracts is often done without punitive consequences. It is noticed that, although the tea company would sign a purchasing contract with the co-ops, the requirements for the quantity and quality of the purchase are often not strictly followed. The main concern is the quantity of the supply; while as for the quality, if it is found to be substandard, the purchase will not be made next time, and there are no penalties. Sample quotations are provided in Table 5 below.

Product market voids

The market for local tea products is found to comprise two categories of void. The first one is related to quality issues. Since growing tea is not like producing industrial products, that is, following a standardised process, the quality of tea leaves may be easily affected by rainfall, temperature and other natural factors, as well as by labour market and contract enforcement factors mentioned above.

At the same time, the market for tea (both local and national) is very competitive and dynamic. The market demand and prices for tea products can shift sharply. This also intervenes with the contract enforcement issue, especially those challenges from farmers breaching the supply agreement (see Table 6). When the demand is low, tea farmers are much more likely to fulfil their contract with the tea co-ops and would even push to over-supply where they can; while when the tea market is at a high point, they sometimes sell their tea to

Table 5. Contract enforcement voids

Void identified	Sample quotes from interviewees (code name)
Informal contract/ weak binding power	‘We (the co-op) sign a supply contract with the tea company, but no one is there to supervise either party.’ (5) ‘The cost of default for tea farmers is relatively low, and there are still people who provide tea of substandard quality.’ (11)

Table 6. Product market voids

Void identified	Sample quotes from interviewees (code name)
Quality issues	‘We mainly rely on our experience to judge the quality of tea.’ (12)
Demand quantity fluctuation	‘Farmers will just sell their tea to buyers with high purchase prices (when the market demand is high) and ignore the contract.’ (9)

other buyers who offer prices higher than the contract, leaving the co-ops and, hence, the tea companies with insufficient tea supply.

Capital market and regulation voids

Guzhang's tea supply chain suffers from limited access to financial resources. As supported by Interviewee 5 and Interviewee 11, businesses growing tea bushes basically rely on their own capital investment, because there is little access to borrowing. Some may manage to get financed, but most cannot. 'Of course, there are bank loans and credits, but not as accessible to the smaller-scale farmers ... and it seems getting worse under the current economy' (Interviewee 10).

On the other hand, there are also regulation voids, and they partially contribute to the lack of finance for tea production in Guzhang. In the context of Guzhang and wider China, regulatory and policy supports are vital for the development of agriculture and rural communities — not only are they seen as key source of financial resources, but also have they great impact on the flow of nongovernmental resources. Issue can arise from two levels. At a macro-scale, economics policy shifts over time, especially between administrations, resulting in changes in available resources and additional administrative issues affecting the agricultural sector (for example, taxation, business registration process, and other regulatory processes and legislations). At a local level, the main issues are related to insufficient financial and political resources. In the case of Guzhang, since tea production constitutes a pillar industry for the local economy, it is highly valued by local officials. However, they do not always have the expertise or other resources needed to support the players in local tea supply chains, and there can be inconsistencies when local officials are replaced. In the early days of co-op movement (early 2000s) there were more supportive measures to help the exemplars and major pioneers, but these are not in place anymore. It is claimed that officially there are now very limited preferable measures towards Fair Trade or tea co-ops associated. Technically, there is some support, but in practice the support is not always easily accessible for co-ops and farmers and often means additional costs. For example, the local government plays a role in managing the regional brand, and local tea businesses need to bear the cost for the permission of using the brand.

4.3 Learning from the Guzhang experience — How do Fair Trade NGOs address local voids and realise inclusive growth

Recent research highlights that non-traditional actors such as NGOs in a supply chain are likely to play a combination of different roles to work within the local context (e.g., Hyatt et al., 2016; Rodríguez et al., 2016; Stekelorum et al., 2020). Fernando (2008) shows that both NGOs and other organisations such as community enterprises (e.g., co-ops) and civil societies can contribute to rural development projects for the purpose of inclusive growth by participating in resource allocation and providing public services in remote areas. As Stekelorum et al. (2020) assert, NGOs can enhance business operations' social responsibility and have significant positive effects on environmental and social sustainability. However, it remains unclear and requires further examination on how it works, as the previous literature mainly focuses on phenomenological and practical issue-based questions with limited theoretical underpinning (see Table 1).

Our empirical findings from Guzhang show that the Fair Trade NGOs have integrated into the local tea supply chain and actively engaged with key stakeholders to make a positive difference. Through the intervention and integration of resources, as well as the development and promotion of a series of standards and cultures, the Fair Trade NGOs have not only built up a certified Fair Trade tea production and supply network, but also achieved remarkable poverty alleviation and other forms of inclusive growth benefits. A range of roles and functions has been performed by the Fair Trade NGOs in this process since their first local presence around 15 years ago. Our case study not only validates some of the key roles of NGOs identified in the extant literature, but also reveals additional crucial roles played by the Fair Trade NGOs as responses to the particular local institutional contexts. Through examining the Fair Trade NGOs' roles and functions, we find that their

particular successful case of inclusive growth is achieved by addressing various inherent institutional voids of the local context to shift the three types of institutional pressures recognised by Thornton et al. (2012), i.e., regulative (market structure), normative (processes and standards), and cognitive (values and culture).

Building a market structure

Since the Fair Trade NGOs entered the local tea market via tea co-ops and local government, they have been dedicated to building a market structure that fits the certified Fair Trade approach of producing and supplying. After identifying major local institutional voids, a range of incentives and supports were provided by the Fair Trade NGOs, with collaboration from local actors, to set up and promote appropriate regulative structure for their operations. Table 7 displays key activities and evidence.

It can be particularly challenging for international organisations and their partners to implement certain initiatives in Fair Trade and inclusive growth into overseas local market. This is often the complex result of combined factors including lack of local knowledge and supply chain context, high costs associated with direct intervention, and difficulty in balancing economic performance and other priorities (Khalid et al., 2015; Margolis et al., 2003). As shown by our qualitative findings, the Fair Trade NGOs succeeded in performing their roles and functions through collaboration with local actors, including several key institutions suggested by Fernando (2008), to build a better market structure.

In our case, the Fair Trade NGOs' initial engagement with local tea producers was through local co-ops (e.g., the Co-op D) and quangos (e.g., regional tea associations and government industrial branches) which contributed to the technological and institutional innovations initiated by the NGOs. The direct and indirect monetary incentives (e.g., funds and increased profits) from the Fair Trade NGOs have not only motivated local farmers to get onboard, but also helped cope with institutional voids in the product market and capital market, and ultimately established a favourable environment for long term, sustainable, development. The technical support offered by the Fair Trade NGOs and their technical collaboration with other stakeholders, to an extent, fixed skilled labour market shortage, in addition to sourcing additional 'informal' labour (Amponsah et al., 2021). Also, NGOs' advocacy for fair trade and inclusive growth as well as their related initiatives often raised awareness among relevant government agencies about regulatory problems, and helped bring in additional government support to ease regulation voids (e.g., possibilities of changing policies and lack

Table 7. Developing Fair Trade market structure

Activity	Sample evidence and quotation
Economic incentives	'The first thing they did was to give us \$50,000 USD (as starting fund).' (10) Following the ethos of Fair Trade, a proportion of the sale profits are paid back to the farmers as additional subsidies. (5, 10, 12)
Guaranteed sales	Fair Trade guarantees the produce can be sold as long as it meets the pre-set quality requirements. (5) They provide a stable market channel and opens up access to additional market not available previously, including international buyers. (5, 10) There is minimum purchasing price as a protection for farmer from market price fluctuation and bargaining power disadvantage. (10, 12)
Technical support	'They offer regular trainings around all staffs, and it's free!' (10) Fair Trade NGOs provide support in terms of farming and processing techniques, technician support, and market including international market information. (11, 12)
Cooperation	Collaboration with research and educational facilities. (10)
Lobbying and negotiation	Negotiating between small-scale producers and big buyers and government officials. (5) Negotiate temporary labour force from outside local region. (10, 11)

of government support, that are important factors influencing inclusive growth according to Aoyagi and Ganelli (2015). With the above analysis, we develop the following propositions:

P1a. The Fair Trade NGOs' technical support and collaboration positively affect the improvement of the labour market void.

P1b. The Fair Trade NGOs' monetary awards positively affect the improvement of the capital market void.

P1c. The Fair Trade NGOs' advocacy and negotiation with the government positively affect the improvement of the regulation void.

Promoting processes and standards

The Fair Trade NGOs have also actively engaged in building normative standards through the tea supply chain. Through training, monitoring and certifying, the Fair Trade NGOs set and pushed through processes and standards as the new norms for tea production along the supply chain in Guzhang. Table 8 displays key activities associated with the Fair Trade processes and standards. The introduction of these processes and standards provides clear targets and guidelines for local producers and other actors involved to follow, and the continuing monitoring and certification process by the Fair Trade NGOs simplifies the previous various forms of contracting and its enforcement (including those with labour, suppliers, and downstream buyers). These processes and standards also enhance quality control, which in turn improve quality and quantity fluctuation for the product market.

In China's rural and agricultural context, developmental projects (e.g., promoting standards, training) often encounter difficulties risen from the disperse and disparate nature of their stakeholders (Themistocleousa and Wearne, 2000). Such complexity requires a holistic institutional perspective that maps the changing dynamics among individual and organisational actors under the influence of conflicting through promoting

Table 8. Promoting Fair Trade processes and standards

Activity	Sample evidence and quotation
Process standardisation	Through regular training sessions and meetings, 'they make sure that everyone's on the same page, knowing what's the purpose and the goal'. (11) 'It means cohesion ... not only we share quality standards, but also our personal visions are more aligned.' (6)
Quality control	Tea farmers are required to control quality from the stage of the purchase and use of farming inputs. No chemical fertiliser, chemical pesticides are allowed; and the seeding tea trees need to meet the required standards. (5, 8, 10, 12)
Quality assurance	The tea products are checked regularly to meet the requirement, which is also pre-condition for many international buyers. (12)
Maintenance and enforcement	Fair Trade regular checks on profit return and auditing legitimate use of subsidies. (5, 9, 12) Fair Trade oversees contract enforcement in terms of both supply quality and quantity, regular review and re-assess the eligibility of producers. (9, 12) 'Those repetitively fail to meet the agreed terms get expelled.' (5)
Fair Trade certification	Fair Trade introduces and supports preparation of Fair Trade certification application. (5, 12) Fair Trade assesses local producers' Fair Trade certification application, this includes brining in external oversea assessors. (5, 10, 12) Those qualified will be awarded official Fair Trade certificates, which are recognised by many international buyers. (2, 5)

a set of processes and standards. Different from previous studies on collaborations between businesses and non-profit organisations or firm-NGO collaborations (Chatain and Plaksenkova, 2018), we find from our longitudinal case that the NGOs need to orchestrate various roles to promote their processes and standards, in order to achieve and implement their deliverables. Focusing on a single role or just one particular strategic approach based on institutional context and integration level (see, e.g., Austin, 2000, 2006) may not work effectively, at least not in a complex supply chain and social context where tertiary-sector entities (e.g., co-ops and associations) are involved as key actors. Given their dual identity as business entities and social enterprises (Clegg, 2006; Thornton et al., 2012), Fair Trade NGOs have a natural advantage when it comes to collaborating with them to offer a valid form of organising and coordinating disperse stakeholders to advocate Fair Trade processes and standards and inclusive growth. Based on the above discussion, we have formulated the following propositions:

P2a. The Fair Trade NGOs' processes and standard certification and monitoring positively affect the improvement of the product market void.

P2b. The Fair Trade NGOs' processes and standard certification and monitoring have a positive effect on the improvement of the contract enforcement void.

Developing values and culture

We also find that culture, structure and process are equally important and thus require equal, if not more, attention and inputs (Thornton et al., 2012). The Fair Trade NGOs have also collaborated with local stakeholders to improve the 'soft' cognitive contexts of local institution. This was achieved by inputting resources and efforts into non-economic or non-transactional areas of operation, including education and the spread of Fair Trade values and principles to develop a cultural atmosphere, giving attention to social and environmental issues. Table 9 shows the key activities associated with the promotion of values and culture. Such endeavour has started with the inception of local Fair Trade operation, motivating individual actors and supporting the implementation of previous two strategies.

This soft side (i.e., values and culture) is likely to develop gradually and may surface to be more apparently reflected at the later stage of the development of strategic collaboration (Austin, 2000), as it takes a long time establish a new way of life, thinking and behaviour (Lewis, 1998), but the institutional pressures (Thornton et al., 2012) do not occur stage by stage separately. They emerge as a whole, and hence should be addressed as a whole. As illustrated in our case, facing a series of complex voids, complex roles and functions are

Table 9. Building Fair Trade values and culture

Activity	Sample evidence and quotation
Education	Promoting Fair Trade values and principles. (1, 5, 8, 11, 12) Following the ethos of Fair Trade, a proportion of the sale profits are paid back to the farmers as additional subsidies. (5, 10, 12) Keep children in the school, and invest into infrastructure. (1, 5, 8, 11)
Protecting environment	Long-term planning and concern for environmental protection. (1, 3, 9, 10) Promoting Fair Trade and other sustainable producing approach. No chemical fertiliser, chemical pesticides are allowed. In addition to produce quality control, regular checks are also carried out on soil and water conditions to ensure strict environmental measures are followed. (1, 5, 11)
Labour rights	Reasonable working hours and working conditions. (5, 6) Promotes equality between different group identities, including gender equality. No child labours. (1, 5, 7, 8, 10, 12)

Source: authors.

required by the NGOs and their partner actors to achieve Fair Trade and inclusive growth. It is imperative to have resources from both formal and informal institutional arrangements (Stephan et al., 2015). The values of agricultural produce can be transferred to other parties in the supply chain (Wu and Pullman, 2015) through the Fair Trade market structure and norms, but that does not mean the focus on the institutional pressures or voids is dealt with one by one in a sequential manner (e.g., Chatain and Plaksenkova, 2018). Focusing only on exogenous elements and ignoring the culture of poverty (Lewis, 1998) is exactly contrary to the theoretical underpinning of institutional perspective and the strongly value-based Fair Trade approach. This is our supplement to the existing inclusive growth poverty alleviation strategies. Additionally, better effective environmental protection would also more directly benefit achieving inclusive growth (Ge et al., 2020). With this analysis, we propose:

P3: NGOs' education and advocacy efforts help build Fair Trade values and culture and thus have a positive effect on the improvement of the local institutional voids.

5 Conclusion

The Fair Trade NGOs joined the tea supply chain in Guzhang, implementing inter-organisational integration and resource integration, which eventually (and rapidly) enabled Pancao Village to achieve inclusive and sustainable growth in economic, social and environmental aspects.

We find in this paper that the path out of poverty seems to lie in the creation of a fair and inclusive economic environment. Suryanarayana (2008) highlights that inclusive growth emphasises two needs: economic growth and development opportunities. The task of inclusive growth is often complex and daunting due to the intertwining of various of social, economic, and regulatory issues. Such complexity requires a holistic perspective to address the changing dynamics for improvement. Our study showcases how Fair Trade NGOs' help stimulate Fair Trade initiatives and achieve inclusive growth by collaborating with local actors to cope with three key aspects of institutional pressures. This is a practical approach other similar international organisations may use to engage with local entities and make a difference in important causes like Fair Trade, inclusive growth, poverty alleviation and environment protection.

This paper explores how the Fair Trade NGOs collaborate with local supply chain stakeholders in Guzhang to achieve inclusive growth. We uncover that, institutional voids are a roadblock for small agricultural farmers in China to accessing markets, developing sustainable tea producing and supply chain, and ultimately succeed economically. Our findings suggest that the Fair Trade NGOs have empowered local communities by creating jobs and income opportunities and offering education and training to support a whole community to achieve inclusive growth goals (Yan et al., 2018). By exploring and examining the Fair Trade NGOs' roles and functions from an institutional perspective, our paper sheds light on how NGOs can enhance business operations in a modern tea supply chain and contribute significantly to social and environmental sustainability. Our study also contributes to the understanding of agricultural co-ops in China and how they benefit from international NGOs' involvement. The success story of NGOs in our case study also suggests that the local government and communities, especially those in developing agricultural regions suffering persistent poverty, should take a more open and friendly attitude toward reputable international NGOs. The propositions we have developed based on our findings constitute an important theoretical contribution, providing an explanation of how the inclusive growth is realised by NGOs through the agricultural supply chain facing local institutional voids. It offers a theoretical foundation as well as opportunities for large-scale empirical studies in the future. The triangulation in our study — collecting data from different sources and processing the data using different methods — serves as a guideline for similar research in the future.

While highlighting the contributions of our study, we must point out a few major limitations associated with our research scope and methodology. As we focus on the Fair Trade tea production and supply driven by the NGOs, we have not extensively explored the role of co-ops and other local institutions. Also, as the case is

drawn from the supply chain and institutional context of a single agricultural produce supply chain, extending our findings and results to another market requires cautions and future testing. Our research is also subject to the limitation linked case study. The study of a successful case of poverty alleviation may be biased. Future empirical research is needed to test the propositions we have derived from our qualitative study. There are some data-related limitations. For example, we received limited critiques from the interviewees, which may be the result of the in-person interview design. Some potential participants refused to be interviewed and that might have introduced response bias.

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