Innovation and Global Value Chains
Competitive Paper

On the Use of Multi-Stakeholder Governance in Institutional Crises

Abstract

Institutional crises might affect the credibility of companies but also a specific sector. This study illustrates that organizations purposively engage in multiple partnerships, across different institutional levels, and in multiple steps to restore legitimacy in a system. To illustrate this argument, we analyse how Brazilian multinational beef processors reacted following a Greenpeace’s report release in between 2009 and 2015 at two levels. This embedded case study was carried out with field visits, 30 interviews with multiple stakeholders and secondary data analysis. Findings show that it started at institutional level with selecting key stakeholders to set sustainable standards for beef production. Then, multiple partnerships at the value chain level at the Amazon region to promote the change. This study contributes to an systemic understanding of multi-stakeholder governance as the actual changes happen in value chain describing the process of interconnecting and linking these two levels of analysis (institutional and value chain).

Key Words
Institutional crises, governance, multiple stakeholders, roundtable, sustainable beef.

1. Introduction

This study investigates how multinationals re-establish the legitimacy of their industrial ecosystems through multi-stakeholders partnerships during periods of institutional crises in two levels of analysis. The collapse of a textile factory in Bangladesh, the British Petroleum case in the Gulf of Mexico or the recent Volkswagen cases illustrate how institutional frameworks might reveal themselves as fundamentally inadequate to create economic, social and
environmental value in a system and thus suddenly lose legitimacy from the public opinion and the market.

In these situations, companies such as multinationals (MNCs) usually intervene to deliberate, change and/or enforce regulations in an attempt to re-establish legitimacy for their operations in their role as industry chain leaders. Legitimization theories would suggest that firms engage in deliberation processes in multi-stakeholder partnerships to set new credible industry rules and thus provide a public good to society (Scherer and Palazzo, 2011). In particular, the dynamic processes of deliberation among stakeholders in partnerships determine how effectively regulation can be re-established (Mena and Palazzo, 2012; Schouten and Glasbergen, 2011). By leading these deliberation processes, firms act as institutional entrepreneurs, that is, they engage in informal and socially embedded mechanisms to establish new “rules of the game” in the industry (North, 1990; Pache et al. 2010). Yet, deliberation is not the only role that partnerships play in restoring legitimacy in an industry. Instead, companies combine deliberation with multiple stakeholders with strategies to adapt based on stakeholders’ wishes and to manipulate them at the same time (Scherer et al., 2013), especially when societal actors have colliding views on the desired outcomes (Pache and Santos, 2013; Moog et al, 2015).

This paper illustrates that organizations purposively engage in multiple partnerships, across different institutional levels, and in multiple steps to restore legitimacy in a system. To illustrate this argument, we analyse how Brazilian multinational beef processors reacted following a Greenpeace’s report release in between 2009 and 2015. The Greenpeace report (2009) showed overwhelming
evidence that the beef industry was contributing to the depletion of the Amazonian forest, even though the existing regulations were supposed to protect it. For a few days after the Greenpeace release in 2009, the beef industry risked a collapse: international buyers questioned the existing sustainability standards and threatened to impose import bans to the whole country.

The Brazilian beef processors’ reaction demonstrates that, in such a situation, different stakeholders developed multiple partnerships across **two levels**. At an institutional level, through partnerships such as GTPS (Sustainable Livestock Working Group), MNCs engaged in inclusive, input-oriented deliberative processes to re-design a set of legitimate regulation together with stakeholders (Auld et al, 2015). At a beef value chain governance level, partnerships (such as Novo Campo Program) with more exclusive, output-oriented processes to implement and enforce the newly introduced regulations helping to develop capabilities (Gereffi et al, 2005) to livestock production in the Amazon biome. These findings advance existing studies on roundtables and multiple stakeholder initiatives by suggesting that multiple partnerships are used to re-legitimize the deliberation and enforcement processes during institutional crises but they can only be successful if they occur in parallel in two levels. Instead of managing conflicting views within one deliberation inclusive process (Scherer and Palazzo, 2011; Pache and Santos, 2013), findings reveal MNCs’ use of multiple partnerships (or alliance portfolios, Van Tulder et al. 2014; Gutierrez et al., 2015) across institutional levels, because it represents a coordinated set of interventions aiming to restore legitimacy in an industrial ecosystem (i.e. a complex interconnected set of relationships linking supply
chain actors to external social and environmental agents influencing or influenced by them, as pointed by Shrivastava, 1995). In the rest of this paper, we build upon new institutional economics (NIE) theory (North, 1990; Williamson, 2000; Gereffi et al., 2005;) to distinguish between two levels of partnerships and then, based on the empirical illustration from an emerging country multiple stakeholder initiative, we highlight how NIE theory explains the systemic use of partnerships as a legitimization process. It also proposes that the analysis of the value chain level is relevant to understand the engagement and participation of the livestock producers that are often less represented in other roundtables.

2. Theoretical Underpinnings

2.1. Cross-sector partnerships and institutional change

A wide literature establishes that, in periods of institutional crisis, MNCs engage in deliberative processes to complement, substitute or re-design public regulation (for example, by introducing socially accepted private standards or codes of conducts, or by renegotiating the public legislation) (Selsky and Parker, 2005; Mena and Palazzo, 2013). This deliberation may take place with a wide variety of societal actors including certifying or advocacy non-governmental organisations, business or industry associations involving coalitions of companies, or broader coalitions that encompass multiple businesses along the value chain (producers, traders, processes, retailers). Multi-stakeholder partnerships where MNCs engage in these deliberative processes and re-design the regulation governing complex social issues (Waddock, 1991; Austin, 2006) include the Marine Stewardship Council, the Forest Stewardship Council, the
Roundtable for Sustainable Palm Oil (Schouten and Glasbergen, 2011), the Sustainability Consortium, the UN Global Compact, among others.

A different yet related strand of cross-sector partnerships literature has focused on the role of cross-sector partnerships in governing value chains in turbulent institutional environments (Maon et al., 2009; Dahan, 2010). These described cross-sector partnerships may be instrumental in implementing, scaling and enforcing standards, codes of conduct and best practices. Examples include the NGO-business partnerships on cocoa, coffee and beverage sector taking place in Western Africa or Latin America, whereas the main activities entail developing jointly agreed monitoring systems; it further codifies the operational standards, as well as training and development of capabilities of value chain actors. In certain context, the same partnership may combine a rule-setting role and implementation role, such as the RSPO. In other circumstances, instead, the one partnership can take a regulatory role (such as the Alliance for Water Stewardship or the Global Coffee Platform), while others can take implementing and enforcing roles (such as Coca Cola’s Community Water Partnerships and Nespresso’s Sustainable Production).

This illustrates that these two bodies of literature have focused on collaborative arrangements with different yet complementary functions in the industrial ecosystem. Roundtables are a kind of multistakeholder governance that is also characterized as global private governance, as the private and third sectors are the standards body settings (Schouten & Glasbergen, 2011). However, most of the studies analyse the institutional level and legitimacy of these cross-sector partnerships, more precisely, on those roundtables that have been established on developed countries and impose to developing and
emerging countries ‘producers (Berstein & Cashore, 2007; Schouten & Glasbergen, 2011; Geibler, 2013). In addition, there are conflicts and tensions among these stakeholders from public, private and third sectors that have distinguished agenda and aims (Smith et al, 2013; Moog et al., 2015).

We introduce a distinction between two institutional levels – regulatory and value chain– that, grounded in NIE theory, may further explain how these two levels interconnect and create new partnerships to respond to institutional crisis. It also discusses how global value chains can help to understand the transfer of knowledge and development of capabilities to the “weakest” link of the chain – the producers in the Amazon biome.

2.2. Two interlinked levels of institutional analysis

Taking stock from the NIE theory elaborates during the twentieth century (Coase, 1934; North, 1990), Williamson (2000) articulated the study of institutional change across four levels of analysis: culture and social norms embedded among actors in society (L1); regulation (L2); value chain governance (L3); and transactions between actors in society (L4). Out of these four levels, L2 and L3 are at the core of NIE or, in other words, NIE focuses mainly on the dynamics linking changes in the regulatory framework and changes in value chain governance.

Traditionally, the regulatory framework (L2) has been mainly under the responsibility of public actors legislating and enforcing decisions through public control. Nonetheless, the global scale and the complexity of societal issues have been radically changing the division of public and public tasks in rule-setting activities related to sustainability (Palazzo and Scherer, 2011). Multiple
stakeholder partnerships have thus played a central role as deliberation mechanisms in this shifting division of tasks between public and private actors (Selsky and Parker, 2005). The regulatory framework is instrumental to establish legitimacy, trust and social capital among the actors subject to its “rules of the game” (North, 1990). Using the NIE language, a regulatory framework is effective when it reduces the transaction costs arising between organizations (i.e. the resources spent in coordination, seeking information, monitoring) before or after the transaction itself. From this standpoint, private actors engage in rule-setting activities (Pache et al., 2010) when expecting that the cost of these activities will be compensated by a reduction in costs of transactions with business partners. Through partnerships seeking to address complex social issues, MNCs’ often choose to engage in

Differently from L2, value chain governance (L3) has been traditionally under the responsibility of private actors - at least in capitalist economies - operating under the legislation and control of public authorities. The value chain governance encompasses the full range of activities required to bringing a product or service from its initial conception to the final delivery to consumers until its disposal. It thus involved all of the different stages of production and logistics (Gereffi, 1994; Gereffi et al., 2005). In the context of MNCs, the division of tasks along a supply chain reflected a vertical disintegration of production that cuts across national legislations. Through value chain governance, MNCs are able to change their focus aiming at activities with higher added value, consequently, concentrating on developing their core competencies (Gereffi et al, 2005). By analysing the governance structure, it is also possible to understand how power can shape the distribution of profits and risks in an sector as well as how the
agents involved exercise such power through their activities (Gereffi, 1994; Gereffi and Lee, 2012). There are levels of concentration in specific value chain activities that range from manufacturing to retailer, according to the characteristics of each sector. Gereffi et al. (2005) identified different types of governance based on the power asymmetries between buyer and suppliers. They proposed a typology of value-chain governance that combines relational aspects with the transaction costs perspective and is an updated and expanded version of the earlier approach by Gereffi (1994) based on the distinction between producer-driven and buyer-driven configurations. The newer description has two extreme typologies, market-based and hierarchy, between which three variants are identified: modular, relational, and captive. The term market-based refers to conventional relations governed by costs. Such systems can persist for a long time and the costs of switching to new partners are low. In modular value chains, suppliers follow buyers’ specifications but assume control over turnkey services and keep relevant competencies in their own domain. In relational value chains, there are complex relations between buyers and sellers. Geographical proximity, as well reputation and trust provide the benefit of equilibrium in such systems. In captive value chains, there are networks in which small suppliers are dependent on much larger buyers, which tend to monitor and control the entire network. Finally, in hierarchical value chains, there is vertical integration in a subordinated relationship between headquarters and subsidiaries, or affiliates (Gereffi et al., 2005).

Three dimensions influence the GVC governance: the complexity of the transactions, the capability of the supplier and the ability to codify the transactions. These three dimensions are key to provide change in the
governance. However, size and geographical distance can influence the dyadic relationship between buyer and supplier. In this study, we describe the institutional level, led by MNCs, but also the value chain level, where NGOs play an important role to upgrade livestock producers toward sustainable production standards. Firms’ capabilities played an important role in these power relations and could affect ways that companies can get better market positions within the value-chain. Companies could develop capabilities to move to a more strategic position in the supply chain having more control over value activities, especially those related to high added value (Paiva and Vieira, 2011).

3. Methods

This study combines different methods of gathering qualitative information and is based in two approaches (inductive and deductive). The first step was performed in a more inductive perspective, through the analysis of secondary sources (files, maps, reports, articles and books); open questions with key informants (selected because they possess special knowledge or experience in studying a particular topic or problem); chains of interviews: from group to group or from group to key informant; or a sequence of key informants, each expert in a different stage of the process. The inductive phase resulted in a chronology of events that are remembered with approximated date. The inductive approach triangulates data from different sources. Triangulation is the use of several different sources and means of gathering information. The accuracy and completeness is maximised by investigating each aspect of the situation in a variety of ways. The researcher has to skilful crosscheck responses with key informants, across interviews with participants at the same activity of
the value chain, and across interviews with participants in different agents of the beef chain to identify practices, typical behaviour and opinions. A more structured data collection started through open questionnaires with main leaders of the multi-stakeholder initiative in Sao Paulo from 2012 until 2014 (beef processors managers, sustainability manager from National Beef Board, Greenpeace representative in Brazil, among others). It also enclosed direct observation in GTPS meetings in Sao Paulo identifying an institutional level of the initiative. The exploratory research helped to understand how the relationships evolved from vertical to a network-oriented in a length of time. It also showed the context of this industry moving from food safety concerns to sustainable production standards. This move come especially from export markets that has been influencing the Brazilian beef chain.

The second step of data collection was a case study to seek evidence supporting or contrasting with a process-based pattern emerging around the initial focus of our analysis, which was the multi-stakeholder partnership GTPS. In particular, the case study took a historical view of the period from the late 2000s to 2015 in order to understand the institutional transformation shaped the Brazilian beef ecosystem over time. Therefore, through an interpretation of the case study material, we sought to identify: key phases of the history and turning points of the history and the interdependencies between multiple cross-sector partnerships created on institutional and value chain levels; and the inclusion of producers in this multiple partnerships. This step involved participation in the GTPS meeting in Sao Paulo (institutional level), a number of semi-structured interviews with at the total 30 stakeholders engaged in the roundtable (Brazilian beef processors, Wal-mart, Greenpeace, beef exporters’ association, Public
Ministry, Ministry of Agriculture, the Nature Conservancy, livestock producers, among other) and also two field trips to livestock production (value chain level) in the Amazon biome in two Brazilian states (Mato Grosso and Pará) where properties and NGOs in these regions where visited. All these data led to an interpretative process based on the process of the phenomenon (Van de Ven, 2007) synthesized in the discussion of this paper.  

4. Empirical background: Overview of the Brazilian beef industry  

Brazil has established itself as one of the world’s largest beef exporters, yielding approximately US$ 5.9 billion in 2015. At today, around 210 million heads of cattle are grass-fed in an extension of 169 million hectares of pasture around the country (diverse biomes). A few structural changes have enabled Brazil to show a 135% growth in its beef export value between 2005 and 2015. These include the low cost of raw material production and the food safety and production improvements. Other factors have contributed to the increased participation of Brazilian beef in the international market over the past decade. For instance, the growth in efficiency of its beef industry has been possible through a number of channels, including genetic improvements, grain feeding and pasture improvements as well as production plant modernization. Nowadays, the diversification of Brazilian beef exports has reached more than 180 countries, and its main slaughterhouses are internationalizing through the acquisition of processing plants in Australia, the USA, Argentina, and other countries. Brazilian beef currently reaches a large number of markets, most in the South, which have low concern regarding sustainability issues. Price is still a qualifier for beef export in most markets, including the domestic market.
The sector can be considered an oligopsony. On one hand, slaughter and beef processing activities highly concentrated and, on the other hand, a large number of livestock producers (heterogeneous group with distinguished features according to the region of the country that they are located). There are five biomes of Brazil, being the Amazon biome the major concern in terms of sustainability due to the advance of production in the rainforest. GTPS projects and actions, so far, focus on the Amazon biome.

A major player in the Brazilian beef chain is ABIEC – the Brazilian Beef Exporters Association. Such an Association had initially focused on promoting the beef export (Vieira and Traill, 2008), but has since shifted its actions towards the promotion of beef consumption overseas. As a result, Brazilian beef as a whole has benefited from an increased and diversified market share in exports as well as has acted on responding to the international concerns regarding the Brazilian beef safety and traceability. The ABIEC represents slaughterhouses and meat packers a wide spectrum. These range from businesses, which might have had their products banned from export due to risk caused by uncertainty regarding the lack of adherence of Brazilian farmers to traceable livestock production system, to those that might have been under scrutiny for their negative ecological impact on the rainforest and other biomes. ABIEC became more representative of large companies when Brazil beef sector had to tackle traceability systems to export to the EU (Vieira and Traill, 2008).

5. Findings

5.1. Overview of the changes from late 1990s to 2015
The Brazilian beef industry showed an evolution of multiple cross-sector partnerships across institutional levels and periods between the late 2000s and 2015 (Table 1). Overall, these partnerships involve large beef processors and most actors in the rest of the beef industrial ecosystem - including growers’ associations, national, state and municipal government agencies, as well as international and national NGOs and research institutes.

Over this period, the partnerships evolved in different levels. First, partnerships at a regulatory level emerged since 2009 soon after the Greenpeace report (2009) entailing deliberation, decision-making among public sector, multiple large processors, retailers, and other supply chain actors in creating standards for sustainable production. The regulation also enforces co-liability from other members of the supply chain than producers regarding deforestation rates. After few years of collaboration to create a roundtable, a second wave of partnerships (namely at a value chain governance level) involved livestock producers, large processors, NGOs and governmental agencies in rural areas in the Amazon, where the livestock production is actually performed. These two levels of partnerships are interconnected, interdependent and coordinated by distinguished partners that, on the institutional level, deliberate new environmental and social standards to improve chain’s reputation and, on the value chain level, seek compliance and monitoring of livestock sustainable production in their suppliers’ operations.

Table 1: Partnership development across institutional levels and periods in the Brazilian beef system between the late 2000s and 2015.

<table>
<thead>
<tr>
<th>Institutional levels according to</th>
<th>Period before 2009</th>
<th>Period 2009-2012</th>
<th>Period 2012-2015</th>
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Williamson (2000)

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<tr>
<th>Institutional Level (L2)</th>
<th></th>
<th>Value Chain Governance Level (L3)</th>
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<tr>
<td>- Federal Public Ministry - Conduct Adjustment Term with the three largest Brazilian slaughterhouses (rule-setting). - Arco de Fogo Operation - Properties embargo in Mato Grosso and Pará states (enforcement); Establishment of GTPS as sustainable livestock in Brazil.</td>
<td>- Institutionalization of GTPS - GTPS – FSP (Farmer Support Programme) Project.</td>
<td>- Rural Farmers Union of Paragominas – Pará state, and NGO TNC - Pecuária Verde Project (13 cattle ranchers); - ICV – Alta Floresta, Mato Grosso state - PIBC Program (Pilot with 10 cattle farmers) - PIBC=Low Carbon Integrated Livestock</td>
</tr>
</tbody>
</table>

5.2. Institutional framework before Greenpeace denunciation in 2009

Beef production in the Amazon biome has always raised significant concerns in terms of environmental preservation and protection. Aiming to protect the Amazon biome, the Brazilian government created the Operation Arco de Fogo (Fire Arch) in 2008. This was a joint action between several governmental agencies such as IBAMA (Brazilian Institute of Environment), the Federal Police
and the National Security Force. It began in February 2008 intending to combat illegal deforestation in the Amazon and the first actions occurred in the three states in the Amazon biome (Pará, Rondonia and Mato Grosso) targeting the loggers in irregular situation. Over 500 public officials between agents and policemen were in action to fight the transportation, storage and sales of illegal timber and charcoal (IBAMA, 2008). As a result of this operation, the Federal Government embargoed some areas in these 3 states. These areas were not only involved with logging but also with livestock production. This Operation has implemented the concept of co-liability in the beef sector that was not existent before. The Decree 6.321 of economic embargo on properties located in illegally deforested area recognised the slaughterhouses as co-responsible for purchasing products or by-products from these embargoed areas. The "blacklist" of deforestation published by the Ministry of the Environment - MMA as a result of analysis by the Deforestation Monitoring Project of the Legal Amazon - PRODES, was composed of municipalities that are within areas that require priority actions to prevent and control of deforestation in the Amazon. The list is published annually in the Portal MMA and includes municipalities that have total areas of cleared forest, or observed increase in deforestation rate over three years (MMA, 2015).

Despite these institutional changes aiming to tightening controls over the linkages between deforestation and beef production, the major tipping point in change was reached with the Greenpeace denunciation of the situation in the Amazonian biome in 2009. Greenpeace Brazil published a report entitled “A Farra do Boi na Amazonia”, linking the livestock production to deforestation and
cattle ranching as the world’s deforestation vector and greenhouse gas emissions in world (Greenpeace, 2009). In this report, Greenpeace also denounced the Brazilian government’s expansion policies related to the industry, the main slaughterhouses and national and international beef buyers. The Greenpeace was targeting the ranchers who were deforesting to expand arable and grazing areas to agricultural and livestock activities in the Amazon, but it also had direct impacts over other agents of the chain.

The publication of the Greenpeace report immediately affected the reputation and export sales from the five largest slaughterhouses in Brazil at that time (Bertin, JBS, Marfrig, Minerva and Independência). Right after the Greenpeace report, international media and global buyers started to pressure the main beef exporters to guarantee that deforestation was not involved in the beef production, even in other Brazilian biomes far from the Amazon region.

5.3. Changes in the regulatory framework: The establishment of GTPS (2009-2011)

GTPS was created at the end of 2007 but formally implemented in the same year of the publication of the Greenpeace denunciation through an agreement signed between the NGO Greenpeace and the top three Brazilian slaughterhouses. This agreement called “Minimum Criteria for Industrial Scale Operations in the Brazilian Amazon Biome” was an important milestone in the beef chain, as it can be interpreted as the opening of large slaughterhouses to the influences of important stakeholders.

Therefore, at this time, there were two initiatives in parallel tackling the problem. In the public sector, the Conduct Adjustment Term in Livestock (TAC)
where the Federal Public Ministry possessed legal legitimacy and power to enforce its compliance by slaughterhouses. The first term was signed by Bertin, at that time one of the largest slaughterhouses in Brazil, setting a number of standards and procedures that would be later signed with slaughterhouses that operate in the Amazon, especially those who have processing plants in the states of Pará and Mato Grosso (JBS, Marfrig and Minerva). The public sector initiative, the TAC, required that signatory slaughterhouses had a period for adjustment to the conditions of the agreement, such as providing evidence of the properties of its suppliers, which involves tracking by satellite images of areas and regions where the animals for slaughter are purchased, i.e. the visual proof that cattle purchased by slaughterhouses were originated in areas without any kind of embargo, in order to guaranteeing the origin of the raw material not associated with deforestation, invasion of indigenous lands or environmental conservation units.

The commitment to TAC has changed the selection criteria for livestock suppliers of slaughterhouses by imposing on them a broad and detailed control over the origin of purchased animals. In practical terms, the legal requirements impacted on the whole supply chain, mainly in its production units located in the Amazon and those that process meat originated in this biome. Adequacies to environmental and social laws also impacted directly on the activities of cattle growers, and to ensure supply capacity to slaughterhouses, they had to promote changes in properties structures such as: identification and fencing the Permanent Preservation Areas - APPs, and changes in processes and activities relating to the breeding and handling of cattle, among others. The minimum
criteria agreement between slaughterhouses and Greenpeace are stated as follow in Table 2.

**Table 2 – Criteria agreement between slaughterhouses and Greenpeace**

<table>
<thead>
<tr>
<th>First Criterion</th>
<th>Zero deforestation in the supply chain</th>
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<tr>
<td>Second Criterion</td>
<td>Rejection of invasion of indigenous lands and protected areas</td>
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<tr>
<td>Third Criterion</td>
<td>Rejection of forced labour</td>
</tr>
<tr>
<td>Fourth Criterion</td>
<td>Rejection of land grabbing and land conflicts</td>
</tr>
<tr>
<td>Fifth Criterion</td>
<td>A monitoring, verifiable and reportable tracking system</td>
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<tr>
<td>Sixth Criterion</td>
<td>Implementation of the commitment throughout the supply chain</td>
</tr>
</tbody>
</table>

Source: Greenpeace agreement (2009)

Stakeholder discussions over the creation of a multi-stakeholder partnership to deliberate and agree on sustainability standard took place already since 2007, yet the creation of the GTPS finally came to realization in 2009 - few months after the diffusion of the Greenpeace report led by ABIEC. The GTPS is a multi-stakeholder initiative, formed by different segments of the Brazilian beef value chain – such as industries, suppliers’ and farmers’ organizations, distribution channels, research centres and universities, as well as financial institutions and civil society (e.g. ABIEC, JBS, Marfrig). Its remit is to develop pathways for sustainable beef production in Brazil, keeping a continued dialogue with stakeholders. GTPS is presently one of the world’s largest multi-sector beef
cattle alliances (GTPS, 2012) aiming at promoting the continuous improvement of quality and standards; transparency and ethics; good agricultural practices, and legal compliance.

GTPS promoted several open events, such as seminars and meetings for livestock-related discussions in Brazil, mainly related to the environmental, social and economic themes. During this period the GTPS grew in number of members, adding representatives of all value chain activities, enabling it to greater representation and consolidation as the sustainable livestock roundtable in the country. GTPS is thus concentrating efforts in developing mechanisms and tools for monitoring, tracking, production criteria, financing, purchasing and others incentives to promote the sustainable beef value chain (Sustainable livestock in practice, 2011). The group has adhered to the commitment of the National Plan on Climate Change, whose remit is recovering degraded pastures. Instead of adopting food standards created by global retailers, this group is working to develop their own production standards based on scientific research from Brazilian universities. However, GTPS makes clear that the aim is not to become a certification body, but to include all value chain members and stakeholders into the discussion and actions to sustainability. The group considers that there is more legitimacy in a joint initiative, which is democratic and tries to balance interests from the distinguished stakeholders involved in beef production and trading. The governance is more complex but it does not privilege a specific sub-sector or agent.

The demand for standards arose with a demand from particular actors or groups for standards to be developed or applied. Thus, according to the GTPS case a clear customization with strong Brazilian features. The main challenge for
GTPS has been to prove that these standards are good enough and robust as well as enforce nationwide and promote them to the international market. However, in a large country such as Brazil, with such regional differences, stakeholders need to recognize the use of cooperative efforts even when large and traditionally competitors are leading the initiative. Therefore, we consider that this period it was to engage partners in the initiative to create an institutional basis for sustainable beef production in Brazil.


The second phase consisted of a selection of partners that are committed to the initiative in a more operational level. Nonetheless, large beef processors, such as JBS and Marfrig, have been setting codes of conduct for their global suppliers which have been questioned lately regarding sustainable production. The participation of large companies in the GTPS’s governance through the establishment of sustainable standards can sometimes be difficult even for their home country suppliers to comply with. The way that local suppliers have to develop capabilities, upgrade production processes and become more environmentally aware can in fact be considered cooperative strategies, result of the multi-stakeholder initiative.

At this phase, a number of partnerships appears as both part or as spin-offs of the roundtable. These partnerships might involve all or some partners who are present at the institutional level or be formed by new partners. Some partnerships aiming to changes at the value chain level are: the GTPS launched the “Programa Pecuária Sustentável na Prática” (Sustainable Farming in Practice Program) in 2013, its main program so far, expected to develop for two years,
until 2015, by which the GTPS invest in the beef value chain the amount of $12 Mi Reais (around 3 million USD) during the period of the program. 25% of the financial resources came from the Farmer Support Programme (FSP), which is a Dutch NGO called Solidaridad, and members of GTPS would finance 75%. During those two years, the guideline “Sustainable livestock in practice” has been developed to make sustainable livestock farming a reality in rural areas with the main objective to support the implementation of good practices, the development of a “multiplier training model” for agricultural extension and test some GTPS performance measures.

Beef processors also started undertaking actions without their industry partners yet in collaboration with selected cross-sector partners that also participate to the GTPS: First of all, the “Novo Campo” Program was an initiative of an NGO based on Mato Grosso, called Instituto Centro de Vida (ICV). As part of the context of institutional changes (Greenpeace denunciation and Federal Public Ministry TAC) that influenced the relationships between stakeholders in the beef chain in Brazil, in August 2012 the first Pilot Project in the Alta Floresta region was created by ICV in order to contribute to the implementation agenda of Sustainable Municipalities through good agricultural practices. The first ICV project related to livestock had as main stakeholders involved the ICV itself, the funders Vale Fund (a non-profit association, under the title Civil Society Organization of Public Interest) and the US-based Moore Foundation, Embrapa (Brazilian Research Agricultural Corporation), the Union of Rural Producers of Alta Floresta and 10 livestock producers of Alta Floresta municipality. This pilot project aimed to provide technical assistance to livestock producers and prove that the use of the best soil and livestock techniques could turn the rural
properties into competitive and appropriate to environmental issues, favouring the preservation of nature.

This pilot project was the basis for the formation of the Novo Campo Program, which also emerged from the ICV in October 2014, aiming to increase membership in number of ranchers in the municipality and the region. The Novo Campo Program was also implemented with more partners than the previous pilot program, the PIBC, and included new partners like the Brazilian NGO “Instituto de Manejo e Certificação Florestal e Agrícola” (Imaflora), Solidaridad and JBS, in addition to funding partners.

The ICV has identified that there was an intensive livestock production, but it needed technical assistance, and that is when the GTPS came in and became part of the Novo Campo Program. The GTPS joined the Novo Campo program after identifying that the ICV pilot project could be a role model or "example" to other regions of Brazil, and has become one of the resources funders and provide technical collaboration with the Center for Integrated Technical Assistance - NAT.

The first 10 producers who participated in the ICV pilot project in 2012 already had some connection with the Secretariat of Environment of Alta Floresta, by earlier work on regularization of properties in the Rural Environmental Registry, by personal relationships between members of the ICV and cattle growers, and the support the ICV provided to the municipality’s Department of Environment when the properties were registered in the CAR, offering the services of its Geotechnology Laboratory.

This participation of the ICV at that time created a positive image of NGOs with cattle growers/local producers, because before that the NGOs were not well
perceived by local producers. One of the criteria that influenced the choice of those ranchers and properties that participated in the pilot project was the geographic distribution of properties in the municipality, where they gave priority for the participation of at least one farmer in each region of the Alta Floresta municipality.

The positive results of pilot project, related to the URRF (Reference Units for Reform of Grassland) and URRA (Reference Unit in Degraded Area Recovery) in APPs (Permanent Preservation Areas), which were monitored by the ICV during the period of the pilot project PIBC, generated results that were the basis for the creation of the Novo Campo program.

This initiative was locally run but achieved an important status to become a model to develop producers’ capabilities in environmental concern practices. GTPS, which is at the institutional level promoting a roundtable discussion with stakeholders, endorsed it as a way to promote around the country. This is an example of the interdependence of the two levels (institutional and value chain) that can connect and reinforce each other, but occurring in parallel.

Another partnership to implement and monitor the outcomes of the GTPS in the chain, yet in a partnership separate from GTPS, was the Carne Sustentável Project: “Do Campo à Mesa” (Sustainable Beef: from countryside to table). This was an initiative of the NGO The Nature Conservancy (TNC) in collaboration with only one large slaughterhouse and is being developed in São Felix do Xingu and Tucuman, in the southeast of Pará, since September 2013. Currently there are 15 livestock producers in the region participating in the project together with, the Union of Rural Producers of São Felix do Xingu, Embrapa (Brazilian Agricultural Research Corporation) and world largest retailer Wal-Mart as other partners.
Through this action with cattle growers, it was possible to analyze the region in terms of its potential for livestock and develop the Carne Sustentável Project. One of the aims of the project is to develop a production model combined with the conservation of the biome in the region where it occurs and that can later be replicated in other regions of the Amazon. In addition, the issue of sustainability in livestock, according to the TNC, involves the beef chain, which leads to involve more stakeholders, reaching to retail, as in the case of Wal-Mart participation.

The first phase of this project is expected to develop up to February 2016 and, in addition to the regularization of the properties, there are the intensification of livestock with the pasture management and the identification and maintenance of the APPs - Permanent Preservation Areas. In the second phase of the project, it is planned to grow, including more producers in the region and maintaining the initial objectives of combining productivity with environmental, social and economic sustainability.

The description above shows that the first phase focuses of a more heterogeneous partnership involving members from public, private and third sector at the institutional level (GTPS). The next move was to the value chain level, where some of the partners developed an operational partnership with farmers. These value chain partnerships could involve several partners but also more dyadic relationships, according to the agenda and objective of the leader (processor, NGO or public sector). It can be said that the partnerships at the value chain are an outcome of the institutional level (GTPS) but there also connections on how are interconnected. A stakeholder that is an important bridge between the two levels is the NGO. They provide technical assistance and develop environmental awareness in the famers located in the Amazon region. It
is also perceived that farmers have high levels of trust about the NGOs that when in partnerships led by beef processing MNCs.

6. Discussion and Final Remarks

According to value chain governance perspective, changes in the institutional framework (North, 1990) reduces complexity of transactions among partners while enhancing suppliers’ capabilities in the supply chain (Gereffi et al., 2005), so it ultimately increases the performance of the supply chain and thus of its leading firm. Thus, for a Brazilian beef processor MNC it is essential to invest in a widely inclusive multi-stakeholder partnership such as GTPS to re-establish legitimacy in the beef system. On the other hand, though, legitimization processes with multiple stakeholders can be costly to coordinate (Gereffi et al., 2005) and may not develop widely accepted “rules of the game”, especially when stakeholders have contrasting views on which these rules should be (Pache and Santos, 2010). Therefore, while partnering in GTPS, MNCs also established bilateral or less inclusive partnerships with one local Non-Governmental Organization and/or Government extension officers to more efficiently develop and implement the new standards deliberated in GTPS which is similar to the process identified by Palazzo and Scherer (2011) as legitimization through multi-stakeholder deliberation processes. This is a move from Private Governance as proposed by Gereffi et al (2005) to form of a collective Governance that we call Multi-stakeholder Governance. There are tensions between the two levels, and they are geographically and culturally distant from each other.
The case study from the Brazilian beef industry case leads to re-establishment of legitimate rules of the game in an GVC. Specifically, we propose that this kind of initiative are not linear and undertake two levels to adapt the governance of value chains during an institutional crisis. In the short term, MNCs react to the institutional crisis by investing and participating in a collaborative, process-oriented multi-stakeholder governance mechanism to establish the general principles of the new “rules of the game” (e.g., GTPS in the Brazilian beef industry setting sustainable standards). In the medium term, MNCs engage into a competitive, proactive selection of a limited number of stakeholders within the same multi-stakeholder governance (e.g., GTPS) to efficiently codify the new “rules of the game”. Third, MNCs build competitive, output-oriented partnerships with the selected set of stakeholders – parallel to the multi-stakeholder governance mechanism – to build suppliers’ capabilities and reduce the complexity of market transactions under the newly established “rules of the game” (e.g, a bilateral cross-sector partnership involving one MNC beef processor and one NGO).

This case study challenges the assumption that partnership can by itself contribute to value creation for a company (Austin and Seitanidi, 2012) and promote systemic change (Selsky and Parker, 2005); encourages to interpret MNC business strategy on partnerships with the lens of a “portfolio of partnerships” or “alliance portfolios” rather than in isolation (Van Tulder et al. 2014; Gutierrez et al., 2015); and supports the necessity of further investigating how companies use different governance structures in and across sector to either preserve or to revert power structures in a system on the basis of their
corporate goals (Auld et al, 2015). Value chain level of analysis also contributes to the understanding that actual changes happen in the field (production) and not just in the roundtable and institutional level. Further research suggest this direction as well as on how conflicts and tensions are managed in multistakeholder governance (Smith et al, 2013; Moog et al, 2015).

Reference


