Business as a Social ‘Good’

Bruce A. Kibler, PhD
Dahlkemper School of Business, Gannon University, USA

ABSTRACT

An Alternative Break Spring Trip to Haiti provided the author with empirical experiences of the plight of Haitian people, which can readily be transposed to other economic systems and situations. This paper looks at economic development under the auspices of Charity vs Entrepreneurship. Charity, and its near cousin, welfare, have a distinct place in this world, however, both have proven to cause significant economic and societal negatives. The author will set the stage by reviewing the literature on economic development and new forms of business models, such as social entrepreneurship. The Just Haiti model will be described and an attempt will be made to categorize it into the larger context of business models, economic development and varying forms of Humanitarian Aid. The author will draw upon current literature in attempting to categorize the business model and define a plausible model for economic development which could be generalized to many countries in the context of sustainability and Corporate Social Responsibility.

Keywords: Economic Development Models, New Business Models, Social Entrepreneurship, Shared Economy, Volunteerism.

JUST HAITI

As I stepped off a plane from the wealthiest country in the western hemisphere to the poorest, I was struck by the warm temperatures, swarms of people, hectic traffic, inadequate sanitation, and streets lined with otherwise-unemployed vendors. Some of these characteristics are symptoms of extreme poverty in Haiti and have attracted the attention of many well-meaning missionaries and nonprofit organizations, like Just Haiti. This specific nonprofit organization aims to alleviate poverty by attacking the systems that perpetuate it. Some of these issues point directly to weaknesses in the Haitian government, due largely to the fact that many non-governmental organizations (NGOs) in Haiti and foreign nations have more influence than does the indigenous government

HISTORY OF HAITI

Haiti, occupying the western portion of the island of Hispaniola, has been a global entity ever since the island was discovered by Christopher Columbus in 1492. The native Taino people were enslaved to mine gold on the island before they died off due to overwork or by smallpox, which was introduced by the Europeans. When the French took over the western third of the island, they imported thousands of slaves from Africa to continue the work of the Taino and to cut down the forests. These endeavors made the French the richest nation in the world at the time (Fuller, 2015, p. 112).

When the Haitians finally won their independence from France, they were forced to pay 150 million Francs (the equivalent to 20 billion dollars in today’s economy) as reparations for the land, crops, and even their own lives, which were considered French property, lost in the bloody war. These debts, and the
interest accrued from their French lenders, were finally paid off in 1957. In exchange for these reparations, France recognized Haiti as an independent nation (Wilentz, 2015, p. 230).

The United States did not make the same recognition until 1862 during its own Civil War, but nevertheless, Haiti remained an interest of the United States. The sugarcane and cheap labor (used to produce baseballs and undergarments) that Haiti offered were particularly enticing. Haiti's unstable government allowed for the U.S. to begin its occupation in 1909 on grounds that the United States would be protecting the newly independent nation from imperialists of the eastern hemisphere. At this time, National City Bank acquired a stake in Haitian National Bank to build railways in Haiti which supported the interests of the United States (Wilentz, 2015, p. 230).

The racism and segregation that was employed by the U.S. Marines during their occupation of Haiti led to the rise in power of a reactionary named François “Papa Doc” Duvalier and his son and successor, Jean-Claude “Baby Doc” DuValier. The DuValiers were known for violating human rights and free speech, yet they remained in power for 30 years with the backing of the United States due in large part to the dictators’ stance against communism (Fuller, 2015, p. 108). In fact, any Haitian that wanted to become president in the twentieth century must have been approved by the United States (Wilentz, 2015, p. 232). Despite U.S.-backing, the Haitian government ran like a kleptocracy. It is estimated that between 30,000 and 60,000 Haitians were killed by the Tonton Macoutes, the private militia of the DuValiers, during their rule (Fuller, 2015, p. 108).

Besides backing government officials, the United States has had a hand in influencing Haiti’s policy without regard to the Haitian people. For example, the International Monetary Fund (IMF) loaned Haiti $24.6 million on the condition that Haiti would lower tariffs on imported food (Fuller, 2015, p. 108). The Clinton administration backed Haitian leader, Jean-Bertrand Aristide’s return to power in 1994 because he supported the initiative to lower these tariffs from 50 percent to three percent. This allowed the United States to dump its surplus rice onto Haitian markets, despite the fact that Haiti had been completely self-sufficient in producing rice up until this point. By 2012, about 80 percent of the rice consumed in Haiti was imported (Wilentz, 2015, p. 231). The move to Free Trade created a food dependency in Haiti, as thousands of formerly self-sufficient farmers were no longer able to support themselves in rural areas. These desperate farmers chopped down their trees (Haiti is 98% deforested) so that they could be converted into charcoal, which was more valuable than their crops in such an oversaturated market (Fuller, 2015, p. 108). Consequently, many unemployed farmers moved into the Port-au-Prince, causing overcrowding in the city. Today, Haiti imports 50 percent of its food, mostly from the United States, and Haiti is the second largest importer of American rice (Wilentz, 2015, p. 231). It can be argued that the Haitian government is ineffective in solving its country’s problems because so much of its power has been taken away by outside forces, including foreign nations (as mentioned) or nongovernmental organizations (NGOs). There are 4,000 registered NGOs working in Haiti (Fuller, 2015, p. 107). These NGOs are not regulated, and each come with their own project which can undermine the national government who should be finding nationwide solutions to the country’s problems (Wilentz, 2015, p. 233). For example, in the wake of the 2010 earthquake that hit Port-au-Prince, only 9.1 percent of the $6 billion international aid was channeled to directly to the Haitian government. The majority of the money went directly to foreign corporations.

The low tariffs are just one example of how pressure from larger foreign powers have led to unfavorable economic and governmental conditions for Haiti. Recently, the Haiti Mining Justice Collective filed a complaint against the World Bank in 2015 for failing to include Haitians in the process of writing international legislature to attract foreign investors to the $20 billion gold, copper, silver, and...
Iridium mines beneath Haitian soil (Fuller, 2015, p. 113). The world has been using these methods of extracting resources and exploiting Haitian markets for years to benefit at the expense of Haiti since before the country gained its own independence.

The Haitian coffee market is no different. The process of converting coffee from bean to drinkable beverage requires a grower, an exporter, a coffee-bean broker, a roaster, and a retailer. Of all the people who have a hand in creating the coffee we drink, the grower usually makes the least amount of profit—about $1.40 or $1.50 per pound of coffee (Lamberty, 2015, 335). Using the model of Integral Human Development, which was first adopted by Catholic Relief Services, Just Haiti works to help coffee growers earn fair market compensation for the grueling labor that is involved in harvesting coffee so that growers can earn enough money to support and enhance their own communities.

CATHOLIC RELIEF SERVICES

Catholic Relief Services was founded by Roman Catholic Bishops in the United States in 1943. In the wake of World War Two, the newly-formed CRS focused on resettlement for refugees. CRS works in over 100 countries today, focusing on aiding in emergency situations such as the 2010 earthquake in Haiti. CRS is also committed to breaking the cycle of poverty by attacking its root causes with sustainable development projects (CRS History, 2016). During my trip to Haiti, I observed one of CRS’s agricultural projects which involved growing almost 70 strains of beans in an attempt to find the variety that would produce that largest yield. I also observed a water project which was started by CRS and sustained by the local population. The involvement of the community in every CRS project supports the concept of Integral Human Development, which is the guiding concept behind CRS. Integral Human Development is defined as the long-term process of cultivating an individual’s cultural, physical, natural, economic, political, social, and spiritual potential in an attempt to achieve wholeness through just relationships with society and environment (CRS History, 2016). This approach differs from many other mission projects because the focus is on the relationship rather than the task. The idea of Integral Human Development was first introduced by Pope Paul VI as part of Catholic Social Teaching in his 1967 publication, *Populorum Progressio*, and it has become the model for the non-profit, Just Haiti (Lamberty, 2015, p. 329).

JUST HAITI - A SUBSIDIARY OF CRS

Just Haiti has strong correlations to Catholic Relief Services. Just Haiti has embraced the idea of Integral Human Development that is also employed by CRS. Additionally, the President of Just Haiti and our guide in Haiti, Kim Lamberty is a senior advisor at CRS and works as the Director of University Programs for Catholic Relief Services’ U.S. Operations. One of the greatest differences between Catholic Relief Services and Just Haiti is the scale at which each function. Just Haiti works to alleviate poverty at the micro-level, focusing on individual villages, while CRS has a presence throughout the nation of Haiti. According to Lamberty, creating a lasting relationship with the community to be helped is the most important step towards successful change (Lamberty, personal communication, March 2, 2016). Lamberty and the other founders of Just Haiti (Father Pascal Pierre, Jim DeQuattro, Suzie DeQuattro, and Bernard Nestor) created this relationship through years of working on a sister parish project, beginning in 1996 (Just Haiti). Despite years of building schools and developing tuition assistance and medical assistance programs, no significant improvements were made (Lamberty, personal communication, March 2, 2016).
MISSION

Their inability to make long-term changes to their partner community in Haiti using traditional mission projects caused the founders of Just Haiti to reevaluate. Building schools did not change the fact that 45 percent of Haitian children did not attend school because they could not afford to (Lamberty, personal communication, March 2, 2016). A second look at the assets of the partner community indicated a wealth of coffee for which the growers were being undercompensated in the capitalistic market. Just Haiti was then created, with a goal of creating a fair partnership between the Haitian coffee growers and the American coffee consumers using environmentally friendly and sustainable techniques (Just Haiti).

KAFFE DEVELOPMENT BARADE

Kafe Development Barade (KDB) is the name of the first Haitian growers’ association with which Just Haiti began working. Kafe Development Barade is based in the Baraderes region of Southern Haiti. The relationship between KDB and Just Haiti is a partnership (Just Haiti). One of the growers explained that the relationship between Just Haiti and KDB is “send coffee, get money,” such that KDB is responsible for planting and harvesting the bean, and Just Haiti tends to the business aspects of the operation including roasting, packaging, and selling. Because KDB and Just Haiti are separate units, the association is welcome to sell their coffee to anyone they please, but Just Haiti continues to receive their business because of the immense trust that has been built between the two organizations throughout the years (Lamberty, personal communication, March 2, 2016). In 2012, Just Haiti sold 10,000 pounds of coffee and KDB included a total of 100 members (Just Haiti). Just Haiti’s capacity to import more coffee from more growers will continue to increase at a sustainable rate in the future.

BUSINESS MODEL

Just Haiti is able to offer growers higher prices than they would otherwise get because the nonprofit replaces the role of exporter, broker, roaster, and retailer. Just Haiti operates using a “Fair Trade Plus” Model, which originated from another nonprofit in Douglas, AZ called Café Justo. The Fair Trade Plus Model allows growers to be paid the Fair Trade price in exchange for their coffee. Because Just Haiti operates as a Section 501(c)(3) nonprofit, all additional profits that the company makes after covering business costs are returned to the growers. In 2012, 64 percent of sales were returned to growers, 36 percent of which was profit (Just Haiti). The average grower working with Just Haiti makes approximately $4 per pound of coffee, while the average grower is paid about $1.50 per pound without the Fair Trade Plus Model (Lamberty, personal communication, March 2, 2016). Just Haiti’s prices are also attractive to growers because they are stable in comparison to others in the very volatile Haitian coffee market.

Not only is a partnership with Just Haiti appealing for the growers because of the larger profits, but Just Haiti also offers several fringe benefits to the partner growers, including a loan fund and educational opportunities. Just Haiti offers no-interest loans to its growers. Recently, KDB used money from this fund to purchase a truck to be used to collect and transport coffee from the growers in the association. Before the truck, KDB relied on donkeys to transport coffee through the mountainous Baraderes region. Just Haiti’s no-interest loans allow for the advancement of the association. The loan fund is also evidence of Integral Human Development in Just Haiti’s business model. By loaning money that will be paid back,
Just Haiti is facilitating growth of the association rather than granting its wishes, and in so doing, encouraging sustainability and self-reliance among the partner community. During the business meeting I sat in on, there was talk about the need for a new depulping machine. Lamberty, representing Just Haiti, reminded KDB that the money was available if they chose to use their resources to get a new machine. Had Just Haiti decided to gift the new machine to KDB, an unsustainable relationship would have been created in which Just Haiti was seen as a provider. Gifting creates dependency which in turn, perpetuates poverty. These methods need to be abandoned in order to make long-term change. In addition to creating an unsustainable relationship, gifting a new depulper would have undermined KDB’s leadership, giving Just Haiti more power than the association’s leaders and jeopardizing the crucial partnership.

Just Haiti has also further developed the partnership between Just Haiti and KDB by employing staff in Haiti. Joane Charles, the first staff member of Just Haiti based in Haiti, works as an agronomist and liaison between Just Haiti and the Haitian growers associations. One of Joane’s main jobs is to monitor coffee quality and to teach the growers techniques to improve their yields (Just Haiti). The main enemies of the coffee growers are scolite (an insect) and leaf rust (a disease). I also witnessed Joane explaining the importance of keeping garbage away from coffee plants because the chemicals from litter can leech into the ground and affect coffee quality.

In addition to educating the growers, Just Haiti recognizes the importance of educating their families. The higher wages allow families the money to send their children to school, but Just Haiti also has a scholarship fund that currently pays for the college tuition of two students. The fund covers $1,000 per student annually (tuition in Haiti is about $1,200). Students who accept this scholarship study business or agronomy so that their knowledge can be returned directly to their families to benefit the coffee business that sustains them. In addition, the scholarship winners must work with the grower communities associated with Just Haiti for four weeks in the summer. Just Haiti’s scholarship program is
beneficial on several fronts because it promotes opportunities for students while also improving coffee production. Since 87 percent of Haiti’s higher education institutions were impaired by the 2010 earthquake and many professionals were killed or fled as a result of the earthquake, increasing the number of people with higher education in Haiti is an important aspect of recovering from the 2010 earthquake and promoting Haitian prosperity (Just Haiti).

SCHOLARLY CONTEXT IN BUSINESS MODELS AND ECONOMIC DEVELOPMENT

Development efforts in Haiti are plagued by a lack of central planning: after innumerable incidents of corruption of funds and general inefficacy on behalf of the Haitian government, aid agencies and non-profits found that their goals were better met by working around the state, rather than with it (Dobbins, J., Pp. 71-85). While this has helped the individual organizations to check boxes on outcomes assessments, it has simultaneously created an immense coordination problem amongst the thousands of non-profits, aid agencies, and charities operating in Haiti. Moreover, in operating outside of partnerships with the Haitian government, many observers argue that this has served to effectively denigrate the central government and its institutions, furthering the likelihood of inefficacy which pushed the aid agencies away in the first place. Organizations like USAID and the World Bank have acknowledged that the lack of government strength is an issue for the Haitian government’s legitimacy with its people and its ability to coordinate development efforts, but aid and development agencies largely continue to operate outside cohesive partnerships with the Haitian government itself (Dobbins, J., Pp. 71-85).

Indeed, despite $2.4 billion of investments by aid agencies, development banks, NGOs, and charities since the 2010 earthquake, the relative lack of coordination by these disparate actors has resulted in projects that are frequently ineffective towards creating systemic civic and economic development. The lack of coordination has in many cases resulted in forms of aid that seek to simply alleviate the brutal conditions of poverty rather than work toward systemic and community based solutions for development.

It is pertinent here to speak about some of the psychological and/or sociological ramifications to the charity and/or welfare models. As the old adage states, “You give a poor man a fish and you feed him for a day. You teach him to fish and you give him an occupation that will feed him for a lifetime” (Chinese proverb). Beyond this old adage the existence of stigma has been amply documented in the sociological literature (Patrick Horan and Patricia Austin, 1974; Lee Rainwater, 1979), where interviews of recipients have often uncovered feelings of lack of self-respect and "negative self-characterizations" from participation in welfare. Looking specifically at Haiti, during the interview with Kim Lamberty, CEO of Just Haiti and supported by other interviews and my own observations, Haitians are inundated with charitable organizations to the point of not expecting to have to work to get themselves out of their predicament. As we send used clothes, food, build building and etc., there is no incentive for Haitians to work for these things anymore. Moreover, the charitable donations and buildings literally put all the local jobs at risk as they can produce anything in competition with “free”. This has very negative consequences for the local economy and individual motivation and incentives. The Just Haiti model teaches the locals how to begin fending for themselves once again, an intrinsic ability for society and or economies to be built and to survive.

The mission of Just Haiti is to insure that the growers profit from the production of their coffee; they support them by offering 0% interest loans for small capital purchases vital for expanding operations, advice in the form of an agronomist and the board of directors; and the stream-lining of the production process.
The goal is self-sufficiency: the Board of Directors look forward to the day where the coffee growers can operate without their help.

The model ensures that the community is making decisions to navigate their own path of development; collectives are tribunals to make decisions that influence their entire communities, empowers them to take ownership of their enterprise and communities no longer at the whims of foreign aid agencies or the donations at Masses of far-away churches.

CONCLUSIONS

Skeptical of the ability of larger non-profits or aid organizations to scale-up the operation of JustHaiti and get similar results; Just Haiti’s model is founded upon personal relationships and trust between the partners in the US and the coffee collective in Haiti. Aid organizations might seek ways to build upon their relationships with the partners they have long-standing, cultivated relationships with; nevertheless, a part of this model’s success is that it is not beholden to impersonal budget cuts made by actors alienated from the partnership.

So, how can this business model be put into an appropriate category. Just Haiti is a nonprofit organization, but its officers do not take a salary, therefore requiring it be embedded within another financially successful entity. Just Haiti is sharing knowledge and resources across the business spectrum in order to assist those who would normally not be in a position to assist themselves. There are elements of a normal nonprofit, there are elements of the “sharing economy” and there are elements of a normal business as the coffee growers are producing and making a profit. However, Just Haiti eludes classification into any of these frameworks exclusively, it is a hybrid and yet also a piece of a puzzle which is changing the world around us.

The Sharing Economy is the latest addition to the mix of models. The Sharing Economy, “represents a fundamental shift in the way that people interact and transact. Enabled by technology, people are now able to help one another get their needs met in a modern way….We’ve lived in a culture of sharing in all of recorded history, and even if we go back a century we were sharing. The last 100 years are the exception rather than the rule – consumerism is what’s new to modern life” (Rustrum, Stempsinski & Liss, 2014 pages 13-14). This has the potential to be the next form of destructive innovation (Schumpeter). The very essence of the Sharing Economy is the decentralization of the asset base, or the change from owning to sharing, e.g., Uber and Airbnb are current examples but the process began much earlier with internet distributed content in the movie and music businesses. This is a monumental change in the structure of how the market has fulfilled consumers’ needs, i.e., from a centrally owned (corporation) asset base to a decentralized sharing of assets, the benefits accruing more to individual owners as opposed to a centralized agglomeration of owners. This has potentially fundamental repercussions for the power and control of society, politics and the economy. On the other side of the Sharing Economy, influence and control is also being altered, “When someone shares his experience of using RedesignMe, UpMySTreet, MOG, BigCarrot, or ParkingCarma on Facebook, Bebo, or Twitter, he educates the friends and colleagues who are following him. And they are far more likely to trust what he says over what the company says about itself” (Gansky, 2010, p. 46).

In a 2007 McKinsey article entitled The Trust Gap between Consumers and Corporations, the authors, Bonini, McKillop & Mendonca cite that, “Sixty-eight percent of executives say that large corporations make a generally or somewhat positive contribution to the public good. Yet only 48 percent of consumer agree” (McKinsey Quarterly 2007 No. 2). In a recent Harvard Business Review article
entitled, Survey: People’s Trust Has Declined in Business, Media, Government, and NGOs, Michael Harrington states, “We also discovered a staggering lack of confidence in leadership: 71% of survey respondents said government officials are not at all or somewhat credible, and 63% said the same about CEOs. The credibility of CEOs fell by 12 points this year, to 37% globally. By comparison, 60% of respondents trusted “a person like yourself” — on a par with trust in a technical expert or an academic. In absolute terms the results are troubling for business. Just 52% of respondents to our survey said they trust business to do what is right. In 13 out of 28 countries, business was distrusted and respondents were eager for greater business reform, including potentially more policies hostile to businesses’ license to operate.” (HBR, Jan. 16, 2017).

All of this is leading to a plethora of new forms of business activity, not just the Sharing Economy and nonprofits but also including B-Corporations and Conscious Capitalism as well as increased pressure on established business practices, especially as the economic growth motor in western countries becomes driven more and more via greater accruals of debt and those same business models cannot be readily transferred to developing countries due to the lack of purchasing power and population concentration, ergo the phrase, serving the ‘bottom of the pyramid’ (Prahalad, HBR), has come into existence. Even for established businesses, business as usual is increasingly no longer able to fulfill their need for profit and growth. Indeed, the current financialization model still has sufficient fuel left to exist for some time to come, however, what is clear is that the pure profit making motive of the last 50 years, or so, is no longer fulfilling the needs of the individuals within society as the trust in the established actors wanes and new forms of business models and economic activity continue to appear, most of which are not solely preoccupied with profit but are geared towards some form of human prosperity as opposed to merely aggregating capital.

There is a long road ahead to reforming how we approach our economic (as well as political) activity when looking at the power of established actors. Insightful here is an article written by Glattfelder, et al accompanied by a TED Talk by Glattfelder of the ETH Zuerich, which clearly shows the global concentration of capital power amongst just a few players. This concentration has also been facilitated by structural changes in the market, specifically, the change from a market dominated by direct shareholding to one in which indirect shareholding is the dominant form, thereby anointing the agents of Principle Agency Theory as their own principles, effectively restricting managerial and money flow control to just a few players, allowing for a very different distribution of residuals than in a strictly, or predominantly direct shareholding scenario, but more importantly allowing for great risk as the money is still being supplied by the general population under the assumption that the direct shareholding model still exerts market pressures to act in the interest of the investors.

There are many reasons why this model is one which should be explored more closely by business. But to pull from the standard management literature as well, relational job design, “constructing jobs so employees see the positive difference they can make in the lives of others directly through their work” (Robbins, S. & Judge, T., Essentials of Organizational Behavior, 2016, p. 124). Attracting and retaining talent as well as motivating them is an essential element in the long term success of most companies. Integrating models such as the Just Haiti model, allows employees to actively engage in helping others directly, one of the strongest of the human emotions and motivational components. And according to Hildebrand, et al, companies should concentrate on the in-kind approach to corporate social responsibility as it has a far greater emotional impact on (potential) consumers. People value time given far more than mere monetary donations.
To bring this discussion back to the Just Haiti model, this model is, as stated above, a hybrid, designed to avoid many of the pitfalls of the current system and to assist those who cannot assist themselves. This is a new and extremely innovative business model which could and should be embraced by the current economic and political power regimes. The adoption of such a model would not only prove the current actors to be good corporate citizens but to once again build trust and thereby create a vehicle which can be used to extend their current political and economic power by embracing new ideals and modes of doing business and simultaneously helping people to help themselves.

**BIBLIOGRAPHY**


