



Inter-Agency Task Force on
Social and Solidarity Economy

Participatory Decision-Making Processes within a Mobile Communication Social Enterprise and SDG 16

Catalina Quiroz-Niño

*Universidad Nacional de Educación a Distancia/York St John University
Spain/United Kingdom*

June 2019

Draft Think Piece prepared in response to the
UNTFSSSE Call for Papers 2018

**Implementing the Sustainable Development Goals:
What Role for Social and Solidarity Economy?**

The responsibility for opinions expressed in this document rests solely with their author(s), and availability on the SSE Knowledge Hub for the SDGs (unsse.org) does not constitute endorsement by the United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE), or its institutional members, partners or observers, of the opinions expressed in it. No publication or distribution of this document is permitted without the prior authorization of the author(s), except for personal use.

This document is made available on the SSE Knowledge Hub for the SDGs in the form and language in which it was received.

Abstract

A participatory organizational and managerial culture of SSE organizations becomes relevant when we talk about achieving accountable and transparent business institutions and ensure responsive, inclusive, participatory and representative decision-making at all levels (SDG 16.6-7). This think piece considers how a mobile communication social enterprise challenges the logic of governance and management which compromises SSE organizations' democratic principles. The article considers decision-making processes in dimensions such as systemic planning, management and staff empowerment.

Keywords

Participatory governance and management, decision-making processes, systemic planning, sustainable management, empowerment.

Bio

Catalina Quiroz Niño, PhD candidate. Universidad Nacional de Educación a Distancia, UNED; and visiting fellow at York St John University, U.K. Social and Solidarity Economy, Sustainable Development Goals, and Community Development: The Mission of Adult Education & Training, *Sustainability* 2017, 9 (12), 2164. <https://doi.org/10.3390/su9122164>

Addressing the participatory deficit in SSE organizations.

Democratic governance and management are considered the backbone of SSE organizations (Defourny, Hulgård, and Pestoff 2014, 48; Ridley-Duff and Bull 2016, 48). Participatory processes should be in place to make this claim real. This is not necessarily the case in practice, as described in Quiroz-Niño and Encomienda-Blanco (2017, 4), where I argued that the logic of for-profit, private sector governance and management has compromised SSE organizations' participatory principles and decision-making processes in dimensions such as systemic planning, management and staff empowerment.

This think piece aims to explore Fairphone's governance and management model as part of their social responsibility in relation to SDG 16.7: 'Ensure responsive, inclusive, participatory and representative decision-making at all levels' (UN 2016, 35). Fairphone is a social enterprise that has creatively disrupted the conventional mobile industry, developing a new business relationship between a complex web of stakeholders (founders, staff, users, producers, manufacturers and investors) in order to create smartphones that are designed and produced with minimal environmental impact. It started in 2013 in the Netherlands. Their portfolio at 2018 was 150,000 customers, high ranking in sustainability, 4 fair mineral supply chains active, workers' welfare programmes in Africa, Asia, Europe and Latin America, and 10 tons of e-waste collected. Fairphone demonstrates how a specific governance and management style addresses SDG 16.6-7, rather than conforming to the orthodox top-down model in global/local markets.

A critical management approach framework

A critical management approach (Akella 2015) refers to questioning traditional governance and management in relation to ownership, leadership, equity and fairness of an organization. It also aims to deconstruct fixed and subtle managerial power structures (Hayward 1998), which work against meaningful engagement within democratic decision-making processes. Three fields for decision-making processes (Quiroz-Niño and Encomienda-Blanco 2017, 6) are used in this piece as a critical framework to analyze Fairphone. These are:

(i) **Systemic planning:** processes which legitimize and enable the right and duty of people to set the organization mission, vision, policies, and objectives.

(ii) **Organization and sustainable management:** processes that allow the creation of spaces to collectively fulfil the aforementioned duties.

(iii) **Empowerment:** processes that enable members to decide on the training required to optimize job effectiveness and thus performance within a participatory organizational culture.

Using the Fairphone Impact Report (2018), webpage and an interview with a founding member, these three levels of participatory decision-making processes will be analysed:

(i) Systemic planning

Fairphone comes from a grassroots movements' commitment to raise awareness about conflict minerals in consumer electronics. They converted their grassroots *raison d'être* into a social business start-up, where their mission responded to a real need felt by well-informed members. They committed not only to understanding the issues around the production of mobile phones, but decided to act to unmask the dysfunctional, unfair and non-sustainable practices of the mobile industry. The transition of a mission-driven to a mission- *and* market-driven organization risks mission drift. In this case, the mission has become the ethical compass of the organization in order to navigate such a competitive and non-transparent industry.

Three key governance and management structures have been established after five years of its inception, in order to legitimize and enable the right of Fairphone's stakeholders to be part of decision-making processes directly linked to their mission, vision, policies, and objectives. A

collegiate management and leadership approach are validated through the Fairphone Workers' Council which represents the interests of employees (from five in 2013 to 65 at the end of 2017) in relation to contributing to a fair, productive and fulfilling work environment. This Workers' Council guarantees that key decisions be made with workers' input and consent. This is complemented by a Supervisory Board, whose role is to protect the interests of the company and its social mission, by guiding and monitoring the executive board's performance towards the mission; and a managing director who works closely with the CEO. Power and authority are legitimized through diffuse power structures, such as the Workers' Council and by the elected governing body.

Fairphone's vision calls for partners' collective responsibility at all stages of the supply chain. Information is open regarding raw material sources and usage, as well as assembly work and recycling, following high standards and international protocols in place for human rights and decent work. The orthodox approach which positions people as object-consumers is turned around in Fairphone, with well-informed users having a direct say in the co-design of new software and called 'prosumers'.

(ii) Organizational and sustainable processes management

Contrary to orthodox management practice towards maximising financial profits, Fairphone commits itself to an ethical management approach. It generates ethical capital which aims to align with accountability, transparency and reciprocity throughout the whole supply chain. Profits are considered as an outcome of ethical thinking processes linked to market opportunities. This ethical management stance becomes tangible with their key product features: longevity, repairability, recyclability and giving owners more control over their mobiles. The processes aim to work towards a fair electronics industry, finding responsible sources of minerals, especially within artisanal and small-scale mines which are based in conflict-free areas. Fairphone sources its gold from Fairtrade certificate artisanal mines, which follow rigorous regulations. In this way, Fairphone addresses potentially fixed and subtle managerial power structures within the conventional trading system that impact negatively on labour conditions, especially child labour within the mining industry. Fairphone's value supply chain benefits the social and economic well-being of small-scale mine workers in the Global South and increases their access to the international market. These are the spaces where relational and collaborative processes have been tested to tackle unilateral, top-down governance and management culture.

Asymmetries in social power may distort decision-making processes in areas such as working conditions and human rights. Thus, a worker-driven improvement approach, having workers' representation on the board, on-going employee satisfaction surveys and dialogue between employees and factory management have been implemented as part of Fairphone's organizational management culture throughout their value supply chain. Conflicts between stakeholders are viewed as a product and driver of social transformation from a radical management perspective. This was the case when Fairphone's demand exceeded production capacity in 2017, when all partners concluded that there was a need to improve their supply chain management, increase funding and better handle supplier/manufacturer relationships. In 2018, Fairphone's equity raised through a crowdfunding campaign (€2.5 million), an investment round (€7 million) and €13 million loan provided by the consortium of ABN AMRO and the Dutch Good Growth Fund (DGGF). Scaling up means equally scaling their impact up and out with areas of the phone's design, production and life cycle.

(iii) Empowerment

Empowerment of stakeholders is nurtured through strategic ethical thinking and collaboration. A collaborative approach supersedes a competitive approach from local and global partners. These are expected to act in accordance with the UN Guiding Principles on Business and Human Rights. Fairphone's stakeholders are called to scale 'inwards' to understand what needs to change within the electronics industry to make it sustainable and fairer. For example, it was important to understand social and cultural factors that influence working habits, such as the

long working hours pattern of factories in China, where the Fairphone is manufactured. Training in management for constructive communication and problem-solving is offered based on addressing employees' demands and concerns globally.

Fairphone members develop critical thinking and reflexivity about their work throughout their value supply chain. This enables them to make informed choices on how to continue developing professionally to influence the sector and society welfare. The model fosters human and intellectual wealth providing training and continuing development plans to release the potential of their stakeholders for a common good.

Fairphone's commitment towards a transformative social business model

This piece has used the systemic planning, management and empowerment as a critical management framework to analyze the way in which a social business can address SDG 16.6-7. In what follows I will use the same framework to consider the current challenges around 'responsive, inclusive, participatory and representative decision-making at all levels'.

Fairphone's **systemic planning** is focused on transforming a 'founder leadership' approach to a 'growth leadership', which will position the company to scale up and out. There is a need to develop complex multi-stakeholder involvement and scrutiny to ensure vision, objectives and policies are meaningful, sustainable and transformative for the industry.

Fairphone's **organizational and sustainable management** requires it to link its supply chain to initiatives that go beyond conflict-free zones and engage in addressing environmental, social and working conditions in the mining sector. There is a demand for traceability of suppliers and raw materials throughout the lifecycle of the product.

The challenges in Fairphone's model of participatory governance and management structure lie in the continuing accountability in the quality of participation of multi-stakeholders in decision-making processes. A transformative perspective would be to **empower** multi-stakeholders, to be part of the auditing of the impact of their decision-making processes. In this way, Fairphone would take the lead in developing effective, accountable and transparent business institutions at all levels, as SDG 16 targets state.

References:

- Akella, Devi. 2008. "A reflection on critical management studies." *Journal of Management & Organization* 14 (1): 100-110. doi:10.1017/S1833367200003503.
- Defourny, Jacques, Lars Hulgård, and Victor Pestoff. 2014. *Social Enterprise and the Third Sector*. London, UK: Routledge.
- Fairphone. 2018. We're here and we're here to stay. Impact Report Vol. 1, (2018). Accessed June 29, 2019. https://www.fairphone.com/wp-content/uploads/2018/11/Fairphone_Report_DEF_WEB.pdf
- Fairphone. 2018. Fairphone. Accessed June 29, 2019. <https://www.fairphone.com/en/>
- Hayward, Clarissa. 1998. "De-facing power." *Polity* 31 (1): 1–22.
- Quiroz-Niño, Catalina, and Francisco Blanco-Encomienda. 2019. "Participation in decision-making processes of community development agents: a study from Peru." *Community Development Journal*, Oxford University Press 54 (2): 329-351. doi: /10.1093/cdj/bsx035.
- Ridley-Duff, Rory and Mike Bull. 2106. *Understanding Social Enterprise. Theory and Practice*. 2nd ed. London: Sage.
- United Nations Economic and Social Council. 2016. "Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators." Accessed June 29, 2019. <https://undocs.org/E/CN.3/2016/2/Rev.1>