



Complex societal challenges transcend the capacities of a single organisation and even those of a single sector. Such challenges call for innovative, collaborative approaches, require modifications in our management education systems and pose new research needs.

In response, the University of Geneva in Switzerland created the Geneva PPP Research Center to serve as a hub and catalyst for related research projects. This article is based on one of the centre's case studies and illustrates an innovative, collaborative approach: a pioneering public-private partnership (PPP) model initiated by Dr Eleni Gabre-Madhin to fight market inefficiencies that had for long caused famine and poverty in Ethiopia.

Here we summarise the case story, discuss concepts and topics that can be taught with the case and elaborate on implications that we see for management education.

In 1984 nearly a million people starved to death in the northern part of Ethiopia. At the end of 2002, 14 million people were again facing starvation.

Policymakers had extensively focused on the challenge of increasing agriculture production and road density in the country to address the problems linked to hunger, famine and rural poverty. However, they had rarely considered market inefficiencies as one of the main root causes of famine.

Researchers, including Dr Gabre-Madhin, had carried out studies showing that Ethiopia's market integration was weak and transaction costs high. Yet nobody was doing anything about it.

Our case takes this situation as a starting point and exemplifies what Dr Gabre-Madhin discovered during her studies: alarming social needs resulting from malfunctions in the commodity market.

Planting the seeds of change

Lea Stadler and **Gilbert Probst** describe how the Ethiopia Commodity Exchange came into being and the lessons it holds



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More precisely, in some parts of the country the population suffered severe famine while food was available in other parts. Moreover, 28 million smallholder farmers were commonly caught in a daily struggle for survival. Challenges included poor information about prices and potential buyers and sellers, volatile prices, unreliable trading partners, high transaction costs, associated risks and a high level of contract defaults. From a buyer's perspective, the issues were the unreliable supply and poor quality of food products due to a lack of standardised criteria.

Dr Gabre-Madhin was convinced that her country urgently needed formalised trust in the market and an infrastructure that went beyond roads.

She envisioned markets institutions that would be responsible for grading quality, introducing standards, issuing warehouse receipts, relaying market information to all relevant actors, co-ordinating trading, developing reliable payment and delivery systems, and ensuring contract enforcement.

Furthermore, these institutions had to be established in an integrated fashion – not in the piecemeal approach that the different donor interventions all over Africa used. She proposed her idea – a commodity exchange as a holistic platform – to the highest levels of the Ethiopian government.

The exchange she had in mind would not exclude people with a poor education or little capital. It would strive to balance the interests of all the relevant actors across both public and private sectors. Overall, the exchange would ensure more transparent, efficient and reliable trading for all concerned by adding technology and systems to the informal markets already in place.

Dr Gabre-Madhin knew that the stakes were high. Her idea involved nothing less than building a high-tech platform in a place that lacked the basic building blocks of modern commerce such as electronic banking, price information and grading standards. Moreover, farmers, traders and other stakeholders distrusted new market initiatives and offers.

14

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100

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Given the green light from the government to build such an exchange, she had to find a solution to her initial concern regarding the exchange's governance structure. A fully member-owned exchange risked serving its members' interests rather than those of the market. But if membership and ownership were separated, who would invest?

Conversely, an exchange completely in the hands of the government could impede the innovative and performance-oriented corporate culture that Dr Gabre-Madhin envisioned.

Thus, a hybrid model was developed.

The government would initially be the sole owner. While it had to accept all the risks, it would not have special control or dividend rights. At the same time, external financing partners, especially donor organisations, would provide the bulk of the investment funds. Moreover, the exchange would sell freely transferable and exclusive trading rights and membership seats to private trading members.

A board would be responsible for corporate governance by overseeing the exchange management. This board would be composed nearly equally of government-appointed directors and directors that the exchange's private members appointed.

Dr Gabre-Madhin agreed to manage the exchange initially but wondered how the exchange should be staffed. How could they build an innovative, excellence-orientated corporate culture that would attract top talent?

She suggested that a transitional management team, which would initially operate the exchange and then transfer management to a local team, should be internationally recruited. Consequently, external funds had to be mobilised to support the financing of the operational team's international salaries.

Sticking to their objective to include smallholder farmers and small traders, Dr Gabre-Madhin and her team still had to address the challenge of member recruitment. They launched a national advocacy and membership recruitment campaign with the slogan "Grow with Us."

After months of hard work the morning of 24 April 2008 marked a milestone that many had considered impossible: the inauguration of a high-tech commodity exchange in Ethiopia.

Maize, wheat and beans were successfully traded on the Ethiopia Commodity Exchange (ECX) but the months following the inauguration saw a worldwide food price crisis. It did not spare Ethiopia nor the ECX.

In order to avoid a disastrous downturn, Dr Gabre-Madhin and the government decided to confront another challenge: opening the Exchange's doors to coffee. Coffee is the country's biggest commodity and they therefore had to prepare for and manage a dramatic increase in the ECX's operational volume. This meant going from a few 100 tons to more than 100,000 tons in the following year. Moreover, powerful coffee exporters actively resisted this new development.

Once coffee had been successfully introduced on the Exchange, the time was ripe to reflect again on ECX's initial objectives. Millions of farmers still lived in a world far removed from the Exchange, separated by geographical distances and by their capacity to use the system. Even so, 12% of ECX members, representing 2.4 million small farmers, had become directly involved in trading on the exchange within a relatively short time.

In addition, the ECX had installed electronic price display boards across the country, launched an automated toll-free call-in service and developed a mobile SMS text messaging subscription system to increase market transparency. The ECX price thus served as the reference price for local trade in rural markets.

The story of the ECX provides a rich set of scenarios that can stimulate discussion across a range of themes and topics, including the position of women, the engineering of required infrastructures in under-developed contexts, the importance of vision, commitment and dedication, social and public entrepreneurship, leadership and the art of achieving what seems impossible.

From our perspective, one of the main learning insights relates to the advantages and risks of PPPs.

PPPs involve long-term collaborative relationships between one or more private actors and public bodies. They aim to combine public-sector management or oversight with private partners' resources and competencies in order to provide a public good or service.

At the ECX, private partners contribute their market and business experience to focus on efficiency and cost-effectiveness while the government provides authority, networks and legitimacy.

Moreover, the case illustrates the capabilities and skills individuals require to promote advocacy and lead social change. This includes transformational skills to convey a compelling vision and inspire others with their values.

Collaborative partnerships that transcend sectoral boundaries are the wave of the future. There is increased recognition that many of the social, economic and ecological problems we face are inherently complex. Consequently, just one actor or one sector cannot resolve them. They call for the collaborative efforts of the many stakeholders involved.

In addition, the often-praised era of collaboration requires adaptations to our management education system and messages.

In collaborative settings, it is no longer the "heroic leader" – making decisions, giving orders – who excels. Instead, the collaborative setting requires leaders with strong interpersonal and listening skills who can create a vision that gains others' buy-in and leaders who help find compromises and have the ability to adapt new ideas flexibly.

In this regard, *ex-cathedra* teaching is not very suitable for conveying insights and skills. Rather, the participants need to be involved in the teaching.

Moreover, there is very seldom a single correct answer to the questions that emerge when discussing topics related to cross-sector collaboration. This requires the consideration of different viewpoints.

Consequently, instructors need to find ways to allow their students to interact – whether in small-group discussions, through role-playing, peer teaching or simulations. Inspiring and unvarnished stories, such as the ECX case, may be a good basis for discussing and practising innovative teaching methods.



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FURTHER INFORMATION

Planting the Seeds of Change: The Ethiopia Commodity Exchange was the winner of the 2012 EFMD Case Writing Competition category "Inclusive Business Models" that was kindly sponsored by IMD.

The case was also awarded "Best of the Best" from the 14 winning case categories.

More information on the EFMD Case Writing Competition is available via www.efmd.org/case