



Worker Empowerment in Honduran Banana Production Finca Tropical S.A.

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



FUNDAHRSE

About FUNDAHRSE

FUNDAHRSE is a private development organization aimed at promoting, training, researching, and implementing CSR in Honduras. FUNDAHRSE's membership includes 71 leading companies, both local and multinational. FUNDAHRSE is a member of FORUM EMPRESA, an organization that brings together companies from all over the Americas engaged in promoting CSR. Visit www.fundahrse.org for more information.

Executive Summary

Honduras's banana sector grapples with one of the serious problems that drove large multinationals to reduce their direct ownership of the country's farmlands—the rocky relationship of company owners and farm managers with farm workers. As bananas continue to be one of the country's main cash crops, leading producers have sought to differentiate their business by improving management-worker relations. However, the lack of appropriate communication tools and channels to resolve disagreements and bolster worker identification with business goals inhibit progress. In response to this challenge, BSR partnered with local NGO Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE) to help Finca Tropical S.A. improve management-worker communications and drive farm productivity by empowering workers.

The project implemented a series of initiatives aimed at developing employees' technical and interpersonal skills, improving supervisors' people management skills, and developing formal communication mechanisms. The project's overall objective was to strengthen worker representation and create adequate dialogue spaces for employees to help solve the farm's problems.

Immediate outcomes of the project include: 1) formation of a workers' committee that actively engages with management to find solutions to the farm's problems, 2) implementation of formal communication channels between workers and managers, 3) increases in farm productivity, fruit quality, and worker income, and 4) an overall positive change in interactions between managers and workers, which has kept problems from escalating.

Anticipated long-term outcomes for the project consist of continued increases in productivity and quality of the fruit and decreases in farm costs. These positive results can only be sustainable if the banana farm continues to prioritize worker empowerment, invests in the professional and interpersonal development of its employees, and proactively measures the positive outcomes of such initiatives to ensure management buy-in and commitment.

Opportunity

The history of Honduras is marked by fractious relationships between companies and the nation's workers and communities—and the country's banana industry is no exception. In response to these tensions, some large multinationals have decreased their direct ownership of productive land in the country over the past 30 years, opening the way for independent producers who have inherited this legacy of company-worker tension.¹

Banana production in Honduras remained stagnant throughout the 80s and 90s, producing a little more than 1.5 million tons of bananas, and—although

¹ "The World Banana Economy, 1985–2002." Food and Agriculture Organization. www.fao.org/docrep/007/y5102e/y5102e00.htm#Contents

About Finca Tropical

The farm is one of two dozen farms that independently produce for companies such as Chiquita Brands International, Dole Food Company, and Del Monte Foods. Yearly, the farm exports 80 to 90 percent of its production, with the remaining lower quality portion remaining in the local market. Close to 100 percent of the farm's exports are purchased by Chiquita. Because of social and environmental demands of international buyers, the farm today has obtained GLOBALGAP and Rainforest Alliance certifications. The farm also undergoes annual internal social audits administered by Chiquita.

production rose thereafter—the sector now represents a smaller percentage of the country's total exports, totaling more than 54 million dollars in 2008 out of more than 1 billion dollars in exported products.^{2,3} Nonetheless, Honduras continues to be one of the world's top exporters of bananas, and the fruit is still a main cash crop for the nation.

While producers are grappling with the legacy of conflictive company-worker relationships, global brands are requesting third-party certifications, such as that of Rainforest Alliance, that look after workers' rights and worker participation in decision making. Auditors check for institutionalized frameworks that allow workers the freedom to associate and express their opinions, and international brands increasingly base their purchasing decision on the achievement of such certifications. For example, all Chiquita wholly-owned farms in Latin America are Rainforest Alliance-certified, and the company demands the same certification from independent producers.

As a result, leading producers have sought to improve management-worker relations in pursuit of stable productivity and continued access to international markets. However, many managers and workers lack appropriate communication tools and channels to resolve disagreements and bolster worker identification with business goals.

If banana producers in Honduras engage creatively with those farming their lands to jointly make decisions and solve shared problems, the farms could benefit in several ways, including:

- » **Building a better work environment** with more satisfied and productive workers.
- » **Increasing product quality and farm productivity** thus boosting income for owners, managers, and farm workers.
- » **Reducing production cost** per box of bananas produced.

In response to this challenge of maintaining competitiveness and improving responsible labor practices in banana production in Honduras, BSR partnered with local NGO FUNDAHRSE to work with Finca Tropical S.A., a farm with 234 hectares of productive land and 217 employees, to empower workers to identify and implement improvements to the farm's operations. Improving communication systems between workers and managers positively affects the competitiveness and productivity of the farm.

Strategy

To determine how to best engage workers in the farm's activities, FUNDAHRSE and BSR conducted an internal company diagnostic and gap analysis by reviewing production processes and human resources policies and indicators, as well as conducting interviews with a sample of the farm's workers.

FUNDAHRSE and BSR also applied FUNDAHRSE's corporate social responsibility (CSR) indicators tool to assess the weaknesses and strengths of company practices in five different areas: 1) vision, mission, and ethics, 2) workers' quality of life, 3) responsible supply chain, 4) environmental practices, and 5) engagement with surrounding communities. These assessments suggested Finca Tropical could improve management-worker relations by taking these steps:

² "Estadísticas de Comercio Exterior Mercancías Generales Periodos, 2005–2008." Instituto Nacional de Estadísticas.

³ "Países exportadores de banano." Food and Agriculture Organization of the UN. www.fao.org/docrep/007/y5102s/y5102s05.htm



Workers present their ideas for the company's vision, mission, and values.

- » Develop together with the workers' committee the firm's vision, mission, and values, as well as disseminate these concepts internally to reflect the company's commitment to CSR.
- » Continually invest in worker training.
- » Formally plan for annual projects with the community and engage in strategic partnerships in the surrounding areas.

In light of these findings and with their knowledge of international best practices on work empowerment, BSR and FUNDAHRSE, together with Finca Tropical, determined the areas in which improvements to the firm would have the strongest impact on productivity. They chose to focus on developing employees' technical and interpersonal skills, improving supervisors' people management skills, developing formal communication mechanisms, and strengthening the workers' committee to allow the group to help solve the farm's problems. The project aimed to affect all workers of the farm and to institutionalize worker empowerment practices.

Implementation

The project's first step in implementing these practices was to gather background information, both from company documentation and through interviews with management, supervisors, and workers. An analysis of the data collected revealed the following:

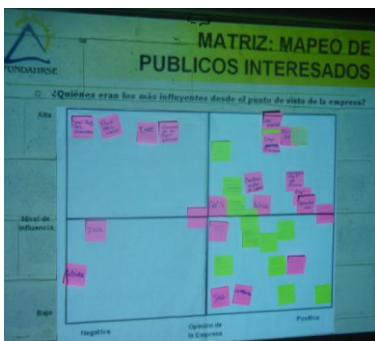
- » Although some managers and supervisors felt they personally had good communications with workers, **formal communication channels**, including channels for communicating workers' grievances, were absent.
- » **Workers did not propose ideas or feedback on their work and believed their role was to simply obey orders.** In the words of one interviewee, "A worker is like a child that should obey the orders of his boss."
- » The existing **Comité de Trato Justo**, a committee that represents workers' opinions and is recognized by the Ministry of Labor, was widely seen as inefficient, non-collaborative, and having little influence on the farm's decisions.
- » Although it is improving, **communication between the Comité and management has tended to be a monologue**—either of updates and new directions from management to workers or of inflexible demands from the workers to management.
- » Because of faulty communications mechanisms, **management at times did not obtain buy-in from workers**, and policies addressing production issues were not implemented.

Based on these results, BSR and FUNDAHRSE identified strengthening the Comité de Trato Justo as a top priority. The Comité was increased from 3 to 12 workers, with employees representing different production stages and the farm's different geographical areas. Employees are assigned to the same hectares of land every day and work in groups of two or more; therefore, the committee's increased size and its representative composition guarantee that information is passed and discussed among the workers. Members are chosen through votes by their peers and gather with workers to hear their opinions before meeting with the management team.

The Comité also received training on how to run effective group meetings. The training included tips and tools for organizing meetings, dividing up roles and responsibilities during meetings, facilitating and documenting meetings, and communicating effectively and respectfully.

To set about the efforts of workers and manager collaborating for a common goal, BSR and FUNDAHRSE administered a training session on the definition, purpose, and importance of a company's mission, vision, and values as they relate to creating a company culture that promotes responsible labor practices. As part of the workshop, the Comité members and management worked together through several activities to develop new versions of these concepts that reflect the company's commitment to social responsibility and worker empowerment.

Throughout the project, BSR and FUNDAHRSE also conducted a number of workshops with the farm's management team and with farm supervisors to create an environment that actively encourages worker empowerment and improved communication. Because they interact with workers throughout the farm more frequently than management, supervisors are critical to the successful implementation of worker empowerment practices. The workshops thus aimed at achieving their buy-in to the project and developing their management skills. Workshop topics included:



Stakeholder mapping workshop

- » **Effective communication:** This discussion focused on benefits and challenges of good communication and gave illustrations of efficient channels of corporate communication.
- » **Revision of existing communication mechanisms and creation of new formal communication channels:** This brainstorming session aimed at creating new formal communication mechanisms for the farm and improving existing ones. Ideas included using suggestion boxes and information boards, having more frequent meetings with workers, and formalizing the use of these mechanisms—suggestions the Comité de Trato Justo later approved.

In addition to regular monthly farm visits throughout the project, to ensure proper implementation of recommendations and support the project's activities, BSR and FUNDAHRSE conducted the following workshops with the management team:

- » **Mapping of stakeholders:** Participants learned about the importance of identifying the groups, companies, and government agencies in their sphere of influence whose actions could affect the farm. The workshop showed the benefits of focusing on and investing in the relationship with employees as the first step to improving relationship with other stakeholders.
- » **Best practices in worker empowerment:** BSR consultants defined aspects of worker empowerment and methods to achieve it, and presented its benefits for workers, managers, and owners. The activity also showcased examples of international best practices programs through a benchmarking study performed by BSR.

Results

BSR and FUNDAHRSE conducted several follow-up visits to hear feedback and reflections about the project from workers and management, especially around noticeable changes to communications between workers and management and the impact of new farm policies and practices to promote worker empowerment.

SHORT-TERM RESULTS

These immediate outputs included:

- 1 In addition to its regular meetings to discuss worker concerns, the **Comité de Trato Justo has evolved** from an organization that limited itself to presenting worker grievances and demands to the company to an organization that provides suggestions to improve the conditions of workers and the firm. The Comité meets once a month to discuss problems and possible improvements to the farm and is summoned by management for problems that need immediate attention. The Comité now runs its own meetings and actively proposes solutions. Already numerous worker suggestions have been implemented and have led to increased productivity and fruit quality.
- 2 **Managers now regularly meet with supervisors and workers to share the farm's production goals.** Management also implemented a profit-sharing mechanism with workers, where employees receive a year-end bonus when production targets are met.
- 3 **Workers reported increases in their monthly income,** in addition to the bonus, as a result of higher productivity. They believe this change was largely because the project allowed them to communicate to management ways in which they could improve their work and better perform their tasks.
- 4 **Management adopted the recommendations of establishing more formal communication mechanisms.** For example, they implemented the above-cited meetings, created suggestion boxes, expanded information boards, and started using loudspeakers in the packaging area to convey messages.
- 5 **Workers reported an overall positive change in communication with managers.** The Comité de Trato Justo highlighted that “effective communication in all levels of the company” was an important concept promoted by the project. According to them, this new approach has kept problems from escalating. Workers are now more comfortable proactively approaching managers to address issues.

“After spending a significant amount of time improving the work environment, the project has boosted these efforts and now we can sense peace in the workplace.”

—Oscar Quiroz,
Production Manager, Finca Tropical



A Comité de Trato Justo meeting

Workers and managers stated, in interviews, that these significant changes were made possible because of the direct link that worker participation and empowerment have to productivity and fruit quality—which lead in turn to economic gains. One of the workers summed up, “What motivates a person are the money bills.” But workers also commented on the improvements to their work environment once they noticed that their suggestions were being implemented. Mr. Quiroz says that management went from a more traditional management system to interacting with employees through more open dialogue. He states, “With the Comité de Trato Justo [managing employees] is different, it is about interacting with them rather than confronting them.” These changes have also led to an improved image of the farm among neighboring communities, which has attracted a larger pool of applicants for the farm’s jobs and in turn improved the quality of the workforce.

Although Finca Tropical already has a number of social certifications, management stated that the project complements its efforts to maintain its social accreditations. As Mr. Quiroz puts it, “Without the certifications we don’t have

clients.” Worker empowerment plays a crucial role in obtaining these certifications.

In addition, during follow-up interviews, members of the Comité de Trato Justo mentioned that attending the workshops has helped them develop their professional and personal skills. Many also feel proud of being part of the committee and see it as an important leadership role among their colleagues. The farm owner, Mr. José Obregón, welcomed these results and has now defined skills training as a company goal; he believes that, for his company, the long-term process of empowering workers is centered in educating and developing the workforce.

Finca Tropical had its most productive year in 2009, producing more than 580,000 boxes of bananas. Although it is difficult to infer the direct causality of the project on this number, both management and workers agree that this record was largely possible because of their joint work and the improved communication they had successfully established. The company has also seen dramatic increases to the quality of their fruit. Improvements to fruit quality have more direct links to the project’s activities. With strengthened communication between workers and managers, employees now have a better understanding of the company’s production process and can provide suggestions to improve it. These achievements have further fueled engagement with workers, and Mr. Obregón now plans to replicate the project on the three other banana farms he owns. He has also proposed its implementation to the National Association of Independent Banana Producers of Honduras.

“The production of bananas depends one hundred percent on those that take care of it.”
—José Obregón,
General Manager, Finca Tropical

ANTICIPATED LONG-TERM OUTCOMES

The anticipated long-term results of the changes implemented at Finca Tropical include continued increases to productivity and quality of the fruit and decreases in farm costs. Improvements to fruit quality will also allow the farm to increase the percentage of first-class fruit that is sold at higher prices to the international market and thus increase revenue and competitiveness. In addition to a better work environment, ongoing engagement of workers in the farm’s activities can help guarantee them higher incomes and improved quality of life.

In the future, Finca Tropical can measure these benefits with the indicators developed by the project, which include: production costs per box produced, percentage of rejected bananas during quality control, percentage of first- and second-class bananas, number of banana bunches required to complete one box, and absenteeism and employee turnover rates. Tracking these indicators on Finca Tropical and reporting this information to other farm owners will persuade them that worker engagement and empowerment are beneficial to business, thereby encouraging other farmers to replicate the project.

LESSONS LEARNED AND USEFUL TIPS

Useful tips based on the project’s successes and challenges include:

- 1 **Farm owners should measure changes in productivity and quality of the fruit to increase buy-in from managers and team supervisors.** In many banana farms, supervisors and managers are accustomed to only giving orders to workers and do not always see the benefits of worker empowerment and modern internal company communications. Seeing how such projects affect productivity and fruit quality ensures their buy-in, indispensable to the project’s success.
- 2 **Companies should invest in worker training and education.** Many employees of banana farms in Honduras have received limited, if any, education. Investing in work-related training and interpersonal skills development can increase workers’ understanding of farm operations and their stake in farm productivity.



- 3 **Companies must ensure that communication mechanisms and worker empowerment programs are used to listen to workers.** Pressure from international certifications may lead plantation owners to create communication mechanisms to engage workers. Many times, however, “communication” continues to be a one-sided discourse where managers fail to prompt worker participation. Creating new frameworks for worker empowerment but failing to increase worker participation may exacerbate, instead of alleviate, workplace tensions.
- 4 **Worker committees are useful on large farms for disseminating information to and gathering inputs from employees.** The Comité de Trato Justo was a successful mechanism for workers to come together and discuss necessary improvements and for management and workers to implement changes. The committee members also play a critical role in conveying information from other workers to management and vice versa. Communicating progress and engaging all workers would be challenging without a similar organizational format.

About DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.