



## Strengthening

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## RESEARCH PAPER SERIES

Research Paper No. 2:

### Codes of Conduct in the Ugandan Coffee Industry: Do They Affect Ethical Behavior?

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## Abstract

The adoption and implementation of codes of conduct is an instrument to demonstrate Corporate Social Responsibility (CSR). The incorporation of these codes is often associated with less perceived wrongdoing in organizations. The research objective is to answer: *“how does the adoption and implementation of codes of conduct affect ethical behavior in the Ugandan coffee industry, and which tensions occur during this implementation?”* To answer this question, thirteen semi-structured interviews have been conducted in the country of origin. The interviewees are different players in the Ugandan coffee industry and value chain (VC), amongst which are members of development organizations, coffee researchers, coffee association members, and rural coffee farmers. Data gathered in this study suggests that adoption and implementation of codes of conduct are positively affected by high levels of VC-integration, civil society pressure, empowerment of VC-players, and when the VC-player was a member of an association or a cooperative. However, the study found that VC-players also experienced tensions which arose from unethical behavior and transaction costs and which had a negative effect on code adoption and implementation. Nevertheless, this study also found evidence that VC-players who incorporated codes of conduct are perceived to behave more ethically. The relationship between code of conduct adoption and ethical behavior is amplified by principles of execution, which are the communication of codes, training and education and the presence of enforcing mechanisms. Furthermore, the role of trust and commitment is not to be underestimated in reinforcing this relationship. Additionally, ethical behavior appears to have a positive effect on productivity and ultimately competitiveness. Based on these findings, a conceptual model is presented.

## Introduction

The responsibilities of business and its role in society have gained increased attention because of a growing awareness of unfair business behavior (Scherer and Palazzo, 2007). In consequence, in past years, the number of companies embracing corporate social responsibility (CSR) initiatives and thereby incorporating codes of ethics as a key CSR-instrument into their core business strategy has been expanding rapidly (Blowfield and Dolan, 2008). In this research, CSR is defined as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life, in ways that are both good for business and good for development” (World Business Council for Sustainable Development, 1999).

A means to regulate business behavior is by implementing codes of conduct. These codes could be important for developing countries' industries as they entail regulations and quality standards. Furthermore, export often requires usage of codes and increased value is added to products (Giovannucci and Ponte, 2005; Slob and Oldenziel, 2003). This paper specifically looks into the adoption and implementation of these codes of conduct in the context of the Ugandan coffee industry. There is a considerable lack of attention to issues concerning ethical behavior and quality standards in the coffee industry of Uganda and the role of voluntary and private standards that are used to certify products and set codes of conduct (AGRI-QUEST, 2015; Giovannucci and Ponte, 2005). Coffee is the principal cash crop and Uganda's largest foreign revenue earner. At the national level, the income resulting from the export of coffee accounts for 20 – 26% of the countries' total export earnings and when looking at the farmer level, coffee production generally accounts for an average of 10% of the total income of a farmer (Munyuli, 2011). This research will look into several levels of the value chain (VC) in order to attempt to assess how codes of conduct are

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adopted and implemented, and how this affected ethical behavior. The importance of fostering ethical behavior in this industry is accentuated by Munyuli (2011), who argues that the improvement of coffee yield quality is an important area of attention that requires stimulation to increase and improve the production of coffee in Uganda. Ultimately, the improvement and stability of coffee is proven to be very important to the Ugandan economy.

There are already traces of unethical behavior which can significantly affect the integrity and thus legitimacy in which agribusiness, and specifically coffee production in Uganda can thrive (AGRI-QUEST, 2015; Blowfield and Dolan, 2008; Vertigans, Idowu, and Schmidpeter, 2016) Codes of conduct could aid in regulating this business behavior. Dekens (2012) argues that exporters perceived that the main issue of low-quality coffee is mostly due to poor ethics and a lack of discipline on the part of other actors in the VC. As it is of the essence that the coffee producers and other VC-players are aware and responsive of ethical business practices, it is important to conduct research towards codes of conduct which cultivate the ethical standards in the VC. Furthermore, the tensions that come with implementing these codes are to be understood to know precisely what the effect is on the quality of the coffee production in Uganda. According to Tallontire and Greenhalgh (2005), the efficiency of codes is something that raised doubt. This can be seen in terms of transaction costs and the trade-offs VC-players have to make to meet the different requirements. Frequently these codes are seen as impediments to trade, which may cause tensions in the VC of the Ugandan coffee. Understanding the contingencies that influence the implementation of these codes and the tensions that come with the implementation could foster ethical behavior. As Somers (2001) suggests, communicating and reinforcing these codes lead to more significant influence of the codes of conduct on ethical behavior. Ultimately, the suppositions of the VC-players towards ethics in business could provide a better business climate in the

coffee industry of Uganda. Furthermore, Tallontire and Greenhalgh (2005) mention that the adoption of CSR standards can be used to enhance productivity and competitiveness.

This paper investigates the influence of codes of conduct on ethical behavior in the Ugandan coffee industry and supplementary tensions that come with the adoption and implementation of codes. These tensions range from transaction costs of adopting codes, to the attitude of the farmers towards having to conduct business conforming to rules set by people or institutions not from their region. This research contributes to the existing literature concerning ethical codes of conduct. Furthermore, it provides a better understanding of ethical business behavior specific for Ugandan coffee industry. Thus, the research question of this paper is: *“How does the adoption and implementation of codes of conduct affect ethical behavior in the Ugandan coffee industry, and which tensions occur during this implementation?”*

To answer the abovementioned research question, this study will begin by giving an in-depth explanation of the relevant terms, namely CSR, codes of conduct and the factors influencing the probability of adoption, and the influence of these codes on ethical business behavior. Furthermore, thirteen interviews have been conducted with VC-players in the Ugandan coffee industry or other stakeholders. These interviews are performed in Uganda and the method section further explicates on how this data was collected, analyzed, and why precisely these interviewees were chosen to participate in this research. Following the method section, the results obtained from the interviews are stated, after which a conceptual model of codes of conduct and ethical behavior in the Ugandan coffee industry is presented. This model suggests that the usage of codes of conduct is positively influenced by four factors, while the presence of transaction costs and unethical behavior has a negative effect on the usage of codes. Ultimately, codes of conduct are perceived to positively influence ethical behavior, which is believed enhance productivity and competitiveness. The last

section firstly discusses the conceptual model, after which propositions are made. Finally the limitations of this study are given and directions for future research are proposed.

## LITERATURE REVIEW

### Corporate Social Responsibility in Developing Country Contexts

The agricultural industry has been shocked with numerous conflicts and crises in recent years. This resulted in an increased exposure of organizations in this business to the public eye, and ultimately a decreased legitimacy (Heyder and Theuvsen, 2008). However, legitimacy is necessary to assure the long-term survival of these organizations (Palazzo and Scherer, 2006). In addition to these findings, Tallontire and Greenhalgh (2005) also found positive effects of CSR on the agribusinesses incorporating it. They argue that the adoption of CSR practices eventually can be used to enhance productivity and competitiveness.

Kloppers and Fourie (2014) emphasize the importance of communication for CSR initiatives to foster positive relations between companies and their stakeholders. They researched CSR communication in the context of agribusiness in South-Africa, and found that communication should be comprehensive and continuous and that annual reports concerning sustainability are not sufficient for CSR communication to be efficient. They argue that CSR communication can be used to contribute in a more effective manner in stakeholder engagement and that this eventually leads to positive sustainable relationships with commercial farmers. If stakeholders are not aware of the CSR activities of a company, CSR cannot be used as a means to build and eventually maintain positive relations with these stakeholders.

The effect of CSR on respective industries in Africa, amongst which the agricultural industry, is recently studied by Vertigans et al. (2016). In their book, they found that CSR contributed in numerous ways to positive developments in several industries. In Africa, CSR is more associated with aid and charity, instead of

contributing to economic development. Hence, the more philanthropic nature of CSR in Africa is often emphasized (Vertigans et al., 2016; GIZ, 2014). Specific to Uganda, CSR is a very old concept in this country. The challenge here is that CSR lacks high level political back up, however there do exist some laws and regulations that opt to promote CSR initiatives (Vertigans et al., 2016). Furthermore, CSR managers in Uganda are motivated to promote these initiatives because they can attract customers, enhance production efficiencies, and improve organizational reputation. According to Vertigans et al. (2016) CSR in Uganda has evolved to a moderately known concept, which is practiced by both small and large organizations. They arrive at the conclusion that Uganda overall is embracing CSR, but still at a low scale. A lot of laws in Uganda do not stand by it, although meeting the basic CSR standards is expected of any organization. This is especially due to fragile enforcement of these standards.

One important instrument to demonstrate CSR is through the usage and submission to codes of conduct (Tallontire and Greenhalgh, 2005). The next paragraph will explicate on these codes and the three main variables which influence codes adoption and implementation, namely VC-integration, civil society pressure and the key actors' vulnerability to such pressure will be explained.

### Codes of Conduct

There consist numerous forms of codes of conduct to enhance CSR and ethical behavior in agribusiness. These codes range from codes for industries in tea, horticulture, cacao and coffee. The latter is of the essence for this research. Before an overview of the codes is given, a brief overview of the literature concerning these codes of conduct is explicated here.

Tallontire and Greenhalgh (2005) conducted research towards recent trend of codes of conduct in the agricultural sector, including their enabling environment for adoption of codes of conduct. To explain these trends, it is of the essence to define codes of conduct. In this paper codes of conduct are defined as "guidelines, recommendations or rules issued

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by entities within society to affect behavior of business entities in order to enhance CSR and ethical behavior” (Cuffaro and Hallam, 2011: 9). The coffee industry has an extensive amount of codes relating to different markets and environmentally friendly conducting of business promoting codes, a concise overview of the codes in this industry is given in table 1 (see appendix). The full version of the code of conduct of the Uganda Coffee Trade Federation can be found in appendix A.

**Table 1: An overview of codes of conduct in the Ugandan coffee industry (see appendix)**

As argued above, the adoption of CSR standards can be used to enhance productivity and competitiveness. The next three subsections will explicate on three determinant factors which drive codes adoption, as this is an important element of this paper. Subsequently, a practical example is given of an enabling environment for codes adoption. The probability of the adoption of codes is a composite measure consisting out of three variables: integration of the VC, effectiveness of civil society pressure, and the key actors' vulnerability to such pressure (Tallontire and Greenhalgh, 2005; Cuffaro and Hallam, 2011). These variables will be discussed in the next three sub-sections.

### **Value Chain-Integration**

In the coffee sector, good practice codes have been most commonly introduced in the specialty market, because the product itself is based on origin and quality. Therefore, it is possible to trace coffee back to the source or plantation. However, in general the company cannot be traced back to the smallholder (Tallontire and Greenhalgh, 2005). Contrasting this, the cacao-VC consists of numerous producers and suppliers, and is fairly unorganized. This leads to a smaller probability of tracing the product back to its source (e.g. the VC is not integrated) (Cuffaro and Hallam, 2011). Tallontire and Greenhalgh (2005) argue that highly buyer-driven integrated VCs are characterized by a large number of codes of conduct which are already implemented. The coffee industry is however

characterized by a less integrated VC and is highly differentiated. This can be seen in the numerous producers and suppliers, but also in the different steps that embody the Ugandan coffee VC.

As an example: Uganda produces two types of coffee: Arabica coffee, which comprises about 70 percent of the world's total coffee production but only 10 percent of Uganda's, and Robusta coffee, which comprises about 30 percent of the world's production and 90 percent of the total coffee production in Uganda (Masiga and Ruhweza, 2007). There has been more activity with regard to good environmental and social practices due to codes of conduct in Arabica coffee than in Robusta coffee. This is thus a specialty market as it accounts for only 10 percent of the coffee production, and it proved to be easier to introduce codes in this market because the coffee can be traced back to the source (e.g. the VC is integrated) (Tallontire and Greenhalgh, 2005). Cuffaro and Hallam (2011) amplify this vision by stating that traceability and strong market linkages are important if single firms are to be motivated to adopt and implement the code of conduct.

### **Effectiveness of Civil Society Pressure**

As a result of increasing pressure of society or campaign groups, international coffee firms which supply internationally have to consider if the supplier is adopting and implementing codes of conduct. In this way, these international firms are able to deflect criticism originating from society through using trademarks like Fairtrade, Max Havelaar, or Utz Kapeh (Tallontire and Greenhalgh, 2001). This argument is substantiated by Wright and Rwabizambuga (2006) who found that changing public expectations have increasingly induced firms to publicly declare their commitment to integrating a wide variety of public interests, like social- and environmental concerns into their practices. Organizations want to display their ethical business behavior and intentions by adopting and implementing codes of conduct. Institutional theory can be used to explain this adoption, because in highly institutionalized industries or environments, organizational structures are

shaped by responses to formal pressure from, in this case, the NGOs, cooperatives, and associations which set these codes of conduct. These institutions establish rules, guidelines, and structures organizations need to conform to in order to obtain legitimacy (Palazzo and Scherer, 2006; Wright and Rwabizambuga, 2006).

By adopting and implementing codes of conduct, exporting coffee firms can respond to increasing pressure from society to incorporate social-, environmental-, and ethical practices in their day-to-day business. These firms are institutionalized by NGOs, cooperatives and associations, and pressured to incorporated codes. This could then lead to increased legitimacy and ultimately have a positive effect on competitiveness.

### Key Actors' Vulnerability

NGOs are able to target vulnerable actors to leverage change and codes adoption and implementation (Barrientos, 2008). The vulnerability to the civil society pressure explained above determine whether these actors do actually adopt and implement the codes of conduct (Cuffaro and Hallam, 2011). The differences in implementation in, for instance, the fresh food production industry, cacao industry and the coffee industry is also due to the vulnerability of key actors to civil society pressure (Tallontire and Greenhalgh, 2005). This is further amplified by an example of high profile supermarkets with fresh products as these are more vulnerable to NGO campaigns which highlight the conditions in which the food is produced and the labor conditions of the employees who aid in producing the goods. In the coffee industry, the key actors are believed to be less vulnerable to NGO or civil society pressure than in the fresh produced food industry (Tallontire and Greenhalgh, 2005).

In sum, not only the amount of civil society pressure determines if the firms are institutionalized to incorporate codes. This also depends on the key actors, and if they are vulnerable themselves. Some industries are more vulnerable to pressure to incorporate regulations than other. These are often fresh-foods- or health concerning industries.

### Preliminary Model of Codes Adoption and Implementation

Based on the abovementioned literature, a preliminary model of the probability of codes adoption and implementation is depicted in figure 1. The model thus suggests that the probability of codes adoption increases by the increasing VC-integration, civil society pressure, and the key actors' vulnerability to such pressure.

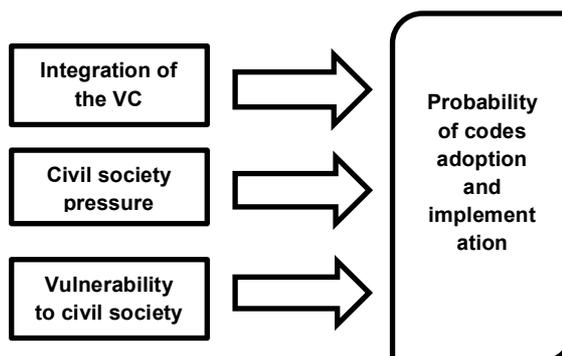


Figure 1: A preliminary model of codes adoption and implementation

### Effect on Ethical Business Behavior

Besides understanding how the probability of codes adoption is influenced by various factors, it is of the essence to assess the actual effect of these codes on ethical behavior. Numerous authors explicate on this effect, both in general and specifically for African agribusiness (Barrientos & Smith, 2007; Somers, 2001; Tallontire and Greenhalgh, 2005). In their study, Adams, Tashchian, and Shore (2001) also found empirical evidence for this relationship, as they studied several hundred respondents from companies with codes of conduct and the perceived effect on ethical behavior.

Tallontire and Greenhalgh (2005) argue that the adoption of these codes of conduct result in enhanced productivity and ultimately competitiveness. Also, the organizations adopting these codes of conduct experienced additional value creation that went beyond financial performance to include societal responsibility. The organizations that incorporate these codes of conduct foster ethical business behavior, which eventually

leads to less wrongdoing and higher levels of employee commitment (Somers, 2001). Ultimately, this ethical business behavior could lead to increased legitimacy of the organization and thus acceptance of business operations by the public. This can be regarded as a resource which aids in ensuring the long-term survival of an organization (Somers, 2001). In order to ensure this survival, the codes of conduct firstly must be adopted and implemented by the respective organizations.

### **Commitment**

Tallontire and Greenhalgh (2005) namely found that the impact of codes on ethical behavior was maximized if the adopting party was committed to the code. This is further amplified by Somers (2001), whose study points out the importance of not only adopting a formal code of conduct, but also communicating and reinforcing it with supportive organizational values. Specific to Africa, workers in code adopting companies did experience better working conditions due to ethical behavior of their employers in terms of wages and written contracts. In their study towards codes in the coffee industry, Slob and Oldenziel (2003) note that some of the existing codes in the coffee industry can hardly be taken seriously, because they lack some essential points. According to them, to actually have an influence on behavior, codes must contain mechanisms and principles for its execution.

### **Trust**

Besides the important role of commitment to a code of conduct for it to have a significant influence on ethical behavior, literature also points out trust as a critical factor. Brien (1998) notes for instance that ethical behavior within organizations is shaped by trust. He even extends this vision, by arguing that the usual, direct attempts to control unethical behavior by using codes of conduct are not successful if there is not a culture of trust within the organization. Heyder and Theuvsen (2008) endorse this inclination by arguing that organizations which lose legitimacy have difficulties entering processes of trade and

exchange as their partners have lost trust in their compliance with rules and guidelines.

Reviewing the literature gained new insights into several concepts. This entails, amongst others, the insight that organizations have CSR policies in order to gain legitimacy for their business. Furthermore, several authors found a positive relationship between the incorporation of CSR practices and productivity and competitiveness. Regarding codes, literature seems quite unanimously that this is an instrument to enhance CSR and ethical business behavior. Several factors influence codes adoption and implementation, which are VC-integration, societal pressure to incorporate codes, and the vulnerability to such pressure of key actors. Furthermore, communication of the codes is paramount in order for the codes to be effective. Also commitment to the code and trusting the organization, association, or industry that developed the code proved to be essential according to the literature. The abovementioned is not yet researched in the context of the Ugandan coffee industry. The literature does not provide an integral framework which aims to explain how ethical behavior is influenced by codes of conduct, therefore this paper intends to assimilate these different concepts into such a model. The abovementioned insights aided in developing the interview questions and subsequently the coding process. How exactly this was done is specified in the following method section.

## **METHODS**

### **Research Design**

Van de Ven (2007) makes a distinction between 'What' and 'How' questions. The research question of this study is a 'How' question, and thus a process question. These questions are fundamental for gaining knowledge of dynamics, and testing and developing theory of 'how' social entities adapt, change, and evolve over time (Van de Ven, 2007). As this study examines the organizational behavior of entities in the agricultural industry in Uganda, and 'how'

these entities behave ethically and implement codes of conduct, a research question with a 'how' nature is appropriate. In their study, Edmondson and McManus (2007) introduce a contingency framework that relates prior work to the design of the research project. They state that there is internal consistency when qualitative research is used to study nascent theory. As the effect of codes of conduct on ethical behavior in the specific context of the Ugandan coffee industry is not yet well researched, qualitative research proves to be consistent with the elements of this research project.

This research design does have its limitations, which are sharply identified by Pope, Ziebland and Mays (2000). They argue that qualitative research often is an assembly of personal anecdotes and impressions, which are subject to the researcher's bias. However, Edmondson and McManus (2007) argue that qualitative research provides rich, detailed, and evocative data, which could help explain quantitative findings and are yet not well-known. As this is the case for codes adoption and the effect on ethical behavior in this specific context, thirteen interviews should provide the necessary data and insights to answer the abovementioned research question, develop a practical contribution, and gain theoretical insights to foster the understanding of codes of conduct even more generally than the Ugandan context itself. These interviewees range from one end to the VC, being the farmers, to other stakeholders: the non-governmental organizations who are involved in the setting and definition of the codes of conduct.

### Research Context

The data used for this study is obtained in the country of origin. This can be helpful in order to capture secondary data. Amongst the interviewees are rural farmers, board members of farmer associations, researchers and coffee shop owners. This allows to assess the effect of the codes from multiple perspectives and several layers in de VC. Furthermore, in order to view this concept form multiple perspectives, not only VC-players are interviewed. Data is also obtained from

governmental organizations and a soil scientist. It can also prove to be valuable to obtain data from participating NGOs, and analyze how they perceive the implementation of the codes of conduct. Table 2 elaborates on the names of the interviewees and their functions.

Interviewee	Name	Function
1	James Ssemwanga	Managing Director Ssemwanga Center
2	Seguya Yassin	Coffee trader
3	Julius Zake	Soil Scientist/Professor
4	Sarah Mubiru	Senior Advisor SNV
5	Micheal Kijjambu	Technical Manager 1000Cups
6	Deus Nuwagaba	Entrepreneurship Services Manager NUCAFE
7	Arthur Wasukira	Researcher NARO-Buginyanya
8	Nathan Mabonga	Coffee farmer/member Bugisu Cooperative Union
9	Denis Okello	Head teacher Bukedi College Kachonga Butaleja
10	Frederik Kawanga	Coffee farmer
11	Mutwalibi Galugali	Coffee farmer
12	Charles Nsubuga	Managing Director Sesaco
13	Apollo Segawa	Managing Director CURAD

**Table 2: Overview of interviewees and their functions**

As the role of associations and cooperatives plays a profound role in this research, several members of these organizations like NARO, NUCAFE and Bugiri Cooperative Union were interviewed. Furthermore, abovementioned associations each play a different role in the coffee industry of Uganda. This allows for obtaining data from different perspectives and several layers of the VC.

Because this research primarily aims at the effect of codes of conduct on ethical behavior in the coffee VC, the rural farmers are an attractive source of data. Here it can be assessed if the codes, which are often developed top-down, are adopted and implemented at the bottom of the VC.

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## Data Collection

### *Interview sampling*

As mentioned above, the data was collected in Uganda. The arranging of interviews proved to be a fairly challenging task. Even so, with the aid of several locals and the contacts of the associations, it was possible to arrange several interviews with coffee farmers and other VC-players. The members of the associations were asked if they knew farmers that would like to collaborate in the research, and in this way contact was made with the rural farmers. Setting appointments beforehand was often troublesome, so in this way I was still able to set up the interviews.

We set criteria for the different sources of data, which proved to be difficult to maintain once we conducted the research in Uganda. Regarding the arranging of interviews, we began to believe the associations aided in arranging interviews with farmers which were favorable for their business or image. As we could not find a way to overcome this, the perspective of farmers who were not connected to any of these associations is lacking in this research.

### *Conducting Interviews*

All interviews were semi-structured, this allowed for the opportunity of rephrasing questions in the case the question was not understood or follow-up questions when the interviewee was talking about an interesting topic for this research. The questions used in these interviews can be found in appendix B, though some of the questions were somehow rephrased in the case of misunderstanding. The list of interview questions can be clustered into certain topics of interest to this research, like ethical behavior, codes of conduct, promoting codes adoption, or training and education.

English is one of the main languages spoken in Uganda, so this factor did not pose a problem in most of the interviews. However, one interview with a rural farmer was translated from the Lugandan language to English. This may have been a barrier to the validity of this interview. The interviews were often conducted in groups of multiple

interviewers, each with their own agenda. This was however not a problem for obtaining the needed data, as there was enough room for each interviewer to ask the most essential questions for his or her research. Actually, this may have been of positive influence for this research, as some of the data obtained resulted from questions of fellow researchers.

### *Data Analysis*

After the data is obtained, it will be analyzed through qualitative coding. According to the contingency framework developed by Edmondson and McManus (2007), this is the appropriate method of data analysis. Coding in qualitative research is the analytical process of organizing raw data into themes that assist in interpreting this data and allows the researcher to discover patterns in the data (Baralt, 2012). The coding was done in an inductive way: the data was the starting point for the development of codes which resulted from quotes of the interviewees. These codes then resulted in concepts which were derived from the clustered quotes. The coding process was done with the aid of the coding program ATLAS.ti, which allowed for a clear oversight of the codes and corresponding quotes. Appendix C explicates on the codes and derived concepts used to analyze the data.

## RESULTS

This section firstly describes the role of associations and cooperatives the Ugandan coffee industry. This will aid in understanding the dynamics and context specific factors of this industry. Hereafter, the findings concerning codes of conduct and their effect on ethical behavior, as well as mechanisms and principles for proper execution of these codes will be discussed. Following this paragraph, the tensions that come with the adoption and implementation of codes of conduct are amplified. This chapter concludes with the important role of trust and commitment to these codes of conduct, in order to have a significant influence on ethical behavior.

### **The Role of Associations and Cooperatives**

Farmers' associations or cooperatives seem to play a major role in the Ugandan coffee industry. The manager of CURAD gave a brief overview of the history of these associations, and stated that "in the 1990s, the coffee industry in Uganda had strong cooperatives, which represented farm organizations. Eventually these largely public organizations did not survive and they collapsed in the early 1990s. After this collapse and exit of farm organizations, farmers felt it was necessary to get themselves together and have a common voice to start building again." This is how, amongst others, organizations like NUCAFE, NARO and the Uganda Coffee Development Authority came into existence. The entrepreneurship services manager of NUCAFE, a coffee association with the aim to empower coffee farmers and increase their household incomes, explained that nearly one million smallholder coffee farmers in Uganda are organized in 180 smallholder cooperatives and associations. These together represent 2000 groups of farmers. Then there are about 50 groups in association, but this number varies as some have 20 or 30 groups. The coffee moves from the individual farmer to the farmer group, from which it moves to the associations. These associations are linked to different partners as well as the government. One of the main objectives of these associations is to create an enabling environment for the smallholder farmer. This is done with a coffee policy, a code of conduct, and also training of the farmers. The quality standards, manufacturing, and handling of the coffee is also articulated and enforced by these associations. A rural coffee farmer who is a member of such an association, confirms the statements of the entrepreneurship manager. He explains how his membership of a farmers' association helps him: "first of all, they help us by showing us how to manage the coffee plantation. Second, they help us by providing pruning devices." Another coffee farmer also indicates he receives training in agricultural practices, for example spacing, control of weeds, and harvesting the coffee. Another rural coffee farmer that was

interviewed explained how he benefits financially from his membership: "before I was a member of the association I would sell at a price of 2500 UGS to 3000 UGS. When I eventually became a member, I was able to sell around 8000 UGS to 10000 UGS." Hence, his revenue more or less tripled since his membership of an association. The role of associations or cooperatives, the words are synonyms in this research, is thus extensive in Uganda. Associations seem to aid in training and education, develop codes of conduct, and can eventually help farmers to increase their revenue.

### **Codes of Conduct**

#### ***The Influence of Codes of Conduct on Ethical Behavior***

The associations or cooperatives mentioned above have developed respective codes of conduct in order to regulate business behavior in the coffee industry. The managing director of a research center which focusses on agribusiness research and consulting consents with the statement that submission to a code of conduct is a way to demonstrate ethical behavior. He furthermore argues that farmers adopt and implement these codes because they want to be linked to a stable VC, and in most stable VCs, there will be a dominant player within this VC who is a member of an association and thus conformed to a code of conduct." A coffee researcher gives an example about producers of coffee who want to increase the amount of coffee to sell. To do this, they tend to bring in coffee from uncertified fields, and mix this with certified coffee. The researcher perceives this as unethical, and his organization tries to train and teach these farmers on how to behave ethically. To do this, they also have a code of conduct to "train most of the suppliers to follow a particular ethics."

The manager of NUCAFE takes this a step further by stating that "when it comes to value addition, they ensure certification of their products. To do this they must conform to standards and the demands of the certification." The organization of interviewee 6 also developed a code of conduct. They

created these guidelines to have a tailor-made internal control system for each certified farmer. These guidelines or code of conduct are very well displayed to the farmer. This is to ensure they, for instance, harvest at the right moment, dry the coffee in a certain manner, and mill the coffee when it has a 13% moisture percentage.

The senior advisor of a Dutch development organization in Uganda which focuses on agriculture emphasizes that ethical behavior is more likely when the VC-player is shown that, by conforming to the code of conduct and behaving ethically, he can still make profit. Even without behaving unethically. According to her, to show this could be a way to promote ethical behavior within the VC. Also, “they need to know their bad behavior could eventually affect the consumer, because sometimes they do not know this. They have to realize that what they are doing is not worth it, so it is about talking to them and the regulators have to be strict.”

A coffee farmer, also a member of an association, responded to the question if he abided a code of conduct in his coffee production the following way: “yes we have coffee regulations. The coffee regulations in producing the beans is that you only harvest the ripe ones. Then there is also a policy on pulping the bean on the same day as you picked it.” According to this interviewee, this was manifested in a code of conduct. He seemed to believe that this code of conduct has a positive influence on the ethical behavior in the coffee industry, and endorses this view with the following statement: “people are compliant with the code. When the price falls, what the message given to the farmers is, is that this happened because the quality was poor. But they want to make more money, by conforming to the code, they have better quality and thus more money. They are compliant to the guidelines because of this reason.”

Summarizing, the interviewees seemed to know what codes of conduct are, and the rural farmers complied with a code of conduct. The interviewees perceived that the codes aid in regulating business behavior. The associations

educate and train the farmers how to abide the code and this could eventually lead to more ethical behavior in the form of harvesting and processing the beans in a certain way, in treating the other players in the VC ethically, and producing beans which are eligible for export, as they conform to certain quality standards.

### ***Probability of Codes Adoption and Implementation***

#### *i. VC-Integration*

One interviewee believes that incentives for people to abide these codes are the most important. “Sanctions must come with rewards as well” (James Ssemwanga, Managing director Ssemwanga Center). He furthermore consents with the argument that codes adoption is less likely when the VC is less integrated. Reaching the different levels in the VC and monitoring the compliance to the code is more manageable when the VC is integrated. The integration of the VC seemed to be a point in the agenda of NARO, a research center. The researcher states “something we have done is to link producers to actual input dealers who we believe keep ethics and standards.” The senior advisor of the Dutch development organization agrees with this view: “I think it is always easier to manage fewer people, because then you can make the environment uniform. When you have many suppliers and the VC has several layers more it is even very expensive to bring them to that level that you want them to deliver to you. When I have ten farmers and each one of them has 100 acres that produce something for me, it is easier because I only need ten phone calls. But if I have 100 farmers, it is costly to monitor and challenging to get a uniform product (e.g. for instance certified coffee).”

#### *ii. Civil Society Pressure*

The second factor literature states to have an influence on the probability of the adoption and implementation of codes is civil society pressure. The managing director of the agribusiness consulting organization Ssemwanga center does not know how

effective civil society pressure is, “because society usually would like to come in on the perceived weak side.” The technical manager of a coffee house, was asked if he perceives a lot of pressure from society to adopt codes. He answered: “not yet, fortunately, not yet.” This view is contradicted by a statement of a soil scientist, who argues that “by commercializing agriculture definitely, there is a lot of pressure on standards, how things should be.” The technical manager of a coffee company, however first stating that there is not a lot of pressure from civil society to adopt codes, does state that in order to export to Europe, you do need certified coffee, while in Uganda, nobody demands this. He contradicts himself later on, by arguing that big corporations have some of their coffee certified, but that 80-90% of their coffee is not certified.

### *iii. Empowerment of VC-Players*

The findings did however find several other factors which could influence the probability of codes adoption. The NUCAFE manager argues that associations should engage and empower the particular VC-players, which is also emphasized by the agribusiness consultant. With this empowerment, these VC-players could be linked to different partners. One way to do this, is “to create an enabling environment for the smallholder farmers. Then this environment is advocated for a coffee policy, in order to articulate and enforce standards and guidelines of quality and manufacturing and handling of coffee. Then through these arrangements, we engage with for example the Uganda National Bureau of Standards. When it comes to value addition, they ensure that we have certifications that are in place. There must be value added, but at the same time they must conform to the demands of the certification in place” (Deus Nawagaba, NUCAFE).

In sum, a higher level of VC-integration, civil society pressure and empowerment of different players in the coffee VC leads to a higher probability of codes adoption and implementation. This differs from what is stated in the literature, namely that the probability of codes adoption and implementation is a composite measure of VC-

integration, civil society pressure, and the vulnerability of key actors to such pressure. The enabling environment that can be created for smallholder farmers in order to support them in adopting the codes, for instance by empowering the VC-players, seemed to be an important determinant amongst the interviewees. What has to be noted is that the dataset of this paper is limited, which means that other VC-players might experience different factors that influence the probability of codes adoption.

### ***Principles of Execution***

Several enforceable mechanisms and principles of execution were found throughout the data. These range from communication to penalizing VC-players who do not abide the codes. This paragraph will explicate on these mechanisms.

#### *i. Communication*

The NUCAFE manager primarily emphasized the importance of communicating the codes in order to neutralize rising tensions. He states: “though they are enforceable, they have enforceable mechanisms, they remain primarily voluntarily actions which can be stimulated into the code of conduct like having a market system affecting this one right away. I think for those particular codes that are responding to that, the farmers are very rational in their compliance. So communication is always very important in having a code of conduct. It never comes easy, this is one of the tensions, you have to work around farmers’ attitudes, to be able to respond to this, you have to be patient with them.” He further argues that the associations should see to it that there is a proper and advocated articulation of the coffee standards, because that has been lacking. This is acknowledged by the technical manager of 1000Cups, a coffee shop, who explains the role of the associations in communicating to the farmers: “when you form associations, it is very easy to communicate, because they assemble all the farmers for export. So within themselves, mutually you can say which technique the farmers should use.”

### *ii. Training and Education*

The usage of training and education to make sure the codes of conduct are properly executed were mentioned quite often during the interviews. According to a rural coffee farmer, he receives training in agricultural practices, for example coffee spacing, control of weeds, and harvesting. He also explains what he is taught to do when the trenches of code are attacked: “in that case, we are trained to cut the affected trench and abandon it from there.” Another rural coffee farmer, states that his association has a program that is called Training of Trainees (ToT). this entails that people are trained to be able to train others, so the effect of the training is increasing. He elaborates on this program by stating: “you keep extending your knowledge to other people. When they come and train me, it is now my role to train my neighbors and other people.” Once a year, the coffee farmer receives training in planting, spacing and controlling of weeds, which appeared to be comparable to the training the second interviewed coffee farmer receives.

From the perspective of the associations, the importance of training as a principle of execution for the code of conduct is also quite often referred to in the data. The director of the agribusiness incubator CURAD elaborates on this by explaining that their association, from which a part of their activities is to certify farmers, learns VC-players that quality equals sustainable revenue. In that way, CURAD tries to impact the ethical behavior of the entrepreneurs and the farmers. The farmers appeared to be trained and informed about incentives of producing according to the code of conduct: “This farmer learns that the more ethical they behave, the better price they receive for their product and thus receive a higher income. So when it really comes to money, they listen quickly and it works quite well” (Apollo Sewaga, CURAD). The NARO researcher endorses this, by talking about an association with a specific code of conduct. “This association trains most of their suppliers and they follow particular ethics.” The importance of the incentive of behaving according to the code is acknowledged by a

rural coffee farmer: “when they train you, you get a good yield of coffee, because they teach you how to produce good quality.” The coffee shop manager has similar arguments and in order to promote ethical behavior his organization tries to “link farmers to the shops, where the end consumers are, to the farmers. In this way the farmers can get more value than before, by paying them a premium and teach them coffee production skills as well.”

### *iii. Enforcing Mechanisms*

Not abiding codes and guidelines is perceived to have negative consequences, according to several interviewees. For instance, the director of the incubator states: “We tell farmers that if we buy a bag from them which is half filled with stones, we will not buy it next time. The coffee buyers often want specific coffee, from a specific area that is produced in a specific way. Any deviation to that may lead to cancellation of the contract or basically they will not buy it. So in that way is really helps the farmers to stick to the right production mechanisms and the right quality aspects.” The NARO researcher has similar arguments, stating that “the farmers do not know that they have to produce good quality if they want to sell it. If you won't sell and you will be blacklisted. However, at the moment it is done at a very low level and they don't take it serious yet. The NUCAFE manager emphasizes the voluntary nature of abiding codes of conduct, explaining that “though the codes are enforceable, they have enforceable mechanisms, but they remain primarily voluntarily actions which can be stimulated into the code of conduct like having a market system affecting this one right away.” The advisor of the Dutch development organization SNV sees room for improvement. She argues that it is quite an informal sector, with room to formalize. According to her “the quality is enforced, but because there is nobody to track at some places, it is hard to say if this is actually done, people do not know the specifics.” She pleads that the regulators have to be strict. “When you want people to conform to regulations, the systems and enforcing mechanisms have to be in place. In this way the situation can change. Although, the best

thing would be to get them to understand why they should not behave unethical.”

From the perspective of the rural farmers, it appears to be primarily about quality. Conforming to the guidelines eventually leads to greater quality. A rural coffee farmer explains the price of the coffee will come down when the quality is not good. He seems to see this as a penalty, but he states that there is nothing he can do about it and that he has to accept the fact that the buyers will only pay a lower price. He also describes that big corporations send experts in order to see to it that VC-players abide the standards and codes.

Thus, in the communication, training and education and usage of enforcing mechanisms of codes appear to promote ethical behavior. VC-players can adopt and implement a code of conduct, but only if this code is communicated in a clear way, the farmers are educated and trained in conforming to the code and enforcing mechanisms like termination of contracts or lower prices for the yield are in place, the codes truly promote ethical behavior in the coffee industry in Uganda.

### ***Influence on Productivity and Competitiveness***

The director of the agribusiness consultant explains that he thinks that codes of conduct ultimately endorse the productivity and competitiveness of the farmers. “I think it does influence competitiveness, because it makes things more predictable and predictability in business is an important element. So I would like to take it for granted that there is no reason for doubting someone in the VC, so that that is taken out as a factor and I can focus on other things and to not keep wondering all the time about is he actually telling the truth, or is it a trick. That can be a barrier to productivity. Because when there is a possibility for unethical behavior, you have monitoring- and agency costs, that reduces your margin and ultimately competitiveness. It increases your management administrative costs, because you must manage these agents.”

The coffee shop owner explains why he thinks codes could eventually increase productivity:

“the good thing is that they have linked with the farmers and the farmers are therefore getting a better price than they used to. The higher price will also inevitably increase the productivity. I think one of the ways to increase productivity is to increase the price. Of course there are other factors but price is a key factor.” The member of the development authority seems to agree with this view: “productivity, for me, is a result of a good production environment.” She believes this will result in higher quality, which will be sold for a good price. Eventually this will also enhance competitiveness.

The statements concerning the effect on productivity of the rural farmers are conformable, both focusing on the aspect of training in abiding and applying the codes. “The training always helps us a lot. When they train you, you get a good yield of coffee because they teach you how to produce good quality. Actually, even during the harvest they teach you how to grade the good quality bean and also those that are not good. So they give us the necessary skills and knowledge and in the end they buy the product. A rural coffee farmer consents, by stating: the association is helping us in several ways. First of all, they help us by showing how to manage the coffee plantation. Second, they help us by providing pruning devices.”

Several interviewees thus stated that by conforming to the code they eventually increased productivity and competitiveness. This was mainly because they received training and higher prices for their yield. Also predictability of business behavior, which resulted from adoption of codes, was believed to have a positive influence on productivity and competitiveness.

### **Tensions of Codes Adoption and Implementation**

One central theme in the data is the tensions that arise from implementing codes. This is exemplified by the NUCAFE manager: “the biggest frustration when it comes to codes of conduct is that if a farmer complies to one specific ethics, but the neighbor does not, and maybe sell to the same market for the same prices, it does not motivate the farmer to still comply to the code of conduct and behave in

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an ethical way.” The NARO coffee researcher explains that they are currently trying to manage coffee diseases in the most effective way, namely a mix of chemical controls. However, they do know that farmers may not be able to afford this. Coffee shop 1000Cups owner does not think certification is necessary, as “it is the same coffee as those that is certified. It comes from the same farmers, but if they have to pay \$1000 to get the coffee certified, that is a lot of money here, that type of money just to get a certificate sometimes does not make sense.” Arising from these tensions, some examples of unethical behavior were found, which will be explained in the next paragraph.

### Unethical Behavior

The member of the development authority rates the ethical behavior in Uganda on a scale of very poor, poor, fair, good, very good, and she would say the current ‘state of ethics’ is poor, but not very poor. Table 3 elaborates on different examples of unethical behavior by stating quotes of several interviewees.

Interviewee	Example of unethical behavior
Coffee trader	“At times there are also stones, because people dry on bare soil because of a lack of money to buy tarpaulins. They just put it on the grasses to dry, so when you are collecting it, you may find it will come with stones.”
Technical manager coffee shop	“Sometimes of course there is some unethical behavior where the farmers are not empowered to know. The farmers do not know and people in the value addition chain take advantage of that. These are some of the impediments.”
Coffee researcher	“Another problem we face is that there is a lot of adulteration from input dealers, although we have an agency that is supposed to regulate them.”
Coffee researcher	“For example, fertilizers will not be sold to you at the standard measure of 50 kg, because you may not be able to buy 50 kg, so they mix it with something else.”
Coffee researcher	“Because they want to increase the amount they sell off, they tend to bring in coffee from uncertified fields, and mix this with coffee from certified fields. This is intentional cheating, 1 kg of seed should give you 2200 seeds, but when you go register and you can say that you supply coffee seed you may claim that you can supply 8000 and you get the additional

	seed from uncertified farmers.”
Agribusiness incubator	“You have farmers that put stones in the coffee bags, in order to get more weight.”

Table 3: Examples of unethical behavior

### Transaction Costs

According to the coffee researcher, transaction costs pose a challenge. “Another aspect is that the seed is costly. The appreciation of value of seed is not really there. Many producers think that it should come for free. They are not willing to pay for seed. That is a challenge.” The NUCAFE manager concurs: “sometimes the starting requirements of the certification is slightly high.” The coffee shop owner explains that he does conform to guidelines and a code of conduct, but “the problem we are facing, is that some of those official trademarks are quite expensive for us. I would not like to spend \$1000 just for a trademark or certification. The key question is affordability, and some of the certificates do not make sense. For example, some like to have the produced coffee organically certified. Everybody knows that the farmers are not applying inorganic pesticides, and if they do they do it in on a very small scale. Everybody knows that, so why would you say to the farmers that they if they were to sell their coffee in Kampala they should have that certificate.”

Transaction costs and unethical behavior both account for the tensions that can arise from codes adoption but can also prevent the usage of codes. When neighbors behave unethically while the conforming farmer does not, this results in a tension. Furthermore, the transaction costs that come with the requirements of the codes can pose a barrier to code adoption.

### The Role of Trust and Commitment

#### Trust

The important role of trust and commitment for codes of conduct to have a significant influence on ethical behavior in the coffee VC in Uganda followed from the data. A rural coffee farmer emphasizes his trusting relationship with the association he sells to: “if they know you provide good quality and have enough coffee then of course they will have a relationship with you, friendship. They will give

you a better price than a local man because of that relationship.”

Building this trust can sometimes be lengthy process. The coffee shop owner explains that some farmers are very resistant, and that associations have to try to change the culture in order to help the farmers. A coffee farmer and member of the Bugisu Cooperative Union agrees with this view: “actually we are working on the farmers’ mindset. The farmers’ attitude towards the existing trees; they think their current coffee trees are better than the ones we try to replace them with. It is a slow process of trust building.”

### **Commitment**

The starting requirements of abiding the code of conduct can be high for the farmers. The coffee researcher substantiates this in the context of the membership of associations by stating: “sometimes the starting requirements of the certification is slightly high. The farmer should have commitment, so he pays membership- and subscription fees to the group. When it comes to the association, this has to be registered as a company. This is a key requirement that we have to get them committed.” In order for the farmer to be able to pay these fees, associations work with banks to extend loans to farmers. The loaning of the money is also an instrument to commit farmers to the association and the corresponding code.

In sum, like the communication, training and education, and enforcing mechanisms, trust and communication both appear to promote ethical behavior. Without these, codes of conduct do not have the maximum effect on the ethical behavior in this industry.

### **Key Findings**

The key focus of this paper is the influence of codes of conduct on ethical behavior. Several interviewees did find that codes of conduct positively influenced ethical behavior. Predominantly farmers who plan to export are bound to regulation, and ways to promote this relationship are through the training and education of the farmers. Also, expected higher revenue if farmers conform to the code appears to promote ethical behavior.

Contrasting this, value addition could also be a barrier to ethical behavior. VC-players often encountered non-certified coffee or even stones between the coffee in order to enhance value, as the bags of coffee are weighed to determine their worth. Eventually, several farmers found that through their membership of an association and behaving ethically by conforming to their code, they eventually enhanced productivity and competitiveness.

The probability of codes adoption is perceived to be subject to the enabling environment for codes adoption which is influenced by VC-integration, civil society pressure, and empowerment of the VC-players. Once the codes are adopted, it appears to be essential to make use of certain principles of execution, which are the communication of the code, training and education and enforcing mechanisms. Although using these principles of execution enhances the effectiveness of the code, tensions did arise in some cases. The foremost tension that appears to result from the data is that if one farmer adopted the code, he could still encounter unethical behavior by another farmer. This behavior ranges from adding ‘foreign’ material to bags of coffee to extensive usage of fertilizers which are not allowed according to the code. Another tension that followed from the data is that the farmers who adopt codes and want to have certified coffee often encountered high starting requirements in the form of transaction costs. This might cause farmers not to submit to codes of conduct.

Lastly, the role of trust and commitment seems to be quite important. Several interviewees, which ranged from rural farmers to association board members stated that commitment to the code is necessary to meet the standard requirements and trust could even result in better prices for farmers.

The abovementioned results allow to constitute a conceptual model that explains how codes are adopted, what promotes codes adoption and which barriers exist. Furthermore, the effect of codes on ethical behavior is depicted in the model and eventually how this influences productivity and competitiveness. This is illustrated in figure 2.

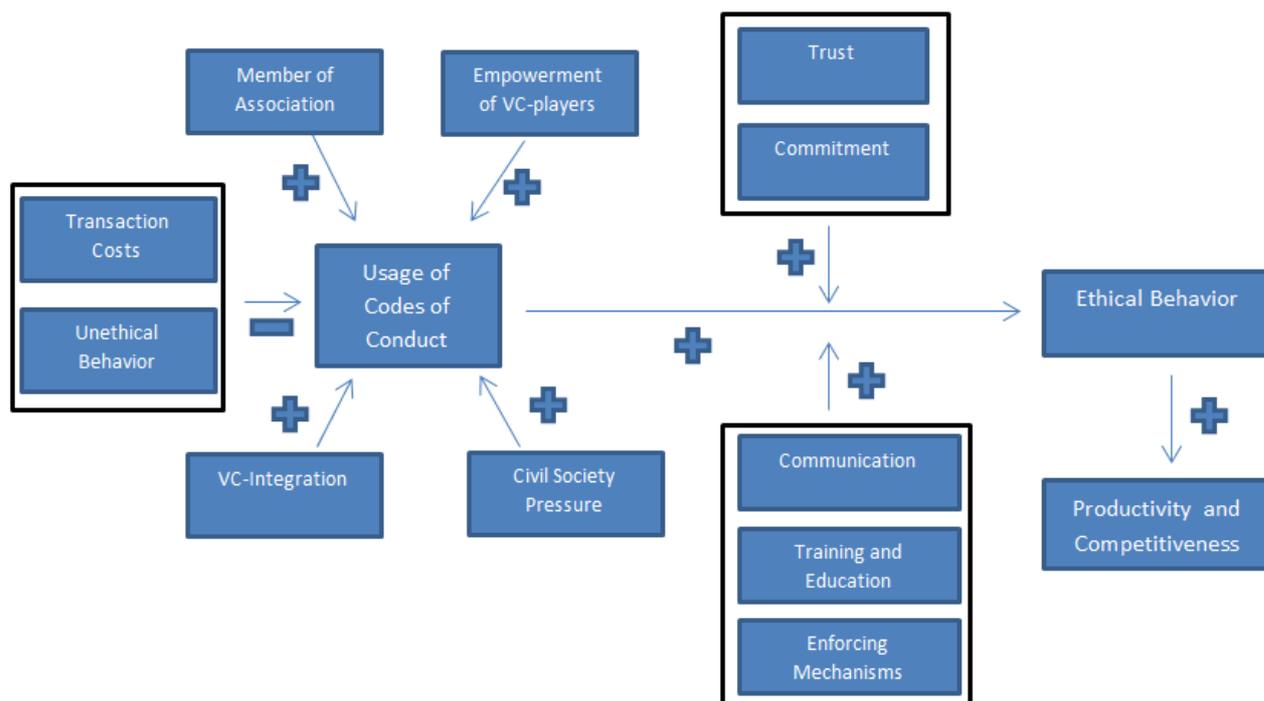


Figure 2: A conceptual model of codes of conduct and ethical behavior in the Ugandan coffee industry

## DISCUSSION AND CONCLUSION

### Interpretation of Results

This research aims to answer the following research question: *“How does the adoption and implementation of codes of conduct affect ethical behavior in Ugandan coffee industry, and which tensions occur during this implementation?”* This qualitative study found that codes of conduct, which can be developed by several kinds of organizations or associations, are perceived to have a positive impact on ethical behavior. A sequential finding is that ethical behavior in the Ugandan coffee industry seems to have a positive effect on productivity and ultimately competitiveness. This is in line with the abovementioned findings of Tallontire and Greenhalgh (2005) who argue that the adoption of CSR standards, in this case a code of conduct, can enhance productivity and competitiveness.

Another main finding was the essential role that associations or cooperatives play in developing codes and committing VC-players to these codes. Around one million smallholder farmers are connected to an association, and quite often have to conform to a code of conduct. In the reviewed theory in this research, this important role of cooperatives was not emphasized. The associations also develop and take initiative in educating and training the VC-players, which aids in conforming to the code of conduct and promoting ethical behavior.

Regarding the probability of codes adoption, literature pointed out three factors which increased codes adoption and implementation: VC-integration, civil society pressure, and the vulnerability of key actors to such pressure (Tallontire and Greenhalgh, 2005). Contradicting the literature, this study found that the actors’ vulnerability was perceived to not play a major role in probability of codes adoption. Conversely, by empowering VC-players, they could be linked to different farmers which together create an enabling environment for a code of conduct and thus ethical behavior. This empowerment of VC-players is one of the main facilitating tasks of

the associations. This logically leads to the membership of associations and according to the interviewees, being an association member caused farmers to adopt codes more often.

Two factors together substantiate the tensions which are perceived to prevent codes adoption: transaction costs that come with the adoption of codes and unethical behavior by other VC-players. The transaction costs often discourage farmers to adopt codes, as data points out the amount can be significant. Furthermore, when a farmer complies to a code but is disadvantaged by a, for instance, competitor who does not comply and behaves unethically, the probability that the farmer will adopt the code appears to decrease as there is no motivation left for the farmer to comply. These tensions seem to be a rather under researched topic in code of conduct literature.

### Propositions

The relationships between the different concepts which are explicated in the conceptual model lead to propositions. Firstly, The probability of codes adoption and implementation, correspondingly named usage of codes of conduct, is higher when the VC-players are a member of an association, the VC-players are empowered, the VC is integrated, and when civil society pressure is high. This leads to the first proposition:

*P1: The probability that a VC-player adopts and implements a code of conduct is positively influenced when there are high levels of civil society pressure, VC-integration, empowerment, and when the VC-player is a member of an association.*

However, tensions do arise from conforming to codes of conduct. These can ascend from unethical behavior from other VC-players who have not implemented a code of conduct whilst the VC-player in question has, but also from the transaction costs that can come with the adoption of a code of conduct. These can result from, for instance, quality standards or membership fees. The abovementioned leads to the second proposition:

*P2: The probability that a VC-player adopts and implements a code of conduct is negatively influenced when there are high corresponding transaction costs or when other VC-players behave unethically.*

When eventually a code of conduct is adopted and implemented, the results show that this does positively influence ethical business behavior. This does correspond with the findings of Adams, Tashchian, and Shore (2001) and Somers (2001) and leads to the third proposition:

*P3: The usage of codes of conduct in the Ugandan coffee industry positively influences ethical business behavior.*

The abovementioned relationship is perceived to be affected by certain other factors. The data indicates that there are three principles of execution, which strengthen the effect of codes on ethical behavior. According to the interviewees, communication, training and education, and enforcing mechanisms are of the essence for the effect of codes on ethical behavior. Based on this, this leads to the following proposition.

*P4: Through communication, training and education, and emplacement of enforcing mechanisms, the effect of codes of conduct on ethical behavior in the Ugandan coffee industry is increased.*

Besides communication, training and education, and enforcing mechanisms, two concepts proved to be important for the effect of codes on ethical behavior: trust and commitment. Commitment to the code is perceived to be essential to meet the requirements, and can be created through the payment of membership fees. Furthermore, the role of trust is also critical. This could be because in Uganda, regulations and laws may lack at some points. Trust is of the essence for VC-players to be compliant to codes, as they are disadvantaged when other VC-players do not comply and behave unethically. This results in the following proposition:

*P5: The presence of trust among the VC-players and commitment to the code of conduct appears to have a positive effect on the effect of codes on ethical behavior in the Ugandan coffee industry.*

Lastly, ethical behavior seems to have appositively affect productivity and ultimately competitiveness. This is in line with the findings of Tallontire and Greenhalgh (2005) and Cuffaro and Hallam (2011). The abovementioned leads to the last proposition:

*P6: Ethical behavior in the Ugandan coffee industry eventually is perceived to have a positive effect on productivity and ultimately competitiveness.*

### Limitations

A profound limitation of qualitative research is generalizability. Maxwell (1992) argues that the extent to which qualitative research is generalizable is the most important distinction between qualitative- and quantitative research. He points out that validity has long been a key issue regarding the legitimacy of qualitative research. That is one limitation of this research. As thirteen different interviews were conducted, it remains to be proven if the results of these interviews are generalizable for the entire coffee industry in Uganda. It proved to be difficult to arrange interviews with rural farmers, only three interviews with rural farmers were conducted. This can limit the extent to which the results can be generalized for other coffee farmers.

One more bias that occurred was that every farmer that was interviewed was already connected to an association, and indeed, the contact with these farmers came from people of association to whom I already spoke. This may have led to socially desirable answers from the farmers, as they felt some obligation to do so because of the cooperatives. This can have a negative effect on the validity of the answer and could cause a 'response bias'.

Another limitation of this research, which was inevitable, is the difference in culture between the interviewer and the interviewee. When the interviewee gives another meaning to a specific phenomenon or concept than the

interviewer, a bias arises. To address this issue, I participated in a training on how to deal with cultural differences. In the end, this could have been beneficial for the reliability of the data. However, it is noted that sometimes the interviewees are not aware of codes of conduct at all, and were not clear about their definition of ethical business behavior. Furthermore, they experience tensions in a different way. This could cause misunderstandings about the core elements of this research and eventually lead to less usable data.

### Recommendations for Future Research

This exploratory research discovered that codes of conduct positively influence ethical behavior in the coffee industry. However, only a handful of interviews were conducted, therefore the conclusion cannot be generalizable. Future research could be pointed towards finding empirical evidence for these findings. The propositions stated above could prove to be the starting point from which this empirical study can begin.

Furthermore, extensive research towards ethical behavior has already been conducted specific to the African context. However, research towards codes of conduct and their effect on ethical behavior is limited to a handful of papers. It could be insightful to study the effect of codes on ethical behavior in different industries, agricultural or in another sector.

Specific to codes in the coffee sector, this research treated codes as 'one and the same', and the code content and quality was only mentioned briefly. Future research could be conducted towards the effect of different kinds of codes, which could be thorough codes with extensive guidelines, or simplified codes which may be more accessible for the rural farmers.

One last topic which we consider an essential element of codes implementation and their effect on ethical behavior is the tensions that accommodate codes of conduct. Oddly enough, it was a burdensome task to find articles that address these phenomena, whilst I believe these tensions are one of the main reasons why VC-players in the Ugandan coffee industry are resistant to adopt an

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implement these codes and ultimately behave more ethically.

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## APPENDICES

**Table 1: An overview of codes of conduct in the Ugandan coffee industry**

Code of Conduct	Goal and addressed issues	Source
The Uganda Coffee Trade Federation (Uganda Coffee Development Authority)	Amongst others, it addresses the following issues: quality control; fumigation and pest control; moisture content; storage of coffee; processing of coffee; transportation of coffee; marketing; registration.	<a href="http://www.ugandacoffeefederation.org/">http://www.ugandacoffeefederation.org/</a>
Fair Trade	The goal of the Fairtrade Labelling Organizations International (FLO International) is to improve the position of the poor and disadvantaged producers in the developing world, by setting fairtrade standard and by creating a framework that enables trade to take place at conditions favorable to these producers. Statement of standards concerning small producers organizations; certification, labelling and packaging; product composition; sustainability; pre-financing; pricing;	<a href="http://www.fairtrade.net/">http://www.fairtrade.net/</a> Slob and Oldenziel (2003)
Utz Kapeh (European Standard for Good Agricultural Practices).	Utz Kapeh's purpose is to provide credible and transparent means for mainstream coffee brands to embrace sustainability at the producer level. The Utz Kapeh Foundation is a partnership between coffee brands, producers and civil society that aims to improve and protect the economic, social and environmental conditions of coffee growers all over the world. Addresses the following issues: criteria on soil management; fertilizer use; integrated pest management; waste pollution management; worker health, safety, and welfare.	Daviron and Ponte (2005); <a href="https://www.utz.org/">https://www.utz.org/</a> Slob and Oldenziel (2003)

### APPENDIX A: THE UGANDA COFFEE TRADE FEDERATION: CODE OF CONDUCT

#### *Code of Conduct, Uganda Coffee Trade Federation (1997)*

##### 1.0 INTRODUCTION

1.1 When the programme of liberalization in coffee marketing was announced in 1990, up to then the coffee industry had gone through two decades of very difficult times. The incentives which had existed in the industry in 1960s had almost all virtually disappeared. Liberalization brought new hope to the industry with far reaching reforms, with the replacement of the Coffee Act 1969, by the UCDA Statute, 1991. The elaborate system of strict regulations and controls originally in the Coffee Act were dispensed with so as to give freedom to the industry to be guided by market forces and to introduce its own self-regulating mechanisms.

1.2 In November 1994, the minister of Trade and Industry issued the Coffee Regulations (1994) which concentrated on giving the general guidelines, in line with the policy of liberalization, and lesser bureaucratic controls. This left room therefore for the industry to introduce its own self-regulating mechanisms to complement the Government's move. The Uganda Coffee Trade Federation is hereby, therefore, establishing a Code of Conduct for its members, in connection with the coffee trade in Uganda. The code shall not be static, but shall be subjected to review at least once annually, in response to the developments in the trade and its environment both locally and internationally, through such means and procedures as shall be determined by the Board of Directors of the Uganda Coffee Trade Federation.

1.3 This Code sets forth the standards of good marketing practice by all persons, including partnerships or corporations located in Uganda and directly and substantially engaged in the coffee business primarily as dealers in green coffee, roasters of green coffee, or processors or soluble coffee, and processors or exporters of green coffee. This code shall apply to all allied operations rendering services in the buying, storage, processing, and transportation of coffee in Uganda.

1.4 This code gives general principles, and states the expected professional behaviour of all those involved in the coffee trade in Uganda, in upholding as well as achieving the highest possible standards in the handling of coffee through all the internal marketing system, in order to preserve and promote the high standing and image of Uganda coffee in terms of quality, in the market both local and international.

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1.5 The Federation shall not act as the enforcement arm of Government in terms of adherence to the legislation or any law(s) affecting the coffee trade in Uganda, but shall merely state the expected professional behaviour for its members, and how the interests of the Federation members might be furthered thereby. The enforcement of regulations shall be the responsibility of the Uganda Coffee Development Authority.

1.6 To a great extent, the content of this code lays emphasis on the members' compliance with an existing legislation, as expressed in the Coffee Regulations, 1994, and any other laws that may be enacted by the Government of Uganda. In addition to this, members will be expected to maintain certain standards as required by the trade internationally, which may change from time to time in response to the international standards, market demands and requirements.

1.7 It is in the interest of every operator to abide by this code and to demonstrate integrity in their trade operations. It is expected that any member of the Federation abiding by this code will invariably minimize the quality risks in the coffee business. Any operator not abiding by the existing legislation shall, consequently, be dealt with by the competent authorities as the law shall provide, and shall not be protected by the Federation in that regard.

1.8 The Federation shall not be held responsible for the acts or omissions of any members of the Federation, and this code shall not remove the responsibility of those that are legally or contractually required to execute any given tasks or responsibilities.

### 2.0 QUALITY CONTROL MEASURES

2.1 In compliance with the Coffee Regulations, 1994, all coffee exported from Uganda shall conform to the Uganda Standards, set forth in the Coffee Regulations, 1994, or as amended from time to time, any other statutory instrument or legislation as may be issued from time to time by the Government of Uganda regarding the marketing and storage of Coffee.

2.2 In order to maintain high quality standards of Uganda's Coffee, every exporting company and coffee roaster shall employ or acquire the services of the certified quality controller, whose particulars shall be registered with the Federation's Secretariat. The certified quality controller shall advise, instruct or train the staff of the said company in matters related to coffee quality control. The certification of quality controller shall be the responsibility of UCDA or any other competent body and minimum requirements as well as qualifications of such quality controllers shall be agreed upon together with UCTF.

2.3 Each company's certified quality controller shall put in place a system to ensure that the coffee traded by the company meets the quality specifications required for Uganda's exportable coffee, in accordance with the coffee Regulations, 1994 or any other statute or law in force by the Government of Uganda, as may be enacted by Parliament from time to time.

2.4 However, since the quality controller may not be the overall decision maker of the company on matters even directly related to coffee quality, the management of the company shall be responsible for providing the necessary support to the quality controllers in matters of professional standards as required by the trade or by this code. The (top executive of the) company shall be directly responsible to the UCTF in the event of any query on the adherence to this code.

### 3.0 FUMIGATION AND PEST CONTROL.

3.1 All operators or their agents, involved in the marketing of coffee shall ensure that adequate pest control measures are taken to avoid infestation of the coffee they are holding, thereby preserving the quality of such coffee.

3.2 All coffee for export shall be fumigated using such conventional and accepted methods as the law shall provide, and as set by the Federation or determined by the contract for sale of such coffee, or other internationally acceptable standards. The fumigation of coffee produced and marketed as organic shall conform to such the acceptable biological and environmentally friendly methods as guided by the International Standards Organisation and according to the requirements of the market.

### 4.0 MOISTURE CONTENT

4.1 All Operators or their agents involved in the procurement of coffee shall ensure that such coffee for export meets the quality specifications of a maximum moisture content of 12.5% for dry processed robusta coffee, and a maximum moisture content of 13.0% for specialty coffee(wet processed) of robusta type. All exportable coffee of the Arabica type, whether washed or dry processed, shall conform to a maximum moisture content of 12.0%

4.2 Moisture content for export coffee shall be in accordance with the Uganda Coffee Export Grading Standards, set forth in the Coffee Regulations, 1994, or as amended from time to time, and any other statutory instrument or legislation as may be issued from time to time by the Government of Uganda.

### 5.0 STORAGE OF COFFEE

5.1 In accordance with the law, coffee shall be stored by all operators in stores or warehouses approved by the coffee Regulations 1994, or as amended from time to time, and by any statutory instrument or legislation as may be issued from time to time by the government of Uganda regarding the marketing, storage or warehousing of coffee.

5.2 Notwithstanding the above statutory requirements, the Federation may make recommendations, upon advice from the Association of Quality Controllers and the Federation's Quality and Standard Committee, in response to changing market demands and requirements, both local and international, for higher standards, aimed at maintaining good quality or marketed coffee. Each operator shall, therefore, make appropriate arrangements to take such measures as deemed necessary to ensure that high standards of quality are maintained in the storages of coffee.

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## 6.0 PROCESSING OF COFFEE

6.1 As stipulated by the law, all coffee shall be processed in an approved processing unit or factory, in accordance with the coffee Regulation 1994, or as amended from time to time, and/or in accordance with any other statutory instrument or legislation as may be issued from time to time by the Uganda Government regarding the processing and marketing of coffee.

6.2 Notwithstanding, the above statutory requirements, the Federation may make recommendations, in response to changing market demands and requirements, both local and international, for higher standards, aimed at maintaining good quality of marketed coffee.

6.3 Exporters shall be required to cooperate in maintaining high standard of quality, aimed at projecting a positive image of Uganda coffee in the world market, and shall discourage any acts that would compromise the quality of Uganda's coffee.

## 7.0 TRANSPORTATION OF COFFEE

7.1 Given that coffee that has been dried can be dangerously contaminated if re-wetted, all operators shall ensure that coffee that is being transported shall be safeguarded from being re-wetted, arising from rain, water or moisture, or any other contamination.

7.2 Transportation of coffee shall ensure that such coffee shall not be mixed with other produce which may lead to cross infestation with parasitic insects that would affect the quality of the coffee.

7.3 Coffee shall not be loaded into containers that have been used for ferrying petroleum products, other oils or oil-based products, products with pungent odours or smell, and such like.

7.4 Transportation arrangements shall, therefore require that the exporter, processor, middleman, transporter or any other coffee trader, take reasonable care to use such means of conveyance as shall provide sufficient protection for coffee from any contamination through the above noted, or any other causes, which are within normal means of control and where it make business and professional sense to take the required due measures such as the necessary to protect the coffee from contamination.

## 8.0 INTERNAL MARKETING OF COFFEE

8.1 All transactions for buying and selling of coffee for internal marketing shall be conducted in a professional way and shall, for purposes of protecting all parties involved, be governed by the Regulations provided in the Internal Marketing Contract (IMC) as set forth by the Uganda Coffee Trade Federation, and modified from time to time, in line with the requirements of the trade and existing statutes or legislation in force enacted by the Uganda Government.

8.2 The Internal Marketing Contract shall be recommended as a basis for arbitration in case of disputes arising from transactions involving a member of the Federation, and the UCTF Rules of Arbitration shall apply for all arbitrations held by the Federation. Notwithstanding, since the industry is still going through a transition following liberalization, it shall not expressly be a requirement for every operator to use Internal Marketing Contract, as many will invariably continue the practice of unsigned contracts. However, for all disputes that will be settled through the Federation's arbitration system, use of the Internal Marketing Contract will be recommended.

## 9.0 REGISTRATION OF COFFEE TRADE OPERATORS

9.1 Upon agreement with the Uganda Coffee Development Authority, or any other Government mechanism for licensing of operators in the coffee industry, the Federation shall have allowance to make recommendations on the licensing of coffee exporters and any other operators directly involved in the marketing of coffee in Uganda. Those recommended for issuance of license shall have been admitted as members of the Federation, or shall have renewed such membership, and commitment to abide by the Code of Conduct. Provided that membership shall not be withheld from anybody fulfilling the eligibility criteria as stated in the Memorandum and Articles of association of the UCTF LTD.

9.2 The Executive Director of the Federation shall submit to the Managing Director of UCDA a statement of recommendation for issuing or renewal of a license to any operator or applicant fulfilling the Federation's requirement as generally stated in this code, and specifically as required by any of Rules of the Federation. Any coffee operator who is found to consistently breaking this Code of Conduct may face disciplinary action as provided for in the UCTF Articles of Association, be removed from the Register of members of the Federation and consequently, shall not be recommended for renewal of their operating license, until a favourable change has been evident, in adherence to this Code.

9.3 At the coming into force of this code, and for any inadequacies found thereafter in any member's operation, reasonable time shall be given to all operators to rectify any deficiencies. The time given for a member of the coffee trade to rectify any deficiencies shall be determined by the UCTF Board of Directors and its Standing Committees, depending on the level of deficiency and the time required to rectify such deficiency. The Federation shall recommend to the member the ways of rectifying the deficiency and where possible assist the member, in line with the objectives of the UCTF. The member will, however, be expected to cooperate, otherwise the Federation will not recommend the renewal of license for an existing exporter who fails to rectify the identified deficiencies.

9.4 Notwithstanding, nothing in this code shall be used to discriminate or interpreted as promoting discrimination against applicants, in the consideration for licensing by the Ugandan Coffee Development Authority (UCDA), or any other body or

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agency which might be vested with such responsibility, This code, therefore shall not be used for discrimination of coffee operator on the basis of sex, race, colour origin or other sectarian tendencies.

### 10.0 INTEGRITY OF MEMBERSHIP OF THE FEDERATION

10.1 Membership of the Ugandan Coffee Trade Federation shall be treated with high honour, and members will be required to uphold high standards and shall be expected to operate with high standards of professionalism as befits the trade. All members shall therefore be expected to act with integrity so as to project a positive image of the Federation and the coffee industry in Uganda as a whole.

10.2 In view of the above, members of the Federation will be required to distance themselves from activities which are illegal, unethical or generally in contravention of the Penal Code, according to laws of Uganda. A member shall be advised not to conduct business with a company or individual whose conduct or activities are questionable, and where the integrity of the member may be compromised.

10.3 Every company member shall dissociate themselves from actions or intents meant to defraud another member of the Federation and shall take appropriate measures to protect other members from any fraudulent conduct of a purchaser or supplier of coffee to any member of the Federation by informing the secretariat so that such matter is committed to scrutiny by the membership committee.

10.4 Any person performing duties as an authorized agent or official representative of a member of the Federation shall be expected to conduct themselves with such discipline as in required by this code. Any member of the Federation shall be held responsible if their integrity is brought into disrepute by their official, representative or agent, and where a fine is applicable it shall be levied upon the member.

10.5 In view of the above, a member of the Federation shall be required to undertake the following: (a) Maintain the highest standards of integrity at all times, towards other members of the Federation that they shall transact with, as well as others with whom they shall trade with or enter into contacts or other transactions; (b) Use their best efforts to execute all contracts or undertakings, working in a competent and timely manner, and shall not take on contractual obligations which they do not reasonably believe that they will be able to carry out to the satisfaction of their clients; and (c) Honour all contracts which shall be entered into freely by the members with any other members being a supplier of coffee or other services to the member, or other party being an importer of Uganda coffee, or any supplier of goods or services to the member. The member shall honour all their undertakings until such understandings are performed, released or excused.

### 11.0 COMPLIANCE

11.1 All members of the Federation will be deemed to have subscribed to this Code of Conduct, to observe the standards set out herein. It shall be the responsibility of each member to ensure that its officials, employees, representatives, or agents abide by the requirements of this code.

11.2 Once it shall be established that, any company whose employee or agent is found to act contrary to this code, the Executive Director, shall require the company to give an explanation for the misconduct, and if it is established to be an action of neglect or deliberate misconduct, the matter shall be brought to the attention of the Board and a warning shall be issued to the defaulting member.

11.3 Any member who shall be issued a second warning, on account of similar misconduct, shall be required to pay such fine(s), as shall be determined by the Board from time to time, a schedule of which shall be made available at the Federation's offices, and communicated to members accordingly. On the third account of misconduct, the company shall be listed among defaulters on this code, and will face disciplinary measures as shall be determined by the Board from time to time, or may be expelled from the Federation.

### 12.0 INSOLEVENCY OR FINANCIAL FAILURE OF A MEMBER

12.1 If, at any time a person, company, corporation or association, being a member of the Ugandan Coffee Trade Federation shall meet with creditors because of inability generally to make payment of obligations when due, or shall suspend such payments, fail to meet his general trade obligations in the regular course of business, shall file a petition in bankruptcy or, for an arrangement, shall become insolvent, or commit an act of bankruptcy, then the Executive Director shall put such member on a suspense list, and declare to other members of the Federation the aforesaid.

12.2 The provisions in the Laws of Uganda, applying to insolvency and bankruptcy shall apply to any member who is so declared, and such member shall cease to be a member of the Federation.

### 13.0 ARBITRATION

13.1 Any disputes arising from disagreements in the execution of a member's responsibilities relating to contracts or other commitments shall be resolved by arbitration, using rules and procedures as shall be set up by the Federation.

13.2 Any member who is dissatisfied with any decision taken in relation to their non-compliance with this Code of Conduct shall file a petition, in accordance with Article 3(8) of the Federation's Memorandum and Articles of Association.

### 14.0 ACCREDITATION

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14.1 The Federation shall keep an up-to-date register of its members who have subscribed to this Code of Conduct, and shall make the list available to Coffee Associations in the Importing countries for their reference. In line with this, given the prevalence of dubious companies and individuals in the coffee trade world-wide, all members of the Federation shall be advised to transact with companies duly registered and accredited by recognised Coffee Associations (or in their absence Chambers of Commerce) in the importing country.

14.2 Following a thorough investigation, according to guidelines set by the UCTF Board of Directors, the Federation shall black-list any company that is found to have acted deliberately unprofessionally, defrauded a member of the Federation, or demonstrated other unethical conduct of business towards a member of the Federation.

14.3 Any company that is black-listed, as provided herein, shall only be released after the Board of Directors has received satisfactory explanation, written apology, or any other requirements as may be set by the Board from time to time, regarding the disposition of such cases.

### 15.0 INTERPRETATION

15.1 Any dispute as to the interpretation of this code of conduct shall be resolved by a meeting of the Board of the Directors, the Advisory and Policy Committee, the Marketing, Quality and Standards Committee and any other committee(s) or members as may be invited by the Board, for that purpose whose decision shall be final and binding.

15.2 In this Code of Conduct, unless the context requires otherwise: (a) "Federation" means the Uganda Coffee Trade Federation Ltd. (b) "Board" means the Board of Directors of the Uganda Coffee Trade Federation Ltd., established under the provision of the Memorandum and Articles of Association of the Uganda Coffee Trade Federation Ltd. (c) "Code" means this Code of Conduct of the Uganda Coffee Trade Federation Ltd., as originally framed or as from time to time modified. (d) "Member" means a member of the Uganda Coffee Trade Federation Ltd., admitted to membership in accordance with the provisions of the memorandum and Articles of Association of the Uganda Coffee Trade Federation Ltd. (e) "Agent or representative" means someone who is appointed in writing to act exclusively for a member. (f) Words importing either the masculine or feminine gender shall include both genders.

### DECLARATION

We, being members of the Uganda Coffee Trade Federation Ltd., commit ourselves to abide by the Federation's Code of Conduct, in order to maintain order and discipline in the coffee trade in Uganda, and so as to build a better image of Uganda's coffee. This Code shall be administered according to the Rules set therein and as shall be guided by the Memorandum and Articles of Association of the Uganda Coffee Trade Federation Ltd., and with the overall supervision of the Board of Directors of the Uganda Coffee Trade Federation Ltd.

## APPENDIX B: INTERVIEW QUESTIONS

### Introduction questions

- What is your functions within the company?
- What kind of coffee does this company produce?

### Main questions

- When speaking of ethical business, how would you describe this?
- How do you think ethical ways of doing business can be promoted?
- What difficulties/barriers can prevent ethical business?
- Can you tell me what your company does to promote ethical business?
- Can you give me some examples of unethical business behavior you encountered?
- How would you define codes of conduct?
- Can you tell me how these codes of conduct are adopted/implemented?
- How does the incorporation of codes of conduct influence the results of the business?
- How did you adopt to the codes? In what way did this influence your daily operations?
- Can you tell me about the influence of the codes of conduct on the quality standards?
- How do you think that ethical business behavior will influence productivity and eventually competitiveness?
- Can you tell me about your clients? How is your distribution?
- Does civil society pressure influence the adoption of codes of conduct do you think?
- How vulnerable is this company to this pressure?
- Does the incorporation of codes of conduct involve tensions?

### Closing questions

- Is there anything that you think is missing?

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**APPENDIX C: CODING SCHEME**

Code Group	Name				Comment
1	<b>Influence of code of conduct on ethical behavior (1)</b>				
3	○ Influence of code of conduct on ethical...			1	
2	<b>Influence on productivity and competitiveness (3)</b>				
3	○ Enhanced productivity and competitive...			1	
5	○ Increasing financial value			1	
8	○ Increasing social value			1	
3	<b>Mediating role of trust and commitment (2)</b>				
7 Group(s)	○ Commitment			1	
	○ Trust			1	
	<b>Principles of execution (3)</b>				
	○ Communication and reinforcing			1	
	○ Mechanisms and principles of execution			1	
	○ Training and education			1	
	<b>Probability of codes adoption (5)</b>				
	○ Civil society pressure			1	
	○ Enabling environment code of conduct			1	
	○ Probability of codes adoption			1	
	○ Value Chain integration			1	
	○ Vulnerability to civil society pressure			1	
	<b>Structure of the Ugandan Coffee Industry (8)</b>				
	○ CURAD			1	
	○ Farmer ownership model			1	
	○ NARO			1	
	○ NUCAFE			1	
	○ Role associations			1	
	○ UCDA			1	
	○ Ugandan National Bureau of Standards			1	
	○ Utz-Kapeh			1	
	<b>Tensions (3)</b>				
	○ Tensions			1	
	○ Transaction costs			1	
	○ Unethical behavior			1	
	<b>No code group</b>				
	○ 'Northern' codes			0	
	○ Association CSR with charity			0	
	○ Awareness			0	
	○ Barrier to ethical behavior			0	
	○ Ethical behavior			0	
	○ Export			0	
	○ Fairtrade			0	
	○ Governmental role promotion ethics an...			0	
	○ Organic			0	
	○ Promote ethical behavior			0	
	○ Quality standards			0	
	○ Role code of conduct			0	
	○ Sustainable business			0	
	○ Understanding of ethical behavior/cod...			0	

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