



Strengthening

Agribusiness Ethics,
Quality Standards,
& ICT Usage in
Uganda's Value Chains

AGRI-QUEST

POLICY BRIEF SERIES

Policy Brief No. 5:

Ethical Dilemmas in Uganda's Agribusinesses

Cedric M. Nkiko, David Katamba
(Makerere University Business School)

Christopher Wickert
(VU University)

AGRI-QUEST Policy Brief Series provide state-of-the-art analyses and policy recommendations on topics related to ethics, quality standards, sustainability, and Corporate Social Responsibility (CSR) in agriculture in the context of Uganda. They are part of the broader AGRI-QUEST research project funded by The Netherlands Organisation for Scientific Research (NWO-WOTRO).

For more AGRI-QUEST details, contact:

David Katamba,
AGRI-QUEST Lead Researcher
Website: www.agriquestuganda.com
Email: info@agriquestuganda.com
Tel: +256 774 972532; +256 752 794612

© AGRI-QUEST, July 2016

A project mainly financed by:



Implemented by:



Introduction

This brief provides a compilation of key business ethical dilemmas that impact the broader business climate in relation to several agribusiness value chains (VC) which AGRI-QUEST¹ is studying in Uganda. The VC are Dairy, Seed, Cassava, Potato, and Rice value chains. By showcasing these ethical dilemmas and their harmful impacts on these value chains, this brief aims to provide important background knowledge for capacity building of agribusiness players and their ability to recognize and effectively manage or deal with various ethical dilemmas. This policy brief also provides empirical documentation of the repercussions of not dealing with these dilemmas.

Ethical focus in agribusiness

We have witnessed a number of catastrophic corporate collapses internationally that have resulted into detrimental losses to multiple stakeholders, especially shareholders and employees. Majority of these losses were driven by heartless executives; internal corporate greed and failures in accounting and accountability systems and unresponsive corporate boardrooms (Visser, 2012). During this age of greed, businesses have only engaged in any corporate sustainability and responsibility activities – only if and when they can be evidenced that shareholder value is protected.

Stakeholders such as consumers have lost trust in the current business system like the food value chains. This negative image about the unethical nature of business has put certification systems, quality management and

transparency on the agenda (Jahn et.al. 2004; Frentrup and Theuvsen, 2006). For example, sustainability and annual reports of global businesses have been widened to include a specific section on corporate social responsibility (CSR). In embracing the CSR philosophy, most businesses have adopted codes of ethics such as King Report on Corporate Governance for South Africa – 2002 (King 2) and introduced a number of checks and balances to address corporate governance (Skinner and Mersham, 2008).

Business processes that implement codes of ethics have however, been considered 'immoral' (Stewart, 1996) or an oxymoron (Karl Marx....). Similar thinking is echoed by authors like Lantos (2001) and Friedman (1996) who argued that what is often considered ethical and social corporate duties are actually optional activities for others more so in developing economies like Uganda. Such critics' argument is that businesses need to be ethical when it is expected to yield business returns. On the other hand, commentators like Davis, (1973) have long urged that businesses have an ethical obligation to society. Carroll (1979) broadened this perspective to even a more elaborate understanding by emphasizing that in addition to an economic, legal and discretionary expectation; businesses have an ethical requirement to society.

Historically, some thinkers have based ethics from a science perspective (Huxley, 2001). Sciences can be a descriptive way of predicting explaining and governing the behaviour and relationships of objects in the world. Nevertheless, ethics is a normative prescription and articulation of moral rules or principles thought to govern human behaviour (Hume, 1975). Ethics in agriculture was long highlighted by enlightenment thinkers like John Locke to Thomas Jefferson, who underscored the economic, philosophical and political importance of "tillers of the soil" (Spiegel 1991). This systematic thinking and 20th century evolution in the values and norms associated with farming, food processing, resource management, value chain management and consumption is what led to

¹ AGRI-QUEST stands for "Strengthening Agribusiness Ethics, Quality Standards & ICT Usage in Uganda's Value Chains." The Project duration: is January 2016 - February 2019. AGRI-QUEST is funded by:



Netherlands Organisation for Scientific Research
WOTRO Science for Global Development

Food & Business Applied Research Fund (ARF)

Research Project No. W 08.270.317

© The content in this publication can be freely used without express written permission from the authors, provided right credit and citation is made

A project mainly financed by:

Implemented by:



the modern Agribusiness ethics. Agribusiness ethics incorporates key philosophical and ethical elements that analyses concerns about specific ethical issues arising in connection with food value chain (Schulze et.al. 2006)

Ethical theories and perspectives

Ethical theories and principles are viewpoints from which guidance can be obtained along the pathway to a decision (Bals and Tate, 2016). Ethical principles such as beneficence, respect for autonomy, least harm and justice are the foundation through which ethical theories try to achieve in order to be successful. Therefore, ethical theories offer a justification or explanation of the rightness or wrongness of an action (Visser, 2008). Literature has three main secular ethical theories because they provide these justifications / explanations.

1. Rights theory - holds that individuals have rights (i.e., justifiable claims against others that others do or do not treat them in certain ways). The rights theory follows the moral concept that everyone is entitled to be free from harm (both physical harm and damage to property and interests) against their will (Kant, 1993). This theory identifies the morally relevant issues by applying ethical concepts such as responsibility, sustainability and justice. However, some have criticised it for its lack of feasibility in identification of counterintuitive solutions towards complex agribusiness systems and global triple bottom line issues and within the value chains (Bals and Tate, 2016)
2. Utilitarian theory - relates that the right and wrong are determined not by appeal to some absolute limit (e.g., rights), but by taking into account all the consequences of action (Shultz and Brender-Ilan, 2004). Despite the different interpretations of what counts good or bad for which, in most cases common sense prevails, utilitarianism holds that people or businesses in this case should always act

to maximize beneficial consequences and minimize harmful consequences thereby ethical consideration of others is paramount (Hunt and Vitell,1986). For agribusinesses, this usually means attempting to produce “net benefits”—more beneficial consequences than harmful ones (Bals and Tate, 2016).

3. Virtue theory – is based on the principle that doing right thing is necessary for achieving a good and fair society (Mahon and McGowan, 1991; Velasquez, 1992). The theory maintains that businesses, as with any individual in society, have to contribute to the common good, because they are a part of society (Alford and Naughton, 2002; Mele’, 2002). Agribusiness should be neither harmful to nor a parasite on society, but purely a positive contributor to the wellbeing of the society. They can contribute to the common good via different ethical ways, such as providing goods and services in an efficient and fair way as well as respecting the stakeholders’ dignity, wellbeing and fundamental rights.
4. Stakeholder management theory – despite some authors considering it as a management way to integrate social demands, Freeman (1984) stresses that “managers bear a fiduciary relationship to stakeholders” (p. xx); as opposed to the traditional and exclusive fiduciary duty towards stockholders. In stressing how agribusinesses have to be managed, a normative core of ethical principles is required (Freeman, et al. 2010; Donaldson and Preston et al., 1997). To this effect, agribusinesses have for example issue out fair contracts (Freeman and Evan 1990) to those in the value chain based on the six of Rawls’ principles of fair play: mutual benefit, justice, cooperation, sacrifice, free-rider possibility and voluntary acceptance of the benefits of cooperative schemes.

Many agribusiness ethical issues and dilemmas arise from actions that are justifiable from the perspective of one ethical theory but

clearly wrong from the perspective of another (Wojcik 1989). Therefore, this is why in this research they are referred to as *issues* - situations in which some people's positions or arguments about what is right or wrong thing(s) are at variance with, and in conflict with, other people's perspectives.

Ethical issues in Agribusiness

2005). Such unethical practices is assumed to be affected by factors external to the workers, such as formal organizational structures, official government laws, informal cultural norms, and regulatory enforcement mechanisms. Incentives people face shape ethical behaviour which overall creates formal and informal farm structures (Brickley et al., 1994). Culture also needs to be preserved as it consists of the shared and espoused values and beliefs of members, group norms, embedded skills, heroes, rituals, myths, and language of agribusiness or society (James, 2000).

The key ethical issues in Uganda's agribusiness are rooted in: (i) Food safety; (ii) Governance, corruption and transparency; (iii) Food security; as well as, (iv) Environment and climate. This is elaborated below:

(i) Food safety

The agribusiness stakeholders such as consumers are unable to know whether the food they purchase or eat was produced and processed in the most sustainable way or even will not put them at risk for sickness or disease or even allergic reactions. For example, we have heard of outbreaks of food-borne illnesses. This is an indication of the need for more safety measures to assure consumers that food supplies are safe. The value chain is not transparent and stakeholders do not trust it nor trust one another. They have questions about appropriateness and thoroughness of many scientific risk analyses and assessments of safety measures carried out on the food before it reaches the market. What makes an ethical food safety is the less engagement of stakeholders in all food processes and policies.

In Uganda, the rate of evolution of the food safety system is very slow. The Food and Drug Act is the main law that currently governs food safety.

In Uganda, the Ministry of Health in consultation with stakeholders developed a National Food Safety Strategic Plan aimed at the implementation of the Food Safety Laws, programmes, activities and other Food Safety Control Systems in the country; provide the food laws direction and translates it into a tool for an effective food safety control system through creation of consumer awareness; and clearly spell out the roles and responsibilities of the key stakeholders, address issues of institutional linkages, collaboration and harmonization of activities aimed at promoting and improving the status of food hygiene and safety in Uganda (FAO/WHO, 2004)

Ideally, this consultation promotes the principle of 'inclusivity' which should empower all stakeholders (including agribusinesses) with the right and opportunity to be heard and engage in the food processes. This thereby empowers Agribusinesses with the obligation to involve other stakeholders (including those in VC) in aspects of their businesses governed by three principles – co-design, co-commission and co-assessment (Nkiko and Muthuri, 2016). Nevertheless whole principle of businesses to engage in co-production and engagement of stakeholders in their business function remains a myth in Uganda (Nkiko and Katamba, 2010).

Working in isolation and ignoring stakeholders have exacerbated the issue of food-borne illness therefore, co-production between public-private partnerships in addition to food security measures, and regulators are highly encouraged to engage with value chain stakeholders (Bals and Tate, 2016). Increasingly national and global approaches to food safety require the Uganda government to put in place mechanisms that consider rural 'hard to reach' small producers, who normally find it hard to meet new compliance, legislation and afford associated with food safety standards (Bals and Tate, 2016). Extensive collaboration, cooperation and co-production is

A project mainly financed by:



Implemented by:



necessary to ensure that there are adequate systems and that they are operate effectively. Stakeholders have to work with one another in the value chain to enhance communication about risks associated with a safety.

(ii) **Governance, corruption & transparency**

According to the Transparency International's Corruption Perception Index for Sub-Saharan Africa, 40 of 46 countries showing a serious corruption problem Uganda's Corruption Perception Index score is 25%, and ranked 139 out of 168 countries, where a rank of 168 is most corrupt (Transparency International, 2016). Corruption depletes a country's national wealth, particularly where agricultural projects are granted based on exchange for personal gains. Corruption undermines economic, social, and environmental goals, and in this case keeps farmers and all value chain stakeholders and communities poorer. For agribusiness in particular, corruption impacts the safeguards of ethical code of conduct and standards.

In such corrupt countries, farm owners accessing their land titles require them to pay bribes, which put their farms and agribusinesses and well as workers at risk. Transparency is has to be facilitated to allow land acquisition, valuation and compensation issues. Corruption undermines trust in the value chain, which contributes to environmental laws and regulations not being enforced, which overall leads to unsustainable exploitation of natural resources (Okpara and Wynn, 2007). All stakeholders in the value chain benefit from ensuring transparency and traceability is fully managed as well as the associated risks are mitigated (Liedholm and Mead, 1999).

(iii) **Food security**

The International Declaration of Human Rights (UN 1948) stresses that food is a basic right and that meeting this right by securing food for all is a fundamental moral and political responsibility. The premise is that having enough food is a basic need for all human

beings. However, there are continuing debates around what moral obligation do we have for people who can't afford food, which has resulted in moral responses and debates such as everyone should contribute towards hunger relief (Singer, 1972)

Such basic moral obligation to ensure that hungry people are fed leads one to more technically difficult issues concerning agricultural development. Certain projects and initiatives aimed at increased food production in parts of the world have failed to produce dividends for reasons such as unconstrained population growth or the disenfranchisement of farmers for the more frequent cause of hunger (James, 2000). Others have argued that the world has never lacked enough food, but rather, the ethics, morals and values to distribute it equitably (Hunt and Vitell, 1986).

Food security has recently become associated with bioterrorism. Agricultural biotechnology is debated in terms of food safety and consumer consent; the broader environmental effects of its use in crop and livestock production; its impact on the structure of agriculture, and its potential to address problems of hunger on a global basis (Thompson, 1999). These issues could be associated with the growth in agricultural technology that affect the way crops are grown and the overall usage in the value chain. There are controversies concerning the application of biotechnology in food production, the genetic modification of crop plants, the development of large-scale agricultural technologies, and the treatment of farm animals in livestock production. For example, the use of bovine growth hormone in milk production is believed unethical (Häyry, 2000) and the 'Harm Principle' being insufficient means of evaluating the ethics of genetically modified food and that a consideration of both harm and benefits is necessary (Holtug, 2001)

(iv) **Environment and climate change**

The Rio Declaration on Environment and Development (1992) reaffirms the commitment not to do anything that would impose unending

A project mainly financed by:

Implemented by:



and onerous duties on future generations. In other words, agribusinesses and all value chain stakeholders need to: i) conserve options those to come in the future might wish to pursue; ii) ensure that the planet is not left in a worse condition than when we inherited it; and iii) conserve the legacy of the past so that future generations might have access to it. However, we have not done enough to this effect and, consequently the world is vulnerable to climate change.

Impact of Ethical Dilemma on agricultural value chains

The impact is already severe in Sub-Saharan Africa, affecting both short-term food securities as crops fail or are destroyed, and long-term food security as stakeholders in value chain lose or are forced to draw down on their few assets. Temperatures are expected to rise by more than 3 degrees above pre-industrial climate, and the biggest impact is likely to be on food production, with Africa *predicated to be* particularly affected (World Bank, 2012). Climate change has a tremendous impact on agribusiness due to the impact it has on crops, forests, pasture and livestock. In Africa for example, there is evidence of changes to soil, land and natural resources which is gradually changing yields and production, prices of food, and increasing food insecurity. Research indicate that climate change has had an impact on maize production and lower harvests; and changing seasons have stressed tea production amongst many farmers (Wingqvist, 2011).

Additionally, agribusiness accounts for 70 per cent of freshwater consumption globally (FMO, 2016). Just like food, access to water is a human right. However, with the growing population, it is estimated that there will be a 40% global water deficit by 2030 at the current business and human usage (WRG, 2009). Despite Africa's endowment with fresh water supplies, it is estimated that one third of the population will endure water scarcity by the same time and climate change will make it even worse for everyone (GRAIN, (2012). The

use of chemicals and fertilizers has continued to have adverse effects on the environment resulting in pollution and contamination of ground waters (Wallace and Knausenberger 1997). Also stress on water sources is made worse by adverse levels of irrigation on farms in parts of Africa. For agribusiness in general, secure and sustainable value chains are critical, and key stakeholders should be engaged in sustainable agribusiness as part of their supply chain and community investment strategies. Stakeholder engagement strategies can help companies to minimise production costs, stimulate local demand and grow products suited to local markets. If farmers for example, have direct control over crop production, this can also reduce commodity price fluctuation risk.

In order to maintain an equitable, ethically based food and agriculture system, biological efficiency (through enhanced production, processing and distribution of food and agricultural products) and agro biological diversity must be reconciled with economic efficiency. This would allow food to be produced with a minimum use of resources, thus limiting the pressure on the environment and making food affordable for the poor. Careful consideration needs to be given to the management of the trade-offs between the objectives of food security and environmental protection. Integrated pest management and integrated resource management in agriculture, should not be considered luxuries; if an equitable, ethically-based food and agriculture system is to be passed on to future generations, they are necessities.

Additionally, in an equitable, ethically-based food and agriculture system, issues food safety would be aggressively addressed, so the world would rapidly reach a stage where everyone had access to an abundant, nutritionally adequate and safe diet. Achieving this will require: a) government policies that provide incentives for distributional changes to reduce inequalities in access to food; b) Research to develop more efficient, safer means of food production, processing and distribution; c) rural development to promote and develop sources

A project mainly financed by:

Implemented by:

of safe food handling practices; and d) the use and enforcement of adequate safeguards and safety standards in the deployment of new products.

Agribusinesses business modes and methods also have a massive impact on community development. In Uganda for example, big number of households rely on yields from substance farming for their livelihood, therefore, responsible sourcing strategies with have a massive impact on communities. Positive means that help small local farmers to boost productivity, diversify their production (to reduce reliance on a single product and therefore manage risk), and to adopt techniques which are ecologically sustainable, promoting things like soil management, can all help build sustainable value chains.

Additionally, offering training to farmers on simple, low-input techniques to help build sustainability of small-scale farming can also bring notable benefits to both the farmers and the agribusinesses, along with effective farmers' organisations can significantly support the capacity building of smallholders and the access to appropriate resources. In developing such strategies, agribusinesses should consider partnership working with multi-stakeholders, particularly those in the value chains who may have relevant skills and trusted networks other larger businesses or markets that small farmers or local agribusinesses do not.

Overall, agribusinesses and all value chain stakeholders have to be mindful of their operations with the limited resources. They need to manage well their own greenhouse gas emissions throughout the value chain, engage in sustainable practices that mitigate the risks likely to cause climate change. Similarly, agribusinesses need to implement water resources management system to measure, conserve and manage their water usage, and manage the risks that water shortage likely to affect their value chain stakeholders.

References

- Alford, H. and M. Naughton (2002). Beyond the Shareholder Model of the Firm: Working toward the Common Good of a Business, in S. A. Cortright and M. Naughton (eds.), *Rethinking the Purpose of Business. Interdisciplinary Essays from the Catholic Social Tradition*. Notre Dame University Press: Notre Dame, pp. 27-47.
- Bals, L. and Tate, W. (2016). *Implementing Triple Bottom Line Sustainability into Global Supply Chains*. London: Greenleaf Publishing, 1st
- Blatz, C. (ed.) (1991). *Ethics and Agriculture*. University of Idaho Press: Moscow, Idaho.
- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate social performance. *Academy of Management Review*, 4, 497-505.
- Comstock, G. (ed.) (1987). *Is There a Moral Obligation to Save the Family Farm?* Iowa State University Press: Ames, Iowa.
- Davis, K. (1973). The case for and against business assumption of social responsibilities. *Academy of Management Journal*, 16, 312-324.
- Devereux, S. (2005). Can minimum wages contribute to poverty eradication in poor countries? *Journal of International Development*, 17, pp. 899-912.
- Donaldson, T. and T. W. Dunfee (1994). Towards a Unified Conception of Business Ethics: Integrative Social Contracts Theory. *Academy of Management Review*, 19, 252-284.
- FAO/WHO, (2004) Building a food safety system in Uganda; Paper prepared by Uganda; CRD 61; 2nd Global Forum of Food Safety Regulators, Bangkok, Thailand
<file:///C:/Users/CEDRIC/Downloads/grain-4516-squeezing-africa-dry-behind-every-land-grab-is-a-water-grab.pdf> accessed 22nd May 2016)
- FMO (2016). Entrepreneurial Development Bank. Agribusiness, Food & Water.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman
- Freeman, R. E. and Evan, W. M. (1990). Corporate Governance: A Stakeholder Interpretation. *Journal of Behavioral Economics*, 19, 337-359.
- Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L. and De Colle, S. (eds) (2010). *Stakeholder Theory. The State of the Art*. Cambridge University Press: Cambridge, UK.
- Frentrup, M. and Theuvsen, L. (2006). Transparency in supply chains: Is trust a limiting factor? in: Fritz, M., Rickert, U. and Schiefer, G. (eds.), *Trust and risk in business networks*. Bonn, pp. 65-74.

A project mainly financed by:



Implemented by:



- Friedman, M. (1970). The social responsibility of business is to increase its profits, *The New York Times Magazine*, September 13
- GRAIN (2012). Squeezing Africa Dry: Behind every land grab is a water grab.
- Häyry, M. (2000). How To Apply Ethical Principles to the Biotechnological Production of Food – The Case of Bovine Growth Hormone. *Journal of Agricultural and Environmental Ethics*, 12,, 177–184.
- Holtug, N. (2001). The Harm Principle and Genetically Modified Food. *Journal of Agricultural and Environmental Ethics*, 14, 168–178.
- <http://www.fmo.nl/agribusiness-food-water> accessed 22nd May 2016).
- Hunt, S.D. and Vitell, S.J. (1986). A general theory of marketing ethics. *Journal of Marketing*, 48, 30-123.
- Jahn, G., Spiller, A. and Schramm, M. (2004). *Trust in certification procedures: An institutional economics approach investigating the quality of audits within food chains*. Paper presented at 14th IAMA Conference, June 12-15, 2004, Montreux, Switzerland.
- James, H. S., Jr. (2000). Reinforcing Ethical Decision Making Through Organizational Structure. *Journal of Business Ethics*, 28, 43–58.
- Kant, I. (1993). *Grounding for the Metaphysics of Morals*, translated by James W. Ellington. 3rd edition. Indianapolis: Hackett Publishing Co., p. 30.
- Kiggundu, M.N. (1988). Africa, in Nath, R. (ed.), *Comparative Management*. Ballinger: Cambridge, MA.
- Lantos, G.P. (2001). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing*, 18, pp. 595-639.
- Liedholm, C. and Mead. D. (1999). *Small Enterprises and Economic Development: The dynamic role of micro and small enterprises*. Routledge, London.
- Mahon, J. F. and R. A. McGowan (1991). Searching for the Common Good: A Process-Oriented Approach. *Business Horizons*, 34(4), 79–87.
- Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *Academy of Management Review*, 22(4), 853–886.
- Nkiko, C. and Muthuri, J. (2016). Quest for Responsible Business: The Co-Production of a Stakeholder Engagement Framework by SME Owner-Managers in growing economies. *Journal of Business Ethics*, 93(2), 181-200
- Schulze, B., Wocken, C. and Spiller, A. (2006). Relationship quality in agri-food chains: Supplier management in the German pork and dairy sector. *Journal on Chain and Network Science*, 6(1), 55-68.
- Shultz, T. and Brender-Ilan, Y. (2004). Beyond justice: introducing personal moral philosophies to ethical evaluations of human resource practices. *Business Ethics: A European Review*, 13, pp. 302-316.
- Skinner, C. and Mersham, G. (2008). Corporate social responsibility in South Africa: emerging trends. *Society and Business Review*, 3, pp. 239-255.
- Thompson, P. B. (1999). From a Philosopher's Perspective, How Should Animal Scientists Meet the Challenge of Contentious Issues? *Journal of Animal Science* 77(2), 372–377.
- Transparency International (2016). Corruption by country/Territory. Available online: <http://www.transparency.org/country#UGA>, (accessed 22nd May 2016).
- Velasquez, M. (1992). International Business, Morality and the Common Good. *Business Ethics Quarterly*, 2(1), 27–40.
- Visser, W. (2008). *Making A Difference: purpose-inspired leadership for corporate sustainability & responsibility*. VDM, Saarbrücken.
- Visser, W. (2012). The Future of CSR: Towards Transformative CSR, or CSR 2.0. *Kaleidoscope Futures Paper Series*, No. 1.
- Wallace, B. M, and Knausenberger, I. W. (1997). Inorganic Fertilizer use in Africa. *Environmental and Economic Dimensions*. 14. http://www.encapafrika.org/meo_course/Course_Materials/Module9--Special_Topics/Fertilizers_and_Reg216/inorganic_fertilizer.pdf accessed 22nd May 2016)
- Wingqvist, G. (2011). Environment and Climate Change Policy Brief – Mozambique. Generic Outline. SIDA's Help Desk for Environment and Climate Change. http://sidaenvironmenthelpdesk.se/wordpress/wp-content/uploads/2012/01/Mozambique-Env-and-CC-Policy-Brief_20111.pdf
- World Bank (2012). Turn Down the Heat: Why a 4 degree warmer world must be avoided.
- WRG (2030 Water Resources Group). 2009. Charting our water future: Economic frameworks to inform decision-making. Washington, DC, 2030 WRG