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(Un)ethical behavior in buyer-supplier relationships in the local agricultural value chains of developing countries: The case of Uganda

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Executive Summary

Improving ethical behavior in the local agricultural value chains of developing countries will accelerate the transformation and competitiveness and thereby promote rural development and reduce poverty in these areas. Efficient contracting aims to minimize the costs regarding unethical behavior. The buyer-supplier relationship seems to be an important element of the 'contract' in these value chains and thereby an important explanation for the degree of (un)ethical behavior. This paper aims to give insights in how unethical behavior unfolds in buyer-supplier relationships in the local agricultural value chains of developing countries. This is studied through exploratory field research in two districts (Bugiri and Oyam) of Uganda by interviewing multiple stakeholders of two (rice and cassava) domestic agricultural value chains in order to get broad insights of the interplay between buyer-supplier relationships and (un)ethical behavior. This study identified three problem contexts that complicate the relationship between the drivers of unethical behavior and specific elements of the buyer-supplier relationship:

- 'competing self-interests' and the low degree of collaboration in buyer-supplier relationships;
- 'ease to avoid sanctions' and the low degree of monitoring in buyer-supplier relationships;
- 'short-time mindset in fulfilling self-interests' and the low degree of focus on (potential) future business in buyer-supplier relationships.

The outcomes of this study are useful for development organizations, embassies and other governmental departments to effectively design their development programs. Also businesses involved in the local agricultural value chains of developing countries can use the outcomes in order to improve ethical behavior of their suppliers or buyers and thereby increase their competitiveness.

Keywords: (un)ethical behavior, agriculture, buyer-supplier relationship

Introduction

The World Bank (2009) started their report 'Awakening Africa's Sleeping Giant' with the following quote: 'For the foreseeable future, reducing poverty in Africa will depend largely on stimulating agricultural growth', and especially commercial agriculture is thereby seen as a crucial and powerful driver. Business ethics is an underexposed area in the stimulation of agricultural growth (Agri-Quest, 2017). Improving the degree of ethical behavior in the local value chains will accelerate the transformation and competitiveness of actors in the local agricultural value chain (Agri-Quest, 2017) and thereby their adoption in the national and international market systems (IFDC, 2015). Improving their access to markets can be seen as one of the important instruments to promote rural development and reduce poverty (Fischer & Qaim, 2012). Gullett, Do, Canuto-Carranco, Brister, Turner and Caldwell (2009) pointed out that the buyer-supplier relationship is the intersection between economic interests and ethical choices. It is therefore important to get more insight in the buyer-supplier relationships in the local agricultural value chains and how these relationships affect the degree of (un)ethical behavior.

One may speak about an ethical situation if the consequences of an individual's decision affect the interests, welfare or

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expectations of others (Rest, 1986). Ethics is a social phenomenon, so what people consider as ethical behavior differs per country, situational

Unethical behavior is therefore defined as behavior that has a harmful effect upon others and is "either illegal, or morally unacceptable to the larger community" (Jones, 1991, p. 367). Many theories suggest that unethical behavior is caused by competing self-interests (Beu & Buckley, 2001). The buyer-supplier relationship is a typical case where people have competing self-interests (Eisenhardt, 1989) and this makes it vulnerable for opportunistic behavior. The agency theory investigates how principals (the people that delegate the work) can fully align the behavior of agents (the people performing the work) to their interests. Efficient 'contracting' (which should be seen as a metaphor) can reduce the costs of opportunistic behavior to the minimum (referred to this as relational contracts.

Ethical behavior, efficient contracting, and buyer-supplier relationships have mainly been studied in developed markets; developing markets are an underexposed area. The 'contracts' between principals and agents in developing countries differ from the 'contracts' in developed countries (Barrett & Mutambatsere, 2005). Most agricultural businesses in the local value chain of Uganda do not make use of formal contracts, they simply agree with each other by word (Dijkstra, 2001). These relational contracts are less formal (Jones, 1995) and generally seen as less strict, which might enhance the degree of opportunistic behavior by the agent. The buyer-supplier relationship seems to be an important element of the 'contract' between agent/supplier and principal/buyer in the local value chain of a developing country and thereby an important explanation for the degree of (un)ethical behavior. However, an in-depth understanding of the interplay between unethical behavior and the buyer-supplier relationship in the local agricultural value chain of a developing country is still missing. This study addresses this important limitation in the literature.

Investigating how buyer-supplier relationships in the local value chain of developing countries affect the degree of (un)ethical behavior can provide valuable insights that can be used to set up market structures that enhance ethical behavior and thereby bring a permanent positive gradual change in ethical practices and attitudes. This will improve the competitiveness and transformation of the players in the local value chain (Agri-Quest, 2017) and give access to 'new' markets and thereby increase income and food security of the actors in the agricultural value chain (IFDC, 2015).

This study will develop an in-depth understanding of the drivers to behave unethical and how this (un)ethical behavior unfolds in the buyer-supplier relationships in local agricultural value chains of developing countries and thereby affect the degree of (un)ethical behavior. This will be studied by means of the following **research question** and sub-questions:

How does (un)ethical behavior unfold in buyer-supplier relationships in local agricultural value chains of developing countries?

Sub-questions:

- *What is (un)ethical behavior in the local value chain of developing countries and what are the drivers?*
- *How do buyer-supplier relationships in*

developing countries affect the drivers for (un)ethical practices?

These questions will be studied through exploratory field research in two districts (Bugiri and Oyam) of Uganda. Data collection focused in each district on one specific value chain (rice and cassava). Data has been collected through semi-structured group interviews of a diverse group of stakeholders in the districts and in-depth individual interviews with academics and development organizations in Kampala. Around 70% of the population of Uganda works in the agricultural sector (UN, 2017). The Ugandan government is implementing programs to improve competitiveness and accelerate the transformation of self-sustaining farmers into commercial businesses since the year of 2000 (Nabwire, 2015). Smallholder agricultural value chain players still experience problems in accessing national and international markets (Salami, Kamara, & Brixiova, 2010), partly due the unethical practices that take place. This makes the districts a good research context to study the research question.

This study contributed to the understanding of the drivers and unfolding process of unethical behavior in the buyer-supplier relationships by studying the agency theory in a research context which rigorously tested the theory (Eisenhardt, 1989). The data analysis pointed out three drivers for unethical behavior in the local agricultural value chains of developing countries which are subsequently connected to three specific elements of the buyer-supplier relationship. This study unfolded the specific interplay between competing self-interests and the low degree of collaboration, the ease to avoid sanctions and the low degree of monitoring, and the short-time mindset in fulfilling self-interests and low degree of focus on (potential) future business. This study illustrated that one of the solutions, 'outcome based contracts', proposed by Eisenhardt (1989) is not applicable in the local agricultural value chains of a developing country. The buyer-supplier relationship becomes an even more important element of the 'contract', which aims to align the agents' behavior.

The study proceeds as follows: it will start with the theoretical background which will provide an overview of the existing literature concerning: (un)ethical behavior, the drivers for unethical behavior, efficient contracting and the buyer-supplier relationship. This is followed by the method chapter which describes and justifies the research methods used in this study. The next chapter, 'Results', will present the findings of the analyzed data and the last chapter, 'Discussion', will elaborate on the outcomes, the practical and theoretical contribution, limitations of this study and the recommendations for further research.

Theoretical Background

(Un)ethical behavior

Ethics and the discussion of 'right' and 'wrong' have been there from the beginning of society. Ethics is everywhere and affects every decision of individuals and companies, it affects people's judgment (Jones, 1991). One may speak about an ethical situation if consequences of an individual's decision affect the interests, welfare, or expectations of others (Beu & Buckley, 2001). According to Bauman (1993), ethics can be seen as a form of control over the behavior of individual members. It is a social phenomenon which therefore differs per country, situational setting and actor. A decision might be morally acceptable by people in country A, while the people in Country B see it as impermissible. Business ethics is defined by Lewis (1985) as 'comprising the rules, standards, principles, or codes giving guidelines for morally right behavior and truthfulness in specific situations'. Unethical behavior is the opposite and therefore defined as behavior that has a harmful effect upon others and is "either illegal, or morally unacceptable to the larger community" (Jones, 1991, p. 367). Examples of unethical behavior are stealing, cheating, violating ethical norms and dishonesty.

Rest (1986) developed a model which presents moral decision making as a four step process: identifying the moral nature of an issue, making a moral judgment, establishing a moral intent and engaging in the moral action (O'Fallon & Butterfield, 2005). This study will focus on the last two steps of the process: 'the establishment of the moral intent' and 'engagement in the moral action'. An organization can ensure and improve ethical behavior by formal and/or informal control systems. The formal system is identified by written procedures and policies such as performance appraisal standards, code of conducts and certificates (Falkenberg, & Herremans, 1995). The informal system does not consist of explicit verifiable measures but is based on common values, beliefs and traditions that are disseminated by the interaction between the different actors (Falkenberg, & Herremans, 1995). These interactions (between buyers and supplier) propagate tacit rules that affect the expectations of organizational behavior. Considering the economy of Uganda, this paper will focus on the informal control systems of organization: the interactions between buyers and suppliers.

To understand how buyer-supplier relationships affect the degree of (un)ethical behavior in the value chain, one must first be aware of the drivers of unethical behavior. Prior research illustrated that having the ability to make ethical judgments is not equal to behaving ethically. People can identify the moral nature of an issue and make the 'right' moral judgment and still establish a moral intent or engagement in an action that is not in line with their own moral judgment (O'Fallon & Butterfield, 2005). Many theories see self-interest as the main cause of unethical behavior (Beu & Buckley, 2001). Becker (1976) believes that human agents are always pure egoists: people want to maximize their own utility even when this is morally unacceptable or illegal to the larger society. Also neoclassical economics and social exchange theory state that unethical behavior comes up if this is in someone's own best interest (Grover, 1993).

Holstrom (1979) studied the agency theory and illustrated that in the situations of asymmetric information and conflicting goals, employees may pursue their own self-interest, even when this is illegal or morally unacceptable. Asymmetric information enhances the possibility to behave unethically without experiencing negative consequences. Actors of the local agricultural value chains in Uganda seem to primarily focus on the activities performed by themselves and barely on activities performed by others. This might increase the degree of asymmetric information between buyer and supplier and thereby the degree of unethical behavior which makes the agency theory very interesting to study in the context of

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the agricultural value chains in Uganda.

Drivers of unethical behavior

The agency theory can be best described in the perspective of information economics. The agency theory applies to relationships in which 'one party (the principal) delegates work to another (the agent), who performs that work' (Eisenhardt, 1989). In the situation that both actors are utility maximizers, the agent might have good reasons to perform the work in a different manner than the principal would be pleased by. Competing goals caused by differing individual preferences of principal and agent are drivers of opportunistic behavior by the principal and agent. Opportunistic behavior is defined as 'handling with a lack of candor or honesty in transactions, to include self-interest seeking with guile' (Williamson, 1975) and is thereby classified as unethical behavior. Efficient contracting attempts to reduce the costs of opportunistic behavior to the minimum. Contracts can be vague, informal and may differ completely in formality, extent, frequency and regularity (Eisenhardt, 1989). Williamson (1985) classified contracts without documents as relational contracts.

The principal-agent relationship might bring up two challenges (Eisenhardt, 1989). First of all, the principal and the agent might have different goals. Secondly, principal and the agent might have different attitudes towards risk. This can lead to decisions by the agent that are not in the best interest of the principal. Generally, principals try to align the agent's behavior as much as possible to their own interest, however this can be difficult and incur costs, which are called the agency costs. Jones (1995) divided these costs into three parts. First, the monitoring costs, these are the costs made by the principal to monitor the behavior of the agent with the goal to reduce agent's actions that would harm the interest of the principal. Second, the bonding costs, which are costs related to the activities by the principal to ensure that the agent will not take actions that harm their interest, it is concerned with aligning each other interests. Finally, because monitoring and bonding may not fully align the agent's behavior to the principal's interest, there is a residual loss. It is thereby important to establish the most 'efficient' level for which the costs of reducing opportunistic behavior outweigh the initial costs of opportunistic behavior.

Formal literature appointed two reasons for agent failure to fulfill the principal interest (Jones, 1995). The first one is referred to as the moral hazard (Holstrom 1979), which is the case if the agent does not put forth the agreed-upon effort: he is shirking. The second one is referred to as the adverse selection, which refers to the misrepresentation of the ability by the agent (Eisenhardt, 1989): he is not able to perform the job according to the expected standards. The agency theory suggests two solutions for these problems: investing in an information system or an outcome based rewarding system. Buyer-supplier relationships seem to be essential as facilitator of the information sharing/system between buyer and supplier. Companies that engage in long-term relationships build up trust and commitment to each other's goals (Beske, Land & Seuring, 2014). Buyer-supplier relationships can help firms' to understand and align competing interests.

Finally, the game theory illustrated that the behavior of principals and agents can also

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be affected by the potential of future business. Pruitt & Kimmel (1977) showed that people can be triggered to make decisions that are inefficient in the short term, because this is most beneficial in the long term. The decision dependents on whether the 'game' between principal and agent is played once or multiple times. In the case of potential future transactions, agent and principal might be afraid to lose the 'contract' with each other.

Buyer-supplier relationships in the value chain

Beu & Buckley (2001) stated that 'economic theories of self-interest may neglect the impact of relationships, morality, and values of the individual based in society'. The buyer–supplier relationship reflects the nexus or intersection between economic interest and ethical choices (Gullett et al., 2009). Buyers want to pay as less as possible for the highest quality, while suppliers want to receive as much money as possible while having the lowest costs which might decrease the quality. These competing interests make the buyer-supplier relationship constitutionally vulnerable for conflicts and pressure (Moeller, Fassnacht & Klose, 2006). However cooperation between buyers and suppliers is expected and required to successfully produce the end product (Villena, Revilla & Choi, 2011). Both supplier and buyer need to have in mind how they affect each other's business, because this will affect the end product and determine if future business might be done. The buyer-supplier relationships focus on transactions, flows and linkages between the buyer and supplier (Oliver, 1990). It is hard to characterize buyer-supplier relationships, however many academics see coordination, collaboration, commitment, communication, trust, flexibility and dependency as fundamental aspects in the buyer-supplier relationship (Kannan & Tan, 2006).

Buyer-supplier relationships play a crucial role in reducing uncertainties in the business exchange process (Patterson, Forker & Hanna, 1999). They facilitate the information sharing in the value chain and thereby the possibility to monitor suppliers and reduce the amount of asymmetric information. Monitoring suppliers is one of the methods proposed by the agency theory to reduce opportunistic behavior. Information sharing between the buyer and supplier does not only enable businesses to monitor but also gives them the possibility to collaborate and thereby build a set of valuables to establish a competitive advantage (Barney, 1991). Communication between companies can be seen as a relational competency that can generate a strategic advantage for the collaborating firms (Paulraj, Lado & Chen 2008). Buyer-supplier relationships can facilitate collaboration to bind the competing self-interests and thereby motivate suppliers to behave ethically. Finally, the buyer-supplier relationship can bring continuity for suppliers and buyers. The game-theory (Pruitt & Kimmel, 1977) illustrated how repeating transactions between buyer and supplier can change the behavior of an agent: the focus can change from short-term interest to the decision that is more efficient in the long term which is normally more concerned with behaving ethically.

To summarize this chapter: several theories suggest that unethical behavior is caused by self- interest. Efficient contracting attempts to minimize the costs of opportunistic behavior by agent/supplier. The agency theory

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illustrates how asymmetric information between buyer and supplier enhances the possibility for buyers and suppliers to follow his/her own interest, even if it is unethical. The buyer-supplier relationship seems to be crucial in the attempt to reduce uncertainties and bind interests of buyer and supplier, as facilitator of monitoring, collaboration and providing focus to future business between buyer and supplier. This study adresses the limitation in the literature concerning the interplay between unethical behavior and buyer-supplier relationships in the local agricultural value chain of developing countries.

Research Method

Research design

The influence of buyer-supplier relationships on the degree of ethical behavior in the local value chains of developing countries is an overlooked research area which makes this study a form of neglect spotting (Sandberg & Alvesson, 2011). An inductive qualitative approach is selected taking into consideration the nascent state of this phenomenon, the difference in culture and interpretation of concepts and the need of an in-depth and holistic understanding to answer the research questions (Edmondson, & McManus, 2007). Considering the unknown research context for the researcher and the complexity of the interplay between the different concepts, this study builds on the assumption that the interviewees are the 'knowledgeable agents'. This assumption means that we consider 'that people in organizations know what they are trying to do and can explain their thoughts, intentions, and actions." (Gioia, Corley & Hamilton, 2013, p. 3). This is a typical bottom-up approach whereby individual findings will develop general conclusions (Rowley, 2012).

Research context

Uganda is a very poor country: in 2012 34,6% of the people lived at less than \$1,90 per day and this group is even bigger in the rural areas (World Bank, 2017), which is where the farmers live. Uganda is a multilingual country with 41 individual languages, whereby English and Swahili are the principal ones (Ethnologue, 2017) but also Luganda is widely spoken as the central language of Uganda. The agricultural sector is the biggest workforce in Uganda. In 2013 almost 72% of the labor force worked in this sector, while it is only responsible for 27% of the gross value added in Uganda (UN, 2017). The agricultural sector in Uganda mainly consists out of small businesses without formal contracts or standards and produces a very big variety of products: cassava, beans, diary milk, coffee and rice.

This study focused on two specific value chains: cassava and rice. Rice is studied in the district of Bugiri which is in the east of Uganda, and cassava is studied in the district of Oyam which is in the north of Uganda. Only 15% of the cassava farmers in Oyam has the goal to earn money with farming, so for most cassava farmers is self-sufficiency the main goal. Both value chains can be classified as developing value chains, as well as the relationships in these value chains. Products in both value chains are generally sold within the district, while there is almost no export to other countries.

Data collection & Sampling

The data collection took place in

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collaboration with the Agri-Quest project. During two field trips in Bugiri (eastern Uganda) and Oyam (northern Uganda) in April 2017 several farmer groups, input dealers, traders, millers, governmental district leaders, and agricultural officers were being interviewed. The interviews are conducted in groups by multiple interviewers, each with their own research agenda. The lead researcher of Agri-Quest covered the ethical part of this study in the beginning of the interviews. The given possibilities to ask questions during the group interviews were mainly used to get insights into the buyer-supplier relationships and how these relationships affected the degree of unethical behavior. The interviewees were introduced by the district field-coordinators who are working for the development organization 'Africa 2000'. Furthermore, Agri-Quest helped to set up a personal interview with a university professor in Kampala. The other interviewees were approached by the researcher himself.

Data is collected by semi-structured interviews, wherein the questions of the interview protocol were adapted to the interviewee. The interview protocol starts with questions regarding unethical behavior and the motives for actors to behave unethically, and subsequently the role of buyer-supplier relationships is carefully introduced into the conversation. The questions had the aim to encourage the interviewee to talk around the topic, the flow of the conversation was more important than the interview protocol (Rowley, 2012). The flexibility of the interview protocol facilitated the processes of uncovering new concepts and the development of these concepts (Gioia, Corley & Hamilton, 2013).

During the interview field notes were taken, which are used to interpret the data that has been given by the knowledgeable agents. This was even more important during the interviews with the farmer groups and several of the brokers and traders that did not speak English. The members of Agri-Quest or the district field-coordinators interpreted the interviewees for the ones that did not speak the language. The duration of the interviews was between 23 minutes and almost 2 hours, with an average of 54 minutes. The personal interviews in Kampala with the academics and development organizations helped to view the studied concepts from another perspectives and for validation of the findings.

Data analysis

'In order to maintain high qualitative rigor in inductive research a comprehensive and systematic analysis is needed' (Gioia, Corley & Hamilton, 2013). This study will make use of the method proposed by Gioia, Corley and Hamilton themselves. This method is a holistic approach to inductive concept development that balances the (often) conflicting need to develop new concepts inductively while meeting the high standards for rigor, which is demanded by the top journals (Gioia et al., 2013). This makes this approach a very good fit for the nascent theory discussed in this paper. This methodology is also chosen because of the high transparency which increases the reliability of this research, while the high systematic analyses foster validity (Flick, 2007).

The interviews are recorded and transcribed to facilitate the systematic analysis which is executed with the aid of the program Atlas.ti. The data has been analysed in different rounds. The Gioia

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method distinguishes between first order codes, second order themes and aggregate dimensions. The first round made use of open coding and brought up 56 first order concepts related to unethical behavior and how this is affected by the buyer-supplier relationships. These codes are developed with terms that the participants used themselves, and can be seen as informant centric (Gioia et al., 2013). After the first round of coding it became clear that it was necessary to make a distinction between the drivers of unethical behavior and how this was affected by buyer-supplier relationships. The first order concepts are divided into 24 first order concepts related to unethical behavior and 32 first order concepts related to the buyer- supplier relationship. The first order concepts are summarized in research-centric second order themes which are more on the analytical level. Based on the established second order themes the first order concepts in both data structures are merged into eleven first order codes. The three second order themes, formed in both data structures one aggregate dimension.

Findings

The first section of this chapter will describe the unethical practices that take place in the local value chains, which will be followed by a section regarding the drivers of these unethical practices and completed with a section of concerning buyer-supplier relationships and how they affect those drivers and thereby the degree of (un)ethical behavior. The interpretive analysis revealed three drivers for unethical behavior in the local value chain: a high degree of competing interests between buyer and supplier, the ease to avoid sanctions and the short-term mindset in fulfilling self-interests. Thereafter, the interpretive analysis pointed out that three elements of the buyer-supplier relationship correspond with those drivers and the degree of (un)ethical behavior. The low degree of collaboration in buyer-supplier relationships corresponds with the high degree of competing interests, the low degree of monitoring in buyer-supplier relationships corresponds with the ease of avoiding sanctions and the low degree of focus on (potential) future business corresponds with the short-term mindset in fulfilling their self-interest. This study unfolded the interplay between unethical behavior in the local value chain and buyer-supplier relationships. The high degree of unethical behavior in the local value chain can be partly explained by the mentioned elements of the buyer- supplier relationships.

Unethical practices

The interviewees mentioned different unethical practices that take place in the value chains: people mixing varieties while selling in one market, people mixing stones with the rice, people not paying their loans, input dealers selling fake products and farmers not drying products properly to have more weight. Also poor cutting and threshing methods which increased breakage of the rice in the milling machines were seen as unethical behavior. The interviewees in the districts seemed to confuse ethics and quality. This confusion is also appointed by a researcher of Makerere university in Kampala: *'Ethics and quality is a term in Uganda that people sometimes seem to confuse.'*. He continued by explaining the relationship of ethics and quality: *'Ethical behavior is a requisite for good quality rice and therefore selling to better markets.'*. Mainly development organizations, academics and agricultural officers mentioned the advantage to access better markets if you are able to produce higher quality, however also some farmers recognized this. Almost all actors in the value chain mentioned the impact of quality on the price of the product. As one of the farmers in a farmer group declared: '*In case the quality is okay, they can sell the rice at the good price they want. But if the quality is poor, they give them less.'*. So, people have to take ethics in mind to be able to produce high quality products. Being ethical is a requisite for good quality which can give actors benefits by enabling them to sell their product to better markets. The incentives to behave ethically are at least partly present, however interviewees made also clear that not everybody in the local value chain is behaving ethically. The next section will present the motives for these actors to behave unethically, which will be followed by the last section that will reveal the impact of buyer-supplier relationships on these drivers and the degree of (un)ethical behavior.

Drivers of unethical behavior

Having competing self-interests. The first theme discovered regarding the drivers of unethical behavior in the local value chain is the high degree of competing self-interests between buyers and suppliers. The interviewees revealed that farmers ignore learned practices, (some) markets accept 'unethical' products and farmers do not see the benefits of ethical behavior. One of the agricultural officers declared that farmers fall back in their old routines after a development organization leaves:

'They do exactly what they are forced to do. But as soon as that program leaves, they go back. They ignore it, some farmers even sell those tarpaulins. They go back to as they were doing it. They know what to do, but it all goes back.' (Interview#2, Agricultural officer 3).

The development organizations gave farmers the right skills and tools to pursue the benefits of good practices, however farmers seemed to ignore learned practices because it was not in their own self-interests.

Another agricultural officer declared that farmers are able to sell their 'unethical' products, which leads to a lower willingness of farmers to make extra costs in order to produce 'ethical' products. It is not in the farmers' self-interest to produce ethical products:

A1: 'The market is there. Even with the stones, people buy it.' A2: 'That is why they continue putting in the stones. The market is there.' (Interview#2, Agricultural officer 1 & 2).

One of the most important assumptions is expressed by the district leader:

'People behave unethically in business because they want to get the highest profit and that is the mindset.' (Interview #5, Margaret, (RDC)).

Margaret is emphasizing that one could assume that people would behave ethically if they have the feeling that it will give them higher profits. Unethical behavior is thereby the result of competing interests between buyer and supplier. As long as people don't experience (economic) benefits of ethical behavior, they may behave unethically. The fact that suppliers in the local agricultural value chain ignore learned practices, are able to sell their 'unethical' products and pointed

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out that they do not see the benefits of ethical behavior while buyers are complaining about the high degree of unethical practices displays the high degree of competing interests between buyer and supplier.

Ease to avoid sanctions

The second theme discovered concerning the drivers of unethical behavior is the easiness to avoid sanctions. The lack of market information, difficulty in determining quality, unclear standards in the market and the difficulty for governments to control businesses make it less risky for buyers and suppliers to behave unethically because it lowers the probability of negative consequences. One of the farmers of a farmer group mentioned that the lack of market information causes unethical behavior: the lack of market information makes it easier for buyers to give unfair prices to the suppliers. Another important force which makes it easy to avoid sanctions is the difficulty of determining quality, which is partly caused by the lack of facilities to determine quality:

'There were no strategies put in place to deal with quality, quality of rice. Most cases buyers just use their vision, just look at the rice.'(Interview#18, Emanuel, Research assistant).

Furthermore, there is a low degree of standards in the markets to determine quality of the products, which raises the possibility for exploitation:

'There are no parameters for measuring quality. It is subjective and could be an avenue for exploitation. Some considered attributes include thickness, length and color.' (Interview#12, Agricultural officer).

Another agricultural officer declared the difficulty that government departments have in controlling all businesses. Governmental department try to teach the value chain actors better practices by facilitation trainings of extension workers, but this is not always sufficient:

'...but right now the current trend, farmers are just, they are just soft. You speak, they don't take you serious, we need policies that can at least, you know, trigger their mind.'(Interview#1, Peter, district leader production & marketing).

Finally, the agricultural officers emphasized that people will change their behavior from the moment that they have the feeling that unethical behavior is directly being noticed.

'The moment, the farmer knows you do that, they will not bring it there.' (Interview#2, Agricultural officer 1). The lack of access to market information, difficulty in determining quality, unclear standards in the market and the difficulty that government departments have in controlling all businesses make it easy for actors in the local agricultural value chain to avoid sanctions of unethical behavior.

Short-term mindset in fulfilling self-interests

The third theme discovered in relation to the drivers of unethical behavior in the local value chain is the short-term mindset that actors have in fulfilling their self-interests. This stems from the lack of money, the transformation from subsistence to commercial farming, drinking behavior and the war in the past. People in the local agricultural value chain are usually looking for the fastest way to satisfy themselves. One of the consequences that farmers lack money is

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illustrated by the following quote:

'Poverty is the problem which makes farmers harvest rice that is not ripe enough.' (Interview#9, 5 farmer group).

People are aware of the good practices, however, their (forced) short-term mindset is causing an intent and engagement in behavior that differs from their moral judgment. This is why many people see the mindset as a crucial factor in the high degree of unethical behavior:

'One, it is all about the mindset. This farmers most of the time know what to do, they don't put it into practice. They think what they do is better'. ... 'So, it is all about the mindset, their minds think what they are doing is right'. (Interview#2, Agricultural officer 1).

Unethical behavior is generally affecting businesses in the long-term, which makes it hard to motivate actors in the value chain with a short-term mindset to behave more ethically:

'..because they did not produce rice ethically, they will not remain their customers for a long term which would gave them more profit in the long term, long term profit.' (Interview#18, Emanuel, Research assistant).

The mindset is mentioned by many actors in the value chain. The short-term mindset is the result of the lack of money, the transformation from subsistence to commercial farming, drinking behavior and the war in the past.

How buyer-supplier relationships affect those drivers

Low degree of collaboration. The first theme discovered concerning the effect of buyer-supplier relationships on the drivers and the degree of unethical behavior is the low degree of collaboration in order to bind the competing interests. Interviews declared unequal power in relationships and a low degree of empowerment, sharing good practices, communicating the demand and involvement of farmers in setting up product standards. A district agricultural officer explained the selling process in their district:

'A seller has liberty to sell to someone they tend to trust. But buyers dictate the price because there are fewer buyers/bulking centers. There is some bit of monopoly and hence buyer dictates the price. There about 1-2 buyers per village.' (Interview#12, Agricultural officer).

This quote shows the unequal power in relationships between smallholder farmers and buyers in the buying-selling process. The unequal power in relationships hinder relation forming and collaboration between the buyer and supplier because the buyer does not want to lose his powerful position. When David asked a farmer if he experiences prices as fair, he told us:

'That it is not fair, but due to condition we should albeit by because when the whole community is doing such there is no way you can deviate from that. You also follow the flow.' (Interview#14, member farmer group Loro-En-Teko).

Another important finding is the low degree of communicating the demand by the buyers, which is disadvantageous for both supplier and buyer. This disadvantage is explained by an academic of Makerere University:

'Because you don't know what the demand is, so the farmer is at the mercy of the trader.' (Interview#19, professor

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Bilirwa).

The next finding is the low degree of empowerment. Buyer and supplier can mutually benefit from empowerment. This is illustrated by the following unique example in which buyers empowered farmers to properly dry the cassava:

'The solution is, we have tarpaulins, we hire tarpaulins, because when someone has much cassava the person can hire from this produce people and then you go and, cause you'll be the one to give the products to him, so you hire from that person on selling, the person will just chock the money.'(Interview#14, member farmer group Loro-En-Teko).

The farmers did experience the price for hiring the tarpaulins as unfair, however were also aware that they could make more money by hiring this tarpaulins than without.

The interviews also pointed out the low degree of sharing good practices by the buyers. Extension work is mainly done by the government and development organization. On the question if buyers share knowledge with the farmers, Emanuel and David declared:

'But what you asked if buyers also share their knowledge about how farmers have to produce their rice, no, that one will not happen, it is not there.' (Interview#18, Emanuel, Research assistant); '*..generally lead firms, they don't really meet with farmers. There is not really that direct contact...'* (Interview#21, David, IFDC).

This question is also asked to one of the input dealers. She answered: '*If they want to.'* The low degree of sharing good practices is causing low awareness of the benefits of these good practices, which affects the intent and engagement in ethical behavior.

One of the agricultural production officers pointed out the lack of involvement by farmers in setting standards:

'... but most of the projects, they come when they have already been designed and then they reach the farmers.' (Interview#1, Peter, district leader production & marketing).

The project manager of IFDC elaborates on the challenges that buyers experience in the process of involving farmers in setting those standards:

'Yeah, but I think they do realize, if we are going to set this quality standards, we are going to involve farmers. It is just having the resources to do that effectively, it is their constraints.' (Interview#21, David, IFDC).

The unequal power in relationships and the low degree of empowerment, sharing good practices, communicating the demand and involvement of farmers in setting up product standards illustrates the low degree of collaboration in the buyer-supplier relationship. The lack of collaboration, which could bind the different self-interests, corresponds with the first discussed driver of unethical behavior: competing self-interests between buyer and supplier. Actors seem to focus on fulfilling their own activities and interests which leads to a high degree of competing interests between buyer and supplier and shapes the drivers to behave unethically.

Low degree of monitoring. The second theme discovered regarding to buyer-supplier relationships is the low degree of

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monitoring. Buyers have issues to control all activities of the different suppliers, do not know the quality of the product when they buy it, have a low degree of records of the suppliers and do barely make use of formal contracts. The first concept related to the low degree of monitoring is the difficulty that buyers experience to control all activities of every supplier:

'...as I told you, production is always in a very small quantity, we don't produce in bulks.' (interview#12, Margaret, (RDC)). The fact that farmers produce small quantities has the effect that buyers have a large number of suppliers which makes it hard to control all of them.

Secondly, as described in the previous section, buyers have difficulty in determining the quality of products, with the result that buyers do not know the quality of the product they buy. The fact that buyers don't know the quality is endorsed by a local researcher:

'Like I told you about the rice stages, they don't know the quality beforehand, if it has stones and what. So at the end of the day, the buyer at consumption may realize, the rice is not good.' (Interview#18, Emanuel, Research assistant).

The third challenge, 'low degree of records', concerning monitoring of suppliers was pointed out by the manager of a development organization in Bugiri:

'..we need an information data base. Our power is not reliable. We need computers where we can store, buyers list, the seed companies list, we have the research we need the new varieties now. Records... that is the type of information we need.' (Interview#4, Makaka Moses, manager BAIDA).

At the moment there is a lack of records which makes it difficult to monitor the different value chain actors.

Most transactions between the value chain actors are agreed on by word: Q: 'Is *it written somewhere or do you just talk to them?'* A: *'We just talk to them.'* (Interview#15, Trader).

One of the unethical practices mentioned by the interviewees is the fact that businesses did not do what in their experience had been agreed upon. Formal contracts are easier to monitor because the duties are written down and can be checked anytime.

The issues to control every supplier, not knowing quality and the low degree of records and formal contracts form the second theme, 'low degree of monitoring'. The lack of monitoring in the buyer-supplier relationships corresponds with the second driver of unethical behavior explained in this paper: ease to avoid sanctions. Buyer-supplier relationships in the local value chain have a low degree of monitoring which makes it easy for suppliers to avoid sanctions and behave unethically.

Low degree of focus on (potential) future business. The third theme discovered regarding the effect of buyer-supplier relationships and their effect on the drivers of unethical behavior is the low degree of focus on (potential) future business. This is caused by the low level of trust between buyers and suppliers and the low level of awareness that they are part of a value chain. First of all it became clear that both buyers and suppliers did not want to commit themselves to activities in the future because of the low level of trust:

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'Lead firms still hesitated to engage with even farmers, well, let's say aggregation structures, there is still worry about, will we get the supply? The level of quantity and the quality. So, there is still that reluctant, they don't really want to commit themselves to a contract. Farmers still worry with lead firms, how they really get in a good enough price, so that is still kind of a mistrust, If these lead firms are exploiting us a bit. Those relationships need to be improved.' (Interview#21, David, IFDC).

The lack of trust is also recognized by one of the millers, who makes clear that only 3% of the people belief that he is not stealing from them:

...only three percent, only 3 percent. Out of every 100 farmers, only 3 of them would trust that all the rice is milled.' (Interview#8, Miller).

Besides the low level of trust, the knowledgeable agents made clear that not all actors are aware that they are part of a bigger value chain. Actors that are not aware of the value chain are also not aware of the implications of unethical practices. When David asked the manager of a development organization if people are aware that they are part of the bigger picture, he answered: '*No, these information is still low.'.* An agricultural district leader explained it with the following quotes:

'You realize that other stakeholder among the value chain forgot that they are stakeholders in the rice value chain.';

'Secondly, I want to say that maybe by doing it, they don't know the implication of what comes out.' (Interview#1, Peter, district leader production & marketing).

As a result of the actors' low awareness of the value chain and little trust between buyers and suppliers, there is a low degree of focus on (potential) future business opportunities. This corresponds with the third driver of unethical behavior explained in this paper: short-term focus in fulfilling interest. Buyer-supplier relationships in the local value chain are generally short-lived and are thereby short-term focused in fulfilling self-interests. Buyer-supplier relationships in the local agricultural value chains seem usually insufficient to change the mindset from a short to a longer term focus, wherein behaving ethically would be more profitable.

Discussion and Implications

This chapter will start with the interpretation of the chapter 'Results', which will be followed by the theoretical and practical contributions of the findings. After that, the limitations of this research and the recommendations for further research will be discussed.

The study is conducted with the aim to get insights in 'how unethical behavior unfolds in buyer-supplier relationships in local agricultural value chains of developing countries'. The first important finding is the confirmation of the high degree of unethical behavior in the local agricultural value chains and the negative consequences it has for competitiveness and transformation for the value chain actors (Agri-Quest, 2017). The analysis revealed three drivers that declared the high degree of unethical behavior. All three drivers are discussed in the theory chapter: competing self-interests (Eisenhardt, 1989), ease to avoid sanctions (Jones, 1995) and the short-time mindset in fulfilling self-interests (Pruitt &

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Kimmel, 1977). All drivers are to a large extent present in the studied local agricultural value chains and thereby clarify the high degree of unethical behavior.

The buyer-supplier relationships in these agricultural value chains are usually very informal. The 'relational contract' (Williamson, 1985) can be seen as the most important element of the contract between buyers and suppliers in the local agricultural value chains of developing countries because of the few formal contracts. There is a low degree of monitoring, collaboration and focus on future business, which gives space for the emergence of the three mentioned drivers of unethical behavior. Firstly, the low degree of collaboration in the buyer-supplier relationships leads to the high degree of competing interests because of not binding each other's interests. Secondly, the low degree of monitoring in the buyer-supplier relationships makes it less likely that buyers will notice unethical behavior and makes it thereby easier to avoid sanctions for the suppliers. Finally, buyer-supplier relationships in these value chains have a low degree of focus on (potential) future business, which leads to short-term focus in fulfilling their interests. However, this phenomenon can also be explained the other way around; people are short-term focused and therefore unfocused on future business in their relationships with buyers and suppliers.

Theoretical contributions

This paper shows how unethical behavior unfolds in buyer-supplier relationships in local agricultural value chains of developing countries, whereas previous research regarding (the drivers of) unethical behavior and efficient contracting are primarily studied in (large organizations in) developed countries. Eisenhardt (1989) recommended to consider a broad spectrum of possible contracts and study the agency theory where it can provide the most leverage and is most rigorously tested. The studied principals and agents of this study have a substantial goal conflict, high outcome certainty and there was a low degree of standards in the market.

The interplay between (specific drivers of) unethical behavior and (specific elements of) the buyer-supplier relationships in the local agricultural value chains of developing countries was a limitation in the existing literature. The agency theory generally studies agents and principals with an maintaining relationship, which is not the case in Uganda. However, the aim is the same: aligning agent's behavior in the interest of the principal. The first solution proposed by the agency theory, 'outcome based rewarding' (Eisenhardt, 1989), is already widely implemented by buyers in these value chains, but barely working because of the difficulty they have in determining quality. This illustrates that the theory used in developed countries is not directly applicable in a developing country. The buyer-supplier relationship becomes an even more important element of the 'contract' in the aim to align the agents' behavior.

Most studies in developing countries focus on global value chains. Studying the domestic value chains of cassava and rice contributes in establishing an overall image of the business climate in agricultural value chains of developing countries. The study confirmed that also actors in the agricultural value chain in a developing country can make the right moral judgment, and subsequently have a

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different moral intent and/or engagement (O'Fallon & Buterfield, 2005).

Practical implications

In advance of this study two members of the Dutch embassy expressed the need to find out the drivers/incentives for actors to behave (un)ethical and the need to investigate the processes in the local value chain. Understanding the drivers and the unfolding process of unethical behavior in buyer-supplier relationships will help development organizations, embassies and other governmental departments to effectively design their development programs. Most development programs focus on tangible elements such as trainings, drying facilities and planting material. This study showed the importance of the buyer-supplier relationship in order to improve the degree of ethical behavior in the local agricultural value chain. This study also confirmed that improving the degree of ethical behavior will accelerate the transformation and competitiveness of actors in the local agricultural value chains (Agri-Quest, 2017), which is by 'The World Bank' (2009) seen as the most important opportunity to reduce poverty in African countries. The outcomes of this study can also be used by businesses involved in the local agricultural value chains of developing countries to improve ethical behavior of their suppliers or buyers and thereby increase their competitiveness. Buyers and suppliers should build up relationships that minimize the (potential) existence of the three drivers for unethical behavior.

Limitations and Future Research

Despite the carefully designed research method, some limitations came into play. First of all, sampling might have affected the outcomes and thereby the generalizability of this study. Data collection took place in two districts of Uganda and in both of the districts the research is focused on one specific value chain. The small and very specific sample makes it unsure if the outcomes are generalizable for other value chains, developing countries or even other districts in Uganda.

Another limitation has to do with sampling of the interviewees within the districts. The interviewees are selected by the field-coordinator of development organization 'Africa 2000'. All interviewed farmers are members of a farmer group and therefore probably more developed than farmers that are not part of a farmer group. It is important to acknowledge that the interviewees are not completely representative for the whole value chain.

The third limitation has to do with the interview set-up in the districts. These interviews were held by multiple researchers, all having a different research agenda. During these interviews it was not always possible to ask questions (at the right time). Also, the possibility to follow-up on answers and ask multiple questions regarding the same topic to verify the answer was not always there. This was extra problematic taking into account the complex interplay between the concepts and the cultural differences between the interviewees and researcher. Studying ethical behavior is always complicated, as most people will not speak about their own unethical behavior. This made it usually necessary to ask about unethical behavior of other actors in the value chain.

Finally, the language barrier might have

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affected the validity of the interpreted interviews. Interviewees sometimes talked for ten minutes, which was subsequently interpreted in a couple of sentences. This means that not all the information given by the interviewees could be included in the study.

This study was designed with the aim to explore the interplay between buyer-supplier relationships and (the degree of) unethical behavior. For future research it is recommended to take the earlier mentioned limitations of this research into account and therefore make use of a broader research context, have an interview set-up which gives the opportunity for follow-up questions, minimalize the influence of language and make sure to interview a representative group.

This study conducted interviews with multiple stakeholders of the agricultural value chains in order to get broad insights. Future research is recommended to have a more narrow research design by looking into a specific driver, actor or type of buyer-supplier relationships. Future research could focus on unethical behavior by a specific actor (farmers, input dealers or traders) or on one of the specific drivers mentioned in this study. Another suggestion is to look into a specific buyer-supplier relationship type and how this affects the degree of (un)ethical behavior. Further research could also study how inter-firm cooperation in the value chain (like cluster groups or contract farming) affects the degree of unethical behavior. These suggestions for future research will not only give deeper insights and explanations for these specific drivers, actors or buyer-supplier relationship but will lead to a better understanding of (un)ethical behavior by all local agricultural value chain actors of developing countries.

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