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The Creation and Trade of Value in the Coffee Value Chain in Uganda

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Abstract

Topic and research questions: Stakeholder theory focuses on the creation and trade of value and how stakeholders jointly interact to create this value. What is still largely unexplored however is how stakeholders can create and trade this value? Moreover, how is value given sense to and made sense of and how do stakeholders interpret the concept of value?

Method: This was tested through interviewing stakeholders in the coffee value chain in Uganda, alongside supporting documents to triangulate the empirical data found.

Findings: Stakeholders seems to enable creation and trade of value by coffee production improvements, farmers' income enhancement and social environment utilization of stakeholders. Inhibiting factors are suggested to be the characteristics of farmers and resource limitations faced by stakeholders. Most sensegiving efforts of production education, Training of Trainees and example farms are suggested to come from cooperatives and external actors and were either accepted or rejected by chain actors. Stakeholders interpret value differently as cooperatives and external actors' utility function seem to be driven by economic, social and ecological values whereas chain actors were more driven by economic and social values.

Implications: This research has shed more light on how stakeholders create and trade value, the concept of value, and how value is given sense to and made sense of. This has implications stakeholder theory researchers and practitioners active in cooperatives or external roles in agricultural chains as well as wider implications for other sectors and countries.

Introduction

Stakeholder theory has received substantial consideration by academics and practitioners to facilitate our understanding of the complexities of today's business challenges (Bridoux & Stoelhorst 2014; Agle et al, 2008; Harrison & Wicks, 2013; Walsh, 2005) and is used in a variety of research subjects such as strategy, accounting, business ethics, finance, marketing and management (Freeman et al., 2010) and applied in areas such as business, law, healthcare, and environmental policy (Parmar et al., 2010). Stakeholders typically are defined as individuals, groups and organizations that have an interest in the processes and outcomes of an organization and whom an organization depends upon for the achievement of its goals (Freeman, 1984). It is a management theory based on moral treatment of stakeholders (Harrison, Freeman & Cavalcanti Sá de Abreu, 2015) and suggests that treating all stakeholders properly creates a sort of synergy (Tantalo and Priem, 2014); how organizations treat its employees influences the opinion of customers, and how an organization behaves towards the communities in which it operates influences the attitudes and behavior of its suppliers and employees. One of the core concerns of stakeholder theory is how customers, employees, suppliers and other stakeholders interact to jointly create and trade value (Parmar et al., 2010).

Although the enabling of the creation and trade of value is one of the focal points of stakeholder theory, and essential for strategic success (Adner & Khapor, 2010; Wheeler, Colbert & Freeman, 2003), little is known about how value can be created and traded from a stakeholder perspective (Garriga, 2014; Harrison et al., 2015; Lepak, Smith & Taylor, 2007). In other words, how do stakeholders enable the creation of value and how do they enable the trade of this created value? A second closely related concept, and under-researched as well, is what inhibits the creation and trade of value. Or in other words, what are the disruptions in stakeholder relationships in the pursuit of creating and

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trading value (Parmar et al., 2010)? Third, one of the most important but often neglected aspects is that stakeholders are not generic in their interests nor are they homogeneous within groups; a customer of one organization is usually different than a customer of another organization (Harrison et al., 2015; Harrison & Freeman, 1999). Therefore, the concept of value could mean different things for different stakeholders and could contain economic, social and environmental values (Harrison and Wicks, 2013; Wheeler et al., 2003).

To address these literature gaps, we first aim to clarify how value is created and traded by looking at stakeholder in the coffee value chain in Uganda as a research context. Uganda is chosen because researchers in stakeholder theory have paid ample attention to contexts where stakeholders consist of small and family owned organizations and non-profit organizations (Laplume, Sonpar & Litz, 2008). For the purposes of this research the value chain is described as "the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use" (Kaplinsky, 2004, p. 82). The term value chain refers to that value is added to products through combinations with other resources such as tools, manpower, knowledge and skills or other raw materials (ILO, 2009). Coffee value chain stakeholders include farmers, cooperatives, middlemen, warehouses, traders, exporters, shops, consumers (Jassogne, van Asten, Wanyama, & Baret, 2013) and those stakeholders who are less directly involved such as research institutes, government entities, financial institutions, unions and consultants. Hence we aim to answer the question: *How do stakeholders enable or inhibit the creation and trade of value in the coffee value chain in Uganda?*

Second, this thesis will shed light on how these value creating and trading processes are given sense to and made sense of by stakeholders active in the value chain. To understand the dynamics involved this thesis is not only guided by Freeman's stakeholder theory (1984) but also by sensemaking theory (Weick, 1995) to understand the sensegiving and sensemaking practices by which various value chain actors try to create and trade value. Sensemaking is seen as a process through which individuals try to comprehend issues or events that are novel, ambiguous, confusing, or in some other way violate expectations (Maitlis & Christianson, 2014). Individuals or groups use their cognitive predispositions, beliefs and assumptions to interpret and ascribe meaning to reality to make sense of the world (Pater & van Lierop, 2006). Sensegiving actors try to influence these sensemaking processes by giving sense through disseminating new understandings to audiences to influence their "sensemaking-for-self" towards a preferred redefinition of reality (Gioia & Chittipeddi, 1991). The first sub-question therefore is: *How is value given sense to and made sense of by stakeholders in the coffee value chain in Uganda?*

Third, it is researched how stakeholders in the value chain interpret the concept of value. Or in other words, as stakeholders appropriate value differently, what does value mean for a particular group of stakeholders or individual stakeholders (Garriga, 2014)? According to Harrison, Bosse and Philips (2010) stakeholders' preferences for certain types of value can be expressed through a utility function which specifies which types of value drives a stakeholder's utility to increase their well-being Harrison et al., 2010). These divergent ideas of values will lead to different value concept interpretations. Therefore, the second sub-question is: *How do stakeholders in the coffee value chain in Uganda interpret the concept of value?*

The main theoretical contributions to the stakeholder literature are providing an overview of how different stakeholders enable and inhibit the creation and trade of value. Stakeholder theory knowledge regarding value distribution is advanced by using sensemaking theory to determine how value is given sense to and made sense of from the perspective of stakeholders. Lastly, this will improve knowledge of stakeholder theory by describing

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what the concept of value means for different stakeholders. From a practical point of view this study provides insights by identifying factors of value in the value chain which could facilitate in promoting better stakeholder relationships and improved stakeholder dialogue and thus lead to advantages such as better information sharing between stakeholders, greater potential for value creation, and improved financial performance for all stakeholders involved (Harrison et al, 2015; Tantalo & Priem, 2014).

This thesis is structured as follows: in the next section we elaborate upon stakeholder theory as well as sensemaking theory and the concept of value. We then describe the research methods adopted to examine the main research question and the associated sub-questions. This is followed by a results section in which the findings are presented through an in-depth examination of the analyzed data. We end this study with a conclusion and a discussion on the contributions of this study and its implications for future research purposes.

Theory Review

Stakeholder theory

Stakeholder theory has been the focus of numerous studies which all have used Freeman (1984) as their analytical foundation. For the purpose of this thesis, and its research objectives, stakeholders are seen as groups or individuals who contribute, whether substantially or not, to the value creation process of the value chain (Garriga, 2014. The stakeholder concept originally was intended to counterbalance the traditional view and notion of shareholders, which underlying premise states that an organization only has a moral obligation towards its shareholders (Parmar et al., 2010) and therefore has the sole responsibility of the pursuit and enhancement of its profits (Friedman, 1970). Even though the pursuit of profit may create economic value, it could also lead to individuals or groups to take actions that reduce other types of stakeholder value; particularly values that move beyond profitability and economic returns (Harrison & Wicks, 2013). Moreover, this has the risk of inhibiting possibilities of long-term economic growth if actions taken in pursuit of that economic growth diminish bases of trust and support from other stakeholders in the value chain. Instead, the stakeholder approach intends to include interests and claims of non-stockholding groups (Mitchell, Agle, & Wood, 1997) to achieve long-term superior performance (Laplume, Sonpar & Litz, 2008).

Stakeholder theory, promotes a practical, efficient, effective, and ethical way to manage organizations in a highly complex and turbulent environment (Freeman, Harrison & Wicks, 2007) by advocating for treating all stakeholders with fairness, honesty, and even generosity (Harrison et al., 2015). As Harrison et al. (2010, p. 58) mention: “A firm that manages for stakeholders allocates more resources to satisfying the needs and demands of its legitimate stakeholders than what is necessary to simply retain their willful participation in the productive activities of the firm”. This is recommended because stakeholders that are treated well tend to reciprocate with positive attitudes and behaviors towards the organization, such as sharing valuable information across stakeholders, buying more products or services, and employees working harder and remaining loyal to the organization (Cording, Harrison, Hoskisson, & Jonsen, 2014). In other words, the enhancement of stakeholder relationships of organizations creates stronger commitments from stakeholders, increased firm legitimacy, greater potential for value creation, and higher trust levels in stakeholder relationships (Harrison & Wicks, 2013; Hillman & Keim, 2001; Svendsen & Laberge, 2005).

Stakeholder Theory in Value Chains

To put this in the perspective of value chains, which can be seen as a series of interrelated organizations adding value to a good or service as it makes its way to end users (Philips & Caldwell, 2005), stakeholder theory implies that an organization should focus on all value adding stakeholder

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relationships in the value chain (Parmar et al., 2010). For the purposes of this thesis, and its research objectives, stakeholders in the value chain are defined as individuals or groups of individuals who contribute, big or small, to the value creation process of the value chain (Garriga, 2014). Based on this definition, the stakeholders in the value chain can be divided in two types (Bolwig, Ponte, Du Toit, Riisgaard, & Halberg, 2010): First, the chain actors who are directly involved with value exchanges between stakeholders which include producers, processors, cooperatives, exporters, importers, and retailers. Cooperatives play a significant role in the value chain by providing economic, social, and cultural common needs to the value chain through local societies keeping values such as equality, equity and democracy in mind (Pavão & Rossetto, 2012). Second, the external actors who are individuals or organizations that do not directly handle the product but provide resources, services, expertise, and exert influence, such as NGO's, financial institutions, advisers, government agencies, and standard-setting bodies.

Stakeholder theory emphasizes three core problems (Parmar et al., 2010):

1. The problem of value creation and trade: In a rapidly changing and global business context, how is value created and traded?
2. The problem of the ethics of capitalism: What are the connections between capitalism and ethics?
3. The problem of managerial mindset: How should managers think about management to: (a) Better create value, and (b) Explicitly connect business and ethics?

Stakeholder theory infers that if an organization or individual in the value chain focuses on all value adding stakeholder relationships in the value chain, then there is a better chance to deal effectively with these three problems (Parmar et al., 2010). Although these three concerns are central to stakeholder theory, the underlying premise of all three goals is to, over time, continuously satisfy key stakeholders to create as much value possible for all involved (Garriga, 2014).

Sensemaking theory

Stakeholder dialogue could play an important role in creating and trading these values (Harrison et al, 2015). In particular, sensemaking is a fruitful method to use as an analytical approach to better understand these communicational processes between stakeholders in the value chain in pursuit of that creation (Morsing & Schultz, 2006). Sensemaking involves two-way conversational and social practices between stakeholders and occurs through both verbal and non-verbal means (Gioia & Chittipeddi, 1991). Sensemaking theory argues that sensemaking allows individuals or groups to deal with ambiguity by creating rational models of the world which enable them to make decisions and undertake action (Maitlis, 2005). To influence these sensemaking processes stakeholders, who are called "sensegivers", try to influence the way other parties makes sense of the world through a process called sensegiving (Morsing & Schutlz, 2006) in order to affect stakeholders' perceptions, attitudes and beliefs (Foldy, Goldman, & Ospina, 2008) to subsequently gain their support and create shared meaning (Rouleau, 2005). Sensegiving efforts often are done through the use of symbols, stories, images, language and other influence techniques (Santos & Eisenhardt, 2009; Maitlis & Lawrence, 2007). These sensegiving efforts are then made sense of in the form of acceptance or resistance (Monin, Noorderhaven, Vaara & Kroon, 2013).

Similar to the concept of value in stakeholder theory, it is important to realize that each stakeholder might perceive the world differently and thus interpret and explain sets of cues from their environment in a different way on which they base their decisions (van Lierop & Pater, 2006). It is important for stakeholders to obtain insight in how sense is made by individuals or groups in the value chain to create and maintain coherent understandings that sustain relationships and enable collective action (Weick, 1993). This creation of shared meaning, or shared

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understanding, is also the essence of stakeholder dialogue (Morsing & Schultz, 2006) to be able to create and share value.

Types of value

As mentioned, stakeholder theory approaches value from a different viewpoint focusing on the relationships with all of its critical stakeholders (Garriga, 2014) instead of seeing value as the amount a consumer is willing to pay for a service or product of the organization (Porter, 1985) or the stock value created for its shareholders (Friedman, 1970; Makadok & Coff, 2002). To cognize what each stakeholder in the value chain interprets as value it should be seen as a subjective concept and thus can be different for each stakeholder group and even distinct for those considered to be in the same group (Harrison et al., 2015).

These divergent ideas of value are expressed by Harrison, Bosse and Philips (2010, p.62) through the concept of stakeholder welfare which is "the well-being of an individual or group and is often conceptualized by a utility function". A stakeholder utility function articulates the stakeholder's preference through an inclination for certain types of value (Harrison & Wicks, 2013). Organizations and individuals in the value chain should therefore look for factors which are driving the utility of the stakeholder and, second, seek knowledge about the relative weighting of each factor (Harrison et al, 2010). Because of the knowledge obtained of each stakeholder's utility function, the organization or individual can articulate ways for improving stakeholder welfare by providing new exchange offers that incentivize stakeholders either to work with the organization or individual, or create and trade more value for stakeholders themselves (Garriga, 2014).

This pluralistic interpretation of value implies that stakeholders in sectors such as business, government, non-profit will have different utility functions and therefore prefer different certain types of value. Based on this reasoning and elements described by Wheeler et al (2003), Harrison and Wicks (2013) and consonant with the "Triple Bottom Approach" (Elkington, 1997) which makes stakeholders aware of the economic, environmental and social values they add or disrupt in the world (Sridhar, 2011), three categories and related factors which can enable but also inhibit value creation and trade relevant to the agricultural value chain are identified:

1. Economic: Sales performance, production efficiency, product quality, financial capabilities.
2. Social: Relations with chain actors and external actors, relations with community, trust, long-term relationships.
3. Environmental: Eco-friendly sustainable production, soil quality, environmental protection.

Prior Studies

Although under-researched, several present-day studies have undertaken similar research looking at the concepts and research questions postulated here. For example, Garriga (2014) recognized the gap in stakeholder theory concerning value creation and what values means for different stakeholders and uses Amartya Sen's Stakeholder Capability approach, which can be defined as "effective opportunities to undertake actions and activities with the firm that they want to choose to engage in the value creation process" (Garriga, 2014, p. 494), to find an answer for these problems; this differs from the concepts of stakeholders' welfare and stakeholders' utility function used in this study to investigate what the concept of value means. Thus, although the subject is quite similar with this study, the approach used is vastly different as well as the research setting compared to this research which focuses on stakeholders in an agricultural value chain instead of one organization and its stakeholders.

Research in comparable settings and similar subjects was done by Pavão and Rossetto (2015) in Brazil in Brazilian cooperatives across 13 sectors of the economy to test the relationship between Stakeholder Management Capability and both social/environmental and economic

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performance which they found positive relationships between. While we discuss the economic, social and environmental factors as well in this thesis, we do not focus on the actual performance of stakeholders but rather on enabling and inhibiting value creation and the trade of value, and the interpretation of the concept of value for different stakeholders.

Apart from this, most studies revolving around stakeholder theory revolve around large for-profit firms and publicly held corporations which makes the results of these studies not adequately representative to generalize to other organizational contexts (Laplume, Sonpar & Litz, 2008). On other hand, this study focuses on small and family owned organizations and nonprofit organizations. Stakeholder's theory is therefore especially applicable to this research as those cooperatives and other entities tend to be more balanced in their objectives between non-economic and economic enrichment of their members (Harrison et al, 2015) and thus is also more likely to focus on environmental and social values. Concluding, the subjects of value creation, value trade and the interpretation of the concept of value to different stakeholders and in this particular research context of the coffee value chain in Uganda makes this a unique research endeavor to address the gaps identified.

Methods

Research design

The research questions and theory described above can be typified as intermediate theory research, drawing from prior work and separate bodies of literature (Edmondson & McManus, 2007); in this case we use stakeholder and sensemaking theory and apply it to the agricultural value chain of coffee in Uganda to:

1. Identify factors which inhibit and enable value creation and value trade.
2. Describe how value is given sense to and made sense of by stakeholders.
3. Define how the concept of value is interpreted by stakeholders.

Qualitative data is an appropriate way of collecting data as the three subjects described above are not well understood yet (Edmonson & McManus, 2007). Additionally, qualitative data methods such as interviews can provide rich insight into human behavior as this research revolves around human behavior of and between those active in the coffee value chain (Guba & Lincoln, 1994). Furthermore, interviews can provide in-depth information by asking extensively on potentially important subjects which are brought up during interviews (Johnson & Turner, 2003). Moreover, although some studies regarding these three subjects has been done, most of this research shows a very strong bias towards research focusing on large publicly traded corporations and much less attention has been paid to small (family) organizations and nonprofits (Laplume, Sonpar & Litz, 2008) making it an under-researched area (Alvesson & Sandberg, 2011). Thus, we aid researchers in qualifying theory by identifying factors enabling and inhibiting value creation and value trade, by elaborating on the definition of the concept of value for different stakeholders, and by defining how value is interpreted and given sense to and made sense of by different stakeholders using sensemaking theory therefore suggesting new explanations for the three designated target objectives termed above (Cornelissen & Durand, 2014).

Research setting

To provide these explanations this research took place in Uganda, and more specifically the coffee value chain. Coffee is Uganda's largest export commodity and has been since the late 1960s (Bolwig & You. 2007) with more than 25% of the country's total export earnings coming from coffee. Also, as of 2016, it is the 8th largest producer of coffee in the world (ICO, 2016) with coffee production increasing from 2010 by 45,54% (ICO, 2016). Uganda has 1.7 million smallholder farmers making it the largest coffee farmer population in the world with 98% of the coffee grown on small family

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farms averaging 200 trees and 0.25 hectares (IDH, 2013). The farms are getting smaller as families subdivide their plots to pass land on to their family members (IDH, 2013) As the coffee production steadily keeps growing the domestic coffee consumption remains low with a total of 3-5% of total coffee production consumed in Uganda itself (UCDA, 2016; UNDP, 2012). The climate in Uganda is changing as temperature has increased 0.37° per decade between 1960 and 2010 and more extreme weather events have taken place, such as longer droughts and extreme rainfalls, which affect the quality and quantity of coffee produced (IISD, 2013)

For this research, which is focused on the value chain of coffee in Uganda itself, the coffee value chain consists of seed producers, coffee farmers, processors, cooperatives, traders, exporters, and retailers. Moreover, there are several external actors, which do not directly handle the product, but provide services resources, and expertise, which for this research consist of NGO's, coffee unions, consultants, incubators, and government entities (Bolwig et al., 2010).

Data collection

The empirical data consists of mostly formal and informal interviews and observations, and secondary data such as annual reports of organizations, websites and reports of NGO's for data triangulation purposes. Our data was subjected to triangulation to increase confidence in validity of results via interviews with chain and external actors in other agricultural value chains in Uganda to improve the external validity of the data obtained from the coffee value chain actors (Dey, 2005; van de Ven, 2007). A total of 16 interviews were held with chain actors and external actors in the Ugandan coffee value chain; a detailed provision of all stakeholder interviews and the organizations they are affiliated with can be found in Appendix A and B. For clarification purposes two of the interviews were done in the presence of a local translator.

The type of interview structure used was the interview guided approach (Johnson & Turner, 2003), or in other words semi-structured interviews, where the topics to be discussed are prespecified and listed on an interview protocol, but these topics can be reworded and put in another sequence as it is likely that involved parties in the coffee value chain mention other factors apart from ones prespecified. As the interviews went on several alterations we made alterations to the interview protocol to adjust to the gathered information of interviews and field notes. Because of the different actors interviewed represented different roles and levels in the value chain a more encompassing idea on all three research goals can be given in comparison to if value is just highlighted from only one group of actors (Hitt, Beamish, Jackson & Mathieu, 2007)

Data analysis

The analytical approach we used was abductive by developing theoretical ideas and at the same time mapping of the empirical data. The process of abduction assumes "prior theoretical knowledge and an iterative process by which empirical data is induced into codes and the coding is compared to existing theories" (O'Mahoney, Heuskinkveld & Wright, 2012, p. 213). To see how stakeholders inhibit the creation and trade of value in the coffee value chain we made use of Gioia, Corley and Hamilton's method of approaching qualitative data (2012) to build theories which is carried out as follows: First, a first order analysis was made with little attempt to distill categories with a myriad of informant terms, codes and categories emerging from the qualitative data. Second, we started seeking similarities and differences among the categories and codes developed in step 1 to construct a more abstract data set via developing a 2nd-order analysis where theoretical realms are created asking whether the emerging themes from the data of step 1 suggest concepts that might help describe and explain the phenomena which are researched. Third, when 1st order and 2nd order analysis was properly done we constructed a basis for defining the aggregate dimensions used.

For analyzing for how value is given sense to and made sense of by stakeholders we made use of abductive analysis done to

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focus on an in-depth analysis of sensemaking and sensegiving efforts to develop an overview of the roles of "sensegivers and sensemakers" in the value chain of coffee. Lastly, to examine how stakeholders interpret the concept of value we used the outcomes of the previous data and looked at which types of values where given sense to and made sense of to find out which values drive stakeholders' utility function.

Results

In the sections that follow we will provide an elaborate discussion regarding the findings on all three constructed research questions to display the study's main findings which are divided into three sections. First, we discuss factors concerning how stakeholders enable or inhibit the creation and trade of value in the coffee value chain in Uganda by identifying value enabling and value inhibiting factors for the creation and trade of value. An overview of these factors with accompanying quotes can be found in Appendix C. Second, how value is given sense to and made sense of by stakeholders is deliberated. Third, we elaborate upon how stakeholders in the coffee value chain in Uganda interpret the concept of value to by using stakeholders' utility functions.

Enabling and inhibiting factors from stakeholders in the creation and trade of value in the coffee value chain in Uganda

In this section the most prevalent value creation and value trade factors enabled by stakeholders which were found are discussed. Stakeholders seemed to do this the most by focusing on coffee production improvement methods, the enhancement of farmers' income, and the utilization of the social environment where stakeholders are situated.

Value enabling factors

1. Coffee production improvements: Technical components of the production of coffee and corresponding ways to improve the outcome of coffee production:

- Production Techniques: Annual trainings were given on how to produce coffee to farmers who were connected to coffee cooperatives where they try to enable value creation and trade these through the teachings of agricultural practices and production techniques. One rural coffee farmer stated that these trainings had the intention of improving the quality as well as enlarging the quantity a farmer can produce; from procedures for making the initial hole in the ground for the coffee plant to the teaching of post-harvesting process. By providing this knowledge the cooperatives try to create and trade value to the farmers. According to a production officer of a cooperative, an entrepreneurship services manager at NUCAFE, and several rural coffee farmers the amount of coffee had increased and the quality of the coffee bean improved due to these trainings.
- Quality Input Availability: Another way stakeholders tried to enable improving the production of coffee is by ensuring quality input to all coffee farmers. It was disclosed by multiple stakeholders of the value chain that there is a lot of fake coffee seed present in the coffee value chain leading to distrust between the input dealers and the rural coffee farmers. To try to combat this, a research officer at NARO stated:

"*Our mandate, especially for coffee, we are the only on mandating the planting material. It ensures that all NARO operators are receiving certified seed.*"

This according to him, does not only attempt to create value by having reliable resources for coffee seedlings, it also tries to build up trust by linking farmers with input dealers that are known by NARO to deliver good quality seeds and behave justly therefore creating sustainable long-term relationships.

2. Farmers' income enhancement: Enhancing income of farmers outside of the actual technical production side of the coffee itself:

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- Intercropping: Growing coffee with another crop simultaneously, which is called intercropping (Jassogne et al, 2012), was a way that was frequently mentioned by stakeholders as a method to add value in the coffee value chain. A sustainable land specialist at the Ministry of Agriculture declared:

"*We push farmers and promote a tree to a farmer which provides both shade and is good for the environment but also delivers a fruit or crop they can sell."*

Not only does this, as mentioned by a soil scientist lecturer, alleviates increasing temperatures due to climate change by granting shade to the coffee plants but also increases farmers' income which can be reinvested in coffee production to enable more value creation, and finally also provides a source of food for the farmer and their family.

- Coffee Certification: Producing certified coffee, which are voluntary standards for the promotion of equitable market access for coffee farmers and supporting farmers' income (Ruben & Zuniga, 2011) was suggested by several external actors. On the possibilities and realization of this creating and trading value opportunity one entrepreneurship services manager at NUCAFE explained:

"When I was in Amsterdam… I saw they are willing to pay more for specialty coffees, but the coffee should be certified; both organic, FairTrade and UTZ… And now I have come back and I approach farmers to comply to the certification requirement to be able to fulfil the requirement of that market."

Thus, this can impact farmers' welfare and also upgrade other participating in the coffee value chain since customers are willing to pay more for this type of coffee (Ruben & Zuniga, 2011).

- Farmer Ownership Model: The Farmer Ownership Model, pioneered by NUCAFE, has the intention of rural farmers remaining owner of their coffee along the value chain even when it goes to several value adding stages such as roasting and exporting of coffee. This model has three goals (CURAD, 2015): Ensuring bulk and collective selling of coffee, increase their bargaining power for better coffee and input prices, ensure sharing of information and experience among farmers. Moreover the value adding stages of coffee of drying, hulling and grading are in this way either done by the farmers themselves or at the cooperatives to ensure that a large part of the value creation, and thus farmers' income, stays at the farmers' level.

3. Social environment utilization: Using local environment of stakeholders defined as "the immediate physical and social setting in which people live or in which something happens or develops" (Barnett & Casper, 2001)

- Training of Trainees: To explain the reasoning behind the Training of Trainees method one coordinator at the Ministry of Agriculture told:

Extension workers go to these farmers and these are guys … Who they trust and which can convince the community that sustainable development is working and that it is really important."

To promote and ensure the sharing of information and experience among farmers mentioned in the Farmer Ownership Model, Training of trainees was implemented where local farmers are trained to train others. Moreover, this was mentioned by several chain and external actors to aid in teaching production techniques outside of the annual workshops for farmers to trade the created value to other stakeholders in the value chain which for any reason cannot attend the workshops.

- Relationship building: The building of social connections between stakeholders was mentioned to be essential one rural coffee farmer expressed this in the following way talking about his relationship with a trader:

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You have that type of good relationship with them now. And they will give you a better price than a local man because of that relationship… If he is buying at 8500 or 9500 he will at least give me something extra being friends."

As the illustration shows, the building of trust between chain actors was said to be of significant importance to create and trade value according to a multitude of stakeholders. Farmers organizing themselves in farmers' circles where farmers all save money so farmers can get access to small loans without having to go to a financial institution was another way that was discussed in interviews to create and trade value locally.

- Model farms: One way to increase the trust of farmers towards external actors creating and trading value was according to a researcher and production officer at a cooperative:

"We have shown to the farmers some examples, demos, of small gardens which show them how the new trees perform and they see they perform better than the old ones. So the farmers are now saying ok we will replace the trees."

These model farms according to external chain actors increased trust of local farmers towards adapting new production techniques and thus were introduced to reduce the feeling of lack of trust towards these techniques and thus enabling value creation through farmers producing a higher quality and quantity of coffee bean.

Value inhibiting factors

In this section, the most common ways how stakeholders inhibit the creation and trade of value are discussed. Stakeholders seemed to cause this mostly through the characteristics inherent to a farmer's persona and the resource limitations caused by various stakeholders or where stakeholders are restricted in.

1. Farmers' characteristics: Limiting identifying features or qualities belonging to a coffee farmer

- Farmers' lack of trust: As mentioned in the value enabling factors, farmers' trust towards others in the value chain was indicated by stakeholders to be low. This lack of trust does not only lead to doubts and distrust towards others, it also leads to the following issue according to a coffee shop owner and exporter:

"There is a program of replanting, and the farmers are very resistant. They got trees which are forty or fifty years old. I think it is time to uproot them and replant but the farmers do not want it."

The inhibiting of value creation and trade because of a lack of trust and resistance of not only coffee farmers, but other stakeholders in the value chain as well, was also found in supporting documents indicating that low trust and the corresponding weak linkages between core actors are reducing the opportunities to maximize profits along the value chain (UNDP, 2012).

- Farmers' education level: The previous problem of a lack of trust and the subsequent resistance of stakeholders was also partly explained by the level of education of the farmers as a researcher and production officer at a cooperative suggested:

"One of the problems is that the level of the farmers' education, their level of exposure makes it a bit difficult to understand these concepts."

This lack of education of farmers was also noticeable by stakeholders in the way household income was managed which left little money to be invested back into coffee. Moreover, this lack of knowledge leads to a lack of skill to market their coffee properly because they are being taken advantage of by other stakeholders as well (CURAD, 2015)

2. Resource limitations: Material restrictions faced by stakeholders in the value chain

- Financial resources: The financial resources available to stakeholders were

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expressed to be very limited as articulated by one rural farmer as being unable to go to the bank for a loan if you are a small farmer. Financial institutions were said not to be lending to small farmers because of the risks involved and even if they did accept a loan from a farmer very high interest rates had to be paid. Another example frequently mentioned was the costs associated with getting the coffee certified which was too costly for most farmers. This sentiment was also found in supporting documents stating that there are inadequate financial products available, especially for coffee farmers and exporters to maximize their value along the value chain (UNDP, 2012).

- Infrastructure: Transportation possibilities provided by government entities were said to be very restricting in Uganda to doing business in the coffee value chain and thus affecting the relationship between stakeholders to buy and trade coffee. As a consequence of limited transportation options one coffee trader declared:

"Most of the coffee is in the remote areas and we find that most of those areas are not accessible."

This sentiment was also found in supporting documents of UNDP stating that there is an inadequate infrastructure to effectively connect different value chain actors located indifferent geographic areas of Uganda (UNDP, 2012). Moreover, Uganda is a land-locked country leading to limited and otherwise expensive methods of getting coffee exported.

- Inability to supply continuously: According to one director of a local cooperative, the lack of processing facilities in Uganda forces the coffee to be exported as soon once it is harvested as unprocessed coffee spoils quickly. At the peak period when coffee is ready to be harvested, according to a soil scientist, there is an abundance of coffee available forcing the coffee price down and a shortage of product to be sold outside of this peak period. This does not only lead to less profits being made across the value chain because of the low price but also the inability of farmers to build up long-term relationships with others as they are unable to deliver at a continuous pace.

Giving sense to and making sense of value in the Ugandan coffee value chain

The objective of this section is to elucidate how the enabling and inhibiting factors of value creation and value trading are given sense to and made sense of in the coffee value chain to create shared meaning through stakeholder dialogue. Sensegiving actors had multiple ways in which they tried to influence the sensemaking processes of stakeholders in the value chain; sensegiving efforts were then met with either acceptance of rejection. Sensegiving efforts were most prevalent in the empirical data in the following three instances: Production education, Training of Trainees and Example farms. Below each of these occasions is illustrated and are subsequently summarized with quotations from the empirical data in table 1.

Production education: The production techniques researched by external actors concerning agricultural practices such as shading opportunities for coffee plants to alleviate some of the effects of climate change, proper fertilizer usage, soil and water conversation and plant spacing methods were mentioned to be given sense to through local workshops and trainings given to farmers annually by external actors such as cooperatives, research institutes and government entities. Rural farmers often mentioned what techniques they had learned, in these trainings, such as spacing and harvesting knowhow, and how this had positively affected their harvest. However, there were several instances in where it was remarked that rural farmers had difficulties accepting and trusting the new production methods promoted which sometimes lead to the decision to not follow up on the advice given to them; thus efforts were either rejected or accepted by sensemaking actors.

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Training of trainees: The Training of Trainees method was mentioned numerous times by stakeholders to be initiated to give sense to rural coffee farmers to gain their support to implement new production techniques. They also educated local farmers to train other farmers in their own environment instead of the central locations the workshops were given. Moreover, this way, a sustainable land specialist of the ministry of agriculture mentioned, allowed vastly more people to be reached. These efforts seemed to be accepted by these trained local farmers as one rural farmer mentioned that he understood his role as a trainee to spread the knowledge he received at the workshops to others. Nonetheless, another rural coffee farmer mentioned he had difficulties assessing whom he should trust when individuals come to his farm and tell him how he could improve his coffee production and thus had difficulties making sense of this.

Example farms: A nonverbal means of sensegiving indicated in the empirical data to affect stakeholders' perceptions was the phenomenon of model farms. With model, or example, farms stakeholders are eased into the process of comprehending novel events of such as the planting of new trees; it was indicated by stakeholders that new trees and older trees are put next to each other to have local farmers see the differences of yield between using old and new trees. This was said to be not only done to show farmers how they can improve their yield but also was of help to change farmers´ mindsets towards accepting the replanting of coffee plants program initiated by several stakeholders to improve coffee production.

Interpreting the concept of value by stakeholders in the coffee value chain in Uganda

Up till now it has been discussed how stakeholders inhibit and enable the creation and trade of value and how value is given sense to and made sense of in the coffee value chain. However, what type of value was then tended to be created and traded, or which types of values stakeholders try to give sense to and are then made sense of based on the stakeholders' preferences for certain types of values. Below is an overview presented of the economic, social and ecological values that have arisen through the gathering of the empirical data and the supporting documents which signify how the concept of value is constructed for different stakeholders.

Economic value: While cooperatives and external actors said to put emphasis in their trainings on sustainability efforts such as environmental conservation, most of the types of values discussed by chain actors were economical such as a focus on enhancing production quantity and quality of coffee beans to increase revenues. When asked what was learned at the workshops organized by the cooperatives, several farmers mentioned issues as plant spacing and weed controlling which was followed by how this improved either the quantity they sold or the quality of beans they were able to produce which helped their income rise. This importance on economic value was according to multiple stakeholders sometimes to be taken to the extreme as practices of traders such as mixing uncertified coffee with certified coffee and selling it as certified product or coffee farmers adding rocks to their coffee bags to increase the weight. This illustrated that the most important value seemed to be economic value and thus even led sometimes to disregarding social values for this goal.

Social value: To combat financial limitations faced by rural farmers, the concept of SACCOS, which stands for Savings and Credit Co-operatives or the aforementioned farmers' circles, where small rural farmers pull resources together to be shared by all in the group, was mentioned by several stakeholders. According to one agricultural senior advisor in Agriculture in a development organization these groups lend money out to farmers without interest to be paid implying that it is built on the importance of the value of relations between stakeholders within their own communities. The concept of Training of

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Trainees, where the cooperatives and some external actors wanted to create trust by using local people to train farmers in their own environment, suggested as well the importance and the significance the farmers put on the value of trust; several stakeholders mentioned that when rural coffee farmers get advice from someone from their own community they were more likely to accept this as they trusted this familiar person. Moreover, one rural coffee farmer declared that once he had built up trust with a trader for a long period of time he considered him a friend as well as telling other farmers that this trader could be trusted. This signifies the importance he put on the essence of having long-term relationships with stakeholders higher up in the value chain and on the relations within his own community. Lastly, the distrust farmers had according to several stakeholders towards cooperatives or government entities indicated and reiterated the importance farmers put on the principal and value of trust.

Ecological value: The cooperatives and NUCAFE recognized the ecological value of sustainable production to combat effects of climate change which led to longer droughts, higher temperatures and extreme weather events. One entrepreneurship services manager at NUCAFE therefore said that he aimed to promote a sustainable value chain with sustainable production methods. These ecological values were also said to be communicated in stakeholder dialogue to others in the value chain through promoting methods such as intercropping to conserve the temperature. However, where one soil scientist and an entrepreneurship services manager of NUCAFE mentioned the value of intercropping for sustainability purposes such as environmental protection, several coffee farmers mentioned that they only intercropped because of the extra income and food it provided for them therefore focusing on the economic value it brought them. Moreover, according to one managing director of CURAD, measures such as water conservation or other drought techniques pushed by them and also government entities was only adopted after farmers saw others benefiting from it in the form of a higher amount and better quality they could produce because of it and not so much on if it was better for the environment to produce in this way.

In summary, stakeholders in the coffee value chain in Uganda seem to have some converging values between them and some diverging values as well. Economically, across the value chain there was a large focus on financial benefits created and traded through methods such as the production techniques trainings and even leading to some unethical behavior through the adding of rocks through increase weight and selling of fake inputs to rural coffee farmers. Socially, there seemed to be a lot of emphasis on the creation and trade of trust and building long-term relationships in the value chain through concepts such as Training of Trainees and strengthening local ties through farmers' circles. Ecologically, although there was an emphasis from cooperatives and government entities on the value of sustainable production, the rural coffee farmers and traders seemed to value this much less and were more focused on what financial benefits, such as higher revenues due to better quality or higher quantity, sustainable production could produce for them. Overall the concept of sustainability and environmental protection was implied by external actors and non-profit organizations not to be really known in Uganda with chain actors such as farmers, traders, and processors.

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Discussion & Conclusion

Essential for strategic success and also one of the core objects of stakeholder theory is the problem of value creation and trade. Despite its critical function relatively little is written on how stakeholders enable and inhibit the creation and trade of value (Harrison et al., 2015; Parmar et al., 2010), how is value is given sense to and made sense of, and how the concept of value is interpreted (Garriga, 2014). Regarding these subjects we present three main findings.

First, stakeholders seem to enable the creation and trade of value through ways of enhancing farmers´ incomes, coffee production improvements, and utilizing the social environment in which stakeholders reside. It is noteworthy to mention that the data suggests that most value creating and trading initiatives were created by the cooperatives and external chain actors which was then traded to the rural coffee farmers with the intention of this created value then maximizing value along the value chain. On the other hand, how stakeholders seem to inhibit the creation and trade of value are the characteristics rural coffee farmers possess and the resource limitations faced by stakeholders of the value chain. Other research suggests as well the necessity for involving smallholder farmers to be more integrated in value chain upgrading activities and enhanced knowledge transfer activities (Kiemen & Beuchelt, 2010) which could explain why a lot of these value creating and value trading efforts were aimed at the rural coffee farmers.

Second, adopting sensemaking theory permits us to comprehend, from the stakeholder's perspective, how this created value is given sense to and is then subsequently made sense of through stakeholder dialogue. To create shared meaning and alter the cognitive predispositions, beliefs and assumptions of coffee farmers, cooperatives and external actors implied to utilize sensemaking efforts of training to teach coffee farmers correct production techniques, showing model farms to farmers in their own environment, and trained local farmers to teach farmers in their own vicinity about these techniques. An interesting observation made was where one farmer seemed more acceptant towards new production techniques learned through cooperatives another farmer was not, reiterating the point that stakeholders are not coherent in their interpretation of these sensegiving efforts (van Lierop & Pater, 2006).

Third, using the concepts of stakeholder´s welfare and the stakeholder utility function an overview is given allowing us to comprehend which values drive the utilities of stakeholders. Economic and social values seem to drive the utility of chain actors as well as external actors emphasizing increasing revenues and the building of trust and long-term relationships as most important factors. Although cooperatives and external actors communicated ecological values through stakeholder dialogue to create shared meaning of value interpretation in the value chain, rural coffee farmers seemed less interested in this value only if it indirectly created more economic value for them. Similar outcomes were found in other research concentrating on other agricultural value chains in developing countries stating that stakeholders made their support for value creating initiatives dependent on whether it increased their income (Vellema & van Wijk. 2014; Jassonge, van Asten, Wanyama & Baret, 2013). Moreover, this research suggests that cooperatives are indeed more balanced in their utility function also putting weight in their utility function on social and ecological value (Harrison et al., 2015) and thus confirms that value may be constructed differently by different actors (Wheeler, Colbert & Freeman, 2003)

Theoretical and practical implications

Theoretically, this research contributes to the understanding of the issue of how value is created and traded by stakeholders and what are disruptions in the pursuit of that issue (Parmar et al., 2010). Furthermore, using the sensemaking approach, stakeholder theory knowledge regarding value distribution is added on to by demonstrating how value is

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given sense to and made sense of by stakeholders in the value chain. Also, the concept of value and how it is interpreted through interaction supplements research on studying value as a non-static phenomenon which is reconstructed through interaction between stakeholders (Tantalo & Priem, 2014). Moreover as most research regarding subjects of stakeholder theory is concentrated around large for-profit firms and publicly held corporations (Laplume, Sonpar & Litz, 2008) this research aids in making the stakeholder approach more accessible to use across other sectors as well.

Practically, this provides insights into the challenges of especially rural smallholder farmers and others that value chain are facing in Uganda. Moreover, cooperatives and other organizations that tend to create and trade value in these types of agricultural value chains can use these insights to increase the effectiveness of their sensegiving efforts. The outcomes can also help to better comprehend the importance of the relationships between stakeholders in agricultural value chains to strengthen stakeholder dialogue and create more trust among stakeholders. This is even more important for areas with resource scarcity, such as drought stricken areas and restricted access to financial possibilities as stakeholders have better information upon which to base their decisions (Harrison et al., 2015)

Limitations and future research

Although this study contributed to theoretical and practical advancements regarding the subjects discussed several limitations have to be acknowledged. First, as farmers' interviews were translated in presence of a member of a cooperative to which the farmer belongs to, more than likely tainted the answer the farmers have given. Moreover, this made it hard and inhibited to ask what struggles or disturbances they came across in dealing with their respective cooperative and the accompanying stakeholder relationship they possessed. Second, because of time constraints and the subsequently following relatively small sample size, most of the data was collected among cooperatives and external stakeholders in the value chain and not so much with coffee farmers, middlemen, traders, exporters and consumers which is likely to have influenced the results and the conclusions derived from these results and thus the validity of these results. Third, this research did not take into account farmers who are not part of a cooperative or association while, according to a services entrepreneurship manager at NUCAFE, this group is severely larger than the amount of farmers who are related to such entities. Thus, the results presented here regarding the coffee value chain cannot deem to be objective truths which can be generalized to other contexts, countries, and industries without proper scrutiny.

In short, much work remains to explain how stakeholders enable and inhibit the creation and trade of value, as they help us better understand how value is given sense to and made sense of and how value is a diverging concept constructed differently by stakeholders in the value chain. Further research could therefore be directed at testing the presented concepts in other agricultural value chains or the coffee value chain other countries and continents. Moreover, it would be interesting to see if a developed country with agricultural crops has other stakeholders playing an important role in creating and trading value and have different perceptions of value as they could have dissimilar sensegiving and sensemaking dynamics and value perceptions in their sector.

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APPENDICES

Appendix A: Characteristics of stakeholders interviewed

Name interviewee:	**Organization:**	**Function:**
Seguya Yassin		Coffee trader / exporter
Dr. James Ssemwanga	• Ssemwanga Center for Agriculture & Food	Managing Director
Prof. Julius Zake	• Makarere University • Africa 2000 network • NUCAFE • Uganda National Academy of Sciences	Soil scientist lecturer Chairman Director Research and Development Fellow Member Hobby coffee farmer
Ph.D. Sarah Mubiru	• SNV • Sow and Grow Foundation	Sr. Advisor Agriculture Managing Director
Michael Kijjambu	• 1000 Cups • CURAD	Technical Director Board of Directors
Deus Nuwagaba	• NUCAFE	Entrepreneurship services manager
Arthur Wasukira	• NARO	Research Officer
George Shionda & George Idipio	• Mbale District Local Government	Potato Farmer & District Production and Marketing Officer
Andrew Wamimbi	• Mbale District Local Government	Assistant Agriculture Officer
Nathan Mabonga	• Bugisu Cooperative Union	Researcher / production officer Coffee farmer and processor
Fred Tabalamule	• Ministry of Agriculture	Sustainable land specialist / coordinator
Denis Okello		Farm School Principal
Frederik Kawanga		Coffee Farmer
Mutwalibi Galugali		Coffee Farmer
Moses Makaka	• Nankoma Bulking and Marketing Center - association	Director Bugiri Marketing Center / Association
Agnes Nangobi	• Nankoma Bulking and Marketing Center - association	Coffee seedlings producer
Charles Nsubuga	• Sesaco	Managing Director
Apollo Segawa	• CURAD	Managing Director
Dr. James Kanyije	• KK Foods	CEO

Appendix B: Description of organizations

Organization:	**Description:**
1000 Cups	Coffee Café “based on the concept - a cup for every nation and thus sells coffee and coffee recipes from all over the world, either as sit in or packs to go” (1000 Cups, 2016). Moreover it trains farmers and directly links them to markets.
Africa 2000 Network	“Africa 2000 seeks to contribute to the development of Africa and Africans by executing projects that promote sustainable development and ultimately eradicate poverty” (Africa 2000, 2016)
Bugisu Cooperative Union	BCU is owned by coffee farmers and further subdivided in primary societies spread across the Mbale region. Cooperatives try to meet aspirations and economic, social and cultural common needs through a collective group, whose values are supported in mutual help, responsibility, democracy, equality, equity and solidarity (Pavão & Rossetto, 2012).
CURAD	Founded by NUCAFE, Makarere and NARO (Apollo Segawa, 2016) CURAD, which stands for Consortium for enhancing University Responsiveness to Agribusiness Development, is a non-profit incubator to support profit-oriented agribusiness (CURAD, 2015)
KK Foods	Exporter of fresh fruits and vegetables to Europe and other countries as well as

	consulting farmers in agricultural practices (KK Foods, 2016)
Nankoma Bulking Marketing Center / Association	Nankoma Bulking and Marketing Center / Association is an Area Cooperative Enterprise (ACE) which were formed as a vehicle for empowering member farmers in agricultural production, value addition and marketing (Uganda Co-operative Alliance, 2016)).
NARO	National Agricultural Research Organization (NARO) is the body for guiding and coordination of all agricultural research activities in the national agricultural research system in Uganda.
NUCAFE	National Union of Coffee Agribusiness and Farm Enterprises Limited (NUCAFE) is an umbrella organization linked with coffee cooperatives and farmer organizations to produce, process and trade ethically grown coffee leading to sustainable livelihoods, consumer satisfaction and societal transformation (NUCAFE, 2016)
Sesaco	Food organization selling various soy products such as meat, milk and yoghurt (Sesaco, 2016)
SNV	SNV is an not-for-profit organization that focuses on Agriculture, Energy, Water, Sanitation and Hygiene projects working with local and international partners in low-income countries in Asia, Africa and Latin America to reduce poverty (SNV, 2016)
Sow and Grow Foundation	Sow and Grow Foundation is a service provider for capacity development in the fields of agriculture and livestock (Sow and Grow Foundation, 2016)
Ssemwanga Center for Agriculture & Food	Consulting and research on rural development, based on value chains that work for both the active poor and the emerging value chain actors (Ssemwanga Group, 2016)
Uganda National Academy of Sciences	The Uganda National Academy of Sciences (UNAS) is a service organization comprising of a diverse group of scientists from physical, biological, social and behavioral sciences promoting excellence in sciences by offering independent, evidence based advice for the prosperity of Uganda (UNAS, 2016)

Appendix C: Value enabling and value inhibiting factors for the creation and trade of value