Chapter 7
Long-Term Goals and Shifting Power Structures: A Convention-Based View

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Abstract Sharing information in supply chains may prompt conflicts of interest among stakeholders, presenting a challenge for achieving the long-term goals associated with platforms such as I-Choose. In this chapter, we analyze such potential conflicts and possible ways to overcome them, on the basis of convention theory and as a result of case studies. Through semistructured interviews with stakeholders of the coffee supply chain in the NAFTA region, we found the presence of four worlds, or "orders of worth": the domestic, civic, market, and industrial worlds, according to the terminology of convention theory. Our empirical work shows that in practice, supply chain participants can be characterized by a combination of at least two of such views. We also specify the conditions that make different supply chain configurations and set of values more or less amenable to the changes implied in the disclosure of private information that the I-Choose platform requires. In the conclusion of this chapter, we draw policy implications to design the right incentives to the private sector to enhance public value.

Keywords Certification • Coffee supply chain • Convention theory • Controversies • NAFTA

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7.1 Introduction

The first Fair Trade Seal—Max Havelaar—was created in 1988 as a result of a collaboration between the Mexican Cooperative UCIRI and the Dutch NGO Solidaridad (Fridell, 2007), with the aim of providing UCIRI producers with official recognition of their labor-friendly practices and thus providing them with access to new geographical markets. In 1993, several existing Fair Trade certification programs (including Max Havelaar) decided to group together under the umbrella of the Fairtrade Labeling Organization (FLO), creating an international network of Fair Trade organizations using the same certification standards. The FLO standards, as described in Chap. 4, are extensive and were historically applied exclusively to small farmers organized through cooperatives. However, in recent years, the annual 40 % average growth of the Fair Trade market in the US (Kim, Lee, & Park, 2010) has created strong pressures on the US Fair Trade organization to satisfy demand. In order to deal with those pressures, FLO's US partner, TransFair USA, decided to unilaterally extend fair trade certification to plantation and hired labor operations. For members of the traditional Fair Trade movement, certifying large-scale plantations represents a conflict of values given that many ancestors of large owners used to exploit the ancestors of current small producers. The lack of an agreement between TransFair USA and FLO on this issue resulted in the division of the Fair Trade movement into two main organizations, FLO and Fair Trade USA in 2011. Given that the US market is the largest coffee market in the world, the separation of Fair Trade USA gave rise to many changes in the Fair Trade ecosystem around the world.

The key question of our book, as stated in Chap. 1, is how to incentivize private actors to share their data in a way that promotes public value of the information disclosed. However, different organizations and consumers will not respond to the same incentives as they do not share the same set of values, thus creating a possibility of clashes even among organizations that share the same overarching objective. As illustrated above, TransFair USA's market-oriented values compelled them to create conditions designed to respond to the increased demand for fair trade coffee. This clashed with civic values represented by the FLO movement, which puts greater emphasis on maintaining the integrity of the original fair trade objective—the empowerment of small-scale producers. Both perspectives, each important and relevant in the Fair Trade movement, coexist along the certified coffee supply chain. This is to show that values, embedded in practice and carried out by stakeholders, play a fundamental role in the development of conflicts as well as facilitation of agreements within supply chains and certification systems, and can affect consensus on data disclosure.

Information-sharing platforms that are designed to enable information sharing across the supply chain are dependent for their success on the development of widely recognized and accepted information standards. Successful development of such standards requires engagement of stakeholders across the entire supply chain. Because stakeholders occupying different positions within the supply chain hold

different value preferences, the process of standard creation might be fraught with conflicting priorities. As illustrated in Chap. 2, stakeholders in the coffee supply chain in NAFTA region hold different frameworks of reference that guide their definitions of quality and sustainability. The coexistence of those frameworks represents a source of further conflict, in addition to conflicts stemming from power imbalances in each supply chain governance mode. This poses specific challenges when introducing a platform like the one proposed in our project into an existing supply chain.

In this chapter, we use the lens of convention theory to address two main questions: what are the potential conflicts that can arise in the process of creating information-sharing platforms for the certified coffee supply chain and what conditions need to be created to overcome those conflicts? To answer these questions, we have organized this chapter into five sections, including this introduction. The following section consists of literature review that introduces convention theory as a lens for understanding potential sources of conflict in the certified coffee supply chain. The third section describes our research methods. The fourth section presents characterization of five types of supply chains based on their value preferences identified through an analysis of our interview data. The final section is used for a discussion of the different sources of conflict among the actors within the five supply chains and ways of resolving these conflicts. We seek clearer understanding of the sources of conflict to inform creation of governance mechanisms that might foster long-term adoption of information-sharing platforms through creation of adequate incentives to participate.

7.2 The Relevance of Convention Theories for Supply Chain Integration

Our main goal in this chapter, as we stated in the introduction, is to account for the possible conflicts that could impede efficient information sharing among the various actors in the certified coffee supply chains and to identify potential solutions to these conflicts. Effective information sharing is critical to platforms such as the one designed in our project, which cannot otherwise be sustained.

Institutional logics tend to explain conflicts within a given societal ecosystem as a consequence of the coexistence of different institutional orders (Gond & Leca, 2012). Thornton and Occasio defined institutional logics as "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999, p. 804). Each institutional order has a central logic that guides its organizing principles and provides social actors with vocabularies of motive and a sense of identity (Thornton & Ocasio, 2008). Institutional logics theory has been used to describe how contending institutional orders, with different practices and beliefs, shape how individuals engage in political struggles (Friedland & Alford, 1991).

In this chapter, we apply the lens of convention theory, which is closely related to institutional logics (Thornton & Ocasio, 2008; Weber, Patel, & Heinze, 2013) although some basic assumptions of both approaches differ (Gond & Leca, 2012). The advantage of convention theory and its "economies of worth" approach (Boltanski & Thévenot, 2006) is that it considers the coexistence of multiple logics as inherent to ordinary social and organizational life, and not necessarily as an exception or a problem to be solved (Gond & Leca, 2012). In other visions of institutional logics, the most likely outcome of a struggle between distinct institutional orders would be an eventual dominance of one order over all others (Marquis & Lounsbury, 2007; Thornton & Ocasio, 1999). Our analysis of coffee supply chains aligns well with the convention theory, which directly addresses the patterns of coexistence of different definitions of product quality, or differing "orders of worth." It also identifies theoretical approaches to solving conflicts stemming from the presence of conflicting values, specifying how people view the world in general and the legitimation of their activities in particular.

Convention theory recognizes that there is no "objective" definition of product quality expressed exclusively by differences in prices in the market. Quality standards depend on the shared identification of common characteristics that can be grouped into three categories: *search attributes,* which can be verified at the time of the transaction; *experience attributes,* which can be assessed only after the transaction has taken place; and *credence attributes*, which cannot be objectively verified and are based on trust (Darby & Karni, 1973; Nelson, 1970). A product represents not only the outcome of a material production process, but is at the center of a web of contractors, distributors, consumers, and regulators, which develops over time in a path-dependent manner driven by taken-for-granted assumptions, common practices, and shared conventions that define quality and maintain stable relations (Biggart & Beamish, 2003). Conventions in that context can be defined as "shared templates for interpreting situations and planning courses of action in mutually comprehensive ways that involve social accountability" (Biggart & Beamish, 2003, p. 444). Conventions appear as "models of evaluation" where actors need to agree on the attributes associated with a given definition of product quality. The tools that are consequently used to ensure such quality depend for their legitimacy on shared values among the actors (Ponte & Gibbon, 2005). Assumptions and values involved in the development of these conventions can be conceptually classified in several "worlds" that specify how reality is grasped by different constituencies, and "the format of what constitutes information" (Thévenot, 2006, 2007), and how this information is communicated.

Conventions serve several functions: they express actors' values, help actors justify their actions in a particular world, and enable coordination of behavior (Eymard-Duvernay, 1989). The convention theory identifies four worlds, or "orders of worth": market, domestic, industrial, and civic. The coordination mechanism of the market world is price information, which expresses worth and serves to justify actions in this world. Domestic worth qualification places value on experience and seniority, and legitimacy of information is based mainly on trust. Industrial worth qualification values operational expertise in the efficient execution of a task,

with legitimacy depending on consensus about the correctness of the technique employed. Civic worth qualification emphasizes social values, and legitimacy is based on respect of law and social relevance (Boltanski & Thévenot, 2006; Ponte & Gibbon, 2005).

In addition to defining the coordination mechanisms of the different orders of worth, convention theory allows us to identify sources of potential conflicts between actors that exhibit different orders of worth. For example, people in the domestic order tend not to like the anonymity of the civic world, the corruption of market relations, and the unnecessary formalism and standardization of the industrial world. The civic order tends not to appreciate the dependence on personal relations of the domestic world, which are seen as leading to particularism, paternalism, and corruption. Civic order may consider market coordination with suspicion for its individualism and insistence on particular interests and selfishness. The civic order sees the industrial world as dominated by unnecessary technocracy and bureaucracy. Market order, on the other hand, promotes liberalization from the domestic world, through abolishment of personal links, particularism, and personal prejudices to access a borderless, anonymous world. Market order does not go well with the public space promoted actively by the civic order. People in the market order prefer contracts and face-to-face relations rather than open justice in the public space. Market order also criticizes the lack of flexibility of industrial order's tools, methods, and structures. For the industrial world, the domestic world is judged as traditional and outdated. Its particularism is judged inefficient and superiors relying on authoritarianism are judged incompetent. Administrative procedures are considered excessive and social policies unnecessarily expensive in the industrial world, which also resents lavish consumption, high prices, and the fluctuations in prices of the market order (Ponte & Gibbon, 2005).

The conflicting values of the different orders of worth are an obvious source of conflict in social institutions where actors with different values coexist. In order to maintain functionality of such institutions or systems, actors must find ways to resolve these conflicts. Boltanski and Thévenot (2006) identify three potential outcomes for conflicts between orders of worth: agreement, compromise, and relativization. Agreement is an instance in which conflicts within the same order of worth can appeal to superior common values to arbitrate disagreements. The need for compromise arises when disagreements occur between orders of worth. In such situations, appealing to a superior common value is not feasible as actors inherently disagree on the importance of basic values and justify their actions according to different orders of legitimacy. Relativization occurs when actors agree to find a compromise and conclude a private agreement without resorting to debate over principles: "A private arrangement is a contingent agreement between two parties that refers to their mutual satisfaction rather than to a general good (*you do this which is good for me; I do that, which is good for you*)" (Boltanski & Thévenot, 2006, p. 336).

Convention theory helps with formulating conditions for overcoming potential conflicts in the transmission of information and refining policy recommendations. However, the way actors try to solve conflicts within and across organizations where

Table 7.1 Sources of conflict and compromise between civic order and market, industrial, and domestic orders

	With market order of worth	With industrial order of worth	With domestic order of worth
Source of conflict with civic order of worth	Suspicion stemming from alleged manipulation of information asymmetries, due to protection of particular corporate interests	Resented for its focus on technology and measurability	Resented for the secrecy of personal relations
Source of compromise at the value level with the civic order of worth	Aligning civic values with market values through adoption of civic values by consumers	Reintroducing social rights to favor productivity, against waste	Aligning civic values with personalized relations
		Integration of technology	

Source: Own elaboration from Boltanski and Thevenot (2006) and Patriotta et al. (2011)

a plurality of normative orders prevails has been studied only sparingly in the present literature (Gond & Leca, 2012; Patriotta, Gond, & Schultz, 2011). Some of the existing literature focuses on the possible compromises that can be found between different orders of worth, such as the increasing adoption of selected norms from one another (Ponte & Gibbon, 2005), which has resulted in a degree of value interpenetration. For example, industrial and market orders of worth have worked together using industrial norms of productivity, economies of scale, and technical progress. Also, market order of worth has adopted some forms of domestic coordination when marketing of a branded product is based on geographic location. In market coordination, people may work together with civic partners to accommodate products fulfilling a series of minimal norms. Compromise between market and domestic orders is more difficult to achieve as we will show later on in our interview analysis. We illustrate some of these potential sources of conflict and compromise in Table 7.1.

Convention theory can be criticized for overlooking institutional issues linked to power and domination. For example, some actors may not have the capacity to criticize or contest dominant social orders, while others may access multiple logics due to their position at the intersection of different orders of worth and can use the different logics to justify and impose their views (Greenwood, Díaz, Li, & Lorente, 2010). Integrating insights of value chain governance theory (Gereffi, Humphrey, & Sturgeon, 2005) into convention theory, as done by Ponte and Gibbon (2005), addresses this objection. Value chain governance theory takes into account three main variables when considering coordination strategies between actors: (1) the complexity of information exchanged, (2) the "codifiability" of information exchanged, and (3) the capabilities of the supplier base. Complexity refers to the volume of non-price information flowing across interfirm boundaries, "codifiability" refers to the extent to which information and knowledge needed for conducting transactions can be codified and transmitted efficiently, and capabilities of the supplier base refer to the capabilities of suppliers to respond to control and

monitoring requirements (Gereffi et al., 2005). This is relevant to our research because every supply chain configuration exhibits a lead organization that determines who does what along the chain, at what price, using which standards, and under which specifications (Muradian & Pelupessy, 2005; Ponte & Gibbon, 2005). The analysis of a supply chain reveals not only contrasting world views but also power relations between partners in a chain, conditioning the possibilities of transmission of information and the possibilities of adoption of technical standards that codify information.

We found two studies applying convention theory to the coffee sector. In the first one, Ponte and Gibbon (2005) identify three main orders of worth: the domestic world, dominated mostly by producers and niche marketers of specialty coffee; the civic world, dominated by marketers of ethical products selling fair trade, organic, and other sustainable coffee; and finally, a combination of two worlds, the industrial-market world, where retailers sell branded, mainstream coffee. In line with their work, we consider the presence of all four orders of worth but treat industrial and market orders as separate for the purposes of our analysis. The second study focuses on the difficulty of harmonizing civic and market values around fair trade coffee, because of a "contradiction between the identity of the groups linked to activism and their reality as business" (Renard, 2003, p. 92). This contradiction results in the division of fair trade into two streams: one reabsorbed by market forces and the other at the service of "alternative" producers.

Although convention theory addresses standard setting, the role of certifiers and certification processes has not yet been thoroughly analyzed under that lens, despite the important role certifiers play in the certified coffee market. Certifiers are key to the definition and effective transmission of quality standards in supply chains, not only at the service of large retailers but also at the level of smaller producers. In doing so, they influence the reconfiguration of global supply chains. Hatanaka, Bain, and Busch (2005) contend that third party certification supports alternative practices of small producers but has also become a tool used by dominant retailers to increase their market power in global agrifood chains. At the same time, Reardon, Codron, Busch, Bingen, and Harris (2000) observe that large firms and multinationals in the global agrifood sector often create private grades and standards, which is also the case with large specialty retailers such as Starbucks (Macdonald, 2007). These powerful actors drive other actors, such as smaller domestic firms and farms in emerging markets, into adopting comparable standards to gain access to desirable export markets. Some governments may develop programs to help smaller producers invest in upgrading their farms according to the requirements demanded by the dominant grades and standards. The smaller firms may also choose to ally with public and non-profit sectors to establish their own grades and standards (Reardon et al., 2000).

Convention theory deals with observing different world visions of stakeholders (consumers, distributors, roasters, and producers in the case of coffee) and how they enter into conflict or harmony to bring about a negotiated order of information transmission. The task of the researcher is to compare the plurality of legitimate orders of worth and look at the needed compromises between stakeholders (Thévenot, 2006) in respect to information formats and transmission of reliable and

up-to-date data to overcome conflicts. To address those issues, we conducted a series of interviews with participants in the coffee supply chain as we describe in the following section and used this data to draw theoretical and empirical implications that are presented in the discussion and conclusion sections.

7.3 Methods

In order to answer our research questions, we interviewed multiple stakeholders along the coffee supply chain following a multiple case study approach (Yin, 1994), in which analysis of individual cases is followed by an analysis aimed at comparing and contrasting their similarities and differences. To identify participants for the study, we followed a snowball sample approach, starting with interviewees from coffee associations who were then asked to identify other potential candidates. This process was reiterated with each consecutive interview. The semistructured interview protocol included questions about information sharing, conventions on quality, characteristics of an information standard, motivations, barriers, and potential conflicts to share information across the supply chain. Each interview lasted approximately 1 h.

We conducted 25 interviews from September to December 2013. We interviewed three producers, three intermediaries, one roaster, and seven retailers. In addition, we interviewed some participants that were involved in more than one process: two that were intermediaries and roasters and two that were producers, intermediaries, roasters, and retailers. We also interviewed two members of a coffee association and five certifiers. All interviews were recorded and transcribed with the exception of one where interviewee did not give permission for recording. In this case, three interviewers documented the interview.

To compare and contrast responses from participants, we coded all the interviews. We worked together to define a set of 13 categories including themes such as barriers, motivations, values, conflicts, and quality. We coded each interview according to these themes, and each comment was classified as representative of one of the four worlds. That is to say, we classified comments in terms of the worldview they represented: civic, market, industrial, or domestic. In this way, by analyzing the interviews, we identified five different types of supply chains. We arranged codification tables belonging to each type of supply chain to understand the perspective of their members. Finally, we compared and contrasted the five perspectives. Although we are reporting the results in English, data collection and analysis were done in Spanish by native speakers.

7.4 Results

As mentioned in the previous section, our analysis of the interview data led to characterization of five different types of coffee supply chains. Each of the five supply chains works in different ways, with each following different definitions of coffee

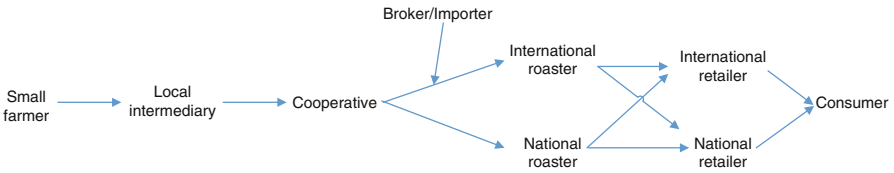

Fig. 7.1 The traditional fair trade supply chain

quality. What we found is that each supply chain exhibited adherence to more than one of the orders of worth defined by convention theory, with many actors valuing elements of all four worlds. In order to classify the five identified supplied chains, we used the two dominant orders of worth present in each of the chains to describe their actors' guiding value set. Based on this approach we identified the following coffee supply chains:

7.4.1 Traditional Fair Trade Supply Chain

The first type of supply chain represents what we have called the traditional fair trade supply chain (see Fig. 7.1). In this supply chain, small farmers organized in local cooperatives sell their coffee to the Mexican and the international market, usually in the form of green coffee beans. The farmers who own small plots of land pick the cherries and remove the pulp around the coffee beans in a process usually known as the "wet process." In order to transport the finished product to the main processing site, coffee beans are gathered by a local intermediary, usually a local representative of the cooperative. Coffee beans are then moved to the central cooperative location, where they undergo a second "dry process" before being sent to the roaster. Certified coffee is usually sold to the international market, while the noncertified coffee also produced by cooperative members is sold to the national market. Roasters then distribute the coffee to the consumer using a retailer, which in some cases is the roaster himself.

The *civic* and the *industrial* orders of worth are present in the traditional fair trade supply chain, with the civic order being the dominant order. Participants in this supply chain frequently refer to the importance of establishing a fair relationship between producers and consumers. For example, one representative of a Mexican cooperative commented "the objective of Fair Trade is – as the name suggests – to establish a fair exchange between producers and consumers… Working together… the product is supervised by experts who certify that the products are fair and comply with specific processes, and the consumer responds to our effort by paying a fair price for our products."

Conversations with participants in this supply chain are also full of references to quality of process, products, and compliance to certification, which are closely related to the industrial order of worth. For example, one of the managers of a local trading organization explained their mission as "Our organization serves about

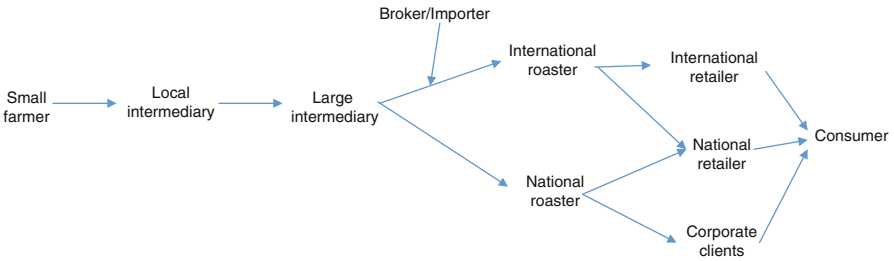

Fig. 7.2 The "mixed" supply chain

60 producers in Mexico. We are not a trading company in the strict sense because we are technical staff supporting product development and process improvement to help our producers comply with quality, safety and other legal requirements." Another example of the combination of the *civic* and *industrial* orders of worth can be found in the fair trade certification processes, which consist of norms and standards (representing the *industrial* world) that define product quality in terms of social, environmental, and economic factors (representing the *civic* world).

7.4.2 Mixed Supply Chain

The second type of supply chain is a "mixed" supply chain (see Fig. 7.2). There are two subclasses encompassed within this classification titled type I and type II mixed supply chain, which involve the same participants but have different modes of operation. The chain begins with small independent farmers not organized in a local cooperative, who pick the cherries and run the "wet" process before selling the coffee beans to local intermediaries. Local intermediaries sell the coffee to large intermediaries who run the dry process before selling the coffee beans to either national or international roasters. Roasters in turn sell the coffee to the consumer through retailers or corporate clients.

The first mode of operation of this supply chain (type I mixed) follows a logic, which is a mix of the *industrial* and *civic* worlds (where industrial order of worth is dominant over civic order of worth), and we found it mainly in the Nestlé supply chain. The second mode of operation (type II mixed) is a mix of the *industrial* and *market* world views, and it is represented by other Mexican roasters that sell their products both in the national and international markets.

As mentioned above, the type I mixed supply chain (industrial-civic) is illustrated by the Nestlé mode of operation. The Nestlé supply chain is currently working under the principles of the 4C certification program on a global initiative called the "Nescafe Plan." The main objective of the Nescafe Plan is to provide traceability to each jar of Nescafe to enable the consumer to trace the origins of the particular coffee she is about to consume. The plan also involves a series of

interventions to improve production and processing practices to make the products more environmentally, socially, and economically sustainable. The focus on traceability, process improvement, and quality control are the main references to the industrial world, and the sustainability concerns are closely related to the civic world. Both views are continuously mentioned in the interviews with participants in this supply chain. For instance, one of the large intermediaries selling coffee beans to Nestlé commented that "something that coffee requires from the plant to your cup is quality control. If you do not have quality control in every step, even when you are brewing it, the coffee will be spoiled." He also highlighted the importance of adhering to the specific processes and improving sustainability as a necessary condition in order to remain part of the Nestlé program, "Nestlé is a very innovative and trustworthy company to us, and a very attractive client. They are always at the cutting edge. For example, nowadays, if you want to sell coffee beans to Nestlé, you are required to have a sustainability certification that involves food safety as well as environmental sustainability." This view is also shared by Nestlé representatives. One of them described the program as "a 500 million Swiss Francs with a holistic approach to promote sustainability and sustainable consumption. Currently there are 22 million 4C coffee plants, which comply with social, economic and environmental principles coming from the Rainforest Alliance and UTZ."

Although this supply chain emphasizes the same basic principles that motivate the traditional Fair Trade coffee supply chain, the main trigger for the movement is not on the side of the producer, looking for a more fair treatment, but on the side of the consumers and their information needs. For example, when we asked an intermediary about information that could be useful to him, he commented that "it is more about the information that consumers want to know, which is a first-world trend, and these needs go hand-in-hand with the main benefits to the environment that Nestlé is looking for." Nestlé representative also stressed the idea of the consumer as the main driver. For example, when asked about definitions of quality, one Nestlé marketing representative described a quality coffee as "the coffee that consumers like, and once we know what they want, it is our commitment to always provide the same flavor and quality."

The type II mixed form of operation in this type of supply chain was most committed to the *market* and *industrial* worlds, where market order of worth is dominant over industrial order of worth. The quality of coffee and the process needed to ensure it were topics continuously mentioned during the interviews. The interviewees from the type II mixed supply chain mainly made references to market conditions and price, with transparency and sustainability being completely omitted. For example, when describing the perception of the company about organic and other certificates, a representative of an important Mexican roaster commented: "I do not see a lot of value in that [certifications]. We have a Kosher seal that goes to a very specific market segment, and an organic coffee that people do not buy much. I mean, I do not see these seals as a competitive advantage because of the price. I think that people [in Mexico] do not decide to buy a coffee like that." In general, interviewees involved in supply chains that mostly produce coffee for the Mexican

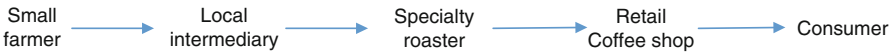

Fig. 7.3 The specialty coffee or relational supply chain

market were far less interested in certifications than those exporting a large portion of their products.

7.4.3 Specialty or the Relational Supply Chain

The third type of supply chain can be characterized as the specialty or relational supply chain (see Fig. 7.3). In this supply chain, local intermediaries are usually recognized coffee cuppers who build close relationships with both producers and roasters. The cupper helps producers improve their practices to gradually increase the quality of their coffee beans and helps the roaster improve roasting techniques to create specialty coffees that are usually sold in retail coffee shops, each of them featuring a specific mix of coffees that make the experience at the coffee shop unique. Interviews with participants in this supply chain made us infer that the main values in the supply chain were the *industrial* and the *domestic* orders of worth, with the industrial order being dominant. Conversations with participants in this supply chain emphasize the quality of the coffee and the importance of quality control processes along the entire production chain, signifying the dominance of the industrial order of worth. The domestic order of worth is illustrated by their emphasis on the importance of promoting Mexican producers in Mexico. Moreover, the domestic order of worth is also demonstrated by the value specialty coffee shops we interviewed placed on the relationships with their producers. The interviewees emphasized that for them defining coffee quality comes from the quality of the relationships within the supply chain, rather than from external certifications.

7.4.4 Medium-Sized Farmer Supply Chain

The last type of supply chain that we found during our data gathering process involves small- and medium-sized enterprises (SMEs), in some cases, family businesses, who own a medium-sized plantation or several of them (see Fig. 7.4). In general, these supply chains were more hierarchically organized, enveloping the entire production process from growing to roasting under a single brand. Occasionally, these ventures have to supplement their production by purchasing coffee from local intermediaries to be able to satisfy demand for their product. Although not all interviewed SMEs had a sustainability certification, all SMEs that exported their product to foreign markets had a certification, recognizing the price premium they could receive from the seal. The medium-sized producers get to the

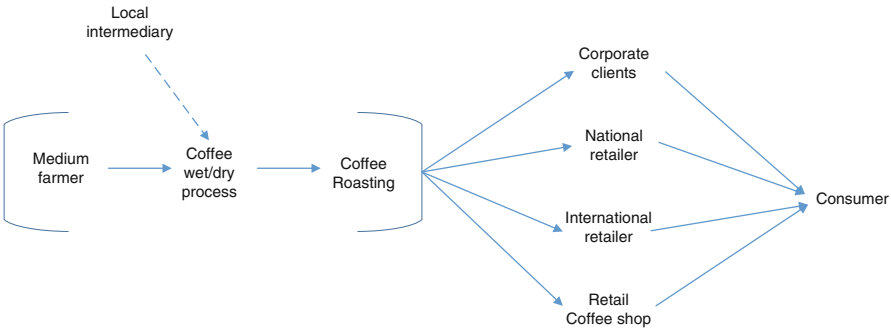

Fig. 7.4 The medium-sized farmer supply chain

end consumer in many different ways, including international retailers, national retailers, corporate clients, or even their own coffee shops. We found that participants in this type of supply chain mainly exhibit values compatible with the *industrial* and *domestic* worlds, with industrial order of worth being dominant. The industrial commitment comes from their emphasis on the production process, and the quality control from the selection of the beans to the roasting process. Because those are local or family businesses, they also emphasize personal relations and trust in doing business, which makes them part of the domestic world.

It is important to mention some other relevant results that come from our observations and interview data. First, small farmers have no access to certifications because they do not have the resources or the technical knowledge to go through a certification process. Certifications are generally awarded to cooperatives, large intermediaries, and medium farmers, who have the resources to undergo the necessary certification processes and obtain a certification. In this way, any relationship to gather information from small producers—who produce about 80 % of all coffee in Mexico—needs to be mediated by these intermediaries.

Second, we found that participants in different types of supply chains have conflicts that are driven by historical context and thus may be hard to address. For example, medium-sized farmers are in many cases family businesses that in the past were owners of big plantations that exploited Mexican Indians. Although most of them are currently concerned about being fair to their workers, cooperative members and fair trade advocates in Mexico do not agree with allowing them to be Fair Trade certified. Curiously enough, they provide a market reason for that. For example, one cooperative representative mentioned that "a small producer has only few spaces to get into the market, and fair trade certification is a way to protect that market."

Finally, large corporations, such as Nestlé, have the recognition, even admiration, from medium-sized farmers and also from other large participants in the supply chains. On the other hand, small farmers and fair trade advocates are very suspicious about their current practices. This conflict between large and small producers is at the core of the division of the global Fair Trade movement and represents a

major risk for any project that aims to create information-sharing platform across the entire certified coffee ecosystem.

7.5 Discussion and Concluding Remarks

As described in the previous section, four potentially conflicting orders of worth interact in the coffee supply chain: the civic world, the industrial world, the domestic world, and the market world. In our research, we identified five different types of supply chains classified by different combinations of exhibited values: civic-industrial (the "traditional fair trade" supply chain), industrial-civic (the "type I mixed" supply chain), industrial-market (the "type II mixed" supply chain), industrial-domestic (the specialty coffee or relational supply chain), and the domestic-industrial (the "medium-sized famer" supply chain). The presence of mixed motivations in the five identified supply chains challenges the depiction of the role of values in the convention theory, which treats the four orders of worth as ideal types. We contend that a singular actor or singular supply chain can exhibit more than one order of worth as long as the underlying values can be reconciled. In fact, we observed that inside the same organization, individual departments had different "orders of worth" depending on their proximity to production practices, quality control, or to the final consumer market. These combinations define types of institutional arrangements that might oppose each other but also may coexist in an ecosystem catering to different needs.

Four worlds, or orders of worth, seem to be at play in the coffee industry: *Civic* values are becoming increasingly important in the negotiation of the definition of coffee quality (paying a fair price, helping small farmers' organizations). At the same time, labeling and certification systems are organized in terms of an *industrial* convention, and relationships with some mainstream distributors who carry fair trade coffee are based on a *market* convention. It is interesting to note the appreciation of all the interviewees for the values in the industrial world, which may be a key point to facilitate any long-term relationships in a platform such as I-Choose. Our interviews also suggest that the main potential source of conflict in the coffee supply chain comes from the contradicting values in the market and civic worlds, which already caused a division in the Fair Trade movement.

"Lead firms," such as Nestlé in type I mixed supply chains or other big firms in type II mixed supply chains, define and manage "quality" by shaping the rules and conditions of participation and determining the functional division of labor along the chain, sometimes with support of certification programs such as 4C. Such leading firms diffuse dominant normative paradigms that provide legitimacy for the mechanisms used to exert "leadership." The actual forms of coordination between lead firms and first-tier suppliers (and their hands-on or hands-off character) vary depending on (1) the mechanisms for transmitting knowledge and information about quality and (2) the values guiding the lead firms. Their success depends on how well they transfer information to their suppliers and to standardize, codify, and obtain credible external certification.

In specialty coffee markets, more information is provided about the coffee's origin and its environmental and other impacts. In these markets, actors tend to use narratives such as origin-based trust narratives. These narratives are being increasingly replaced by certified quality systems such as the coffee standards developed by the Specialty Coffee Association of America that partially dissociate coffee's quality from its place of origin. These narratives tend to be replicated in a standardized manner for mass consumption (Starbucks), thus recalling industrial quality conventions.

The system architecture introduced in our information-sharing platform carries civic values of transparency, favoring public goods, and public services for the general public and consumers. Such system can be read as an attempt to introduce civic order of worth into an environment normally dominated by industrial/market order of worth, and thus be classified along the lines of a traditional fair trade supply chain that exhibits values of civic-industrial order of worth. This leaves us with two questions: What kind of conflicts might we expect as a result of introducing a system-wide information-sharing platform? And how can such conflicts be overcome? We expect that the resulting conflicts will need to be resolved via compromises, and not as much through agreements and relativization of conflicts as described by Boltanski and Thévenot (2006). In Table 7.2, we describe the various sources of conflict between the civic-industrial type of a supply chain as a stand-in for an information-sharing platform and the other four types of supply chains identified through our empirical exploration as well as potential sources of compromise.

As we show in Table 7.2, the traditional fair trade supply chain and the industrial-civic mixed supply chain are in agreement about core values. However, they are not necessarily in agreement about the means to support such values. For

Table 7.2 Potential points of friction and sources of compromise with I-Choose

	1	2	3	4
Order of worth	Industrial-civic	Industrial-market	Industrial-domestic	Domestic-industrial
Type	"Type I mixed"	"Type II mixed"	"Specialty coffee"	"Medium-sized famer"
Source of conflict with civic-industrial order of worth	Agreement in the ends but conflicts about the means	Protection of corporate interests vs. producer and consumer well-being	Trust in quality comes from personal relationships rather than certification systems	Domestic values are closely related to family businesses that used to be owners of big plantations
Source of compromise with the civic-industrial order of worth	Harmonizing ways of being fair with the producer	Consumer interest in civic values may align market and civic worlds	Aligning people and product certifications	Negotiating market segments and differentiation

example, Nestlé program involves supporting high-quality producers with a monetary prize, which is independent from the price paid for the coffee. Traditional fair trade farmers see this monetary price as a low-impact intervention. Moreover, traditional fair trade values self-improvement rather than external interventions to improve the quality of life of the small farmers. Compromises then can be made by harmonizing the means of fair relationships between main actors in both supply chains, which should include small farmer involvement in the conversations. Currently, most conversations and certifications are mediated in these mixed supply chains by intermediaries.

Market focus of the type II mixed supply chain conflicts with the civic interests of the traditional fair trade supply chain because market prices do not include externalities from the production and distribution process. Participants in this type of supply chain showed little interest in the civic values mainly because there is not yet consumer interest in paying the price premium that implies a more sustainable commerce. Promoting market penetration of fair trade and other sustainable products is a key source of compromise with the market view. In a sense, type I mixed supply chains are, from our point of view, supply chains that have already started the transition process given the projected demands. Corporations in type I mixed supply chains are the leaders in the market, and we believe that other corporations will follow once consumers become more aware of civic values.

Specialty coffee supply chains do not emphasize product certifications because the main source of trust in the quality of the coffee comes from personal relationships among supply chain participants. We had a chance to interview some of the participants in this kind of supply chain who did not know that the coffee that they were selling was actually certified following international norms. In their view, the quality of the coffee was attached to the coffee cupper behind the process. Coffee cuppers are also recognized by personal certifications, and we believe that including these personal credentials as an alternative source of trust may be a way of reaching compromise with participants in this supply chain.

Finally, the conflict that might be the most difficult to resolve is between participants in the medium-sized farmers supply chain, which exhibits domestic-industrial values, and participants in the traditional fair trade supply chain. The main source of conflict stems from the fact that the domestic order of worth among this type of supply chain is rooted in the importance of family relations, which inevitably brings in the legacy of exploitation of small farmers and Indians. Coffee producers in this supply chain are usually descendants of landlords who exploited Indians and other small farmers in the past, which creates a historical division between both groups. Giving medium-sized farmers an opportunity to enter the fair trade market is interpreted as an inconsistency with the traditional values of fair trade, because of this historic divide. One way to look for compromise might be to develop alternative seals and certifications that clearly differentiate both producers and may reach different market segments.

In order to enhance public value, the findings from the interviews suggest that the accomplishment of compromise between actors belonging to different orders of worth and types of supply chains is necessary to incentivize participation of private

actors in information-sharing platforms. In these circumstances, public administration can play an important role by creating the environment for the establishment of alternative certifications and by demonstrating the benefits of sharing information. They should help to overcome potential barriers created by mistrust among companies (see Chap. 1). Moreover, policy makers should pay special attention to the diversity of values in the coffee supply chain which lead to the need for collaborative governance like the one that we will describe in the next chapter of the book.

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