

Chapter 5

Agribusiness CSR Practices on the Establishment of Underdeveloped Supply Chains: Evidence from Tanzania

Felix Adamu Nandonde, Pamela John Liana, and Paul R. Sachs

Abstract The rise of modern food retailing in developing economies is criticised for marginalising the small scale agribusiness actors. The marginalisation is due to high requirements on delivery and set food standards which are obstacles to most of small scale actors. The current project explores the CSR practices of agribusiness entrepreneurs in Tanzania in improving the underdeveloped value chain of fresh meat and processed peanut butter. Interviews were conducted in Arusha and Morogoro in Tanzania with managers, owners and beneficiaries of the practices. By using thematic qualitative case studies of the interviews, the study reveals that trust, regular supply of the products and relationship are very important for the CSR supply chain establishment. Furthermore, the study shows that reduced credit facility and rudimentary technology are major challenges that threaten the practices of linking small scale farmers to modern food distribution in Africa. The recommendations are offered regarding the steps for further improved underdeveloped supply chain. This study adds value on the CSR practices of agribusiness entrepreneurs from developing economies.

5.1 Introduction

To stimulate development in African markets access is a fundamental stepping stone (WTO 2013). Different initiatives have been implemented on the continent with the interest of linking African producers with the developed market. One

F.A. Nandonde (✉)

Aalborg University, Aalborg, Denmark

e-mail: fan@business.aau.dk; nandonde@gmail.com

P.J. Liana

The Open University of Tanzania, Dar es Salaam, Tanzania

P.R. Sachs

NHS Human Services, Philadelphia, PA, USA

example is the Fairtrade products scheme. Nevertheless, a recent report shows African farmers are marginalized (WTO 2013). There are many reasons for marginalization of small scale farmers' access to developed market. Among these are unattainable food standards, lack of finance and institutional voids (Dolan and Humphrey 2004). Nonetheless, Africa has seen the rapidly emergence of modern food retail. Less is known on how to help small scale farmers' access market through this new food distribution in the continent. This study will fill that gap with the focus on CSR support of firms in developing economies with the specific case of Tanzania.

Studies of CSR and value chain focused much on governance of actors such as ethical practices (Boyd 2003; Greenhalgh and Tallontire 2005). Further, studies give much attention to the multinational corporations (MNCs) practices with the foods bought from developing economies and their impact on small scale farmers in the developing economies (Alvarez-Rivero and Bhandarkar 2007; Hartman 2011). Some firms in developing economies that can meet standard and quality criteria are still marginalized due to financial conditions.

With the rise of modern food retailing in African empirical evidence shows that local farmers are marginalized at their home market. Studies show that consumers in Africa are migrating to these stores (Chege et al. 2006; Gorton et al. 2013). Nishiura (2010) argues this change has impact on the economy and agrifood marketing system in Tanzania. Linkage of local food suppliers to new food distribution in Africa through CSR practices of actors in the value chain could be highly desirable.

Lack of understanding of the impact of CSR in Africa is a major problem (Idemudia 2014). Empirical evidence shows that small scale farmers are marginalized from international and regional modern food retailers in East Africa (Elepu 2009; Amoding et al. 2014). Furthermore, upstream growers in Tanzania are highly affected by any market changes such as price (Rasheli 2013). Literatures of the global value chain shows that upgrading is one of the most important means of linking marginalized suppliers in the value chain. Through upgrading, marginalized producers can work with lead firm and in particular from developed world to attain knowledge and soft skills for them to meet set standards. However, less is known on how local food suppliers and local goods growers/producers can be linked to the rapidly rising food retail.

To understand the impact of the CSR practices on the local community on Africans, it is important to understand the type of CSR practiced by agrifood business in Africa. Hartman (2011) calls for more studies on CSR and food value chain. This study intends to fill those gaps by examining the impact of local agrifood firms on establishment of undeveloped value chain in Tanzania.

The chapter will provide an overview of the transaction theory and CSR drawing attention to the usefulness of the food sector in the developing economies. This overview is followed by a literature review on CSR and food in Africa. This is followed by a methodology sections and findings part. The last section is discussion and suggested policy implications of the study for the developing economies.

5.2 Transaction Cost Economic Theory

Agri-food business in Tanzania is characterized by small scale farmers who are trustworthy fulfilling of promises and commitments to other actors in the value chain (USAID 2008). Integrating these small scale farmers into the larger system requires various administrative costs such as monitoring, contract and negotiations (Hobbs 1996). As a result of these costs, most of upstream actors become marginalized or to face difficulties in accessing local, regional and international markets. The costs can be minimized if a firm becomes vertically integrated.

CSR practices in the value chain are considered as one way of linking local food processors with the market. To understand how agribusiness firms establish CSR practices in among irresponsible actors in Tanzania, this study draws from transaction cost economic theory (TCE). Previous studies show that irresponsibility is very common in Tanzania business environment such as cheating, over pricing, and adulteration (Bjerkas and Kagirwa 1994; Gibbon 1997; Kurwijila et al. 2005; Kabissa 2014). De Bruin and Moore (2004) argue in the absence of ethical behavior the transaction costs among actors are increased.

In brief, TCE suggests that economic actors select a governance mode that best mitigate the transaction costs associated with opportunities (Antia et al. 2010). TCE assumes CSR is not free (Orlitzky et al. 2011). Rather, firms have to consider the cost of finding a partner, the cost of negotiating agreements and the cost of monitoring (King 2007). The theory can help understanding of how food processors choose their partners in agri-food value chain. Some of the previous studies used TCE to investigate environmental protections (King 2007; Dooley et al. 2011), upstream petroleum supply chain (Dirdal et al. 2007), and effective management of code of conduct (Andersen and Pedersen 2006)

TCE theory is most dominant in business to business relationship research (Antia et al. 2010). The theory developed by Coase (1937) and advanced by Williamson (1975, 1985) originated from economics and has been widely used in politics, marketing and business. The theory holds that due to the uncertainty and risk of dealing with opportunistic exchange partners, some market transactions are quite costly and may be cheaper to govern in an alternative economic organization. The concept is based on two major pillars: opportunity and governance (Antia et al. 2010).

Humphrey and Schmitz (2004) defined governance as the non-market coordination activities and are defined as the ability of some firms to impose and enforce the parameters under which other firms in the chain operate. In general these are imposed by the dominant buyers in the value chain.

The choice of governance is determined by three factors: the frequency with which the transaction is undertaken, the asset specificity of the transaction and the level of opportunity (Williamson 1979; Hansen and Kuada 2006). The *asset specificity* refers to a condition where by the resources invested to support a particular transaction cannot be easily redeployed to alternative uses without significance loss in value (Husted 1994). However, in the upstream of agriculture

commodities it is very rare for commodities to have no alternative value. For example poultry farm engaged in contract farming can act in an opportunistic way provided the new buyer comes with an offer better than the contracted one.

Williamson (1979) defined *opportunity* as the self-interest seeking with guide. Briefly, actors in the vertical relationship may sometimes exploit a situation for themselves and not for the benefit of the other actors in the value chain. *Bounded rationality* occurs when an individual's ability to evaluate accurately all possible decisions is limited. For example, in Tanzania where agrifood is subjected to government interventions and bans are likely, an ability to make individual decisions will be limited by this uncertainty. *Information asymmetry* refers to the situation where all parties to a transaction face the same, but incomplete, level of information (Hobbs 1996). This occurs when one party has better information than another. In the short run, managers must consider transaction costs in all strategic decision making. Empirical evidence shows, however, that in the long run CSR can increase trust among and possibly reduce transaction costs (Hosmer 1995; Jones 1995).

The relationship between CSR and TCE exists on the vertical coordination concept that governs the TCE. This is what referred as governance in the literature of value chain. Therefore, vertical coordination is very important for the product to be at the market place. Figure 5.1 shows that farmers are faced with many challenges such as lack of inputs, access to agri-finance and good agronomy skills. To access rapidly rising market of food distribution in Africa small scale farmers rely greatly on supports from a lead firm.

Vertical coordination in the study of value chain can be viewed as a continuum (Hobbs 1996). On one extreme, there is spot market with multiple buyers where price determines their relationship. On the other extreme the market is vertically integrated and products move through different value addition under the directions of the lead firm. The key concepts that govern this economic activities according to TCE are the degree of uncertainty, the degree of asset specificity and the frequency of the transaction. Figure 5.1 shows that through CSR activities of food processors, small scale farmers can improve their production which later can be bought by them for value addition and sold to consumers through supermarket.

A firm with a low level of *uncertainty* advances itself in a spot market transaction (Hobbs 1996). Spot market is characterized with low price, unreliable buyers and lower quality goods. Therefore, support to the firms in spot market is needed from the lead firm for them to access well organized markets which have stipulated conditions of quality and delivery.

To be integrated in the vertical coordination a *specific* goods has to be produced as per the directions of the lead firm. Figure 5.1 shows that the goods which are not specific are likely to can have many alternatives at the spot market and can fetch lower price if they are bought at all. Therefore, inputs or packaging are very important to upstream producers to meet the requirement of the downstream actors in the value chain support from the lead firm.

The last point is the *frequency of transaction* between actors in the agrifood value chain. The higher the frequency of goods exchanged between buyers and the

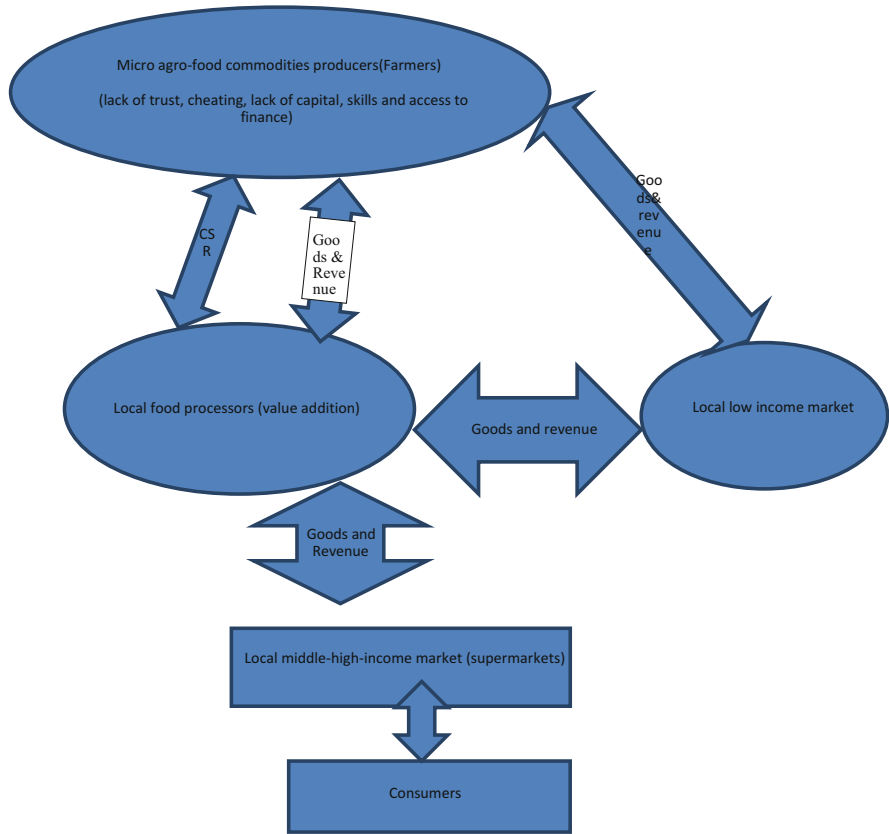


Fig. 5.1 CSR practices and Integration of local food suppliers in supermarket. *Source:* Modified from Trienekens (2011)

sellers the better the reputations among actors. No firm would like to tarnish its image by acting in the opportunistic way (Hobbs 1996). In general, providing support is an initiative from one side, but getting the output from initiatives is very important among actors in the vertical coordination. Figure 5.1 shows that farmers have can either sale to open market or food processors that have access to supermarket. Hence, cost of monitoring would be high to food processors due to that uncertainty and opportunistic behavior. For example, some farmers in Tanzania put stones or other foreign objects in cotton to increase weight (Businessweek 2014; Kabissa 2014). Kabissa (2014) indicates that buyers in some situations retaliate by tampering with scales. In any case, the inspection and screening of goods has to be high to an extent that an inspection officer has to be employed during delivery. Otherwise, the price has to be reduced to accommodate loss in kilograms as a result of that unethical weighting behavior.

5.3 CSR and Food Value Chain in Africa

Issues of CSR in the value chain in Africa have been studied for a long time, however, the focus of the study was on the ethical food with interest of connecting small scale farmers with the developed countries market (Robinson 2009). To get access to these market growers in developing economies had to adhere to good agronomic practices, abandoning child labour and working in the group. As a condition of linking producers to buyers, CSR was voluntarily implemented by small scale farmers to facilitate their integration into the global value chain. These CSR practices were accepted by farmers in developing countries with the assurance that they would lead to a premium price from ethical trade compared with conventional market.

Later the CSR concept changed when sophisticated consumers started to link ethical practices with the image of the products. Studies on CSR can be grouped into three areas: animal welfare, labour rights and procurement practices (Hartman 2011). Studies on CSR on food from developed countries focused on addressing stakeholders claims (Lamberti and Lettieri 2009; Heyder and Theuvsen 2012), consumers' preference for CSR claim (Loose and Reamud 2013; Hartmann et al. 2013; Bradu et al. 2014), and procurement practices in the value chain (Giovannucci et al. 2014; Bourlakis and Spence 2009).

Studies on CSR and food have led to equivocal results. MacDonald (2007) found that farmers from developing countries are empowered in the coffee value chain. Another commissioned study conducted in Tanzania by Bekefi (2006) found that SMEs can be linked to the market through CSR support schemes. However, some other studies see that farmers from Southern hemisphere have less participation and hence the goal of CSR would be minimal. For example, Phillips and Tallontire (2007) call for more transparency in the cocoa value chain from Ghana by the UK firms. Nelson et al. (2014) call for more participation of small scale growers on the setting GLOBALGAP food standard.

Studies in Africa on CSR concluded that to solve social, economic and environment problems law and regulation are important in order to mandate practices that otherwise would not be selected voluntarily (Hinson and Kuada 2012; Fig 2004). This assertion is consistent with Carmen and Merino (2011) who found that in order to benefit the nations of the Southern Hemisphere more has to be done in a particular country. Ponte et al. (2007) found that social problems in South Africa have not been reduced by the corporate since the introduction of Black Economic Empowerment (BEE). Briefly, researchers suggested that CSR has not yet benefited developing economies in linking them with the global economy. Nevertheless, empirical evidence shows that African companies are willing to implement CSR (Dawkins and Ngunjiri 2008).

With the rise of supermarkets in Africa, small scale farmers were marginalized (Weatherspoon and Reardon 2003). Food standards seem to limit small scale farmers in developing economies to access the general market. The market has also been difficult to enter due to threshold level of capital needed (Neven

et al. 2009). However, there are conflicting issues of standards and market access in Africa. Swinnen and Maertens (2009) in the study conducted in Senegal found that despite tightened food standards, exports and farmer income rose sharply.

5.4 Methodology

This study used qualitative case study approach to investigate selection of upstream actors in Tanzania business context. Lyons (2005) argues that case study approach is good for understanding human dimensions. Data were collected in Morogoro and Arusha in Tanzania. Participants were selected after the researcher contacted the Municipal Business Office on the number of agri-processing and those which are selling to the supermarket. Furthermore, the researcher visited supermarkets to find items which are in the store then collected the contact information from there before asking for the appointment. One of the researchers visited the respondents' offices and asked for their participation in the study. After the acceptance to participate in the study, interview appointments were arranged.

Semi-structured interviews were conducted with similar questions for each of the participating respondents. The format was implemented with the pre-determined set of questions and other merged questions from the dialogues (Crabtree and Diccio-Bloom 2006). Questions that guided the interviewer were: How do you select a partner of raw materials? What do you do to have reliable supplies? The technique is good for people with limited time (Jarratt 1996) and allows the researcher to control the dialogue. The participants involved in the study were busy and overloaded with day to day control of their firms. The semi-structured seems to be important for the study. The interviews, which were conducted at the participants' premises, lasted on the average of 40 min.

Seven firms were identified to be suitable for the studies but four firms rejected to participate in the study. Table 5.1 shows three firms participated in the study. Two firms are family owned companies and one is a partnership. The issues explored in the interviews were level of control of product, operations and supports. Data were collected through tape recording of the interviews with participants' consent. Data were analyzed manually by coding.

Table 5.1 Some of the companies participated in the study

Company name	Established	Location	Deals with	Respondents
Mzomo Services Limited	2008	Morogoro	Meat Chicken suppliers	Owner
Darsh Industries Limited	1998	Arusha	Agri-food processors	Production Manager
Meat King	1996	Arusha	Meat processing firm	Owner

Case 1. Mzomo Services Limited

Mzomo Services Limited is a family business dealing with poultry meat processing with its base in Morogoro, Tanzania. The company owned by a Kenyan man, Mr Jackson Omondi who stayed in the country for 15 years. The family business started with growing maize on a piece of land in rural Morogoro district at the Matuli Village. In 2008 Mzomo changed from maize farming to poultry keeping. The family business introduced their brand at the market, Matuli chicken. Matuli is a place name, hence geographical branding.

To meet the market demand for broiler chicken in urban areas in Tanzania the business contracted 72 poultry keepers in Morogoro Municipal. Major buyers of Matuli chicken are hotels, restaurant, and modern food retailing stores. The family business has two distribution outlets in Morogoro to reach retail consumers of hybrid chicken meat.

The Matuli chicken brand has penetrated to higher end retailer stores like Village Supermarket in Dar es Salaam. Other supermarkets which are selling Matuli chicken are Uchumi and Wuhan supermarkets in Dar Es- Salaam stores. Simply Matuli chicken is distributed to modern stores in Dar es Salaam only. Figure 5.1 show Matuli packed chicken parts.

Case 2. Darsh Industries Limited

A family company owned by a Tanzanian, Mr Bhadresh Pandit, was established in 1999. The firm deals with tomatoes processing. Currently the family business, which used brand name 'RedGold', produces: tomato sauce, garlic, chilli sauce, tomato paste, fruit jams, peanut butter, maize flour, honey and variety of masala.

RedGold is extremely well known in Tanzania, and operation is located in Themu industrial area. The firm started with capacity of processing 800 metric tons annually. Currently the family business has reached capacity of processing 16,000 metric tonnes of a variety of agrifood annually. RedGold has employed 206 permanent employees. The family business has 12 super dealers and 54 dealers in 21 regions in the country.

Case 3. Meat King Limited

Meat King Limited started in 1996 by a Danish lady, Lesley de Kok, and is based in Arusha, Tanzania. The family business deals with fresh and frozen pork, poultry and beef. Beef is imported from Kenya or South Africa but chicken and pork meat is sourced from local markets. Other products sold by the firm are milk and other dairy products, sausage and fish.

In 2013 Meat King received a grant of US\$ 820,000 from IFC for the construction of a modern slaughtering facility in Moshono Arusha, Tanzania. The family business has 30 employees. Meat King distributes its products through direct and indirect. Direct marketing channel is in Arusha and Dar es Salaam for modern food retailers. Other good distributed to hotels in Zanzibar, Arusha and Dar es Salaam.

5.5 Findings

The authors are aware that the results from this methodology are greatly limited by the small idiosyncratic sample size. Nonetheless, it is felt that the findings provide some illustration of the issues of CSR and agrifood business. Moreover, they are a starting for further research.

5.5.1 *Products Availability*

For all companies the availability of products was an important strategy for the move to CSR. Although demand for products was increasing, constant and reliable suppliers were a challenge. Tanzania is facing a challenge of having sufficient reliable suppliers so that food processors can have a constant supply of raw materials. Our findings comply with the general assumptions of the value chain concept that through market linkage firms can have adequate supply of the raw material required. The participants said that:

It's very important for us to see first what you can produce. Our criteria are simple; we are highly insisted on consistency supply and kind of animal feeds one is using.

We started to keep chicken here but the business expands more than we can handle. We were keeping 3000 birds a month.

Now we are keeping down 20,000 birds a month. So the market demand is four times that what we can produce.

No! Not our own farm we have women that we have set up a group. They are in business to keep the chicken for us.....but it's a one way to guarantee that we will get good chicken.

These comments suggest that the respondents were careful on selecting of small scale farmers who can work them. Antia et al. (2010) argue that firms in the value chain select actors who can help them in minimizing opportunity cost. The tendency of food processors is to engage with an upstream actor who has established her or his framing activities adhere to TCE.

5.5.2 *Market Linkage*

As competition in the food industry increases most of the local food processing companies interviewed felt under pressure to be seen as reliable by suppliers. This necessitates having good and timely suppliers of raw materials. Therefore for them CSR is implemented with intention of linking upstream poultry keepers with the growing market in Tanzania. This finding correlates with Perez-Alema and Sandiland (2008) who noted the linkage of coffee producers from developing countries with the developed markets consumers. The demand is above their

capacity. For them to succeed they need to link other local food suppliers to the market buying their brand and their already established network.

Another challenge to producers in developing countries is difficulty in compliance with the set food standards due to financial problems. By working with the food processors as the suppliers of the chicken or meat their goods can access the market. Research has shown that some chicken processing factory are taking on value addition activities like packaging, branding and distribution which could not be possible for single small scale poultry keeper to reach a reliable market like supermarket.

We started to keep chicken here but the business expands more than we can handle. We were keeping 3000 birds a month. Now we are keeping down 20,000 birds a month. So the market demand is four times that what we can produce. So instead of investing the money in infrastructure, so let's invest the money in trading. So we started giving contract. We want to link 1000 household with the market. The market is there and I used to tell guys please produce stuff of high quality and we will package it nicely.

There is one group in Arusha, Women Development Entrepreneurs in Arusha that is producing it. They are processing, and we are doing marketing for them.. Actually these small...small organizations are facing problems of marketing. They can produce the goods but they don't sell it in the market. So, that group of women even has been mentioned in our label.

Labeling and standards seem to be important requirements to access to supermarkets in developing economies. The present study indicates that, through linkage to specialized suppliers, producers can be linked to modern stores in Tanzania. Issues which emerged to be strong are labeling and bar code marking which are very costly for a single small scale livestock keeper.

Some supermarket would like to have labeling. And some supermarket may require bar code, Nakumatt for example. So if you don't have barcode for Nakumatt will hit for 10 % to do the labeling for you. It's a condition, so for somebody without bar code has to reduce 10 % of your price.

In Dar-Es-Salaam we have 20 vehicles which are going at the market everyday with our goods. In Arusha we are working with our distributors, even though factory is based here. These distributors at initial stage helped us a lot.

5.5.3 Product Safety and Standards

The demand for high quality food and that has influenced most middle income consumers in migrating towards modern food retailing in Africa (Alphonse and Alfnes 2012; Sehib 2013). To accommodate this demand, retailers must gain better control over production, trade and distribution in order to guarantee the quality and value added to the product for them to compete for these consumers. Pressure is concentrated on producers to meet various standards for their produce. Local food processors would like to have intrinsic and extrinsic attributes factors that could enable them to attract consumers at the market. Conditions required to be compliant

with laws that govern food sector in Tanzania could be easily achieved by local food suppliers.

The present study indicates that one way food processors control quality is by limiting choice of day old chick that they have to buy from a certain company. One of the participants said that:

One of the biggest criteria is weight. Most people take small birds we don't collect those. A bird has to be 1.5–1.6 kg and above. We don't take below that. You must take your chick either from Interchick or Mkuza and you must use Hill fed.

As of now we are using animal feeds produced by Hill Food. One can buy direct from them or we can help him to have the supply.

Limiting farmers' purchase of animal feeds from other buyers could enable firms in the specialized value chain to produce high quality commodities. For example, in Uganda 80 % of the animal feeds at the market are deliberately adulterated and contaminated with foreign object like sands, sawdust and ash (Kagolo 2012). Therefore, it may be beneficial to limit poultry keepers' ability to buy from just any supplier rather than a particular identified firm which meets the standards of asset specificity as articulated in the TCE (Williamson 1979). Although a chance of limiting a farmer's to sale to other side buyers is low, setting this guideline shows commitment one has to the other actors if the farmer purchased animal feeds from a specified company.

On the other hand, one of the major challenges for most of small scale farmers is to meet the cost of compliance and certification from food standards such as Tanzania Bureau of Standards (TBS), Tanzania Food Drugs Authority (TFDA) and Tanzania Revenue Authority (TRA). Therefore, once upstream suppliers have connected with the value added company that company must focus on quality of produce and processors have to meet the country quality regulations. This arrangement enables small scale farmers to access modern retailers through specialized suppliers with the required certificates from standards organizations in the country.

But yah there are some challenges. In particular when you are dealing with TFDA (Tanzania Food and Drugs Authority) and TBS (Tanzania Bureau of Standards), their charges are very high. But if you register with TFDA or TBS they will ask about Tshs 780,000/=. That is the cost of the registration process alone. I have to start this product. It is not like that you register and you finish every year you have to pay the fees. Nowadays, TFDA has changed the pattern now they are asking for 5 years. For 5 years you have to renew, but for TBS every year you have to renew.

5.6 Economic Responsibility

One of the assumptions of CSR is that firms can and should help the surrounding community. In Tanzania poverty is a major challenge and about 80 % of population depends on agriculture. This means any initiatives that improve agriculture activity or make it more economically sustainable will be important because a large number of a population can be impacted directly.

It was found that of the participating firms economic responsibility is considered to be the foundation of the CSR action. In the food supply chain their interest is not to make profit but to help their community to improve economically by paying good price and assurance of their market. Adi et al. (2006) in the study conducted in Nigeria had the similar findings that firms involved in CSR in developing economies had intention of solving communities' problems.

We want to link 1000 household with the market. The market is there and I used to tell guys please produce stuff of high quality and we will package it nicely.

These companies were buying the seeds. While they are buying the seeds, they cut tomatoes remove the seeds. But what about the remaining parts of the tomatoes, juicy and pulp of tomatoes? They were throwing it. Then we observe this as the bad phenomena. And the job was very laborious to farmers. But we have the machines that can separate juice, tomatoes and pulp without any damage or harm to the seeds. That one now we are doing it for the farmers. And we are paying for the juice and the pulpy. In the last three years we were doing well with tomatoes paste from local tomatoes. We are getting about 75 % from local market. Early days was vice versa, 25 % locally and 75 % imported concentrate. But now we have changed the pattern by talking with farmers and by having good relationship with the farmers.

In general the present study shows that firms in Tanzania act voluntarily to the benefit of the community. Our findings correlates with the study conducted in Lebanon which found that business firms solve local stakeholders' problems by intervening through business activities (Jamali and Mirshak 2007).

5.6.1 Building Capacity of Suppliers

Agri-food processors who participated in the present study felt that building capacity of suppliers is an important part of CSR practices. Our finding is similar with the Huq et al. (2014) in a study conducted in Bangladesh. One form of capacity building is by providing day old chicks and animal feeds to farmers with the informal contract that will be collected when the chickens are ready.

Lack of trust threatens the CSR practices of agribusiness firms in Tanzania. Our findings correlates with USAID (2008) finding that trust between buyers and suppliers is a major challenge in agri-food business in Tanzania and even a contract does not guarantee that trust.

It's very hard to do contract farming in here. It's very, very, hard. It is difficult to engage in contract farming. Because, farmers if someone goes with money they sell the chicken. For those with good relationship with us, we give them loan;we give them cash when they deliver the goods. They don't have to wait for the money. So they bring to us.

We used to give them Day old chick and feeds and then we will deduct it during the sell. We 'burn our fingers'; we lost a lot of money. We lost almost 50 million. Were people we gave them chicks, we gave them feed. The day to collect chicken there is no chicken. Now, is a bit harsh. I wish we could do it in a better way. You pay cash, so if you come with cash you get feed. Basically I guarantee you a market.

5.7 Discussion and Policy Implications

The purpose of this paper was to investigate food chain CSR implemented by firms in developing economies. The study found that linking marginalized small scale farmers in Africa with the rapidly growing modern retail sector is critical to this CSR process. The CSR practices have shown two aspects to CSR implemented by local food suppliers: market demand and community support.

Agrifood processors strengthen the underdeveloped supply chain as the way meeting market demand. Similarly, Forsman-Hugg and Heikkurinen (2011) found that food suppliers in Finland combine CSR with strategy. On the other hand, this study found that CSR practiced by agrifood processors in developing countries are as much not influenced by the laws. This finding is similar to that of a Ghanaian study of Hinson and Kuada (2012).

Food processors from developing countries understand the importance of establishing underdeveloped firms for the interest of capturing the market growth. However, this move is faced with the challenge of untrustworthy partners in the value chain.

This present study focused on the CSR implemented by local firms that operate within Africa while previous studies were on the exporting food processors. Nevertheless, some issues such as environmental impact and what local food processors are doing in terms of good agronomic practices were not well articulated. One of the major challenges of Tanzania is child labour and studies on adherence on reducing child labour were conducted for the exporting firms under the guidelines of ethical food processing and distribution. There is a need for more studies on how local agro processing firms selling on the rising modern retailing in Africa address ethical issues such as reduction of child labour and fair payment for the suppliers or growers.

Previous studies on CSR in developing countries and agrifood supply chain focused much on MNC (Alvarez-Rivero and Bhandarkar 2007). Nevertheless, most of the firms that link local food growers in Tanzania and Africa in general are family owned companies which in most cases are not publicly traded and do not feel pressure from stockholders as do MNCs. Nonetheless, these family owned businesses have an enormous impact on the local economy particularly in developing countries. Matten and Moon (2008) argued that CSR practices between countries are different due to historical, economic system and social issues. Just a few decades ago, Tanzania was a socialist country. More work is needed to assess the enduring impact, if any, of this past socialist planning economy on the CSR practices among the players in the value chain in the present day. Also more focus has to be on all firms to understand how they operate and CSR implementations strategy.

Future study on CSR in Africa can focus on the impact on consumers' preferences on the products produced by those claiming to implement CSR principles. Currently in most of the developing countries CSR can be seen as both voluntary and involuntary (which follow the legal and regulation issues). Study is needed to

see how consumers perceive these two different CSR approaches and their impact to the listed firms in the continent.

This study has contributed to the body of knowledge by focusing on the CSR practices of family business from developing economies. Furthermore, the study shows that developing economies CSR practices are influenced by market demand and not community support as claimed by previous studies (Hinson and Kuada 2012). However, these findings need to be taken with precaution because the present study used only firms that implemented CSR through snow balling. Some of the firms which once practiced and later abandoned CSR could not be contacted to investigate why they abandoned CSR practices.

5.7.1 Policy Implications

Previous studies on food value chains from developing economies assumed that the major challenges of linkage were lack of infrastructure support, availability of resources, and efficient and effectiveness coordination in the value chain (Trienekens 2011). Our findings show that opportunism polarizes initiatives of private and family business which have an interest of linking small scale farms to modern food distribution in Africa. Briefly there is low trust among actors and especially when working with small scale farmers. Marquez and Refficco (2009) argue that reciprocal trust is very important for linkage people at the bottom of pyramid people to prevent them from being otherwise marginalized.

This finding shows that for Tanzanian farmers and entrepreneurs to benefit with rapidly rising supermarkets in Tanzania they must also be taught soft skills of customer service including how to build interpersonal relationships and to maintain clear and objective communication. These soft skills will help them establishing trust and maintaining reputation in the business of today. Our proposal is consistent with Liana and Nandonde (2013) for their study conducted in Tanzania's agribusiness value chain. Furthermore, Boselie et al. (2003) put forth a similar proposal for an enforceable legal framework to protect the economic stakes of parties in the CSR linkage support in Tanzania.

References

- Adi, B. C., Amaeshi, K. M., Amao, O. O., & Ogbechie, C. (2006). Corporate social responsibility in Nigeria. *Journal of Corporate Citizenship*, 24, 83–99.
- Alphonse, R., & Alfnes, F. (2012). Consumer willingness to pay for food safety in Tanzania: An incentive-aligned conjoint analysis. *International Journal of Consumer Studies*, 36(4), 394–400.
- Alvarez-Rivero, T., and Bhandarkar, M. (2007). From supply chains to value chains: A spotlight on CSR. *Industrial Development for 21st Century: Sustainable Development Perspective*,

- United Nations. http://www.un.org/esa/sustdev/publications/industrial_development/3_3.pdf (accessed 20/04/2015)
- Amoding, F., Barrientos, S., Evers, B., Krishnan, A., Ndlovu, L., and Opondo, M. (2014). *Global and regional supermarkets: Implications for producers and workers in Kenyan and Ugandan horticulture*. Capturing the Gains, Working Paper 39.
- Andersen, M., & Pedersen, E. R. (2006). Safeguarding corporate social responsibility (CSR) in global supply chains: How codes of conduct are managed in buyer-supplier relationships. *Journal of Public Affairs*, 6(3–4), 228–240.
- Antia, K., Bercovitz, J., Brown, J. R., Cannon, J., Carson, S. J., Ghosh, M., Helper, S., Robertson, D. C., and Wathne, K. H. (2010). Transaction costs, opportunities, and the governance: conceptual considerations and future research opportunities. *Marketing Letter*.
- Bekefi, T. (2006). *Tanzania: Lessons in building linkages for competitive and responsible entrepreneurship*. UNIDO and Kennedy School of Government, Harvard University.
- Bjerkas, T. and Kagirwa, J. (1994). *Business ethics and legal norms. A comparative study between Norway and Tanzania*. Research Report No. 5, Adger College, Mzumbe University, Morogoro.
- Boselie, D., Henson, S., & Weatherspoon, D. (2003). Supermarkets procurement practices in developing countries: Redefining the roles of public and private sector. *American Journal of Agricultural Economics*, 85(5), 1155–1161.
- Bourlakis, M., & Spence, L. (2009). The evolution of corporate social responsibility to supply chain sustainability: The case of Waitrose. *Supply Chain Management: International Journal*, 14(4), 291–302.
- Boyd, D. P. (2003). Chicanery in the corporate culture: WorldCom or world con? *Corporate Governance: The International Journal of Business in Society*, 3(1), 83–85.
- Bradu, C., Orquin, J. L., & Thøgersen, J. (2014). The mediated influence of traceability labelled consumer's willingness to buy the labelled product. *Journal of Business Ethics*, 124(2), 283–295.
- BusinessWeek. (2014). Tanzania gets \$100 from cotton, 21 December. <http://www.busiweek.com/index1.php?Ctp=2&pl=2439&plv=3&sr1=89&sp1=525> (accessed 17 June 2015)
- Carmen, V., & Merino, A. (2011). The potential of corporate social responsibility to eradicate poverty: An ongoing debate. *Development Practice*, 21(2), 157–167.
- Chege, J., Neven, D., Reardon, T., & Wang, H. (2006). Supermarkets and consumers in Africa: the case of Nairobi, Kenya. *Journal of International Food & Agribusiness Marketing*, 18(1–2), 103–123.
- Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386–405.
- Crabtree, B. F., & Diccico-Bloom, B. (2006). The qualitative research interview. *Medical Education*, 40, 314–321.
- Dawkins, C., & Ngunjiri, F. W. (2008). Corporate social responsibility reporting in South Africa. *Journal of Business Communication*, 45(3), 286–307.
- De Bruin, A., and Moore, C. (2004). A transaction cost approach to understanding ethical behavior. *Paper presented at the World Congress of Social Economics, Albertville, France, June*. <http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=9CF77637FC0D681AD66E96C7D1E89215?doi=10.1.1.195.4063&rep=rep1&type=pdf> (accessed 17/06/2015)
- Dirdal, T., Gautesen, K., Midttun, A., Owland, T., & Wenstøp, S. (2007). Integrating corporate social responsibility and other strategic foci in a distributed production system: A transaction cost perspective on the North Sea offshore petroleum industry. *Corporate Governance: The International Journal of Business in Society*, 7(2), 194–208.
- Dolan, C., & Humphrey, J. (2004). Changing governance patterns in the trade in fresh vegetables between Africa and the United Kingdom. *Environment and Planning*, 36(3), 491–509.
- Dooley, K. J., Ellram, L. M., & Tate, W. L. (2011). Transaction cost and institutional drivers of supplier adoption of environmental practices. *Journal of Business Logistics*, 32(1), 6–16.
- Elepu, G. (2009). The growth of supermarkets its implications for smallholders in Uganda. Food Policy for developing countries: The role of Government in the global food system, Cornell University, Case No. 6–11.

- Fig, D. (2004). Manufacturing amnesia. *International Affairs*, 81(3), 599–617.
- Forsman-Hugg, S., & Heikkurinen, P. (2011). Strategic corporate responsibility in the food chain. *Corporate Social Responsibility Management*, 18, 306–316.
- Gibbon, P. (1997). The relations: A political economy of the marketing chain for dagaa in Tanzania. *CDR Working Paper*, 97, 2.
- Giovannucci, D., von Hagen, O., Wozniak, J. (2014). Corporate social responsibility and the role of voluntary sustainability standards. In Carsten S-H, et al (eds), *Voluntary Standard System*, 1, 359–384.
- Gorton, M., Jackson, E., & Sehib, K. (2013). Gender, social acceptability and the adoption of the supermarkets: Evidence from Libya. *International Journal of Consumer Studies*, 37(4), 379–386.
- Greenhalgh, P. and Tallontire, A. (2005). *Establishing CSR drivers in agribusiness*. Natural Resource Institute, Greenwich University. http://www.social-standards.info/news/news_september2005/CSRdrivers_agrobusiness1.pdf
- Hansen, M. W., & Kuada, J. (2006). Theories of cross-border linkages: A theoretical exploration of the concept of linkages in the borderland between international business and development studies. In Hansen & H. Schaumburg-Müller (Eds.), *Transnational corporations and local firms in developing countries: Linkages and upgrading* (pp. 29–57). Copenhagen: Copenhagen Business School Press.
- Hartman, M. (2011). Corporate social responsibility in the food sector. *European Review of Agricultural Economics*, 38(3), 297–324.
- Hartmann, M., Heinen, S., Melis, S., & Simons, J. (2013). Consumers' awareness of CSR in the German pork industry. *British Food Journal*, 115(1), 124–141.
- Heyder, M., & Theuvsen, L. (2012). Determinants and effects of corporate social responsibility in German agribusiness: APLS model. *Agribusiness: An international Journal*, 28(4), 400–420.
- Hinson, R. E., & Kuada, J. (2012). Corporate social responsibility (CSR) practices of foreign firms and local companies in Ghana. *Thunderbird International Business review*, 54(4), 521–536.
- Hobbs, J. E. (1996). A transaction cost approach to supply chain management. *Supply Chain Management: An International Journal*, 1(2), 15–27.
- Hosmer, L. T. (1995). Trust: The connecting link between organizational theory and philosophical ethics. *Academy of Management Review*, 20(2), 379–403.
- Humphrey, J., & Schmitz, H. (2004). Chain governance and upgrading: Taking stock'. In H. Schmitz (Ed.), *Local enterprises in the global economy: Issues of governance and upgrading* (pp. 349–381). Cheltenham: Elgar.
- Huq, F. A., Stevenson, M., & Zorzini, M. (2014). Social sustainability in developing country suppliers: An exploratory study in the readymade garments industry in Bangladesh. *International Journal of Operations and Production Management*, 34(5), 610–638.
- Husted, B. W. (1994). Transaction costs, norms and social network: A preliminary study of cooperation in industrial buyers-seller relationships in the United States and Mexico. *Business and Society*, 33(1), 30–57.
- Idemudia, U. (2014). Corporate social responsibility and development in Africa: Issues and possibilities. *Geography Compass*, 8(7), 412–435.
- Jamali, D., & Mirshak, R. (2007). Corporate social responsibility (CSR): Theory and practice in a developing country context. *Journal of Business Ethics*, 72(3), 243–262.
- Jarratt, D. G. (1996). A comparison of two alternative interviewing techniques used an integrated research design: A case study in out shopping using semi-structured and no-directed interviewing techniques. *Marketing Intelligent Planning*, 14(6), 6–15.
- Jones, T. M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, 20(2), 404–437.
- Kabissa, J. C. B. (2014). *Cotton in Tanzania: Breaking the jinx*. Bukoba: Tanzania Education Publishers.
- Kagolo, F. (2012). Fake feeds. Why your animals, birds are stunned, dying. *New Vision* (Uganda), 17 September.

- King, A. (2007). Cooperation between corporation and environmental groups: A transaction cost perspectives. *The Academy of Management Review*, 32(3), 889–900.
- Kurwijila, R. L., Richard, L., & Ryoba, R. (2005). Evaluation of extent of water adulteration of milk produced and marketed in Morogoro municipality, Tanzania. *Tanzania Journal of Agricultural Sciences*, 6, 104–107.
- Lamberti, L., & Lettieri, E. (2009). CSR practices and corporate strategy: Evidence from a longitudinal case study. *Journal of Business Ethics*, 87(2), 153–168.
- Liana, P. J., & Nandonde, F. A. (2013). Analysis of women small scale entrepreneurs practices during business negotiations in Tanzania agribusiness. *Journal of Language, Technology and Entrepreneurship in Africa*, 4(2), 28–45.
- Loose, M., & Reamud, H. (2013). Impact of corporate social responsibility claims on consumer food choice: A cross-cultural comparison. *British Food Journal*, 15(1), 142–161.
- Lyons, H. (2005). Food industry case studies: A suitable medium for publication. *British Food Journal*, 107(9), 702–713.
- MacDonald, K. (2007). Globalizing justice within coffee supply chains? Fair trade, Starbucks and the transformation of supply chain governance. *Third World Quarterly*, 28(4), 793–812.
- Marquez, P., & Refficco, E. (2009). Inclusive networks for building BOP market. *Business and Society*, XX(X), 1–43.
- Matten, D., & Moon, J. (2008). ‘Implicit’ and ‘explicit’ CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(4), 404–424.
- Nelson, V., Opondo, M., & Tallontire, A. (2014). Contingent spaces for small-holder participations in GlobalGAP: Insights from Kenyan horticulture value chains. *The Geographical Journal*, 180(4), 353–364.
- Neven, D., Odera, M. M., Reardon, T., & Wang, H. (2009). Kenyan supermarkets, emerging middle-class horticultural farmers and employment impacts on the rural poor. *World Development*, 37(1), 1802–1811.
- Nishiura, A. (2010). The food industry and supermarkets in Eastern Africa: A preliminary report on research in Tanzania and Ethiopia. In T. Fukunishi (Ed.), *African Producers in the New Trends of Globalization: An Interim Report* (pp. 43–56). Chikisekenyu Hokokusho: Institute of Developing Economics.
- Orlitzky, M., Siegel, D., & Waldman, D. (2011). Strategic corporate social responsibility and environmental sustainability. *Business & Society*, 50(1), 6–27.
- Perez-Alema, P., & Sandiland, M. (2008). Building value at the top and bottom of the global supply chain: MNC-NGO partnerships and sustainability. *California Management Review*, 51(1), 24–49.
- Phillips, D., & Tallontire, A. (2007). Drivers and barriers to sustainable purchasing practices in the cocoa sector. University of Greenwich at Medway, Natural resources institute (NRI), Natural resources & ethical trade (NRET).
- Ponte, S., Roberts, S., & van Stittert, L. (2007). ‘Black Economic Empowerment’ business and the state in South Africa. *Development and Change*, 38(5), 933–955.
- Rasheli, G.A. (2013). A latent class (LC) cluster analysis of farmers and traders’ attitudes towards contractual choices in the vegetable chains in Lushoto district, Tanzania. *Journal of Cooperative and Business Studies*, 1(1).
- Robinson, P. (2009). Responsible retailing: regulating fair and ethical trade. *Journal of International Development*, 21(7), 1015–10256.
- Sehib, K.A.H. (2013). *Consumer food shopping behavior in Libya*. Unpublished PhD thesis submitted at Newcastle University.
- Swinnen, J. F. M., & Maertens, M. (2009). Trade, standards, and poverty: Evidence from Senegal. *World Development*, 37(1), 161–178.
- Trienekens, J. H. (2011). Agricultural value chains in developing countries: A framework for analysis. *International Food and Agribusiness management Associations*, 14, 51–82.

- USAID. (2008). Analysing the integration of micro and small enterprises into value chains (AIMVC): Evidence from Tanzania horticulture.
- Weatherspoon, D. D., & Reardon, T. (2003). The rise of supermarket in Africa: Implications for agrifood system and the rural poor. *Development Policy Review*, 21(3), 333–355.
- Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications*. New York: Free Press.
- Williamson, O. E. (1979). Transaction cost economics: The governance of contractual relations. *Journal of Law and Economics*, 22(2), 233–261.
- Williamson, O. E. (1985). *The economic institutions of capitalism*. New York: Free Press.
- World Trade Organisation. (2013). *Aid for trade and value chains agrifood*. https://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/agrifood_47.pdf