

WHAT IS A 'FAIR' PRICE? ETHICS AS SENSEMAKING

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ABSTRACT

While the deliberative democracy approach to ethics seeks to bridge universalist reason and contextual judgment to explain the emergence of intersubjective agreements, it remains unclear how these two are reconciled in practice. We argue that a sensemaking approach is useful for examining how ethical truces emerge in equivocal situations. To understand how actors navigate through ethical complexity, we conducted an ethnographic inquiry into the multi-stakeholder practices of setting Fairtrade minimum prices. We offer three contributions. *First*, we develop a process model of ethics as sensemaking that explains how actors come to collectively agree on what is ethical in complex situations even if no complete consensus arises. *Second*, our findings suggest that moral intuition and affect also motivate ethical judgment alongside moral reasoning. *Third*, an ethical sensemaking perspective explains some of the pitfalls actors confront in coping with ethical complexities in practice and how they attend to the challenges arising from stark inequalities in extreme contexts.

Keywords: sensemaking, Fairtrade, Habermas, communicative rationality, discourse ethics, fair, ethics, political corporate social responsibility, price, multi-stakeholder.

INTRODUCTION

“With rooibos: All the information is available [data on the cost of sustainable production]. But then when you put this altogether you have to make something meaningful out of a mess!”

After protracted multi-stakeholder deliberations that continued for almost three years, Fairtrade International, the organization behind the Fairtrade label, announced the Fairtrade Minimum Price for rooibos tea from South Africa, describing it as a “milestone in the development of Fairtrade standards.” While alternative trade organizations (ATOs) used to directly negotiate “fair” prices with black and poor smallholder farmers struggling under colonial legacies in post-apartheid South Africa, rapid market growth pressured Fairtrade into establishing a standard minimum fair price. But despite the organization’s pledge to set fair prices, this price appeared to disadvantage smallholder farmers with higher costs of production compared to large-scale plantations. We question how participatory multi-stakeholder deliberation could result in a minimum price *below* the cost of production of smallholder farmers for whom Fairtrade had initially been founded. Is this a “fair” outcome? How do stakeholders make sense of what is fair in ethically complex situations?

A fundamental challenge for organizations seeking social justice is coping with ethical complexity – making something ethically “meaningful out of a mess,” as our respondent above put it. Contexts of moral decision making are often ambiguous and conflictual where no transcendental golden rules or universal guiding principles can readily be applied to consensually resolve disagreements. This highlights the “excruciating difficulty of being moral” (Bauman 1993, p. 248). While moral philosophies can guide organizational decision-making (e.g., Scherer and Palazzo 2007), they identify different bases for making ethical decisions (Robertson and Crittenden 2003) – from adhering to principles (e.g., Kant 1997) to learning what is ethical in context (e.g., MacIntyre 1984). On the one hand, no predetermined meta-rule can be applied to resolve a moral dilemma, because it is the idiosyncrasies in practice that create the dilemma (Clegg, Kornberger, and Rhodes 2007). On the other hand, the “normative chaos of contextualism” without recourse to any valid norm beyond a single case, does not provide a sound ethical foundation in a diverse society (Habermas 1992, p. 140-41). If ethics cannot be defined by universal principles outside the concrete context of action, yet making moral claims needs an objective reference point, how do actors decide what is ethical in complex and equivocal situations?

To address this issue, proponents of discourse ethics have argued for a constructionist framework that avoids the pitfalls of both objectivism and subjectivism (Benhabib 1992; Habermas 1996; Outhwaite 2009). In particular, they have emphasized the role of deliberative dialogue as a collective, inter-subjective, and interpretive process for establishing shared meaning and reconciling multiple ethical viewpoints. Deliberative dialogue involves a process of making arguments acceptable and legitimate by fulfilling “the validity conditions of moral judgments and norms” (Habermas 2003, p. 248). Local justifications can transcend the “provinciality of their spatiotemporal contexts” (Habermas 1996, p. 323) and claim intersubjective validity for an emergent norm.

While the deliberative approach provides a normative foundation for what constitutes a morally valid consensus, it remains unclear how universal reasoning and contextual judgments are reconciled in practice to reach an intersubjective agreement. This may particularly hold in situations laced with moral ambiguity, where clashing norms and principles demand contradictory things of a person. We thus need to understand how participants balance contextual ethical exigencies with broader moral norms to establish an intersubjective moral position. Given the distance between normative theory and the complex, messy, and often emotionally charged world of practice, a sensemaking approach holds promise for understanding how deliberating parties construct “plausible accounts of equivocal situations” (Weick 2012, p. 145) and make “intersubjective sense of shared meanings” (Gephart et al. 2010, p. 284) about what is fair. While sensemaking has often been regarded as a cognitive process, others see it as a process of social construction – “an issue of language, talk, and communication” (Weick, Sutcliffe and Obstfeld 2005, p. 409; Gephart 1992) – through which communicative selves can “get transformed during interaction such that a joint or merged subjectivity develops” (Weick 1993, p. 642). For ethically contentious issues, sensemaking involves a normative dimension to construct shared moral interpretations in line with institutionalized expectations (Weber and Glynn 2006). Examining the processes of ethical sensemaking in equivocal situations (Tenbrunsel and Smith-Crowe 2008) can reveal how actors interpret contextual cues and intersubjectively construct meaning to move from ethical complexity to ethical truces.

To understand how actors navigate through ethical complexity, we conducted an ethnographic inquiry into the multi-stakeholder ethical decision-making practices at Fairtrade International. We ex-

amined critical moments of multi-party dialogue for setting a “Fairtrade minimum price” (FTMP) in three cases; tea, cotton, and coffee produced in developing countries. Participants struggled to make meaning “out of a mess,” and reconcile conflicting views on what is *fair*. Our analysis of stakeholder negotiations suggests that actors coped with ethical complexity through sensemaking mechanisms, which enabled them to tame ethical heterogeneity and construct an acceptable norm. However, these mechanisms also unraveled further ethical complexities, leading to ongoing cycles of ethical sense-making and “sensebreaking” (Pratt 2000) to reach an ethical truce.

We offer three contributions to scholarship in organizational ethics and sensemaking. *First*, we develop a process model to explain how actors make sense of ethical dilemmas to reach ethical truces. While sensemaking scholarship has explained how people “produce, negotiate, and sustain a shared sense of meaning” (Gephart et al. 2010, p. 285; Maitlis and Christianson 2014), less attention has been paid to the normative dimension of how parties make sense of the ethical complexity in practice and establish shared meaning. While scholars have explained the role of time (Kaplan and Orlikowski 2013), power (Clark and Geppert 2011), emotion (Maitlis, Vogus and Lawrence 2013) and materiality (Whiteman and Cooper 2011), we bring ethics into the realm of sensemaking to explain how actors make sense of ethical dilemmas and show how ethics is a process of sensemaking and meaning construction regarding *moral* questions. While this resonates with Habermas’s notion of communicative rationality, we explain how parties may not achieve a broadly consensual position, yet still reach provisional ethical truces (cf., Rao and Kenney 2008) based on a minimal level of agreement (Ansari, Wijen and Gray, 2013; Donnellon, Gray, and Bougon 1986). Ethical processes may thus involve intersubjective sensemaking to achieve plausible truces rather than consensual outcomes. *Second*, our findings suggest that moral intuition and affect also motivate ethical judgment (Haidt 2001; Zajonc 1980) alongside moral reasoning. As actors carry moral predispositions and sentiments (Margolis 2004), their determinations of what is ethical or not, are not only based on rational and deliberative reasoning, but may also be influenced by the “passional” (Nussbaum 1986) and by whether something “feels” wrong or right (Sonenshein 2007; Welsh and Ordonez 2014). *Third*, while political CSR scholars have emphasized deliberative dialogue as the normative foundation for multi-stakeholder governance (Gilbert and Rasche 2007; Scherer and Palazzo 2007), our study involving extreme con-

texts revealed some of the challenges to the use of a deliberative approach. The primary goal of social development initiatives in contexts marked by extreme disparities is to reallocate resources to marginalized groups that may require “redistributive direct democracy” rather than “Northern inspired” deliberative democracy (Gibson 2012, p. 412). The very exercise of seeking a rational consensus risks reducing value pluralism valorised by deliberative democracy (Fraser 1997). While a Habermasian approach is *part* of critical theory that aims to empower the unprivileged (Rehg and Bohman 2001), an ethics as sensemaking lens may reveal how deliberating actors cope with ethical complexities in attending to challenges arising from exploitation and inequalities (Outhwaite 2009).

Next, we describe our theoretical motivations and method, report in-depth findings on the rooibos case that highlights the challenges of ethical deliberation, develop a model of ethics as sensemaking by drawing on all three cases, rooibos, coffee, and cotton, and offer implications for theory.

THEORETICAL MOTIVATIONS: COPING WITH ETHICAL COMPLEXITY

Coping with ethical complexity is often an inevitable and, at times, unwelcome task confronting organizations (Bersoff and Koeppel 1993; Trevino and Weaver 2003). Ethical complexity describes situations where disagreements occur over which norms and values are at stake or should be given priority (Gehman, Garud and Trevino 2013). Due to indeterminacy and equivocality, no pre-defined universally accepted principle or meta-norm can resolve ethical complexity (Clegg et al. 2007).

Various moral philosophies provide different and, at times, conflicting bases for what is considered ethical. In the tradition of Kant’s (1997) categorical imperative, proponents of a universalistic perspective emphasize the unity of an ethical foundation of reason that determines universalizable duties and ethically sound courses of action. Contextualist and particularistic perspectives, advanced by practice ethics scholars in the Aristotelian tradition, link morality to the “socially local and particular” (MacIntyre 1984, p. 126; Young 1990). A distinction can thus be made between principle based approaches (emphasizing the use of rational, objective, universal, and impartial principles in ethical analysis) and practice based approaches (emphasizing historical virtues or set of ideals to which actors aspire and develop through learning and practice). Aristotle’s (1985) notion of pragmatic wisdom explains why practical choices cannot be “captured in a system of universal rules” (Nussbaum 1986, pp. 303-4); the particulars of any given situation are mutable, indeterminate and non-repeatable. Hence, a concern for

situated judgments supplants any “simple belief in the unproblematic application of universal norms or imperatives” (ibid., pp. 294-95). However, without any higher-order values, rules, and principles, moral judgments may be too relativistic, arbitrary or parochial. If ethics cannot be defined by universal principles outside the concrete context of action, yet making moral judgments needs some “reference point,” then how do actors decide what is ethical, fair or responsible in complex situations?

A Third Way? Discourse Ethics and Deliberative Approaches

Discourse ethics, and its more pragmatic variant of deliberative democracy, has sought to bridge universalistic and particularistic perspectives (e.g., Habermas 1992; Scherer and Patzer 2011). This approach has been influential in organizational scholarship to theorize the role of corporations in processes of public will formation and multi-stakeholder dialogue to produce moral norms of global governance (Gilbert and Rasche 2007; Scherer and Palazzo 2007). Jürgen Habermas – a leading proponent of discourse ethics – has taken an explicit communications turn in order to provide a new normative foundation for moral agreements in situations of ethical pluralism, where no norm or principle can, a priori, be regarded as morally superior. In his theory of communicative rationality, Habermas retains a Kantian emphasis on reason and moral validity, yet adds a more Aristotelian concern with the practical and the contextual. This aims at achieving a synthesis of a “universalist model of moral conversation [Kant]” and “contextual judgment [Aristotle]” that situates decisions in the space between the generality of a rule and the singularity of the unique situation (Benhabib 1992, p. 54).

The deliberative approach to ethics emphasizes debate over contentious ethical issues whereby ethical meaning is established intersubjectively through rationally achieved consensus (e.g., Habermas 1992). Achieving intersubjective agreements involves the “*nonleveling* and *nonappropriating* inclusion of the other *in his otherness*” (Habermas 1998, p. 4; original emphasis). For people to be willing to argue, they must assume the possibility of an “ideal speech situation” as “unavoidable presuppositions of argumentation” that includes freedom of access, participation with equal rights, truthfulness of the participants, and “absence of coercion” (Habermas 1993, p. 56). While these conditions are a counter-factual idealization, they are nevertheless necessary presuppositions for even participating in argumentation (Benhabib 1992). Deliberation cannot make incompatible perspectives compatible, but may enable consent by allowing participants to recognize the moral merit in others’ claims.

Despite the promise of the deliberative dialogue to produce collective decisions by bridging universality and particularity (Carpini, Cook and Jacobs 2004), it remains unclear how intersubjective positions emerge in practice. Specifically, the emphasis on rational acceptability has been questioned on at least *three* fronts. *First*, in fragmented and dynamic situations, where radically disparate conceptions of morals, norms and orientations clash; a unanimous agreement may be neither possible nor desirable (Mouffe 2005). Habermas may have moved away from a consensus theory of truth toward a more pragmatic concern for establishing intersubjective validity and “moral rightness” (Outhwaite 2009) – an epistemic notion for revising our moral and ethical interpretation in light of our interactions with one another (Habermas 2003). Nevertheless, Habermas’ conceptualization of the quality of rational argumentation may inhibit recognizing radically different parties as equal interaction partners (Scherer and Patzer 2011). Privileging consensus among these parties as a normative ideal may lead to homogenizing politics “played out in the moral register” and a “conflictual consensus,” where people neither transcend their narrow stances, nor constructively adapt their positions, but rather simply concede to a political compromise (Mouffe 2005, p. 75; McCarthy 1996). *Second*, feminist scholars in particular have criticized the ideal of impartiality in deliberations that “abstracts from the particularities of situation” and neglects the role of personal relationships (Young 1990, p. 97). People are shaped by their relationships of responsibility and care, which are inescapably woven into the language of deliberation (Robinson 2011). Moral claims are constituted by people’s relations with others, including power relations. Weaker parties may be unable to articulate injustice and systemic neglect in rational deliberations (Held 2006; Robinson 2011), particularly in contexts pervaded by structural relations of dependency and dominance. *Third*, communicative rationality privileges deliberative reasoning over intuitive reactions for making ethical judgments. While rational acceptability can constitute a moral point of view, individuals may also use a “gut” reaction to intuitively judge a particular situation (Haidt 2001; Sossenshein 2007). Consequently, individuals’ determinations of what is just or fair are not necessarily based on rational-cognitive process of deliberation but, rather, are also influenced by a “how do I feel about it” heuristic of a situation.

The three critiques highlight how deliberants struggle between moral and political, impartial and partial, and rational and intuitive – to make ethical judgments. Deliberative democracy is a normative

theory that proposes conditions under which morally legitimate consensus can emerge (Scherer and Patzer 2011). While empirical evidence from political science suggests that actual communication does not usually satisfy ideal speech conditions (e.g. Carpini et al. 2004; Ryfe 2005), scholars have argued that the aim of empirical research is to engage with deliberative theory not as a testable hypothesis but as a critical phenomenon (Thompson 2008). It is thus worth examining how parties immersed in specific ethical dilemmas deal with situational contingencies and produce shared meaning of what is ethical.

Ethics as Sensemaking

Coping with the question of ethics in deliberative processes may confront actors with “unintelligible” situations where “there is no obvious way to engage the world” (Weick et al. 2005, p. 409). The sensemaking literature (e.g., Maitlis and Christianson 2014) can enable us to move towards an understanding of ethical meaning as situated and emergent as parties cope with ethical complexities in practice. Driven by approximation rather than precision (Weick 1995), sensemaking explains how actors create plausible and institutionally sensible accounts in equivocal and ambiguous situations. Sensemaking and deliberative approaches are conceptually compatible as “communication is a central component of sensemaking” (Weick et al. 2005, p. 413). In fact, “the conditions of valid communication discussed by Habermas (1979) presuppose at every point the operation of sensemaking practices,” which make speech acts comprehensible (Gephart 1992, p. 118). In particular, the constructionist approach to sensemaking with roots in the symbolic interactionist literature regards sensemaking as “a fundamentally social process” in which “organization members interpret their environment in and through interactions with each other, constructing accounts that allow them to comprehend the world” (Maitlis 2005, p. 21). From this perspective, “sensemaking occurs and can be studied in the discourses of social members – the intersubjective social world – rather than simply occurring in their minds” (Gephart 1992, p. 1470) and is concerned with the “conversational and social practices (methods) through which the members of a society socially construct a sense of shared meanings” (Gephart 1992, p. 1469). The exercise of moral judgements and morality itself – that which needs to be understood and reflected upon – is something people construct in a specific situation.

While sensemaking is a promising approach to understanding processes of ethical meaning making, some gaps remain. In the realm of ethics, “surprisingly, researchers know little empirically about these processes of sensemaking” (Sonenshein 2007, p. 1035) and how parties make sense of the ethical complexity they encounter and establish a shared sense of ethical meaning. In particular, it remains unclear how validity construction is reconciled with situational contingencies. We thus ask: How do actors cope with ethical complexity and intersubjectively establish an account of what is ethical?

METHODS

Research Design

Our research was based on an open-ended and inductive research design that was informed by a broad interest in understanding the micro-practices of ethical deliberation in organizations. A sensemaking lens on ethical deliberation sensitized us to how establishing intersubjective meaning is a continuous process, rather than an episodic event. Situated interactions and everyday discourse becomes as much the object of analysis as formal deliberative events. This requires deep engagement with field practitioners over a period of time. We thus conducted an organizational ethnography in the secretariat of Fairtrade International. We chose this research site for two reasons. *First*, the standards setting body is an emblematic example of the role of multi-stakeholder dialogue in developing norms for fair trading practices. Standards setting was designed around deliberative criteria such as broad and equal participation, stakeholder consultation, democratic representation and consensual decision making, allowing us to study ethical deliberation in vivo. *Second*, studying how Fairtrade went about the task of setting Fairtrade Minimum Prices for certified products – the core task of the organization – could reveal how organizational participants and stakeholders engaged with the complex notion of what is “fair.” This allowed us to closely observe the sensemaking process through which deliberants worked to establish the meaning of fairness, and pin it down to a discrete number, amid overwhelming complexity.

Empirical setting: Fairtrade Labeling and setting Fairtrade Minimum Prices

Fairtrade International, a non-profit, multi-stakeholder umbrella association, was established in 1997 by national labeling initiatives to set “global standards of fairness” (FLO 2008). The first Fairtrade product label for coffee, *Max Havelaar*, grew out of a partnership between indigenous Mexican coffee growers and a Dutch NGO in 1988. The aim was to scale up the impact of fair trade by

developing a certification mark that could ensure consumer trust in ethically sourced products. By early 2000s Fairtrade had expanded to include tea, cocoa, cotton and fruit and penetrated mainstream markets in many consumer countries. After years of double-digit growth, global Fairtrade sales reached Euros 4.8 billion in 2012 involving 1.3 million producers and workers in over 70 countries.

The cornerstone of Fairtrade's ethical premise was to guarantee a Fairtrade Minimum Price (FTMP) and premium. This aimed to address the "injustice of low prices by guaranteeing that producers receive fair terms of trade and fair prices however unfair the conventional market is" (FLO 2008; Reinecke 2010). The FTMP was set by Fairtrade's Standards Committee (SC). The multi-stakeholder body met several times a year at Fairtrade's secretariat in Bonn, Germany to set "fair prices," drafted by Fairtrade's Standards Unit. We chose the Standards Unit as our unit of observation, as its key task was to coordinate multi-stakeholder decision-making processes on FTMPs and premiums for agricultural commodities. Participating in this unit's daily life allowed one author to observe and interact with permanent staff and different parties engaged in dialogue, and gain an insider's "feel" for the complexities involved in ethical decision-making. According to Fairtrade's Standard Operating Procedure, the FTMP was defined as the price that covers the *average* "costs of sustainable production" (CoSP). A price setting project began with the process of "price researches." The Standard Unit collected CoSP data from producers through questionnaires and field studies and drafted price proposals based on this data. These proposals went through stakeholder consultation rounds to give everyone the opportunity to participate and comment on price proposals. Stakeholder representatives in the SC then deliberated to adjudicate among competing claims and yield "fair" decisions on prices. Together, the Standards Unit and SC saw their role as a neutral arbiter balancing different stakeholders' concerns by relying on "factual" CoSP data as the basis for making decisions. Ideally, pricing decisions were achieved through reasoned deliberation and consensus. Finally, during evaluation, the entire process was retrospectively examined. If the process of decision-making as a whole was to be legitimate for internal participants and external observers, all these steps had to be seen as fair as possible and include the representation of multiple voices.

When the ethnographer expressed her interest in studying price setting, she was informed that it was a highly "technical" process. In practice, however, setting fair prices involved ethical dilemmas

that could not be simply calculated away. It was not always clear how to interpret CoSP, given geographical differences between production sites, producer capabilities, wage levels, currency fluctuations and climate affecting commodity yields. Parties had to continually cope with these challenges in making decisions about a fair minimum price. These required repeated cycles of price research, consultation rounds and deliberations to reach a decision that was often based on an acceptable compromise, rather than full consensus, often under pressure to make a decision rather than none.

Ethical complexity across three pricing projects

We focus on three FTMP setting projects: coffee, cotton and rooibos. These represent major price setting projects during the ethnography. Their study allowed us to closely observe how the final decision was negotiated by the Standards Committee. Over time, it became apparent that each project involved novel challenges that were not readily resolvable through pre-defined price setting frameworks. Projects varied highly in their start date, length, number of affected parties and work intensity. What they all shared was high complexity and conflict between parties with competing interpretations of the situation. Table 1 details the dimensions and outcomes of the three price-setting projects.

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The *coffee* price project, dealing with Fairtrade’s flagship product and affecting an estimated 700,000 small coffee farmers, was the most resource-intensive project lasting over a year. It revealed the political dynamics involved in what was ostensibly a technical process of calculating fair prices. The outcome was a small but controversial increase by five US cents that remained significantly below an inflation-adjusted value of the original FTMP set in 1988/9. Nevertheless, the decision to increase the price created a rift in Fairtrade, and contributed to Fairtrade USA later leaving the association. The *cotton* price project was revelatory because it involved a breach of shared norms of decision-making, and revealed the role of intuitive moral judgment. An “emergency” price decision, reached within less than one month, was deemed “illegitimate” because it failed to follow the due, if lengthy processes of price research and public consultation. Finally, the *rooibos* price project involved few producers in South Africa, but lasted almost three years due to the inability of parties to reach an agreement. Challenges included dealing with historical legacies from South Africa’s apartheid past, and arbitrating between producers with radically different resources, needs and capabilities. All three

cases involved ethical dilemmas, where no meta-rule could be readily applied. They revealed how parties constructed the meaning of fairness against contradictory demands and conflicting criteria.

Data collection

Data were collected from three primary sources: (1) a six-month ethnographic study of organizational life at Fairtrade, (2) 39 open-ended, in-depth interviews with Fairtrade staff members and external stakeholders; and (3) documentation.

Ethnographic observation. Following Becker and Geer's (1957, p. 322) suggestion to participate in the "daily life of people" and learn "the native language" of the social setting, one author gained access to the "backstage" world of negotiations on fair prices. She conducted 1,100 hours of ethnographic observation at Fairtrade's Standards Unit between July and December 2007. Observations covered the everyday work of a Standards Officer, including desk work, office talk, and informal conversations in hallways and during coffee and lunch-breaks. She assisted staff members with ongoing price setting projects, specifically, rooibos, coffee and cotton. She helped in CoSP data analysis, stakeholder consultation and drafting of price proposals. She also participated in numerous team meetings and all three two-day Standards Committee meetings where the FTMPs for rooibos, coffee and cotton were negotiated and set. Participation in these discussions allowed her to experience the ethical complexity involved in price setting. She recorded detailed observations in a field diary which amounted to 400 pages, and wrote analytic memos to reflect on emerging themes.

Interviews. While short, sporadic interviews were conducted alongside daily observations, formal interviews were conducted to follow up on and refine emerging themes. At the end of the ethnographic observation, 26 interviews were conducted. For each of the three pricing projects, the lead project manager was interviewed. As staff typically worked across projects, all Standards Unit staff, Producer Liaison staff, Standards Committee members, three staff from Alternative Trade Organizations (ATOs) and an external consultant were interviewed to reflect on each project. The open-ended interviews lasted 30-120 minutes and focused on the aims of FTMP, the organizational process of price setting, and the challenges encountered. We conducted nine follow up interviews with Fairtrade staff, ATOs and sustainability standards experts. All interviews were recorded and transcribed.

Documentary sources. We collected documents for each pricing project. This included emails, presentations, briefing papers, price proposals, stakeholder consultations, minutes of meetings, and press releases. We had access to proprietary documents such as extended minutes, internal letters, and draft standards documents that allowed validating observation and interview-based impressions.

Data Analysis

Our analytical approach was open-ended and inductive (Corbin and Strauss 2008). As common in ethnographic research, our analysis started when observation began. The ethnographer wrote weekly analytical memos about emergent issues and themes. While ethnographers need to balance an ethnographic self with an analytical standpoint, the shift from being an outsider to an insider immersed into the setting was vital to appreciating the “excruciating difficulty” (Bauman 1993, p. 248) of being fair and witnessing first-hand how organizational members wrestled with this task. Two issues stood out. First, she observed overwhelming complexity in deciding on a fair price. Second, she noted that being “fair” meant providing following certain principles of argumentation, rather than subjective judgments. The tension was reflected in memos headings such as “impartial vs. political” and “rational vs irrational.” There was a stark contrast between the formalized procedures to guarantee impartial and disinterested decisions and the situational messiness that required moral and political judgments.

In the first stage of analysis, we imported all data into an integrated database and used qualitative analysis software, NVivo to develop, refine, and organize emerging codes. To balance intimacy and distancing with the local setting, both authors, one less familiar with the setting, independently coded the data and compared emerging themes. We began by creating chronological case histories (Van de Ven and Poole 2002) for the three price projects, rooibos, coffee and cotton. Figure 1 illustrates the different timelines for each project, indicating formal occasions for stakeholder deliberation as “SC dialogue.” In parallel, we developed tables of observed events and emerging themes.

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The development of chronologies revealed the ongoing struggles of participants as they attempted to make collective sense of ethical complexity and establish a common position. We noted that stakeholder processes were organized around certain judgment criteria that deliberants followed to render their arguments fair and valid. In an iterative process, we sought theoretical approaches to structure

our analysis. Deliberative democracy (Habermas 1996) was particularly valuable in conceptualizing specific principles constituting the “rules of the discourse.” We also identified breach of rules that triggered debate and prompted actors to articulate their implicit assumptions. Breaches can help discover social order through its disruption because unexpected violations reveal the “background expectancies” governing social interactions (Goffman 1971). For instance, when minor breaches occurred in Standards Committee meetings, participants would reprimand dissidents to return to a “rational,” rather than “irrational” or “emotional” modes of discussion. The cotton project revealed a major breach and the final price decision was criticized as illegitimate for having violated accepted norms of the deliberative process. We created a list of rules and breaching instances and coded them.

Our coding generated eight preliminary mechanisms through which deliberants established a joint position on prices. We termed them sensemaking mechanisms because they helped “people organize to make sense of equivocal inputs and enact this sense back into the world to make that world more orderly” (Weick et al. 2005: 410). Mechanisms reside at a level of analysis above description and below universal laws and serve as theoretical explanations for observed phenomenon (Davis and Marquis 2005; Gross 2009; Weber 2006). Iterating between data and theory, we identified commonalities and collapsed them into five more generic mechanisms. We identified three of these mechanisms as related to principles used in the dialogue: *decentering* for making impartial decisions (impartiality), *formatting* for establishing objective facts (factuality), and *proceduralizing* for achieving replicable processes (replicability). To illustrate, we identified deliberants concern about being fair to everyone as *decentering*, in line with Habermas’ notion of impartiality as a necessary condition for universalizing arguments. The analysis of breaches revealed that, in many instances, actors were unable to eliminate complexity or reach a consensus. We found that each mechanism was thwarted by situational contingencies that required accommodating idiosyncratic challenges. We tracked how different contingencies were articulated and whether and how they were addressed. Table 2 illustrates the situational contingencies that emerged in each case.

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Finally, our second order themes suggested an ongoing tension between universalizable reason and contextual judgments in coping with emergent contingencies. By comparing projects, we sought pat-

terns in how actors coped with the tension and reached closure on ethical issues. Over recurrent cycles of deliberation, actors dealt with contingencies by categorizing them as either fundamental or context-specific. We labeled the two mechanisms dealing with these contingencies as *suspending intractables* and *exceptionalizing*. We noted that these outcomes of ethical sensemaking processes represented “temporary resting points” (Weick 2012, p. 150), which enabled reaching an ethical truce even if some suspended issues led to renewed deliberations. See Figure 2 for our final data structure. Finally, we linked the mechanisms that emerged from our analysis into an overall theoretical model.

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FINDINGS: MAKING SENSE OF WHAT IS ETHICAL

Consensual Decision-Making under Ethical Complexity

The ethical complexity in Fairtrade Minimum Price projects problematized what fair meant in a given situation. Despite a shared definition of a fair price as covering producers’ costs of sustainable production (CoSP), what “fair” meant was less obvious. A Producer Consultant acknowledged:

What is fair? To begin with “fair” is a subjective concept; it is dependent on a subjective perspective. Everybody perceives “fairness” differently, on an individual level. Therefore it is about understanding what “fair” means. We always say that the FTMP should cover the so-called cost of sustainable production. But what are production costs? Ultimately, production costs, if you want to determine them for a specific group of producers, are just approximations!

This quote describes the tension between individual perceptions of fairness and the general principle of CoSP. When trying to define a fair price, actors often confronted novel challenges. While “you can try to capture it [the notion of fairness in price setting] with a few basic principles,” as a Standards Manager explained, “when you get to the detail the whole thing is much more complicated.”

Stakeholder deliberation did not resolve ethical complexity. Rather, as a Pricing Officer acknowledged; “making the compromise between all the different stakeholders is a difficult job, because everyone has a different set of priorities.” Yet, Fairtrade needed to bring these complexities to a provisional closure. Fairtrade’s organizational legitimacy depended on its ability to facilitate stakeholder consensus on “fair” pricing decision to yield Fairtrade Minimum Prices. Yet, for Fairtrade to be seen as “fair,” the process of decision making had to be considered legitimate by participants. According to the Standards Director, the challenge was to move from people’s subjective viewpoints to an intersubjective position that would allow a fair and balanced outcome:

The challenge is how to bring these different, let me call it perception and values perspectives of different people, or more pragmatically, their various interested points of views into a reasonable consensus, and that is highly difficult because so many people join the conversation. It is a huge challenge to get to a balanced outcome.

Given these challenges, a Standards Officer described her work as one of coping with dilemmas.

You are constantly confronted with some dilemma, all the time! Mostly it is a real dilemma and the right solution just doesn't exist. rooibos is such a classical dilemma!"

Direct participation in price negotiations revealed the situated ethical dilemmas that appear in action-contexts, and how they challenged actors to "make something *meaningful* out of a *mess!*" as a Pricing Officer put it. Parties struggled to reconcile the need to make valid arguments that transcended situational particularities and accommodate emergent contingencies.

Ethical dilemmas in setting a Fairtrade Minimum Price for Rooibos

For reasons of space, we use the illustrative example of rooibos to convey ethical complexity involved in prices setting. While present in all three cases, the rooibos case was particularly suitable for observing the intractable nature of situational contingencies. It shows not just conflicting values and interests but also how historical injustices in post-apartheid South Africa led to stark differences in producer groups. Poor, black smallholder farmers grow wild rooibos on infertile land competed with affluent, white plantation owners with privileged access to fertile land. Amid sharp disagreements, the rooibos project lasted almost three years. The outcome was a price about 1/3 *below* the CoSP of Fairtrade's key constituency; marginalized, smallholder farmers lacking access to conventional markets. This contrasted with Fairtrade's official press release announcing the new FTMP for rooibos tea:

Fairtrade International is confident that this initiative coincides with the core values of the Fairtrade Labelling System to guarantee producers a fair and stable price that covers their cost of sustainable production (CoSP) (FLO 2007)

While for some, the price was still too low; for others it was seen to subsidize small farmer inefficiencies. Below, we explore how multi-stakeholder deliberations led to this outcome.

David versus Goliath: Fairtrade certified rooibos has been celebrated as a role model for black community empowerment in post-apartheid South Africa. In late 1990s, two smallholder cooperatives, Wupperthal and Heiveld, producing organic rooibos – an indigenous herb – were founded with the assistance of government, local NGOs and Western alternative trading organizations (ATOs) such as Equal Exchange. The aim was to empower marginalized communities in remote semi-arid mountain

plateaus in the Western and Northern Cape.ⁱ ATO trading partnerships and Fairtrade certifications established in 2003 (Wupperthal) and 2005 (Heiveld), enabled farmers to penetrate Northern markets and achieve prices for rooibos that were well above conventional market prices.

Initially, there was no need for a FTMP. The Fairtrade market for rooibos consisted of ATO buyers directly negotiating fair prices with the two cooperatives. From 2005 onwards, increasing demand for Fairtrade certified products in consumer markets attracted commercial traders, who sourced conventionally grown rooibos from Fairtrade certified plantations at “competitive” prices below the cost-covering base of smallholder farmers. When the market price for rooibos declined sharply due to record harvests and over-supply; ATOs sought Fairtrade’s intervention in setting fair prices for small farmers, fearing that they would otherwise be “priced out” of the Fairtrade market.

Price setting process – Making meaning out of a mess: The price setting process included two rounds of price researches, three stakeholder consultations and a workshop in South Africa with representatives from both “Small Farmers’ Organizations” and plantations employing “Hired Labour”. While the average CoSP was meant to provide a fair and “simple way of calculating” the FTMP, as a Pricing Officer explained, the notions of *average* and *sustainable* offered a significant degree of interpretative flexibility. Price research “flagged up,” as respondents put it, significant differences in CoSP between types of producers. This problematized taking the *average* as a reference point. The CoSP reported by large plantations was less than *half* the CoSP reported by small producer cooperatives. The *average* CoSP would not cover the costs of smallholder farmers, while it would exceed the cost of large plantations. The notion of average was based on the moral mandate “that all certified parties should be treated equally” without privileging any region or type of producer. However, it also meant that the varying needs of different people had to be translated into a generalized representation of the “average” producer. What did average mean in the case of radical inequalities, such as when historically disadvantaged black smallholders in remote, unfertile areas competed with white-owned mechanized plantations in post-apartheid South Africa?

Consultation rounds revealed sharp differences among stakeholders. Eager to grow their Fairtrade market share, plantation owners and their buyers strongly resisted any proposal to set a FTMP that exceeded their costs. However, their arguments were couched in technical terms. According to them,

small farmers were simply inefficient. And Fairtrade should not subsidize inefficiencies and “lock farmers into unsustainable ways of production.” ATOs, the main buyers of small farmers’ rooibos, in contrast, passionately defended the case of their suppliers, with whom they had developed strong ties over time. They opposed the idea that Fairtrade had to be neutral towards all types of producers. To defend their position, they invoked the foundational ethos of Fairtrade as a trading partnership with smallholder cooperatives. Moreover, supporting plantations was seen to perpetuate apartheid legacies.

An ATO representative in a stakeholder consultation noted:

This reason is not justified to let enter in the system the main enemy of the blacks and colored "people that have suffered from the whites during apartheid. Fair trade has to bring down previously unfair situations!

ATOs thus demanded that plantations be excluded from Fairtrade markets. At the minimum, the Fairtrade minimum price should be set at the level of small farmers’ CoSP.

In adjudicating these claims, the Standards Unit, that saw itself as “the guardian of the whole process,” sought to ensure that pricing decisions were impartially derived through proper procedures. For example, a Standards Unit officer criticized ATO comments in rooibos price consultation, noting that “they got really emotional, you know.” ATO’s “passionate support” for smallholder farmers was seen as “behind-the-scenes lobbying,” which could “distort recommendations” and disrupt “objective” processes, which required detachment to achieve fair prices. “We try to keep this [“lobby politics”] out of the processes as far as possible,” the Standards Unit manager emphasized. Nevertheless, Fairtrade members had to make sense of the difference in CoSP. A key debate in Standards Committee (SC) meetings was whether small farmers were simply inefficient or whether low costs indicated low pay and exploitative labour conditions, as this exchange about CoSP data shows.

SC Member [*independent expert*]: The researcher doesn’t understand the system [*questioning research that reports low CoSP for plantations*]. Are the low costs based on low labour costs? Are they [*plantations*] more efficient or are they not paying their workers? If they are exploitative then [*Fairtrade*] prices should go up to ensure they pay their workers decently. But if small farmers aren’t efficient, then we have to think about what is the long term perspective for the small farmers? If they have no hope to compete with Hired Labour. There is no rationale for where we go. This isn’t an adequate piece of research. I’m unhappy to make a decision. It’s poor analysis.

Standards Officer: It’s apparent that there’s a heavy bias, but it’s not possible to eliminate it as far as we see. We commented on the first questionnaire. Questions were framed in a certain way. The problem with small farmers is that they don’t diversify crops, efficiency is the key factor. Labour conditions are being checked. Our recommendation is to look at the issue of efficiency.

This exchange illustrates the ambiguity involved in defining CoSP based on “sound analysis” and “objective facts.” Moreover, even if plantations were more efficient, questions were raised whether this was merely the result of historical injustices. Some argued that the racially segregated rooibos production reflected the apartheid legacies of South Africa. Plantations were typically owned by “rich white” farmers with access to the most fertile land. This allowed them to cultivate rooibos “on the side” in crop rotations cycles, and cross-subsidize it by producing more lucrative products, such as citrus fruits and wine grapes. “Poor black” small farmers, in contrast, struggled to make a living on arid, mountainous land. Under colonial and apartheid regimes, they were relocated to the outer reaches of the provinces and lacked access to fertile land. They relied on wild rooibos and could not diversify beyond this resilient crop that survived the toughest conditions.

The issue of land use also put in doubt what *sustainable* meant in environmental terms. With an increase in extreme weather and drought threatening South African agriculture, this issue became critical. In consultations, ATOs argued that wild-harvested rooibos farming was costlier but reflected natural resource management that kept biodiversity intact and minimized water use. Cheaper monocultures used by large plantations risked soil damage and loss of biodiversity. A buyer from a French ATO, *Les Jardins de Gaia*, which had supported the Heiveld cooperative since early 2000s, noted:

I really fight to sell the small farmers’ products. The big enterprises destroy both the soil and small farming activities. We buyers have to lead in showing the difference between the products of big businesses and the small farmers who care about biodiversity (quoted in *The Guardian*, 2010).

Given the ambiguity surrounding the “true” costs of sustainable production, it was a huge challenge to agree on one fair price for smallholder farmers and large plantations.

Is rooibos a tea or herb? Suspending the political question: The question whether smallholder cooperatives deserved preferential access to Fairtrade markets was underpinned by the highly contentious debate on the role of plantations in the Fairtrade model. In coffee, this dispute led Trans-Fair USA to split from Fairtrade International in 2011. At the SC Meeting in November 2007, the ATO and the African producer representative, advocated excluding large-scale plantations from the Fairtrade market in favour of small farmers. The two representatives from labeling initiatives objected. Limiting supply to smallholders would stifle Fairtrade market opportunities and eliminate benefits for farm workers employed by plantations. They framed their arguments in terms of “general interest” –

Fairtrade certification would improve labour conditions. Small farmers at least owned a plot of land, and were better off than poor, landless workers. An ATO member rejected this reasoning as still motivated by “volume growth rather than the underlying needs of the farmers” and being “a commercial choice to get growth at any cost.” As discussions did not yield an agreement, deliberants shifted the debate to the technical categorization of rooibos as either tea or herb. The African producer representative argued that rooibos should be moved into the “herb” category, which was limited to small farmers only, rather than the “tea” category, which was also open to plantations.ⁱⁱⁱ

SC Member [*Producer Africa*]: I read that rooibos is not a tea plant; it says it is a herbal infusion. It belongs to spices and herbs, perhaps. It’s in the wrong standard.

SC Member [*ATO*]: I’d like to recommend that it be transferred to the herbs and spices standard.

SC Member [*Producer Latin America*]: I would support [ATO]’s comments that the [*discussion*] paper is not convincing about need to open to more Hired Labour situations. If the question is the scope we should look at the possibility to close it to Hired Labour.

Rather than risk invoking loyalties or emotions by questioning who *deserves* or *needs* preferential treatment, this exchange shows how deliberants invoked what was considered *objective* reasoning. Parties were acutely aware that a judgment based on emotions would not be seen as legitimate reasoning. They sought to resolve the debate through the seemingly neutral and “technical” exercise of classifying rooibos into the correct product category. According to a discussion paper that was circulated, the botanical definition placed rooibos in the family of *Leguminosae*. Rooibos was a herbal infusion such as hibiscus, camomile and mint. In contrast, tea belonged to the botanical family of *Theaceae*. However, Fairtrade had categorized all herbal infusions by their *use* as “tea” in the Tea Standard. Was an exception for rooibos justifiable? To bring the debate to a closure, the Committee Chair suggested “We don’t have consensus so we should vote.” Committee members decided by majority vote that rooibos should remain in the tea category, thus enabling the inclusion of large plantations.

Making an exception: A special pricing formula: During price setting, parties agreed that the historical and structural differences between the two types of producers – small farmers and large plantations – could not simply be “calculated away.” An *average* price would not cover smallholder CoSP, but exceed plantations’ CoSP. The excess value was likely to benefit (“rich white”) plantation owners who, as an ATO trader noted, would “meet with you in their expensive luxury cars,” rather than

(“poor black”) workers. A pricing officer described the situation as an “ethical dilemma because it is about balancing the rights of different actors.” Parties recognized the methodological limits of determining prices objectively: “You need to recognize that you have huge latitude with regards to the number that comes out at the end,” the Standards Director stated. He added:

So we need to be responsible and say ‘So these are the numbers, and what does common sense tell us? What do other people tell us? What about non-quantifiable impacts that we know they exist? And what do we do with the data?’ That is part of the game.

Seeking to accommodate case particularities, the Standards Unit developed a “special pricing formula” that reflected differences in CoSP. After debating various options, the final proposal was to let small farmers and large plantations “trade on the same price” (35 South African Rand (ZAR)/kg), but differentiate on price components. Small farmers would be guaranteed a higher minimum price but lower premium (30 + 5 ZAR/kg). Plantations would receive a lower minimum price but higher premium (23 + 12 ZAR/kg) earmarked for workers and the local community. Smallholders, in contrast, would be encouraged to “invest the money sensibly” in efficiency improvements. However, the total price was still *below* their CoSP.

When the Standards Unit presented the pricing model at the SC meeting in November 2007, they described it as a “middle ground between CoSPs of Hired Labour and Small Farmers. We decided to make a compromise.” Discussions revealed enduring disunity among stakeholders. While the ATO representative, disputed the proposed price as being too *low*, other committee members regarded it as too *high*. “We are now looking at a minimum that is less than what Small Farmers are getting and double what the Hired Labour [large plantations] claim they need. Why is that a good solution?” the Committee Chair asked provocatively. Even though the rooibos case was acknowledged to be “emotionally and politically charged” (SC member), deliberants reminded each other that the role of the committee was to make rational decisions based on facts. A Committee member asked: “do we make decisions based on an emotional and political factors or a systematic process?” Urging other members to return to being impartial, the Standards Director emphasized the importance of creating a “level playing field.” He also invoked urgency to encourage a decision, arguing that “the season starts now in rooibos. If we don’t want to miss the whole harvest [then] we cannot delay this too much.”

Despite a lengthy deliberative process, parties could not unanimously agree. They acknowledged that “we are not going to satisfy everybody’s definition of fair price,” a Standards Officer observed. A Labeling Initiative representative made a conciliatory move when commenting on the price proposal:

I am happy with the reasoning. I think it is creative and solves the basic problems. The reasoning of some traders to say that prices should be set to maximize sales – that is not Fairtrade! But I am not convinced either that we should take the costs of small producers as the reference. I have a feeling that the outcome is one that I could support.

Others agreed, though were hesitant: “I don’t see another option,” and “in the context I think it is the best solution.” The pricing formula passed, not by consensus, but by narrow majority vote. An SC member later rationalized the outcome as a truce, where “in the end no one is happy” but “you met in the middle.” The truce was celebrated as an achievement because it balanced conflicting viewpoints and “ensured that small farmers and plantations have the same market access opportunities for their rooibos tea.” While some still doubted the fairness of the decision, they nevertheless compromised for achieving an agreement after protracted deliberations.

A MODEL OF ETHICS AS SENSEMAKING

How did Fairtrade actors make judgements amid considerable ethical ambiguity? How was an acceptable pricing decision reached that all participants saw as “fair”? Through analysing our data across the *three* price projects, we sought an explanation of how actors made sense of what is ethical and reached a provisional truce. This is captured by a model, which we develop in *two* parts. First, we explain mechanisms through which participants make sense of ethical complexity. Second, we explain how deliberants reach temporary resting points. Cycling through rounds of sensemaking enables participants to reach an ethical truce.

Part 1: Making sense of the tension between universality and particularity in setting fair prices

Our fieldwork in three Fairtrade Minimum Price projects revealed formidable challenges in setting “global standards of fairness” (FLO 2008). Our analysis indicates that reaching consensus on contentious ethical issues involved a two-fold challenge. On the one hand, the decision-making process had to be seen as objective, replicable and impartial so that Fairtrade could claim being “fair” across various price setting projects. During deliberations, interlocutors had to make morally “valid” arguments that could lay claim to universalizable reason as opposed to reflecting parochial opinions. In negotia-

tions over prices, the “rationale” behind a particular argument had to be accepted both by parties in the dialogue (internal validity) and be justifiable to external parties (external validity) such as buyers of Fairtrade certified products. Standards Committee (SC) members would accuse each other as being “irrational” or “emotional” when someone’s moral claims were put forward as a mere “opinion” and lacked grounding in sound, objective and defensible reasoning. Similarly, SC member frequently noted how “irrational decisions” put “our credibility and reputation at risk.” The Standards Director explained the concern about justifying pricing decisions to external audiences: “Because of our accountability, we have to make sure that we put our decisions on solid grounding.” On the other hand, being “fair” also challenged Fairtrade staff to consider and, at times, accommodate the particularities of concrete situations not amenable to universalizable standards of fairness. Each situation was unique, and revealed new, ambiguous, unsettled, or unresolved ethical questions. A Pricing Officer described her experience: “When I wasn’t in Fairtrade yet, I thought the minimum price was a good idea, and that it was simple [...] but then...there are so many different things, which you cannot know in advance.” Judgments often had to be made under considerable ambiguity, uncertainty, and conflict, with multiple parties competing over different interpretations and courses of action.

Emergent contingencies required deliberants to exercise contextual judgments within the general framework for decision-making. We refer to ongoing iteration between universalizable reason and contextual judgment as “ethics as sensemaking.” Excessive universalizing risked bureaucratization, depersonalization and disregard of the particular. Excessive particularizing risked partisanship, arbitrariness and ad-hocism that could compromise the deliberative process. To reach a shared position, Fairtrade continually balanced universalizable reason and contextual judgement. Figure 3 depicts this ongoing tension. In the three pricing projects, we identified three distinct, yet interrelated sensemaking mechanisms through which participants in the dialogue established valid arguments and abstracted from ethical complexity: *formatting*; *proceduralizing* and *de-centering*. These were geared towards the universal principles of factuality, replicability and impartiality. Through these processes, deliberants sought to transcend the particularities of individual cases, while continually challenged by definitional ambiguities, local exigencies and social attachments that required contextual judgements.

-----Insert Figure 3 about here-----

Formatting: Across all three price projects, we observed that participants tried to ground their reasoning in more generalizable formats and schemas that were potentially applicable across individual cases. Formatting involves converting idiosyncratic aspects of a complex ethical issue into a common metric and was achieved through using a technical methodology of calculating the average Cost of Sustainable Production (CoSP), as defined in Fairtrade’s Standard Operating Procedure. CoSP methodology had a dual purpose. On the one hand, it provided parties a common “official” language that all understand and served as a sensemaking device to guide deliberations. CoSP provided, at least in theory, a “simple way of calculating” the FTMP. Grounding disparate qualitative information about individual producers in recognizable, objective formats could reduce complexity and enable what appeared to be a more rational dialogue. A Standards officer emphasized:

We need to collect as many facts as we can...ok, we will never have a perfect price, even if we have thousands of observations, but still, having there the information helps people to make a decision at another level, at the SC [Standards Committee], to make informed decisions and that is backed up by all the charts that we provide...we are trying very hard to us to be based on facts and information, and facts that mean numbers, and information means factual information, such as the impact of a certain price on market demand?

On the other hand, formatting through CoSP allowed parties to increase the moral validity of their reasoning by providing an objective justification. This explains Fairtrade’s concern to show that a FTMP was not a politically motivated outcome (even though respondents noted that “there is plenty of politics in the Standards Committee”) but rather a function of technical CoSP calculations. A Standards Officer explained the importance of factual evidence to justify price decisions:

The best decision, or the right decision, when you act under uncertainty, [...] it means having done really good research to back up the decision you make, and it's also the difference between a high quality, well-researched decision that is based on facts, research, knowledge versus a political decision based on kinds of passion and concerns of strong concerns of different actors.

Political confrontations were often *tamed* by reference to CoSP as an objective arbiter of ethics that left participants with little choice but to agree with a “technically correct” figure. Formatting transforms qualitative differences into a comparable common metric or generalizable representation (Espeland and Stevens 1998). It takes advantage of the “naturalizing power of numbers and calculative procedures” to mask normative choices and subjective judgments with the “putative objectivity of computations” (Meyer and Hollerer 2010, p. 1258) and develop factual “truth” through a reliance on numbers and rigorous methodologies (Porter 1996). The figures, numbers and methodologies do not

represent factual “truth” but formatting serves as a tool to construct an intersubjective sense of factuality and facilitate the emergence of a consensus.

Proceduralizing: Valid reasoning involves systematic procedures that ensure consistency and replicability in decision making. In our case, proceduralizing was meant to structure decision processes and ensure access to democratic participation, transparent decision making, and consistency among pricing projects. A pricing officer explained; “this is our obligation towards producers, participants in the trade and members of our own organization to maintain transparent processes and practice democratic decision-making.” Standard Operating Procedures were instituted across all steps of price setting; problem recognition, research; consultation, deliberation and decision evaluation. These procedures regulated decision making by imposing a check on subjectivity and discretionary adjustments and reduce the effect of personal biases or preferences. As a process, deciding on what was fair became “manageable, calculable and predictable” in the words of a Producer Consultant.

Proceduralizing involves being systematic to ensure consistent treatment. In the cotton price project, the importance of procedures was highlighted by a *breach* in accepted procedures. Fairtrade staff was outraged when a Standards Committee member managed to push through an “ad hoc” rise of the FTMP following a field visit to India. Fairtrade staff was outraged: “FLO has to be consistent and cannot say ‘yes’ to some and ‘no’ to others when the cases are equal.” Following procedures systematically ensured that every stakeholder was treated equally, and that their concerns were given equal weight. A Producer Consultant responsible for India condemned the “quick fix” because she had witnessed many urgent cases in her everyday activities: “What ...these guys saw, once (!), is what we see every day! And it's all urgent to us!” She argued:

The way we deal with it is that we have to become systematic!!![...] So we have to become rational, or we just become ad-hoc and absolutely useless to the producer because we are supposed to be business consultants. So we have to put our business consulting hat on. We still feel very passionate and want everything to be done [...] But we also have to face the producers and we have to be fair to *everyone*, and we have to rationalise out where we can help them, and where we know we have to feed into a larger process, prioritise what is urgent, what is not urgent.

Being systematic was seen as being fair to everyone because it regulated decision making by imposing a check on subjectivity and arbitrary adjustments. Proceduralization is a technique to design, regulate and govern ethical complexity through creating “fair bargaining processes” (Habermas

1996a, p. 24) to contain the chaos of fragmentation. For example, producers were aggregated into a generalized representation of the “average” producer. Representing individual stakeholders in terms of abstract categories such as “producers” or “traders” facilitated systematic comparisons and enabled agreements. Proceduralizing can thus filter relevant information from the messy contextual knowledge and create a proceduralized context that can orient deliberants towards shared understandings.

Decentering: In addition to the pressures to be “fair to everyone,” we observed that the validity of arguments was also based on participants’ ability to transcend their subjective positions and detach themselves from personal attachments to reach intersubjective meaning. For instance, the Standards Committee saw its role as one seeking common ground amid diverse perspectives and making neutral decisions. A committee member explained that all participants had individual interests, but were expected to transcend their parochial interests through deliberations and take a generalized viewpoint:

We come there as individuals from different stakeholder groups...But I’m certainly not representing the LIs [Labeling Initiative’s] viewpoint...We have some kind of middleman position where we need to understand and recognize everybody’s concerns.

To make their arguments valid, deliberants needed to show dispassionate reasoning and impartiality weighing “a comment from stakeholder 1 as much as a comment from stakeholder 2.” Failure to decenter and transcend individual or group interest could be seen as “being irrational,” “politically motivated” or “acting emotionally.” A Standards Officer noted the need for neutrality.

It is important as an individual not to become too close to any particular stakeholder in the system. I can certainly see everyone at Fairtrade needs to appear quite neutral and not allow himself to become overly involved with the needs of certain stakeholders. Maintaining that balance is key.

As evident in the discussion on whether rooibos was tea or herb, deliberants couched their arguments in “technical” and “neutral” terms in order to demonstrate their impartiality and that they acted in the *general interest*, and not in their narrow individual or group interest. Similarly, allowing emotions to come in would impede actors’ ability to see the situation in a “detached” way. Criticizing the “ad hoc” adjustment of the cotton price, an interviewee argued that impartial moral judgments required detachment from social relationships and emotional attachments to particular producers:

I have 100 producer groups [Fairtrade Asia] between my colleagues in Africa and Latin America we’ve got 600! So we cover nearly 600 producers, who we meet, who we have personal relationships with. I have people in producer groups calling my Liaison Officers when they have cancer or when they have grief or whatever, because of the kind of relationships you are building, you build friendships...But in the end, we have to be neutral!

Decentering was important for judging the legitimacy of a pricing decision during retrospective evaluation of the process. The Standards Director noted that the lack of satisfaction from any particular stakeholder group was evidence that the outcome represented a “fair” middle ground:

It would be a poor decision if we got applause from one side, but got boos from the other side. Because then it’s likely that the balance of stakeholder interests would not be guaranteed [...] If nobody was satisfied but all say ‘hmm, ok,’ then it probably was a good decision.

Learning to view arguments from the others’ stance involves transcending the myopia of individual viewpoints to achieve an “expanded” perspective (Habermas, 1996). Participants “decenter” their partisan perspectives to enable the emergence of shared meaning on disputed matters.

Bracketing situational contingencies: Formatting, proceduralizing and decentering were meant to make sense of ethical complexity and enable intersubjective agreement. Paradoxically, however, substantive questions did not disappear, but re-surfaced in conflicts around, over, and within these abstraction processes. This led to sensebreaking or the “breaking down of meaning” (Pratt, 2000, p. 464). Instead of reducing complexity, efforts to format, proceduralize and decenter opened up *more* questions that became events for further sensemaking. Respondents used the term “flag up” to refer to marking issues for closer attention. As Weick et al. (2005) put it, they “bracketed” cues about interrupted situations, such as “flagging up the issue of cotton prices in India” (Standards Officer).

First, while a universal standard of reference was meant to be an objective judgment device that enabled transforming idiosyncratic issues into a generalizable format, in practice formatting involved contextual moral judgments and political decisions. CoSP methodology had to be interpreted in specific contexts, which revealed *definitional ambiguities*. A Standards Officer noted its limits:

It’s not like you can just simply apply the [CoSP] methodology, it always depends on how you evaluate the specific situation. I mean which criteria do we use? When do we have the feeling that we have enough information to take a decision? And how can we be sure at all that this is the right decision? It’s a really difficult decision making process and you cannot capture that with any methodology. It’s about how do you deal with the information? What is good CoSP data?

What counted as “facts” was itself the outcome of political contestation, such as the meaning of *sustainable* and *average*, which could each significantly inflate or deflate CoSP. The case of rooibos showed how CoSP varied among different types of farmers even within the same country. In coffee, parties struggled to accurately compare the CoSP across over 700,000 farmers and families in over 27

countries and make sense of how to calculate the cost of “family labour” in rural farming, or to deal with currency fluctuations. External influences such as weather events could also radically affect the calculation of costs and yields. A Standards Manager explained the limits of formatting:

We try to get the CoSP, but in the end there will be limits to the facts because you know that numbers don't reflect reality. We can't collect complete data. And you can debate endlessly how a certain issue should be measured, what costs should be counted and so on. There are huge areas of definitional questions. So eventually you shouldn't exaggerate the role of data and the scientific basis...As to what concerns reality, that can deviate to a relatively large extent. So we need to say “So these are the numbers, and what does common sense tell us? What do other people tell us? What about non-quantifiable impacts that we know they exist? That is part of the game.”

Thus, despite the technically sophisticated approach to determining fair prices, respondents were well aware that CoSP measurements could provide “really random figures.” A Producer Consultant dealing with coffee farmers explained that “in the end we're talking about reality, we're not making a book on the minimum wage plus inflation correlated with PPP.” Respondents realized that formatting was an approximation at best. In coffee, if Fairtrade had used a purely “technical” inflation-adjusted calculation of the original FTMP set in 1989 (US\$1.26/lb), the increase in FTMP would have exceeded *one US dollar*, rather than just *five US cents*, as agreed in the coffee price review. Instead, the FTMP reflected the political concerns of mainstream coffee roasters who were opposed to any price increase. This illustrates how political considerations could become camouflaged under arguments around, over, and within the format.

Second, while procedures were meant to facilitate fair and democratic processes, they also risked becoming bureaucratic and ignoring local circumstances. A Standards Committee member justified the “quick fix” for cotton prices: “A too formal approach satisfies no-one's sense of justice.” A Regional Manager in the coffee project noted: As a procedure, the deliberative process “has become such a big monster that it's impossible...to talk to all of them [producers] and take into account all their needs.” He added: “You go too much into the process and you forget the people” that risked “concealing important differences” by aggregating producers under abstract categories. In some cases, the idiosyncrasies of a particular context could not be captured in a system of rules and procedures.

Third, the demand to detach oneself from the nexus of relationships often conflicted with parties' “strong attachment, loyalty and commitment” towards particular producer; a respondent noted. A relational model was anchored in the foundational ethos of Fairtrade as a trading partnership to re-embed

anonymous exchanges within relations of care and solidarity. In the rooibos case, ATOs refused to detach themselves from the relationships they had cultivated over time. As evident in the cotton price review, the emotive urgency nourished by face-to-face encounters made participants view the same situation in a different light. A field visit to India left one SC member deeply disturbed by witnessing the plight of small cotton farmers. Advocating a “quick fix” to the FTMP, a flow of emails marked “urgent” explained how “these very poor farmers risk losing out” on “a whole year’s harvest.” The Standards Director explained in an email how a single field visit could change one’s reasoning:

Here we see the impacts of a visit on site! Once you yourself observe reality form close you tend to argue differently ... and with more emphasis on immediate “help” [...]

This quote indicates the difficulty of detaching moral judgment from embodied feelings that were triggered by personal experiences. Despite efforts to decenter deliberants from narrow subject positions, interests would also creep back into deliberative processes. For instance, the negotiations of coffee price were marked by political wrangling, as small producers rallied for a price increase that was resisted by many Labelling Initiatives. Thus, while pursuit of impartiality is necessary for avoiding partisanship, in practice people may judge through their “gut” feelings and narrow subjective stances, even if couching their arguments under the veil of objective reasoning.

Part 2: Reaching temporary resting points

Deliberants attempted to reach closures on issues that got bracketed, or “flagged up.” As the almost three year duration of the rooibos project indicates, there was risk of an eternal *regress* of more and more issues being bracketed. As parties navigated between conflicting demands to both accommodate situational contingencies and follow general principles, they risked deadlocks arising from parties holding on to conflicting interpretations about fairness. Yet, as the saying “justice delayed is justice denied” suggests, fairness also required that a decision was made at some point, even if it did not satisfy all stakeholders. The Standards Director acknowledged the need to act in the cotton case:

So, the dilemma is real and a dilemma means that whatever you do you need to be prepared being criticized since any decision or outcome to some extent will be wrong, including not acting at all. At the end somebody needs to take this responsibility.

We identified two mechanisms through which parties arrived at “temporary resting points” (Weick 2012, p. 150) on contentious issues, often under pressure to reach a decision in time, such as before

the next harvest. *Suspending intractables* involves putting issues off limits, as attending to them in one context could set precedents with ramifications for other contexts. In contrast, when actors were able to justify the exceptional nature of a case, which we label *exceptionalizing*, context-specific adjustments and allowances that deviated from accepted procedures and norms were deemed necessary.

Suspending intractables: In some cases, a resting point was reached through the suspension of particularities in action-contexts. This required judging an issue as “too fundamental” to tackle. Intractable issues, such as the meaning of “sustainable” costs of production, were temporarily suspended for the sake of progress in the rooibos case. Parties argued that “the SC cannot take any decision within 5 minutes” on this issue. Similarly, members refused to take a categorical decision on whether the Fairtrade market should be reserved for small farmers or not. A Standards Officer noted:

Many things that come up in the price setting process have a much more fundamental basis, such as who should be our beneficiaries? These are separate questions that require a different approach.

These questions were seen as “fundamental issues” beyond the scope of any particular pricing project. In the rooibos case, the politically charged question was deflected by categorizing rooibos as a tea (to allow including large plantations), rather than favoring either producer type in principle. Suspending involved provisionally “closing down” contentious debates and “parking” irresolvable issues, till such time they would get renewed attention. For instance in the coffee case, the question of how to include “family labour” in labor costs was suspended but resulted in a project on the “living wage.” Through deliberation cycles, parties would momentarily take certain issues out of the agenda when they agreed that resolving them would require deliberation on the contentious underlying principles.

Exceptionalizing: In some cases, a resting point was reached when a systematic application of general principles that ignored “genuine” local concerns was deemed “unfair.” This involved reflexive acknowledgement of certain situations as unique and worthy of “making exceptions” and discretionary judgments. When parties could establish that a certain case was an exception, they could justifiably deviate from the valid principle and agree on the need for contextual adjustment. In the rooibos case, the Standards Committee decided that apartheid legacies “could not be calculated away” and demanded a special pricing formula. The question of exceptionalizing was also at the core of the cotton case. Proponents of a “quick fix” ahead of the regular cotton review highlighted the urgency of the

situation that they argued was “special” and warranted “exceptional action.” A Standards Officer argued: “I can understand you [Standards Unit colleagues] don’t want to set precedents. On the other hand, sometimes exceptional action is justified.” An SC member respondent noted in an urgent email:

Could we account for the fact that we repair one currency case immediately and not all others at the same time? The justification lies in the fact that on second glance not all cases are equal.

In this case, making an exception for the upcoming cotton harvest was justified on the basis of accounting for arbitrage opportunities arising from the use of different currencies in different regions. At the SC meeting, the member who had personally met affected producers passionately defended a “quick fix” without due stakeholder consultation: “What should you consult on? ‘Do you agree that dollar has lost value?’” The Committee agreed to adjust cotton prices. Labeling a particular case as an exception allows deliberants to justify contextual adjustments and reach temporary resting points.

Summary of the “ethics as sensemaking” model: Reaching an ethical truce

To cope with ethical complexity in establishing the meaning of fairness in particular contexts, deliberants strive to balance the tension between universalizing principles and situational contingencies using three sensemaking mechanisms; *formatting*, *proceduralizing* and *decentering*. However, the complexity of what is fair does not allow the tension to be completely resolved. *Situational contingencies* emerge that resist universalization and get bracketed as *unformattable*, *non-proceduralizable* and *non-decenterable*. Residual equivocality leads to sensebreaking and becomes an occasion for renewed sensemaking. To reach closure, deliberants then label situational contingencies as either too fundamental or case-specific. *Suspending intractables* and *exceptionalizing* enables progress towards temporary *resting points*. Our analysis suggests a recursive process. Deliberations engage in ongoing consultation and debate, iterating between several rounds of sensemaking and sensebreaking. Cycling through these rounds, more and more of the bracketed issues are closed through *resting points*, even if temporarily so. Interpretations are redrafted and refined in each round of sensemaking until an ethical truce emerges. This is not based on unified consensus. Instead, the model explains how actors deal with conflict in situations where no consensual meaning emerges. Parties do not necessarily transform their positions radically, but shift them sufficiently to tip the scales towards an agreement. Ethical truces may arise not by “the force of the better argument” (Habermas 1996) but by pragmatic concerns

whereby parties consent for their own different reasons, without fully transcending their narrow interests, values, or cultural conceptions. Figure 4 illustrates this process.

-----Insert Figure 4 about here-----

DISCUSSION

We sought to understand how organizations seeking to act ethically cope with ethical complexity and reach a shared agreement. This was motivated in part by an empirical puzzle; how can a “fair” price be below the cost of sustainable production of small farmers? The answer lies in the definition of what is fair. By studying how organizational participants and stakeholders of Fairtrade deliberated over the meaning of “fair prices,” we gained insights into how actors reach ethical truces on contested issues in morally ambiguous and equivocal contexts. To be considered fair, a particular ethical issue has to be treated as a concrete instantiation of a more generalizable pattern, and thus solved through reference to a general principle. At the same time, the particular can never be entirely subsumed under the general, and fairness also requires engaging with “the epistemic significance of the particular” (Tsoukas 2009, p. 298). We argue that actors cope with ethical complexity through a process of sensemaking – a communicative process of establishing joint interpretation of ethical issues. To make “something meaningful out of a mess” and be seen as fair, deliberants went through repeated cycles of sensemaking and sensebreaking (Pratt 2000). We explain the mechanisms that enable actors to cope with “the diversity of voices” in particular contexts, while maintaining “the unity of reason” that transcends particular contexts (Habermas 1994).

Our findings reinforce the potential of adopting a Habermasian lens infused with sensemaking to explain how actors cope with ethical challenges. Ethical meanings are neither the outcome of the monological application of a universal principle, nor explained only by relativistic intuition in attending to contextual particularities. Rather, notions of what is ethical or fair are produced through sensemaking – an iterative process of deliberants going back and forth between general principles and contextual particularities to create an intersubjective sense of ethical meaning.

Implications for organizational ethics

Our analysis of fair price setting in Fairtrade offers insights into organizational scholarship on ethics. Organizational contexts are ripe with disputes around what moral values to invoke, and what is

fair and justifiable (e.g., Gehman et al. 2013; Trevino and Weaver 2003). While Habermasian approaches (e.g., Scherer and Palazzo 2007) explain the normative ideal and the theoretical possibility of legitimate consensus among diverse stakeholders, we highlight how deliberants need to make normative judgments amid considerable ambiguity and conflict to reach plausible agreements. Sensemaking explains how contextual cues get “flagged up” or bracketed as issues of concern, and then linked with abstract and more general categories (Weick et al. 2005). By integrating insights from sensemaking into a Habermasian approach, we explain intersubjective meaning construction, showing how actors continually navigate between a universalistic mode of moral reasoning and a particularistic mode of contextual judgment, as they construct the meaning of what is ethical in practice (cf., Gehman et al. 2013). Three main implications for organizational ethics emerge from our study.

First, while deliberative democracy is a normative theory outlining the conditions for legitimate consensus, ethics as sensemaking offers an analytical approach explaining how parties reach a shared position in a collective process of ethical meaning making. Deliberative theory does not require consensus to be the inevitable outcome of deliberation (Habermas 2003). However, it is less clear how agreement on the acceptability of disputed claims comes about, or how parties reach a negotiated compromise in the face of persistent disagreements (McCarthy 1996). A sensemaking perspective provides insights into how deliberants come to handle their differences and reach ethical truces. Our study suggests that ethical sensemaking is a process of “progressive approximations,” where deliberants refine and redraft their emergent interpretation of the ethical issue “so that it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism” (Weick et al. 2005, p. 415). We explain how parties may not achieve a substantive consensus, yet still learn from one another to reach provisional ethical truces (cf., Rao and Kenney 2008) based on varying degrees of shared meaning (Ansari et al. 2013; Donnellon et al. 1986). These truces are enabled by “temporary resting points” (Weick 2012, p. 150) in the ongoing sensemaking process. Rather than resolving contentious ethical questions, we found that issues that resisted universalization were “labeled in ways that predispose people to find common ground” (Weick et al. 2005, p. 411), such as being “too fundamental” which allowed suspending intractables or justifying exceptions. Thus, intersubjectivity may not be strictly about moral validity, where the outcome can claim moral rightness. Instead,

the construction of ethical meaning through deliberation may be seen as a process that yields *plausible* ethical truces, which deliberants can accept without fundamentally shifting their ethical stances rather than consensual outcomes, where deliberants revise their moral positions to one of higher moral validity. Ethical truces are provisional, and somewhat pragmatic, if not arbitrary, stabilizations of unresolved and possibly irresolvable ethical debates, which can be closed by suspending eternally contentious and undecidable issues. Thus the meaning of what is ethical resides in the *process* rather than the outcome of sensemaking.

Second, we provide insights for addressing a critical question in the ethics literature (Haidt 2001; Sonenshein 2007; Welsh and Ordonez 2014). Is moral reasoning primarily a rational-cognitive process based on deliberation, or an emotional process based on moral intuition and affect? Evidence from our study suggests that moral reasoning entails both cognitive and emotional modes of judgment to deal with situational particularities. As Weick (1995, p. 69) suggests a plausible account is one which “captures both feeling and thought.” Deliberation involves both the “intellectual and the passionate” and “desiderative deliberation or deliberative desire” (Nussbaum 1986, pp. 307-8). Deliberants continually navigate the tension between dispassionate rational arguments *and* whether something “feels” wrong or right. In real-life ethical dilemmas, individuals carry moral predispositions, including sympathy, cooperation, and mutual aid, which Margolis (2004) describes as “moral sentiments.” As deliberants engage with the particularities of a situation, they may develop bonds and feelings about people potentially affected by a decision. Rather than moral reasoning, their decisions may be shaped by affective judgments (Maitlis et al. 2013), moral intuitions and immediate reactions to situational contingencies (Zajonc 1980). Moral reasoning may then serve to justify, explain and rationalize judgments post hoc rather than yielding those judgments (Haidt 2001). Individuals do not necessarily act like “judges” carefully weighing all available evidence to adjudicate ethical issues. Rather, they may act like “attorneys,” using arguments primarily as confirmatory evidence to justify and rationalize intuitions (Baumeister and Newman 1994). In the cotton case, the Standards Committee member who witnessed producers’ plight during a field visit, invoked “arbitrage risks” to justify her feelings and provide a rational basis for making an exception. The interplay between rational deliberation and intuitive or affective judgments in ethically complex situations offers an exciting research avenue.

Third, we suggest the need to revisit some of the ideals of deliberative democracy elaborated in recent debates on political corporate responsibility (e.g., Scherer and Palazzo 2007). In the Habermasian sense, the notion of “moral rightness” depends on rational acceptability. But what is rationally acceptable is also socially constructed and likely to favor those with access to rationally accepted arguments. While democratic dialogue may reduce the disproportionate influence of powerful actors, an emphasis on reason giving may prevent the marginalized to articulate their voice particularly in context marked by extreme social inequalities (Fraser 1997; Gibson 2012). In the case of Fairtrade, the arguments required to maintain the “fairness” of the dialogue and impartial reasoning, were based on invoking “hard” facts and figures that themselves were socially constructed. Other types of arguments were denounced as irrational or emotional, and thus devalued. For instance, the debate about whether small farmers deserved preferential access to Fairtrade markets was couched in technical terms over rooibos’s classification as “tea” or “herb” rather than addressed as an ethical question about apartheid legacies that continued to disadvantage black farmers. This limited the kinds of arguments that qualified as *legitimate* contributions to the dialogue. Scholars, such as feminist ethicists (e.g., Held 2006), have argued for preferential treatment of some “deserving” parties beyond rational reason-giving. While this could also throw the deliberative process into normative chaos (Habermas 1996), in contexts marked by inequalities, the “middle ground” between different positions may not be the most socially beneficial (Sunstein 2001), and “extremes” can be justified over the common ground (cf., Fraser 1997; Walker, et al. In Press). Outcomes, such as a “fair” price, should not be regarded or presented as substantive agreements guaranteeing fairness but as a negotiated compromise in need of ongoing debate. If deliberative processes are at the core of how companies engage in setting norms of governance (Scherer and Palazzo 2007), scholars studying these processes need to scrutinize the extent to which the epistemic set up is geared towards not only hearing the voice, but also actively addressing the needs of marginalized stakeholders.

Implications for sensemaking

Our findings also have implications for sensemaking scholars studying how people “produce, negotiate, and sustain a shared sense of meaning” (Gephart et al. 2010, p. 285; Maitlis and Christianson 2014). First, while sensemaking is sometimes seen as a largely cognitive process, focused on appraisal

and interpretation to develop mental models (Elsbach, Barr and Hargadon 2005), we adopt a communicative view in line with the notion of social sensemaking (Gephart 1993). But rather than focus on “sensegiving” as a way to persuade others (e.g., Maitlis 2005), our study shows the collective process of how people make sense together under ambiguity and equivocality. “Giving” and “making” sense are simultaneous processes, where communicating parties suggest and discuss plausible interpretations amid considerable ambiguity, uncertainty, and conflict.

Second, scholars have infused the sensemaking literature with time – “temporal sensemaking” (e.g., Kaplan and Orlikowski 2013); power – “political sensemaking” (e.g., Clark and Geppert 2011), materiality – “ecological sensemaking” (e.g., Whiteman and Cooper 2011) and “emotions” (e.g., Maitlis et al. 2013). However, we know little about sensemaking processes in the realm of ethics (Parmar 2014; Sonenshein 2007) and CSR (Basu and Palazzo 2008). While the sensemaking literature explains how actors make sense of what to do amid disorder, chaos and novelty, our focus on “ethics as sensemaking” engages the relatively unexplored dimension of normativity – e.g., what is good or bad, or fair or unfair – in making sense. Normativity suggests that sensemaking processes are influenced by institutionalized expectations (Weber and Glynn 2006) of producing accounts that are ethically justifiable. When actors encounter ethical equivocality, they seek to clarify not only what is going on by extracting cues from their immediate environment (Weick 1995) but also collectively interpret these cues in light of broader ethical principles to “make sense” of what is plausibly ethical.

This collective construction highlights the present-oriented “practical-evaluative” element of agency that is arguably “intrinsically communicative in nature” (Emirbayer and Mische 1998, p. 995; Weick et al. 2005). As Sandberg and Tsoukas (2014) note the retrospective character of sensemaking inherent in Weick’s (1995) account has come at the expense of studying other temporal dimensions of sensemaking. Advocates of a post-Weickian approach to sensemaking (Gephart et al. 2010; Stigliani and Ravasi 2012) have started to explore the prospective and not just the retrospective dimensions of agency. In this study, we highlight the *practical-evaluative* element of agency – “the capacity of actors to make practical and normative judgments ...in response to the emerging demands, dilemmas, and ambiguities of presently evolving situations” – which “has been strikingly undertheorized by sociological thinkers (Emirbayer and Mische 1998, p. 971). Present-oriented sensemaking involves the reflec-

tive and interpretive work of social actors engaged in the iterative exercise of contextualizing judgment and continually adjusting it to the exigencies of lived situations. In our case, despite set procedures, actors had to continually deal with the residual equivocality of ethical questions through situated moral judgments in the present. Future work can provide a deeper understanding of the present-oriented dimension of sensemaking.

As a single exploratory case, our study raises questions about how our insights apply to other organizations. Unlike some organizations, resolving ethical complexity was Fairtrade's core task. This rendered the dynamics of theoretical interest more visible, as is typical for "extreme cases" (Pettigrew, 1990). In attending to these particularities, we provide "heuristic generalizations" that help us refine the distinctions through which we understand general processes, while remaining sufficiently open to the particularities emerging in other cases (Tsoukas, 2009, p. 287). For example, most organizations deal with ethical ambiguities, moral dilemmas and norm breaches that require actors to engage with the meaning of what is ethical in particular contexts. While codes of conduct have proliferated to prescribe morally sound behaviors (Trevino and Weaver 2003), the question remains of how companies balance generic rules with the contextual messiness of situations. Organizational members need to follow general norms that prescribe appropriate behaviors, yet case particularities require them to engage in sensemaking to interpret the meaning of what is ethical in a concrete context.

CONCLUSION

Coping with ethical complexity is a key concern for organizations. Moral philosophies posit different normative bases for determining what is ethical. At one end, principle-based approaches privilege universal rules. At the other end, practice-based approaches privilege situated judgements. Deliberative approaches have sought to bridge this divide by locating ethical validity in intersubjective positions established through deliberative dialogue. However, while providing a new normative foundation for ethics, they leave open the question of how the tension between ethical principles and practice is resolved in concrete deliberative situations. We suggest that the notion of ethics as sensemaking can provide one possible answer by explaining how deliberants iterate between a Kantian-universalist mode of moral reasoning and an Aristotelian-practical mode of situated judgment. Deliberative approaches and sensemaking thus focus on different aspects of the process of establishing shared mean-

ing. If deliberative approaches focus on the normative conditions under which communicative rationality can produce intersubjective agreements through “the force of the better argument,” sensemaking shifts the focus to how plausible arguments emerge in practice.

Based on our ethnographic study of multi-stakeholder negotiations about “fair” minimum prices, we found that deliberants socially constructed the meaning of what is fair through a collective social sensemaking process. This involved five mechanisms. Deliberants made sense through formatting, proceduralizing and decentering and dealt with particularities of the situation through suspending intractables and exceptionalizing. Rather than making claims to moral rightness, our analysis highlights that agreements are based on approximation and plausibility. When communicative theory is put to work in action contexts, a sensemaking lens can explain how actors collectively construct shared meaning of what is fair and ethical in practice.

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TABLES AND FIGURES

Table 1: Three price setting projects in comparison

Product	Coffee	Cotton	Rooibos
Purpose	FTMP Review (regular)	FTMP Review (emergency)	New FTMP
Duration	> 13 months	< 1 month	> 35 months
Producers Involved	> 250 Small Farmer Organizations (700,000 small coffee farmers)	> 5,000 contract producers	2 Small Farmer Organizations and 5 Hired Labour plantations
Initial FTMP	USD 1.2/lb. (Arabica)/ USD 1.05 (Robusta) + USD 0.05/lb. premium	USD 0.487/kg for India; EUR 0.36/kg for West Africa + EUR 0.05/kg	No FTMP + ZAR 5/kg premium
Con-flicting asks	Producers demand FTMP of US\$1.41/lb. Vs. no change in FTMP	SC Members demands a “quick fix” to increase FTMP in local currency to INR 22.34 (0.56 USD) for India only Vs. proper process	ATOs demand excluding Hired Labour or FTMP of ZAR 45/kg (CoSP of small farmers) Vs. FTMP of ZAR 22.5/kg (CoSP of Hired Labour)
Outcome	Increase in FTMP and premium by USD 0.05/lb.: USD 1.25/lb. (Arabica)/ USD 1.05 (Robusta) + USD 0.1/lb. premium	“Quick fix” setting higher FTMP in local currency: INR 22.34 (0.56 USD) for India	Special pricing formula: Small Farmers: ZAR 25/kg + ZAR 5/kg premium Hired Labour: ZAR 18/kg + ZAR 12/kg premium

Table 2: Particularities and emergent contingencies in three price setting projects

	Coffee	Cotton	Rooibos
Definitional ambiguities	<p>What costs should be included in CoSP? How are labor costs calculated, e.g. family labor? What is a living wage? Do low labor costs mean efficient production or indecent pay?</p> <p>- “Every producer has different costs, what do we include in the costs? If you have family labour, how do you calculate the costs? Do you calculate 1\$ a day or 10\$ a day? There are so many different things, which you don't know in advance....” (Standards Officer)</p>	<p>How to calculate CoSP given currency fluctuations in different geographical origins? Should FTMP be set in local currency or USD?</p> <p>- “If we switch everything to dollars, the FTMP would still be irrelevant in India, but at least the African producers would not be losing out. If we switch to local currencies, then the Indians earn more - not sure what happens to the Africans, and ... the Brazilian, Peruvian, and Egyptians.” (SC Member on currency use)</p>	<p>What does <i>average</i> CoSP mean given stark differences in producer types? What does sustainable production mean versus inefficiency? How to deal with historical injustices of apartheid South Africa?</p> <p>- “We should be cautious with lowering the price too far. CoSP of small farmers is much higher than that of plantation. The question is, how do we set a price for these quite rather distinct organizations?” (SC Member [expert] on rooibos)</p>
Exigencies and circumstances	<p>Centralized procedures are unable to take into account differences in capability, skills, development level of 256 producer organizations in >27 origins?</p> <p>- “In the past it was really easy to grab the phone and talk to one of the ten stakeholders. I mean in the very beginning we're talking about 10 producers, and maybe 5 traders for each product.” (Producer Consultant, Latin America)</p>	<p>How to deal with emergency situations? What counts as an emergency situation?</p> <p>- SC Chair: “Are you for or against a quick fix?”</p> <p>- SC Member [trader]: “I think it's the right thing to do. But if you do it once...”</p> <p>- Standards Officer: “We know that. But it's about timing!”</p> <p>- SC Member [producer]: “It's an emergency case.” (SC debate on cotton)</p>	<p>Procedures do not provide guidance to deal with unusual circumstances?</p> <p>- “Rooibos was actually a very special case. It's got a political history, it's got a social history, land rights distribution etc.” (Producer Consultant, India)</p> <p>“You never have a nice consultation feedback that you can take and say: ‘this is clear, that is the right solution’” (Pricing Officer)</p>
Social attachments	<p>Field workers build close relationships with producers.</p> <p>- “My Liaison Officers miss their children's birthdays, they miss weddings and funerals because they are out there with the producers! ... You build relationships, you feel very passionate! ...Every single day they're receiving a push from one of us in the system. We want this done!” (Producer Consultant, India)</p>	<p>Moral judgment affected by face-to-face encounters.</p> <p>- “The problem is whenever you go to the field the producer will of course flag up the issues, of course the price will always be too low...I think all Producer Liaison staff are facing that every day.” (Standards Officer)</p> <p>It's hard not to lose the neutrality!” (Pricing Officer)</p>	<p>ATOs committed to Fairtrade ethos of trading partnership requires attention to needs.</p> <p>“For me it's best what the ATOs do. It is a commitment from the part of the trader that they are trading fairly, that they are giving a fair price to the producer by negotiating this with the producer based on that person's need.” (Pricing Officer)</p>

Figure 1: Timelines for three price setting projects (Cotton, Coffee, Rooibos) in comparison

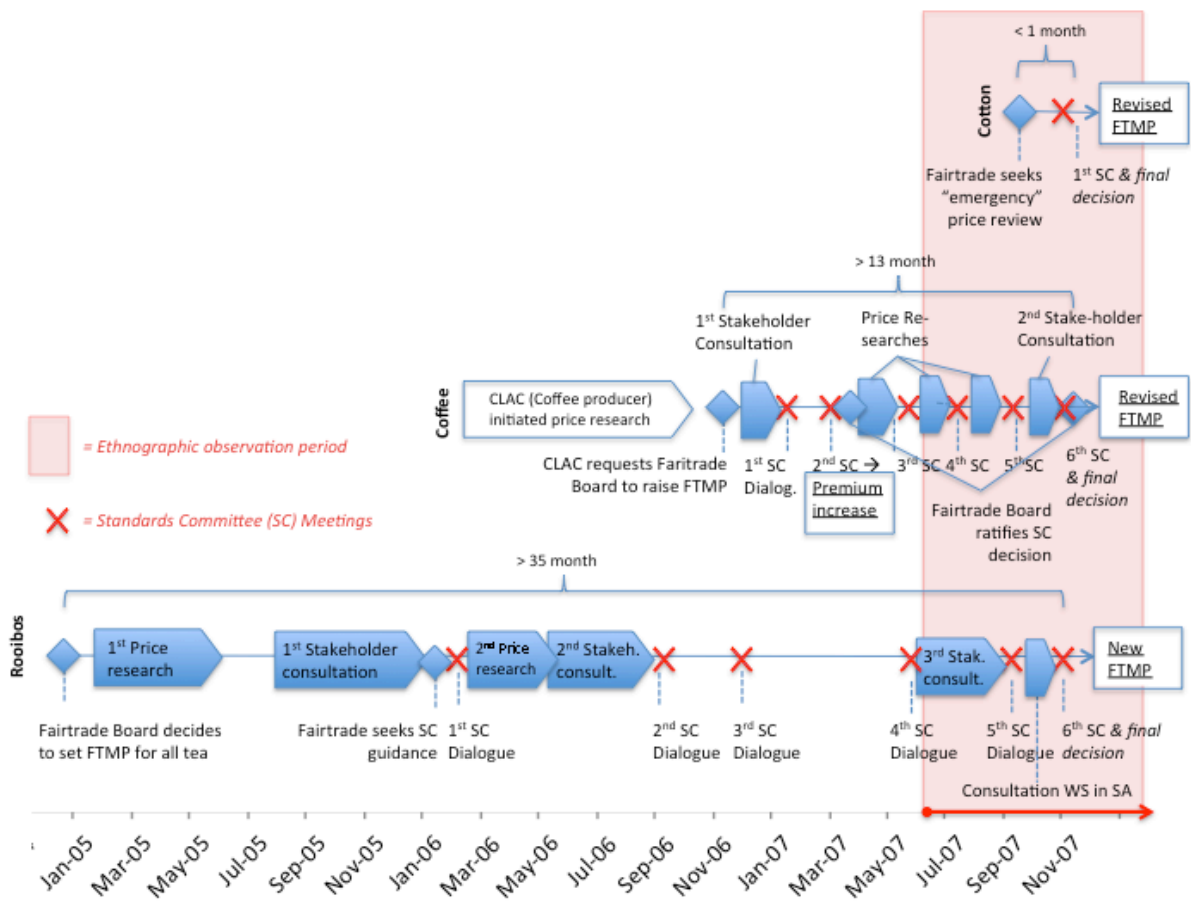


Figure 2: Data Structure

1st order categories	2nd order theme	Aggregate theoretical dimensions
Using CoSP formula as a schema of action and judgment device Creating a common reference point for making valid arguments Collecting factual data to establish objective evidence	Formatting	Establishing validity by following 'rules of the discourse' [universality]
Following standards operating procedures allowing replicability and transparency Classifying stakeholders into representative categories Being systematic and fair to everyone	Proceduralizing	
Fairness as being neutral and impartial towards all stakeholders Taking averages to treat everyone equally /Counting each voice equally Taking we-perspective to reason from the standpoint of the collective interest	Decentering	
Stakeholder "flag up" issues of concern that require special attention Encountering unusual situation that cannot be solved through "technical analysis"	Flagging up concerns	Particularities that resist universalization [particularity]
Ambiguity of average CoSP regarding <i>average, sustainable, labor costs</i> etc. Incompleteness of data and uncertainties (e.g. yield, weather, currency fluctuation) Limits of calculating prices / calculation may yield "random figures"	Definitional ambiguities	
Need to make "quick fixes" to attend to emergencies Engaging with particularities of the situation (e.g. historical contingencies) "Not forgetting that it's about people"	Emergent exigencies and local circumstances that call for responsiveness	
Emotive attachment due to long-term relationships with producers Moral intuitions resulting from face-to-face meetings and local experiences Attending to different needs between producers	Social attachments	
Identifying certain intractable issues as "more fundamental" and requiring "more structural solution if exception would affect other cases Temporarily suspending "fundamental" issues and earmarking it for separate project (e.g. meaning of living wage or sustainable versus inefficient)	Suspending particularities	Ethical truce
Identifying certain intractable issues as unique and case-specific Justifying an exception to established procedures and practices Adjusting judgments and decisions	Exceptionalizing particularities	
Acceptability and plausibility of decisions Majority vote if no consensus can be reached	Temporary resting points	

Figure 3: Sensemaking mechanisms to cope the tensions between universalizable reason (aiming at universality) and contextual judgment (attending to particularity)

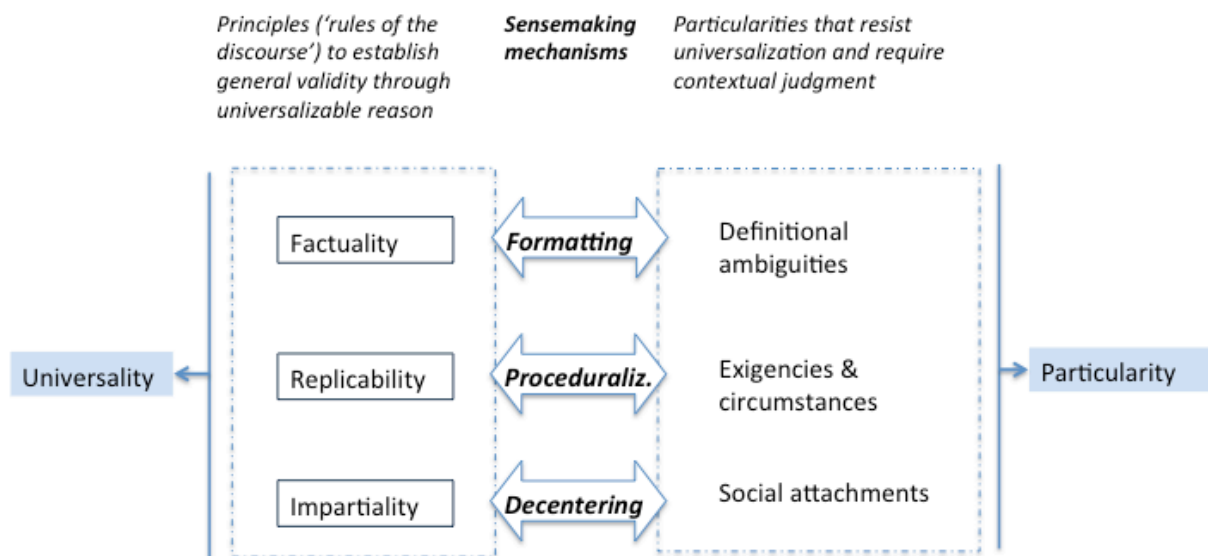
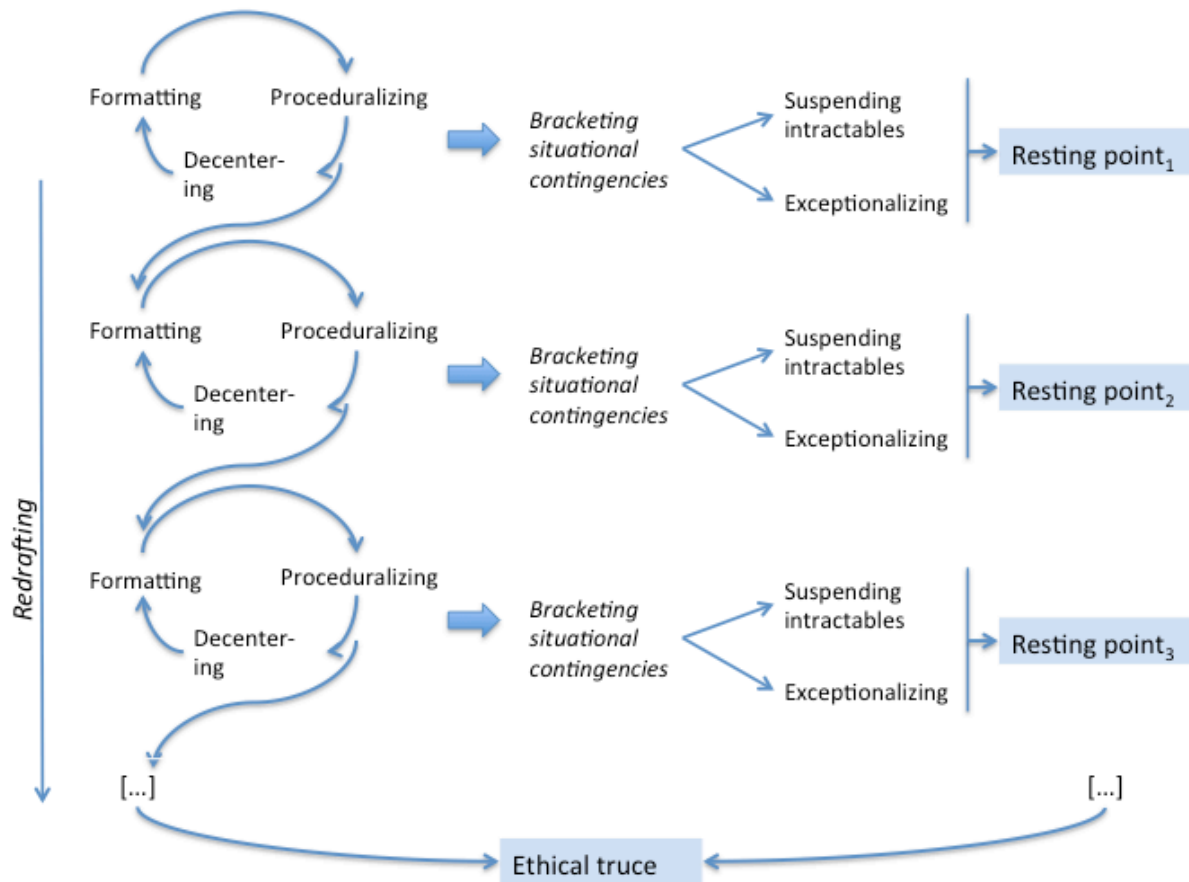


Figure 4: A process model of collective sensemaking on ethics



ⁱ By 2007, the Wupperthal cooperative had grown to 220 members (average 0.68 hectares) producing 120 metric tons, and Heiveld cooperative to 49 members (average 5 hectares) producing 38 metric tons, much of which was directly exported into Fairtrade markets at premium prices.

ⁱⁱ In the South African context, “colored” refers to mixed race.

ⁱⁱⁱ In contrast to coffee, which exclusively reserved Fairtrade certification to “Small Producers’ Organizations,” the tea category was accessible to “Hired Labour” plantations. This anomaly came about from Fairtrade’s involvement in India, where tea production was controlled by large plantations – a post-colonial legacy.