

# Hybrid Organisations in Global Value Chains: Insights from Uganda's Coffee Sector

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By

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## Abstract

Global value chains (GVCs) represent a core paradox of modern capitalism. While they generate employment opportunities in emerging economies, they also contribute to systemic inequalities, precarious labour, and environmental degradation. In response, upgrading has been proposed as a strategy for organisations to improve their position, capture value, and address social or environmental concerns.

Hybrid organisations, those blending commercial and social goals, are increasingly recognised as important actors capable of challenging dominant GVC dynamics by promoting inclusive and sustainable upgrading. However, their role in African contexts remains under-researched. This study addresses this gap by investigating how hybrid organisations in Uganda's coffee sector contribute to GVC upgrading processes, by focusing on the challenges and opportunities they encounter.

Uganda's coffee sector, which supports 1.8 million smallholder households and accounts for 22% of the country's export earnings, faces challenges such as price volatility, unequal power relations between local and international actors, weak infrastructure, and climate threats.

These difficulties are indicative of broader global inequalities, in which, smallholder farmers in the global South commonly create value that is largely captured in the global North.

Drawing on 49 interviews conducted across Uganda, the United Kingdom, and the United States, with stakeholders including farmers, hybrid organisation managers, industry experts, state actors, and international traders, the study applies a value chain analysis and examines 13 hybrid organisations using a comparative case study approach.

Empirically, the findings show that hybrid organisations, positioned between smallholder farmers and international traders, contribute to economic upgrading by engaging in functional upgrading strategies such as domestic roasting, direct trade to consumer markets, and moving processing stages closer to origin. They also seek to enhance value capture at the local level by strengthening farmers' capabilities in quality control and post-harvest handling, which contributes to both product and process upgrading. In terms of social and economic upgrading, hybrids support more stable and inclusive farmer participation in the value chain by extending microloans, offering pre-financing to support farm-level investments, and providing agronomic training that strengthens farmers' agency and market positioning. Environmental upgrading is also promoted by hybrids through the adoption of climate-resilient practices, including agroforestry, composting, and soil management, which help farmers adapt to climate threats while improving long-term productivity.

Yet these efforts face constraints. These include limited access to affordable finance, especially among locally embedded hybrids, and policy directions that are not well aligned with the quality-focused, socially embedded strategies many hybrids pursue. Conceptually, the study shows that hybrid organisations do not simply operate in weak institutional environments, they emerge in response to them. In areas where public or market-based support structures fall short, hybrids have emerged and filled such gaps. Their ability to combine commercial and social goals, and to work collaboratively across sectors and actors, positions them as relevant partners in efforts to promote more inclusive and sustainable upgrading in coffee value chains.

## Acknowledgements

Many thanks must be expressed.

First and foremost, I extend my deepest gratitude to my beloved family and friends. Your unwavering support throughout this writing journey, has given me strength and encouragement. Without your warm company along the way, this dissertation would have both required and felt like far more toil.

I am also sincerely grateful to all the respondents who generously made time in their busy schedules to share insights for this research. Without your openness and willingness to reflect, there would be no data. Thank you for your trust and honesty.

Also, to the many inspiring scholars and mentors who have shaped my intellectual growth, thank you. You have left a lasting impression on my thinking and helped mould me into the MPhil researcher I am today.

In particular, I wish to thank Dr Jess Auerbach, whose guidance challenged me to approach global problems from novel and unfamiliar angles. I am equally thankful to Dr Christopher Foster, whose thoughtful feedback and meaningful discussion, gave me clarity and direction at important moments. And, of course, Dr Annika Surmeier, a heartfelt thank you to you. Your guidance was steady and your support always present. I grew, both as a researcher and as a person, under your supervision and active engagement.

I would also like to thank the University of Cape Town for providing the financial support that made this research possible.

Lastly, I offer heartfelt thanks to the Almighty God, who sustained me with health, strength, and clarity of mind to complete this dissertation.

# Dedication

**Rt. Hon. Katikkiro Charles Peter Mayiga, of the Buganda Kingdom**

It was an honour to meet you on several occasions, including in Gothenburg, where you delivered a powerful message about the importance of doing the small things. You spoke with clarity and conviction about how seemingly minor actions, taken by individuals, can set off a chain of events that might lead to broader transformation. In response to your words, I offer the following dissertation, which has occupied my thoughts and efforts over the past two years.

As I have travelled across Uganda conducting research, I find myself reflecting on what I have seen and experienced. It is true that economic hardships exist, and some of these challenges are discussed in the following study. However, I hesitate to call the people poor. For, I have truly seen more smiles on faces in Uganda than in many places I have visited throughout Europe and America, which are often described as the happier places to live in our time.

There is a richness of spirit that cannot be ignored. Still, I wonder: could the people of Africa not enjoy greater material wellbeing? The burdens of daily life, including the costs of school, medical bills, and demanding physical work, remain heavy. Perhaps these conditions invite us to ask whether a different path might be possible. I, for one, believe there is room to shape an approach to economic development that allows material progress to grow alongside the spiritual happiness already present.

Therefore, based on your remarks about doing the small things, I offer this dissertation as my own small effort to contribute to that broader vision. I believe strongly that it is the concept of *science* that can help upgrade African economies. But what do I mean by this word, which is often used but rarely explained?

Thomas Hobbes once defined science as *the knowledge of consequences*. In a similar way, I understand it as a method of breaking down reality into parts that we can understand, describe, and begin to influence through the use of words. That is, through language, we can begin to map out cause and effect, observe consequences, and develop the kind of knowledge that can guide development in the right direction.

Just as small actions can set broader change in motion, perhaps words too, chosen carefully and placed thoughtfully, can help build the understanding needed for lasting change. It is in this spirit that I humbly offer this modest contribution.

On behalf of myself, the Principality of Kigulu, and its royal family, I remain

**With deep respect and humble regards**

**Patrick William Mukanza of Kigulu**

Gothenburg, March 2025

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## List of Abbreviations

BASIC - Bureau d'Analyse Sociétale d'Intérêt Collectif  
CMB - Coffee Marketing Board  
EUDR - European Union Deforestation Regulation  
FAO - Food and Agriculture Organization  
FOB - Free on Board  
GVC - Global Value Chain  
ICA - International Coffee Agreement  
ICO - International Coffee Organization  
IDH - Sustainable Trade Initiative  
IMF - International Monetary Fund  
IPCC - Intergovernmental Panel on Climate Change  
ITC - International Trade Centre  
MPhil - Master of Philosophy  
NGO - Non-Governmental Organisation  
ROI - Return on Investment  
SAP - Structural Adjustment Programme  
SCA - Specialty Coffee Association  
UBOS - Uganda Bureau of Statistics  
UCDA - Uganda Coffee Development Authority  
UGCS - Uganda Coffee Solutions  
UN - United Nations  
UNCTAD - United Nations Conference on Trade and Development  
USDA - United States Department of Agriculture  
WTO - World Trade Organization

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# Plagiarism Declaration

I, Patrick William Mukanza, hereby declare that:

1. This dissertation has been submitted to Turnitin (or equivalent similarity and originality checking software), and I confirm that my supervisor has seen my report and any concerns revealed by such have been resolved with my supervisor.
2. I certify that I have received Ethics approval from the University of Cape Town, Graduate School of Business Ethics Committee prior to the commencement of fieldwork. All interviews and data collection activities were conducted in accordance with the approved ethical guidelines.
3. This work has not been previously submitted, in whole or in part, for the award of any degree at this or any other institution. It is my own work. All significant contributions and quotations from the work of others have been appropriately cited and referenced.

Signed,

Signed by candidate

**Patrick William Mukanza (MKNPAT014)**  
Gothenburg, March 2025



# Chapter 1: Introduction

## 1.1 Background

Despite relatively recent efforts at widespread liberalisation (Mangani, 2022) and greater integration into global markets (Heidhues & Obare, 2011), Africa's position in international trade has continued to be marginal. As of 2022, the continent accounted for only about 6.5% of global merchandise exports (Krantz, 2025), which shows a limited global trade participation. On top of this, the export profile remains heavily dominated by primary commodities with minimal value addition, as reports indicate that the percentage of value added captured in Africa's exports is a mere 14% (African Export-Import Bank, 2024). This economic pattern, particularly evident in agricultural sectors, means producers receive only a small portion of the final value as processing, branding, and retail take place outside the continent (Bennett & Grabs, 2025).

Against this backdrop, a recent UNCTAD (2024) study has pointed to the urgent need for Africa to transition toward higher-value production and trade, as this may create greater economic opportunities and improve livelihoods for producers and actors in developing countries. To understand what such a transition entails, the global value chain (GVC) framework offers handy analytical tools and insight. As today's world economy is characterised by high levels of interconnected trade, with increased movement of goods, services, and production across the globe (WTO, 2023), the GVC framework helps capture different activities involved in producing and trading goods across actors and locations (Ponte et al., 2019).

Within the GVC framework, different strategies have been tried to deal with ongoing trade challenges. Government efforts to improve value chains have shown some positive results, but they often create a situation where private companies become too dependent on the state (Parente-Laverde, 2020), or where gains are captured by powerful elites (Behuria, 2018). Downstream private initiatives, such as certification schemes like Fairtrade, have also led to some improvements, but they risk to fail address deeper power imbalances in trade systems

(Ssebunya et al., 2017; Chiputwa et al., 2014; Naegele, 2020; Wilkinson, 2020). Furthermore, collaborative efforts between different actors in the value chain have also been proposed (Karatepe & Scherrer, 2022; Bennett & Grabs, 2025), but these strategies often face problems in practice, as conflicting interests make coordination difficult. Finally, bottom-up strategies that focus on strengthening local capacity and agency have likewise gained attention, but they continue to face structural barriers that limit upgrading potential (Suryana et al., 2023a; Gizaw et al., 2022; Borrella et al., 2015).

Against this background of limited practical success, this dissertation explores an alternative approach by studying hybrid organisations, that is, entities that blend commercial and social goals within the same organisation, and thereby differ from conventional private actors. Specifically, it focuses on entities positioned at the interface between producers (in this study, farmers) and global markets, acting as intermediaries who potentially can address both economic and social challenges in GVCs. The following section expands further on the research focus and presents the research question at hand.

## **1.2 Research Context & Research Question**

Global value chains embody the fundamental paradox of modern capitalism. While their expansion has created employment opportunities in emerging economies (Hollweg, 2019), their structures simultaneously perpetuate systemic inequalities (Lang et al., 2023), precarious labour conditions (Salmivaara, 2021), and environmental exploitation (Ponte, 2022). In response to such challenges, GVC scholars have emphasised upgrading as a strategic pathway for organisations, specifically in marginalised regions, to improve their value chain positions, capture greater value, and/or address pressing social and environmental concerns (Ponte et al., 2019).

Within the upgrading discourse, hybrid organisations, again, organisations who blend commercial and social objectives, are emerging as transformative actors that have potential to challenge conventional value chain dynamics (Strambach & Momanyi, 2024) and promote different types of GVC upgrading (Doherty & Kittipanya-Ngam, 2021). In particular, hybrid

organisations that facilitate trade between marginalised upstream actors and downstream global markets, while addressing local development needs (Strambach & Surmeier, 2018).

Here, this study focuses on coffee and looks at how hybrid organisations, who work as processors, source coffee from farmers, implement social initiatives, and trade coffee to international actors. While research has extensively documented the need for sustainable and inclusive practices in GVCs (e.g., Methvin et al., 2023), and scholars have recognised hybrid organisations as potential drivers of change (Surmeier, 2020), more research is needed to understand how hybrid organisations can leverage their position to drive sustainable change in value chains. As research is particularly limited in the African context (Littlewood & Holt, 2020), this dissertation addresses this gap by focusing on Uganda.

The dissertation specifically looks at how hybrid organisations, presented here as entities that integrate commercial and social missions within a single organisational unit, navigate the intersection of social impact and market dynamics, asking: **What are the main challenges and opportunities that hybrid organisations face in contributing to different types of value chain upgrading processes in the Ugandan coffee sector?**

Empirically, Uganda's coffee sector provides fertile ground for examining hybrid organisation dynamics. Supporting 1.8 million smallholder farming households and generating 22% of export earnings (UCDA, 2022), the sector faces intensifying challenges including price volatility, unequal power dynamics (Onyas, 2023), and climate change impacts that threaten to reduce suitable growing areas (Abigaba et al., 2024). These local challenges reflect a broader global inequality in coffee value chains, where 12.5 million smallholder farming families in the global South cultivate coffee on plots smaller than five hectares (Bacsi et al., 2022), while profits flow overwhelmingly to consumer countries in the global North (Karatepe & Scherrer, 2024). Within this context, hybrid organisations, positioned as farmers' first market contact and connectors to global markets, through acting as coffee processors, makes them ideal candidates for investigating how hybrid organisations can address both local and systemic challenges.

Methodologically, the research is based on a value chain analysis with focus on the role of hybrid organisations within the value chain. Through a qualitative approach, this dissertation has studied 13 hybrid organisations across Uganda's primary coffee-growing regions. The research draws on 49 semi-structured interviews with stakeholders across both producing and

consuming regions: in Uganda with farmers, hybrid organisation leaders, government officials, and industry experts, and in the United Kingdom and United States with coffee importers.

### **1.3 Research Aim**

The aim of this dissertation is to investigate challenges and opportunities faced by hybrid organisations in contributing to economic, social and environmental upgrading in Uganda's coffee value chain. Specifically, the research seeks to identify and analyse the realities hybrid organisations encounter as agents of change, that is, to study opportunities that could strengthen their capacity to drive meaningful upgrading on the one hand, and challenges that could be of hindrance in this regard on the other. Understanding aspects of challenges and opportunities is crucial because hybrid organisations, as argued, holds unique potential for bridging the gap between global market demands and local developmental needs, and thereby hold potential for addressing systemic inequalities prevalent within global value chains. Yet despite their growing presence, little is known about how such organisations operate in Africa (Littlewood & Holt, 2020).

### **1.4 Outline of Dissertation**

The first chapter introduces the research by outlining the broader context of global value chains and the specific role hybrid organisations might play in promoting more inclusive and sustainable forms of upgrading. It explains the focus on Uganda's coffee sector and presents the research aim, which is to explore the main challenges and opportunities that hybrid organisations face in contributing to economic, social, and environmental upgrading.

The second chapter reviews the relevant literature used to frame the study. It brings together insights from research on global value chains and hybrid organisations, starting with an overview of value chain governance and upgrading, before turning to the coffee sector as a specific example. It then looks more closely at hybrid organisations, especially those that

combine social and commercial goals, and shows how little is known about how these organisations actually operate in practice, particularly in African agricultural contexts.

The third chapter describes the research approach. It explains how hybrid organisations were identified and how the data was collected through interviews with a wide range of actors. The third chapter also reflects on how the data was analysed and how research quality, ethics, and positionality were considered throughout the research process.

The fourth chapter provides research context by tracing Uganda's coffee sector history; from colonial times to the present. It shows how shifting governance arrangements have shaped farmer livelihoods and discusses how today's policy landscape and market conditions continue to influence smallholder producers. This background helps to explain the environment in which hybrid organisations operate.

The fifth chapter presents the main findings. It is organised around four themes. The first theme presents how hybrid organisations work to build trust with farmers and hence support quality and social upgrading. The second theme is focused on financial dynamics, especially the difficulties hybrids face in accessing affordable finance and how they support farmers through pre-financing and loan systems. The third theme looks at functional upgrading, that is, how hybrids try to capture more value by developing local processing, building partnerships, and seek new markets. The final theme addresses how hybrids respond to climate change through environmental upgrading, including their efforts to support farmers in adapting to shifting weather conditions and environmental stress. Together, the findings show that hybrids play an important role in Uganda's coffee value chain, but their work is shaped and often constrained by wider structural conditions.

Chapter six discusses the study's findings and connects them to the broader theoretical frameworks of GVC and hybrid organisation. It does so by synthesising the main findings into three integrated themes: building relational trust, the dilemma of financial and environmental vulnerabilities, and examining the limits of hybrid intermediation. The chapter then presents a comparative analysis that highlights important contradictions and variations across hybrid organisations, particularly concerning power dynamics, strategic positioning, and tensions between state and hybrid upgrading visions. Finally, it outlines conceptual considerations that advance our understanding of how hybrid organisations function within global value chains.

Chapter seven concludes the study by restating the research gap and by explaining how the findings contribute to the literature on hybrid organisations in value chains. It summarises how the research question was addressed, and then presents both conceptual and empirical contributions. After this, the chapter offers practical recommendations and concludes by reflecting on research limitations.

# **Chapter 2: Literature Review**

## **2.1 Chapter Overview**

Understanding hybrid organisations and upgrading calls for an integrated reading of both the global value chain and hybrid organisation literature. To this end, this chapter brings these two streams together to surface knowledge gaps that justify further investigation. The chapter begins with a description of the GVC framework, tracing its conceptual origins and then looking at the core ideas of governance and upgrading. It then discusses the relevance of these concepts for understanding coordination, and how actors improve their positions in GVCs. As this dissertation focuses on coffee, the second effort turns to the coffee value chain. It begins with a structural overview and outlines how value is distributed across the chain and shows how actors closer to the end market capture the most, while smallholder farmers at the production end receive the least. After this, it then shifts to a historical perspective on coffee governance, which, although approached from a different angle, likewise demonstrates how smallholders have remained structurally disadvantaged over time.

From this backdrop, the chapter turns to hybrid organisations, again presented here as entities that integrate commercial and social missions within a single organisational unit. It first looks at their internal workings, and then looks at how different governance arrangements have shaped upgrading trajectories in coffee value chains. This leads into a discussion of where hybrid organisations might fit into broader efforts to improve the position of smallholder coffee farmers. From these discussions, a clear gap becomes visible: although hybrids hold promise, little empirical work has looked at the specific challenges and opportunities they face in contributing to upgrading processes within real-world GVC contexts. This sets the stage for the dissertation's focus on Uganda's coffee sector and provides a solid conceptual foundation for this work.

## **2.2 The Theoretical Roots of the GVC Framework**

The GVC framework provides insight into trade movements and trade impact on society. It offers a valuable tool for analysing the broader systems in which actors, including hybrid organisations, are embedded. As Ponte et al. (2019, p. 1) define it, GVCs cover “the full range of activities that firms, farmers, and workers carry out to bring a product or service from its conception to its end use.” Although this definition was formalised in 2019, the GVC framework has historical roots that date back several decades. Looking back, in the aftermath of World War II, scholars sought to explain patterns of economic development. A branch of modernisation scholars, while differing in specifics, shared a common belief in progressive, stage-based development and posited that nations would progress through distinct developmental stages: beginning with subsistence agriculture, advancing through industrialisation to ultimately reach a stage of mass consumption and economic prosperity (Lewis, 1954; Myrdal, 1956; Rostow, 1960).

However, while influential, the modernisation school was criticised for presenting a one-size-fits-all model (Bendix, 1967; Portes, 1973) and in response to its argued limitations, dependency theory emerged, which would become the basis for the early thinking that would ultimately lead to the development of GVC ideas. The predetermined stages of development were specifically critiqued by dependency scholars, who argued that the nature of development was far more complex: unlike modernisation, which again promoted a linear progression for societal development, dependency theory sought to reveal how development in one region often came at the cost of underdevelopment in another (Gunder Frank, 1970; Cardoso, 1979; Amin, 1974). Unequal relationships were particularly evident in Africa, where scholars such as Amin (1974) looked at dynamics between industrialised nations and low-income African countries and concluded that the world economy perpetuates economic exploitation.

With time, dependency theory’s focus on structural inequalities would evolve into more systematic frameworks, and an important advancement came with world-systems theory (Wallerstein, 1974). World-systems theory categorised nations into a hierarchical structure: core, semi-peripheral, and peripheral. In short, it was theorised that highly industrialised core nations (e.g., UK, Germany, and France) dominate the global economy by extracting natural resources from peripheral nations such as Nigeria and Angola, which have less industrialisation. Semi-peripheral nations, meanwhile, include countries like Brazil and India, which occupy an intermediary role and import certain resources while exporting a mix of raw

materials and manufactured goods. Put simply, a nation's position within the world-systems hierarchy, according to the theory, is closely tied to its ability to engage in value-added activities. Core nations benefit by securing resources from peripheral nations and converting them into higher-value products, thereby reinforcing their dominance in the global economic arena (Ponte et al., 2019).

From dependency theory's structural inequalities and world-systems theory's hierarchical analysis emerged the framework of global value chains. The GVC framework can be traced back to the late 1970s with Hopkins and Wallerstein's work on commodity chains (1977). Hopkins and Wallerstein focused on tracing the inputs and transformations that result in goods as final consumable products by describing a series of linked processes. Later, Gereffi (1994) introduced the concept of global commodity chains and studied the apparel industry (from raw inputs like cotton and wool to finished garments) to document how global production perpetuates economic dependencies. In the 2000s, the terminology shifted again from global commodity chain to global value chain, which marked a shift in focus to trade and international business (Porter, 2001). While the fundamental concept remains similar, the GVC approach is more ambitious, as it seeks to capture broader dynamics of global industry and trade (Bair, 2005).

## **2.3 Governance in the GVC Framework**

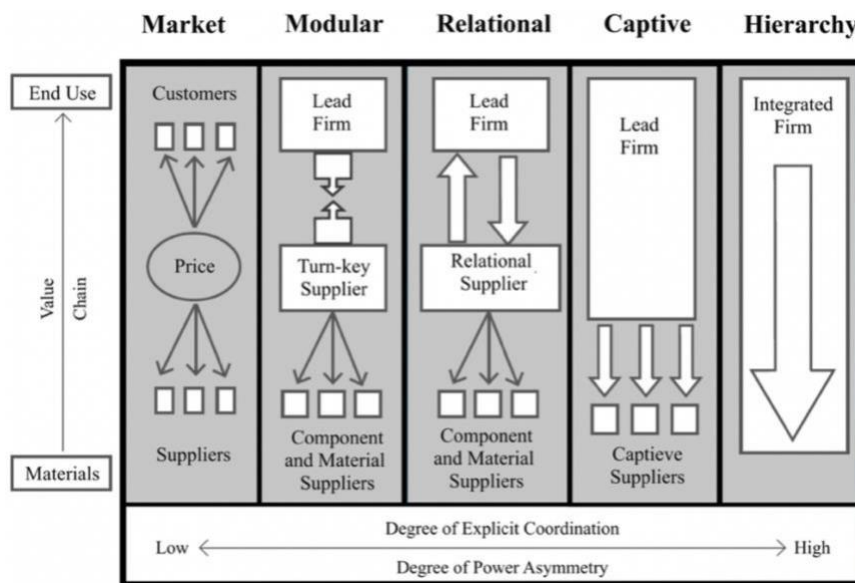
### **2.3.1 Producer-driven and Buyer-driven Value Chains**

As the GVC framework evolved from its theoretical foundations, scholars began to look at how power and control operate within global trade. In this analytical pursuit, Gereffi (1994) distinguished between two forms of value chain governance: *producer-driven* and *buyer-driven* chains. Producer-driven chains feature lead firms, typically large manufacturers, that coordinate and control production networks. Producer-driven chains are characterised by vertical hierarchical structures, where lead firms maintain tight oversight of their supplier networks. While lead firms, in these settings, may, in some cases, subcontract labour-intensive functions to external suppliers (Gibbon et al., 2008), they nevertheless maintain rigid control over their globally spread production systems to ensure quality and efficiency (Chor, 2019).

Buyer-driven chains, on the other hand, operate through decentralised production networks where firms “play the pivotal role in setting up decentralized production networks in a variety of exporting countries” (Gereffi, 1994, p. 97). The difference is that here, lead firms such as Nike, Walmart, or Nestlé, to mention a few examples, purchase from multiple suppliers without directly controlling production (Gereffi & Fernandez-Stark, 2016). Coffee value chains, which are the focus of this study, exemplify a buyer-driven structure, as they depend on powerful downstream firms for market access, which is a dynamic that will be studied later in this chapter.

### 2.3.2 A Typology of Five Governance Structures in GVC

**Figure 1: The Five Dimensions of GVC Governance**



Source: Gereffi et al. (2005); redesigned based on Gereffi and Fernandez-Stark (2016)

Though the producer-driven and buyer-driven dichotomy provided valuable initial insights into how GVCs are coordinated, its binary framework proved insufficient for capturing the increasing complexity of global trade. Responding to this analytical limitation, Gereffi et

al. (2005) developed a more sophisticated classification system that identified five distinct GVC governance structures: *market*, *modular*, *relational*, *captive*, and *hierarchical*. These governance dimensions are shown above in **Figure 1**:

As seen in the figure, the five governance types each represent distinct patterns of coordination and control between lead firms and their suppliers in GVCs. At one end of the spectrum lies *market governance*, where transactions are straightforward and price-driven, with suppliers operating independently of lead firms. This setup closely mirrors neoclassical perfect competition, with minimal external influence on transactions and “arm’s length” trade relationships (Gereffi & Fernandez-Stark, 2016). Moving along the spectrum, *modular governance* emerges when suppliers manufacture products according to lead firms’ specifications but maintain full control over their own production process. Suppliers operating as intermediaries within modular chains often use generic machinery that can be adapted for different customers, which allows modular actors to serve multiple lead firms across various trade networks (Gereffi et al., 2005).

Continuing, *relational governance* represents a deeper level of interdependence. It is characterised by complex, less codified transactions that require frequent interaction and knowledge sharing. In practice, it often relies on trust and mutual reliance, and is strengthened by reputation, proximity, or social ties. The resulting mutual dependence creates a more balanced power dynamic, though lead firms often retain significant influence through their ability to specify requirements (Gereffi & Fernandez-Stark, 2016).

In *captive governance*, meanwhile, power dynamics shift more dramatically, with intensive monitoring and imbalance between lead firms and smaller suppliers. Upstream suppliers typically perform limited, low-value-adding tasks, which creates dependence on larger buyers who control resources and market access. This power imbalance and economic dependence raises fundamental questions about profit distribution and ethical governance in global trade (Gereffi & Fernandez-Stark, 2016); issues that become particularly important when zooming in on coffee value chains, as shall be seen later in this chapter.

Finally, at the other end of the spectrum, *hierarchical governance* involves direct control over the entire production process and is typically employed when product requirements are complex and failure risks are high. A hierarchical approach mirrors the

structure of producer-driven chains, with lead firms maintaining oversight across production stages (Gereffi & Fernandez-Stark, 2016).

In sum, across the five types of governance structures, there are varying degrees of coordination and power asymmetry, from market-based arrangements with minimal coordination to hierarchical structures with direct control. The emergence of these patterns can be understood through three variables studied next.

### 2.3.3 Main Determinants of Global Value Chain Governance

To understand how or even why different governance types emerge and evolve, Gereffi et al. (2005) presented the following dynamics which suggests that three variables shape governance patterns:

1. The complexity of transactions between firms.
2. The extent to which complexity can be reduced through codification (standardisation).
3. Whether suppliers have the capabilities needed to meet buyers' requirements.

**Table 1: Key Determinants of Global Value Chain Governance**

Governance type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	Low
Modular	High	High	High	↑ ↓ High
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	

There are eight possible combinations of the three variables. Five of them generate global value chain types. The combination of low complexity of transactions and low ability to codify is unlikely to occur. This excludes two combinations. Further, if the complexity of the transaction is low and the ability to codify is high, then low supplier capability would lead to exclusion from the value chain. While this is an important outcome, it does not generate a governance type *per se*.

Source: Gereffi et al. (2005)

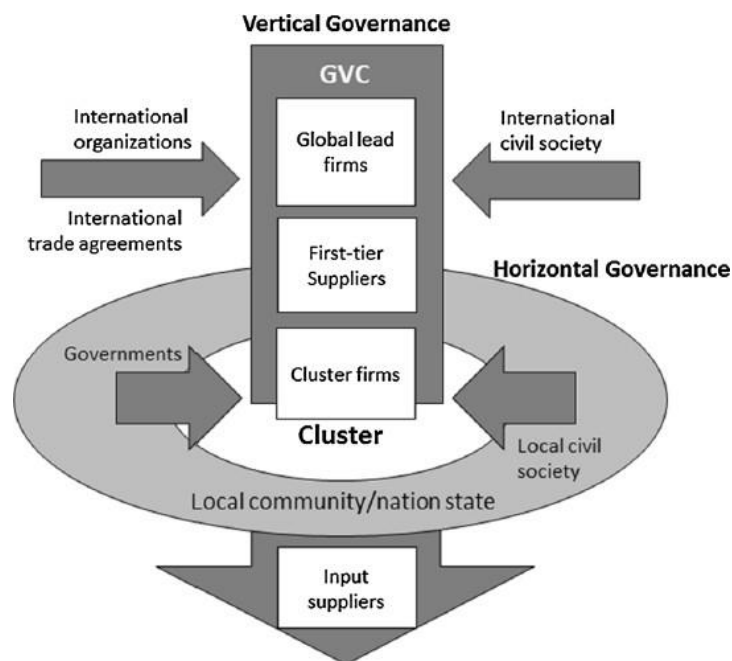
Put simply, these three variables were derived as an analytical framework to conceptualise the level of control and coordination required between firms in GVCs. As shown above in **Table**

1, different combinations of variables result in distinct governance types, ranging from market-based arrangements with minimal coordination to hierarchical structures requiring direct control.

In theory then, when transactions are simple, easily codified, and suppliers are highly capable, market-based governance becomes more viable. Conversely, when transactions are complex and difficult to codify, and supplier capabilities are limited, more hierarchical control structures emerge. However, the above typology, while seminal, focuses primarily on vertical relationships between firms. Later work has expanded this framework to include horizontal dimensions, particularly the influence of private, public, and social actors, which is discussed in the next segment.

### 2.3.4 Horizontal Governance

**Figure 2: The Three Types of Horizontal GVC Governance**



Source: Gereffi and Lee (2016)

While GVC research initially concentrated on interfirm relations, scholars have increasingly recognised how actors outside direct value chains can shape governance

dynamics. Gereffi and Lee (2016) introduced “synergistic governance” to capture this reality, and showed that along the nodes of GVCs, horizontal forces, often categorised as *private* (corporate initiatives), *public* (government regulations), and *social* (local and international civil society) governance, significantly influence value chain dynamics. They identified three types of horizontal governance illustrated above in **Figure 2**.

The first type, then, *private governance* at the horizontal level, involves collaborations among firms and is often facilitated through associations where companies within the same value chain cluster share resources or pursue common industry interests. In reality, this might take the form of an industry association like the Specialty Coffee Association (SCA), which sets up quality standards and coordinates training programmes for coffee producers, processors, and roasters within the global coffee value chain.

The second form, *public governance*, is enacted horizontally by public entities such as governments or supranational organisations. A concrete example is the European Union Deforestation Regulation (EUDR), a forthcoming policy (at time of writing) that requires European companies to verify that agricultural commodities like cocoa, coffee, palm oil, and soy have not been produced on deforested land. This regulation directly affects how value chains operate and leads to changes in supplier practices across producing countries.

Finally, *social governance* is driven horizontally by local and international civil society actors, including NGOs and labour unions that advocate for improvements in, for example, workers’ rights, labour conditions, or environmental standards. For instance, Fairtrade International works with smallholder coffee and cocoa farmers to establish minimum prices, develop community projects, or improve environmental practices.

In sum, private, public, and social governance extend GVC dynamics beyond vertical relationships through horizontal networks of inter-firm collaboration, regulatory frameworks, and civil society initiatives that affect both local production areas and the wider functioning of value chains. In practice, however, it is to be kept in mind that these forms of governance often overlap, and the boundaries between them are fluid; for example, social NGOs working with private firms to enforce standards in GVCs becomes a mixed type of private- social governance.

Worth noting also here that recent literature has pointed out the role of hybrid organisations, which transcend conventional firm boundaries by combining elements from

different institutional spheres or “sectors” (Littlewood & Holt, 2020). These entities play important roles in GVCs, particularly in this context, but require more focused discussion, which follows in the hybrid organisation segments later on, and is a part of this research focus. Meanwhile, regardless of the prevailing governance structure, firms across all types typically seek to improve their position, that is, to enhance their economic, social, and/or environmental performance within value chains. This is the focus of the following segment on upgrading.

## 2.4 Upgrading in Global Value Chains

From one point of view, business activities in GVCs are all about actors trying to thrive as a business. Sometimes, this simply means ensuring continued operation by minimising costs, maintaining existing markets, or securing necessary resources. However, at other times, actors actively seek to improve their position within GVCs. The GVC literature most commonly identifies three dimensions through which value chain participants strive to improve their position: *economic upgrading*, which focuses on enhancing competitive position; *social upgrading*, which addresses working conditions and labour rights; and *environmental upgrading*, which targets ecological sustainability. Together, these three dimensions provide an analytical framework for scrutinising how GVC participants can improve their position within GVCs (Gereffi & Lee, 2016). The following sections provide an overview of each of the three dimensions:

### 2.4.1 Economic Upgrading

Starting with economic upgrading: within the GVC framework, economic upgrading refers to how firms, countries, or regions transition from lower- to higher-value-added activities in global production networks (Gereffi, 2019). Economic upgrading can take several forms, depending on strategies, resources, and market context. Humphrey and Schmitz (2002) identified four types of economic upgrading, which remain fundamental to understanding value creation in global trade:

First, *product upgrading* involves moving from lower-priced products to those with higher unit value. In coffee, for example, this could mean actors shifting from producing low-grade commodity coffee to higher-value speciality coffee (Borella et al., 2015). Moving on, the

second type of economic upgrading, *process upgrading*, occurs through new production systems or advanced technologies that reconfigure inputs into more productive or efficient outputs. Using the coffee sector, again as an example, producers might adopt wet milling techniques, where coffee cherries are processed through water-based fermentation rather than traditional sun-drying methods to enhance quality (Tamru & Minten, 2008).

The third form, *functional upgrading*, happens when firms take on higher-value functions. For example, firms might shift from basic IT outsourcing to higher-value business consulting, thereby moving up the value chain into more knowledge-intensive activities (Gereffi & Fernandez-Stark, 2016). Finally, *intersectoral upgrading* occurs when expertise from one industry is applied to another. For example, technological advancements in one segment can spur growth across multiple sectors (Na, 2019), such as when coffee producers diversify into tourism by offering plantation tours or tasting experiences, leveraging their agricultural operations to enter the hospitality sector and capture additional value streams.

Building on these four fundamental types, Fernandez-Stark et al. (2014) expanded the concept of economic upgrading beyond firms already embedded in value chains and offered three additional strategies: The first strategy involves *entry into the value chain*, which occurs when actors begin to participate in national, regional, or global value chains. For instance, an entrepreneur starting to source coffee from farmers to supply beans to a local or international buyer. The second, *backward linkages upgrading*, occurs when local firms begin to supply goods or services to companies that used to rely on imports. This could mean a local supplier starting to provide high-quality coffee beans to a foreign company that previously sourced them from elsewhere. The final strategy concerns *end-market upgrading*, which happens when firms in a value chain shift to producing more advanced products or entering new markets that have stricter requirements. For example, a coffee producer might need to improve food safety standards to export to markets with more stringent regulatory requirements.

In sum, economic upgrading within the GVC framework encompasses multiple dimensions of value creation in global production networks. Beginning with the four fundamental types: product, process, functional, and intersectoral upgrading, the concept has expanded to include additional strategies of value chain entry, backward linkages, and end-market upgrading. While economic upgrading focuses on increasing the value of activities and outputs, economic gains do not always lead to better conditions for all stakeholders involved.

The limitation of purely economic approaches to upgrading brings us to the concept of social upgrading, examined next.

### **2.4.2 Social Upgrading**

Within the GVC framework, the concept of social upgrading relates to human wellbeing. Barrientos et al. (2011, p. 324) define social upgrading as the process of enhancing workers' rights, entitlements, and working conditions for those involved in GVCs. Social upgrading typically occurs through policy interventions, civil society initiatives, and/or various types of responsibility programmes. Notably, while early value chain research assumed economic upgrading would automatically lead to social improvements, GVC scholars have shown that this relationship is far more complex (Milberg & Winkler, 2011; Rossi, 2019).

Research across various sectors demonstrates a disconnect between economic and social upgrading. In the Moroccan garment industry, Rossi (2013), for example, found that while the entry of lead firms like Zara brought positive changes for some workers, it also intensified pressure for flexibility and speed, which in turn negatively impacted workers in lower segments of the clothing value chain. Similarly, Barrientos et al. (2016) observed in East Africa how competitive pressures led to casual labour and reduced wages even as economic upgrading occurred. Another example, Clark and Longo (2022), describes how captive buyers in Thailand's seafood sector use their market dominance to dictate prices and thereby perpetuate labour exploitation. What emerges across these studies is a common emphasis on the need for targeted interventions: from strengthening local institutional frameworks to implementing industry-wide labour standards, which points to that addressing social upgrading requires deliberate governance tools rather than simply relying on market forces.

To summarise what social upgrading is, it brings to light how power imbalances within GVCs affect human wellbeing, which echoes earlier discussions in dependency theory, where growth in one region comes at the cost of underdevelopment in another (Frank, 1970; Amin, 1974). Amin in particular emphasised how global economic structures systematically reproduce inequality between countries. Social upgrading builds on this reality by stressing that improving workers' rights and conditions in GVCs requires deliberate intervention, rather than assuming improvements will naturally follow economic gains. This perspective becomes especially relevant when looking at the coffee value chains, where pronounced power

asymmetries mirror the structural inequalities. However, before looking at specifics of coffee production, the next section looks at environmental upgrading, the third and final of the three dimensions.

### 2.4.3 Environmental Upgrading

As the third dimension of the GVC framework, environmental upgrading refers to “the process by which economic actors move towards a production system that avoids or reduces environmental damage from their products, processes, or managerial systems” (De Marchi et al., 2013, p. 65). Of the three dimensions covered here, environmental upgrading is the most recent addition and therefore remains the least conceptualised. De Marchi et al. (2019) identified three main pathways through which environmental upgrading typically occurs: first, *standards and certifications* that require environmental compliance between value chain actors; second, through *product design* that focuses on reducing material and energy use or eliminating harmful materials in manufacturing processes; and third, *knowledge transfer* initiatives where suppliers receive specific guidance about eco-efficiency practices. Importantly, these three pathways provide firms with structured approaches to implement environmental improvements.

However, translating the above theoretical pathways into practice reveals complexity. Specifically, implementation complexity becomes evident when studying how these pathways actually unfold in real-world contexts. While Krishnan et al. (2023) examined the direction of implementation within value chains and identified three distinct approaches: *vertical top-down* (lead firms guiding practices), *horizontal* (collaboration with external actors like NGOs), and *vertical bottom-up* (initiatives from lower-tier actors), the practical application of these approaches reveals substantial obstacles. Ponte (2022), for example, demonstrated that lead firms in the Global North often impose strict environmental standards without taking on the financial burdens and instead pass costs down to smaller actors in the Global South, thereby creating situations where environmental improvements come at the expense of those least able to bear the burden.

In response to inherent tensions about who should pay for environmental improvements, scholars increasingly emphasise the importance of collaborative approaches, particularly through horizontal partnerships between state and non-state actors (Müller et al.,

2013; Poulsen et al., 2018; Ponte, 2022). The emphasis on collaboration reflects the recognition that while environmental upgrading poses challenges, with suppliers often struggling to justify associated costs (Goger, 2013), the urgent need to protect the environment (IPCC, 2021) demands coordinated action across value chain stakeholders.

To summarise, while environmental upgrading frameworks offer structured approaches for improving sustainability in value chains, their implementation faces substantial real-world challenges. Indeed, implementation challenges are prevalent across all three upgrading dimensions, where theoretical pathways often encounter practical obstacles. This point is important to bear in mind, as the challenges faced by hybrid organisations explored in this research may reflect these broader issues. To narrow the focus specifically to this dissertation's sector, the following section turns to an examination of the coffee value chain.

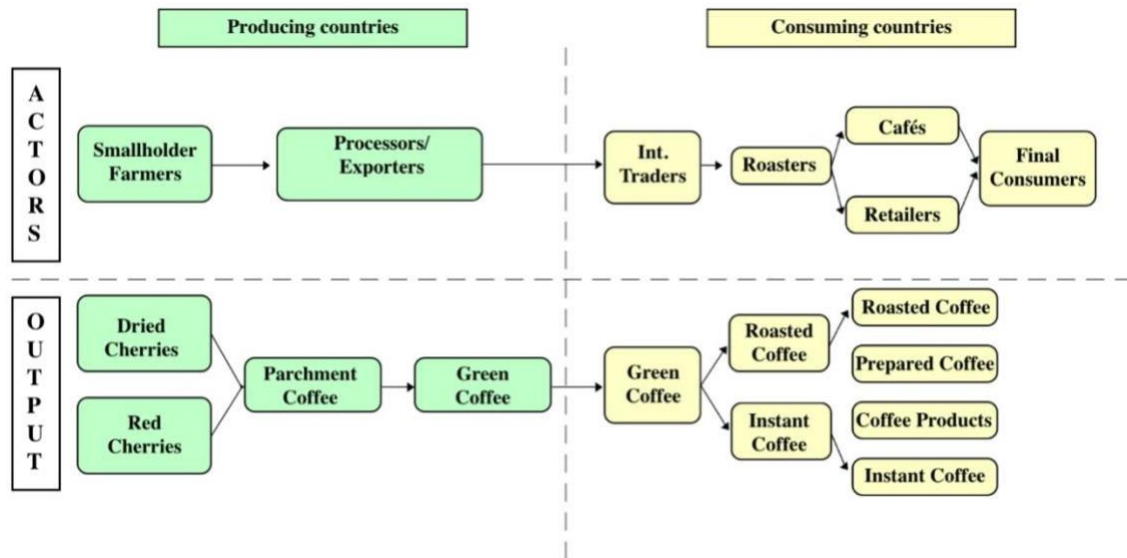
## **2.5 The Coffee Value Chain**

As the GVC framework has been used to study a range of sectors, from cocoa (Fold & Neilson, 2016) to electronics (Chuang, 2015) and automobiles (Hertenstein, 2019), coffee warrants its own dedicated discussion. Next up is a look at the coffee chain, beginning with a structural overview, which outlines how value is distributed across the chain, and then a shift to a historical perspective on coffee governance evolution.

### **2.5.1 Structure and Flow of the Coffee Chain**

The coffee value chain is incredibly complex. It involves numerous production stages and actors: from farmers all the way to consumers. Indeed, a simple cup of coffee does represent a global trip. Coffee farms are widespread and found in over 50 countries, specifically in the tropical regions of Latin America, Asia, and Africa (ITC, 2021). Coffee farmers mainly cultivate two types of beans: Robusta (*Coffea canephora*) and Arabica (*Coffea arabica*). Arabica's share of total world output is around 60%, while Robusta accounts for approximately 30% (ICO, 2023). To better understand the structure and flow of the coffee value chain, **Figure 3** below provides a visual representation of how coffee moves from production to consumption.

**Figure 3: The Coffee Value Chain**



Source: Author’s adaptation based on Quiñones-Ruiz (2020)

Coffee is a tree crop. The value chain begins with both large and smallholder farmers who cultivate and harvest coffee cherries. From this point forward, however, the term “farmer” will specifically refer to smallholders (farmers operating on less than five hectares), as they are the actors of focus in this study. The harvested coffee cherries undergo sorting and cleaning to remove unripe, overripe, or damaged fruit, along with debris such as dirt, soil, twigs, and leaves. After cleaning, the cherries undergo processing using one of two primary methods (FAO, 2000).

The first processing approach is the dry or “natural” method, which involves sun-drying coffee cherries. This method, being the oldest and simplest, requires no machinery and almost all Robusta coffees are processed using the dry method, along with the majority of Arabica coffees from Brazil, Ethiopia, Haiti, Paraguay, and parts of India and Ecuador (ISIC, 2024). The second approach, the wet method, involves removing the cherry’s pulp (skin) and fermenting the beans in water to remove the mucilage layer to enhance the flavour. This method is commonly used for Arabica in regions such as Uganda (Arslan et al., 2024). With either method though, once dried, the coffee reaches the parchment stage and is ready to be passed on to the next phase of the chain.

After reaching parchment form, the coffee is delivered to processors/exporters. Processors/exporters (hereafter processors) manage the milling process to remove the parchment layer and transform the coffee into green coffee beans, followed by sorting and packing for export. It is worth noting that while the hybrid organisations under investigation in this study operate as processors, not all processors are hybrids. Most are conventional commercial actors. Also, it is not always the case that farmers sell directly to processors. Other actors, such as middlemen, often intervene by sourcing coffee from farmers before it reaches processors (Margiotta, 2019), or even before wet or dry processing begins, when the coffee is still in cherry form (Bamber et al., 2014; Arslan et al., 2024).

While the Chapter 4 explores trade-flow dynamics in greater depth, for now, it is sufficient to present that processors source coffee from farmers and sell it further up the chain to international traders. International traders, who purchase coffee from processors, act as intermediaries in global markets and facilitate the trade of green coffee to consuming countries; therefore, they may also be referred to as buyers. Once the coffee has arrived in consuming nations, it is sold to roasters, who transform it into either roasted or instant coffee, depending on the processing method employed. Finally, the roasted coffee is distributed to retailers, cafés, or other outlets, where it is sold to final consumers (Quiñones-Ruiz, 2020).

One final point in mapping the coffee value chain concerns the distribution of value addition. As coffee moves along the value chain, more and more value are added at each stage. According to a study by BASIC (2024), farmers face high production costs of around €1.56/kg, yet they only earn around €0.41/kg in net income. Processors add costs of around €0.29/kg, while traders contribute €0.26/kg. The largest value capture occurs downstream: roasters add €0.89/kg, and retailers contribute around €1.39/kg to the final coffee price. Government policy also impacts value distribution. For instance, Germany, as one of the largest coffee consumers globally, applies a coffee tax that adds €2.19/kg to the price paid by the final consumer of around €5.50/kg. **Table 2** summarises this distribution of value along the German coffee chain. While these figures are estimates that fluctuate with seasonal and market conditions, they can nonetheless provide a glimpse into the inequalities in value distribution among actors.

**Table 2: Example of Value Distribution in the Coffee Value Chain**

<i>Stakeholder</i>	<i>Value Captured (€/kg)</i>	<i>Percentage of Final Price (%)</i>
<i>Farmers' Production Costs</i>	1.56	28.4%
<i>Farmers (Net Income)</i>	0.41	7.5%
<i>Processors</i>	0.29	5.3%
<i>Traders</i>	0.26	4.7%
<i>Roasters</i>	0.89	16.2%
<i>Retailers</i>	1.39	25.3%
<i>Government (Coffee Tax)</i>	2.19	39.8%
<i>Final Consumer Price</i>	5.5 €	100%

Source: BASIC (2024), note; figures are estimates that may fluctuate with seasonal and market conditions.

From Table 2, the coffee value chain emerges as a system where value is spread unevenly between stakeholders. In fact, it has been widely noted that the coffee sector generates value, yet much of it accumulates further down the chain (e.g., Bennett & Grabs, 2025). Value shifts away from farmers, concentrating between importers and retailers, and there is a lack of mechanisms to distribute it more equitably (BASIC, 2024). As this dissertation seeks to study the potential for improving this reality, it does so by looking at hybrid organisations (their challenges and opportunities). That is, entities positioned as coffee processors in the chain that source coffee from farmers and trade it up the chain while implementing social impact. Despite capturing a relatively small portion, perhaps roughly 5.3% of the final price, hybrids may represent a promising intervention point in the value chain. However, before turning to hybrid organisations, the next section presents a historical perspective on coffee governance to understand how uneven development has emerged and taken shape.

## **2.5.2 Historical Evolution of Coffee Governance**

While the previous segment looked at the structure of the coffee value chain, this section adds some historical depth. The goal here is now to provide a general overview of how global coffee governance has evolved over the years. Given that the overarching goal of this dissertation is to innovate by studying the challenges and opportunities of hybrid organisations,

it is worthwhile to understand the historical developments that have shaped the current value chain landscape.

### **2.5.2.1 ICA Regime Phase (1962-1989)**

It is fair to say that hybrids, nested in coffee value chains, are up against complex governance systems. Historically, the evolution of governance in the coffee chain can be understood through three separate historical phases (Grabs & Ponte, 2019). The first phase, known as the *ICA regime phase* (1962-1989), was characterised by the International Coffee Agreement (ICA), a multilateral agreement which regulated the global coffee market through a quota system and price controls. As a result, from the early 1960s onwards, governments played a prominent role in managing barriers to entry, by setting regulations on production levels, quality standards, and export volumes, which helped maintain a balanced relationship between worldwide producing and consuming countries (Utrilla-Catalan et al., 2022).

Most scholarship dedicated to this period indicate that the ICA succeeded in raising and stabilising coffee prices during its tenure (Akiyama & Varangis, 1990; Bates, 1997; Ponte & Gibbon, 2005), with Talbot (1997) specifically noting that roughly half of the total surplus generated along the entire coffee value chain was retained in producing countries. However, while the ICA system balanced power relations at the international level, internal governance structures within producing countries often reinforced local inequalities. National coffee boards tended to favour large landowners, while smallholders had limited access to resources (Grabs & Ponte, 2019), as will be further discussed in Chapter 4 with reference to Uganda.

### **2.5.2.2 Liberalisation Phase (1990-2007)**

The collapse of the ICA in 1989 marked the beginning of the second, the so-called *liberalisation phase* (1990-2007), which saw power dynamics shift dramatically towards buyer-driven governance (Grabs & Ponte, 2019; Utrilla-Catalan et al., 2022). This period witnessed what Ponte (2002) termed a “latte revolution”, characterised by the rise of large-scale captive roasters and traders. The impact was particularly evident at the production end, where liberalisation led to widespread consequences, especially in Africa (Gibbon, 2005; Gibbon & Ponte, 2005) where the implementation of structural adjustment programmes (SAPs), by the World Bank and IMF, promoted sector privatisation by dismantling local institutions that had previously regulated pricing (Kaplinsky, 2004; Skarstein, 2005). This

resulted in declining farmer shares of retail prices while multinational corporations captured greater value. Thus, smallholder farmers, who already occupied disadvantaged positions during the ICA regime, found themselves continuing facing challenges as they lost what limited price protection they once had, and now found themselves directly exposed to liberal market forces (Grabs & Ponte, 2019).

### **2.5.2.3 Diversification and Reconsolidation Phase (2008-Present)**

In the third and current phase known as the *diversification and reconsolidation phase* (2008-present), governance structures have further consolidated as the coffee market has experienced rapid concentration, with multinational coffee roasters and trading companies solidifying their dominance. The International Trade Centre (2021) calculates that the 10 biggest roasters now control more than 35% of all coffee sales. While some producing countries have attempted to reassert governance through minimum export prices and quality controls, such interventions have faced significant limitations due to weak institutional capacity, and, indeed, limited financial resources to counteract the strong market forces now at play (Grabs & Ponte, 2019). Moreover, this period is also marked by what scholars refer to as the “coffee paradox” (Daviron & Ponte, 2005; Utrilla-Catalan et al., 2022), in which farmers receive unstable and declining prices while consumers pay increasingly higher prices for coffee products. This paradox reflects the overall transformation from a producer-driven system under the ICA regime to a captive, buyer-driven value chain in the present day wherein coffee-producing nations have, over the years, ceded economic authority to multinational corporations, while smallholder farmers have remained with limited options at the bottom of coffee value chains (Peixoto et al., 2023; ICO, 2024).

### **2.5.2.4 Regional Implications: Uganda**

Finally, it is worth noting that the governance patterns outlined above are also reflected in Uganda, the focus country for this dissertation. Like many producing countries, Uganda underwent structural adjustment programmes in the 1990s, liberalising its coffee sector and thereby aligning itself with the broader global shifts discussed earlier (Baffes, 2006). Thus, the global historical developments described previously provide context for understanding the environment in which the hybrids under investigation operate. Chapter 4 will present a more detailed account of Uganda’s specific coffee governance developments, but here it suffices to

stress that this broader historical context is directly relevant for situating the case studies of this dissertation.

In sum, coffee governance has evolved from a state-regulated ICA system, through market liberalisation, to today's buyer-driven value chain. Throughout these shifts, smallholder farmers have consistently remained in disadvantaged positions with limited market power. For today's hybrid organisations, which are introduced in the next section, and which are positioned as processors and the initial point of contact between farmers and international traders, this means operating within governance structures that favour downstream actors. Having laid out a brief historical context, the discussion now turns to the entities under investigation: hybrid organisations.

## **2.6 The Theoretical Roots of Hybrid Organisations**

Having reviewed the GVC framework from an analytical perspective and observed how value distribution plays out in the coffee chain, the question remains: what are hybrid organisations, and how might they contribute to improving the livelihoods of smallholder coffee farmers in and along value chains? To address this, the next part begins by defining hybrid organisations conceptually, followed by an analysis of their role as social enterprises. It then outlines their internal dynamics and external partnerships to develop a clearer understanding of their operational models. After having looked at these organisational aspects, the review turns to how upgrading has been pursued in coffee value chains through different governance approaches. That is, to explore what other scholars have said about the governance pathways currently shaping upgrading opportunities. Finally, the last section brings together the two bodies of literature on GVCs and hybrid organisations to identify the research gap of hybrid organisations in global value chains.

### **2.6.1 Defining Hybrid Organisations**

It is difficult to pinpoint the exact nature of hybrid organisations. According to the Cambridge English Dictionary, hybridity refers to “something that is a combination of two different things,” while organisation is defined as “a group of people who work together in an

organized way for a shared purpose.” When these two terms are merged together, a hybrid organisation becomes a complex entity, as it somehow implies a combination of different elements integrated within a coordinated structure. However, while the integration of different elements is a feature of hybrids, it is not entirely unique to them. Many non-hybrid businesses combine distinct functions under the same roof, for example the common setup of admin operators working behind the scenes of customer-facing sales teams: so what exactly, then, distinguishes hybrid organisations?

Researchers offer various perspectives. Freedman (1972) was the first used the term to describe crime commissions as entities that blended three strategic functions: *public tasks* (such as community engagement and crime prevention initiatives); *social functions* (collaborating with non-profits to address crime-related social issues); and *governmental functions* (partnering with law enforcement agencies to inform policy and legislative changes). This integration of civil society, social, and governmental sector roles became the foundation for the term hybrid organisation.

Since Freedman’s groundwork, however, other researchers have further developed the concept. Koppell (2001, p. 468) described hybrids as “organisations that combine characteristics of public- and private-sector entities,” and specifically referred to state-sponsored organisations that leverage government support to form strategic *partnerships* with private companies. One example could be publicly funded universities who collaborate with private technology firms to commercialise innovative technologies. Thomasson (2009, p. 353) shared Koppell’s view and defined hybrids as “organisations created in order to address public needs and to produce services that are public in character and at the same time resembling private corporations,” and on the same theme, van der Torre et al. (2012, p. 521) defined hybrid organisations as unions that “operate in complex and diversified institutional environments that combine characteristics of the state, the market, and the nonprofit sector.”

Combined, then, the above views suggest that hybrids are entities that integrate characteristics and functions from distinct governance realms (public, private, and/or nonprofit) within a single organisational structure. From this perspective, public housing associations, hospitals, and even universities can be seen as hybrid organisations, as they pursue public service missions while simultaneously operating with market-oriented business models.

## **2.6.2 Hybrid Organisations as Integrating Different Institutional Logics**

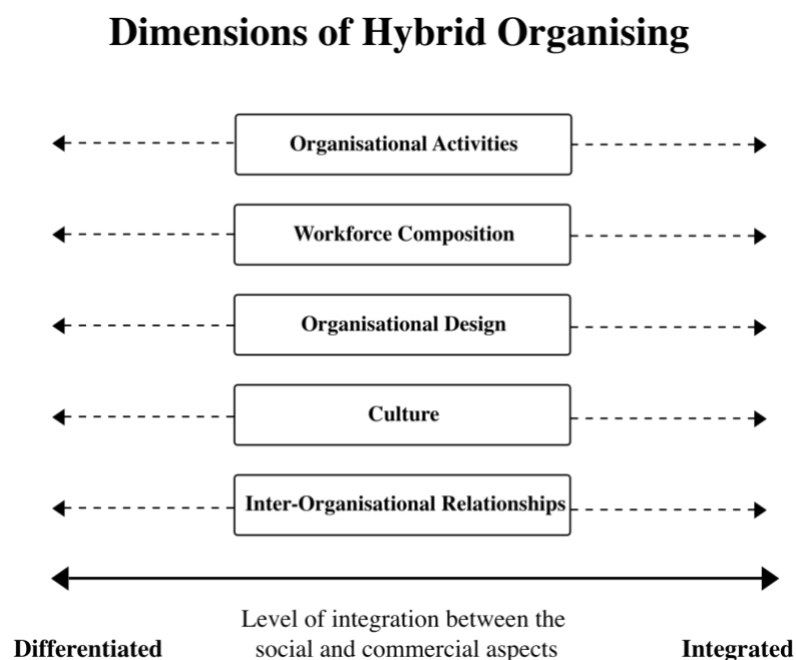
However, other scholars, present a different perspective. Rather than confining hybrid organisations to the public, private, and social sectors, some researchers have expanded the concept. Scholars have also viewed hybrid organisations as entities which integrate multiple institutional logics; that is, they blend practices and strategies that are typically found in organisations operating in separate environments. Kraatz and Block (2008, p. 243) were one of the early proponents of this perspective and wrote: “If institutions are broadly understood as the ‘rules of the game’ that direct and circumscribe organizational behavior, then the organization confronting institutional pluralism plays in two or more games at the same time.” From this view, hybrid organisations are not only those that operate at the intersection of public, private, and social sectors, but also include any organisation that simultaneously navigates multiple institutional environments.

Organisations operating across multiple institutional logics have been studied in various settings and industries (e.g., Dunn & Jones, 2010; Dai et al., 2016; Raynard & Greenwood, 2019; Klein & Amis, 2020). In this view hybrid organisations span different domains, with each type representing unique a logic. This study, however, focuses on a specific blend of institutional logics; namely, the integration of commercial activity with social objectives. To clarify what is meant by “hybrid organisations” here, Battilana et al. (2015, p. 1658) define them as entities that “pursue a social mission and sustain their operations through commercial activities.” Gooneratne and Hoque (2016, p. 59) similarly describe them as businesses that “operate with the coexistence of social and commercial aims, which make them different from their counterparts in the ‘typical’ private sector.” Drawing on these perspectives, this study defines hybrid organisations as entities that deliberately combine social missions with commercial activities within a single organisational unit. This includes those that do not always explicitly frame their purpose as a “social mission” but nonetheless operate with both commercial and socially-oriented logics in line with Gooneratne and Hoque’s (2016) broader characterisation. Accordingly, the definition used here reflects the wider institutional logics framework while centring on the dynamics of social-commercial hybridity.

## **2.7 Social Enterprises as Hybrid Organisations**

Having established a working definition of hybrid organisations, the next step is to look at how such social enterprises manifest as organisational entities. While this study primarily focuses on the external environments that hybrids operate in, it is nonetheless important to consider their internal dynamics, as internal features influence how hybrids engage with and respond to external realities (e.g., Yaari et al., 2021). The first thing, then, to clarify, is that the merging of commercial and social functions is not a binary process; rather, it operates along a continuum where the degree of integration varies. Battilana and Lee (2014) identified five dimensions that shape hybrid organisations as social enterprises: (1) *core organisational activities*, (2) *workforce composition*, (3) *organisational design*, (4) *organisational culture*, and (5) *inter-organisational relationships*. **Figure 4** visually represents the five dimensions of hybrid organisations. Although the dimensions are presented separately for analytical purposes; they often overlap and are oftentimes, in practice, frequently integrated (Davies & Doherty 2019).

**Figure 4: The Dimensions of Hybrid Organising**



Source: Adopted from Battilana and Lee (2014)

Again, the merging of commercial and social functions is not a binary process; rather, it occurs along a continuum with varying degrees of integration. Figure 4 depicts a continuum along a horizontal axis ranging from entities with fully differentiated functions to those with fully integrated ones. Organisations on the left side of the spectrum exhibit high differentiation, with clear boundaries between commercial and social activities. As one moves rightward, the integration of goals and functions increases. The following section examines these five dimensions in detail to establish a framework for analysis. Again, although this dissertation's broader focus is on hybrid organisations' role in GVCs, as well as their challenges and opportunities, understanding their internal dynamics provides the necessary foundation to analyse and categorise what makes a specific organisation hybrid and, besides that, allows one to familiarise oneself with the characteristics and operational structures of hybrids. This will serve as the starting point of the investigation before moving on to a broader context later in this chapter.

### **2.7.1 Hybrid Organisational Activities**

The first dimension of the five under review relates to how organisational activities balance social impact with financial sustainability. Managing *organisational activities* is key; commercial objectives must be aligned with social goals to avoid a so-called "mission drift", which occurs when hybrid organisations gradually shifts away from either its social mission or its revenue-generating activities (Battilana & Lee, 2014). Consider, for instance, a social enterprise focused on coffee production that engages in activities beyond sourcing and exporting coffee beans, such as training farmers in sustainable agriculture, distributing water filtration systems, or offering educational scholarships for farmers' children. In such a setup, tensions can emerge between departments (Dunn & Jones, 2010). If the coffee exporting department prioritises maximising profits through cost-cutting measures like reducing farmer premiums to increase export volumes, this could directly undermine the mission of improving farmer livelihoods. Conversely, if the organisation invests heavily in training programmes and community development initiatives without ensuring the coffee business remains competitive and profitable, the entire enterprise may become financially unsustainable, ultimately jeopardising both commercial operations and social impact programmes.

Studies have identified various approaches to manage tensions between social impact and financial performance. Battilana et al. (2015) observed that while a strong commitment to social objectives can enhance social impact, it often comes at the risk of financial performance. Their solution proposes creating a “space of negotiation” where diverse objectives can be openly discussed between parties representing different logics. Ramus et al. (2017) expand this approach by suggesting a dual strategy: first separating commercial and social objectives into distinct areas, then reintegrating them through joint meetings and shared decision-making. However, as Glynn (2000) cautions, keeping logics too separate can hinder meaningful collaboration. From an organisational perspective, then, hybrid organisations face inherent tensions that require careful management; the challenge lies in finding the right balance between separation and integration to pursue their dual missions.

### **2.7.2 The Workforce Composition of Hybrid Organisations**

While balancing activities is critical, the contribution of the workforce is equally important. *Workforce composition* plays a vital role in social enterprises and represents the second dynamic in the current survey of five dimensions. Battilana and Lee (2014) emphasise aligning staff to support both social and economic goals, though they acknowledge that it is rarely feasible to fully staff with individuals who embody both skillsets. Armstrong and Grobbelaar (2023) further note that staffing depends on integration levels; integrated structures require staff to balance multiple goals, while differentiated structures allow for specialisation in either social or financial roles.

Crucke and Bockaert (2023) investigated whether hybrids face greater difficulty in attracting employees, given the preconception that social initiatives, from one point of view, resemble charity work and hence could be offering lower pay. Their findings revealed that prestige did not reduce employment attractiveness; rather, value alignment emerged as the main factor in attracting talent, which indeed shows the power of shared values. The emphasis on values connects to compensation debates, where Martin (2015) and Yunus (2010) advocate for market-competitive wages in social enterprises. However, social activities typically do not generate income in the same way as commercial operations do, which could, then, lead to internal differentiation where economic roles oftentimes command higher salaries than social ones. Doherty et al. (2014) documents how this disparity can create tensions between paid

employees and volunteers, particularly as organisations shift towards commercial focus which complicates the balance between social impact and financial sustainability. Thus, workforce management, particularly regarding value alignment and compensation structures, emerges as a fundamental element in how hybrid organisations balance their dual missions.

### **2.7.3 The Design of Hybrid Organisations**

Challenges surrounding staffing and compensation tie into the broader complexities of organisational design, which forms the third dimension in this overview. *Designing hybrid organisations* as social enterprises is a difficult pursuit, with the intricacy largely depending on the nature of the objectives being balanced (Grassl, 2012). To illustrate, Davies and Doherty (2019) ran a study on Cafédirect, a coffee company established in 1991 following the global collapse in coffee prices. The company demonstrated organisational complexities through its dual missions: selling coffee to British consumers while simultaneously improving farmers' livelihoods through above-market rates and development initiatives. As its business model evolved, new roles and co-ordination systems created tensions between commercial and social activities, particularly concerning decision-making priorities and organisational identity, which in turn increased organisational vulnerabilities and reduced revenue.

To address such tensions, Davies and Doherty (2019) suggest that hybrid social organisations should conduct thorough *value capture analysis*, that is to say, mapping where and how value is generated to identify potential tension points. Rather than differentiating distinct business models, they propose integrating objectives into a unified model. However, Zollo et al. (2023) advise against this strategy, as they found that integrated activities reduce social enterprise legitimacy and create identity confusion over profit versus social impact priorities.

Given the debate on organisational structure, internal governance is clearly important for managing competing logics. Cornforth (2020) notes that due to various hybrid forms, no single ideal governance structure exists. Nevertheless, against this backdrop of acknowledged complexity, Pache et al. (2024) introduced a balanced model specifically designed to address governance-level tensions. Their study points at two important mechanisms: a *protective board structure* and *relational leadership processes*. The protective board structure ensures the organisation's dual logics (social and commercial) are safeguarded by maintaining a stable

board composition, while relational leadership fosters strong communication and alignment between board members and senior managers.

Cafédirect's experience reflects this; after initial tensions from recruiting primarily fast-moving consumer goods expertise, they adjusted by adding farmers to their board while also appointing a CEO experienced in managing dual missions (Davies & Doherty 2019). This adjustment brings to light the importance of board diversity in hybrid organisations, where representation from both commercial and social sectors can enhance decision-making quality. In effect, Cafédirect implemented important aspects of Pache et al.'s (2024) model through strengthening both their board structure and leadership approach. While research remains early, the combination of protective governance and relational leadership may prove increasingly useful as hybrids navigate their multiple objectives.

#### **2.7.4 The Cultural Dynamics of Hybrid Organisations**

The fourth dimension relates to *culture*; a factor that plays a central role in shaping organisational dynamics. Culture influences both the internal workings of an organisation and its interactions with its broader societal context (Obah & Edwina, 2022). Battilana and Lee (2014) puts up the case that social enterprises face a core dilemma: should they go for a unified culture which blends social and commercial elements, or develop separate “sub-cultures” that reflects their distinct logics? In investigating cultural dynamics within hybrid organisations, Yaari et al. (2021) distinguished two contrasting cultural interaction models: *synchronous* and *synergetic* partnerships. While *synchronous* partnerships maintain separate identities and fewer shared spaces, thus minimising conflict but sacrificing creative potential, *synergetic* partnerships stands for high cultural integration and collaboration to enhance creativity. The choice of which approach to take ultimately depends on the specific trade-offs and the specific context of the organisation.

Moreover, while internal dynamics are important, historical influences also play a role in shaping organisational cultures. D'Alessio et al. (2024) show this by comparing the evolution of social enterprises in Italy and Romania: In Italy, a strong tradition of social co-operation shaped the social economy and organisational norms. Meanwhile, Romania experienced a shorter history of social enterprise development which fostered a more centralised and hierarchical culture, with more top-down decision-making processes.

In addition to historical factors, Yaari et al. (2021) also observed that hybrid organisations, by their very nature, interact with a variety of stakeholders; customers, suppliers, investors, and community members, for example, who often operate according to different institutional logics. These interactions necessitate adaptation to diverse values and principles. For instance, a social enterprise may need to adapt its business practices to respect local customs and traditions. This adaptation, in turn, fosters a system of norms and practices that directly influence the internal organisational culture.

In essence, hybrid organisations adjust their internal cultural practices, partly based on internal considerations and partly due to history and, in addition, also in response to interactions with external actors. The role of external stakeholders in shaping internal practices connects directly to inter-organisational relationships, which is what the next, and final section concerning the five dimensions.

### **2.7.5 Inter-Organisational Relationships**

Finally, *inter-organisational relationships* pertain to how hybrid entities manage their external networks (Battilana & Lee, 2014). Unlike the previously discussed dimensions, which focus on internal operations, this dimension directly concerns the external interactions of hybrid organisations. Worth noting is that the remainder of the literature review adopts a more outward-looking perspective, to align ourselves more and more with the research aim.

Hybrid organisations manage external networks using different strategies. Savarese et al. (2021) distinguish between two main approaches: *low-engagement* and *high-engagement collaborations*. Low-engagement collaborations involve minimal interaction with external partners, which can reduce internal tensions but might lead to “mission drift” because there is less external accountability. Conversely, high-engagement collaborations involve frequent interactions where competing objectives are actively managed, preserving both social and commercial goals. Yet, these collaborations may cause increased operational complexity which requires increased resources and efforts.

While hybrids maintain relationships with diverse stakeholders, investor relationships are perhaps one of the more important areas of consideration as they directly affect both the financial health and mission integrity of hybrid organisations. Agrawal and Hockerts (2019) found that investors primarily evaluate hybrids based on their social mission. Mutual

understanding is essential; when both investors and hybrid representatives clearly communicate social goals and financial risks, they can build sustainable partnerships. Regular reporting and clear governance also support effective collaboration. Furthermore, Emmanuel et al. (2024) demonstrate that, in emerging economies like Nigeria, challenges such as weak institutional frameworks and political instability require investors to adopt longer investment horizons and patient approaches. Such contexts necessitate sustained stakeholder support and strategic patience which recognises that achieving both financial sustainability and social impact demands extended timeframes.

In sum, inter-organisational relationships relate to hybrids' external engagements. Developing appropriate network strategies helps preserve the hybrid nature, especially when organisations cultivate meaningful stakeholder connections. Having now considered the five key dimensions that shape hybrid entities, in a brief manner, the review now proceeds to address their roles within larger societal contexts.

## **2.8 Governance Approaches to Coffee Value Chain Upgrading**

With a solid understanding of hybrid organisations in place, the literature review now turns to how actors can improve their position within coffee value chains. To assess the potential role of hybrids in this context, it is first necessary to look at how upgrading is shaped by broader governance structures. As upgrading does not occur in a vacuum, understanding the influence of different governance forms helps clarify the opportunities and constraints hybrids may face. To this end, the following section reviews literature on upgrading possibilities through various governance approaches. This provides a foundation for situating hybrid organisations within current upgrading and governance debates. Next is a look at governance approaches in coffee value chains, first in the format of **Table 3**, then in text.

### **Table 3: Governance Approaches to Coffee Value Chain Upgrading**

<b><i>Governance Approach</i></b>	<b><i>Key Features</i></b>	<b><i>Key References</i></b>	<b><i>Potential Benefits and Limitations</i></b>
<i>Public Governance: Government Interventions</i>	State-led development through targeted policies, training programmes, and infrastructure investment; state functioning as both regulator and participant	Parente-Laverde (2020); Behuria (2018)	Benefits include enhanced quality standards and infrastructure development, but risks creating dependency and elite capture of benefit
<i>Private Governance: Certification Schemes</i>	Standard-based approach implementing social, environmental, and economic criteria promoted by downstream actors with external verification systems	Beghin et al. (2015); Ssebunya et al. (2017); Wilkinson (2020)	Offers price premiums and market access for some producers, but suffers from uneven distribution of benefits, unfair pricing structures, and marginalisation of farmer knowledge
<i>Multi-stakeholder Governance: Collaborative Solutions</i>	Multi-stakeholder approach involving producers, retailers, roasters, governments and research institutions in both horizontal and vertical integration	Karatepe & Scherrer (2022; 2024); Bennett & Grabs (2025); Hochachka (2023)	Potential for better risk distribution and dynamic pricing models, but faces coordination challenges and questions about practical implementation in competitive environments
<i>Bottom-up Governance: Local Actor Agency</i>	Producer-led initiatives emphasising farmer and processor agency through strategic investment and market repositioning	Gizaw et al. (2022); Suryana et al. (2023a; 2023b); Borrella et al. (2015)	Enables functional and product upgrading with access to speciality markets, though constrained by limited capital, knowledge gaps, and continued smallholder marginalisation
<i>Hybrid Organisation Approach</i>	Dual-mission entities combining commercial and social objectives, positioned as processors and connectors between farmers and international markets	Literature gap identified: There is some nascent literature in the area, yet without explicit focus on GVC governance	Offers potential for embedded knowledge and mediating between smallholders and premium markets, but research remains limited

Source: Own compilation

The table above describes, from left to right, four columns which include governance approaches to upgrading, their key features, relevant scholarly references, and their potential benefits and limitations. From top to bottom, the table presents five distinct approaches in coffee value chains: government interventions, certification schemes, collaborative solutions, local actor agency, and the hybrid organisation approach, which has not been explored greatly. Next is a detailed look at each approach.

### **2.8.1 Public Governance: Government Interventions**

Looking first at government interventions, state initiatives can significantly shape how producing countries participate in coffee value chains. Parente-Laverde's (2020) analysis of Colombia revealed how targeted policies can both drive upgrading and also unintentionally foster dependency on government support. With regard to upgrading, state interventions, including targeted training programmes, improved smallholder farmers' production capabilities and quality standards, which enabled an overall economic upgrading. Gains from improvements were then invested into country infrastructure, education, and development initiatives, showing that well-designed state policies represent a promising pathway for national development from coffee. In contrast, however, the same study also found that efforts created unexpected challenges, as Colombian growers became increasingly dependent on state support, which, in turn, limited actors' ability to innovate independently. Paradoxically, then, the very support intended to empower producers risked constraining their long-term potential.

In contrast to Colombia, Rwanda's coffee sector revealed a more complex landscape of state intervention. Behuria's (2018) research demonstrated how the state actively participated in coffee value chains as both regulator and producer, partnering with lead firms to develop a global reputation for Rwandan coffee quality. However, this strategic approach masked deeper inequities as the Rwandan government was unable to ensure an equitable spread of benefits across the sector. Despite investments in washing stations and infrastructure that facilitated coffee sector upgrading, the benefits predominantly accrued to elites while smallholders were marginalised and in effect excluded from the gains of improvements.

Thus, the experiences from Colombia and Rwanda demonstrate that government interventions can indeed facilitate upgrading within coffee value chains but may also come

with unintended drawbacks. While targeted support programmes have improved producers' capabilities and national coffee quality, they have also inadvertently created dependency among producers in Colombia and reinforced elite dominance at the expense of smallholders in Rwanda. State interventions, therefore, require a careful balance which provides sufficient support to stimulate producer growth without undermining their autonomy or further concentrating benefits among already advantaged groups. In this context, it is not unreasonable to imagine that hybrid organisations could offer a more locally grounded alternative to conventional state-led governance approaches.

### **2.8.2 Private Governance: Certification Schemes**

Another approach to addressing challenges in coffee value chains is through top-down certification schemes. In recent decades, private certification standards have proliferated (Beghin et al., 2015). Typically promoted by powerful downstream actors, such as multinational roasters or trading companies, certification schemes introduce specific social, environmental, and/or economic standards for exported coffee. Implementation usually occurs via processors or cooperatives, who engage directly with farmers to ensure compliance with standards such as speciality, organic, or Fairtrade labels. In return, farmers may earn higher prices for their produce (Mendez et al., 2010; Ssebunya et al., 2017).

However, the impact of schemes remains mixed and fundamentally limited (Akoyi & Maertens, 2017). While certifications have improved economic outcomes for some farmers through increased net-farm income (Ssebunya et al., 2017), they face several limitations. These include unfair pricing structures (Naegele, 2020), shortcomings in labour and environmental safeguards, and inadequate traceability mechanisms (Cummings, 2015). Moreover, Wilkinson (2020) revealed that such programmes often marginalise farmers by excluding their local knowledge and lived experiences from decision-making processes, clearly reflecting a skewed top-down or captive governance reality. Critically, also, certification benefits are unevenly distributed, with many farmers experiencing minimal or no tangible impact (Chiputwa et al., 2014).

This uneven landscape suggests that top-down market-based solutions alone are insufficient for addressing the deeper structural inequalities embedded in coffee value chains. That is, while certification schemes impose external standards with the aim of driving change,

they often fall short of meaningfully engaging with local realities. In fact, some of the hybrid organisations under investigation in this study appear to offer a more grounded response, due to their embeddedness. However, this contrast is not always clear-cut. As will be shown in the discussion chapter, part of the motivation (though far from all) behind certain social initiatives from hybrids stems from the presence of certification schemes. In other words, hybridisation can, in some cases, reflect a strategic response to certification demands. This note is to be kept in mind and will be returned to later on in the discussion chapter. However, for now, to clarify, the hybrids under investigation are not merely processors aligning with certification schemes, but actors deliberately engaged in broader development efforts that extend beyond compliance.

Also, in the Ugandan context, certification schemes have made only modest inroads. In 2019/20, certified or sustainable coffee made up just 5% of national exports. Current figures from the same UCDA (2021) report estimated that this could rise to around 10% by 2024/25. While that marks a gradual increase, certified coffee would still represent only a small share of total production. What may be said here also is that among the 13 hybrid organisations studied, only 4 held certifications such as Fairtrade or Rainforest Alliance. However, more on this aspect later.

### **2.8.3 Multi-stakeholder Governance: Collaborative Solutions**

Besides government or market approaches, some studies have proposed a middle course, that is, the use of collaborative solutions to address value chain challenges. Karatepe and Scherrer (2022; 2024) stressed the importance of collective action to overcome structural barriers, specifically calling for a mix of vertical and horizontal initiatives where coffee stakeholders and governments work together to improve the living conditions of disadvantaged farmers. The rationale here is fundamentally about redistributing risk and value across actors. Peixoto et al. (2023) also endorsed this perspective and argued for collaborations between diverse players including producers, retailers, roasters, governments, and institutions such as universities and research organisations to address coffee chain disparities.

Also in line with a collaborative approach, Bennett and Grabs (2025) recently proposed a concrete mechanism of “value chain profit sharing” that goes beyond theoretical collaboration. Their recommendation involved a dynamic pricing model where suppliers in coffee-producing countries would receive multiple instalments tied to market conditions. For

example, when global coffee prices rise, farmers in producing countries would receive additional payments based on the final selling price, an approach that would radically reconfigure governance realities in coffee value chains. However, although profit-sharing sounds promising, one must consider its practicality; after all, who would voluntarily give up profits in an inherently competitive environment?

It is from considerations such as these that some have begun questioning if the pursuit of improvements within GVCs through slight governance reforms is the most viable path. Fridell and Walker (2019) challenge the very foundations of upgrading and contend that upgrading in GVCs reflects an unconscious acceptance of dominant market ideologies, where attempts at improvement merely reinforce existing capitalist structures. Instead of seeking modest change, they argue for rethinking GVCs as “global poverty chains” that require radical structural transformation rather than small, cosmetic enhancements.

Yet, despite criticism, collaborative efforts persist, particularly as environmental concerns gain traction as an urgent issue in coffee sector discussions. Hochachka (2023) highlights the existential threat facing Arabica production, with projections indicating a potential decline of 65 to 100% by 2080 (Davis et al., 2012) due to climate change. Such a scenario could severely impact the livelihoods of millions of smallholder coffee farmers who are already living under precarious economic conditions. In response, Hochachka (2023) argues that traditional top-down, compliance-based governance approaches are fundamentally inadequate, and instead advocates for a relational model of collaborative intervention.

Thus, while collaboration is widely recognised as a promising avenue for addressing value chain challenges, it remains largely theoretical in practice. That is, the reality today is that collaborative approaches have yet to take root on a broad scale and remain largely suggestive. Against this background, hybrid organisations, which combine commercial practices with social goals, may offer a practical response by acting as boundary-spanning actors who connect stakeholders and help translate collaborative governance into concrete action. This is a thought worth keeping in mind as we later turn to the empirical cases of hybrids under investigation in this study.

#### **2.8.4 Bottom-up Governance: Local Actor Agency**

Finally, another approach to improving value chain dynamics unfolds from the ground up. This approach differs from traditional state interventions, as the emphasis here is on producer agency. In this context, Gizaw et al. (2022) underline the importance of the need for local actors to move beyond raw commodity exports and instead focus on strategic investments that could unlock long-term economic potential for coffee-producing regions. The type of economic upgrading discussed here involves both functional upgrading, where producers take on new roles such as processing and value addition, and product upgrading, which focuses on improving the quality or uniqueness of the coffee itself.

In Indonesia, Suryana et al. (2023a; 2023b) provide a compelling example of how upgrading is framed as a necessary strategy for increasing local value capture within the coffee sector. Although exports of green beans to markets such as the United States and Japan have grown, local actors remain concentrated at the upstream stages of the value chain, while activities such as processing and branding continue to take place in consumer countries. To shift this dynamic and retain more value at origin, the authors argue for a combination of functional and product upgrading, that is, by investing in domestic processing and improving product quality to reposition producers within the chain. A similar perspective was also shared by Gizaw et al. (2022), who showed that coffee exports contribute more significantly to long-term economic growth in Ethiopia when value, through activities such as processing and quality enhancement, is added domestically.

In a similar vein, Borrella et al. (2015) suggest that upgrading can also be achieved through the production of speciality coffee. This form of upgrading is primarily product-based, as speciality markets typically offer higher and more stable prices, which can improve producer incomes. Yet because producing high-quality speciality coffee also requires improved farming techniques and post-harvest handling, this form of upgrading also involves elements of process upgrading. However, the authors highlight a challenge: many smallholder farmers lack the means to access these niche markets on their own. They thus stress the importance of identifying actors who can mediate farmer access to these markets. In this regard, hybrid organisations may serve as intermediaries who help farmers overcome entry barriers by supporting both quality improvement and access to premium buyers.

To summarise, the literature reveals several governance approaches to upgrading in coffee value chains, each with distinct mechanisms and limitations. Government interventions

can facilitate infrastructure development and improve quality standards, although they sometimes risk fostering long-term dependence or becoming captured by local elites. Market-based approaches, such as certification schemes, have shown mixed results, with many benefits failing to reach smallholder producers. Collaborative models involving horizontal and vertical partnerships hold significant potential but are difficult to implement effectively. Meanwhile, local actor-led strategies offer an alternative route by focusing on functional and product upgrading, though they face the challenge of navigating the uneven power dynamics embedded in GVCs. These strategies have the potential to improve livelihoods and increase value retention within producing countries, yet smallholders often remain marginalised. This points to the need for innovative approaches that can bridge existing gaps. The next section examines how hybrid organisations, acting as intermediaries between farmers and international traders, might help address the challenges of upgrading. In doing so, they may also interact with and influence existing governance structures within the coffee value chain.

## 2.9 The Role of Hybrid Organisations in Facilitating Coffee Value Chain Upgrading

Having built up both the GVC framework and the body of literature on hybrid organisations, the next step is to integrate these two perspectives. Research on hybrids in GVCs remains relatively unexplored. A perceived weakness of the GVC framework is that it often studies intermediaries as purely commercial/economic entities. Yet here it is time to highlight the potential of organisations with dual social and commercial missions, that is, especially those that operate as the first point of contact for marginalised producers at the base of value chains. **Table 4** below summarises some key roles that hybrid organisations can potentially play within global value chains as identified in the existing literature. Following the table, each role will be discussed in greater detail with reference to empirical studies and theoretical frameworks.

**Table 4: Potential Roles of Hybrid Organisations in Global Value Chains**

<i>Role</i>	<i>Description</i>	<i>Key References</i>	<i>Context &amp; Examples</i>
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<i>Locally-Embedded Influencers</i>	Organisations positioned close to producers that influence trade dynamics through technical expertise and strategic insight	Strambach & Surmeier (2018); McMullen (2018)	McMullen used a biological metaphor comparing hybrids to new species transforming business environments
<i>Capacity Builders</i>	Address barriers farmers face in upgrading and accessing high-value markets by providing training, resources, and investment	Addisie & Tebarek (2023)	Ethiopian context where cooperatives struggle with limited capital, education, and training
<i>Mediators</i>	Build trust and accountability between farmers and buyers in environments characterised by trust deficits	Vicol et al. (2018); Behuria (2018)	Studies in Indonesia and Rwanda showing how conventional models often reproduce inequalities
<i>Stabilisers</i>	Provide consistent purchasing schedules and transparent pricing in unstable or informal markets	Slosse et al. (2023)	Democratic Republic of Congo where unstable trading channels push farmers toward informal markets
<i>Integrative Value Creators</i>	Deliver multiple benefits including capacity building, market access, and financial stability to smallholders through comprehensive interventions	Doherty & Kittipanya-Ngam (2021); Musinguzi et al. (2024)	Evidence from Thailand and Uganda showing improvements in production practices, crop yields, and household welfare

Source: Own compilation

In the leftmost column, the table identifies five possible roles hybrid organisations could fulfil within global value chains. The second column provides a concise description of each role, the third column references relevant scholars, and the rightmost column offers contexts where these roles might apply. Despite these theoretical possibilities, empirical evidence remains limited, particularly in African contexts. The following sections look at each of these potential roles in greater detail.

### 2.9.1 Hybrid Organisations as Locally-Embedded Influencers

Strambach and Surmeier (2018) were among the first to theorise about how, or if, locally embedded organisations working directly with producers could influence trade

dynamics. While their analysis focused on *knowledge-intensive intermediaries* rather than hybrid organisations *per se*, it laid the groundwork for beginning to think about how organisations, positioned close to marginalised actors at the base of value chains, might contribute to improving trade dynamics. They argued that such entities can develop technical expertise and strategic insight that allows them to move beyond standard business functions. That is to say, organisations that trade directly with disadvantaged producers could use their position not just to facilitate transactions, but also to raise standards to foster more inclusive practices.

McMullen (2018) theorised along similar lines and used a biological metaphor which compared hybrids to a new form of species with the potential to influence and transform their business environment. For example, a hybrid coffee organisation that combines commercial coffee trading with farmer education programmes could gradually impact regional farming practices, much like how a new species might alter its ecosystem through novel interactions with existing organisms.

## **2.9.2 Ecosystems and Institutional Environments**

Besides a focus on change-making potential, academic attention has also been steered towards understanding the ecosystems wherein hybrids exist. Battilana et al. (2022) theorised that hybrid organisations' potential to drive vertical change is limited by horizontal environments that typically favour conventional business models. That is, as hybrids are a relatively novel organisational form, they must adapt to systems not entirely built for them. In liberalised settings, they argue that the structural conditions intensify the trade-offs hybrids face between commercial and social objectives, and that as a consequence of liberal environments it becomes difficult to sustain socially oriented practices.

Strambach and Momanyi (2020) found empirical evidence and presented how hybrid organisations in Kenyan GVCs are constrained by unsupportive institutional environments, including inadequate legal frameworks, limited access to appropriate funding, and challenging local dynamics. In response to this reality, Battilana et al. (2023) stressed the need for supportive societal frameworks, from dedicated legal structures to specialised funding mechanisms that would enable hybrids to fulfil their dual social and commercial missions.

### **2.9.3 Emerging Markets**

The absence of supportive structures is especially pronounced in the context of emerging markets. Littlewood and Holt (2020) recognise the potential of hybrid organisations, yet stress how they must navigate an array of challenges, specifically in Sub-Saharan Africa; from severe resource constraints to weak policy-making tendencies deeply rooted in contexts of informality, acute poverty, and colonial legacies. In a subsequent study, Littlewood et al. (2022) reinforced this point and stressed that research has struggled to keep pace with hybrid developments in Africa. With studies largely concentrated in a few countries such as South Africa, Kenya, and Nigeria, they identified gaps in our understanding of how institutional environments influence hybrids, while calling for expanded research to better understand how hybrids function and adapt in diverse African contexts.

### **2.9.4 Hybrid Organisations as Capacity Builders**

Against this broader backdrop of institutional weakness and uneven research coverage, some recent studies point to specific areas where hybrids may offer promising interventions. This is especially evident in coffee; for example, in Ethiopia, Addisie and Tebarek (2023) found that farmers, who are typically organised in cooperatives, face significant barriers to upgrading and accessing high-value markets (that is, improving production practices, meeting quality standards, and establishing connections to buyers offering price premiums for differentiated or speciality coffee). Their research identified that barriers stem from multiple challenges, including limited investment capital, low levels of education among farmers, and a lack of continuous training; all of which constrain farmers' capacity to meet quality requirements and connect farmers with premium markets.

This situation raises the question of whether hybrid organisations, functioning as processors, could bridge these gaps by offering targeted support to farmers while also advancing their own commercial aims. As discussed earlier, hybrids positioned at the base of value chains have potential to act not only as buyers, but perhaps also as capacity builders.

### **2.9.5 Hybrid Organisations as Mediators**

Besides potential as capacity builders, hybrids could also, in theory, help address trust issues in challenging trading environments. Vicol et al. (2018) documented how downstream roasters promising higher compensation for quality beans often fail to deliver. Their study of “relationship coffee” in Indonesia revealed that, despite claims from downstream roasters about creating upgrading opportunities for marginalised communities, benefits were typically captured by local elites within producer communities. As implemented, the model reproduced existing inequalities rather than contributing to poverty alleviation, similar to what Behuria’s (2018) research found in Rwanda.

These documented shortcomings point to a gap in governance. This raises the possibility that hybrids could add value by acting as fair mediators between farmers and external buyers. Positioned close to producers, and dealing with both social and commercial aims, hybrids may be able to build more accountable and equitable relationships, and in doing so offer a response to the trust deficits that undermine inclusive upgrading.

### **2.9.6 Hybrid Organisations as Stabilisers**

Besides a potential role as capacity builders or fair mediators, hybrids could also be imagined to function as stabilisers in unstable value chains. In the Democratic Republic of Congo, Slosse et al. (2023) recently showed how unstable trading channels push farmers towards informal markets for immediate cash, which hinders long-term development. This instability, largely created by weak institutions, highlights another gap that well-designed and properly managed hybrid organisations could potentially bridge. That is, in contexts where informality is prevalent, hybrids could theoretically provide consistent purchasing schedules or transparent pricing models and thereby offer the predictability needed for farmers to engage in more formal trading.

### **2.9.7 Empirical Evidence on Hybrid Organisations as Integrative Value Creators**

Encouragingly, while the theoretical roles for hybrids as capacity builders, fair mediators, or stabilisers remain largely conceptual, there is emerging evidence that some of these potentials are beginning to be realised. Despite limited research conducted on hybrids in GVCs to date, initial studies confirm their practical impact. In this regard, Doherty and

Kittipanya-Ngam (2021) studied hybrids in global coffee chains and drew on cases from Thailand, and revealed that hybrids delivered multiple benefits to smallholders, including capacity building, market access, and financial stability. Comparing these empirical findings with the theoretical potential discussed above reveals a possible alignment between theory and practice. However, despite promising results, research is still in an early phase, and from this, Doherty and Kittipanya-Ngam (2021) called for future studies that apply a value chain approach to deepen our understanding of how hybrids create economic, social, and environmental value in GVCs.

In a different context, but along similar theoretical lines, recent research by Musinguzi et al. (2024) provides additional empirical evidence from the Ugandan coffee sector. Through a quantitative survey of 1,021 households (523 beneficiaries and 498 non-beneficiaries), they found that farmers connected to hybrids experienced significant improvements in production practices. Specifically, their analysis showed that hybrid-linked households achieved increased crop yields, greater savings, and improved food security, while women reported more leisure time and greater involvement in household decision-making. While acknowledging these positive outcomes, Musinguzi et al. (2024) also call for further studies to explore how hybrids function within broader regional development contexts.

## **2.10 Preliminary Conclusions and Research Gap**

It is precisely at the intersection between promising theoretical roles and limited empirical insight that this dissertation seeks to contribute. The literature review suggests several potential functions for hybrids in GVCs (as locally-embedded influencers, capacity builders, mediators, stabilisers, and integrative value creators), but these roles remain largely hypothetical, with only a handful of studies offering concrete insights. Given the research gaps identified in diverse African contexts (Littlewood et al., 2022), this dissertation focuses on the case of Uganda's coffee sector. In this context, while Musinguzi et al. (2024) provided valuable insights into tangible improvements in household welfare, their study concentrated on measurable outcomes and did not explore the operational challenges or opportunities that hybrid organisations face within the chain, which is the intention here.

The existing literature leaves several critical questions unanswered: How do hybrid organisations navigate the tensions between their social and commercial objectives in practical terms? What specific mechanisms do they employ to support smallholder upgrading? How do institutional environments affect their operations? And perhaps most importantly, what real-world constraints limit their potential impact? This research aims to address such gaps through an in-depth investigation of hybrid organisations operating in Uganda's coffee sector.

To conclude, this chapter has synthesised two literature streams: global value chains and hybrid organisations, and identified a knowledge gap concerning the role of hybrids in GVCs. It began by outlining two fundamental GVC concepts, governance and upgrading, before narrowing in on the coffee value chain, which is the specific type of agricultural chain under investigation. As this dissertation focuses on coffee, the chapter then provided a structural overview that illustrates how value is distributed, with actors closer to end markets capturing the most, while smallholder farmers receive the least.

The chapter then shifted to a historical perspective on coffee governance and demonstrated how smallholders have remained structurally disadvantaged over time despite changes in governance arrangements. From this backdrop, the discussion turned to hybrid organisations, presented here as entities that integrate commercial and social missions within a single organisational unit. After defining their dual nature, the chapter explored their internal workings and then examined key governance approaches to upgrading in coffee value chains. Finally, the chapter positioned hybrids within the broader GVC debate and theorised on the potential functions they might play in supporting upgrading processes for smallholder coffee farmers. After reviewing the limited empirical literature currently available, the review pointed to a clear research gap: although hybrids show promise as actors capable of supporting upgrading, little is known about their real-world constraints and opportunities, especially in Sub-Saharan Africa. In pursuit of addressing this gap, the next chapter outlines the research methods used to study hybrid organisations in Uganda's coffee sector. It details the approach taken to collect and analyse empirical data on how hybrid organisations operate at the intersection of commercial and social impact.

# Chapter 3: Research Methods

## 3.1 Chapter Overview

This chapter is intended to outline the methodological approach used to examine hybrid organisations. The chapter begins by explaining the research philosophy and epistemological foundations that frame the study. This is followed by the research design section which introduces the comparative case study methodology and its rationale, while acknowledging limitations. The chapter then outlines the research approach and reasoning strategy that guided the investigation. Next, it explains how hybrids were identified, the criteria used for their selection, and provides an overview of the participants involved. The remaining sections describe the data analysis techniques employed, measures taken to ensure research quality, constraints encountered, and ethical standards upheld throughout the project. The chapter concludes with a brief reflection on the positionality that shaped the research perspective.

## 3.2 Research Philosophy

### 3.2.1 Epistemology

From a broad philosophical perspective, this research is grounded in *epistemology*, the branch of philosophy concerned with knowledge, its sources, and how it is justified (Saunders et al., 2019, p. 144). An epistemological framework was appropriate for this study as it allowed recognition of the diverse perspectives from hybrid organisations and other stakeholders as valid sources of knowledge about the coffee sector. Unlike *ontology* (which focuses on the nature of reality itself) or *axiology* (which examines values and ethical considerations), epistemology helped address questions about how we can know and understand the experiences and challenges of hybrid organisations. As Bell et al. (2019, pp. 29-30) explain, epistemology concerns “what constitutes acceptable knowledge” within a field of study, which aligns well

with the approach that values the subjective insights and experiences of various stakeholders, and from this draws conclusions about value chain dynamics.

### **3.2.2 Pragmatism**

With regard to the research paradigm, consideration was given to adopting a *postmodernist* frame, as *postmodernism* often addresses marginalised viewpoints and strives to make visible what has been left out (Saunders et al., 2019, p. 149). This point of view initially seemed most relevant to this work, as the study seeks to emphasise the often overlooked perspectives of upstream coffee actors. However, this perspective was ultimately not chosen because of the *postmodern* tendency to question the existence of objective truth, which conflicts with the study's approach. Upon reflection, I recognise that this reasoning is inconsistent, as I do in fact question certain objective truths throughout this work.

On the other end of the spectrum lies *critical realism*. While this approach asserts that an objective reality can be comprehended and studied through our senses, and postulates the existence of a reality external to our minds (Saunders et al., 2019, p. 149), it too seemed somewhat restrictive for the research context, as there could be 'different truths' in the minds of the respondents. For instance, a hybrid organisation might perceive its sustainability efforts as highly impactful, while farmers might experience the same initiatives as merely incremental. Both perspectives contain valid elements of truth within their contexts, highlighting the subjective nature of experiences that this study acknowledges.

In navigating between these positions, I chose to construct the paradigm on a *pragmatic* basis. *Pragmatism*, as described by Saunders et al. (2019, p. 151), focuses on the practical consequences of ideas and prioritises 'what works' in addressing research questions rather than abstract philosophical positions. A *pragmatic* orientation recognises that knowledge is both constructed and grounded in the reality of the world we experience. For this study, therefore, *pragmatism* offered the flexibility to acknowledge market conditions or regulatory frameworks, while also valuing the varied subjective experiences and interpretations of farmers, hybrid respondents, and other respondents.

## **3.3 Research Design**

### 3.3.1 Methodologies

Methodologically, the research employed a *comparative case study* approach. As Bell et al. (2019, pp. 68-70) explain, a comparative research design requires at least two cases (such as organisations, nations, or individuals), with the underlying logic centred on drawing comparisons between data. Bell et al. (2019, pp. 68-70) further categorise this approach as a *multiple case study*, as it involves studying several organisations, each serving as its own case. In practice, this meant comparing multiple hybrid organisations while also considering their broader stakeholder systems, that is, their interactions with various value chain actors to uncover their operational contexts. This approach was particularly valuable for understanding dynamics because, as Eisenhardt (1989) pointed out, theories developed through case study research tend to be practical and closely tied to real-world evidence. As will be shown in the conclusion, by analysing multiple sources of data, this approach uncovered relationships and dynamics across Uganda's coffee sector that a single case study might have overlooked (Bell et al., 2019, pp. 68-70).

### 3.3.2 Methods

To gather primary data, *semi-structured interviews* were conducted as the main research method with various stakeholders between February and December 2024. The stakeholders included farmers, hybrid organisation representatives, industry experts, state actors, and international traders, as mentioned earlier. Bell et al. (2019, p. 596) describe semi-structured interviews as using an interview guide while allowing flexibility regarding the sequence of questions. Given the epistemological nature and pragmatic stance of this research, semi-structured interviews suited the study well, as the strategy allowed for both theoretical guidance in terms of predetermined conceptual frameworks and emergent insights from participants' lived experiences. The interview guide (see appendix 1) contained basic questions forming the core structure, but I often adapted follow-up questions based on participants' responses. This kept interviews conversational while remaining focused on the relevant research themes. Through conversations, I sought to uncover the challenges and opportunities facing hybrid organisations in Uganda's coffee sector.

The interview guide was developed through an iterative process. Initially, I drafted questions based on existing literature on hybridity and value chains. These questions were then refined after pilot interviews with two industry contacts (not included in the final sample) to ensure clarity and relevance. As the interviews progressed, I further adjusted the guide to incorporate emerging themes, following the abductive approach described next.

## **3.4 Research Approach**

### **3.4.1 Abductive Research Approach**

In terms of methodological reasoning, the study employed an *abductive* approach. An abductive approach represents a middle course between deductive and inductive reasoning. Rather than testing predetermined hypotheses about hybrid organisations (*deductive*) or building theory purely from observations (*inductive*), the study adopted an approach that combined both (Saunders et al., 2019, p. 153). To this end, the study collected data through interviews while simultaneously drawing on established value chain frameworks and hybridity concepts to address the research question. For example, when probing sustainability initiatives among hybrids, the analysis drew on theoretical ideas from existing literature while grounding these concepts in the actual lived experiences reported by participants. This method allowed both abstract theoretical frameworks and concrete empirical evidence. That is, throughout the research process, I continuously moved between theoretical concepts and empirical observations, letting each inform and refine the other. This iterative process was especially helpful in identifying patterns across the multiple cases studied.

### **3.4.2 Qualitative Method**

The research employed a *qualitative design* to address the core research question. According to Saunders et al. (2019, p. 179), qualitative approaches are well suited for collecting rich analytical data and providing theoretical contributions. Hence, a qualitative approach was particularly appropriate for exploring the challenges and opportunities facing hybrid organisations in Uganda's coffee sector. Through in-depth interviews with diverse stakeholders

across the global value chain, the research captured nuanced insights that would have been difficult to achieve using a quantitative approach.

Regarding language considerations during fieldwork, a multilingual approach was adopted. While interviews with hybrid representatives, state actors, industry experts, and international buyers were primarily conducted in English, farmer interviews occasionally required translation. As the researcher, I understand Luganda and Lusoga, which are widely spoken Bantu languages in Uganda. These language skills enabled direct communication with many farmers. However, for interviews conducted in languages such as Runyankole in Western Uganda or Lugisu in Eastern Uganda, a local translator accompanied me to ensure accurate interpretation of terminology, though I could still partially understand these conversations due to some shared vocabulary across Bantu languages.

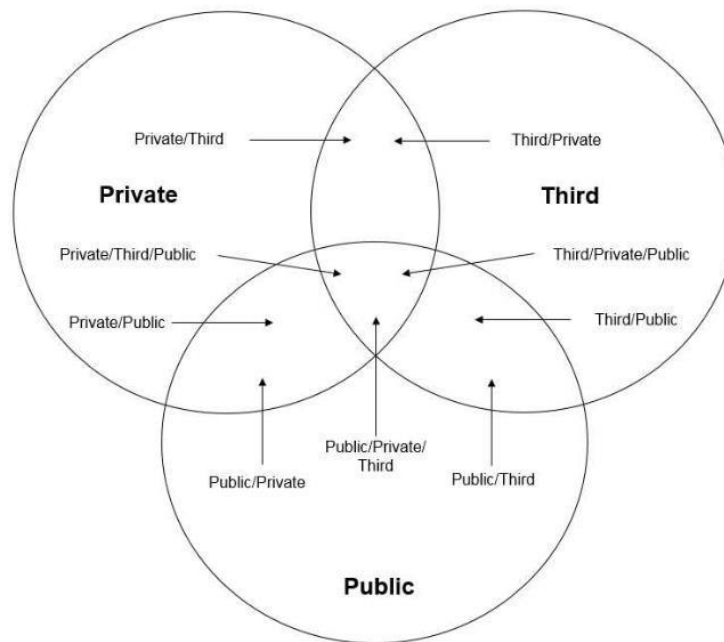
## 3.5 Sampling Strategy

### 3.5.1 Identifying Hybrid Organisations

Based on what criteria were hybrids identified? As discussed in Chapter 2, hybridity exists along a continuum where some organisations maintain a clear distinction between their social and commercial activities, while others integrate functions more comprehensively. While this framework helps in understanding the internal composition of hybrids, it provides little insight into identifying their placement within broader societal contexts.

In this regard, Littlewood and Holt (2020), building on Billis's (2010) "prime-sector" analysis, offered a useful framework. Billis (2010) categorised society into three "pure" sectors: *public*, *private*, and *third*. In simple terms, the thinking here is that institutional landscapes can be viewed from the angle of three domains: first, the *public sector* is state-driven and focuses on governance and public service delivery. The second point of view, *private sector*, is market-driven and prioritises profit and competition. The third sector meanwhile, is *mission-driven* and often consists of NGOs that operate outside direct state or market control. **Figure 5** below depicts the conceptual framework with the overlapping sectors that give rise to different hybrid forms.

**Figure 5: Three Sectors and their Hybrid Zones**



Source: Littlewood and Holt (2020)

Littlewood and Holt (2020) adapted these public, private, and third sector categories to map hybrid organisations in African contexts, and I adopted this same framework for identifying hybrid organisations for this study. By using this framework, I was able to set up clear criteria for determining which organisations qualified as hybrids.

As seen in the figure, the three sectors overlap in several areas, which brings clarity regarding the spaces where hybrids operate. Hybrid organisations essentially mix elements from multiple sectors. *Public/Private* hybrids emerge when government and private entities merge, which often happens through state-owned enterprises that operate commercially while remaining publicly owned. *Third/Public* hybrids, on the other hand, arise when organisations, while rooted in nonprofit or charity principles, maintain close working relationships with government bodies. An example is an NGO contracted to deliver public services in underserved areas.

The relevant category for this study, however, is the *Private/Third* hybrids, which blend private-sector commercial activity with third-sector social engagement. These include enterprises that have a for-profit structure but maintain some social, or sustainability, operation.

While the 13 hybrid organisations examined in this study varied in their level of integration, all operated as coffee processors while engaging in activities beyond pure commercial operations. Specifically, training farmers in improved agricultural practices, which they all did as a means of securing supply consistency and improving quality at the farm level. Yet beyond this, some went even further by supporting farmers with other means. That is, some were more closely aligned with third-sector principles, and others less so, as will be shown further in Chapter 5. The point here is simply to note the criteria on which hybrids were identified, namely through the application of Littlewood and Holt's (2020) framework, and on the basis that they all engaged with coffee while operating some social operation.

### **3.5.2 Sampling Approach**

With the above framework in mind, the research employed a *purposive sampling* method, to identify and select appropriate participants. As Bell et al. (2019, p. 395) explain, generic purposive sampling involves the researcher setting specific criteria concerning the kinds of cases needed, and then picking cases that meet these criteria. For this study, the principal criterion for selecting hybrids was that they demonstrated a dual mission of operating as coffee processors while also promoting sustainability objectives, as mentioned before. The purposive approach was combined with snowball sampling, which Bell et al. (2019, p. 395) describe as a technique where the researcher makes initial contacts and then leverages leads to find additional participants. Starting with a few hybrid organisations, I asked each participant to recommend other relevant stakeholders and thereby built a network that expanded to include diverse participants operating within their system.

In practice, the sampling strategy involved many channels. Initial participants were identified through online research which led to direct emails and phone calls. I also attended the 2024 World of Coffee trade show in Copenhagen, Denmark, where I met representatives from Uganda's coffee sector. This approach to sampling proved worthwhile, as it enabled me to secure interviews with participants across relevant coffee stakeholder groups, both state and private.

The selection of farmer participants involved a degree of pragmatism given logistical constraints. As most hybrid organisations were headquartered in central Kampala, I selected three hybrids operating in different regions: Eastern (Mount Elgon), Western (Mbarara), and

South-Western (Bwindi), and requested permission to interview farmers working with them. This geographical spread, though not comprehensive, provided insights from diverse growing conditions and farmer experiences. While this approach excluded farmers working with other hybrids, the 24 farmers interviewed still offered valuable insights into hybrid-farmer dynamics.

As the interview process progressed, and after speaking with hybrid organisations as well as several farmers, industry experts, government actors, and traders, I began to notice that responses increasingly overlapped; similar themes and concerns came up across different settings. Based on these repetitions and the time available, I settled with 49 interviews, which I found sufficient for capturing a broad mix of views.

### **3.5.3 Overview of Participants**

From the principles outlined above, the research identified hybrid organisations. However, the study also included other stakeholders across the global value chain to understand how hybrids function within the broader value chain context. Interviews were conducted with 24 farmers connected to three of the interviewed hybrids. Farmers shared their experiences, including, for example, details about training programmes, price structures, or microloan initiatives, which revealed farmer-hybrid dynamics. State actors were also included to understand the institutional environment in which hybrids operate, though, to maintain anonymity (as coffee is highly political in Uganda), specific details are not disclosed apart from noting that some were affiliated with UCDA. Further, to gain perspective on hybrid-international trader dynamics, three international traders participated in the study. Two were headquartered in the US, and one in the UK, all sourcing coffee from hybrid organisations in Uganda. Finally, the study also involved two industry experts to provide a broader contextual understanding of the Ugandan coffee sector: one independent consultant and one who held a leading position within one of Uganda's most influential coffee advocacy groups. Together, all interviews took place between February and December 2024. **Table 5** below provides a numerical summary of the participants. To find a more detailed description of the participants see the appendix 2.

#### **Table 5: Summary of Interview Participants**

<i>Participant Category</i>	<i>Subcategory</i>	<i>Number of Respondents</i>	<i>Number of Organisations</i>	<i>Interview Method</i>	<i>Gender Distribution</i>
<i>State actors</i>		4	x	4 Face-to-face	2 Female, 2 Male
<i>Hybrid organisations</i>	Multinational	2	2	2 Face-to-face	1 Female, 1 Male
	Locally embedded	14	11	11 Face-to-face, 3 Virtual	1 Female, 13 Male
<i>Farmers</i>	Mount Elgon	14	-	14 Face-to-face	5 Female, 9 Male
	Mbarara	7	-	7 Face-to-face	3 Female, 4 Male
	Bwindi	3	-	3 Face-to-face	1 Female, 2 Male
<i>Buyers</i>	International	3	3	3 Virtual	0 Female, 3 Male
<i>Industry experts</i>	Local	2	2	1 Face-to-face, 1 Virtual	0 Female, 2 Male
<i>Total</i>		49	18+	42 Face-to-face, 7 Virtual	13 Female, 36 Male

Note: Detailed listings of the organisations and individuals who participated, including anonymised names and interview specifics, can be found in the appendix 2. Source: Own compilation

The table above provides a breakdown of the 49 research participants by category. At the core of this study are 16 representatives from 13 hybrid organisations, comprising both multinational (2) and locally embedded processors (11). Well to note also is that out of the 13 hybrid organisations, 4 held voluntary sustainability certifications, such as Fairtrade or Rainforest Alliance. The inclusion of 24 farmers from three growing regions: Mount Elgon (14), Mbarara (7), and Bwindi (3), offers perspectives from Uganda's Eastern, Western, and South-Western coffee landscapes. To understand the institutional environment and broader value chain dynamics, the study included 4 state actors, 3 international buyers, and 2 industry experts who provided a contextual understanding of sector-wide trends and challenges. The predominance of face-to-face interviews (42 of 49) arguably enhanced data quality, as they facilitated deep engagement. However, gender distribution (13 female, 36 male) reflected some imbalance, though among farmers, women represented approximately 37.5% of participants (9 of 24).

### 3.5.4 Instruments

In terms of instruments used for the study, these were primarily tools to help gather data and software to capture and transcribe it. Bell et al. (2019, pp. 416-417) explain that there are various ways of collecting data, such as *jotted notes*, which involve capturing phrases or quotes from interviews, or *full field notes* to record data from respondents. However, these methods were not used. Instead, as recommended in the same book (2019, p. 445), *voice recording* and *transcription* were employed for all interviews. This approach offers several benefits, including overcoming the natural limitations of human memory, and allowing thorough examination of what participants said, thus enabling repeated review of responses.

The instruments used were an iPhone 11 for recording face-to-face interviews, and online video chat services such as Zoom or Microsoft Teams for those that could not be conducted in person. These virtual interviews were also voice-recorded. To transcribe the data, the online programme Transkriptor.com was utilised. While some farmer interviews were conducted in local languages, translation occurred simultaneously during the interview process, which eliminated potential challenges in later analysis and ensured accurate interpretation of participants' responses. The work itself was written on a laptop computer.

## 3.6 Data Analysis

### 3.6.1 Primary Data Analysis

Once interviews were completed, the study employed *thematic analysis* to identify patterns and insights from the data. Bell et al. (2019, p. 519) explain that thematic analysis is particularly valuable in qualitative research, as patterns can emerge through repetitions, similarities, or contrasts across participants' accounts. Saunders et al. (2012, p. 557) describe this approach as similar to completing a jigsaw puzzle, where the pieces of text represent data that must be assembled to create meaning. This metaphor captures the approach to working with transcripts.

The specific coding process followed the *six-phase approach* to thematic analysis as outlined by Clarke and Braun (2013). First, I familiarised myself with the data through repeated

readings of the interview transcripts. Second, I generated initial codes by identifying meaningful segments of text relevant to the research question. These codes included labels such as “climate change challenges”, “farmer training initiatives”, or “microloan initiatives”. Third, I searched for themes by grouping together related codes. Fourth, I reviewed the themes to ensure they accurately captured both the coded data and the dataset as a whole. Fifth, I defined and named each theme, clarifying its significance in relation to the overall research aim. Finally, I reported the findings using illustrative quotes that linked the themes to both the research question and the broader literature. This structured process allowed for consistent and reflective engagement with the data, in line with Clarke and Braun’s (2013) guidance for solid thematic analysis.

While useful, Bell et al. (2019, p. 565) note a possible weakness in this approach: the subjective nature of coding. For instance, would another researcher examining the same transcripts identify the same themes and quotes? To address this, I revisited the data multiple times to ensure consistency and checked emerging patterns against existing theory using abductive reasoning. Throughout the process, I also consulted my supervisor to validate my interpretations and ensure theoretical coherence. Ultimately, the selected quotes speak for themselves and serve as strong evidence for the themes identified.

Additionally, I applied *triangulation* strategies to increase the validity of findings. As Saunders et al. (2012, p. 683) explain, triangulation involves using multiple sources or methods within a single study to help ensure that the data truly reflects what it seems to indicate. In this study, data triangulation was achieved by comparing perspectives across different stakeholder groups (farmers, hybrid organisations, industry experts, government officials, and international traders) on shared themes, and by using secondary analysis to assess whether findings aligned with those reported in other sources. This approach helped reveal both points of convergence and areas of disagreement. The role and use of secondary data is further discussed in the following section.

### **3.6.2 Secondary Data Analysis**

Further insight was also gained from secondary data sources. Bell et al. (2019, p. 12) define secondary data as information collected by others. In this study, such sources included policy documents, historical records, newspaper, and journal articles. These materials were

examined using document analysis techniques, which in practice involved systematically reviewing the data to identify recurring themes, build analytical frameworks, trace the evolution of relevant events, and capture contextual factors shaping Uganda's coffee sector. That is, I read secondary materials, highlighted what was relevant, and incorporated it into the study with proper referencing. This approach complemented the primary interview data by providing theoretical, historical, and regulatory background to the findings. As Saunders et al. (2012, p. 65) observe, secondary data can be instrumental in establishing both theoretical and contextual grounding. In line with this, secondary materials informed this thesis throughout, including the methodological approach in this chapter, the research context in Chapter 4, the literature review in Chapter 2, and the introduction in Chapter 1.

## **3.7 Criteria and Limitations**

### **3.7.1 Reliability, Validity and Generalisability**

The quality of research is vital to its credibility. Three evaluation criteria were considered throughout this study: *reliability*, *validity*, and *generalisability* (Bell et al., 2019, p. 64). *Reliability* pertains to the consistency and replicability of research findings. Yet, as Saunders et al. (2012, p. 382) point out, findings derived from semi-structured interviews “are not necessarily intended to be repeatable since they reflect reality at the time they were collected, in a situation which may be subject to change.” From this, the strength of semi-structured interviews is their flexibility for exploring complexity rather than generating replicable results. Nevertheless, to address reliability, I have documented the methodological approach in this chapter, enabling other researchers to understand how data was collected and analysed (Saunders et al., 2012, p. 382).

To further enhance reliability during the interviews, I applied several measures recommended by Saunders et al. (2012, p. 383) to overcome bias. These included providing participants with relevant information before interviews (Saunders et al., 2012, p. 385), choosing interview locations that minimised distractions (Saunders et al., 2012, p. 386), maintaining consistency in how questions were posed (Saunders et al., 2012, p. 389), and carefully recording data (Saunders et al., 2012, p. 383). Structuring the interviews in this

manner reduced the potential for bias and increased the reliability of the collected information (Saunders et al., 2012, p. 389).

*Validity* refers to whether the research accurately captures what it intends to analyse. Semi-structured interviews can achieve high validity when “conducted carefully due to the scope to clarify questions, to probe meanings and to be able to explore responses and themes from a variety of angles” (Saunders et al., 2012, p. 384). During interviews, open questions beginning with words such as *what*, *how*, or *why* were used to prompt participants to elaborate on their experiences (Saunders et al., 2012, p. 391). Moreover, active listening techniques were employed, where I remained fully attentive to participants’ explanations (Saunders et al., 2012, p. 393). Along with the abductive approach that enabled ongoing refinement of the analysis, these techniques helped ensure that the study captured participants’ perspectives accurately. My background research (Chapter 4) on Uganda’s coffee sector further ensured that I had sufficient contextual knowledge to interpret nuanced responses.

*Generalisability*, sometimes termed external validity, concerns whether findings can be extended beyond the specific research setting. Bell et al. (2019, p. 65) suggest that researchers differentiate between different kinds of cases when discussing generalisability. This study focused on what Bell et al. (2019 p. 66) describe as “representative or typical cases” of hybrid organisations in Uganda’s coffee sector. That is to say, the selected hybrid organisations were chosen to represent the common structural and operational characteristics found across similar entities in the sector, rather than atypical or extreme examples. While some might argue that case studies are limited in their generalisability compared to quantitative methods (Bell et al., 2019, p. 66), the intention here was not to achieve statistical generalisation. Instead, the goal was to generate insights. That is, the findings offer information about hybrid organisations that may apply to other settings, particularly in agricultural value chains in developing economies. Using multiple cases adds weight to this transferability, as it highlights patterns across varied organisational circumstances.

### **3.7.2 Limitations of the study**

The research faced several constraints worth noting. First, time limitations affected the scope of farmer interviews. While valuable insights were obtained from the 24 farmers who participated, additional interviews with farmers from hybrids beyond the three sampled would

have further enriched the data. Geographical limitations were also present. By concentrating on Mount Elgon, Mbarara, and Bwindi, the study captured important coffee regions but did not encompass Uganda's entire coffee landscape. Producers from other regions may have had different experiences. Access to stakeholders was another challenge. Interviews with hybrids and industry experts went relatively smoothly, as most were open to participating, and although interviews with government officials were ultimately conducted, obtaining them required considerable effort. Participation from international buyers was limited, with only three agreeing to interviews despite many attempts, providing relatively narrow insights into global market perspectives.

Power dynamics also posed a methodological challenge, particularly when interviewing farmers whose livelihoods depend on the hybrid organisations studied. To encourage openness about challenges, I conducted farmer interviews away from hybrid representatives. I also used indirect questioning techniques by asking about broad challenges before focusing on specific relationships with hybrids, which I hope helped farmers feel safer in sharing their views. While the case study design has intrinsic limitations concerning generalisability, it offers the opportunity to identify general patterns and mechanisms that may be applicable across contexts. Although this design provides deep contextual insights, the findings should be considered with an understanding that the institutional and market conditions of Uganda's coffee sector represent a specific setting from which more universal principles can be carefully derived.

## **3.8 Ethics and Positionality**

### **3.8.1 Ethics**

Saunders et al. (2012, p. 226) define research ethics as standards of behaviour that shape the way researchers interact with the individuals who become part of their studies or are otherwise affected by their work. Bell et al. (2019, p. 114) identify four main ethical concerns in business research:

1. **Harm to participants:** Care was taken to ensure that participants were not harmed by their involvement. Informed consent was obtained, clarifying the purpose of the

research as well as any potential risks and benefits. Interviews were conducted in a respectful manner.

2. **Lack of informed consent:** Written or verbal consent was sought from all participants, ensuring that they understood the aims of the study, that their participation was voluntary, and that they could withdraw at any time.
3. **Invasion of privacy:** Pseudonyms were used instead of real names, and all confidential data was stored in password-protected cloud storage. Interview locations were chosen to allow participants to speak freely.
4. **Whether deception is involved:** There was no deception, as I communicated openly about the project's purpose and scope to maintain transparency.

These ethical practices were intended to safeguard both participants and the integrity of the research. Intellectual property rights were also respected, and possible conflicts of interest avoided. Prior to fieldwork, the study received formal ethical clearance from the University of Cape Town's Ethics Committee, which assessed the proposal, interview guides, and consent procedures. Special care was taken for farmer interviews, so that language barriers did not hinder understanding of consent. All participants were informed that their involvement would not affect their relationships with hybrid organisations or other value chain actors.

### **3.8.2 Author's own position**

It is pragmatic to acknowledge my own position in this study. As Bell et al. (2019, p. 156) note, it is important for researchers to reflect on their values and potential biases. In my case, I am Ugandan by heritage, with both parents being Ugandan, but I was raised in Sweden. This background gives me insight into Ugandan culture, while also exposing me to a "Western" worldview. During research, I was thus mindful of my inclination to support Uganda's coffee sector and remained committed to impartial enquiry.

Throughout the research process, I kept a reflexive journal to monitor how my positionality might influence data collection and analysis. This helped me recognise moments when my background might shape my interpretations. Further, my Ugandan heritage made it

easier to build rapport with local participants, which sometimes, perhaps, resulted in more open responses. At the same time, my Western upbringing and education could position me as an outsider, especially when speaking to farmers. To address this insider-outsider tension, I openly acknowledged these dynamics during interviews.

### **3.9 Chapter summary**

To summarise, this chapter has detailed the methods employed in investigating hybrid organisations. It began by explaining the research philosophy and epistemological foundation that frame the study. The chapter then presented the comparative case study methodology and its rationale, followed by the abductive reasoning approach and qualitative method that guided the investigation. Next, it outlined the sampling strategy, including how hybrids were identified using Littlewood and Holt's (2020) framework, the approach to selecting participants, an overview of the 49 respondents from across the value chain, and the instruments used for data collection. The data analysis sections then described the thematic analysis techniques employed for primary data and the document analysis applied to secondary sources. Attention was given to reliability, validity, and generalisability, recognising both the strengths and limitations of the research design. The chapter addressed ethical considerations, ensuring informed consent, confidentiality, and transparency throughout the research process. Finally, it concluded with a reflection on the researcher's positionality and how this background influenced data gathering and interpretation.

# Chapter 4: Research Context

## 4.1 Chapter Overview

The following chapter surveys Uganda's coffee sector across historical and contemporary viewpoints. The goal here is to provide a foundation for understanding hybrid organisations' environment, that is, their social, economic, and political context. To this end, the chapter begins by reviewing the origins of commercialised coffee production in the early 1900s. It then traces the sector's evolution through independence, state control, and political turbulence during the 1970s and 80s. It also traces the ensuing liberalisation era of the 1990s and connects these developments with the current coffee-sector outlook. The chapter ends with a summary that concludes the research context and briefly sets up the next analytical section that reviews the collected data.

## 4.2 Pre-Independence: Commercialisation of Coffee in Uganda

### 4.2.1 Early British Colonial Influence

Uganda is a small, landlocked country in East Africa with a population of around 46 million (UBOS, 2024). It is made up of 56 tribes that include groups with roots both within and outside the country (Baker, 2001). Robusta coffee is an indigenous crop for Uganda; it has cultural and historical attachments that stretch as far back as the thirteenth or fourteenth century (Nakazibwe, 2005). However, in the year 1894, the British established a protectorate over Uganda, and with that a new era for coffee began (Kanyehamba, 2002).

In 1895 the British imported 32,000 Indian labourers under indentured contracts with the objective of constructing the Uganda Railway. Upon its completion in 1903, the railway connected landlocked Uganda to the Kenyan coast at Mombasa which enabled the

transportation of goods over sea (Ruchman, 2017). With infrastructure in place, the British leveraged their colonial control and Uganda's suitable climate to encourage indigenous farmers to cultivate both Robusta and Arabica coffee.

#### **4.2.2 Regulatory Frameworks and the Defence (Control of Coffee) Regulations**

As rail lines and steam engines transformed the landscape, the British also established legislative frameworks to govern trade. The Coffee Industry Board was established in 1930 to ensure coffee quality (Baffes, 2006), while Robusta was governed through the Defence (Control of Coffee) Regulations introduced in 1942. Through the enactment of these regulations, the Director of Agriculture was appointed as the Controller of Coffee; a position which allowed this one individual to set prices for both unprocessed and processed Robusta and even determine the price of beans before shipments were made from Mombasa to the UK (Yoshida, 1973). By centralising price-setting in a single office, the British effectively acted as lead firms and captured the majority of value.

#### **4.2.3 Arabica Coffee and Emerging Tensions**

The commercialisation of Arabica was somewhat more dramatic than that of Robusta. Native to Ethiopia, South Sudan, and parts of Kenya, Arabica was first introduced to Uganda in the early 1900s (Davis et al., 2012; Davis et al., 2023). Compared to Robusta, Arabica boasts a more flavourful profile and was first cultivated by the indigenous Bagisu people in the high-altitude mountains near the Uganda-Kenya border.

Cultivation quickly became a catalyst for economic growth, albeit on shaky ground. In 1933, the colonial government-backed Bugisu Coffee Scheme monopolised trade and reduced the Bagisu to labourers on their own lands. The scheme's exploitative nature became evident as indigenous farmers toiled under oppressive conditions which eventually drove them to challenge colonial authorities. After struggles and confrontations between natives and colonial officials, the Bugisu Cooperative Union was formed in 1954, with the promise of increased autonomy and self-government for natives. Yet, this moment of hope proved short-lived. By

1961, the colonial side had once again reasserted control, and reinstated the marginalising patterns that had long defined trade relationships (Bunker, 1984).

#### **4.2.4 Emerging Inequalities**

The Bagisu experience was not an isolated incident but rather a reflection of deeper inequalities that emerged in Uganda's coffee industry at the time. Indeed, the coffee chain itself embodied a stark ethnic stratification as British administrators positioned themselves at the lead, Asians (among a select locals) emerged as trading administrators in the middle, whereas indigenous Ugandans primarily performed manual labour on the ground (Yoshida, 1973; Jamal, 1976). This hierarchical arrangement reflected the British colonial strategy of "divide and rule," as they deliberately created economic disparities between regions and peoples by granting economic privileges to some while ignoring others and exploiting existing stifle to prevent unified resistance (Lwanga-Lunyiigo, 1987).

### **4.3 Post-Independence: Evolving Governance Structures**

#### **4.3.1 Arabica Post-Independence**

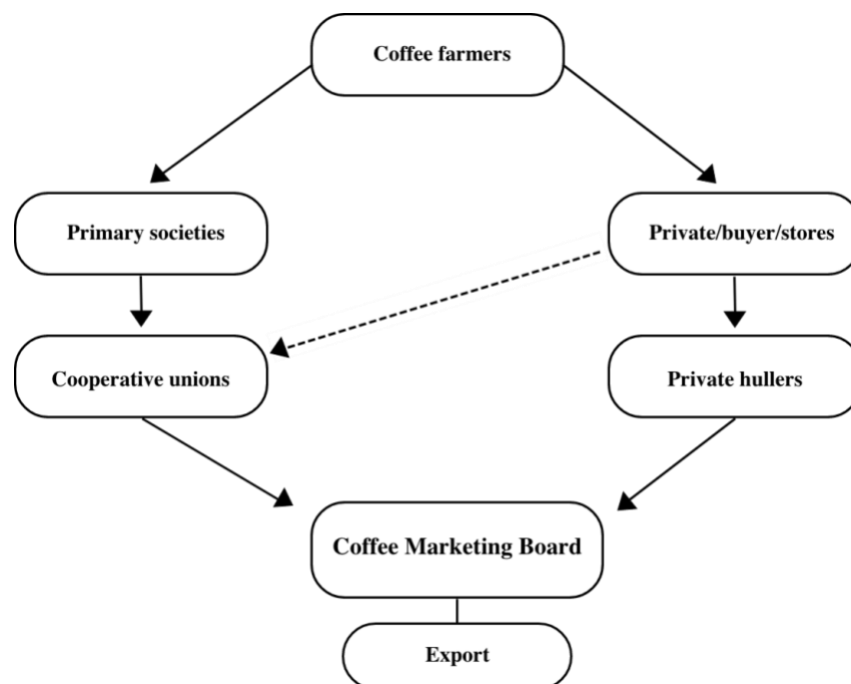
However, after years of foreign-influenced subjugation and a hard-fought struggle for independence, Uganda achieved independence in 1962 (Twaddle, 1996). This milestone opened up new opportunities, particularly for Arabica coffee. The Bugisu Cooperative Union, under the leadership of native-born George Waisi, gained increased autonomy and began marketing Arabica directly to overseas markets rather than relying on traditional Kenyan intermediaries (Bunker, 1984).

#### **4.3.2 Robusta Post-Independence**

Meanwhile Robusta production remained centrally state governed, however now under the management of the Coffee Marketing Board (CMB) (previously known as The Coffee

Industry Board). **Figure 6 below**, illustrates the value chain that emerged. The post-independence value chain for Robusta involved smallholder farmers who produced, harvested, and dried coffee before delivering it to either primary societies (farmer-owned cooperative collection centres at the village level) or private stores (locally-owned trading businesses). Primary societies sold coffee to regional cooperative unions, while private stores sold to either independent huller operators or also to cooperative unions. After hulling, all coffee was sold to the CMB at fixed prices, which were set by the national budget and remained unchanged regardless of fluctuations in the international market. Finally, the CMB reprocessed the coffee by sorting, grading, and blending before bulking and bagging beans for export (Masiga & Ruhweza, 2007).

**Figure 6: The Robusta Coffee Value Chain Post-Independence**



Source: Waggwa-Nsibirwa, (1999), as cited in Masiga and Ruhweza (2007)

### 4.3.3 ICA Regime Phase

Well to note here also is that coffee was not only centralised on a national level, but also on an international scale. Uganda's entry into the International Coffee Organisation (ICO) in 1962 further shaped the coffee sector as the ICO administered the International Coffee Agreement (ICA); a price stabilisation system that operated from 1962 to 1989. The ICA regulated the global coffee market by establishing export quotas and target price ranges for member countries. As described in Chapter 2, the ICA system sought to prevent price volatility while ensuring producer countries received fair returns (Akiyama & Varangis, 1990; Bates, 1997; Ponte & Gibbon, 2005). Under the ICA framework, Ugandan production flourished, with coffee output doubling from approximately 2 million 60-kilogram bags in 1962 to about 4 million by 1969 (FAO, 2025).

#### **4.3.4 Turbulent Times From Colonial Legacies**

Despite impressive growth, Uganda's coffee sector remained compromised by colonial-era inequalities that would soon trigger a cascade of destabilising events. While production volumes increased, the CMB still depended heavily on Asian traders who controlled key intermediary positions, which perpetuated ethnic systems from the times of colonial rule. The commercial dominance by a non-indigenous group frustrated government officials, who viewed it as being contrary to economic autonomy (Ryan, 1973). In response, the President at the time, Milton Obote, publicly voiced his resentment and proposed removing Asian minorities from their commercial strongholds in 1968 (Nyombi & Kaddu, 2015). As part of a broader effort to nationalise the main industries and gain complete control over agricultural value chains, the government shifted leftward and as a consequence, introduced amended legislation in 1969 which expanded the CMB's exclusivity to also include Arabica, leading to the Bugisu Cooperative Union losing its hard-won autonomy (Bunker, 1984).

Government efforts to restructure economic hierarchies soon intensified ethnic divisions. By 1970, the Asian population had grown to over 50,000 with most being born in Uganda but not registered as citizens (Amor, 2003; Nyombi & Kaddu, 2015). Seizing the opportunity to expand state control, President Obote sought to tighten his grip on power by introducing the *Trade Licensing Act* and *Immigration Act* in 1970. These laws were designed to squeeze out non-citizens from Uganda's economy, but unsurprisingly they had unintended

consequences. The Asian community, fearing for their livelihoods, panicked and scrambled to safeguard their assets, as cash, gold, and ivory were smuggled out of Uganda which ultimately damaged the young Ugandan economy (Ryan, 1973).

#### **4.3.5 Idi Amin and the Collapse of Production**

Although Obote's policies contributed to the rise of ethnic grievances, conditions deteriorated further when Idi Amin seized power in 1971. Amin quickly blamed the Asians for the struggling economy and issued a decree in 1972 that forced almost all of the 50,000 Asians to leave Uganda within 90 days (Neumann, 2006). At the time, the Asian community played a pivotal role in Uganda's economy; they owned 90% of the country's businesses and accounted for 90% of tax revenues (Dawood, 2016). Thus, the expulsion had serious consequences for the coffee sector specifically, as Asians had served as important intermediaries. Their sudden removal left critical gaps in trading, processing, and export functions that were filled by inexperienced individuals with limited knowledge of international markets (Nyombi & Kaddu, 2015). Despite structural challenges, however, Uganda's coffee sector experienced a temporary reprieve when a devastating frost in 1977 destroyed two-thirds of Brazil's coffee bushes (Maidenberg, 1977). This global supply shock created an opportunity that Uganda leveraged to expand its market share despite domestic difficulties (Peterson, 2021).

However, the favourable position that came with the frost was short-lived due to mounting internal challenges. Unfair pricing policies and poorly managed export practices quickly led to a sharp decline in revenues (Baffes, 2006), while high taxes fuelled widespread smuggling, with substantial portions of coffee output being sold unofficially through neighbouring countries (Godfrey, 2011; Kuhanen, 2017). These factors contributed to a dramatic 49% drop in coffee production between 1970 and 1980 (FAO, 2025). Thus, the coffee sector evolved from colonial control to centralised state governance, but when Uganda attempted to mature as an independent nation, internal conflicts and perhaps a lack of regional capabilities led to economic collapse. Following Amin's overthrow in 1979 and a brief period of transition, Milton Obote returned to power in 1980 for his second term as president (Golooba-Mutebi, 2008).

### **4.3.6 The Return of Milton Obote**

As Obote returned to power for his second term, Uganda's coffee sector experienced *déjà vu*. The same policies that had guided smallholders during his first term were restored; cooperatives governed smallholders and the CMB took control of the value chain. However, the CMB's management practices continued to cause problems, for instance, delaying payments to farmers which led to a decline in output as farmers diversified into other crops (Bunker, 1984; Reinikka & Collier, 2001). Further, the global coffee market was also experiencing turbulent times following the 1989 collapse of the International Coffee Agreement (Ponte, 2002a). The decline in coffee output began around 1990 and continued until 1994, when climate-induced low harvests in Brazil again temporarily reversed the downward trend (You & Bolwig, 2003). Amidst this period, Uganda's coffee sector underwent a structural transformation. Under the new President Yoweri Museveni and with the support of the International Monetary Fund (IMF) and the World Bank, the coffee sector was liberalised in 1991 (Harris, 2005).

## **4.4 The Liberalisation Era**

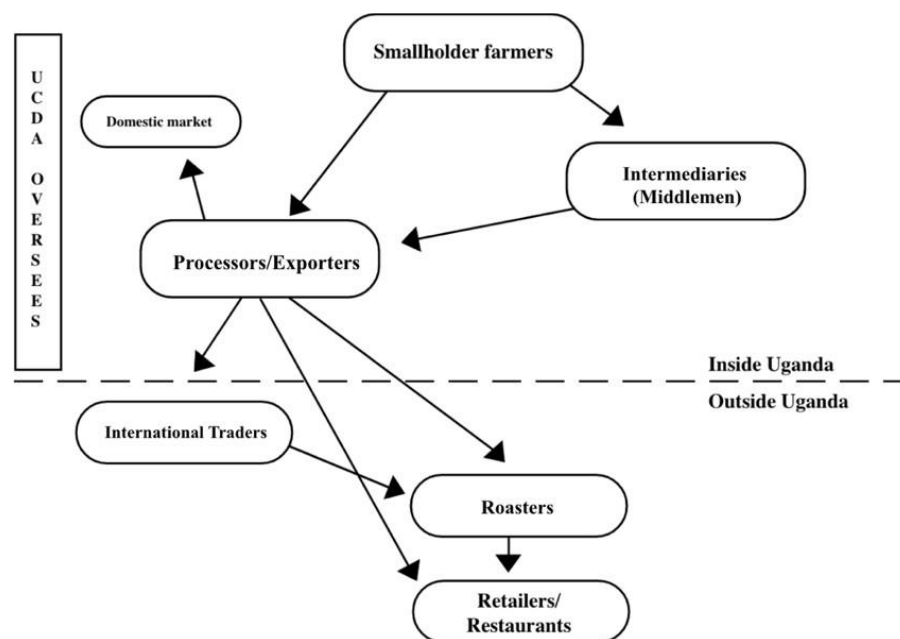
### **4.4.1 Policy Shifts and the Birth of the UCDA**

Following liberalisation, the Coffee Marketing Board was split into two entities: the Uganda Coffee Development Authority (UCDA) and the Coffee Marketing Board Ltd. (Baffes, 2006). The latter is no longer active: today, the UCDA serves as the sole regulatory body, taking a notably less interventionist approach compared to its predecessor. Unlike the CMB's direct involvement in buying, processing and exporting coffee, the UCDA instead focuses on quality control, registering organisations, promoting Ugandan coffee, and funding its activities through a 2% export levy (USDA, 2022; UCDA, 2024). Further, following liberalisation, the Ugandan coffee value chain became dominated by coffee processor/exporter companies, (Reinikka, Collier, 2001; Masiga & Ruhweza, 2007).

## 4.4.2 Market Players and Competition

**Figure 7** below illustrates the structure of the post-liberalisation value chain. Processor organisations, which are also hybrid organisations, source coffee from smallholder farmers who are organised into cooperatives, various unions, or operate as independent actors directly connected to the processors. As a consequence of liberalisation, farmers maintain their freedom to sell coffee to any processor they choose. Processors, meanwhile, hull and process coffee cherries into exportable green beans. While some focus on bulk exports to international traders, others engage in economic upgrading by roasting, packaging, and branding coffee for domestic supermarkets, cafés, or specialised international markets (Okamoto, 2020; UCDA, 2025a).

**Figure 7: The Coffee Value Chain Post-Liberalisation**



Source: Author's adaption, Okamoto (2020)

Also seen in Figure 7 are intermediaries, or middlemen, who source coffee from farmers and sell it directly to processors. Despite their prevalence in the value chain, with an estimated 10,000 middlemen operating throughout Uganda (IDH, 2020), their role remains contentious.

For example, according to Okamoto (2020), many smallholder farmers attempt to bypass middlemen, when possible, as pricing practices often fail to reward higher-quality coffee. Kaufman (2020) adds that middlemen's buying practices can be exploitative. Nonetheless, their continued presence suggests they serve certain functions, for example, quick payment when farmers need immediate cash. As of 2025, there are around 112 registered firms exporting coffee from Uganda (Nakazi, 2025). These exporters handle the majority of the country's coffee, as domestic consumption remains low, estimated at only 3 to 5% (UCDA, 2025b).

## **4.5 Contemporary Outlook**

Reflecting on the historical journey covered so far, a persistent pattern of power imbalances emerges between farmers, value chain actors, and the government. These historical dynamics continue to shape the sector today, as it grapples with volatile market prices, unequal trading relationships, natural shocks such as climate change and pest outbreaks, and a complex institutional environment (Ponte, 2002b; Shepherd, 2004; Utrilla-Catalan et al., 2022; Arslan et al., 2024; Bennett & Grabs, 2025). In response, this study has identified how hybrid organisations have emerged to contribute to addressing these challenges. Positioned as a form of processor organisation, hybrids strive to improve the sector by promoting sustainability. While the specifics of their operations are covered in the literature review, the subsequent sections will discuss contemporary challenges facing Uganda's coffee sector, to understand the context in which hybrids are embedded before moving on to the next chapter which presents data collection.

### **4.5.1 Price Volatility and Market Distortions**

**Figure 8: Market Volatility in the Global Coffee Market 1976- 2024**



Source: ICO as cited in Komatsu & Gil-Alana (2024)

First, hybrid organisations in Uganda operate within a volatile landscape of coffee prices. **Figure 8**, above, displays the ICO Composite Indicator, which is a benchmark for coffee prices across all origins and types (Komatsu & Gil-Alana, 2024). The graph consists of a series of notable events such as the 1977 Brazilian frost, the 1989 ICA-collapse, and the 2008 financial crisis (Akiyama & Varangis, 1990; Bush, 2010; Grabs & Ponte, 2019). Price swings have far-reaching consequences for producers along the chain (e.g., Mekasha et al., 2022). In fact, increased price volatility exposes producers to higher price risks, which can have severe livelihood implications for those heavily reliant on coffee for subsistence (Mohan et al., 2014).

The case of Uganda is particularly exemplary, where fluctuations have led to decreased incomes and livelihood insecurities for smallholder farmers as they struggle to adapt to unpredictable market conditions (Jassogne et al., 2013; Lukanima & Swaray, 2014). Notably, the ICA-collapse marked an important turning point, as it had previously maintained price stability in the global coffee market (Akiyama & Varangis, 1990; Bush, 2010; Grabs & Ponte, 2019). Although the aftermath of the collapse saw an increase in price volatility, the primary driver of this instability remains unclear (Mohan et al., 2014). Two competing explanations have emerged: one camp attributes price swings to external factors such as natural disasters, currency fluctuations, and the collapse itself (Lukanima & Swaray, 2014; Komatsu & Gil-Alana, 2024), while another contends that the ICA-shift was a catalyser which enabled multinational corporations to enter and dominate the coffee market, which, in turn, generated trade spillovers that promote price volatility (Zhang et al., 2022). What can be said with

confidence however is that the Ugandan coffee sector, including hybrid organisations, face uncertain market prices. In fact, it is to be kept in mind as we begin to investigate the challenges and opportunities of hybrid entities later on.

#### **4.5.2 Imbalanced Market Dynamics**

Moving on to another concern, hybrid organisations also face realities related to unequal market dynamics. That is, market concentrations, accelerated by the ICA-collapse and liberalisation policies (Wedig & Wiegratz, 2018), has created an unbalanced competitive environment at both global and local levels. As laid out in the literature review, following the ICA's collapse, the global coffee chain developed a pronounced concentration and solidification of power, with a few large-scale multinationals now holding major control. Uganda's domestic market mirrors global patterns. Locally, just 10 companies handle around 70% of Uganda's coffee exports (UCDA, 2025c), which reflects the worldwide trend where over 80% of global coffee sales are attributed to only three corporations (Fairtrade, n.d). Onyas' (2023) ethnographic study in Uganda reveals the on-the-ground reality of this concentration: a stark and persistent asymmetry of power between farmers at the bottom and coffee processors and middlemen at the top.

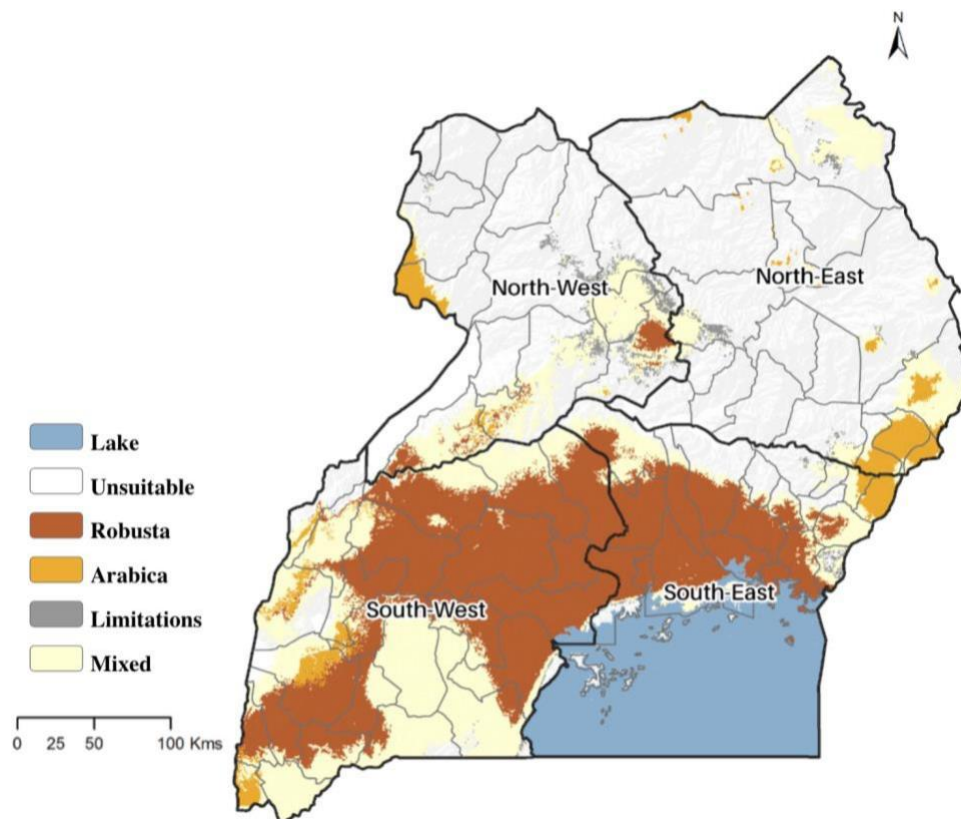
On this topic, Uganda's coffee sector reflects broader economic trends within the country. The increasing presence of multinational corporations, in general, has contributed to income concentration among elites (Jäntti et al., 2022) while limiting opportunities for the country's young population (Asiimwe, 2023), as wealth flows predominantly to foreign entities rather than circulating in the economy. When examining hybrid organisations, it will be important to consider how they navigate and potentially address, or perhaps even are a part of, significant power imbalances within the market, as they strive to pursue their dual missions.

#### **4.5.3 Natural Disruptions and Climate change**

Besides market concentration and power asymmetries, hybrid organisations face another challenge: environmental volatility. Natural disruptions, particularly those caused by climate change, pose existential threats to the coffee industry. As a result of rising temperatures

and altered weather patterns, the income of the around 1.8 million households that derive their livelihood from coffee in Uganda is becoming increasingly at risk (DaMatta & Ramalho 2006; Tavares et al., 2018; Lemma & Megersa, 2021; UCDA, 2022). To bring some geographical context. As shown below in **Figure 9**, there is a spread in total cultivation of coffee: Robusta, represents around 77%, while Arabica, stands for about 23% (Bunn et al., 2019).

**Figure 9: Map of Uganda With Coffee Frequency**



Source: Bunn et al. (2019)

Since coffee requires specific weather conditions to thrive, with Arabica growing best at 18-22 °C and Robusta at around 22-28 °C (Magrach & Ghazoul, 2015), changes in weather settings have a direct impact on yields. In fact, due to climate change, land suitable for Arabica cultivation is projected to decline by 20% by 2050, while Robusta faces a 9% decline (Abigaba et al., 2024). To mitigate climate impacts, agroforestry emerges as a feasible adaptation

strategy. For instance, planting trees alongside coffee gardens to provide shade for adaption (Mulinde et al., 2019). However, the benefits of such methods vary across types; Arabica's gains from agroforestry strategies remain uncertain, while up to 50% of Robusta production could be saved (Abigaba et al., 2024). Another worrying fact to consider is that rising temperatures create ideal conditions for pests and diseases; and although natural ills already burden coffee growers today (Mulindwa et al., 2022), climate change is expected to increase such impacts (Kagezi et al., 2018). Also, increased heavy rainfall is predicted to cause a rise in soil erosion, causing even more harm on coffee (Nsubuga & Rautenbach, 2018).

Taken together, climate change presents a heavy burden on the entire coffee industry. Moving forward, it will be important to consider how or if hybrid organisations are addressing climate change, and to what extent these efforts form part of their operational challenges and opportunities.

#### **4.5.4 Institutional Complexity in Ugandan Coffee**

Finally, apart from the factors covered so far, hybrid organisations also face a complex institutional landscape. These include, but are not limited to, physical infrastructure deficits, gender imbalances, and political entanglements. First, while Uganda has made progress in physical infrastructure, persistent challenges remain. For example, rural areas struggle with power access and thus, in many cases, rely on diesel generators that sometimes pollute the air, which affects coffee flavours (UCDA, 2021). The country has witnessed significant improvements in transport and logistics; however, challenges persist in accessing several rural zones, which causes delays and bottlenecks (Muvawala et al., 2021). Although access to water has likewise improved, it is not always sufficiently supplied, which disrupts farming practices (Bartl, 2024). These infrastructure limitations may constrain hybrid organisations' ability to operate consistently.

Additionally, empowering women and reducing gender inequalities is number 5 of the 17 United Nations (UN) Sustainable Development Goals. While some progress has been made in this regard (Farm Africa, 2021), Uganda still faces considerable challenges. Many women working in agriculture experience more difficulties than their male counterparts (Gyllensten, 2022), in part due to discriminatory gender norms and insecure, poorly paid work that is not

covered by formal social protection (Leon-Himmelstine et al., 2021). For hybrid organisations with social missions, such disparities may represent both an obstacle and a potential area of intervention within their sustainability programmes.

The issues outlined above arguably call for resolution at the political level, yet the political landscape itself introduces further complexity. One episode is the 2022 disagreement between President Museveni and the Ugandan Parliament over the Vinci deal. Although the deal is no longer active, it proposed granting Uganda Vinci Coffee Company Limited (an Italian-linked firm) exclusive rights to buy all of Uganda's coffee (Habati, 2022). While ultimately unsuccessful, the proposal signalled potential proclivities towards recentralisation in state governance, which creates policy uncertainty that hybrid organisations must be prepared to navigate.

Similar tensions have surfaced around government growth ambitions. In 2015, the President launched an initiative to increase production to 20 million 60-kilo bags by 2030, with projected export revenues of around \$2.2 billion (Ferreira, 2017). A step towards this goal was taken in 2021 with the passage of the National Coffee Act, which expanded UCDA's mandate to cover the entire coffee value chain from production to export. More recently, exports have grown to 6.13 million bags valued at \$1.144 billion in 2023/24, though progress remains needed to meet the 2030 target (UCDA, 2025d).

Despite these developments, the government in 2024 proposed to rationalise the UCDA by merging it into the Ministry of Agriculture. The move has triggered significant resistance from coffee farmers and community leaders, who fear that the specialised focus necessary to maintain quality and export competitiveness could be lost (New Vision, 2024; Agaba, 2024). The debate has exposed contrasting views across Uganda's coffee governance landscape. While President Museveni frames the rationalisation as a cost-cutting measure and has reaffirmed the national priority of coffee (State House, 2024), Parliament has been divided. Some MPs view it as a means of streamlining resources, while others are concerned about disruptions to the sector (Nabakooza, 2024). At the time of writing, the bill has passed Parliament and awaits the President's signature, after which a three-year transition period would begin for the UCDA's full integration into the Ministry (Kahungu, 2024). For hybrid organisations, this restructuring introduces yet another layer of uncertainty in their institutional environment.

In summary, the contemporary coffee sector in Uganda is marked by price volatility, market concentration, environmental risks, and institutional uncertainties. Before proceeding to the findings of primary data in the next chapter, it is essential to recognise this context as it provides an important foundation for understanding how hybrids respond to and engage with opportunities and constraints in their pursuit of value chain upgrading.

## **4.6 Chapter Summary**

Overall, the research context for hybrid organisations in Uganda's coffee sector is one of historical complexity and continued challenges. Taking a step back, from the early 1900s, British colonialism brought deep inequalities that positioned indigenous farmers at the bottom of the coffee chain with limited economic opportunities. Fast forward, to the time of independence in 1962, Uganda entered a period of centralised control under the International Coffee Agreement, which provided price stability but maintained many structural inequalities.

During the ICA-phase (1962-1989), colonial power hierarchies persisted, with ethnic patterns continuing to shape economic relationships. A boiling point was reached in the 1970s and 80s as the colonial legacy erupted into conflicts and political turmoil that devastated coffee production.

Moving on, the liberalisation era of the 1990s introduced a more open market structure but brought new challenges. When viewed critically, however, one might infer that liberalisation merely shifted control from state management to foreign multinationals, while the fundamental power structure remained largely unchanged for smallholder farmers.

Today, multinational corporations dominate the market, climate change threatens production capacity, and government initiatives signal potential returns to centralised control. Under these circumstances, hybrid organisations operate in an environment with multifaceted pressures and from this, it will be interesting to next examine how they navigate their realities. The following chapter will present data collected to find out the answer to the research focus regarding challenges and opportunities hybrids face as they try to upgrade in the coffee sector.

# Chapter 5: Findings

## 5.1 Chapter Overview

The purpose of this chapter is to present findings from the data collection. Findings drew insights from 49 interviews that addressed the research question regarding the challenges and opportunities faced by hybrid organisations seeking to upgrade within Uganda's coffee value chain. As detailed in the methods chapter, interviews took place with a diverse group of participants. These included smallholder farmers, hybrid organisation representatives, industry experts, government officials, and international traders. Given the semi-structured nature of the interviews, the themes should not be understood as fixed conclusions. Rather, they represent reflections on different perspectives and realities expressed by the respondents.

The first theme looks at entry-level challenges and opportunities. It focuses on economic and social upgrading, which pertains to human wellbeing, and quality upgrading, understood here as both process upgrading (training and improving farming practices) and product upgrading (enhancing coffee quality and consistency). Hybrids frequently build trust and engage with farmers in order to secure a reliable supply of high-quality coffee.

The second theme looks at financial dynamics. It considers how locally embedded hybrid organisations often face high interest rates and restrictive lending conditions, unlike their multinational counterparts who have access to more favourable financial arrangements. The theme also incorporates farmer perspectives and presents some challenges related to income and limited access to affordable credit, and implications for farmers.

The third theme looks at functional upgrading. It presents how hybrids, in addition to their focus on quality upgrading, attempt to move further along the value chain by engaging in activities such as roasting, packaging, and direct-to-consumer sales. However, these efforts unfold within a complicated institutional environment marked by infrastructural constraints, policy misalignments, and power imbalances in trade relationships.

The final theme addresses environmental upgrading, its challenges and opportunities. It outlines how shifting weather patterns, rising temperatures, and pest pressures affect coffee

production, and how hybrids respond through mitigation practices such as agroforestry, soil management, and supply chain adaptations.

Each theme begins with a brief overview, followed by a summary table which outlines the main challenges and opportunities faced by hybrids with regards to each theme. The discussion then draws directly on interview data to bring up the core points. To maintain anonymity, the names of individuals and organisations have been changed. The chapter concludes with a summary of findings and sets the stage for the next chapter, which discusses the empirical findings in greater depth.

## 5.2 Social and Economic Upgrading: Entry-level Challenges and Opportunities

The first theme addresses entry-level challenges and opportunities for hybrid organisations. Building trust is particularly difficult and requires substantial investments of time and resources. Given this backdrop, hybrids often adopt incentive-based strategies to foster relationships. However, farmers tend to prioritise immediate financial returns over long-term loyalty. The motivation behind hybrids’ pursuit of process upgrading (agricultural training for farmers) and product upgrading (improving coffee quality and consistency) is to secure a reliable supply of high-quality coffee. Nonetheless, disagreements persist regarding power dynamics in farmer-hybrid relationships: while some actors perceive farmers as already well-positioned, available data indicates that farmers’ net incomes remain limited. At the same time, some farmers associate hybrid interventions not only with financial concerns but also with improvements in wellbeing, which hints at elements of social upgrading. The discussion now first turns to how hybrids address these entry-level challenges and opportunities; first in table format, then in narrative analysis.

**Table 6: Social and Economic Upgrading: Entry-level Challenges and Opportunities**

Stakeholder	Subsection	Challenges	Opportunities
Hybrid Organisations	Building Trust	Time Investment: Requires years to	Incentive Strategies: Seed

		build farmer trust (“It has taken me four years”)	distribution and support initiatives to build relationships
		<b>Farmer Loyalty Issues:</b> Difficulty securing consistent supply despite support	<b>Premium Pricing:</b> Some pay 30% above market rates to secure quality coffee
	<b>Quality Upgrading</b>	<b>Extension Resource Gaps:</b> Limited external support for farmer training	<b>Training Diversity:</b> Professional experts, peer-led learning, and mentor systems
			<b>Certification Schemes:</b> Provides incentives for Hybrids to support farmers
	<b>Quality Governance</b>	<b>Competitor Standards:</b> Other buyers accepting lower-quality coffee	<b>Quality as Strategy:</b> Using consistent quality to demand higher prices
		<b>Reinvestment Demands:</b> Need to finance farmer training from own margins	<b>Market Differentiation:</b> Building reputation for quality in risk-perceived market
<b>Farmers</b>	<b>5Building Trust</b>	<b>Immediate Needs:</b> Prioritising short-term returns over relationships	<b>Fair Pricing Access:</b> Better prices from quality-focused hybrid buyers (social upgrading)
	<b>Farmer Perspectives (Social Upgrading)</b>	<b>Implementation Barriers:</b> Scattered plots, labour costs for organic methods	<b>Skills Development:</b> Learning organic farming techniques and methods
		<b>Ongoing Financial Constraints:</b> Struggles with school fees, inputs despite gains	<b>Timely Payments:</b> More reliable payment schedules than traditional

			buyers (social upgrading)
			<b>Community Benefits:</b> Some receiving broader support (water access, etc.) (social upgrading)
<b>Government/UCDA</b>	<b>Quality Governance</b>	<b>Capacity Limitations:</b> Insufficient resources for comprehensive oversight with only 25 inspectors for six million bags, leading to sampling-based rather than comprehensive quality control	<b>Policy Opportunity:</b> Potential to improve regulatory framework, enforcement mechanisms, and quality standards implementation throughout the value chain
		<b>Inspection Timing:</b> Quality checks occurring too late in process (at container stage) when defects can no longer be corrected, only identified	<b>Centralised Models:</b> Potential to adopt successful approaches from neighbouring countries (Rwanda, Kenya, Ethiopia) where centralised processing has standardised quality and enhanced reputation
		<b>Enforcement Gaps:</b> Challenges in addressing unethical practices where exporters might hide lower-quality coffee behind acceptable samples	<b>Resource Allocation:</b> Opportunity to redirect coffee export levies toward strengthening quality infrastructure and farmer support systems

Source: Own compilation

## 5.2.1 Building Trust and Securing Supply: Initial Barriers

### Trust, Tensions, and Market Entry Realities

Hybrid organisations in Uganda’s coffee sector face considerable challenges when attempting to set up initial relationships with farmers. The entry phase, that is, where farmers and hybrids first engage, is often marked by difficulty in trust. Data shows that developing meaningful and lasting relationships requires substantial investments of both time and resources. Timothy Mugume of Quality Coffee Enterprise explains<sup>1</sup>:

“Building trust took me four years. It is not something you can achieve in two or three months... You need to stay there long enough for them to know you.”

John Kabuye of Senuba Coffee describes his own approach towards building farmer trust:

“Again, you have to earn this. You really, really have to earn it. You have to earn farmer trust. So, like I said, one of the things we did was to distribute pumpkin seeds and through this, we earned their trust.”

Seed distribution, while intended as a form of trust-building, may also reflect a more incentive-based approach to relationship development. Even when such initiatives are in place, challenges can still emerge, particularly around pricing. Kabuye expresses frustration:

“Farmers are in many cases greedy. So you support in every way possible, and then still they come and they want you to pay them the highest, highest possible price. It’s cutthroat, right? It’s cutthroat competition. So at the farm gate, the farmer may have received our pumpkin seeds, he may have pumpkins at home, and he’s very happy and

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<sup>1</sup> Note: All names of individuals and organisations in this chapter have been anonymised through the use of pseudonyms to maintain confidentiality in accordance with research ethics protocols.

he's eating. But when he's selling his coffee and I want to pay him, say, half a dollar less than my competition, he will definitely not give me the coffee."

This characterisation of farmers as "greedy" needs unpacking. What may appear as opportunism from the farmers' perspective can also reflect rational behaviour. In a context defined by tight margins, volatile prices, and "cutthroat competition", selling to the highest bidder may be less about disloyalty and more about basic survival. From the farmer's point of view, the value of receiving pumpkin seeds is arguably outweighed by a better price for coffee, making it understandable that stable income would take priority, as Daniel Smith of Speciality Coffee Ventures notes:

"Farmers spread their risk. You know, they'll sell to middlemen. They'll deliver it to this big company over here and they'll deliver it to their microstation or cooperative. The same farmer will sell coffee to three different markets."

However, stable relationships seem more achievable when price expectations align with farmer needs. Martin Berg of Fair Origin Coffee:

"So finding good coffee is not too hard as long as you are willing to approach, to go to the best areas and meet the farmers and collect the samples and so on. Over the years, we have built our relationship with a few farmers that we keep buying from regularly."

He continues:

"We work with farmers who already have the skills, have already been trained by other actors like UCDA, and so on, who have sort of taken that step up to speciality level coffee. Basically, they've already reached a certain level. And we are also, you know, we're paying quite well for the coffee. So I think they've also understood that it wouldn't benefit them, you know, to try to cheat us or anything like that because we would discover it and we would not buy from them again."

Thus, in contrast to the challenging examples from above, Berg's approach reveals that targeting experienced coffee farmers, combined with fair pricing, can be a viable path to create stable trading relationships.

### **Local Connections**

However, besides a fair-priced agreement, local connections, including tribal affiliations, can also ease the way into strong farmer-hybrid relationships. Joseph Atuhaire of Bean Value Enterprise notes:

“I had an easy enrolment, because I come from the area, so there was a lot of acceptability.”

And besides having local roots, Atuhaire also took steps to support his community:

“I had good rapport with the local leaders and the communities, because even at entry, where I set up the washing session, there was no water. But because processing speciality coffee water is like it's life. So I tapped water from a well about three or four kilometres away. And in order to give back to the communities around me, I gave a line of water to every other set of five households. So because of that, I got quite a lot of acceptability from the community, because I was not just coming to do business, but making a small contribution to them.”

Yet despite strong local roots and community affiliations, even offering local households access to water, he still struggled to build dependable value chains. Atuhaire recalls:

“But along the way I realised that I trusted the people so soon that I let loose my guard and, in the process, I was fleeced. In my first season of doing business, I lost close to US\$70,000. One of my biggest setbacks was the dishonesty of the people. I set up some cameras and put in place certain intel within the establishment so I could understand where all this was coming from.”

Thus, Atuhaire is saying that some of the very farmers delivering coffee to his station were involved in theft. The experience forced him to take surveillance and monitoring measures which shows how initial goodwill or assumptions of trust may not be enough to safeguard against loss. Thus, while local connections may ease initial entry, they should not be confused with operational security.

### **Disagreement Over Power Dynamics in Farmer-Hybrid Relationships**

More fundamentally, there appears to be disagreement over who holds power in farmer-hybrid relationships. While the discourse of the literature review portrayed farmers as vulnerable, some hybrid actors push back against this notion. David Bwire of Vulami Coffee:

“Yeah. So, there’s an assumption that farmers are taken advantage of. There’s an assumption that farmers need help. I start by saying that’s a wrong assumption. Out of the FOB price, I’ve told you that Ugandan farmers getting 70-80%. Everyone else is sharing the 20%, government taxes and processing, profit. Everything else is in the 20%. So the Ugandan farmer is the one taking advantage of a company like Vulami Coffee.”

In essence, Bwire argues that farmers already capture the majority share of the export price, and that hybrid companies like his operate within tight margins. He challenges the common narrative of farmers as the structurally weaker actors in the chain. Interestingly, some of the numbers he cites align with broader value chain analyses. As shown in Figure 2 in Chapter 2, data from BASIC (2024) indicates that while farmers account for 28.4% of total production costs, their net income only makes up 7.5% of the final value. Processors, in comparison, account for 5.3%. These figures suggest that while farmers may receive a relatively large share of the FOB price, their overall retained income remains limited once costs are factored in. This offers a more balanced view, partly supporting Bwire’s argument while also affirming the continued financial constraints many farmers face. He elaborates further:

“Farmers are taking too big of a portion of the money. Yet they control a lot to give me a better quality so that I can sell it expensively, make money, pay them more money. I am giving now, I am giving farmers 30% more to make sure that they can meet my standard. They can commit my standards. They can commit contracts.”

In Bwire’s view, forming a sustainable partnership is difficult, even when he pays above-market rates to secure reliable supply of better quality. He notes that some farmers expect high prices from the outset which makes it hard to build trust. At the same time, he advocates for long-term fairness and shared risk:

“A proper partnership should have started me and the farmer. Let us start by earning little so we do not lose money. Then we keep improving, but the farmer does not want to know. They say, make your losses, if you are not there, we will get another person.”

However, Moses Kigongo of Cofanda Exporters offers a different interpretation. In his view, farmers are responding to whoever demonstrates genuine commitment:

“Farmers are very rational and they pick and move along with somebody that they see really has meaning. You know, if you want to earn acceptance by the farmers, you have to be compassionate, you have to be practical.”

Overall, the data reveals complex tensions in hybrid-farmer relationships. Trust must be built on both sides, yet interviews suggest that hybrids sometimes misread or oversimplify farmer motivations. Price negotiations are particularly sensitive, with mismatched expectations often leading to tension in relationships. While fair pricing and consistent engagement can lead to more stable relationships, many hybrids describe a more uncertain reality, that is, one marked by shifting loyalties, and competing interpretations of power and responsibility in the value chain.

## **5.2.2 How Hybrids Enable Quality Upgrading**

## **Process Upgrading and Product Upgrading**

When they have been able to overcome trust deficiencies, hybrid organisations actively pursue process and product (quality) upgrading. While the motivations behind these efforts vary between social impact and commercial gains, both goals often align in practice. Process upgrading, particularly through farmer training programmes, leads to product upgrading through higher quality coffee beans and, consequently, higher profits. Data suggests that these profits are generally shared among participants, enabling broader improvements in farmer incomes, although challenges remain. Isaac Mukasa, Board Secretary at West Coffee Producers Association, describes their extension approach:

“Yes, we have our own extension services, and we train the farmers. We prepare them in good practices right from planting, focusing on spacing and pruning. Later, we address weed management... Without proper expectations, it can also affect the quality of the beans and the processing. Therefore, in all these areas, we provide training to farmers and the community. This ensures that they understand the importance of maintaining the quality of the beans throughout the process.”

Similarly, Samuel Nabwire of Uganda Coffee Solutions (UGCS), Uganda’s leading coffee exporter, explains how continuous training supports both farmers and company performance:

“We link our farmers, and we keep training, training, training, and increasing the number of farmers that we work with. So that is one of the pivotal works that we do to keep afloat, to keep our market share, and also to produce a high-end or high-quality product.”

Moses Kigongo of Cofanda Exporters stresses that their extension model operates independently of direct government support:

“We are not getting support from the government. That, you must know. The only support we recognise is when it puts in place an enabling environment. But all that farming education we have done, we have done it ourselves.”

In Vulami Coffee’s case, David Bwire points out how they embed technical support directly within farming communities:

“We have a group of about 17 young men and women who are deployed on the mountain. They have diplomas or degrees in agriculture. They are trained, once they get out of university, they go to the mountain where they live. They train the farmers.”

Meanwhile, Francis Candiru of Nature and Coffee adopts a mentor-based model:

“When it comes to training, our approach involves working with model farmers who serve as mentors. These mentors are responsible for training others, creating a train-the-trainer system that allows us to replicate our practices across the 500 farmers we currently work with.”

Others, like Richard Mukasa of Premium Quality Processors, highlight a farmer-led extension system:

“But what we have adopted is what we call a farmer-led extension system. By farmer-led, it means that we get a certain group of farmers and we train them in certain aspects of biochem. And then these farmers now carry on the trainings with the rest of the farmers. It is a little bit cheaper and more sustainable because, you know, you do not have the funds to train all the farmers in all different aspects of coffee farming.”

In addition to these self-initiated training systems, some hybrid organisations also engage with voluntary certification schemes, such as Rainforest Alliance and Fair Trade, which require certain standards related to traceability, environmental protection, and farmer welfare. Joyce Namukasa of Benuzi Coffee explains the role of certifications:

“We have certifications like the Rainforest Alliance, where coffee is traceable to ensure sustainability standards are met. There are also certifications like Fair Trade that focus on fair compensation for farmers.”

While certifications promote traceability and fair compensation, they also have broader social impacts, as Samuel Nabwire of Uganda Coffee Solutions (UGCS) describes:

“Certification programmes, like Starbucks’ or Nestlé’s initiatives, ensure that profits are fairly shared. They support farmers by improving household incomes, addressing issues like sanitation, and even tackling domestic violence through training.”

On maintaining these certifications, Nabwire notes:

“We register farmers digitally, provide training, and implement traceability systems. Regular audits are done because certificates can be revoked if standards aren’t met. Buyers also conduct surprise audits, randomly selecting farmers to verify compliance.”

However, when asked whether certifications were the main reason for going the extra mile with farmers, hybrids stated that they were not. Joyce Namukasa of Benuzi Coffee reflects:

“Certifications are useful, no doubt. But to be honest, we were already doing a lot of these things before. Supporting farmers is more about making sure the coffee is good year after year.”

David Bwire of Vulami Coffee offers a similar view:

“Even without them, we would still provide training, we are paying 30% above market rate because of quality, and we have our staff working to ensure good quality, which is the number one motivator.”

Thus, the above-mentioned diversity of training approaches, from professional agricultural experts to peer-led learning systems, exemplifies what makes hybrid organisations truly hybrid in nature. Unlike purely commercial entities focused solely on short-term profits, all hybrid organisations investigated in this study invest substantially in farmer capacity development. This investment was self-initiated and commercially strategic. Hybrids balance economic viability with farmer impact goals, creating value not just through coffee trading but through knowledge transfer and relationship building. Finally, with regards to certifications, given that only around four of the thirteen hybrids studied held one or more certifications, and that certified coffee represents only around 10% of Uganda’s total output, it underscores the reality that quality upgrading was the main driver, with certifications seen more as an added bonus rather than a core motivation.

### **5.2.3 Quality and the Role of Government**

#### **The Importance of Quality**

As seen above, quality upgrading represents both the objective of farmer engagement and the foundation of value capture, something that, in many ways, sets the stage for why hybrids take on dual roles in the first place. Indeed, David Bwire of Vulami Coffee points to the quality issue hybrids must address:

“There has always been a complaint about Uganda’s coffee that it is lower quality, inconsistent quality. Some buyers have even said, ‘I wish you could give me a consistent low-quality coffee, then I know what to do with it.’”

In response to persistent quality concerns, Bwire outlines their strategic approach against inconsistent quality:

“Buyers now look at Uganda as a high-risk country, so what we do is deliver high quality consistently and then use that high quality to demand high prices. It is the high

prices that we get, and the additional margins that we earn, that now finance the services I talked about, like training the farmer in agronomy.”

Again, Bwire’s description of reinvesting margins into farmer services reveals the main reason why they take on hybrid roles. In a sense, the need to secure quality coffee pushes them to work more directly with farmers, which consequently leads to product upgrading. Yet, as Bwire points out next, this approach comes with extra pressure:

“When I am dealing with a farmer, the biggest challenge is when the farmer delivers a quality that is not acceptable. And if I refuse to accept it, my neighbour will take it instead; that is the biggest challenge of all. As mentioned, I am giving farmers 30% more to ensure they meet my standard.”

While Vulami Coffee offers 30% higher prices to secure quality coffee, its sustainability remains questionable when other buyers accept lower standards. In Bwire’s view, the development work needed to standardise high-quality coffee properly belongs to government:

“I should not be investing in the training of regenerative agriculture. That is the job of the government. I should not be spending money to train a farmer on how to produce. I should be paying taxes, and the government should be training the farmer.”

Yet, despite frustrations, Bwire holds firm in his belief that tackling quality issues would go a long way in resolving Uganda’s broader coffee-sector challenges:

“You solve the problem of quality; you would have solved probably 80% of Uganda’s coffee problems.”

Consequently, after having addressed entry-level trust challenges, quality improvement emerges as a core avenue for value capture. Hybrids pay premium prices and invest in training to secure higher-quality coffee. However, there are complaints that hybrids are forced into roles that traditionally belong to public institutions. If quality remains the single most important

barrier to broader sector transformation, private efforts alone may not be sufficient. This raises questions: Where is the government in this process? How does the government ensure that actors are exporting coffee that meets international standards?

### **UCDA Oversight**

To understand how quality inspection plays out, there is no better place to look than UCDA, the agency currently in charge of quality controls. Grace Nantongo, Head of Quality Control at the agency, details their inspection process:

“For quality control, we conduct pre-shipment inspections to ensure coffee meets both Ugandan standards and international buyer specifications. We have 25 inspectors covering the export zones, with about 95% of zones located in Kampala. The inspectors rotate weekly and collect pre-shipment samples. These samples go to our national lab upstairs for testing. The results go to the quality assurance manager, who identifies any samples below standard. For these, if there is low quality, we issue rejection certificates with specific improvement requirements, whether it is moisture levels, grading size, or defect amounts. After reprocessing, we re-inspect. Once approved, the freight forwarders handle loading.”

Judging from this explanation, the process appears well structured and designed to maintain high standards throughout the coffee export chain. Yet, despite a robust framework in words, some stakeholders question how UCDA enforces standards in practice. For instance, Joseph Atuhaire of Bean Value Enterprise argues that regulatory efforts fall short at the production level. He recalls an unsettling experience:

“UCDA should play a stronger regulatory role. The experience I had of finding a farmer pulping green coffee on the soil is worrying. If the buyers saw that, they would question the beauty of our coffee. When you harvest unripe coffees, that cup will have a taste that is not good, it spoils the cup. If UCDA could carry out its regulatory duties effectively, it would significantly improve the quality of our coffee at home.”

While Atuhaire highlights production-level mishandlings, similar concerns emerge at the export stage. David Bwire contends that quality checks at the container stage are too late and advocates instead for a more centralised processing model. He explains:

“Quality control at the container stage is too late. You cannot change what is inside, you’re just grading, saying this is this grade, that is that grade. Mixing poor and slightly better quality is not the way forward. If Uganda wants to promote itself as an origin of high-quality coffee, we do not need to reinvent anything. There are successful examples. Rwanda, Kenya, Ethiopia, Burundi, they have all done the same thing, one season, centralised coffee processing. Everything is solved from one central location, whether it is a cooperative, producer group, estate, or company. Meanwhile, Uganda is trying to process coffee from 1.7 million stations essentially.”

Further adding to the discussion, hybrid actor John Kabuye, underscores the practical limitations of UCDA and reinforces the argument that their regulatory capacity is insufficient. He notes:

“Yes, the regulation is well intended. They say do not export coffee with moisture at 14, it must be 12.5 or below. But to enforce this, every batch of coffee exported must be inspected. We are talking about six million bags. Does UCDA have the human resources to check each one? No. They do their best by inspecting containers, 20 tonnes each, taking a sample, checking it, and approving if it is okay. But here is the challenge: unethical practices can still occur. An exporter under pressure from bank loans might hide higher-moisture coffee behind acceptable moisture coffee. They just want the money, and if the buyer later discovers the problem, both the exporter and the country lose reputation. We end up with these small gaps that people exploit, and everyone suffers.”

Thus, quality governance remains a contested issue. Hybrid organisations invest heavily in training farmers and enforce high-quality standards to secure better prices, yet they question

whether these responsibilities should fall primarily on private actors or be addressed through stronger government interventions. While the UCDA, today, plays a regulatory role in enforcing export standards, stakeholders point at gaps in enforcement capacity, noting that inspections often occur too late in the process and that resource constraints hinder oversight. Some argue for more centralised quality control to ensure consistency, while others warn that regulatory inefficiencies leave room for unethical practices that damage Uganda's reputation in global markets. Nevertheless, it is clear that hybrids are stepping up and are actively driving efforts to upgrade the quality of Ugandan coffee, and yet they are operating in a system which is criticised for not upholding quality standards.

#### **5.2.4 Farmer Point of View**

##### **Positive Outcomes for Farmers: Training and Better Pricing**

While the debate continues over who should carry responsibility for ensuring quality, the effects of hybrid efforts are already evident on farms. Farmers, on the whole, frequently mention positive outcomes from interventions. Henry, who works with Vulami Coffee in Eastern Uganda, discusses his shift toward organic methods:

“Since Vulami Coffee started their operations, a lot of things have changed. One of the benefits it has put on farmers is teaching us about organic farming methods.”

George, also with Vulami Coffee, underscores the frequency and impact of field officer visits:

“At least once a month, we get a training from the field officers. Before Vulami Coffee, we were producing low-quality coffee. They trained us how to use organic manure.”

Likewise, Allen, who sells to Nature and Coffee in Western Uganda, praises the practical lessons she gained:

“Nature and Coffee gave me the trainings of how to apply manure. I gained a lot of knowledge from the trainings.”

Farmers also note better prices for their coffee. Henry from Vulami Coffee reiterates:

“The good thing about Vulami Coffee is that their price is always a bit higher than other companies.”

George from Nature and Coffee appreciates timely payment:

“They even give us training. That is one. Then they buy our coffee and we get money in time... Before Nature and Coffee, we were selling coffee and they did not give us money on time.”

Meanwhile, Allen, who sells to Nature and Coffee, observes an increase in overall income:

“At the beginning, they had a problem of paying us little money. But since Nature and Coffee came, it pays a premium price... The price is always good. A portion of the money goes for buying manure, and another portion for school fees.”

Thus, farmers consistently report tangible benefits from working with hybrid organisations. They bring up improved farming practices, especially in organic methods, thanks to regular training sessions and also increased price benefits, which points at overall social upgrading.

### **Ongoing Financial Pressures and Limited Income**

However, despite improvements, farmers still mention struggles to cover all their expenses. Three farmers from Vulami Coffee, John, Hadija, and Maujel, describe their ongoing financial pressures:

“We do a lot of work in the farm, but sometimes what we earn still feels small.”

“They taught us how to increase coffee productivity with better agronomic practices, and now we get higher volumes. But the money still isn’t always enough for everything we need.”

“I have children to educate, but with our low income, it’s difficult. I even sold some land just so I could pay their school fees.”

These testimonies contrast earlier characterisations of farmers as “greedy.” Rather than simply seeking to maximise profits at the expense of hybrids, these statements reveal the fundamental economic pressures that farmers face. Perhaps, then, when farmers choose to sell to the highest bidder or diversify their market relationships, they do so not out of disloyalty but out of necessity to meet basic household needs: education, healthcare, and livelihood needs. From this perspective, hybrids and farmers have a complex relationship. What might seem like opportunism from one perspective may actually be a survival strategy from another.

### **Resource Constraints and Organic Farming Challenges**

Finally, farmers also discuss the practical hurdles of applying organic methods, particularly those related to organic techniques and inputs. Watse, who works with Nature and Coffee, highlights the trouble with her scattered plots:

“One of the challenges I face is the many activities in coffee production. As an organic farmer, my gardens are scattered, so it becomes very challenging to collect organic manure from home and take it to different scattered coffee plots. You need to hire some youthful boys to carry the organic manure, and they will need money.”

Others, like Ihora and Birwe from West Coffee Producers Association, stress the lack of affordable inputs like manure and fertiliser:

“Chasing organic manure takes a lot of time and money.”

“The first challenge is lack of inputs like manure and fertiliser. If I can get access to enough organic manure to use in coffee for high production, that would be good.”

Thus, farmer testimonies reveal both progress and challenges. While training and better prices bring clear benefits, gains in some cases appear modest against farmers’ overall needs. Taking farmers at their word, many still struggle with basic expenses like school fees, organic manure purchases, and labour costs for farm operations. While the present study only captures a snapshot of experiences, testimonies indicate some real difficulties.

To sum up, this section reveals how hybrid organisations face significant trust-building hurdles at market entry. Trust-building emerges as a fundamental challenge, where even local connections and community investments provide no guarantee of stable relationships. While farmers remain disadvantaged within the global economy, hybrid organisations present a nuanced perspective that acknowledges how farmers capture a significant portion of export value while simultaneously influencing quality outcomes. This view, shared by both hybrids and most farmers interviewed, suggests that the local power dynamics are more complex than traditionally portrayed, even as systemic global inequalities persist.

Despite entry challenges, and some critiques against current government quality inspection protocols, hybrids actively pursue quality upgrading through various channels, from professional training programmes to peer-learning approaches. While farmers acknowledge benefits such as improved farming practices and better prices (leading to social and livelihood upgrading), their testimonies suggest these gains remain modest when considered against broader economic pressures of the global coffee market.

### **5.3 Financial Challenges and Opportunities**

Besides relational complexities, financial challenges run deep throughout Uganda’s coffee sector. Access to capital emerges as a major hurdle that particularly affects farmers and

small-scale hybrid organisations that require funding for investments and daily operations. Financial challenges manifest at both organisational and farmer levels, with hybrid organisations grappling with high interest rates and restrictive lending conditions, while farmers struggle with limited access to affordable credit. Yet against this backdrop, hybrids have developed various approaches to address farmers’ financial needs. The next theme investigates financial challenges, first through a summarising table and then in detailed discussion.

**Table 7: Financial Challenges and Opportunities**

<b>Stakeholder</b>	<b>Subsection</b>	<b>Challenges</b>	<b>Opportunities</b>
<b>Locally Embedded Hybrids</b>	<b>Hybrid Financing</b>	<b>High Interest:</b> 20-24% annual rates from local banks	<b>Policy Advocacy:</b> Working toward financial sector reforms
		<b>Restrictive Terms:</b> Banks controlling who hybrids trade with	<b>Strategic Alliances:</b> Partnerships to overcome capital limitations
		<b>Competitive Disadvantage:</b> Compared to multinationals with cheaper financing (typology of two types of hybrids)	<b>Innovation Models:</b> Developing alternative financial approaches
		<b>Growth Capital Limits:</b> Difficulty securing funds for expansion	
<b>Multinational Hybrids</b>	<b>Hybrid Financing</b>	<b>Market Competition:</b> Operating in same farmer market as local hybrids	<b>Financial Leverage:</b> Access to international financing at better rates
<b>Farmers</b>	<b>Farmer Challenges</b>	<b>Multiple Expenses:</b> School fees, healthcare, household needs	<b>Hybrid Microloans:</b> Access to better terms than

			traditional moneylenders
		<b>Formal Banking Barriers:</b> High interest rates and complex requirements	<b>Pre-financing Options:</b> Coverage of initial farming costs
	<b>Hybrid Interventions</b>	<b>Low Underlying Prices:</b> Loans helpful but coffee prices still insufficient	<b>Group Support:</b> Lending and savings groups facilitated by hybrids
			<b>Trust-based Systems:</b> High loan repayment rates (95%) resulting from relationship building
			<b>Household Management:</b> Better ability to plan and cover essential expenses (social upgrading)
<b>Development Actors</b>	<b>Hybrid Financing</b>	<b>Risk Aversion:</b> Preference for traditional NGO models over hybrids	<b>Funding Opportunity:</b> Potential to develop more risk-tolerant investment approaches

Source: Own compilation

### 5.3.1 Financial Challenges Among Hybrid Organisations

#### Between Local Rates and Multinational Advantage

Coffee is, at the end of the day, a capital-intensive endeavour. For organisations purchasing coffee from farmers, this means there are many investments needed across areas, from maintaining processing facilities to paying staff and farmers. Access to affordable capital is thus vital for daily operations and growth. Yet, against this background, data reveal that securing financing is a real challenge, especially for locally embedded hybrids. John Kabuye,

Head of the hybrid Senuba Coffee and a lifelong veteran of coffee, stresses how financing costs represent a fundamental local challenge:

“So we have local challenges. We have global challenges. On the local side, our challenge is mostly financing, the cost of money. It is too, too high, reaching up to above 20% interest rate.”

Steep annual interest rates in Uganda (also noted by Sebuliba, 2025), and overall loans, Kabuye explains, come with a lot of strings attached:

“Here they give you money, very high interest. But also, they want to control how you trade. So they tell you, whoever you sell to, we have to approve first. Whoever you buy from, we have to approve first. And many other things.”

According to Kabuye, access to cheaper capital and greater operational flexibility give multinational players a serious advantage, as they operate in a different financial landscape. These constraints directly impact hybrids’ ability to purchase coffee during harvest seasons, when substantial working capital is needed. He continues:

“So, if you go to a place like Switzerland and register your company there, in Switzerland, you will find that you will access money at much better terms, cheaper interest rate and flexible operations. That is why multinational companies beat us hands down when it comes to buying coffee locally. Yes, that is why 80% of the coffee is bought by only about seven companies. They are the ones with the flexibility that they need to do this.”

Thus, the Ugandan financing environment, with its high costs and strict controls, puts locally embedded hybrid organisations at a disadvantage compared to multinational ones. This point is echoed by other respondents. David Bwire, Managing Director at Vulami Coffee, describes the unfair economic landscape plainly:

“The best offer I will get from a commercial bank, assuming I have collateral, will be about 20 to 24%. If I go to a microfinance institution, the rate will go to 48%. 80% of our coffee is exported by multinationals, and their interest rates and the conditions to access bank loans are far different from ours. We buy coffee from the same farmer. The farmer is thinking about a price linked to the London Commodity Exchange for Robusta or the New York Commodity Exchange for Arabica. So we have the same rate, we buy the coffee from the same farmer, same conditions.”

Besides pointing out disparities in financing conditions, Bwire also notes that farmers, as they operate in a liberal environment, are free to choose their buyer, further intensifying competition. He mentions that 80% of the coffee market is controlled by a few players, which is consistent with data from UCDA (2025c). Meanwhile, Emmanuel Waiswa, Project Manager at West Coffee Producers Association echoes similar sentiments:

“Multinationals get money cheaply, but for us internally here, you get it at around 20% per annum which creates an unfair playing field.”

Taken from the experiences above, local hybrid organisations contend with high interest rates (20-24%) and restrictive bank controls, while multinationals tap into cheaper international financing. According to respondents, this creates an uneven playing field, with a few multinational companies controlling up to 80% of coffee purchases. This situation leads not only to financing disparities for locally embedded hybrids but also makes it harder for them to compete due to their smaller size and limited flexibility. Within this landscape, hybrid organisations vary significantly in form and structure, from locally embedded actors to multinational entities. This variation points to a typology of hybrid organisations: on one end are locally rooted hybrids, and on the other are globally connected hybrids with greater access to finance. Against this backdrop, some local actors advocate for institutional reforms to level the playing field. The next section looks at how financial pressures affect not only hybrids, but also farmers.

### **5.3.2 Financial Challenges and Hybrid Adaptation Measures at Farmer Level**

#### **Financial Vulnerability of Smallholder Farmers**

Financial pressures in Uganda's coffee sector are also felt by farmers. As micro-enterprises in their own right, farmers are faced with multiple financial pressures that directly affect their livelihoods and, indeed, their ability to maintain coffee production. However, on the question of why farmers face financial vulnerability, views within the coffee sector vary. Some hybrid actors point at structural constraints such as healthcare costs, school fees, and limited financial infrastructure. Others point instead to individual behaviour.

Those who bring up structural factors include Samuel Nabwire of Uganda Coffee Solutions (UGCS), a multinational hybrid organisation, who outlines the daily burdens that weigh on smallholder farmers:

“One is school fees. The kids, of course, medical bills, food. So they need support. And they need some finance and they need to upkeep the gardens for future production. So they need funds, and they do not have these funds.”

He adds that high bank interest rates (over 20%) make formal loans for farmers largely inaccessible:

“The banks are charging very high interest rates, yes. The commercial banks are charging in excess of 20%. So the farmers are constrained.”

That farmers are constrained was also highlighted by other actors. Richard Mukasa of Premium Quality Processors shared a similar view:

“So you see the biggest problem we have in the value chain. Coffee is a highly liquidity rock. You need a lot of money and liquidity to facilitate trade. This farmer has a lot of

problems to meet, ranging from school fees, you know, and money to look after the household. So he needs money, cash. But commercial banks are too expensive in terms of their interest, but also in terms of the requirements that they need for this farmer to access even if it is very little money. The requirements are too many and the processes actually too much.”

In contrast, some attribute farmer financial vulnerability to individual behaviours. Joyce Namukasa, Commercial Manager at Benuzi Coffee, expresses concern about how farmers manage their income:

“Okay, I think the best that a coffee company like us can do is give farmers a fair price for their products. Now, what they do with their money is beyond our control because most of those farmers depend on it anyway. You give them money, they will grow trees, they will marry more women. So the more money an African has now, they will think of marrying another wife, drinking instead of investing wisely with their money. So I think for us, if we give them a fair price, we have done our part... However, maybe if we can partner with the government to give them financial literacy education, it would benefit them to get out of poverty. When you get money today, you spend it, tomorrow you have nothing. When will you ever move?”

Similarly, Joseph Atuhaire, Head of Bean Value Enterprise, puts it bluntly:

“So financial literacy is one gap that needs to be addressed among farmers. They drink a lot and they find them marrying a second woman, third woman.”

Thus, contrasting viewpoints reveal ongoing tensions in the sector regarding where responsibility lies for farmer wellbeing. While some point to structural barriers, others frame the issue around personal choices and behaviour. What remains clear, however, is that coffee farmers’ economic situation represents a tangible market challenge. Against this backdrop, hybrid organisations are stepping in to provide financial support through means of microloans. Yet financial interventions are not always straightforward, as the next section shows.

### 5.3.3 Hybrid Interventions in Smallholder Finance

#### Pre-Financing Models

Besides advocating for fairer financing conditions, hybrid organisations also directly support farmers through financial interventions. The motivations behind these interventions differ as they range from securing stable coffee supplies to improving farmer livelihoods. Joyce Namukasa explains Benuzi Coffee’s pre-financing strategy:

“Okay, so number one, we pre-finance them. So most of the farmers maybe do not have enough money for the seedling, for people that help in the gardens to plant and take care of the coffee until harvest time. So we pre-finance them. That is how we are able to secure them.”

Interestingly, the wording “secure them” indicates a dual purpose behind pre-financing: supporting farmers while simultaneously locking in a stable coffee supply. Similarly, Daniel Smith from Speciality Coffee Ventures describes their formal legally binding agreements:

“We have what we call partnership agreements. Every season, these agreements are established with community-based organisations where farmers are registered. The agreements set targets, establish prices, and specify the amount of pre-financing needed to purchase the coffee. If farmers sell their coffee to someone else, it becomes a legal issue, as the coffee technically does not belong to them at that stage. Instead, the community-based organisations are responsible for buying, processing, and acting as our agents.”

Thus, some organisations use contract farming as strategic tools to stabilise their supply chains. However, not all hybrids adopt formalised methods. Joseph Atuhaire prefers a trust-based system, which relies on personal relationships and mutual respect:

“I give them kind of soft loans purely on the basis of trust. 95% of them pay back. You might struggle with about 5%, but these are monies that we are able to lose as a business. It is also considered a give-back to the community. But the rewards are meaningful because then they know that I am their own and I wish them well. I am not just a predator who goes, I just need coffee, and then go. No, I build genuine relationships with them and therefore they think I have their best interests and rightly so.”

Another hybrid, Vulami Coffee, integrates financial assistance with farmer training to discourage dependency and stabilise coffee supply. Sarah Nakate, who leads their microfinance programme, explains:

“We ensure that we give them microloans to support their farming. Most farmers are excited about our programme, I could say all, they are very excited about the project, and that has led to a higher number which we have registered compared to what we had planned. And indeed so many are still interested and joining the groups. So far, we have 38 groups. There are seven groups on the mountain and on average we have about 22 farmers per group.”

They then conduct regular monitoring:

“So, after we have given out the money, we still go ahead and do monitoring. Yes, we do spot-check the different groups. The money we gave you, what did you use it for? We have testimonies where farmers have told us that because of this project, I am able to send my children to school, I am able to meet my medical bills without running to moneylenders who take my crops. And we have seen farmers who have also testified that because of the little money I have got, I have been able to improve on my household.”

Nakate sees a growing impact. Stepping back, it appears these loans benefit both parties; farmers improve their productivity and livelihoods while Vulami Coffee secures a reliable

supply of coffee. Similarly, Emmanuel Waiswa at West Coffee Producers Association notes that, after witnessing strong repayment rates and growing demand from farmers, the organisation decided to expand its microloan programme:

“We have a savings group that was started with 20 million in 2018, now has about 750 million Uganda Shillings as a loan portfolio. We started it for women as a gender empowerment scheme. We have one for youth, which started just recently in 2022.”

Thus, it appears there is promise in this approach, as hybrids enhance farmer livelihoods and productivity while also stabilising coffee supply chains.

### **Farmer Perspectives: Relief and Limitations**

From the farmer’s viewpoint, lending models can be a lifeline. John and Matula, both Vulami Coffee farmers, report:

“Vulami Coffee helps me with some loans which I will use for activities in the coffee gardens, because it is intense work when it comes to managing the coffee farm.”

“We get some small loan from this group. Actually, it is helping us because we do save. After some time, when you are in need of something, you go and borrow, you fill forms, you are given something, you go and use.”

Nonetheless, frustrations persist. George cites an interest rate of 2% as reasonable yet still insufficient:

“The loan is a bit benefiting, but we are paying our yield interest, of a percent rate of two, which is somewhat a challenge as we are earning little.”

Matula likewise agrees 2% beats local moneylenders but requests better coffee prices:

“Paying an interest of 2% is okay, because if you go to the bank or this moneylender, they can charge you too much money. But at least increase the price of the coffee. We are earning little based on the work we do.”

Farmers in Western Uganda voice similar concerns. Fausta and Katchanga from West Coffee Producers Association stress resource gaps:

“Yes, it is helping me with buying products for farming, but I need more, my income is still low, so I need to make sure that I try by all means to do all the work around here. If I can get more agricultural inputs like mulch, production can improve.”

“That coffee brings income, and the loans are helping, but it is not enough to help me with buying agricultural inputs.”

Thus, testimonies reveal an interesting insight: while farmers appreciate access to loans with favourable terms, some also note that the underlying issue is inadequate coffee prices. This points to broader questions about value distribution along global coffee value chains, where the majority of profits are captured downstream rather than at the production level as covered before.

In sum, while hybrid organisations face their own financial challenges, they have developed various approaches to address farmers’ financial needs. Through group-based lending and savings programmes, they work with farmers who struggle with both household expenses and farming costs. Lending initiatives serve multiple purposes; hybrid organisations use them strategically to secure coffee supply while also providing farmers with better terms than traditional moneylenders. Farmers’ testimonies, on their end, acknowledge the value of lending programmes but repeatedly point out that loan amounts and overall coffee income, in many cases, remain insufficient for their needs.

## **5.4 Functional Upgrading: Challenges and Opportunities**

Despite a challenging financial landscape, hybrid organisations are not only focused on improving quality and farmer capabilities, as previously discussed, but are also seeking to reposition themselves within the wider coffee value chain through functional upgrading. In particular, this involves expanding processing activities such as roasting and packaging in order to capture more value at origin. In doing so, hybrids encounter a number of challenges that limit their ability to upgrade meaningfully. These include limited domestic infrastructure, friction with international buyers, and diverging visions between public and private actors regarding the future of value addition in Uganda’s coffee sector. While functional upgrading is at the centre of these efforts, it is often supported or shaped by governance-related strategies, namely captive/relational governance, such as direct-to-consumer sales, and elements of private horizontal governance, such as partnerships with local universities. At the same time, the Ugandan state is advancing its own upgrading agenda, most notably through its focus on soluble coffee production. The following section outlines sector-level challenges and opportunities in a table format before turning to a discussion of how hybrid organisations are navigating and attempting to reshape their position in the coffee value chain.

**Table 8: Functional Upgrading: Challenges and Opportunities**

<b>Stakeholder</b>	<b>Subsection</b>	<b>Challenges</b>	<b>Opportunities</b>
<b>Hybrid Organisations</b>	<b>Value Addition</b>	<b>Processing Limitations:</b> Value addition mostly stopping at green coffee exports	<b>Functional Upgrading:</b> Expanding roasting capacity to capture more value locally and abroad
		<b>Logistical Barriers:</b> Export costs from landlocked country hamper roasted coffee exports	<b>Captive/Relational Governance:</b> No-middleman approaches to maximise returns at origin
		<b>Market Knowledge Gaps:</b> Local actors lacking tacit knowledge of consumer markets	<b>University Partnerships:</b> Building local expertise through educational collaborations
	<b>Soluble Coffee</b>	<b>Funding Exclusion:</b> Many hybrids left out of state soluble coffee initiative	<b>Quality Focus:</b> Maintaining speciality position rather than lower-grade soluble

		<b>Quality Concerns:</b> Soluble requiring lower-grade beans contradicting quality upgrading	<b>Strategic Alternatives:</b> Advocating for investment attraction rather than direct state production
		<b>Competition Risk:</b> Competing against state-backed market entrants	
	<b>Infrastructure</b>	<b>Poor Road Conditions:</b> “When it rains, it is a death trap” hampering timely delivery	
		<b>High Electricity Costs:</b> Increased production costs from expensive energy	
		<b>Tax Burden:</b> Multiple taxes squeezing processors' margins	
	<b>Trade Relations</b>	<b>Relationship Scepticism:</b> Distrust of international buyers as “predators”	<b>Strategic Repositioning:</b> Building more equitable trading relationships
		<b>Price Volatility:</b> Unpredictable international market fluctuations	<b>Risk Management:</b> Diversifying market channels to buffer against price swings
		<b>Non-Tariff Barriers:</b> Subjective food safety standards blocking value-added exports	<b>Compliance Development:</b> Building capacity to meet international standards
	<b>New Markets</b>	<b>Market Entry Costs:</b> Challenges establishing presence in new regions	<b>Emerging Markets:</b> Strong interest in China, Russia, and other growing economies
		<b>Supply Chain Development:</b> Building new logistics networks	<b>Value-Added Exports:</b> Opportunities for processed coffee in new markets
	<b>Domestic Market</b>	<b>Limited Coffee Culture:</b> Tea dominance in local consumption	<b>Growing Middle Class:</b> Expanding domestic consumer base
		<b>Market Development Costs:</b> Investment in consumer education	<b>Export Dependency Reduction:</b> Buffer against international market volatility

		<b>Cultural Barriers:</b> Limited tradition of coffee drinking	<b>Local Value Anchoring:</b> Potential to retain more value within Uganda
<b>Government</b>	<b>Soluble Coffee</b>	<b>Implementation Criticism:</b> Concerns about factory location and viability	<b>Value Multiplication:</b> Potential for significant price increase through processing
		<b>Strategic Alignment:</b> Divergence from hybrid-led upgrading priorities	<b>Job Creation:</b> Employment opportunities from value-added processing
			<b>Development Contribution:</b> Reinvestment of export levies into sector growth
	<b>Infrastructure</b>	<b>Resource Constraints:</b> Limited funding for rural infrastructure	<b>Post-Harvest Improvement:</b> Potential for reduced losses with better roads
	<b>Trade Relations</b>	<b>External Dependency:</b> Perceived exploitation by traditional Western buyers	<b>Market Diversification:</b> Growing presence in emerging markets
	<b>Domestic Market</b>	<b>Promotional Role Debate:</b> Disagreement over responsibility for market development	<b>Public Education:</b> Potential for broader coffee consumption awareness
			<b>Market Expansion:</b> Opportunity to build domestic demand alongside exports
			<b>Margin Preservation:</b> Seek infrastructure improvements to ensure larger returns
<b>International Buyers</b>	<b>Trade Relations</b>	<b>Relationship Management:</b> Maintaining supplier loyalty across diverse markets	<b>Established Markets:</b> Control of valuable Western consumer markets
			<b>Relationship Longevity:</b> Some ties extending 10-15 years
			<b>Market Knowledge:</b> Understanding of consumer preferences and standards

## **5.4.1 Value Addition Constraints and Upgrading Approaches**

### **The Core Structural Challenge and Tactics Against Them**

The core structural challenge facing Uganda's coffee sector is, by some arguments, tied to value addition constraints. Joyce Namukasa of Benuzi Coffee believes that a lack of domestic processing may be hindering broader economic gains:

“The reason I believe we are poor as a country, even though we have a cash crop like coffee, is primarily due to a lack of value addition. The value addition for our country stops at processing green coffee, with further value being added in other countries.”

This view on value addition constraints resonates with other actors. For instance, Martin of Fair Origin Coffee, who relocated from Scandinavia to establish a coffee business in Uganda, describes how value distribution in global coffee trade puts producing countries at a disadvantage:

“The problem I saw when I started to learn about the coffee industry was how fundamentally unfair the industry is when it comes to where the value is being enjoyed. Coffee is potentially a very valuable product. But when you export it as a raw material, which is the norm, you get just a very, very small percentage of the final value.”

Against the backdrop of value addition constraints, and alongside ongoing quality improvements, actors are implementing strategies to capture more gain by increasing functions. Joyce highlights Benuzi Coffee's move into coffee processing:

“We have the largest roasting capacity in the country. If we expanded that kind of value addition, like we have done with our roastery, and roasted coffee to match each export market's preferences, it would give a huge boost to the economy.”

Her vision entails a shift in Uganda's position within the coffee value chain. Expanding roasting capacity could reduce reliance on green coffee exports. This functional upgrading through processing, to tap into global market is one way to capture more value. However, Uganda's landlocked geography complicates the export of roasted coffee. Joyce explains:

“In the case of roasted coffee, it would be nice to use an aeroplane because people want to have that flavour in the coffee, the freshness in the coffee. Our landlocked coffee creates some barriers. So it's easier on an aeroplane, maybe two, three days. I mean, the coffee has arrived at the destination. So I think the government can help us in maybe subsidise the costs or just help us manage costs in shipping using the aeroplane.”

This perspective highlights a logistical challenge. Although roasting offers theoretical promise, the practicality of transporting freshly roasted coffee from a landlocked country introduces cost barriers that may require government intervention or innovative logistical solutions. In response to these limitations, some hybrids have explored alternative models that go beyond conventional export strategies. One such example is Fair Origin Coffee, whose founder Martin takes a distinct approach to value capture:

“We are very strictly on this kind of a no-middleman approach. We want to be the only middleman between the farmer and the end consumer. We do not want to be involved in the green coffee trade, and we do not want middlemen because our mission is very, very core to our company. And that mission is about making sure as much value as possible comes back to the origin of the coffee.”

By positioning themselves as the sole intermediary, Fair Origin Coffee seeks to restructure how value flows through the chain. Their approach is an example of captive/relational governance: rather than targeting broad markets or relying on multiple actors, they aim to control more stages than a typical exporter by functionally upgrading. Instead of stopping at dry milling or export, they manage the entire process through to the final retailer. However, Martin also acknowledged that this model presents real challenges for locally embedded actors, especially

those without prior experience in foreign consumer markets or the capacity to build a brand abroad:

“I think it is important to understand the market, especially if you’re doing direct to consumer like we are. Fortunately, I have an advantage because I am from that market, so I understand the customers. But if it is only Ugandans, and they have never lived in the market you are trying to sell to, and you want to do direct to consumer, then you’re going to face challenges. There are all these unwritten rules, like how you phrase things, how you brand, how you position yourself. These subtle things really matter.”

Thus, Martin’s background as a Nordic citizen grants him insight into the target market’s expectations, something he believes would be challenging for local Ugandans to replicate without direct cultural exposure, which raises questions about whose knowledge counts in GVC participation. Meanwhile, Moses Kigongo of Cofanda Exporters focuses on building local capabilities to address structural issues, which could help Uganda functionally upgrade:

“The south that produces coffee earns far less than 10% of the value. So that kind of paradox, this is the reason why I am here. So, what we have done is studied this entire value chain, knowing very well the skill sets that lead to the incremental value required to contribute to a transformation. We have approached universities and said, look here, the education from here earns the farmer only 5% of the retail value. Curriculum reforms are necessary.”

He elaborates:

“We have formed a consortium and an agribusiness incubator with Makerere University, and now many young people have gone through our incubation process. We see it as a model because we believe in education that matches our reality, not imported case studies on airlines or fancy cars from Europe. Research should solve local problems, not just produce citations. For us, that means every aspect of training and

curriculum reform should equip people to address actual challenges in the coffee sector.”

In summary, beyond quality and consequent social upgrading, hybrid organisations pursue other pathways to capture value. Some focus on functional upgrading, like expanding domestic roasting, while others employ captive/relational strategies to manage more stages of the chain. Still others form horizontal linkages with universities to develop local skills and challenge prevailing trade structures. These varied approaches show how hybrids adapt creatively to reposition themselves within the coffee value chain.

## **5.4.2 The Soluble Coffee Debate**

### **Hybrid vs Government Focus**

Moving on, while some hybrid organisations emphasise quality, functional, captive/relational, and horizontal improvements, the government has turned its attention to soluble coffee as a potential high-value product. By processing green beans into instant or soluble coffee, which is easily dissolved in hot water and ready to drink, Uganda could potentially benefit from a product with a longer shelf life. This format helps address geographical challenges, since shipping a stable powder from a landlocked country is simpler than distributing fresh roasted beans. Andrew Mugisha, who is involved in a governmental Ugandan trade agency, discusses these ambitions:

“We are now looking at doing processed coffee up to a level of tertiary level soluble coffee. And we are investing as a country, we are investing so much in this space. It is not profitable to export semi-processed coffee. So you lose a lot when you export semi-processed coffee, the green bean.”

The government has committed around 30 million US dollars to set up a soluble coffee facility in Ntungamo District expected to be up and running by May 2025 (Mugasha, 2025). Yet controversy persists over selective funding allocation, with many hybrid actors feeling

excluded. Martin Berg of Fair Origin Coffee, who uses a captive/relational model to build strong farmer relationships and control more value-chain stages, expresses frustration:

“The government has, you know, cherry picked a couple of actors which they have handed out some million dollars to. But what about the rest of us? And I am a bit frustrated and I do not quite understand that approach that they have done on the government side by picking a few actors who have gotten access to this kind of funding while the rest of us are being left out. That also means that we will need to compete with those ones who have been funded.”

Exclusion from public funds understandably irritates hybrid actors, who worry that they must now compete with state-backed rivals. Beyond funding concerns, broader scepticism exists. Edward Rukundo, an industry expert, questions the wisdom of this approach:

“I have been very vocal in the coffee advocacy business because coffee is a very controversial activity in Uganda. It is just that I think our needs are so big and the state failures are so many, for the first time in the history of manufacturing in the world, somebody has built a factory on a hillside, can you believe this? And I can guarantee you in three years’ time they will have no market for the soluble coffee they are producing.”

Although his criticism is strong, it highlights deeper worries about feasibility and demand. Some hybrids also question whether large-scale investment in soluble coffee is necessary. John Kabuye, who focuses on green bean exports and farmer training, points to healthy returns from the current system:

“Yes. So whenever we get into these debates, I am always not so sure. Because green beans is what makes the money for us. And it is massive. There is a very good margin, a very healthy margin. As I said, if a farmer is getting 11,000 Ugandan Shillings what is the margin? What is the cost of production for the farmer? And the levy that we have on coffee export contributes about 20 million dollars to the treasury every year. So you

already have the money, you just have to reinvest it back in the value chain in different ways.”

Thus, while some actors remain cautious about the government’s emphasis on soluble coffee, Andrew Mugisha, a central official in the Ugandan trade agency with direct oversight of coffee policy points at the perceived gains from this approach:

“If you are selling a kilogram of unprocessed coffee, it can fetch you maybe 2000 or 3000 shillings. And when the other person converts into soluble coffee, maybe a kilo of soluble coffee will go for maybe 80 dollars, you know, 80 dollars. Our exchange rate here is 3750. So get eight times. So you are donating Africans, Ugandans are donating to Europe or the rest of the world. And even the jobs that would have been done here being offered to our young people are being taken up by people. So that is why we are giving a lot of emphasis now to value addition.”

Yet, some see direct state involvement as risky. Hybrid actor David Bwire advises an approach involving established brands rather than government-led production:

“So, if you are asking for my advice, it would be for the government to focus on soluble options that have a longer shelf life. However, rather than investing directly as a government, they should provide an environment conducive for supply chains that are already set up. For example, how can you convince companies like Nestlé to come and produce soluble coffee in Uganda, considering that the raw material is readily available? The market is fierce, and new entrants face intense competition. It is not as simple as introducing a new product and expecting the market to accept it easily. Major players like Nestlé can drastically cut their prices until the competition dwindles. So, the strategy is either to collaborate with these major players or to focus on niche markets they have not explored thoroughly.”

Hence, although soluble coffee may not be a poor idea in principle, Bwire warns that the segment is heavily contested by large multinational players who can aggressively undercut

smaller entrants. There is also concern among critics that focusing on instant coffee could undermine the overall quality of Uganda's coffee offerings. In other words, using lower-grade beans for instant coffee can steer farmers and processors away from cultivating high-grade products. Richard Mukasa of Premium Quality Processors explains:

“But now here is a situation where you only need poor-quality coffee to make soluble coffee. Everyone else is going to abandon the good-quality coffee and then start focusing on that lower-tier product. Also, where are you going to sell the instant coffee? Uganda is not a coffee-drinking country.”

Namukasa of Benuzi Coffee, who focuses on roasted coffee, is also against soluble options and reinforces the concern about low quality:

“No. We don't do soluble coffee. Yeah. Because soluble coffee is made out of the lowest grades of coffee for us. We do premium coffee. That's just a marketing market decision that we've made. But people are not educated enough to realise that soluble coffee is actually not good quality coffee.”

In sum, soluble coffee remains a prominent yet controversial focus in state-led functional upgrading. Proponents emphasise its potential to create jobs, boost value addition, and expand export opportunities. Hybrid actors, however, question selective funding, the risk of lower-quality production, and whether large-scale state interventions are aligned with local realities. This tension brings to light a deep mismatch between policy ambitions and upgrading paths pursued by hybrids. It also shows that hybrid organisations must operate in a governance environment that neither fully recognises nor supports their existing strategies.

### **5.4.3 Infrastructure Challenges**

#### **Persisting Bottlenecks**

Another pressing concern for hybrid actors seeking to upgrade is the state of infrastructure, especially roads. This affects, not only those who seek to functionally upgrade, but the overall sector, as poor transport networks impede the timely delivery of coffee. Hybrid actor Samuel Nabwire remarks:

“Roads are problematic. Infrastructure systems, even during harvest accessing the farmers is exhausting. The roads in the Eastern mountains, they are not accessible.”

He goes on to point at how broader infrastructure constraints affect production costs:

“Government has worked hard to extend electricity to the villages, but the cost of it is still high and it increases the production cost for sure. And when the production cost is so much higher, created by the road, the infrastructure, created by the high tariffs of electricity, created by so many taxes affecting the processors, then the farmer gets nothing. Yes, and even us in the middle who are processors and exporters get nothing.”

Echoing this experience, Joseph Atuhaire describes similar difficulties, particularly in areas with poor road conditions:

“The roads, when it rains, are a death trap, whether you are going up or down. And just imagine truckloads of coffee getting stuck up there, sometimes for days, because they cannot move.”

Thus, inadequate roads, high electricity costs, and burdensome taxation reduce margins across the value chain. From the perspective of hybrid stakeholders, infrastructure upgrades and more supportive regulatory frameworks are perhaps important not only for future growth but also for minimising post-harvest losses and ensuring fair returns for actors involved.

#### **5.4.4 Traditional Relationships: Hybrid-International Trader Dynamics**

##### **Unbalanced Relationship**

Following infrastructure challenges, the focus shifts to the broader relational dynamics in the trade. Existing data shows that hybrid organisations are dissatisfied with the status quo. As mentioned, they identify issues like insufficient support for quality upgrading, exclusion from state-led initiatives, and poor infrastructure as indicators of a system that does not adequately support their work. Having examined farmer-hybrid and hybrid-state interactions, attention turns to how hybrids engage with international buyers. As hybrid and state actors alike seek to functionally upgrade and assert greater control, friction emerges in relationships with traditional trading partners. Although international buyers typically value long-term ties, hybrids question whether these partnerships genuinely benefit local producers. William Johnson, an international trader situated in the US of GOA Coffee notes:

“Coffee is very much a relationship driven business... I work with a number of different people, primarily right now in East Africa, and those are relationships that go back 10 or 15 years or more.”

Michael Peterson, another US trader, echoes the importance of loyalty:

“I’m gonna stick with my traders and stay loyal to them. When I start jumping around, I’m not gonna get the service I’m used to getting.”

Yet some hybrids remain sceptical about whether these relationships truly support local producers. Joseph Atuhaire argues that many buyers do not genuinely prioritise farmer welfare:

“I think the traders in the coffee industry are some of the most unprofessional people that I know. They are not genuine and many times they are predators... there are very few of them who actually care about the farmers and the producers of the coffee.”

This concern goes beyond individual buyer conduct to include the entire structure of the trade itself. Moses Kigongo of Cofanda Exporters criticises Uganda’s long-standing reliance on raw commodity exports:

“If you are in a country where more than 90% of your economic earnings come from raw commodities, then just know you are still far behind. And that’s it. Finished, finished, finished. That tells you the kind of economy, without going too much into sophisticated economics. What are you selling? ‘Yeah, I’m selling this coffee... on trees.’ On trees? Okay. There you are, drumming for poverty to continue. And everybody is dancing into poverty.”

Other challenges in international trade include price volatility. Hybrid actor Samuel Nabwire mentions:

“Challenge number one which does not only affect Uganda and Ugandan farmers and players of sub-sector but world over is international market price fluctuations. Today market is trading at this. You don’t know tomorrow, it’s an issue.”

Peter Birungi of Premium Coffee Traders highlights the impact of fluctuations:

“We face the challenge of having to sell at lower prices abroad because of fluctuations.”

Non-tariff barriers remain another significant hurdle. Kigongo notes how food safety standards can function as de facto trade barriers for Ugandan exporters:

“I want to tell you that food safety standards can be very subjective, and they are worse than tariffs. It’s like a barrier. And then you ask yourself, who is there to certify you? So you have these barriers that you are facing when you try to export.”

Thus, in addition to local upgrading complexities, a broader misalignment between hybrid-led strategies and government priorities, and the infrastructure shortcomings discussed earlier, this segment now shows that hybrid organisations also grapple with uncertain international trade relationships. Price volatility, reliance on raw commodity exports, and restrictive non-tariff barriers that complicate their efforts to capture more value. In light of these tensions, hybrid

organisations and state actors are actively seeking alternative markets. Andrew Mugisha, the state actor with insights in coffee trade, critiques Western trade patterns:

“North America, Europe, they’re very selfish people. We know their intentions. They benefit more when we export raw materials. This is what they have been doing. And we are trying to disrupt it without causing any consternation between us and them.”

Frustrated by what he sees as exploitative trade patterns, Mugisha underscores Uganda’s growing pivot toward new regions:

“We have got presence in India, we have got presence in China, we have got presence in a number of countries and our coffee is going everywhere.”

Hybrids similarly seek new markets to gain more value. Joyce from Benuzi Coffee, who invested in local roasting, points to strong interest from China:

“China is big potential market. We took over 30 boxes just as samples. Those boxes were done in a space of three weeks. That means there is potential. There is demand, there is high demand.”

David Bwire identifies China and Russia as emerging markets:

“You can sell the soluble coffee, targeting markets like the Chinese market or emerging markets such as Russia where coffee consumption is growing.”

Despite these moves, however, Western multinational buyers remain the largest and most established markets for Ugandan coffee today.

#### **5.4.5 Domestic Market Development**

Finally, given the perceived imbalance in value distribution, the volatility of international prices, and ongoing friction with traditional partners, domestic market development is increasingly seen as a buffer against overreliance on foreign markets. Several hybrids aim to foster a local consumer base as a means to anchor value. Joseph Atuhaire underscores this:

“We must be able to create a space within our economy and within ourselves to consume our coffee. Because if we are consuming about 50% of our coffee, we will not be as dependent on export.”

Optimism is partly fuelled by demographic changes. Richard Mukasa mentions growth in the middle class:

“So the middle class is also growing. So that gives some bit of a guarantee of the future market as well for coffee consumption. So the figures are looking good, futuristic.”

Nevertheless, hybrid actors acknowledge structural hurdles to domestic market development. Joyce Namukasa mentions the need for public education:

“So the challenge that we face as a business would be mass education. Education about coffee consumption, which ideally should be the role of the UCDA. Yes. For people to understand the benefits of coffee and to just love coffee. Like most African countries, to go to any home, they will have tea leaves, but very few homes will have coffee.”

Considering this, a question arises about how public authorities intend to promote coffee consumption within Uganda. Janet Auma, Head of Marketing at UCDA, describes current promotional efforts:

“Rather than just tell people to drink coffee, we go out at different expos, different events with our own coffee, okay, not our coffee, but we go with coffee which we got for different stakeholders, and we give it out free... So we do espressos, we do cappuccinos, and give whoever wants to taste coffee a chance to taste coffee.”

Auma cautions that the UCDA alone cannot drive domestic consumption:

“They feel like, okay, that is the government role to promote coffee like that, when ideally they should be promoting themselves because it is like Coca-Cola saying, I do not know who should promote Coca-Cola. No, you promote your Coca-Cola because you are the one who is going to make the money. I hope we will see a time when private sector goes out and does all these campaigns, runs billboards, runs adverts on TV and radio where they are promoting their own coffee.”

Her comment reflects an underlying tension over roles and responsibilities. Government actors recognise the need to spur local demand but expect the private sector to take initiative through marketing and education. This ambiguity mirrors broader governance questions in Uganda’s coffee strategy, particularly in relation to how upgrading and market development should be coordinated.

In sum, this segment has presented findings regarding how hybrid organisations in Uganda’s coffee sector attempt to capture more value while navigating structural constraints, divergent policy priorities, and shifting trade relationships. Building on their work with farmers to improve quality and finance, hybrids are also branching out into functional upgrading, particularly roasting and processing. These efforts are supported by captive/relational governance strategies, such as establishing direct links from farmers to consumers, and horizontal collaborations with universities aimed at building local expertise and technical capacity. However, such initiatives are frequently undermined by practical challenges, including inadequate infrastructure, high electricity costs, and a complex tax regime that collectively erode already thin margins.

Moreover, tensions have also emerged between hybrid organisations and the state, particularly in relation to the government’s push for soluble coffee production. While some actors view this initiative as a route to large-scale value addition and industrial growth, many hybrids question both the inclusivity of state funding and the compatibility of this approach with their quality-

focused upgrading strategies. These frictions reflect broader disagreements over the future direction of Uganda's coffee sector and who should shape it.

Finally, longstanding trade relationships are a further source of contention. International buyers often emphasise stability and long-term engagement, yet some hybrids and state actors express scepticism about the fairness and transparency of these relationships. Volatile prices, coupled with non-tariff barriers such as food safety standards, add further complexity. In response, both hybrids and state actors are increasingly exploring new trade horizons, including emerging markets in Asia and growing interest in domestic consumption, which offer potential to diversify sales channels and reduce reliance on traditional export markets.

## **5.5 Environmental Upgrading: Challenges and Opportunities**

Finally, climate change stood out as a major challenge in the data collected. In addition to earlier observations about difficult farmer-hybrid relationships, financial challenges, and a complex functional upgrading landscape, respondents across the value chain expressed deep concern about the effects of climate change on their operations. Smallholder farmers were identified as particularly vulnerable. However, hybrid organisations and international traders also highlighted the impacts of climate variability, including shifting rainfall patterns, rising temperatures, increased outbreaks of pests and diseases, and even changes in coffee flavour profiles.

These findings align with broader research showing that climate change is increasingly affecting coffee production across Africa (e.g. Mulindwa et al., 2022; Kagezi et al., 2018; Nsubuga & Rautenbach, 2018). Against this backdrop, the concept of environmental upgrading becomes particularly relevant, as it again refers to processes by which economic actors reduce environmental harm through improved production and management practices. In this context, many of the adaptive responses observed in the data, including soil management, agroforestry and supply chain adjustments, can be interpreted as forms of environmental upgrading since they aim not only to mitigate damage but also to enhance resilience at the production level.

The following section outlines climate-related challenges and responses, beginning with a summary table and followed by detailed stakeholder perspectives.

**Table 9: Climate Change Impacts: Challenges and Opportunities**

Stakeholder	Subsection	Challenges	Opportunities
<b>Hybrid Organisations</b>	<b>Climate Challenges</b>	<b>Supply Unpredictability:</b> Inconsistent harvests due to changing patterns	<b>Adaptation Leadership:</b> Developing climate-resilient farming approaches
	<b>Mitigation Strategies</b>	<b>Resource Constraints:</b> Limited capital for climate interventions	<b>Climate-Smart Training:</b> Water management and soil enhancement techniques
		<b>Knowledge Transfer:</b> Scaling adaptation practices across farmer networks	<b>Agroforestry Development:</b> Introducing shade trees with income benefits
			<b>Supply Chain Resilience:</b> Diversification and logistics optimisation
			<b>Inventory Management:</b> Building reserves to buffer climate-related shortages
<b>Farmers</b>	<b>Climate Challenges</b>	<b>Unpredictable Seasons:</b> Disruption of traditional growing patterns	<b>Skill Building:</b> Learning pest management and water conservation methods
		<b>Temperature Stress:</b> Heat affecting coffee production and quality	<b>Diversification:</b> Multiple income sources through shade trees (avocado, macadamia) (social upgrading)

		<b>Pest Pressures:</b> Increased disease outbreaks (coffee wilt, twig borer)	
	<b>Mitigation Strategies</b>	<b>Implementation Costs:</b> “The things we are trained cost money”	<b>Practical Techniques:</b> Making homemade fertilisers and managing soil
		<b>ROI Concerns:</b> Input costs sometimes exceeding returns	<b>Community Support:</b> Some collective approaches to environmental challenges
<b>International Buyers</b>	<b>Climate Challenges</b>	<b>Flavour Profile Changes:</b> Altered coffee characteristics	<b>Relationship Building:</b> Working with reliable suppliers in changing conditions
		<b>Quality Consistency:</b> Difficulties maintaining expected profiles	<b>Customer Education:</b> Explaining changing flavour profiles to end consumers

Source: Own compilation

### 5.5.1 Challenges Hybrid Organisations Face Related to Climate Change

#### Between Droughts, Floods, and “Mad” Conditions

Coffee farmers and industry leaders across Uganda paint a stark picture of climate change’s impact. Daniel Smith, Head of Speciality Coffee Ventures and a veteran with over 30 years of coffee-related experience, captures the growing severity of the challenge:

“The climate is becoming a very serious constraint season by season. Not just in Uganda, but across the coffee producing countries of the world, the climate is mad. Either you get a drought or you get a severe drought or you get far too much rain.”

Samuel Nabwire, an experienced coffee export manager at Uganda Coffee Solutions (UGCS), shares this perspective about climate change:

“Climate change is real. The rain patterns have changed, affecting peasant or impoverished farmers who cannot afford irrigation and thus depend on rainfall.”

While excessive rain is said to cause problems, shifting growing seasons are also posing a threat. David Bwire, Managing Director of Vulami Coffee, expresses confusion over what used to be a predictable schedule:

“Now ask me about this season. I am not sure. Like I cannot tell you this is the season. Every time I am on the farm, I see coffee that needs to be picked. It is as if we now have an all-year season.”

### **Challenges Echoed by Farmers**

Uncertainty around the weather disrupts generations of agricultural knowledge. One farmer, Henry, who works with Vulami Coffee in Uganda’s Eastern region, recalls a time when seasonal patterns were more consistent:

“In the past there would be the sun, let us say from December until the rains come in March. So January would be hot, then the rains come in March, those days. But right now rain can come even in January, which also affects the production of coffee and the flowering of coffee. So that is a big challenge. It is unpredictable.”

On the opposite side of the country, in Uganda’s Western region, Burungi, who works with West Coffee Producers Association, reinforces this perspective:

“In recent years, I experienced a lot of sunshine, and after receiving a lot of sunshine, there is low production in coffee and even there is infertility in soil.”

Thus, specific challenges of climate change in the coffee context are unpredictable rainfall patterns, shifting growing seasons, increased periods of drought, and resulting soil degradation, which collectively disrupt Uganda's coffee sector as evidenced by farmers and industry leaders across the country.

### **Pest Pressures and Quality Changes**

Yet, climate challenges extend beyond weather shifts, as rising temperatures and erratic weather patterns also foster disease and pest outbreaks. Samuel Nabwire of Uganda Coffee Solutions (UGCS) observes:

“Due to climate change, disease vectors, which were once controlled by the natural vegetation, are now migrating to coffee and other crops. This migration exacerbates the difficulty of dealing with insects and disease vectors, especially when compounded by drought.”

Agricultural experts at UCDA, including Dr Paul Kamara, confirm these trends:

“Rain patterns in Uganda have drastically changed. We are seeing direct impacts, such as an increase in pest and disease attacks. For instance, we now face issues with the black coffee twig borer and the red blister disease. Excessive rainfall also hampers coffee drying, leading to quality problems caused by fungal infections.”

On the ground, farmers like Patrick from Vulami Coffee and Katchanga from West Coffee Producers Association share their struggles with increasing cases of disease and pest damage:

“The challenge is we are getting some pests and diseases.”

“The problem I have is there is a disease called coffee wilt disease which has increased over the years.”

Meanwhile, James Button, an international trader from Coffee Wange, points out that climatic swings affect coffee flavours as well:

“Climate change is having a massive impact. Every year brings different weather patterns arriving at the wrong time, either the rains come too early, or it is too dry with insufficient rain. For us, communicating changes to our roasters in the UK has been challenging. The classic flavour profiles are becoming less distinct.”

In sum, climate change poses serious threats to Uganda’s coffee sector and beyond. Disrupted weather patterns have made traditional growing seasons unpredictable, with rainfall and temperature swings creating what one respondent called “mad” climate conditions. This unpredictability particularly affects smallholder farmers who lack irrigation systems and must rely on increasingly unreliable rainfall. Crucially, changing climatic conditions have intensified pest and disease pressures, from coffee wilt disease to the black coffee twig borer, which represents one of the most significant threats to production viability. Equally concerning are the subtle but commercially significant impacts on coffee’s sensory characteristics, as climate disruptions alter coffee’s fundamental flavour profiles. Together, these impacts represent a central condition that threatens the stability of Uganda’s coffee sector.

## **5.5.2 Hybrid Organisations Upgrading Strategies to Mitigate Climate-Related Challenges**

### **Soil, Water, and Traditional Farming Methods**

Against the backdrop of volatile weather conditions, hybrid organisations have taken steps to build resilience, that is, they have begun to environmentally upgrade. Daniel Smith at Speciality Coffee Ventures highlights time-tested soil and water management:

“We have got what is called a Coffee Uganda Future Proof Project. As far as the actual interventions, it is just putting into practice in a consistent way across all of the farms a series of relatively standard interventions, which is like digging trenches to control

water flow, contour trenches... planting deep rooting grasses... applying foliar spray, bioliquid foliar spray that we manufacture on the farm.”

He also details specific methods for improving soil fertility and optimal shade management:

“We teach the farmers how to make their own fertilisers and then we provide them with spray pumps and dairy cans... mulching, pruning, stumping, planting shade trees where needed, pruning the shade trees out where there is too much shade, pruning the coffee trees so that they become more productive.”

Thus, some hybrid organisations go the extra length not only to train farmers to produce high-quality coffee which fetches a good market price, but also to embed climate resilience directly into farming practices through consistent, hands-on support. This shows that hybrids are not only concerned with commercial outcomes but also play an active role in broader sustainability issues.

### **Market and Supply Chain Resilience**

Yet besides mitigation practices, there were also other strategies. Francis Candiru, co-founder of Nature and Coffee, views market diversification and robust logistics as strategies for building resilience against environmental challenges:

“We have implemented strategies to ensure resilience and consistency in our supply chain. By maintaining ample inventory, training a number of farmers, and ensuring a robust logistics system, we are equipped to fulfil the demands of our global roasters and distributors. Additionally, we are expanding our footprint by partnering with Ugandan retail outlets... to diversify our market presence and adapt to environmental changes effectively.”

Moreover, while Candiru concentrates on market and supply chain solutions, others focus on direct farmer support. Uganda Coffee Solutions (UGCS), represented by Samuel Nabwire, has adapted their existing sustainability programmes to address emerging climate challenges:

“We have a fully-fledged sustainability programme. This programme works directly with the farmers. We train them with good agricultural practices... We give inputs to the farmers. We support them in getting inputs like fertiliser, and pest control”

At Vulami Coffee, John Mwesige explains how agroforestry can enhance ecosystems and buffer climate shocks:

“The farmers are being educated about smart climate agriculture practices... For example, farmers are being introduced to agroforestry practices, where they receive seedlings of trees like macadamia and avocado. These trees provide shade for coffee plants and can also yield fruits that generate income for the farmers.”

Together, these findings reveal that hybrid organisations employ diverse approaches to address climate-related challenges. While some focus on traditional agricultural techniques like soil and water management, shade tree planting, and composting, others pursue more market-oriented strategies such as supply chain diversification and logistics optimisation. These practices demonstrate that hybrids serve as important intermediaries who translate climate adaptation needs into practical interventions.

### **Farmer Experiences**

Farmers, on their end, validate the impact of hybrids’ efforts. Robert, who works with Vulami Coffee, acknowledges the practical benefits of training:

“When we are trained, we are given skills here to go and handle the pests in our gardens.”

Katchanga, from West Coffee Producers Association, discusses water management and shade-tree planting:

“We have extension workers who always pass through and give us trainings about how to mitigate those changes. Construction of trenches that can correct water during heavy rain... and we get training on how to plant trees that can provide shade to the coffee.”

However, while farmers value training, many struggle with implementation costs, as Fausta of West Coffee Producers Association explains:

“But sometimes I am unable to afford what I have been trained. The things we are trained cost money... Because of my old age, I cannot do all that... The money I get from the coffee cannot do all that.”

Her frustration underlines a paradox: farmers gain new skills yet often lack the resources to capitalise on them fully. Burungi, also a smallholder farmer from West Coffee, sees price fluctuations as another barrier:

“Yes, I got training which helps me with controlling diseases; however, there is also a challenge about price fluctuations. When comparing both the input products and output, sometimes I find that the inputs are higher than the output.”

In sum, climate change manifests in Uganda’s coffee sector through unpredictable weather and increased pest pressures. Against this backdrop, hybrid organisations have developed various upgrading responses, from traditional farming methods and soil management to supply chain adaptations. Farmers value hybrid initiatives: however, they struggle with high input costs and competing financial demands. As farmers explain, adopting new methods requires resources that many simply cannot afford. Thus, hybrids can offer some help on climate change, but

given their small size and, indeed, lack of capital as covered before, these efforts have certain limits.

## 5.6 Chapter summary

To conclude, this chapter has presented the findings on the challenges and opportunities faced by hybrid organisations working to upgrade within Uganda’s coffee sector. The findings centre around four dimensions: *social and economic upgrading*, *financial dynamics*, *functional upgrading*, and *environmental upgrading*. To summarise the findings clearly, they are first presented in a table format, followed by a short narrative synthesis.

**Table 10: Challenges and Opportunities Faced by Hybrid Organisations in the Ugandan Coffee Sector**

<b>Dimension</b>	<b>Challenges</b>	<b>Opportunities</b>
<b>Quality Upgrading</b>	<ul style="list-style-type: none"> <li>- Difficulty maintaining stable relationships with farmers which leads to a fragile foundation</li> <li>- Farmer are side-selling due to financial stress and unpredictable market conditions</li> <li>- The absence of strong state-led extension services has led hybrid organisations to step in and take on this responsibility for quality themselves</li> </ul>	<ul style="list-style-type: none"> <li>- Hybrids distinguish themselves by offering stable prices for farmers</li> <li>- Hybrids deliver capacity-building through agricultural training and technical support</li> <li>-Hybrids secure high-quality production through relationship building and training which pays higher income for both hybrids and farmers</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>- There is a typology of hybrids: Local hybrid organisations, face significant financial disadvantages compared to those in the typology of internationally connected hybrids, who often benefit from easier access to affordable external capital.</li> <li>- Local borrowing rates often exceed 20%, whereas multinational firms can access single-digit interest rates abroad</li> <li>- High cost of capital limits hybrids’ ability to compete in sourcing coffee or invest in economic upgrading</li> </ul>	<ul style="list-style-type: none"> <li>- Hybrids have introduced financial innovations, such as playing quasi-banking roles in rural areas</li> <li>- They provide pre-financing and microloans to farmers, helping with input purchases and bridging income gaps</li> <li>- Reducing side-selling through credit arrangements with farmers</li> <li>-They provide credit which enables farmers to adopt improved practices, thereby</li> </ul>

	- Financial vulnerability persists due to the lack of supportive financial infrastructure	supporting process and product upgrading
<b>Functional Upgrading</b>	<ul style="list-style-type: none"> <li>- Hybrids face geographical constraints that limit their ability to engage in functional upgrading and export value-added processed coffee abroad, due to Uganda’s landlocked position</li> <li>- State support is uneven, with significant public investment directed toward soluble coffee initiatives that do not always align with hybrid models</li> <li>- Poor infrastructure, especially in mountainous regions, makes it difficult to transport coffee efficiently</li> <li>- Tensions with international buyers persist, as traditional trade dynamics often favour value capture in consuming countries</li> </ul>	<ul style="list-style-type: none"> <li>- Some hybrids are experimenting with domestic roasting and direct-to-consumer sales to retain more value at origin</li> <li>- Partnerships between hybrids and local universities have helped strengthen sector-specific skills and training</li> <li>- By reducing reliance on multiple intermediaries, hybrids are rethinking governance structures and seeking to capture more value locally (captive/relational upgrading)</li> <li>- Tailoring coffee to specific market demands allows hybrids to carve out niche opportunities and challenge the legacy of raw export dependency</li> </ul>
<b>Environmental Upgrading</b>	<ul style="list-style-type: none"> <li>- Climate change is disrupting Uganda’s coffee sector through erratic rainfall, pest outbreaks, and declining soil fertility.</li> <li>- Many farmers struggle to adopt sustainable practices due to the labour demands and costs associated with inputs</li> <li>- Structural support for climate adaptation, both financial and institutional remains limited.</li> <li>- Neither hybrids nor farmers have the capacity to fully bear the costs of long-term adaptation measures</li> </ul>	<ul style="list-style-type: none"> <li>- Hybrids promote climate-smart agricultural practices such as agroforestry, composting, mulching, and water conservation.</li> <li>- These practices serve dual purposes: protecting coffee trees and providing secondary income sources (e.g., from fruit trees)</li> <li>- Thus, environmental upgrading can bring co-benefits by strengthening both ecological resilience and household income.</li> <li>- In doing so, hybrids introduce climate resilience into local coffee production systems</li> </ul>

Source: Own compilation

In terms of *social and economic upgrading*, challenges related to building stable relationships with farmers and the absence of strong public extension services have required

hybrids to step in and assume state-like roles. These include agronomic training and quality enforcement. Trust-building is central to their strategy, as it supports both improved product quality and stronger social ties. Farmers themselves describe relationships in social terms, pointing to improvements in livelihoods and a more predictable income stream. As such, social and quality upgrading emerged as foundational to the work of hybrid organisations.

*Financial constraints* were a recurring theme across the sector. Locally embedded hybrids operate in a financial environment that tends to favour multinational actors, particularly in access to affordable credit. High local borrowing rates (20-24% annually compared to single-digit rates for multinationals) and limited financial infrastructure restrict hybrids' ability to scale operations or invest in upgrading. This financial disparity has contributed to the emergence of two distinct hybrid typologies: locally embedded organisations operating entirely within the domestic financial system, and those with international connections able to access external resources. Despite these challenges, many hybrid organisations have responded by adopting innovative financing models, including providing pre-financing and microcredit to farmers. These efforts help reduce side-selling and enable farmers to invest in improved practices, which thus links financial innovation to both process and product upgrading. Also worth mentioning is that, loans from hybrids often offer more favourable terms than local moneylenders, which consequently contributes to modest social upgrading by improving farmers' ability to manage risks and smooth income volatility.

With regard to *functional upgrading*, the findings highlight how hybrids are experimenting with activities such as domestic roasting, direct-to-consumer sales, and university partnerships to capture more value locally. These efforts reflect not only adaptation to the constraints of Uganda's landlocked geography and infrastructure challenges but also an ambition to reshape existing governance structures. However, these strategies unfold in a broader institutional context characterised by fragmented public-private coordination and misalignment between hybrid-led upgrading approaches and dominant state priorities, such as the focus on soluble coffee.

*Environmental upgrading* was found to be both a critical challenge and a space for opportunity. Climate change is already disrupting Uganda's coffee production through erratic weather patterns, pest outbreaks, and soil degradation. While many farmers struggle to adopt labour- and cost-intensive adaptation practices, hybrid organisations are incorporating climate-

smart strategies into their models, including agroforestry and soil management. These not only enhance ecological resilience but also offer co-benefits in terms of household income. However, widespread adoption remains difficult due to financial and labour constraints at the farm level.

Taken together, the findings suggest that hybrid organisations are playing a central role in Uganda's coffee value chain. The following discussion chapter looks at the above dynamics in greater depth and considers how these findings connect with and contribute to the broader literature.

# Chapter 6: Discussion

Having earlier presented the findings, it is now time to discuss them. To this end, this chapter is intended to draw out deeper patterns and contradictions that emerged from the study. It does so by first synthesising the main findings into empirical themes, then presenting a comparative analysis that highlights a few interesting differences and tensions from the study, and third, it outlines some conceptual considerations. The chapter concludes with a brief summary.

## 6.1 Synthesis of Main Findings

The empirical findings can be organised into three integrated themes that capture the core dynamics of hybrid organisations in Uganda's coffee sector: Tensions in relationship building, the dilemma of financial and environmental vulnerabilities, and the limits of hybrid intermediation. Next up is a discussion surrounding these themes in order to clarify their meaning and implications.

### 6.1.1 Tensions in Relationship Building

First, research revealed tension in how hybrid organisations establish and maintain relationships with farmers. At the core of this intensity is the conflict between *relational governance aspirations* and *market governance realities*. Hybrid organisations seek to build long-term, trust-based relationships with farmers through consistent engagement, quality-focused training and above-market prices. However, these efforts unfold within a market environment where price competition remains the dominant logic.

As such, the fragility of trust seems to stem from a combination of farmer behaviour and broader market conditions. Farmers, facing precarious livelihoods and short-term financial pressures, often diversify their market channels rather than committing exclusively to one buyer. As Borrella et al. (2015, p. 42) observed, farmers working with external actors to upgrade into speciality coffee may side-sell to higher bidders or become vulnerable if

committed buyers withdraw. In Uganda, this pattern appeared at times and created challenges for hybrid organisations as the liberalised market environment in which farmers and hybrid organisations operate, looks to encourage more transactional relationships and weaken the incentives for long-term commitment.

Against this backdrop, tension emerged in how hybrid organisations interpret farmer behaviour. While some managers initially characterised farmers' market diversification as "greed", deeper analysis suggests it reflects a rational response to livelihood insecurity. Without reliable social safety nets and facing volatile income streams, farmers must, as one can understand, prioritise short-term returns to meet immediate needs like school fees or healthcare costs. This creates a cyclical tension. Farmers may participate in quality upgrading, but ongoing financial insecurity can lead them to sell to the highest bidder, even if it weakens existing relationships.

The hybrid response to this challenge takes multiple forms. Many invest in agricultural training in the absence of reliable public extension services. Some add on further effort and offer premium prices as incentives for quality and loyalty. Others implement pre-harvest financing tied to future coffee deliveries. These approaches combine commercial logic with social impact and reflect capacity to pursue multiple objectives simultaneously. In terms of the types of upgrading these efforts bring, they contribute to process upgrading by improving how coffee is cultivated and handled through training and technical support, product upgrading by enhancing bean quality and consistency to meet higher market standards, and social upgrading by improving farmers' incomes, financial stability and long-term engagement in value chains.

Moreover, trust-building efforts occur in a context where state quality governance is limited. Respondents reported that weak regulatory enforcement by the Uganda Coffee Development Authority (UCDA) creates significant oversight gaps. With only around 25 inspectors responsible for monitoring millions of coffee bags annually, quality control occurs primarily through spot-checking rather than comprehensive oversight. According to some hybrid respondents, this limited capacity allows unscrupulous actors to circumvent quality standards by hiding low-quality coffee behind acceptable samples. Such practices, they argue, weaken market incentives for quality upgrading by creating unfair competition for those who invest in maintaining standards. In this environment, hybrid organisations that enforce quality

standards themselves help address a governance gap by assuming roles that, in other settings, might be undertaken by state agencies.

Theoretically, this tension between relational aspirations and market realities creates what might be described as *mixed governance*. While hybrid organisations seek to implement relational governance through frequent interaction and embedded trust (Gereffi and Fernandez-Stark, 2016), their efforts are constrained by broader market governance pressures. The result is neither fully captive nor fully relational, but rather a hybrid form where trust remains fragile and constantly subject to renegotiation.

### **6.1.2 The Dilemma of Financial and Environmental Vulnerabilities**

A second integrated theme concerns how hybrid organisations navigate intersecting vulnerabilities in finance and environmental management. These vulnerabilities affect both hybrids themselves and the farmers they support, creating layered challenges that limit upgrading potential.

At the organisational level, locally embedded hybrid organisations face severe financial constraints. They typically access credit at interest rates between 20-24% annually, while multinational competitors can secure financing at single-digit rates through international channels. In addition to these high costs, local banks often impose restrictive lending conditions that constrain operational autonomy, with some local hybrid respondents describing highly unfavourable scenarios in which lenders attempt to dictate trading arrangements. Together, these institutional financial constraints have led to the emergence of two hybrid types: locally embedded organisations operating entirely within the domestic financial system, and those with international connections able to access external resources. While both types engage in farmer support and coffee trading, their capacities and strategic options differ significantly based on their financing structures.

Both types of hybrids, however, provide lending support to farmers in various ways. Hybrid organisations frequently act as informal lenders by providing pre-harvest finance and microloans that help farmers meet immediate household needs while strengthening relational ties. Farmers report that such loans help bridge critical income gaps, particularly for agricultural inputs. As one farmer explained, loans from hybrids offered more favourable terms

than local moneylenders who might otherwise charge exploitative rates. However, some note that even modest repayments can become burdensome in times of hardship. Hence, besides the improvements in quality that hybrids bring, there is also some modest social improvement, as access to timely credit improves farmers' ability to manage risks, smooth income volatility and reduce dependence on exploitative lenders.

Environmental vulnerabilities, meanwhile, particularly those related to climate change, add another layer of complexity. Respondents across the value chain voiced concern about erratic rainfall patterns, increasing pest pressures, and declining soil fertility. These environmental challenges directly threaten production stability while further straining the already limited resources of both farmers and hybrid organisations.

Hybrid responses to environmental challenges primarily take the form of knowledge transfer and practice adaptation. Many promote climate-smart agricultural techniques such as agroforestry, where coffee is intercropped with shade trees that can also provide alternative income through fruit production. These approaches serve dual purposes: protecting coffee from climate stresses while diversifying farmer income streams. However, resource constraints limit widespread adoption. While knowledge transfer appears effective, many farmers lack the financial capacity to implement recommended practices which creates a gap between awareness and action. In terms of upgrading, then, environmental engagement suggests both economic upgrading, through income diversification, and environmental upgrading, as hybrids strive to enhance production systems to withstand the impacts of climate change, and perhaps, some modest social upgrading as improved resilience reduces vulnerability to income shocks and supports more stable livelihoods.

Theoretically, these intersecting vulnerabilities highlight what McMullen (2018) described as the hybrid potential to function as a "new species" capable of transforming business environments. In the Ugandan context, hybrid organisations have emerged partly in response to institutional weaknesses. not only in quality dimensions (as covered earlier), but also, as now laid out, in financial systems and environmental support. As Battilana et al. (2022) noted, hybrid organisations often struggle in settings where their unconventional models do not align with dominant commercial norms. The financial constraints observed in Uganda reflect this reality, yet hybrid organisations persist in developing innovative solutions that blend commercial and social approaches to address institutional challenges.

### **6.1.3 The Limits of Hybrid Intermediation**

The third and final integrated theme concerns the limits of hybrid intermediation, particularly regarding functional upgrading and value capture. While hybrid organisations demonstrate considerable capacity to support process and product upgrading at the farm level, their ability to drive substantial functional upgrading faces significant constraints.

The research identified three distinct functional upgrading approaches pursued by hybrid organisations: some have invested in domestic processing facilities to retain more value locally, including one respondent who established the largest coffee roasting facility in East Africa; others have adopted captive/relational governance models by selling directly to consumers in Europe while maintaining control over branding and distribution; and a third approach involves horizontal partnerships with universities to build local innovation capacity and knowledge creation.

These efforts reflect growing dissatisfaction with traditional trade dynamics. Several hybrid managers expressed scepticism about the fairness of existing relationships with international buyers, with one even describing them as “predators.” State representatives similarly voiced concerns that continued reliance on raw coffee exports reinforces Uganda’s subordinate position in global markets. Both hybrid and state actors appear motivated to challenge conventional value chain relationships that concentrate benefits in consuming countries.

However, functional upgrading efforts face substantial structural barriers. First, Uganda’s landlocked geography increases export costs for roasted coffee, which has a shorter shelf life than green beans and requires faster, more expensive transport. This limits the competitiveness of domestically roasted coffee in distant consumer markets and makes value addition at origin more difficult to sustain. There were also indications that many locally embedded hybrid organisations may lack the market knowledge and branding expertise needed to succeed in consumer markets. Also, price fluctuations and non-tariff barriers in export destinations further complicate efforts to recover investments and secure stable demand for upgraded products. Moreover, poor infrastructure, especially during rainy seasons, complicates logistics across the coffee chain and remains a persistent challenge for upgrading efforts, particularly when it comes to moving coffee from remote farming areas to central facilities.

These combined barriers show the structural limits of functional upgrading in the Ugandan context and the need for stronger institutional and infrastructural support to make value addition more viable.

Besides these challenges, also, there is also strategic fragmentation within the sector. While hybrid organisations typically pursue quality-differentiated strategies, the government has focused its upgrading efforts on industrial-scale soluble coffee production. Hybrid actors express concern that this approach, which relies on lower-quality beans, could damage Uganda's, recently improved, quality coffee reputation. That is to say, the government's emphasis on volume-oriented soluble coffee may conflict with the quality-driven logic pursued by hybrids, leading to parallel but misaligned development pathways. Some also pointed out that government funding has mainly gone to a few selected actors, leaving most hybrid organisations without the same opportunities to scale their efforts.

The above functional efforts reflect patterns observed in other producing countries, where similar strategies have been proposed to enhance value capture at origin. Gizaw et al. (2022) emphasised the importance of domestic value-adding activities such as processing and quality improvement as a pathway to long-term economic growth, while Suryana et al. (2023a; 2023b) likewise identified such economic upgrading as a means of repositioning producers more favourably within the value chain. The Ugandan case offers empirical insight into how such economic upgrading strategy is being pursued in practice, but it also reveals the significant barriers that continue to constrain its full realisation. While there is little to suggest that the current approach is inherently flawed or incapable of delivering growth, efforts remain fragmented and lack a clear, coordinated direction.

Finally, in response to functional upgrading challenges, both hybrid and state actors are increasingly exploring alternative market pathways. Emerging markets in Asia are gaining attention for their growing demand and perceived regulatory flexibility. The domestic market is also being reconsidered as a potential space for value retention, though there remains disagreement about who should be responsible for stimulating local consumption.

## **6.2 Comparative Analysis: Contradictions and Variations**

Besides trust, financial, environmental, and functional upgrading constraints, the research also revealed several contradictions and variations that expose the complex nature of hybrid organisations. What follows is a closer look at these.

### **6.2.1 Contradictions in Hybrid-Farmer Relations**

The first contradiction concerns how power and value distribution are interpreted. While the predominant narrative in GVC literature portrays smallholder farmers as structurally disadvantaged (e.g. Grabs & Ponte, 2019), some hybrid managers challenge this characterisation. One respondent argued that “Ugandan farmers [are] taking too big of a portion of the money”, claiming that farmers receive 70-80% of the FOB price while processors operate on thin margins. This view reflects local distribution dynamics but does not contradict farmers’ global marginalisation, as only a small fraction of coffee’s total value remains in producing countries like Uganda. The evidence suggests that while farmers may capture a significant portion of local export value, the vast majority of value capture occurs downstream in consuming countries. This view contrasts with farmers’ own accounts of ongoing financial hardship and reveals competing interpretations of fairness and value distribution that shape hybrid-farmer relationships. While hybrid organisations may indeed operate on narrow margins, especially when compared to downstream actors in consuming countries, their interpretation of farmer behaviour often fails to fully account for farmer vulnerabilities. The result is a relationship characterised by mutual dependence but, in some cases, uneven understanding.

### **6.2.2 Variations in Hybrid Strategic Positioning**

The research also revealed significant variations in how hybrid organisations position themselves. While all shared a focus on quality, with investments in farmer training and relationship building, some placed an even greater emphasis on social and environmental impact, such as promoting climate-smart practices and occasionally distributing inputs like seeds. Others, by contrast, concentrated on functional upgrading, with a stronger push towards downstream integration and efforts to move closer to final markets. These differences primarily

reflect variations in strategic orientation, which in turn appear linked to differences in organisational capacity, market access, and founder background.

For example, hybrid organisations with international connections, particularly those led by expatriates or foreign players with direct experience in consumer markets, were more likely to implement functional upgrading in concrete ways. Locally embedded organisations did not exhibit substantial functional upgrading in practice, even though the ambition was evident. Why this gap exists remains an open question. It may reflect resource constraints, limited market knowledge, or the kind of risk aversion that comes from operating in more precarious institutional environments.

An interesting pattern emerged also regarding certification schemes. Only 4 of the 13 hybrid organisations studied held certifications like Fairtrade or Rainforest Alliance. While certified organisations valued the market access these schemes provided, they did not view certification as their primary motivation for supporting farmers. Similarly, non-certified hybrids engaged in many of the same farmer support activities despite lacking formal certification. This suggests that hybrid organisations' social and environmental practices are driven more by their intrinsic dual mission than by external certification requirements.

### **6.2.3 Tensions Between State and Hybrid Upgrading Visions**

A further contradiction concerns the misalignment between how the Ugandan state and hybrid organisations envision the future of upgrading. While hybrid organisations tend to pursue differentiated, quality-focused strategies rooted in relational trade and farmer engagement, state efforts have increasingly centred on industrial-scale soluble coffee production. This divergence reflects competing interpretations of what value addition should look like in Uganda's coffee sector.

From the government's perspective, soluble coffee offers a more scalable path to industrialisation, job creation, and export growth. Its longer shelf life helps to mitigate some of the logistical challenges facing a landlocked country with limited infrastructure and transport options. However, hybrid organisations raise concerns that this model risks undermining Uganda's emerging reputation for high-quality coffee, as soluble production typically relies on lower-grade beans. In this context, the contradiction lies not only in technical priorities but in

the broader governance logics at play, one oriented around volume and scale, the other around quality and relationship-based upgrading.

### 6.3 Conceptual Considerations

Besides the above-mentioned empirics, the data also provides conceptual insights into the nature of hybrid organisations. First, the research contributes to our understanding by showing how hybrid organisations respond to the specific conditions found in liberalised settings. Battilana et al. (2022) argue that the more liberal the environment, the harder it becomes for hybrids to balance social and commercial goals, as open markets tend to favour conventional business models and limit institutional support for alternative forms. This study, however, points to something different. In Uganda, hybrids do not necessarily struggle to balance logics because the environment is liberal. While shortcomings were observed, the liberal setting itself did not appear to be the main source of difficulty. Rather, it created the conditions for hybrids to emerge in the first place. With farmers free to sell to whom they want, and with limited state involvement in areas such as extension, finance, and quality regulation, hybrid organisations have stepped in to fill institutional gaps. The liberal environment, in other words, did not suppress hybrid activity, it made it necessary.

Second, the study contributes to GVC governance theory by identifying what might be described as *mixed governance* at the producer-processor interface. While existing typologies (Gereffi et al., 2005) classify governance as *market*, *modular*, *relational*, *captive*, or *hierarchical*, the Ugandan case reveals a more complicated reality. Hybrid organisations aspire to relational governance by building trust and offering training, yet they operate in a setting dominated by price competition and short-term transactions. This creates a mixed governance form that blends relational intentions with commercial pressures between farmers and hybrids. Rather than fitting neatly into any single category, the data points to overlapping systems in which farmers exercise agency through side-selling and hybrids attempt to build longer-term relationships. Mixed governance, in this sense, offers a way to capture the more fluid dynamics that shape upgrading and governance processes on the ground.

Third, the findings contribute to GVC upgrading concepts by demonstrating that multiple upgrading dimensions can be pursued simultaneously through integrated strategies. In the context of hybrid organisations, *economic*, *social*, and *environmental* upgrading are not treated as separate goals. Instead, they are approached together, often through overlapping interventions designed to compliment one another. For example, a single hybrid organisation may introduce training programmes that improve processing practices and lead to product upgrading, while also offering access to finance that strengthens farmer incomes and supports social upgrading. At the same time, the promotion of agroforestry or shade-growing techniques contributes to environmental upgrading by building climate resilience. These efforts are not always pursued in isolation but are embedded within the same organisational strategy. This integrated approach contributes to a more nuanced understanding of upgrading by showing how hybrid organisations pursue multiple forms of upgrading in combination.

Finally, the study advances our conceptual understanding of hybrid organisations as intermediaries in global value chains. The above examples reflect the conceptual flexibility of hybrid organisations to adapt to varying institutional environments and respond to distinct governance gaps. As such, they could function as collaborative mediators. This is a notion that aligns well with scholarly calls for collaborative governance in coffee GVCs (Karatepe and Scherrer, 2022; Peixoto et al., 2023). That is, hybrids are positioned to translate theoretical models into practice. The findings show hybrids already functioning at the intersection of farmers, state actors, buyers, and researchers, as they develop university partnerships, connect farmers to premium markets, and promote climate-resilient practices. Though the case in Uganda reflects a specific development trajectory shaped by liberal institutional arrangements that may not be directly transferable to other contexts, the underlying potential remains visible.

This potential collaborative role also resonates with the kinds of institutional settings discussed in the broader literature. In regions with weak institutional support, for example in eastern Congo (Slosse et al., 2023), hybrids could offer structured market access where informal trade currently dominates. They could fill coordination and quality assurance roles that are generally played by the state or more established actors. In contexts like Ethiopia, where cooperatives struggle with limited capital and training (Addisie and Tebarek, 2023), hybrid coffee processors could provide targeted support through embedded training and market connections. And in more commercialised settings like Indonesia, where “relationship coffee”

initiatives have failed to deliver promised benefits to farmers (Vicol et al., 2018), hybrids could, in theory, ensure value reaches producers rather than being captured by elites. That is, because of their local and international connectivity, hybrids may be well positioned to distribute value equitably and collaboratively across the chain.

## 6.4 Chapter Summary

To conclude, this chapter discussed the complex role of hybrid organisations in Uganda's coffee sector. It started by looking at three integrated themes. First, the challenge of tension in relational building, which revealed a fundamental tension between hybrid organisations' relational governance aspirations and the realities of the market. The second topic was the navigation of intersecting financial and environmental vulnerabilities, which showed how hybrids are developing innovative solutions to address both financial and environmental shortcomings. Third, the limits of hybrid intermediation in driving functional upgrading were discussed. This aspect demonstrated that functional upgrading faces significant structural barriers, including Uganda's landlocked geography, poor infrastructure, and strategic fragmentation within the sector.

After the above, the comparative analysis revealed several important contradictions and variations that further shed light on the complex positioning of hybrid organisations. First, significant contradictions exist in how power and value are interpreted across the chain, with hybrid managers and farmers holding competing views on fairness and value distribution. Another contradiction was the variations among hybrid organisations which reflect differences in organisational capacity, market access, and founder background, particularly between internationally connected and locally embedded hybrids. Perhaps most important, tensions between state and hybrid upgrading visions result in parallel but uncoordinated upgrading paths with limited synergy.

Finally, the conceptual considerations outlined in the final section showed how this study advances understanding of hybrid organisations and GVC governance. The research shows how hybrids respond flexibly to institutional weaknesses, operate within mixed governance systems, pursue interconnected upgrading strategies, and perform context-

dependent roles in value chains. Having discussed findings, next up is a conclusion which will summarise and reflect on the broader contributions of the study.

# Chapter 7: Conclusion

Having introduced the research context and question, reviewed relevant literature, outlined the methodological approach, studied the historical and sectoral context, presented the findings, and also discussed the empirical insights in relation to broader theoretical debates, this final chapter now draws the dissertation to a close by presenting its core contributions. It does so by first addressing the research question, secondly outlining the conceptual contributions, thirdly offering practical recommendations, and finally, considering limitations and future directions.

## 7.1 Addressing the Research Question

This dissertation set out to answer: *What are the main challenges and opportunities that hybrid organisations face in contributing to different types of value chain upgrading processes in the Ugandan coffee sector?* From this starting point, the investigation identified a research gap at the meeting point between promising theoretical roles for hybrid organisations and limited empirical insight, particularly in African contexts. Through qualitative interviews with 49 stakeholders across the value chain, the study has provided insights into how hybrid organisations navigate Uganda's coffee sector, the upgrading processes they engage in, and the challenges and opportunities they face in this regard.

Based on empirical findings, important patterns emerge. However, the answer to the research question is multifaceted. Hybrid organisations in Uganda's coffee sector face a number of challenges. These include fragile trust relationships with farmers, shaped by tensions between relational aspirations and the pressures of price competition and short-term market behaviour. Limited public oversight also plays a role here. In the absence of consistent quality enforcement, hybrid organisations have taken on this role themselves by developing internal systems to ensure product standards and maintain trust with buyers. They also face severe financial constraints that disadvantage local actors, with interest rates ranging from 20–24% compared to the single-digit financing available to multinational firms. In this regard, two broad typologies were observed: locally embedded organisations operating entirely within the

domestic financial system, and internationally connected hybrids with access to external markets and resources. These differences shape the level of competitive advantage organisations are able to maintain, particularly in terms of how well resourced they are, as the market becomes increasingly dominated by firms with multinational ties.

Besides financial pressure, hybrids must contend with poor infrastructure, especially during rainy seasons, which raises costs and risks in transporting coffee from remote growing regions. Environmental conditions also pose serious constraints. Unpredictable rainfall, increasing pest pressure, and the spread of coffee diseases threaten both yields and quality. At the same time, hybrids face strategic misalignment with government initiatives, as the state promotes industrial-scale soluble coffee production while hybrids focus on quality-differentiated premium markets. This has led to a fragmented upgrading landscape, with concurrent but uncoordinated development paths between private and state actors.

Hybrid organisations also operate in a global context shaped by unequal trading relationships and limited leverage. While some attempt to bypass intermediaries and build direct links to buyers through functional upgrading, for example by roasting coffee or exporting branded products, the data indicates that these efforts are often constrained by limited knowledge of international markets and the geographic distance from end consumers.

Despite these challenges, hybrid organisations create a range of upgrading opportunities that span economic, social, and environmental dimensions. Their efforts often begin at the farm level, where trust-building strategies such as training, technical support, and premium incentives contribute to both product and process upgrading by improving bean quality, post-harvest handling, and consistency in supply. In the absence of public extension services, many hybrids have thus taken on roles in farmer education, supporting knowledge-based upgrading through direct engagement.

Access to finance also plays a central role. Hybrid organisations frequently provide pre-harvest finance or microloans that help farmers invest in inputs and reduce reliance on exploitative lenders. This supports social upgrading by improving income stability and enabling risk management, while also making it possible for farmers to meet quality standards more consistently. Environmental upgrading appears in targeted initiatives such as agroforestry and shade-grown systems, which help farmers adapt to climate stress while offering

opportunities for income diversification. In practice, these dimensions often overlap, rather than appearing as distinct efforts.

Some hybrids also pursue functional upgrading through investments in domestic processing or by seeking to connect directly with end markets. While such efforts remain constrained by infrastructure, branding capacity, and limited scale, they reflect an ambition to retain more value at origin. Certification plays a mixed role. Only a few hybrids studied held formal certifications (4 out of 13), yet both certified and non-certified actors engaged in similar farmer support practices. This suggests that upgrading is often internally motivated rather than driven by external standards.

## 7.2 Conceptual Contributions

Besides the above-mentioned empirics, the data also provides conceptual insights into the nature of hybrid organisations. First, the research contributes to our understanding by showing how hybrid organisations take shape in response to the specific conditions found in liberalised settings. Earlier work, including Battilana et al. (2022), suggests that the more liberal the context, the harder it becomes for hybrid models to operate social logics, since open markets tend to favour commercial logic and leave little space for alternative organisational forms. This study, however, shifts the focus. In Uganda, liberalisation has not simply created challenges, it has made space for hybrid organisations to emerge. With limited public involvement in areas like extension services, quality regulation, and rural finance, hybrids have stepped in to cover roles that might otherwise be filled by the state. Their blend of commercial and social goals should be seen not only as an internal balancing act but also as a response to external gaps in public service and governance.

Second, the study contributes to GVC governance theory by identifying what might be described as *mixed governance* at the producer-processor interface. Hybrid organisations aspire to relational governance by building trust and providing training, but they do so in a setting where market-based transactions and price competition dominate. This results in a form of governance that blends relational intentions with commercial pressures between farmers and hybrids. Rather than fitting neatly into existing categories, the data shows overlapping systems at work: farmers exercise agency through side-selling, hybrids try to build longer-term

relationships. Mixed governance, in this sense, helps capture the more negotiated realities that influence upgrading and governance on the ground.

Third, the findings contribute to upgrading theory by demonstrating how different upgrading dimensions can be intertwined in practice. While the upgrading literature generally acknowledges interconnections, this research provides specific insights into the mechanisms through which hybrid organisations in Uganda's coffee sector deliberately integrate economic, social, and environmental upgrading. The research shows that these dimensions are not pursued as isolated goals by hybrid organisations. Instead, they adopt integrated strategies that mix multiple upgrading efforts at the same time.

Finally, the study advances our conceptual understanding of hybrid organisations as intermediaries in global value chains. The findings suggest that hybrid organisations are able to adapt to varying institutional environments and respond to distinct governance gaps. As such, they could function as collaborative mediators. This aligns with recent scholarly calls for more collaborative forms of governance in coffee GVCs (Karatepe and Scherrer, 2022; Peixoto et al., 2023), with hybrids potentially well positioned to translate such models into practice. The data shows hybrids already operating at the intersection of farmers, state actors, buyers, and researchers, for instance by developing university partnerships, connecting farmers to premium markets, and promoting climate-resilient practices.

### **7.3 Practical Recommendations**

Based on the findings, a few practical recommendations could be made. First, *there is a need to develop targeted financial mechanisms to address the capital access gap facing locally embedded hybrid organisations*. The research identified distinct typologies of hybrid organisations with varying levels of access to affordable capital. Locally embedded Ugandan actors, in particular, face high interest rates and restrictive lending terms, while the market is increasingly dominated by multinational firms with access to cheaper international financing. This points to the need for a multi-stakeholder financing platform where financial institutions, state actors, and hybrid organisations can develop concrete mechanisms such as targeted interest rate subsidies or loan guarantee schemes tailored to the realities of Ugandan hybrids.

Second, *there is value in promoting strategic alignment between multiple upgrading initiatives across the sector.* The fragmented nature of the sector warrants attention. Government efforts have largely prioritised soluble coffee production, while many hybrid organisations pursue quality-differentiated strategies aimed at positioning Ugandan coffee in premium markets. While this research cannot definitively determine which path offers more long-term value, several hybrid actors have questioned whether the push for soluble coffee truly reflects the most inclusive and sustainable direction for the sector. There is value in fostering dialogue that brings these competing upgrading visions into conversation. Coordinated planning could explore how infrastructure and public investment in coffee-growing regions might support both models, while allowing for shared benefits that draw on the mixed governance dynamics identified in this research.

Third, *there is an opportunity to better recognise, collaborate with and support hybrid organisations' positioning within the coffee sector.* The findings show that hybrids already operate at the intersection of farmers, market actors, and public institutions, yet their potential to contribute to sector-wide coordination remains underutilised. Many are involved in activities that align closely with public goals, including farmer training, financial inclusion, and climate resilience.

Fourth, *quality governance systems would benefit from strengthening. The findings point to tensions around quality standards and enforcement, with current oversight seen as uneven.* Dialogue on this front could explore ways to enhance regulatory capacity, whether through increased inspector coverage or more transparent and consistent grading practices. Any such efforts should acknowledge the constraints regulators face while working towards fairer conditions for those investing in quality.

Together, the above recommendations are intended to open up conversations based on the study's empirical findings. They are meant as starting points for more practical and inclusive upgrading efforts that build on the collaborative role hybrid organisations are already playing on the ground.

## **7.4 Research Limitations and Future Directions**

While providing valuable recommendations is important, it is perhaps even more relevant to highlight the limitations of this study. First, there are contextual limitations. The research is focused on Uganda's specific institutional setting, which naturally limits direct generalisability to regions with different historical trajectories or governance structures.

Second, the study had limited participation from multinational corporations, with only three international buyers included. As a result, the perspectives of downstream actors in global value chains are less extensively represented. Nonetheless, the strong participation of hybrid organisations, farmers, and domestic stakeholders provides a robust understanding of local dynamics and the institutional challenges they face. Future research that incorporates more international perspectives could offer additional insight.

Finally, while additional interviews could have further enriched the data, this was not feasible within the scope of a Master's thesis. However, the study employed in-depth qualitative methods, and the quality of the data collected supports the validity of the conclusions reached. To build a broader evidence base, future research could extend the inquiry to other regions or sectors, using longitudinal designs and complementary methods such as surveys, or mixed-methods approaches. This could help generate more comprehensive insights and strengthen the case for increased policy attention to hybrid organisational entities and their role in addressing institutional gaps in diverse contexts.

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# Appendices

## Appendices 1: Interview Guide

### Interview Guide for Hybrid Coffee Organisations

#### **1. Background**

- Why did you start your organisation, and what motivated you?
- How has your organisation developed over time? (Key milestones?)
- What makes your organisation different from other coffee actors in Uganda?
- Beyond trading, what other activities is your organisation involved in?
- What social initiatives do you engage in, and what challenges or opportunities have you encountered?

#### **2. Engagement with Farmers and Sorters**

- How do you select farmers to work with?
- What challenges arise in your engagement with farmers and sorters, and how do you address them?
- What are the key challenges these actors face, and how does your organisation respond?
- Have weather changes affected production? If so, how do you support adaptation?
- Are you addressing low incomes and climate resilience?
- How do you ensure fair compensation, and is this part of your mission?
- How do you navigate informal business practices?

#### **3. Engagement with Buyers**

- What is your experience working with local and international buyers?
- Could you sketch your understanding of the coffee value chain and your organisation's role in it?
- How do buyers perceive your organisation's dual approach?

#### **4. Market Challenges and Opportunities**

- What challenges do you face operating in Uganda's coffee sector?
- How do regulations impact your operations?
- What role do you see for dual-purpose organisations in Uganda's coffee future?

#### **5. State-led Initiatives vs. Market Liberalisation**

- How does government involvement affect your work? What would be your preferred level of state involvement?
- Would further regulation help or hinder your operations?
- What are your views on centralisation initiatives like the Vinci deal?

#### **6. Conclusion**

- Is there anything else you'd like to add?

- Which other organisations should I speak to?
- I will share a summary of the findings and invite you to an online session. Thank you.

## **Interview Guide for Coffee Buyers**

### **1. Background**

- How did your organisation begin sourcing coffee from Uganda?
- How has your organisation evolved?
- What is your role in the value chain, and what does your purchasing process look like?
- What actions do you take to promote sustainability?

### **2. Engagement with Hybrid Organisations**

- How do you select suppliers? Are you familiar with organisations that combine trading with social goals?
- How do you perceive and engage with these hybrid organisations?
- Do you see their efforts as effective in addressing broader challenges?

### **3. Market Dynamics and Regulation**

- How do you see hybrid organisations fitting into the global coffee value chain?
- What trade barriers have you faced in Uganda?
- Do you find Uganda's coffee sector fair for all stakeholders?

### **4. Recommendations**

- What advice would you give to Ugandan organisations combining social goals with coffee trading?

### **5. Conclusion**

- Is there anything else you'd like to share?
- Who else should I talk to?
- I will share a summary and invite you to a results session. Thank you.

## **Interview Guide for State Actors**

### **1. Background**

- What is your role in Uganda's coffee sector?
- How has the sector evolved since the 1990s?
- Are you aware of hybrid organisations that combine trading with social good?
- What is your department's view of such organisations?

### **2. Supporting Hybrid Organisations**

- How does your department promote fairness in the coffee trade?
- Do you collaborate internationally on fair trade or transparency?

### **3. Opportunities and Constraints**

- Is centralised regulation needed to ensure equity in the sector?
- What is your view on recent centralisation efforts, like the Vinci deal?
- What should be the balance between state control and market freedom?

#### **4. Conclusion**

- Anything else you'd like to add?
- Which other departments or actors should I consult?
- I will follow up with a summary and invite you to a session. Thank you.

### **Interview Guide for Coffee Farmers**

#### **1. Background**

- Please share your journey as a coffee farmer.
- What major challenges do you face?

#### **2. Farming Practices**

- How do you manage pests, diseases, and improve yield or quality?
- Have you noticed climate changes, and how have you adapted?

#### **3. Relationship with Hybrid Organisations**

*(Organisation names will be tailored based on prior knowledge)*

- How do you choose organisations to work with, and how has the experience been?
- Do you feel valued by the buyers who support your farming?
- What is your view of these organisations' role, and how could they improve?

#### **4. Challenges and Opportunities**

- How has the coffee sector evolved over the years?
- What improvements or initiatives would help coffee farmers?
- Do you receive any government support, and is it sufficient?

#### **5. Future Outlook**

- How do you see the future of coffee farming in Uganda?
- What changes would improve farmers' livelihoods?

#### **6. Conclusion**

- Anything else you'd like to share?
- Are there other farmers or sorters I should talk to?
- Thank you for your time. I'll share a summary and follow up.

## Appendices 2: Information About Participants

Hybrid Organisations
<p>Hybrid A (Uganda Coffee Solutions, UGCS): Multinational processor with nationwide operations. Engaged in sustainability initiatives and farmer training across Uganda. Represented by Respondent 1 (Samuel Nabwire, Male, Chief Operations Officer), interviewed face-to-face. Date: 29th of February 2024, Place: Kampala, Duration: 50 minutes.</p>
<p>Hybrid B (Premium Coffee Traders): Locally embedded coffee processor with extensive smallholder network. Engaged in agricultural capacity building for farmers. Represented by Respondent 2 (Peter Birungi, Male, Operations Manager), interviewed face-to-face. Date: 6th of March 2024, Place: Kampala, Duration: 69 minutes.</p>
<p>Hybrid C (Nature and Coffee Enterprise): Locally embedded coffee processor who operates as a social enterprise. Provides premium prices for farmers and farming training. Represented by Respondent 3 (Francis Candiru, Male, Co-founder), interviewed face-to-face. Date: 7th of March 2024, Place: Kampala, Duration: 56 minutes.</p>
<p>Hybrid D (Senuba Coffee): Functions primarily as a coffee processor while simultaneously running social initiatives, such as providing training and distributing social support to farmers. Represented by Respondent 5 (John Kabuye, Male, Executive Director), interviewed face-to-face. Date: 12th of March 2024, Place: Kampala, Duration: 90 minutes.</p>
<p>Hybrid E (Benuzi Coffee): Multinational processor with historical presence in Uganda who implements community-based development initiatives. Represented by Respondent 4 (Joyce Namukasa, Female, Commercial Manager), interviewed face-to-face. Date: 13th of March 2024, Place: Kampala, Duration: 40 minutes.</p>
<p>Hybrid F (West Coffee Producers Association): Locally embedded hybrid organisation with extensive membership base and educational programmes for farmers. Represented by Respondent 6 (Isaac Mukasa, Male, Board Secretary), interviewed virtually on the 6th of March 2024, for 30 minutes, and Respondent 14 (Emmanuel Waiswa, Male, Project</p>

Manager), interviewed face-to-face. Date: 6th of August 2024, Place: Mbarara, Duration: 30 minutes.

Hybrid G (Vulami Coffee): Locally embedded processor who implements farmer support systems including training and financial literacy. Represented by three participants: Respondent 7 (David Bwire, Male, Managing Director), interviewed virtually on the 19th of March 2024 for 30 minutes; Respondent 9 (John Mwesige, Male, Finance Director), interviewed face-to-face on the 17th of July 2024 in Mbale for 40 minutes; and Respondent 10 (Sarah Nakate, Female, Project Manager), interviewed face-to-face in Mbale on the 20th of July 2024 for 30 minutes.

Hybrid H (Cofanda Exporters): Locally embedded farmer-centred organisation implementing value chain integration model which includes farmer ownership model and training. Represented by Respondent 8 (Moses Kigongo, Male, Executive Director), interviewed face-to-face. Date: 18th of March 2024, Place: Kampala, Duration: 60 minutes.

Hybrid I (Quality Coffee Enterprise): Locally embedded processor focusing on sourcing coffee while educating farmers. Represented by Respondent 11 (Timothy Mugume, Male, Executive Director), interviewed face-to-face. Date: 29th of July 2024, Place: Kampala, Duration: 60 minutes.

Hybrid J (Bean Value Enterprise): Locally embedded processor who implements training and financial support for farmers. Represented by Respondent 12 (Joseph Atuhaire, Male, Executive Director), interviewed face-to-face. Date: 24th of July 2024, Place: Kampala, Duration: 60 minutes.

Hybrid K (Fair Origin Trading): Locally embedded hybrid focused on origin value retention and farmer development. Represented by Respondent 13 (Martin Berg, Male, Executive Director), interviewed face-to-face. Date: 1st of August 2024, Place: Kampala, Duration: 40 minutes.

Hybrid L (Premium Quality Processors): Locally embedded quality-focused processor implementing equitable trading practices and skills development for farmers. Represented by Respondent 15 (Richard Mukasa, Male, Executive Director), interviewed face-to-face. Date: 8th of August 2024, Place: Kampala, Duration: 40 minutes.

Hybrid M (Speciality Coffee Ventures): Locally embedded exporter implementing innovation in processing methods and farmer support. Represented by Respondent 16

(Daniel Smith, Male, Executive Director), interviewed virtually on the 5th of November 2024, for 60 minutes.

**Note: Of the 13 hybrid organisations studied, 2 were multinational processors (Hybrid A and Hybrid E) and 11 were locally embedded organisations. Names of both organisations and participants above have been anonymised and altered.**

#### **State Actors**

Government Agency A: National regulatory body overseeing coffee quality and development. Represented by Respondent 17 (Grace Nantongo, Female, Quality Control Director), interviewed face-to-face. Date: 6th of March 2024, Place: Kampala, Duration: 30 minutes.

Government Agency A: Regulatory body focused on development. Represented by Respondent 18 (Andrew Mugisha, Male, Development Services Director), interviewed face-to-face. Date: 25th of July 2024, Place: Kampala, Duration: 80 minutes.

Government Agency A: State agency focused on trade. Represented by Respondent 19 (Janet Auma, Female, Communications Manager), interviewed face-to-face. Date: 9th of August 2024, Place: Kampala, Duration: 30 minutes.

Government Agency A: State agency focused on export development. Represented by Respondent 20 (Paul Kamara, Male, Project Manager), interviewed face-to-face. Date: 9th of October 2024, Place: Kampala, Duration: 30 minutes.

**Note: Names of agency and persons above have been anonymised and altered.**

#### **Farmers**

The 24 farmer participants were smallholders from three different coffee-growing regions: Mount Elgon in Eastern Uganda (14 farmers), Mbarara in Western Uganda (7 farmers), and Bwindi in Southwestern Uganda (3 farmers). All farmer interviews were conducted face-to-face in their respective communities, often at their farms or local collection centres. Most farmers had between 0.5-5 Acres of land dedicated to coffee cultivation, with farming experience ranging from 5 to 30+ years.

**Note: Interviews with farmers lasted 10-20 minutes each, conducted on location at either their farms, collection centres, or their homes.**

#### **International Buyers**

International Buyer A (GOA Coffee): US-based speciality coffee importer focusing on direct trade relationships. Represented by Respondent 21 (William Johnson, Male, Director of Coffee Sourcing), interviewed virtually on the 5th of November 2024 for 45 minutes.

International Buyer B (Coffee Wange): UK-based speciality coffee trading company with sustainability certification programmes. Represented by Respondent 22 (James Button, Male, Green Coffee Buyer), interviewed virtually on the 3rd of December 2024 for 30 minutes.

International Buyer C (Source Coffee): US-based coffee roasting company with direct sourcing operations in Uganda. Represented by Respondent 23 (Michael Peterson, Male, Origin Relationship Manager), interviewed virtually on 13th of December 2024 for 30 minutes.

***Note: Interviews with international buyers were conducted virtually over Microsoft Teams and Zoom platforms. Names of both organisations and participants above have been anonymised.***

#### **Industry Experts**

Industry Organisation A: Leading coffee industry association representing Uganda's private sector coffee interests. Represented by Respondent 24 (George Lubega, Male, Executive Director), interviewed face-to-face. Date: 11th of March 2024, Place: Kampala, Duration: 30 minutes.

Independent Expert: Coffee consultant with expertise in Uganda's speciality coffee sector development. Represented by Respondent 25 (Edward Rukundo, Male, Industry Consultant), interviewed virtually. Date: 25th of July 2024, Duration: 30 minutes.

***Note: Names of both organisations and participants above have been anonymised.***

# Appendices 3: Informed Consent Form

## **Informed Consent for Study on Coffee and Hybrid Organisations**

**TITLE OF STUDY:** Hybrid Organisations in Global Value Chains:  
Insights from Uganda's Coffee Sector

### **PRINCIPAL INVESTIGATOR**

Patrick Mukanza  
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### **REQUEST FOR PARTICIPATION**

You are invited to take part in the research study mentioned above. It is essential for you to grasp the purpose behind this research, its objectives, and what will be expected of participants who give their consent. Please review the subsequent information thoroughly and reach out to the researcher for any clarifications or if any aspect remains unclear.

### **PURPOSE OF STUDY**

purpose of this study is to explore the role of hybrid organisations in Uganda's coffee sector. It examines the institutional environment of hybrid organisations, focusing on their relationships with farmers, the state, and buyers to uncover strategies for boosting coffee production in a sustainable way. The findings aim to inform stakeholders, policymakers, researchers and practitioners about challenges and opportunities that can enhance coffee practices and economic growth in Uganda.

### **STUDY PROCEDURES**

The research will involve interviews with representatives from hybrid organisations active in Uganda's coffee sector, as well as key stakeholders such as buyers, farmers, and state actors. These interviews will be structured around a predefined set of questions tailored to the study's objectives. This letter is intended for coffee buyers. Buyers will be invited to participate in an online focus group session where 2-3 buyers will engage in conversation over video. During this session, questions will be asked about how you perceive the work of hybrid organisations and what opportunities you see. More information about the study can be found in a separate document on study information, which will be shared with you as a participant.

The study is projected to span a minimum of two years. Once concluded, a copy of the research report will be shared with all participants as a token of appreciation for their invaluable insights and contributions.

For the sake of accuracy and thoroughness, the session will be recorded. However, I respect the comfort and preferences of each participant. The primary objective is to gather genuine insights while ensuring the comfort and trust of the participants. Any information shared can be referred to anonymously in the study, or if buyers prefer publicity, the name of their organisation can be referenced.

### **RISKS**

No foreseeable risks will result from participation in the study. The identities of all participants will be kept anonymous, as is required by the UCT Ethics Guidelines. You may decide to discontinue participation at any stage of the interview process if you choose.

Participant's Initials: \_\_\_\_\_

**BENEFITS**

While there may be no immediate direct benefits to you from participating in this research, the insights gathered will be invaluable for the coffee sector in Uganda. The study's findings will provide a foundation for hybrid organisations and other stakeholders, including state actors, to understand and enhance their collaborative efforts. Additionally, the research could inform the formulation of policies aimed at bolstering local economic development through sustainable coffee production and trade. Moreover, larger businesses and entities within the coffee industry can gain insights into best practices, challenges, and opportunities related to working with hybrid organisations in the coffee realm. Your contribution, therefore, plays a key role in shaping a more sustainable and prosperous future for Uganda's coffee sector.

**CONFIDENTIALITY**

The researcher will make every effort to ensure that your identity in the research report is kept anonymous through the following:

- Assigning code names/numbers to represent research participants on all research notes and documents.
- Keeping responses and other identifying participant information secure in a locked folder in the personal possession of the researcher.

**CONTACT INFORMATION**

If you have questions at any time about this study, or you experience discomfort as a result of participating in this study, kindly contact the researcher whose contact information is provided on the first page.

**VOLUNTARY PARTICIPATION**

Your participation in this study is voluntary; you are free to decide not to take part in this study. If you decide to participate in this study, you will be requested to sign the consent section below. After you consent to participate in the study, you are still free to withdraw at any time and without giving a reason. If you withdraw from the study before data collection is completed, the researcher will return your data to you and ensure that it is deleted from records.

---

**CONSENT**

I have read and understood the provided information and have requested clarity where necessary. I understand that my participation in this research is voluntary and that I am free to discontinue at any stage, without providing reason and without cost. I understand that I will keep a copy of this consent form. As such, I voluntarily agree to take part in this study.

Participant's signature \_\_\_\_\_ Date \_\_\_\_\_

Researcher's signature \_\_\_\_\_ Date \_\_\_\_\_

## Appendices 4: Glossary of Terms

### **Agroforestry**

An agricultural system in which trees or shrubs are grown among or around crops, creating a more diverse, resilient, and ecologically beneficial environment. In coffee production, shade trees can help regulate temperature, reduce erosion, and provide secondary income (e.g., through fruits or nuts).

### **Arabica**

A coffee species (*Coffea arabica*) often associated with higher quality beans, prized for its nuanced flavour profiles and lower caffeine content compared to Robusta.

### **Captive Governance**

A value chain governance structure in which small suppliers are highly dependent on much larger buyers. Power asymmetry is high, and the lead firm (buyer) often tightly controls how and what the suppliers produce.

### **Certification Scheme**

A system that verifies products or services against specified standards (e.g., Fairtrade, Rainforest Alliance). In coffee, certifications may set criteria for social wellbeing, environmental conservation, and product traceability.

### **Climate-smart Agriculture**

An approach to farming that focuses on adapting agricultural methods to the realities of climate change, aiming to sustainably increase productivity, enhance resilience, and reduce greenhouse gas emissions where possible.

### **Economic Upgrading**

The process by which firms, countries, or regions move into higher-value-added activities within global production networks. For coffee producers, this could mean shifting from basic bean exports to more sophisticated functions such as roasting, branding, or direct marketing.

### **Environmental Upgrading**

Strategies that enable firms or value chains to minimise or prevent ecological harm. Examples include implementing agroforestry, reducing chemical inputs, and managing water use efficiently.

### **FOB Price**

Short for 'Free on Board' price. This is the agreed payment for goods once the seller places them on a shipping vessel named by the buyer. In coffee trade, it often refers to the exporter's selling price once the coffee is loaded for export.

### **Functional Upgrading**

When a firm or organisation moves into higher-value functions within a value chain (e.g., from basic processing of green coffee beans to roasting, packaging, and branding). This differs from process or product upgrading because it entails changing one's position in the chain rather than improving within the same function.

### **Global Value Chain**

The full sequence of activities including design, production, processing, marketing, and distribution carried out across different countries and by various actors such as farmers, firms, traders, and retailers to bring a product or service from its origin to the final consumer. In the case of coffee, it refers to how beans move from smallholder farmers in producing countries like Uganda through intermediaries, processors, exporters, and international buyers before reaching consumers in global markets.

### **Governance**

In the context of value chains, governance refers to how economic activities are coordinated through non-market relationships. It shapes who holds power, how decisions are made, and how benefits are distributed among participants.

### **Hierarchical Governance**

A governance form characterised by vertical integration or direct ownership, where one firm exercises strong control over the entire production process (e.g., a roaster owning plantations and processing facilities).

### **Hybrid Organisation**

An entity that deliberately combines a social mission with commercial activities within a single organisational unit. For example, in coffee, this might be a processor that invests in farmer training and community projects while also operating competitively as an exporter.

### **Institutional Logic**

A set of practices, norms, and symbolic meanings that guide how actors within an institutional field (e.g., market, state, community) understand their roles and make decisions.

### **Intersectoral Upgrading**

Applying knowledge or expertise gained in one sector to enter or innovate in a different sector. In agriculture, it might mean using coffee-processing technologies or know-how to develop cocoa or tea processing.

### **Liberalisation**

The process of easing or removing state regulations or restrictions, allowing greater private-sector competition and market-driven outcomes. In Uganda's coffee sector, liberalisation in the early 1990s opened coffee marketing to private firms.

### **Market Governance**

A governance model primarily driven by price signals with minimal direct interaction between buyers and sellers. Transactions tend to be 'arm's length' and determined by supply-and-demand conditions.

**Microloan**

A small loan typically extended to low-income borrowers who lack collateral, helping them invest in farming inputs or other income-generating activities. Microloans are often provided by microfinance institutions or, in this study, by hybrid coffee enterprises seeking to support farmers.

**Postharvest Handling**

All activities that occur immediately after a crop is harvested, including washing, sorting, drying, grading, and packaging. For coffee, careful postharvest handling is crucial for preserving bean quality and flavour.

**Pre-financing**

Funding advanced to farmers or local cooperatives before harvest, with repayment generally made through the delivery of coffee or other crops. This arrangement helps farmers secure necessary inputs and cover living expenses while their coffee is still growing.

**Process Upgrading**

Enhancing efficiency by reorganising or improving production processes. In coffee, this might mean adopting new de-pulping methods, better drying techniques, or improved machinery that reduces defects and boosts overall productivity.

**Product Upgrading**

Shifting from lower- to higher-value product lines. In coffee, a good example is moving from generic 'bulk' coffee to speciality-grade beans with premium flavour profiles that fetch higher prices in niche markets.

**Quality Upgrading**

Improving a product's characteristics to meet higher standards, often enabling access to premium markets. In coffee, this involves better postharvest handling, precise sorting, and consistent flavour profiles, often accompanied by certifications or direct relationships with speciality buyers.

**Relational Governance**

Governance that relies on trust, frequent interaction, and mutual dependence. Parties share information and collaborate closely, often building long-term relationships that reduce transaction costs and boost product quality.

**Robusta**

A species of coffee (*Coffea canephora*) known for its hardiness and higher caffeine content. Although Robusta is often considered lower quality than Arabica, it plays an essential role in blends and instant coffee.

**Side-selling**

When farmers sell their produce to buyers other than those with whom they have contractual agreements, usually because they find a higher price or faster payment elsewhere.

**Smallholder Farmer**

A farmer who typically cultivates a small plot of land (commonly under five hectares), relying heavily on family labour. Smallholders represent the majority of coffee producers in Uganda and are highly vulnerable to price fluctuations and climate variations.

### **Social Upgrading**

Improvements in working conditions, incomes, and livelihood opportunities for those employed within a value chain. In the context of coffee, this may include measures such as fair wages, safer working conditions, and better market information for farmers.

### **Soluble Coffee**

Also known as instant coffee. Produced by extracting coffee solids through methods like freeze-drying or spray-drying. While convenient and shelf-stable, it often utilises lower-grade beans compared to premium roasted coffees.

### **Value Addition**

Increasing the worth of a product through processes like roasting, branding, or innovative packaging, rather than exporting it in a raw or semi-processed form. In the coffee sector, value addition helps retain a larger share of profits within the producing country.