

## Fairness and satisfaction in business relationships: Results of a survey among Swiss organic farmers and buyers

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**Key words:** fairness, satisfaction, buyer-supplier relationships, organic farming, Switzerland, organizational justice

### Abstract

*This paper presents results of a standardized online survey among Swiss organic farmers and their buyers on fairness and satisfaction in business relations. The majority of participating Swiss organic farmers and buyers is satisfied with its business relationships. Farmers not only expect their buyers to pay fair prices but also to act consistently, be transparent and invest in good personal relations. Buyers expect their agricultural suppliers to provide high quality products, be reliable and transparent while fair prices are mentioned less frequently. Similarly, the perception of fair payments by business partners slightly differs between farmers and buyers. Presented measurement items of an adapted organizational justice scale in agricultural buyer supplier relationships can be used for further analysis.*

### Introduction and objectives

With larger enterprises entering organic food markets increasing competition, price pressure and anonymous trade relations are beginning to influence respective food supply chain relationships. In this context various organic food enterprises and sector representatives currently examine how to introduce the concept of Fair Trade, as often established in international context, to domestic food supply chains in the global north (Howard & Allen, 2008). Aiming at assuring fair business relationships the association of Swiss organic farmers Bio Suisse introduced a code of conduct on fairness principles in Swiss organic food supply chains – from farmers to retailers (Bio Suisse, 2012). However, an extensive empirical study on the quality of business relations in Swiss organic buyer supplier relationships was missing so far.

This paper presents results of an online survey among Bio Suisse organic farmers and their buyers. It aims at shedding light on the satisfaction of business partners with their business relations as well as related expectations regarding fairness. Fairness dimensions in agricultural buyer supplier relationships will be presented at the end.

### Material and methods

Results presented are based on a standardized online survey among Swiss organic farms (N=5663) and buying enterprises (N=798) conducted in 2012. Dimensions of perceived fairness in business relationships were developed based on organizational justice theory (e.g. Colquitt, 2001; Duffy et al., 2003; Greenberg, 1987; Hornibrook et al., 2009). From its general rather organizational based context, measurement scales were adapted to agricultural buyer supplier relationships and to German and French language. A random sample of 2000 organic farms was selected. Due to the relatively small number of organic buyers in Switzerland, the total population of buyers was contacted via email.

This paper focuses on participating farmers that do not exclusively market their products directly to the end consumer (n=441). The group of buyers analysed (n=123) was limited to processors and traders having direct trade relations to Swiss organic farmers.

### Results and discussion – contrasting farmers' and buyers' perceptions

The distribution of participating farms largely corresponds to the population of all farms e.g. regarding farm size, region and livestock. This also applies to the regional distribution of participating buyers. Other structural data on the population of all buyers is not available. In the following, results will be presented comparing farmers' and buyers' perceptions.

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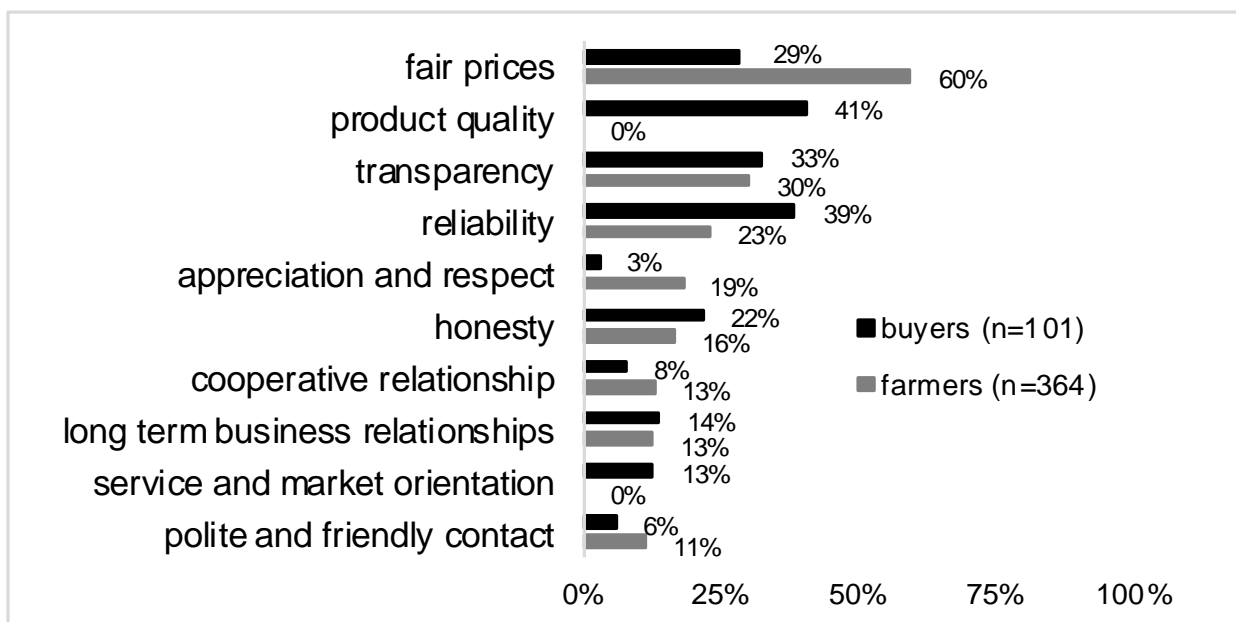
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### Are business partners satisfied with their trade relationships?

A majority of both farmers (64%, n=436) and buyers (65%; n=121) is satisfied with its trade relationships in general. In spite of increasing market competition this might indicate that Swiss organic farmers and buyers still have relatively comfortable marketing possibilities. However, the analysis did not reveal specific groups of unsatisfied farmers (19%) and buyers (27%) nor systematic causes of dissatisfaction. Dissatisfied respondents are widely distributed e.g. among different company sizes, product and marketing channels as well as company locations.

### What is most important regarding fair business relationships?



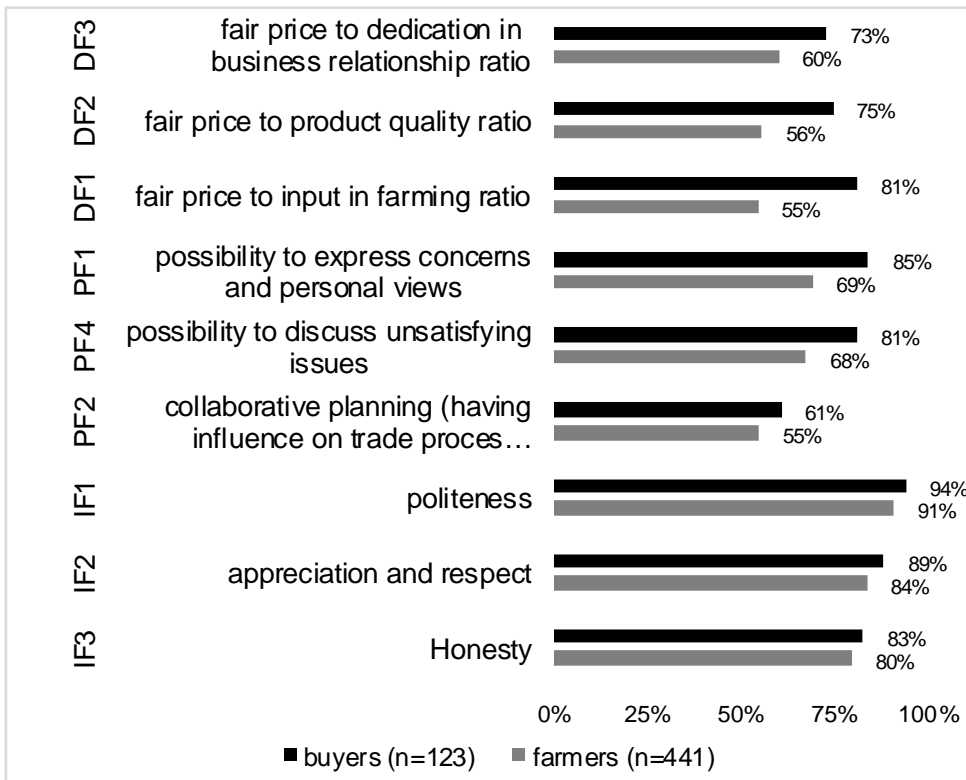
**Figure 1: Coded aspects of fair behaviour in business relationships mentioned by farmers and buyers (percentage of respondents; only aspects mentioned by >10% of respondents)**

Figure 1 summarizes coded answers to an open question on what farmers and buyers expect from their business partners regarding fairness in trade relationships. Aspects mentioned by less than 10% of the respondents are not shown (e.g. understanding, refutability, trust, flexibility and willingness to compromise, competence, equal rules).

Participating farmers most frequently mention aspects of fair payment. Still, other aspects such as transparency, reliability, appreciation and respect as well as honesty appear to be also important for a farmer’s perception of a fair business relationship. Buyers mention fair prices less frequently and related aspects represent only one of several almost equally important expectations (product quality, reliability, transparency and open communication). Only the group of buyers mentions product quality issues as well as service and market orientation of supplying farmers.

### 3.3 Do business partners feel that they are treated fairly?

Based on organizational justice theory three fairness dimensions are distinguished.



**Figure 2: Business partners rating each other's fairness in trade relationships (percentage of respondents ticking "I agree (4)" or "I fully agree (5)" on a 5-point Likert scale; IF=interactional fairness, PF=process fairness, DF=distributive fairness)**

The following measurement items could be validated through explorative factor analysis (Fig. 2). Calculated Cronbach's alpha coefficients indicate a good to excellent reliability of these three fairness dimensions (e.g. Kline, 2000): interactional fairness (IF;  $\alpha=.877$ ), process fairness (PF,  $\alpha=.790$ ) and distributive fairness (DF,  $\alpha=.937$ ).

Perceived fair treatment by business partners was analysed regarding both farmers' and buyers' perspectives, farmers rating their buyers and buyers their agricultural suppliers.

Regarding interactional fairness aspects, farmers and buyers seem to have a similar perception of each other's behaviour, with "politeness" having the highest mean values (farmers: 4.48; buyers 4.50). A slightly differing perception of the business partner's behaviour can be observed especially regarding distributive fairness aspects. Results indicate that e.g. a smaller percentage of farmers perceives their buyer's payment fair in relation to their efforts and input in farming. However, even with regard to this aspect the majority of farmers and also buyers indicates that their business partners behaviour corresponds to presented fairness dimensions.

### Conclusions

Results show that the majority of Swiss organic farmers and their buyers is satisfied with their business relationships and feel treated in a fair way by their trading partners. However, differing perspectives on fair business relations could also be observed between the group of farmers and buyers. Regarding their buyers' expectations farmers should consider that product quality, reliability and transparency are equally important as fair prices. Buyers of Swiss organic products should know about the signal effect of perceived fair prices. Besides transparency and reliability, their agricultural suppliers also expect respect and appreciation for their products and farming techniques.

Based on organizational justice theory three fairness dimension in agricultural buyer supplier relationships were differentiated and related measurement scales presented proved to be reliable. Bio Suisse can use

these scales to continue studying fairness aspects in Swiss organic food supply chains. Further analysis will focus e.g. on the impact of perceived fairness in business relationships on relationship quality (e.g. trust, commitment) and on the trading partners' satisfaction.

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