What Is a "Fair" Price? Ethics as Sensemaking

Juliane Reinecke
Warwick Business School, University of Warwick, Coventry CV4 7AL, United Kingdom, juliane.reinecke@wbs.ac.uk

Shaz Ansari
Judge Business School, University of Cambridge, Cambridge CB2 1AG, United Kingdom, s.ansari@jbs.cam.ac.uk

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

Keywords: sensemaking; fair trade; Habermas; communicative rationality; discourse ethics; political corporate social responsibility; price; multistakeholder dialogue
History: Published online in *Articles in Advance* April 21, 2015.

Introduction

With rooibos, all the information is available [data on the cost of sustainable production]. But then when you put this all together, you have to make something meaningful out of a mess! —Fairtrade International pricing officer

After protracted multistakeholder deliberations that continued for almost three years, Fairtrade International, the organization behind the Fairtrade label, announced the Fairtrade Minimum Price for rooibos tea from South Africa, describing it as a "milestone in the development of Fairtrade Standards" (Fairtrade International 2007). Whereas alternative trade organizations (ATOs) used to directly negotiate "fair" prices with black and poor smallholder farmers struggling under colonial legacies in post-apartheid South Africa, rapid market growth pressured Fairtrade into establishing a standard minimum fair price. But despite the organization's pledge to set fair prices, this price appeared to disadvantage smallholder farmers with higher costs of production compared with large-scale plantations. We question how participatory multistakeholder deliberation could result in a minimum price *below* the cost of production of smallholder farmers for whom Fairtrade had initially been founded. Is this a "fair" outcome? How do stakeholders make sense of what is fair in ethically complex situations?

A fundamental challenge for organizations seeking social justice is coping with ethical complexity—making something ethically "meaningful out of a mess," as our respondent above put it. Contexts of moral decision making are often ambiguous and conflictual where no transcendental golden rules or universal guiding principles can readily be applied to consensually resolve disagreements. This highlights the "excruciating difficulty of being moral" (Bauman 1993, p. 248). Although moral philosophies can guide organizational decision making (e.g., Scherer and Palazzo 2007), they identify different bases for making ethical decisions (Robertson and Crittenden 2003)—from adhering to principles (e.g., Kant 1788) to learning what is ethical in context (e.g., MacIntyre 1984). On the one hand, no predetermined metarule can be applied to resolve a moral dilemma, because it is the idiosyncrasies in practice that create the dilemma (Clegg et al. 2007). On the other hand, the "normative chaos of contextualism" without recourse to any valid norm beyond a single case does not provide a sound ethical foundation in a diverse society (Habermas 1992, pp. 140–141). If ethics cannot be defined by universal principles outside the concrete context of action, yet making moral claims needs an objective reference point, how do actors decide what is ethical in complex and equivocal situations?

To address this issue, proponents of discourse ethics have argued for a constructionist framework that avoids the pitfalls of both objectivism and subjectivism (Benhabib 1992, Habermas 1996a, Outhwaite 2009). In particular, they have emphasized the role of deliberative dialogue as a collective, intersubjective, and interpretive process for establishing shared meaning and

reconciling multiple ethical viewpoints. Deliberative dialogue involves a process of making arguments acceptable and legitimate by fulfilling "the validity conditions of moral judgments and norms" (Habermas 2003, p. 248). Local justifications can transcend the "provinciality of their spatiotemporal contexts" (Habermas 1996a, p. 323) and claim intersubjective validity for an emergent norm.

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

To understand how actors navigate through ethical complexity, we conducted an ethnographic inquiry into the multistakeholder ethical decision-making practices at Fairtrade International. We examined critical moments of multiparty dialogue for setting a "Fairtrade Minimum Price" in three cases: tea, cotton, and coffee produced in developing countries. Participants struggled to make meaning "out of a mess" and reconcile conflicting views on what is *fair*. Our analysis of stakeholder negotiations suggests that actors coped with ethical complexity through sensemaking mechanisms, which enabled them to tame ethical heterogeneity and construct an acceptable norm. However, these mechanisms also unraveled further ethical complexities, leading to ongoing cycles of ethical sensemaking and "sensebreaking" (Pratt 2000) to reach an ethical truce.

We offer three contributions to scholarship in organizational ethics and sensemaking. First, we develop a process model to explain how actors make sense of ethical dilemmas to reach ethical truces. Sensemaking scholarship has explained how people "produce, negotiate, and sustain a shared sense of meaning" (Gephart et al. 2010, p. 285; see also Maitlis and Christianson 2014), but less attention has been paid to the normative dimension of how parties make sense of the ethical complexity in practice and establish shared meaning. Whereas scholars have explained the role of time (Kaplan and Orlikowski 2013), power (Clark and Geppert 2011), emotion (Maitlis et al. 2013), and materiality (Whiteman and Cooper 2011), we bring ethics into the realm of sensemaking to explain how actors make sense of ethical dilemmas, and we show how ethics is a process of sensemaking and meaning construction regarding *moral* questions. Although this resonates with Habermas's (1984) notion of communicative rationality, we explain how parties may not achieve a broadly consensual position yet still reach provisional ethical truces (cf. Rao and Kenney 2008) based on a minimal level of agreement (Ansari et al. 2013, Donnellon et al. 1986). Ethical processes may thus involve intersubjective sensemaking to achieve plausible truces rather than consensual outcomes. Second, our findings suggest that moral intuition and affect also motivate ethical judgment (Haidt 2001, Zajonc 1980) alongside moral reasoning. As actors carry moral predispositions and sentiments (Margolis 2004), their determinations of what is or is not ethical are not only based on rational and deliberative reasoning but may also be influenced by the "passional" (Nussbaum 1986) and by whether something "feels" wrong or right (Sonenshein 2007, Welsh and Ordóñez 2014). Third, although political corporate social responsibility (CSR) scholars have emphasized deliberative dialogue as the normative foundation for multistakeholder governance (Gilbert and Rasche 2007, Scherer and Palazzo 2007), our study involving extreme contexts revealed some of the challenges to using a deliberative approach. The primary goal of social development initiatives in contexts marked by extreme disparities is to reallocate resources to marginalized groups that may require "redistributive direct democracy" rather than "Northern inspired" deliberative democracy (Gibson 2012, p. 412). The very exercise of seeking a rational consensus risks reducing value pluralism valorized by deliberative democracy (Fraser 1997). Whereas a Habermasian approach is *part* of critical theory that aims to empower the unprivileged (Rehg 2001), an ethics as sensemaking lens may reveal how deliberating actors cope with ethical complexities in attending to challenges arising from exploitation and inequalities (Outhwaite 2009).

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

Theoretical Motivations: Coping with Ethical Complexity

Coping with ethical complexity is often an inevitable and, at times, unwelcome task confronting organizations (Bersoff and Koeppl 1993, Treviño and Weaver 2003). Ethical complexity describes situations where disagreements occur over which norms and values are at stake or should be given priority (Gehman et al. 2013). Because of indeterminacy and equivocality, no predefined universally accepted principle or metanorm can resolve ethical complexity (Clegg et al. 2007).

Various moral philosophies provide different and sometimes conflicting bases for what is considered ethical. In the tradition of Kant's (1788) categorical imperative, proponents of a universalistic perspective emphasize the unity of an ethical foundation of reason that determines universalizable duties and ethically sound courses of action. Contextualist and particularistic perspectives, advanced by practice ethics scholars in the Aristotelian tradition, link morality to the "socially local and particular" (MacIntyre 1984, p. 126; see also Young 1990). A distinction can thus be made between principle-based approaches (emphasizing the use of rational, objective, universal, and impartial principles in ethical analysis) and practice-based approaches (emphasizing historical virtues or a set of ideals to which actors aspire and develop through learning and practice). Aristotle's (350 BC) notion of pragmatic wisdom explains why practical choices cannot be "captured in a system of universal rules" (Nussbaum 1986, pp. 303–304): the particulars of any given situation are mutable, indeterminate, and nonrepeatable. Hence, a concern for situated judgments supplants any "simple belief in the unproblematic application of universal norms or imperatives" (Nussbaum 1986, pp. 294–295). However, without any higher-order values, rules, and principles, moral judgments may be too relativistic, arbitrary, or parochial. If ethics cannot be defined by universal principles outside the concrete context of action, yet making moral judgments needs some "reference point," then how do actors decide what is ethical, fair, or responsible in complex situations?

A Third Way? Discourse Ethics and Deliberative Approaches

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

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

Despite the promise of the deliberative dialogue to produce collective decisions by bridging universality and particularity (Carpini et al. 2004), it remains unclear how intersubjective positions emerge in practice. Specifically, the emphasis on rational acceptability has been questioned on at least three fronts. First, in fragmented and dynamic situations, where radically disparate conceptions of morals, norms, and orientations clash, a unanimous agreement may be neither possible nor desirable (Mouffe 2005). Habermas may have moved away from a consensus theory of truth toward a more pragmatic concern for establishing intersubjective validity and moral rightness (Outhwaite 2009)—an epistemic notion for revising our moral and ethical interpretation in light of our interactions with one another (Habermas 2003). Nevertheless, Habermas' conceptualization of the quality of rational argumentation may inhibit recognizing radically different parties as equal interaction partners (Scherer and Patzer 2011). Privileging consensus among these parties as a normative ideal may lead to homogenizing politics "played out in the moral register" and a "conflictual consensus," where people neither transcend their narrow stances nor constructively adapt their positions but rather simply concede to a political compromise (Mouffe 2005, p. 75; see also McCarthy 1996). Second, feminist scholars in particular have criticized the ideal of impartiality in deliberations that "abstracts from

the particularities of situation" and neglects the role of personal relationships (Young 1990, p. 97). People are shaped by their relationships of responsibility and care, which are inescapably woven into the language of deliberation (Robinson 2011). Moral claims are constituted by people's relations with others, including power relations. Weaker parties may be unable to articulate injustice and systemic neglect in rational deliberations (Held 2006, Robinson 2011), particularly in contexts pervaded by structural relations of dependency and dominance. Third, communicative rationality privileges deliberative reasoning over intuitive reactions for making ethical judgments. Whereas rational acceptability can constitute a moral point of view, individuals may also use a "gut" reaction to intuitively judge a particular situation (Haidt 2001, Sonenshein 2007). As a result, individuals' determinations of what is just or fair are not necessarily based on rational cognitive process of deliberation but, rather, are influenced by a "how do I feel about it?" heuristic of a situation.

The three critiques highlight how deliberants struggle between the moral and political, impartial and partial, and rational and intuitive—to make ethical judgments. Deliberative democracy is a normative theory that proposes conditions under which morally legitimate consensus can emerge (Scherer and Patzer 2011). Whereas empirical evidence from political science suggests that actual communication does not usually satisfy ideal speech conditions (e.g., Carpini et al. 2004, Ryfe 2005), scholars have argued that the aim of empirical research is to engage with deliberative theory not as a testable hypothesis but as a critical phenomenon (Thompson 2008). It is thus worth examining how parties immersed in specific ethical dilemmas deal with situational contingencies and produce shared meaning of what is ethical.

Ethics as Sensemaking
Coping with the question of ethics in deliberative processes may confront actors with unintelligible situations where "there is no obvious way to engage the world" (Weick et al. 2005, p. 409). The sensemaking literature (e.g., Maitlis and Christianson 2014) can enable us to move toward an understanding of ethical meaning as situated and emergent as parties cope with ethical complexities in practice. Driven by approximation rather than precision (Weick 1995), sensemaking explains how actors create plausible and institutionally sensible accounts in equivocal and ambiguous situations. Sensemaking and deliberative approaches are conceptually compatible as "communication is a central component of sensemaking" (Weick et al. 2005, p. 413). In fact, "the conditions of valid communication discussed by Habermas (1979) presuppose at every point the operation of sensemaking practices," which make speech acts comprehensible (Gephart 1992, p. 118). In particular, the constructionist approach to sensemaking with roots

in the symbolic interactionist literature regards sensemaking as "a fundamentally social process" in which "organization members interpret their environment in and through interactions with each other, constructing accounts that allow them to comprehend the world" (Maitlis 2005, p. 21). From this perspective, "sensemaking occurs and can be studied in the discourses of social members—the intersubjective social world—rather than simply occurring in their minds" (Gephart 1992, p. 1470) and is concerned with the "conversational and social practices (methods) through which the members of a society socially construct a sense of shared meanings" (Gephart 1992, p. 1469). The exercise of moral judgments and morality itself—that which needs to be understood and reflected upon—is something people construct in a specific situation.

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

Methods

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

Empirical Setting: Fairtrade Labeling and Setting Fairtrade Minimum Prices. Fairtrade International, a nonprofit, multistakeholder umbrella association, was established in 1997 by national labeling initiatives to set "global standards of fairness" (Fairtrade International 2008). The first Fairtrade product label for coffee, Max Havelaar, grew out of a partnership between indigenous Mexican coffee growers and a Dutch non-governmental organization (NGO) in 1988. The aim was to scale up the impact of fair trade by developing a certification mark that could ensure consumer trust in ethically sourced products. By the early 2000s, Fairtrade had expanded to include tea, cocoa, cotton, and fruit, and it penetrated mainstream markets in many consumer countries. After years of double-digit growth, global Fairtrade sales reached 4.8 billion in 2012, involving 1.3 million producers and workers in over 70 countries.

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

When the ethnographer expressed her interest in studying price setting, she was informed that it was a highly "technical" process. In practice, however, setting fair prices involved ethical dilemmas that could not be simply calculated away. It was not always clear how to interpret CoSP, given geographical differences between production sites, producer capabilities, wage levels, currency fluctuations, and the climate affecting commodity yields. Parties had to continually cope with these challenges in making decisions about a fair minimum price. These required repeated cycles of price research, consultation rounds, and deliberations to reach a decision that was often based on an acceptable compromise rather than full consensus, often under pressure to make any decision rather than none.

Ethical Complexity Across Three Pricing Projects

We focus on three FTMP-setting projects: coffee, cotton, and rooibos. These represent major price-setting projects during the ethnography. Their study allowed us to closely observe how the final decision was negotiated by the Standards Committee. Over time, it became apparent that each project involved novel challenges that were not readily resolvable through predefined price-setting frameworks. Projects varied highly in their start date, length, number of affected parties, and work intensity. What they all shared was high complexity and conflict between parties with competing interpretations of the situation. Table 1 details the dimensions and outcomes of the three price-setting projects. See the online appendix (available as supplemental material at http://dx .doi.org/10.1287/orsc.2015.0968) for the particularities and emergent contingencies in the three price-setting projects.

The *coffee* price project, dealing with Fairtrade's flagship product and affecting an estimated 700,000 small coffee farmers, was the most resource-intensive project, lasting over a year. It revealed the political dynamics involved in what was ostensibly a technical process of calculating fair prices. The outcome was a small but controversial increase by five U.S. cents that remained significantly below an inflation-adjusted value of the original FTMP set in 1988–1989. Nevertheless, the decision to increase the price created a rift in Fairtrade and contributed to Fair Trade USA (formerly Trans-Fair USA) later leaving the association. The *cotton* price project was revelatory because it involved a breach of shared norms of decision making, and it revealed the role of intuitive moral judgment. An "emergency" price decision, reached within less than one month, was deemed "illegitimate" because it failed to follow the due, if lengthy, processes of price research and public consultation. Finally, the *rooibos* price project involved few producers in South Africa but lasted almost three years as a result of the parties being unable to reach an agreement. Challenges included dealing with historical legacies from South Africa's apartheid past

Table 1 Three Price-Setting Projects in Comparison

Product	Coffee	Cotton	Rooibos
Purpose	FTMP review (regular)	FTMP review (emergency)	New FTMP
Duration	> 13 months	< 1 month	> 35 months
Producers involved	> 250 small farmer organizations (700,000 small coffee farmers)	> 5,000 contract producers	Two small farmer organizations and five hired labor plantations
Initial FTMP	USD 1.2/lb. (Arabica)/USD 1.05 (Robusta) + USD 0.05/lb. premium	USD 0.487/kg for India; EUR 0.36/kg for West Africa + EUR 0.05/kg	No FTMP + ZAR 5/kg premium
Conflicting asks	Producers demand an FTMP of USD 1.41/lb. vs. no change in the FTMP	SC members demand a "quick fix" to increase the FTMP in local currency to INR 22.34 (USD 0.56) for India only vs. proper process	ATOs demand excluding hired labor or an FTMP of ZAR 45/kg (CoSP of small farmers) vs. an FTMP of ZAR 22.5/kg (CoSP of hired labor)
Outcome	Increase in the FTMP and Fairtrade Premium by USD 0.05/lb.: USD 1.25/lb. (Arabica)/USD 1.05 (Robusta) + USD 0.1/lb. premium	"Quick fix" setting a higher FTMP in local currency: INR 22.34 (USD 0.56) for India	Special pricing formula—Small farmers: ZAR 25/kg + ZAR 5/kg premium; hired labor: ZAR 18/kg + ZAR 12/kg premium

and arbitrating between producers with radically different resources, needs, and capabilities. All three cases involved ethical dilemmas where no metarule could be readily applied. They revealed how parties constructed the meaning of fairness against contradictory demands and conflicting criteria.

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

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

Interviews. While short, sporadic interviews were conducted alongside daily observations, formal interviews

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

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

Data Analysis
Our analytical approach was open-ended and inductive (Corbin and Strauss 2008). As is common in ethnographic research, our analysis started when observation began. The ethnographer wrote weekly analytical memos about emergent issues and themes. Although ethnographers need to balance an ethnographic self with an analytical standpoint, the shift from being an outsider to an insider immersed into the setting was vital to appreciating the "excruciating difficulty" (Bauman 1993, p. 248) of being fair and witnessing firsthand how organizational members wrestled with this task. Two issues stood out. First, she observed overwhelming complexity in deciding on a fair price. Second, she noted that

being "fair" meant following certain principles of argumentation, rather than subjective judgments. The tension between formalized procedures to guarantee impartial and disinterested decisions and the situational messiness that required moral and political judgments was reflected in memo headings such as "impartial versus political" and "rational versus irrational."

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

The development of chronologies revealed the ongoing struggles of participants as they attempted to make collective sense of ethical complexity and establish a common position. We noted that stakeholder processes were organized around certain judgment criteria that deliberants followed to render their arguments fair and valid. In an iterative process, we sought theoretical approaches to structure our analysis. Deliberative democracy (Habermas 1996a) was particularly valuable in conceptualizing specific principles constituting the "rules of the discourse." We also identified breaches of rules that triggered debate and prompted actors to articulate their implicit assumptions. Breaches can help discover social order through its disruption because unexpected violations reveal the "background expectancies" governing social interactions (Goffman 1971). For instance, when minor breaches occurred in Standards Committee meetings, participants would reprimand dissidents to return to a "rational," rather than "irrational" or "emotional," mode of discussion. The cotton project revealed a major breach, and the final price decision was criticized as illegitimate for having violated accepted norms of the deliberative process. We created a list of rules and breaching instances and coded them.

Our coding generated eight preliminary mechanisms through which deliberants established a joint position

Figure 1 (Color online) Comparative Timelines for Three Price-Setting Projects (Cotton, Coffee, and Rooibos)
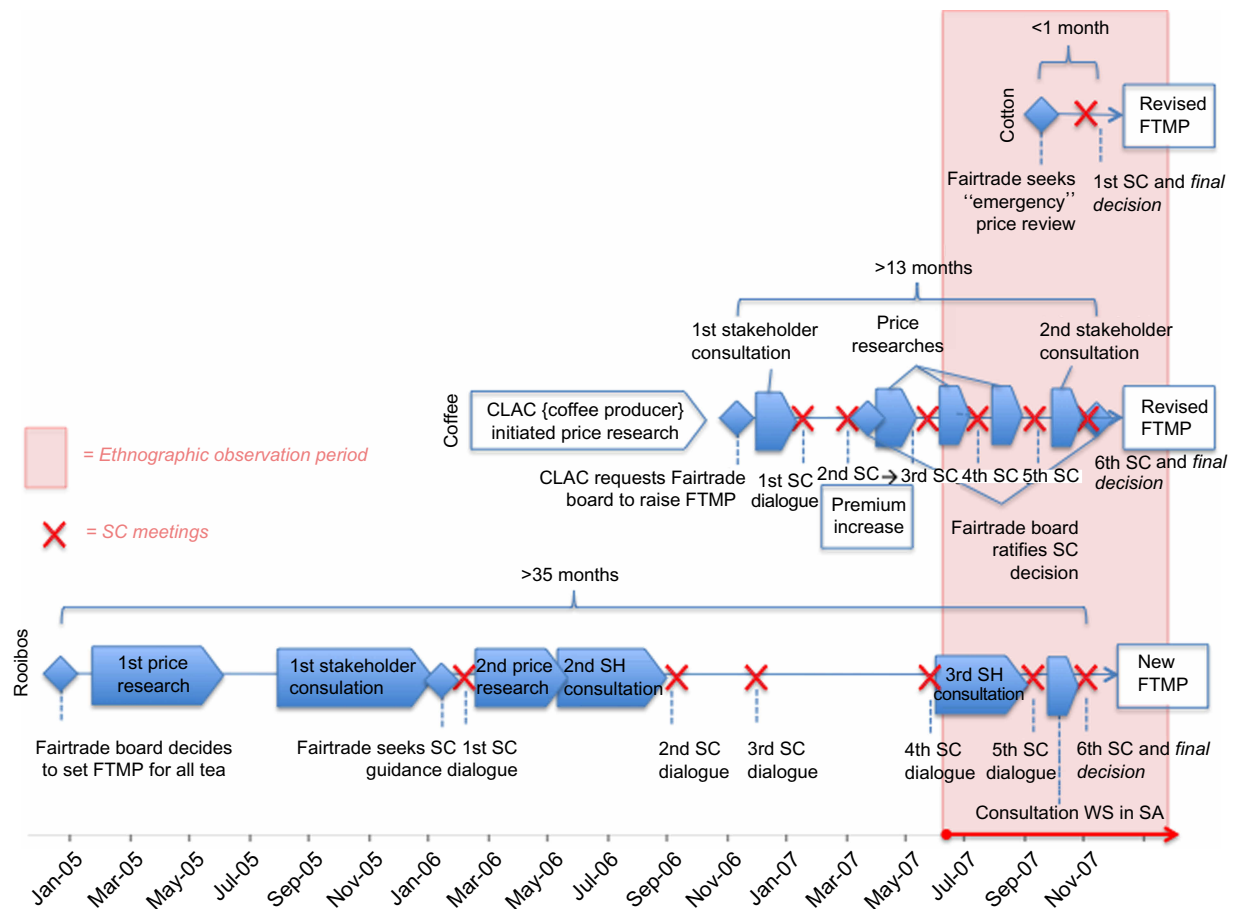
Note. CLAC, Coordinadora Latinoamericana y del Caribe de Comercio Justo; SA, South Africa; SH, stakeholder; WS, workshop.

on prices. We termed them *sensemaking mechanisms* because they helped "people organize to make sense of equivocal inputs and enact this sense back into the world to make that world more orderly" (Weick et al. 2005, p. 410). Mechanisms reside at a level of analysis above description and below universal laws and serve as theoretical explanations for observed phenomena (Davis and Marquis 2005, Gross 2009, Weber 2006). Iterating between data and theory, we identified commonalities and collapsed them into five more generic mechanisms. We identified three of these mechanisms as related to principles used in the dialogue: *decentering* for making impartial decisions (impartiality), *formatting* for establishing objective facts (factuality), and *proceduralizing* for achieving replicable processes (replicability). To illustrate, we identified deliberants' concern about being fair to everyone as *decentering*, in line with Habermas' notion of impartiality as a necessary condition for universalizing arguments. The analysis of breaches revealed that these mechanisms were often thwarted by situational contingencies that required accommodating idiosyncratic challenges. We tracked how different contingencies were articulated and whether and how they were addressed in each case.

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

Findings: Making Sense of What Is Ethical

Consensual Decision Making Under Ethical Complexity

The ethical complexity in Fairtrade Minimum Price projects problematized what "fair" meant in a given situation.

Figure 2   Data Structure

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

Although there was a shared definition of a fair price as covering producers' costs of sustainable production, what fair itself meant was less obvious. A producer consultant acknowledged,

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

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

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

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

Given these challenges, a standards officer described her work as one of coping with dilemmas:

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

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

Ethical Dilemmas in Setting a Fairtrade Minimum Price for Rooibos

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

> FLO [Fairtrade Labelling Organizations] International is confident that this initiative coincides with the core values of the Fairtrade Labelling System to guarantee producers a fair and stable price that cover[s] their cost of sustainable production.   (Fairtrade International 2007)

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

David vs. Goliath: Fairtrade-certified rooibos has been celebrated as a role model for black community empowerment in post-apartheid South Africa. In the late 1990s, Wupperthal and Heiveld, two smallholder cooperatives producing organic rooibos—an indigenous herb—were founded with the assistance of government, local NGOs, and Western alternative trading organizations (ATOs) such as Equal Exchange. The aim was to empower marginalized communities in remote semiarid mountain plateaus in the Western and Northern Cape.[1] ATO trading partnerships and Fairtrade certifications established in 2003 (Wupperthal) and 2005 (Heiveld) enabled farmers to penetrate Northern markets and achieve prices for rooibos that were well above conventional market prices.

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

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

Consultation rounds revealed sharp differences among stakeholders. Eager to grow their Fairtrade market share, plantation owners and their buyers strongly resisted any proposal to set an FTMP that exceeded their costs. However, their arguments were couched in technical terms. They said that small farmers were simply inefficient, and Fairtrade should not subsidize inefficiencies and "lock famers into unsustainable ways of production." ATOs, the main buyers of small farmers' rooibos, by contrast, passionately defended the case of their suppliers, with whom they had developed strong ties over time. They opposed the idea that Fairtrade had to be neutral toward all types of producers. To defend their position, they invoked the foundational ethos of Fairtrade as a trading partnership with smallholder cooperatives. Moreover, supporting plantations was seen to perpetuate apartheid legacies. An ATO representative in a stakeholder consultation noted,

> This reason is not justified to let enter in the system the main enemy of the blacks and colored[2] people that have suffered from the whites during apartheid. Fair trade has to bring down previously unfair situations!

ATOs thus demanded that plantations be excluded from Fairtrade markets. At the minimum, they demanded that the Fairtrade Minimum Price should be set at the level of small farmers' CoSP.

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

> *SC member* [*independent expert*]: The researcher doesn't understand the system [questioning research that reports low CoSP for plantations]. Are the low costs based on low labor costs? Are they [plantations] more efficient, or are they not paying their workers? If they are exploitative then [Fairtrade] prices should go up to ensure they pay their workers decently. But if small farmers aren't efficient, then we have to think about what is the long-term perspective for the small farmers. If they have no hope to compete with hired labor, there is no rationale for where we go. This isn't an adequate piece of research. I'm unhappy to make a decision. It's poor analysis.
>
> *Standards officer*: It's apparent that there's a heavy bias, but it's not possible to eliminate it as far as we see. We commented on the first questionnaire. Questions were framed in a certain way. The problem with small farmers is that they don't diversify crops; efficiency is the key factor. Labor conditions are being checked. Our recommendation is to look at the issue of efficiency.

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

The issue of land use also put in doubt what *sustainable* meant in environmental terms; with an increase in extreme weather and drought threatening South African

agriculture, this issue became critical. In consultations, ATOs argued that wild-harvested rooibos farming was costlier but reflected natural resource management that kept biodiversity intact and minimized water use. Cheaper monocultures used by large plantations risked soil damage and loss of biodiversity. A buyer from French ATO Les Jardins de Gaia, which had supported the Heiveld cooperative since early 2000s, noted,

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

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

Is rooibos a tea or herb? Suspending the political question: The question whether smallholder cooperatives deserved preferential access to Fairtrade markets was underpinned by the highly contentious debate on the role of plantations in the Fairtrade model. In coffee, this dispute led TransFair USA to split from Fairtrade International in 2011. At the SC meeting in November 2007, the ATO and the African producer representative advocated excluding large-scale plantations from the Fairtrade market in favor of small farmers. The two representatives from labeling initiatives objected. Limiting supply to smallholders would stifle Fairtrade market opportunities and eliminate benefits for farm workers employed by plantations. They framed their arguments in terms of "general interest"—Fairtrade certification would improve labor conditions. Small farmers at least owned a plot of land and were better off than poor, landless workers. An ATO member rejected this reasoning as being motivated by "volume growth rather than the underlying needs of the farmers" and being "a commercial choice to get growth at any cost." As discussions did not yield an agreement, deliberants shifted the debate to the technical categorization of rooibos as either tea or herb. The African producer representative argued that rooibos should be moved into the "herb" category, which was limited to small farmers only, rather than the "tea" category, which was also open to plantations:[3]

> *SC member* [*producer from Africa*]: I read that rooibos is not a tea plant; it says it is a herbal infusion. It belongs to spices and herbs, perhaps. It's in the wrong standard.
>
> *SC member* [*from an ATO*]: I'd like to recommend that it be transferred to the herbs and spices standard.
>
> *SC member* [*producer from Latin America*]: I would support [the ATO]'s comments that the [discussion] paper is not convincing about [the] need to open to more hired labor situations. If the question is the scope we should look at the possibility to close it to hired labor.

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

Making an exception: *A special pricing formula*: During price setting, parties agreed that the historical and structural differences between the two types of producers—small farmers and large plantations—could not simply be "calculated away." An average price would not cover smallholders' CoSP but would exceed plantations' CoSP. The excess value was likely to benefit (rich white) plantation owners who, as an ATO trader noted, would "meet with you in their expensive luxury cars" more so than it would benefit (poor black) workers. A pricing officer described the situation as an "ethical dilemma because it is about balancing the rights of different actors." Parties recognized the methodological limits of determining prices objectively: "You need to recognize that you have huge latitude with regards to the number that comes out at the end," the standards director stated. He added,

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

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

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

Despite a lengthy deliberative process, parties could not unanimously agree. They acknowledged that "we are not going to satisfy everybody's definition of fair price," a standards officer observed. A labeling initiative representative made a conciliatory move when commenting on the price proposal:

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

Other SC members agreed, though they were hesitant: "I don't see another option," and "in the context I think it is the best solution." The pricing formula passed not by consensus but by narrow majority vote. An SC member later rationalized the outcome as a truce, where "in the end no one is happy," but "you met in the middle." In the official press release (Fairtrade International 2007), the truce was celebrated as an achievement because it balanced conflicting viewpoints and "ensured that small farmers and plantations have the same market access opportunities for their rooibos tea." Although some still doubted the fairness of the decision, they nevertheless compromised to achieve an agreement after protracted deliberations.

A Model of Ethics as Sensemaking

How did Fairtrade actors make judgments amid considerable ethical ambiguity? How was an acceptable pricing decision reached that all participants saw as fair?

By analyzing our data across the three price projects, we sought an explanation of how actors made sense of what is ethical and reached a provisional truce. This is captured by a model, which we develop in two parts. First, we explain mechanisms through which participants make sense of ethical complexity. Second, we explain how deliberants reach temporary resting points. Cycling through rounds of sensemaking enables participants to reach an ethical truce.

Part 1: Making Sense of the Tension Between Universality and Particularity in Setting Fair Prices

Our fieldwork in three Fairtrade Minimum Price projects revealed formidable challenges in setting "global standards of fairness" (Fairtrade International 2008). Our analysis indicates that reaching consensus on contentious ethical issues involved a twofold challenge. On the one hand, the decision-making process had to be seen as objective, replicable, and impartial so that Fairtrade could claim being fair across various price-setting projects. During deliberations, interlocutors had to make morally "valid" arguments that could lay claim to universalizable reason as opposed to reflecting parochial opinions. In negotiations over prices, the "rationale" behind a particular argument had to both be accepted by parties in the dialogue (internal validity) and be justifiable to external parties (external validity) such as buyers of Fairtrade-certified products. SC members would accuse each other as being "irrational" or "emotional" when someone's moral claims were put forward as a mere "opinion" and lacked grounding in sound, objective, and defensible reasoning. Similarly, an SC member frequently noted how "irrational decisions" put "our credibility and reputation at risk." The standards director explained the concern about justifying pricing decisions to external audiences: "Because of our accountability, we have to make sure that we put our decisions on solid grounding." On the other hand, being fair also challenged Fairtrade staff to consider and, at times, accommodate the particularities of concrete situations not amenable to universalizable standards of fairness. Each situation was unique and revealed new, ambiguous, unsettled, or unresolved ethical questions. A pricing officer described her experience: "When I wasn't in Fairtrade yet, I thought the minimum price was a good idea, and that it was simple...but then...there are so many different things, which you cannot know in advance." Judgments often had to be made under considerable ambiguity, uncertainty, and conflict, with multiple parties competing over different interpretations and courses of action.

Emergent contingencies required deliberants to exercise contextual judgments within the general framework for decision making. We refer to ongoing iteration between universalizable reason and contextual judgment as *ethics as sensemaking*. Excessive universalizing risked bureaucratization, depersonalization, and

Figure 3 (Color online) Sensemaking Mechanisms to Cope with the Tensions Between Universalizable Reason (Aimed at Universality) and Contextual Judgment (Attending to Particularity)
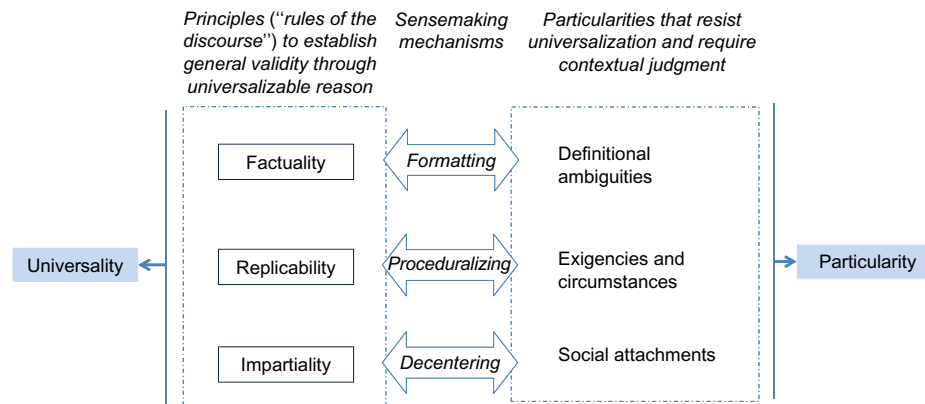
disregard of the particular. Excessive particularizing risked partisanship, arbitrariness, and ad hocism that could compromise the deliberative process. To reach a shared position, Fairtrade continually balanced universalizable reason and contextual judgment. Figure 3 depicts this ongoing tension. In the three pricing projects, we identified three distinct yet interrelated sensemaking mechanisms through which participants in the dialogue established valid arguments and abstracted from ethical complexity: *formatting*, *proceduralizing*, and *decentering*. These were geared toward the universal principles of factuality, replicability, and impartiality. Through these processes, deliberants sought to transcend the particularities of individual cases while continually challenged by definitional ambiguities, local exigencies, and social attachments that required contextual judgments.

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

> We need to collect as many facts as we can.... Okay, we will never have a perfect price, even if we have thousands of observations, but still, having there the information helps people to make a decision at another level, at the SC, to make informed decisions, and that is backed

up by all the charts that we provide.... We are trying very hard...to be based on facts and information, and facts...mean numbers, and information means factual information, such as the impact of a certain price on market demand.

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

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

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

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

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

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

Being systematic was seen as being fair to everyone because it regulated decision making by imposing a check on subjectivity and arbitrary adjustments. Proceduralization is a technique to design, regulate, and govern ethical complexity through creating "fair bargaining processes" (Habermas 1996b, p. 24) to contain the chaos of fragmentation. For example, producers were aggregated into a generalized representation of the "average" producer. Representing individual stakeholders in terms of abstract categories such as "producers" or "traders"

facilitated systematic comparisons and enabled agreements. Proceduralizing can thus filter relevant information from the messy contextual knowledge and create a proceduralized context that can orient deliberants toward shared understandings.

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

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

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

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

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

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

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

> It would be a poor decision if we got applause from one side but got boos from the other side. Because then it's likely that the balance of stakeholder interests would not be guaranteed.... If nobody was satisfied but all say, "Hmm, okay," then it probably was a good decision.

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

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

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

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

What counted as "facts" was itself the outcome of political contestation, such as the meaning of *sustainable* and *average*, which could each significantly inflate or deflate CoSP. The case of rooibos showed how CoSP varied among different types of farmers even within the same country. In coffee, parties struggled to accurately compare the CoSP across more than 700,000 farmers and families in over 27 countries and make sense of how to calculate the cost of "family labor" in rural farming or to deal with currency fluctuations. External influences such as weather events could also radically affect the calculation of costs and yields. A standards manager explained the limits of formatting:

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

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

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

Third, the demand to detach oneself from the nexus of relationships often conflicted with parties' "strong

attachment, loyalty, and commitment" toward particular producer, as a respondent noted. A relational model was anchored in the foundational ethos of Fairtrade as a trading partnership to reembed anonymous exchanges within relations of care and solidarity. In the rooibos case, ATOs refused to detach themselves from the relationships they had cultivated over time. As evident in the cotton price review, the emotive urgency nourished by face-to-face encounters made participants view the same situation in a different light. A field visit to India left one SC member deeply disturbed by witnessing the plight of small cotton farmers. Advocating a quick fix to the FTMP, a flow of emails marked "urgent" explained how "these very poor farmers risk losing out" on "a whole year's harvest." The standards director explained in an email how a single field visit could change one's reasoning:

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

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

Part 2: Reaching Temporary Resting Points

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

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

We identified two mechanisms through which parties arrived at temporary resting points (Weick 2012) on contentious issues, often under pressure to reach a decision in time, such as before the next harvest. *Suspending intractables* involves putting issues off limits, as attending to them in one context could set precedents with ramifications for other contexts. By contrast, when actors were able to justify the exceptional nature of a case, which we label *exceptionalizing*, context-specific adjustments and allowances that deviated from accepted procedures and norms were deemed necessary.

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

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

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

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

they argued was "special" and warranted "exceptional action." A standards officer argued, "I can understand you [Standards Unit colleagues] don't want to set precedents. On the other hand, sometimes exceptional action is justified." An SC member respondent noted the following in an urgent email:

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

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

Summary of the "Ethics as Sensemaking" Model: Reaching an Ethical Truce. To cope with ethical complexity in establishing the meaning of fairness in particular contexts, deliberants strive to balance the tension between universalizing principles and situational contingencies using three sensemaking mechanisms: formatting, proceduralizing, and decentering. However, the complexity of what is fair does not allow the tension to be completely resolved. *Situational contingencies* emerge that resist universalization and get bracketed as *unformattable*, *nonproceduralizable*, and *nondecenterable*. Residual equivocality leads to sensebreaking and becomes an occasion for renewed sensemaking. To reach closure, deliberants then label situational contingencies as either too fundamental or case specific. *Suspending intractables* and *exceptionalizing* enable progress toward temporary *resting points*. Our analysis suggests a recursive process. Deliberations engage in ongoing consultation and debate, iterating between several rounds of sensemaking and sensebreaking. Cycling through these rounds, more and more of the bracketed issues are closed through resting points, even if temporarily so. Interpretations are redrafted and refined in each round of sensemaking until an ethical truce emerges. This is not based on unified consensus. Instead, the model explains how actors deal with conflict in situations where no consensual meaning emerges. Parties do not necessarily transform their positions radically but shift them sufficiently to tip the scales toward an agreement. Ethical truces may arise not by "the force of the better argument" (Habermas 1996a) but by pragmatic concerns whereby parties consent for their own different reasons, without fully transcending their narrow interests, values, or cultural conceptions. Figure 4 illustrates this process.

Discussion
We sought to understand how organizations seeking to act ethically cope with ethical complexity and reach a

Figure 4   (Color online) A Process Model of Collective Sensemaking on Ethics
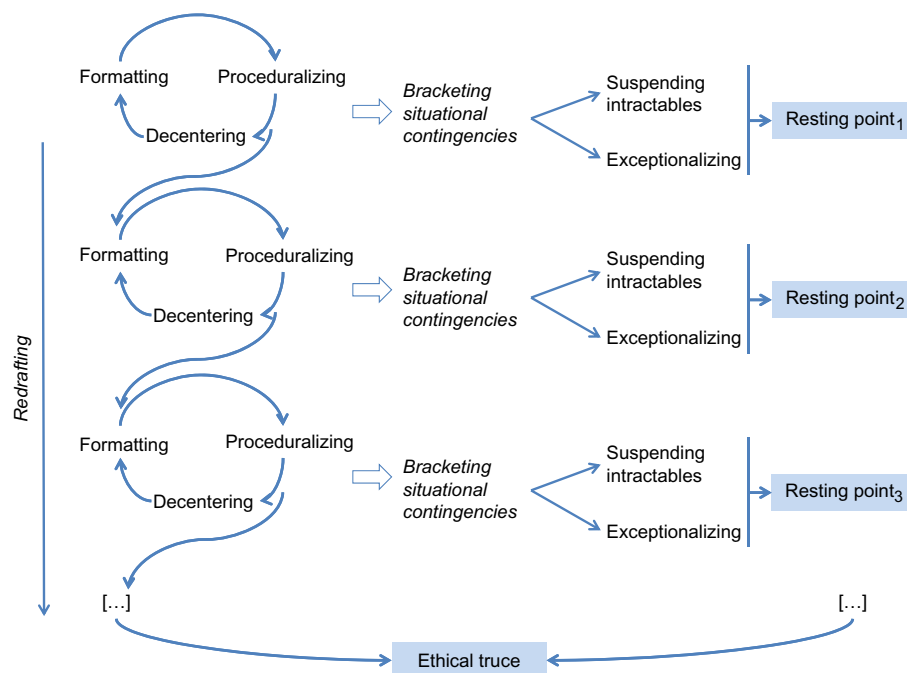
shared agreement. This was motivated in part by an empirical puzzle: How can a fair price be below the cost of sustainable production of small farmers? The answer lies in the definition of what is "fair." By studying how organizational participants and stakeholders of Fairtrade deliberated over the meaning of "fair prices," we gained insights into how actors reach ethical truces on contested issues in morally ambiguous and equivocal contexts. To be considered fair, a particular ethical issue has to be treated as a concrete instantiation of a more generalizable pattern and thus solved through reference to a general principle. At the same time, the particular can never be entirely subsumed under the general, and fairness also requires engaging with "the epistemic significance of the particular" (Tsoukas 2009, p. 298). We argue that actors cope with ethical complexity through sensemaking—a communicative process of establishing joint interpretation of ethical issues. To make "something meaningful out of a mess" and be seen as fair, deliberants went through repeated cycles of sensemaking and sensebreaking (Pratt 2000). We explain the mechanisms that enable actors to cope with the "diversity of voices" in particular contexts while maintaining "the unity of reason" that transcends particular contexts (Habermas 1992, p. 115). Our findings reinforce the potential of adopting a Habermasian lens infused with sensemaking to explain how actors cope with ethical challenges. Ethical meanings are neither the outcome of the monological application of a universal principle nor explained only by relativistic intuition in attending to contextual particularities. Rather, notions of what is ethical or fair are produced through sensemaking—an iterative process of deliberants going back and forth between general principles and contextual particularities to create an intersubjective sense of ethical meaning.

Implications for Organizational Ethics

Our analysis of fair price setting in Fairtrade offers insights into organizational scholarship on ethics. Organizational contexts are ripe with disputes around what moral values to invoke and what is fair and justifiable (e.g., Gehman et al. 2013, Treviño and Weaver 2003). Whereas Habermasian approaches (e.g., Scherer and Palazzo 2007) explain the normative ideal and the theoretical possibility of legitimate consensus among diverse stakeholders, we highlight how deliberants need to make normative judgments amid considerable ambiguity and conflict to reach plausible agreements. Sensemaking explains how contextual cues get flagged up or bracketed as issues of concern and then linked with abstract and more general categories (Weick et al. 2005). By integrating insights from sensemaking into a Habermasian approach, we explain intersubjective meaning construction, showing how actors continually navigate between a universalistic mode of moral reasoning and a particularistic mode of contextual judgment as they

construct the meaning of what is ethical in practice (cf. Gehman et al. 2013). Three main implications for organizational ethics emerge from our study.

First, although deliberative democracy is a normative theory outlining the conditions for legitimate consensus, ethics as sensemaking offers an analytical approach explaining how parties reach a shared position in a collective process of ethical meaning making. Deliberative theory does not require consensus to be the inevitable outcome of deliberation (Habermas 2003). But it is less clear how agreement on the acceptability of disputed claims comes about or how parties reach a negotiated compromise in the face of persistent disagreements (McCarthy 1996). A sensemaking perspective provides insights into how deliberants come to handle their differences and reach ethical truces. Our study suggests that ethical sensemaking is a process of "progressive approximations," where deliberants refine and redraft their emergent interpretation of the ethical issue "so that it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism" (Weick et al. 2005, p. 415). We explain how parties may not achieve a substantive consensus yet still learn from one another to reach provisional ethical truces (cf. Rao and Kenney 2008) based on varying degrees of shared meaning (Ansari et al. 2013, Donnellon et al. 1986). These truces are enabled by temporary resting points (Weick 2012) in the ongoing sensemaking process. Rather than resolving contentious ethical questions, we found that issues that resisted universalization were "labeled in ways that predispose people to find common ground" (Weick et al. 2005, p. 411), such as being "too fundamental," which allowed for suspending intractables or justifying exceptions. Thus, intersubjectivity may not be strictly about moral validity, where the outcome is morally right. Instead, the construction of ethical meaning through deliberation may be seen as a process that yields *plausible* ethical truces, which deliberants can accept without fundamentally shifting their ethical stances, rather than consensual outcomes, where deliberants revise their moral positions to one of higher moral validity. Ethical truces are provisional and somewhat pragmatic, if not arbitrary, stabilizations of unresolved and possibly irresolvable ethical debates, which can be closed by suspending eternally contentious issues. Thus the meaning of what is ethical resides in the *process* rather than the outcome of sensemaking.

Second, we provide insights for addressing a critical question in the ethics literature (Haidt 2001, Sonenshein 2007, Welsh and Ordóñez 2014): Is moral reasoning primarily a rational cognitive process based on deliberation, or is it an emotional process based on moral intuition and affect? Evidence from our study suggests that moral reasoning entails both cognitive and emotional modes of judgment to deal with situational particularities. As Weick (1995, p. 69) suggests,

a plausible account is one which "captures both feeling and thought." Deliberation involves both the "intellectual and the passional" and "desiderative deliberation or deliberative desire" (Nussbaum 1986, pp. 307–308). Deliberants continually navigate the tension between dispassionate rational arguments *and* whether something "feels" wrong or right. In real-life ethical dilemmas, individuals carry moral predispositions, including sympathy, cooperation, and mutual aid, which Margolis (2004, p. 43) describes as "moral sentiments." As deliberants engage with the particularities of a situation, they may develop bonds and feelings about people potentially affected by a decision. Rather than moral reasoning, their decisions may be shaped by affective judgments (Maitlis et al. 2013), moral intuitions, and immediate reactions to situational contingencies (Zajonc 1980). Moral reasoning may then serve to justify, explain, and rationalize judgments post hoc rather than yielding those judgments (Haidt 2001). Individuals do not necessarily act like "judges" carefully weighing all available evidence to adjudicate ethical issues. Rather, they may act like "attorneys," using arguments primarily as confirmatory evidence to justify and rationalize intuitions (Baumeister and Newman 1994). In the cotton case, the Standards Committee member who witnessed producers' plight during a field visit invoked "arbitrage risks" to justify her feelings and provide a rational basis for making an exception. The interplay between rational deliberation and intuitive or affective judgments in ethically complex situations offers an exciting research avenue.

Third, we suggest the need to revisit some of the ideals of deliberative democracy elaborated in more recent debates on political corporate responsibility (e.g., Scherer and Palazzo 2007). In the Habermasian sense, the notion of "moral rightness" depends on rational acceptability. But what is rationally acceptable is also socially constructed and likely to favor those with access to "rational" arguments. Whereas democratic dialogue may reduce the disproportionate influence of powerful actors, an emphasis on reason giving may prevent the marginalized from articulating their voice, particularly in contexts marked by extreme social inequalities (Fraser 1997, Gibson 2012). In the case of Fairtrade, the arguments required to maintain the "fairness" of the dialogue and impartial reasoning were based on invoking "hard" facts and figures that themselves were socially constructed. Other types of arguments were denounced as irrational or emotional, and thus they were devalued. For instance, the debate about whether small farmers deserved preferential access to Fairtrade markets was couched in technical terms over rooibos's classification as a tea or an herb rather than addressed as an ethical question about apartheid legacies that continued to disadvantage black farmers. This limited the kinds of arguments that qualified as *legitimate* contributions to the dialogue. Scholars, such as feminist ethicists

(e.g., Held 2006), have argued for preferential treatment of some "deserving" parties beyond rational reason giving. Although this could also throw the deliberative process into normative chaos (Habermas 1996a), in contexts marked by inequalities, the middle ground between different positions may not be the most socially beneficial (Sunstein 2001), and "extremes" can be justified over the common ground (cf. Fraser 1997). Outcomes such as a fair price need not be presented as substantive agreements guaranteeing fairness but as a negotiated compromise in need of ongoing debate. If deliberative processes are at the core of how companies engage in setting norms of governance (Scherer and Palazzo 2007), scholars studying these processes need to scrutinize the extent to which the epistemic setup is geared toward not only hearing the voice but also actively addressing the needs of marginalized stakeholders.

Implications for Sensemaking

Our findings also have implications for sensemaking scholars studying how people "produce, negotiate, and sustain a shared sense of meaning" (Gephart et al. 2010, p. 285; see also Maitlis and Christianson 2014). First, although sensemaking is sometimes seen as a largely cognitive process, focused on appraisal and interpretation to develop mental models (Elsbach et al. 2005), we adopt a communicative view in line with the notion of social sensemaking (Gephart 1993). But rather than focus on "sensegiving" as a way to persuade others (e.g., Maitlis 2005), our study shows the collective process of how people make sense together under ambiguity and equivocality. "Giving" and "making" sense are simultaneous processes, where communicating parties suggest and discuss plausible interpretations amid considerable ambiguity, uncertainty, and conflict.

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

interpret these cues in light of broader ethical principles to "make sense" of what is plausibly ethical.

This collective construction highlights the present-oriented "practical-evaluative" element of agency that is arguably "intrinsically communicative in nature" (Emirbayer and Mische 1998, p. 995; see also Weick et al. 2005). As Sandberg and Tsoukas (2014) note, the retrospective character of sensemaking inherent in Weick's (1995) account has come at the expense of studying other temporal dimensions of sensemaking. Advocates of a post-Weickian approach to sensemaking (Gephart et al. 2010, Stigliani and Ravasi 2012) have started to explore the prospective and not just the retrospective dimensions of agency. In this study, we highlight the *practical-evaluative* element of agency—"the capacity of actors to make practical and normative judgments ... in response to the emerging demands, dilemmas, and ambiguities of presently evolving situations"—which "has been strikingly undertheorized by sociological thinkers (Emirbayer and Mische 1998, p. 971). Present-oriented sensemaking involves the reflective and interpretive work of social actors engaged in the iterative exercise of contextualizing judgment and continually adjusting it to the exigencies of lived situations. In our case, despite set procedures, actors had to continually deal with the residual equivocality of ethical questions through situated moral judgments in the present. Future work can provide a deeper understanding of the present-oriented dimension of sensemaking.

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

Conclusion

Coping with ethical complexity is a key concern for organizations. Moral philosophies posit different normative bases for determining what is ethical. At one end,

principle-based approaches privilege universal rules. At the other end, practice-based approaches privilege situated judgments. Deliberative approaches have sought to bridge this divide by locating ethical validity in intersubjective positions established through deliberative dialogue. However, although such approaches provide a new normative fundament for ethics, they leave open the question of how the tension between ethical principles and practice is resolved in concrete deliberative situations. We suggest that the notion of ethics as sensemaking can provide one possible answer by explaining how deliberants iterate between a Kantian universalist mode of moral reasoning and an Aristotelian practical mode of situated judgment. Deliberative approaches and sensemaking thus focus on different aspects of the process of establishing shared meaning. If deliberative approaches focus on the normative conditions under which communicative rationality can produce intersubjective agreements through "the force of the better argument," sensemaking shifts the focus to how plausible arguments emerge in practice.

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

Endnotes

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

[2] In the South African context, "colored" refers to mixed race.

[3] In contrast to coffee, which exclusively reserved Fairtrade certification to small producers' organizations, the tea category was accessible to hired labor plantations. This anomaly came about from Fairtrade's involvement in India, where tea production was controlled by large plantations—a postcolonial legacy.

References

Ansari S, Wijen F, Gray B (2013) Constructing a climate change logic: An institutional perspective on the "tragedy of the commons." *Organ. Sci.* 24(4):1014–1040.

Aristotle (350 BC) *Nicomachean Ethics*. [Reprint 1985. Translated by Irwin T (Hackett Publishing, Indianapolis)].

Basu K, Palazzo G (2008) Corporate social responsibility: A process model of sensemaking. *Acad. Management Rev.* 33(1):122–136.

Bauman Z (1993) *Postmodern Ethics* (Wiley-Blackwell, Oxford, UK).

Baumeister RF, Newman LS (1994) How stories make sense of personal experiences: Motives that shape autobiographical narratives. *Personality Soc. Psych. Bull.* 20(6):676–690.

Becker H, Geer B (1957) Participant observation and interviewing: A comparison. *Human Organ.* 16(3):28–32.

Benhabib S (1992) Models of public space: Hannah Arendt, the liberal tradition, and Jürgen Habermas. Calhoun C, ed. *Habermas and the Public Space* (MIT Press, Cambridge, MA), 73–98.

Bersoff DN, Koeppl PM (1993) The relation between ethical codes and moral principles. *Ethics Behav.* 3(3–4):345–357.

Carpini MXD, Cook FL, Jacobs LR (2004) Public deliberation, discursive participation, and citizen engagement: A review of the empirical literature. *Annual Rev. Political Sci.* 7(1):315–344.

Clark E, Geppert M (2011) Subsidiary integration as identity construction and institution building: A political sensemaking approach. *J. Management Stud.* 48(2):395–416.

Clegg S, Kornberger M, Rhodes C (2007) Business ethics as practice. *British J. Management* 18(2):107–122.

Corbin J, Strauss A (2008) *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*, 3rd ed. (Sage, Thousand Oaks, CA).

Davis GF, Marquis C (2005) Prospects for organization theory in the early twenty-first century: Institutional fields and mechanisms. *Organ. Sci.* 16(4):332–343.

Donnellon A, Gray B, Bougon MG (1986) Communication, meaning, and organized action. *Admin. Sci. Quart.* 31(1):43–55.

Elsbach KD, Barr PS, Hargadon AB (2005) Identifying situated cognition in organizations. *Organ. Sci.* 16(4):422–433.

Emirbayer M, Mische A (1998) What is agency? *Amer. J. Sociol.* 103(4):962–1023.

Espeland WN, Stevens ML (1998) Commensuration as a social process. *Annual Rev. Sociol.* 24(1):313–343.

Fairtrade International (2007) Fairtrade International announces Fairtrade Minimum Prices for rooibos tea. Press release (December 17), Fairtrade Labelling Organizations International, Bonn, Germany. http://www.fairtrade.net/single_view1+M5c727d7867e.html.

Fairtrade International (2008) About FLO. Accessed August 18, 2010, http://fairtrade.net/sites/aboutflo.

Fraser N (1997) *Justice Interruptus: Critical Reflections on the "Post-socialist" Condition* (Routledge, New York).

Gehman J, Trevino LK, Garud R (2013) Values work: A process study of the emergence and performance of organizational values practices. *Acad. Management J.* 56(1):84–112.

Gephart RP (1992) Sensemaking, communicative distortion and the logic of public inquiry legitimation. *Organ. Environment* 6(2):115–135.

Gephart RP (1993) The textual approach: Risk and blame in disaster sensemaking. *Acad. Management J.* 36(6):1465–1514.

Gephart RP, Topal C, Zhang Z (2010) Future oriented sensemaking: Temporalities and institutional legitimation. Hernes T, Maitlis S, eds. *Process, Sensemaking, and Organizing* (Oxford University Press, Oxford, UK), 275–312.

Gibson C (2012) Making redistributive direct democracy matter development and women's participation in the Gram Sabhas of Kerala, India. *Amer. Sociol. Rev.* 77(3):409–434.

Gilbert DU, Rasche A (2007) Discourse ethics and social accountability: The ethics of SA 8000. *Bus. Ethics Quart.* 17(2):187–216.

Goffman E (1971) *Relations in Public: Microstudies of the Public Order* (Basic Books, New York).

Gross N (2009) A pragmatist theory of social mechanisms. *Amer. Sociol. Rev.* 74(3):358–379.

Habermas J (1979) *Communication and the Evolution of Society*, translated by McCarthy T (Beacon Press, Boston).

Habermas J (1984) *The Theory of Communicative Action, Volume 1: Reason and the Rationalization of Society*, translated by McCarthy T (Beacon Press, Boston).

Habermas J (1992) *Postmetaphysical Thinking: Philosophical Essays*, translated by Hohengarten WM (MIT Press, Cambridge, MA).

Habermas J (1993) *Justification and Application: Remarks on Discourse Ethics*, translated by Cronin CP (MIT Press, Cambridge, MA).

Habermas J (1996a) *Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy*, translated by Rehg W (MIT Press, Cambridge, MA).

Habermas J (1996b) Three normative models of democracy. Benhabib S, eds. *Democracy and Difference: Contesting the Boundaries of the Political* (Princeton University Press, Princeton, NJ), 21–30.

Habermas J (1998) *The Inclusion of the Other: Studies in Political Theory*, edited by Cronin C, De Greiff P (MIT Press, Cambridge, MA).

Habermas J (2003) *Truth and Justification*, translated by Fultner B (MIT Press, Cambridge, MA).

Haidt J (2001) The emotional dog and its rational tail: A social intuitionist approach to moral judgment. *Psych. Rev.* 108(4):814–834.

Held V (2006) *The Ethics Of Care: Personal, Political, And Global* (Oxford University Press, New York).

Kant I (1788) *Critique of Practical Reason*, translated by Abbott TK. [Reprint 1997. Edited and translated by Gregor M (Cambridge University Press, Cambridge, UK)].

Kaplan S, Orlikowski WJ (2013) Temporal work in strategy making. *Organ. Sci.* 24(4):965–995.

MacIntyre A (1984) *After Virtue: A Study in Moral Theory* (University of Notre Dame Press, Notre Dame, IN).

Maitlis S (2005) The social processes of organizational sensemaking. *Acad. Management J.* 48(1):21–49.

Maitlis S, Christianson M (2014) Sensemaking in organizations: Taking stock and moving forward. *Acad. Management Ann.* 8(1):57–125.

Maitlis S, Vogus TJ, Lawrence TB (2013) Sensemaking and emotion in organizations. *Organ. Psych. Rev.* 3(3):222–247.

Majavu A (2010) South Africa's rooibos farmers go wild. *Guardian* (July 20), http://www.guardian.co.uk/world/2010/jul/20/south-africa-farming-tea-climate.

Margolis JD (2004) Responsibility, inconsistency, and the paradoxes of morality in human nature: De Waal's window into business ethics. *Bus., Sci., Ethics (Ruffin Ser. Soc. Business Ethics)* 4:43–52.

McCarthy T (1996) Legitimacy and diversity: Dialectical reflections on analytical distinctions. *Cardozo Law Rev.* 17(4–5):1083–1125.

Meyer RE, Höllerer MA (2010) Meaning structures in a contested issue field: A topographic map of shareholder value in Austria. *Acad. Management J.* 53(6):1241–1262.

Mouffe C (2005) *On the Political* (Taylor & Francis, New York).

Nussbaum MC (1986) *The Fragility of Goodness: Luck and Ethics in Greek Tragedy and Philosophy* (Cambridge University Press, Cambridge, UK).

Outhwaite W (2009) *Habermas: A Critical Introduction* (Polity Press, Cambridge, UK).

Parmar B (2014) From intrapsychic moral awareness to the role of social disruptions, labeling, and actions in the emergence of moral issues. *Organ. Stud.* 35(8):1101–1126.

Pettigrew AM (1990) Longitudinal field research on change: Theory and practice. *Organ. Sci.* 1(3):267–292.

Porter TM (1996) *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life* (Princeton University Press, Princeton, NJ).

Pratt MG (2000) The good, the bad, and the ambivalent: Managing identification among Amway distributors. *Admin. Sci. Quart.* 45(3):456–493.

Rao H, Kenney M (2008) New forms as settlements. Greenwood R, Oliver C, Suddaby R, Sahlin K, eds. *The Sage Handbook of Organizational Institutionalism* (Sage, London), 352–370.

Rehg W (2001) Adjusting the pragmatic turn: Ethnomethodology and critical argumentation theory. Rehg W, Bohman J, eds. *Pluralism and the Pragmatic Turn: The Transformation of Critical Theory: Essays in Honor of Thomas McCarthy* (MIT Press, Cambridge, MA), 115–143.

Reinecke J (2010) Beyond a subjective theory of value and towards a "fair price": An organizational perspective on Fairtrade minimum price setting. *Organization* 17(5):563–581.

Robertson CJ, Crittenden WF (2003) Mapping moral philosophies: Strategic implications for multinational firms. *Strategic Management J.* 24(4):385–392.

Robinson F (2011) Stop talking and listen: Discourse ethics and feminist care ethics in international political theory. *Millennium—J. Internat. Stud.* 39(3):845–860.

Ryfe D (2005) Does deliberative democracy work? *Annual Rev. Political Sci.* 8:49–71.

Sandberg J, Tsoukas H (2014) Making sense of the sensemaking perspective: Its constituents, limitations, and opportunities for further development. *J. Organ. Behav.* 36(S1):S6–S32.

Scherer AG, Palazzo G (2007) Toward a political conception of corporate responsibility: Business and society seen from a Habermasian perspective. *Acad. Management Rev.* 32(4):1096–1120.

Scherer AG, Patzer M (2011) Beyond universalism and relativism: Habermas's contribution to discourse ethics and its implications for intercultural ethics and organization theory. Tsoukas H, Chia R, eds. *Philosophy and Organization Theory*, Research in the Sociology of Organizations, Vol. 32 (Emerald Group Publishing, Bingley, UK), 155–180.

Sonenshein S (2007) The role of construction, intuition, and justification in responding to ethical issues at work: The sensemaking-intuition model. *Acad. Management Rev.* 32(4):1022–1040.

Stigliani I, Ravasi D (2012) Organizing thoughts and connecting brains: Material practices and the transition from individual to group-level prospective sensemaking. *Acad. Management J.* 55(5):1232–1259.

Sunstein C (2001) *Designing Democracy: What Constitutions Do* (Oxford University Press, Oxford, UK).

Tenbrunsel AE, Smith-Crowe K (2008) Ethical decision making: Where we've been and where we're going. *Acad. Management Ann.* 2(1):545–607.

Thompson DF (2008) Deliberative democratic theory and empirical political science. *Annual Rev. Political Sci.* 11:497–520.

Treviño LK, Weaver GR (2003) *Managing Ethics in Business Organizations: Social Scientific Perspectives* (Stanford University Press, Stanford, CA).

Tsoukas H (2009) A dialogical approach to the creation of new knowledge in organizations. *Organ. Sci.* 20(6):941–957.

Van de Ven AH, Poole MS (2002) *Field Research Methods* (Oxford, UK).

Weber K (2006) From nuts and bolts to toolkits: Theorizing with mechanisms. *J. Management Inquiry* 15(2):119–123.

Weber K, Glynn MA (2006) Making sense with institutions: Context, thought and action in Karl Weick's theory. *Organ. Stud.* 27(11):1639–1660.

Weick KE (1993) The collapse of sensemaking in organizations: The Mann Gulch disaster. *Admin. Sci. Quart.* 38(4):628–652.

Weick KE (1995) *Sensemaking in Organizations* (Sage, Thousand Oaks CA).

Weick KE (2012) Organized sensemaking: A commentary on processes of interpretive work. *Human Relations* 65(1):141–153.

Weick KE, Sutcliffe KM, Obstfeld D (2005) Organizing and the process of sensemaking. *Organ. Sci.* 16(4):409–421.

Welsh DT, Ordóñez LD (2014) Conscience without cognition: The effects of subconscious priming on ethical behavior. *Acad. Management J.* 57(3):723–742.

Whiteman G, Cooper WH (2011) Ecological sensemaking. *Acad. Management J.* 54(5):889–911.

Young IM (1990) *Justice and the Politics of Difference* (Princeton University Press, Princeton, NJ).

Zajonc RB (1980) Feeling and thinking: Preferences need no inferences. *Amer. Psychologist* 35(2):151–175.

Juliane Reinecke is associate professor of organizational behaviour at Warwick Business School and member of the Industrial Relations Research Unit at the University of Warwick. She is a research fellow at the Centre for Social Innovation, Judge Business School. She received her Ph.D. from the Judge Business School, University of Cambridge. Her research interests include sustainability standards; transnational governance and social movements; and focusing on how organizational and political processes shape notions of value, ethics, fairness, sustainability, and responsibility in markets.]

Shaz Ansari is a reader (associate professor) at Judge Business School, University of Cambridge and visiting faculty at the Rotterdam School of Management, Erasmus University. He received his Ph.D. from the Judge Business School, University of Cambridge. His research interests include institutional processes and diffusion of practices, social movements, social and environmental issues in management, technological and management innovations, value creation, new markets, reputation management, and bottom-of-the-pyramid strategies.