

"From Islands of Success to Seas of Change"

Is inclusive business for you?

3 October 2014, Monika Sopov



WAGENINGEN **UR**
For quality of life

Centre for
Development
Innovation 

Objectives

- Provide brief introduction to “From Islands of Success to Seas of Change” (SoC) initiative
- Give overview of CDI work in the area of inclusive business models



Centre for Development Innovation (CDI), Wageningen UR

- Mission WUR
 - to explore the potential of nature to improve the quality of life
- Mission CDI
 - to link knowledge to action for sustainability; and to create capacities for change



Business as usual is NOT an option

Today	By 2050
Smallholders produce about half of the world's current global food requirements.	The Global population will peak at 9.3 billion by 2050.
1981 - 2005, overall poverty in Asia fell from 60% to 40% of the population but absolute numbers stayed static.	The population of Asia will also increase by 1 billion people.
1981-2005 in Sub-Saharan Africa, overall poverty stayed at 50% of the population with absolute numbers rising from 214 million to 390 million .	The population of Africa will double, adding 1 billion people.



The challenge



- These challenges have been clearly recognised. Business forums such as WBCSD, WEF and SAI Platform along with many leading agri-food companies have set forward-looking strategies and ambitious goals.



Inclusive Business

- “An inclusive business seeks to contribute towards poverty alleviation by including lower-income communities within its value chain while not losing sight of the ultimate goal of business, which is to generate profits.”

(World Business Council on Sustainable Development)

WHAT are inclusive agromarkets?

- 1. Create opportunities that enable small-scale farmers to become economically viable business partners in supply chains.
- 2. Support small- and medium scale enterprises to flourish as processors and service providers along the supply chain.
- 3. Provide employment opportunities under fair labour conditions.
- 4. Establish agri-clusters/centres that help to drive overall rural economic prosperity.
- 5. Deliver healthy, affordable, accessible food products and services for low-income consumers in rural and urban areas.
- 6. Give all stakeholders and in particular marginalised groups (small-scale farmers, women, youth, unorganised labour) a voice in governance and investment.



What do we mean by more inclusive trading relationship?

- ACCESSIBLE - to more farmers, to farmers further down the asset ladder and therefore have the potential for more poverty impact, to women and marginalized groups
- DURABLE - promote long-term, stable trading relationships
- EQUITABLE - increase market access for smallholders with an equitable balance of risk, responsibilities and benefits
- EFFICIENT - improve financial sustainability
- EFFECTIVE - strengthen purchaser access to consistent supplies
- ADAPTABLE - enable flexibility to respond to changing market, social and environmental conditions
- CREDIBLE - offer real benefits in the form of stable commercial relations that can be tracked and reported on



From Islands of Success to Seas of Change



- Where are efforts remaining 'islands of success' and where are they adding up to a 'sea of change'?
- What inspirational examples are emerging?
- What is the scale of change being achieved vs the scale considered necessary?
- What are optimal roles and responsibilities of business, knowledge institutes, NGOs and policy makers?



Seas of Change initiative

- Community of engaged practitioners since 2012
- Identify hot themes; formulate learning principles and events (2015 East Africa, South-East Asia), engage actors
- Applied research, innovation and exchange program (tools and methods)
- Business focused (provide support to individual companies)
- Current themes:
 - Effective Public Private Partnerships
 - Performance measurement
 - Inclusive business models



<http://seasofchange.net/>



Seas of Change

scaling inclusive agri-food markets

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News



New Hazelnut Standard Contributes to Change in Sector

Hazelnuts and chocolate are a treat for children and adults alike. However both are crops ripe with sustainability challenges at the farm level. The two most prevalent are low...



Having more than a business relationship with the farmer

A blog by Mercy Mumo (Africa Agribusiness Academy)
He is a veterinary doctor by profession. His colleagues and livestock farmers have always known him to be a phone call...



A Shared Vision for the Landscape? Sand, Water, and Entrepreneurs in Peru

It's been just over a week since I returned from a

Coming Events

International Supply Management Congress
Performance Measurement Workshop
November 11 2014, Amsterdam, Netherlands

Performance Measurement 3.0
January 2015, Mc Lean, Virginia, United States
Details to come

Is Inclusive business for you ?

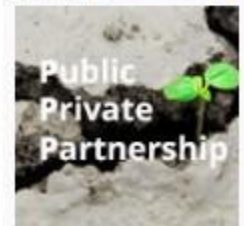


This new Seas of Change publication provides a

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MORE ON



Does it matter?

■ Why does it matter?

- “Inclusiveness is not a cost but is part of our business value”



■ Incentive?

- “The paradigm has changed...We need to increase productivity, attract future generations in farming and react to consumers’ pressure”

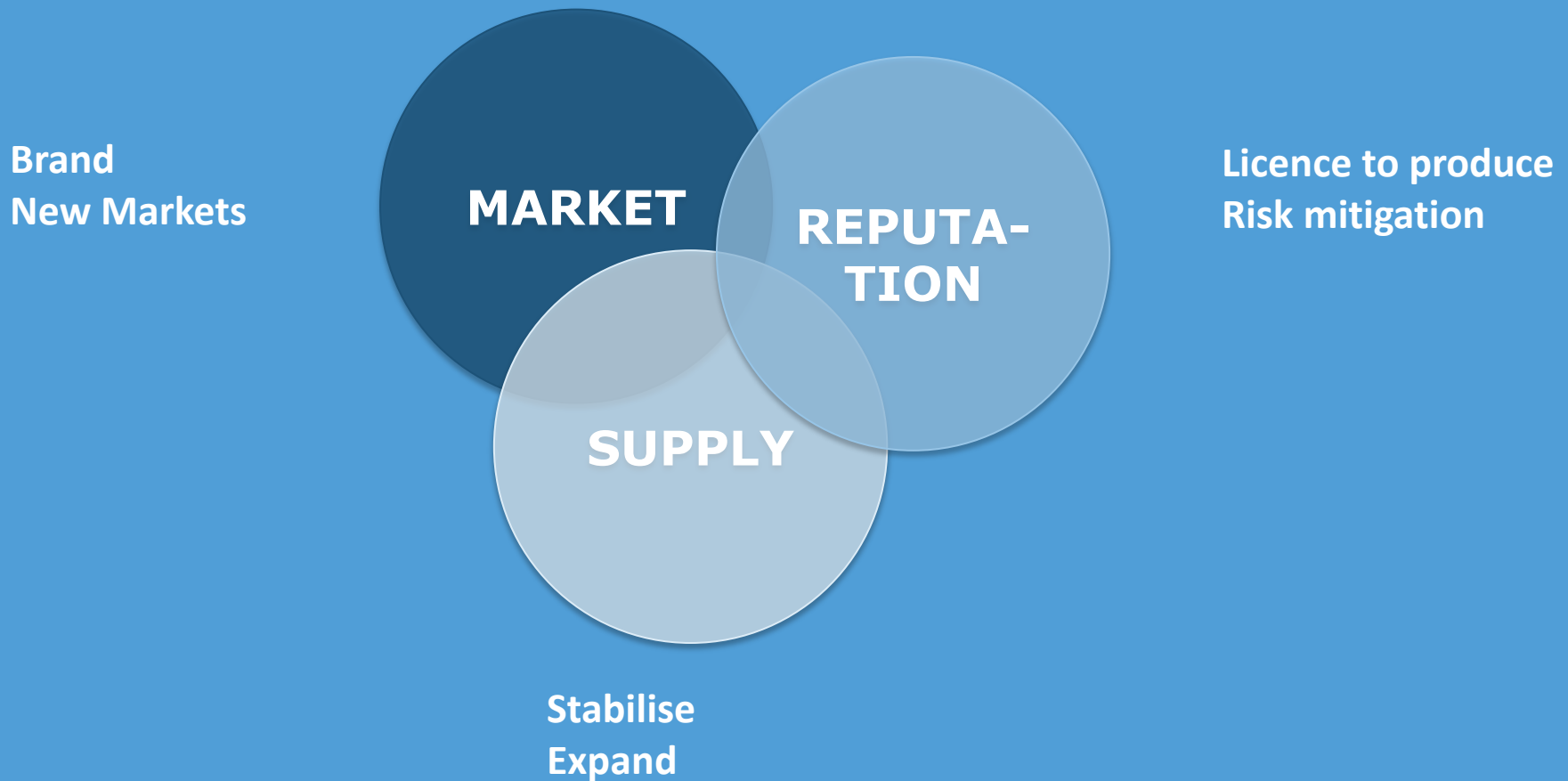


■ Always?

- “...there are no incentives to extend sustainability programs to unorganised farmers..”



Why could (large /multinational) business care? (incentives)



CDI action research based on Unilever “Sunrise project”

- Objective: analyse innovative mechanisms of inclusiveness, how they are integrated into the business models, how they work, and what is their impact:
 - at the level of business, and
 - at the level of the wider community.
- Approach
 - Case study: Quick scan of 50 cases (AECF) /Selection of 20 for field study (SMEs); successful and less successful cases
 - 2-3 days to implement (very basic) LINK methodology (1 year)
- Key questions:
 - What is the structure of the industry/sector in the country?
 - How inclusive is the chain?
 - What else might be possible to increase inclusiveness?
 - Is this business model replicable, scalable? Why? Why not?



Mozambique Fresh Eggs

- Opportunity: 4 eggs/person/year -8 eggs/person/year
- Joint venture:



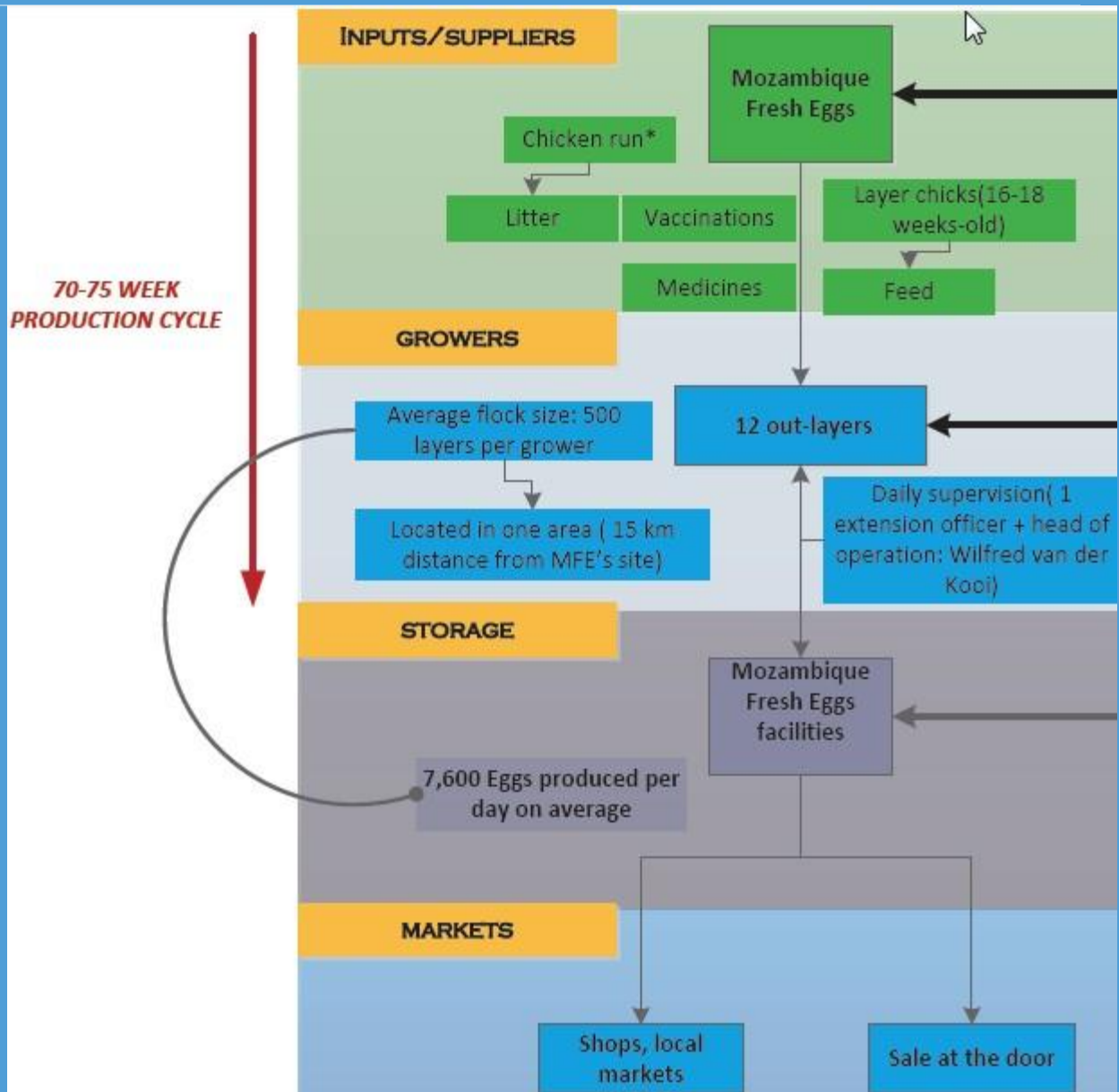
WAB

Figure 1

Shareholding of Mozambique Fresh Eggs

The value chain

- Motivation
- 7600 eggs/day
- 12-20 Growers (land, water, family help, contagious motivation)
- 1000 birds/grower
- 15 000 and 17 000 eggs a day



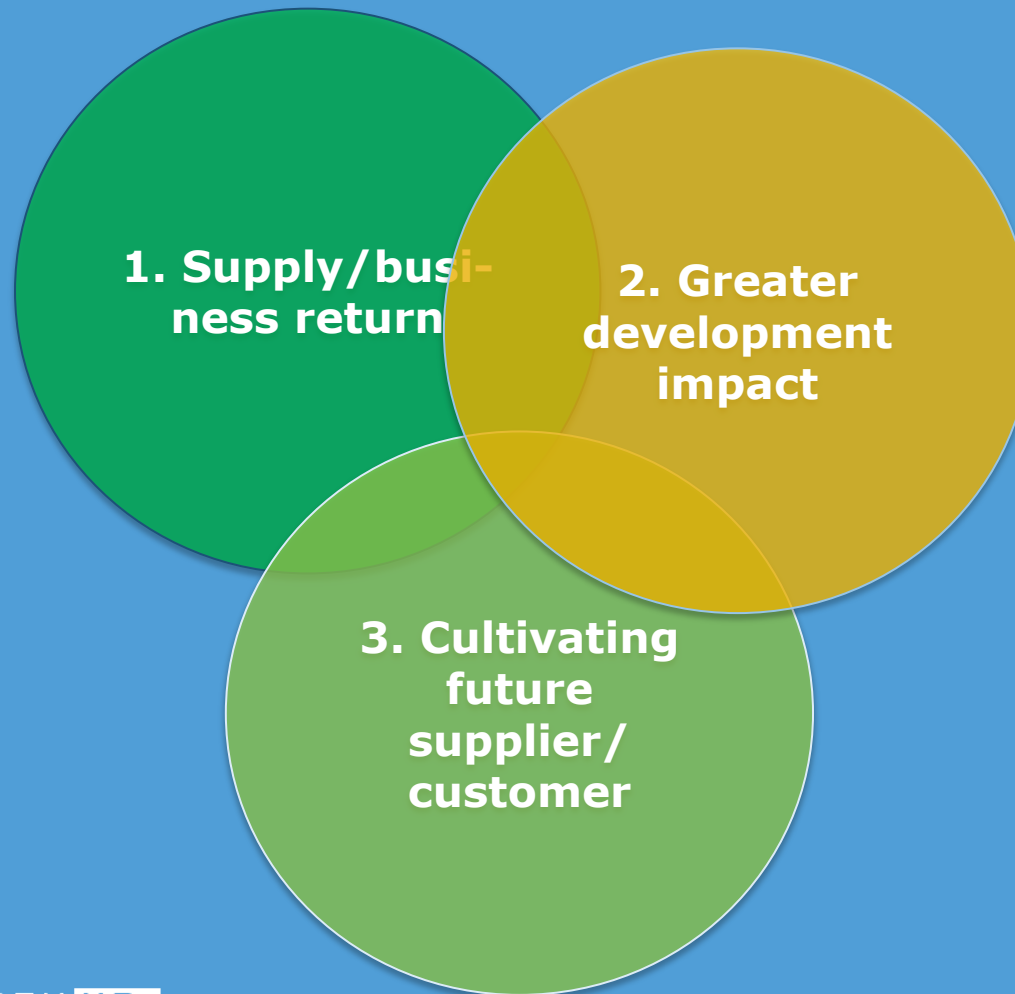
Mechanisms that promote inclusiveness



- Financial back up (USD 5000) / growers contribute
- Daily supervision
- Financial model
 - mortalities
 - lay percentage
 - feed consumption.
- In-kind benefits
 - 10-15 eggs/week
 - Donate equipment to farmers after 4-5 successful cycles
- Possibility to increase inclusiveness: water, manure



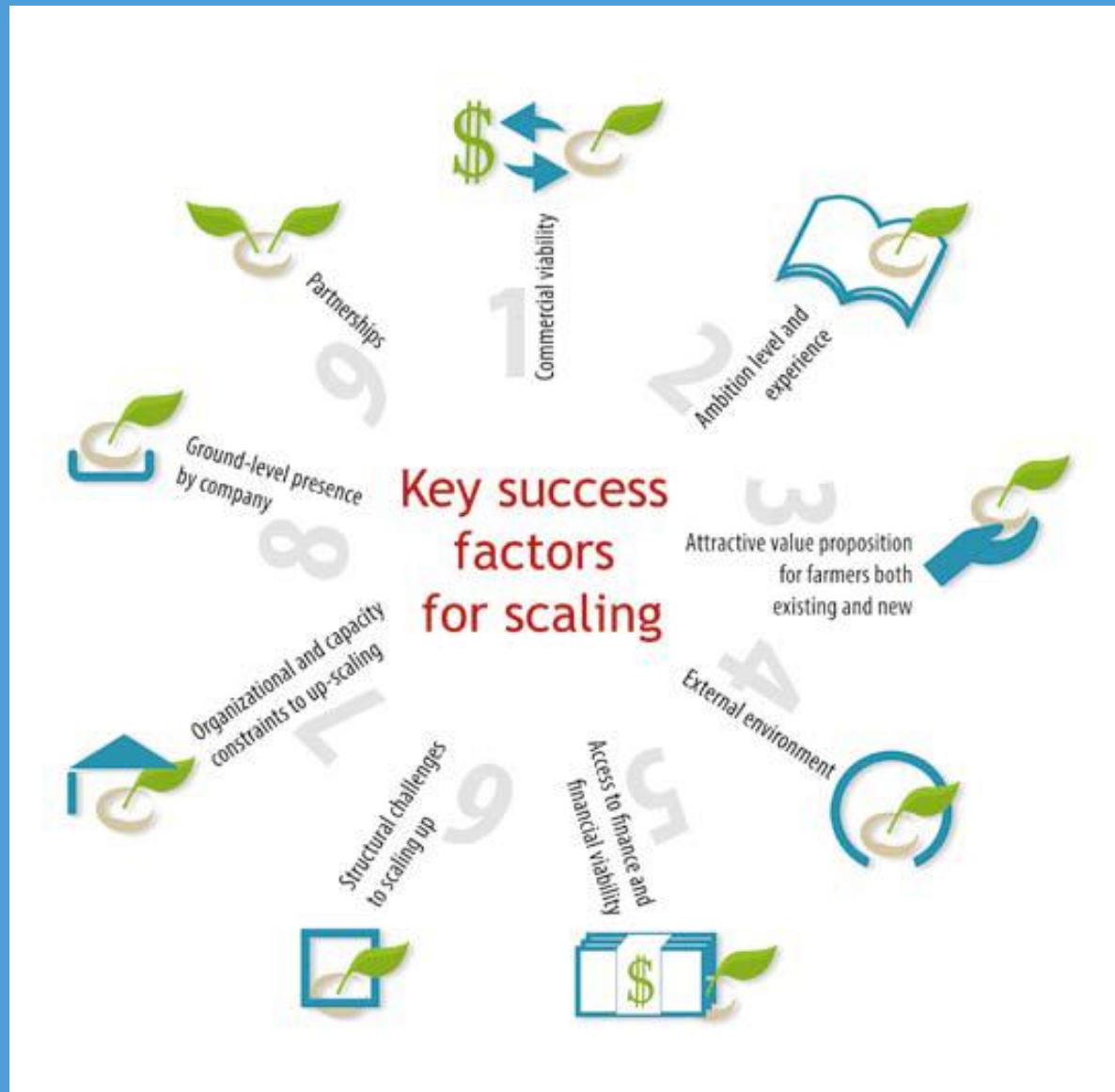
Why could local and regional SMEs care? (incentives)



Why could small-holders care? (incentives)



Key success factors for scaling



Current and future work

1. Inclusive business models

- Supporting SMEs
 - Guidelines for SMES on IBM
 - Training and training material development (upcoming training in November in Addis Ababa)
- Further action research
 - Sector focus; Regional / country focus (external factors)
 - Large, small, medium size
 - Start-ups, mature companies
 - Type of product
 - With / without additional funding (soft loan, grants)
 - Business case (grey area); when to invest in small-holders?
 - Inclusion: better of existing farmers? Or more farmers?
 - CSR? Or main stream strategy?



Questions

- What questions keep you awake at night? (inclusive business models)
- What questions recommendations do you have for further research?
- Would you like to join us so that we can find solutions together?
- Fairer relationships may be more socially sustainable but are they more profitable?
- It may be that a more equitable distribution of benefits results in competitive disadvantage – the size of the profit shrinks, thus there is less to be shared along the chain.



Thank you

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The New Business Model principles

Principle 1: Chain-wide collaboration with shared goals and identified champions

- a. Identified champions in lead firms
- b. Regular processes of information flow (formal or informal)
- c. Alignment of goals/vision (commercial and development)

Principle 2: New market linkages

- a. Ability to aggregate and reach high value markets
- b. Ability to provide steady and durable market for suppliers
- c. Ability to expand core product opportunities
- d. Ability to reach complementary markets for 2nds and other products -- the 5th quarter
- e. Ability to function independent of subsidy

Principle 3: Equitable and Transparent chain governance

- a. Transparency (grades, standards, price structure, incentives)
- b. Traceability to farm level
- c. Risk Sharing function (incl. insurance schemes)
- d. Mechanisms include:
 - a. Governance models
 - b. Shared equity (ownership) models
 - c. Contracts: enforcement and strategy

Principle 4: Equitable access to services

- a. Production related services available and tailored to small farmers and accessible to women
 - a. Input supplier and dealer models
 - b. High quality planting materials
 - c. Technical support
 - d. Provision of credit
- b. Facilitate access to additional services

Principle 5: Inclusive innovation (vertical co-innovation, process and product)

- a. Mechanisms for getting farmer inputs and strategic information
- b. Renewal of product/market, continual evolution and diversification
- c. Recognition of co-dependency

Principle 6: Measurement of outcomes

- a. Informal or formal feedback mechanism along the chain
- b. Regular explicit assessment process
- c. Decisions based on assessment
- d. Assess environmental results (avoid tradeoff)

