

A “CONFESSIONAL” ON PROMOTING SUSTAINABLE & INCLUSIVE VALUE CHAINS

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A range of models have been trialled in the Grow Asia network to make value chains more inclusive and profitable for farmers and off-takers alike. While the [case studies](#) we produce provide in-depth insight into how our partners are doing this, we believe open dialogue is equally important to promote a robust exchange of practical learnings. With this in mind, [Grow Asia](#) and the [Springfield Centre](#) (a leader in the market system approach to development) ran a round-table with a selection of our partners to exchange views on what does and does not work when promoting more sustainable and inclusive value chains in Southeast Asia.

This article is a summary of some of the key learnings that emerged.

Don't miss the opportunity for smart CSR:

Corporate Social Responsibility (CSR) initiatives are often disconnected from core business operations. This can result in a missed opportunity to use CSR resources to develop and test more inclusive business models, with the aim of mainstreaming them into core business. This requires a purposeful, analytical approach to CSR: identifying opportunities for sourcing from smallholders; using CSR resources to test new ways of working that overcome those constraints; facilitating the adoption of new, inclusive business models into core operations, and; measuring the effectiveness of CSR initiatives in terms of farmer and firm performance.

If inclusive business is to be sustainable and scalable, it has to be commercially viable and not just a charitable endeavour.

Understand farmers' incentives and build their ownership:

For farmers to participate in a sustainable supply chain they usually need to upgrade their practices, quality, or reliability. If the costs and risk of investment outweigh the benefits, farmers won't upgrade or participate. Understanding farmers' incentives – both positive and negative – is critical to securing their participation. Farmers must also understand and own the upgrading 'deal': how upgrading benefits them, what they need to change, and what others will do to support them. If farmers aren't motivated, then the foundation of the entire supply chain is shaky.

In practice, this means (1) not every farmer can or wants to be included, (2) all the partners in the supply chain need to make a profit, and (3) firms that champion inclusivity need to understand how to engage with farmers effectively.

You need a lead firm and the right mix of partners:

Lead firms - usually consumer-facing off-takers - are most likely to be the drivers of a sustainable, inclusive supply chain. This is because they often (1) have the incentive to increase the quantity, quality, reliability or traceability of their supply, (2) are closest to market signals and (3) have access to the resources and technology needed to make business models more inclusive. Without a committed lead firm, an inclusive business initiative won't go far. To achieve scale and sustainability, however, a more complex series of changes is often required. This generally lies beyond the capability of a lead firm. Farmers, input and equipment suppliers, financiers, data service providers, certification and standards organizations and national and local governments all might need to play a role.

Typically, the vital first step is the participation of a committed off-taker, who has identified a market opportunity to fulfil a demand.

Function before form:

When faced with the complexity highlighted above, there is a tendency to embark on a broad and often directionless stakeholder consultation, gathering key industry players into a 'big tent' to develop a grand vision for the 'ecosystem'. Whilst this generates some initial enthusiasm it can be less productive in terms of defining specific roles, responsibilities, and actions, and can raise unrealistic expectations. It is more pragmatic to begin with functions (i.e. what needs to change and what needs to be done) before deciding on forms (i.e. who is best to do it). One way to effectively kick-start this process is by first clustering relevant partners according to their area of competence and interests (e.g. inputs, finance, certification) and then convening smaller, more focused groupings later on. A central ingredient to developing and managing sustainable, inclusive supply chains, however, is the - often 'soft' - skills of convening and managing a diverse set of stakeholders.

Success comes down to the need for all the vital operations to be carried out properly. 'What' is done and 'how' it is done is more important than 'who' does it, be that a co-operative, a network of small traders or a major agribusiness.

Beware of 'projectization':

Support from development agencies can aid the development of sustainable, inclusive business models if it is used mindfully. Firms and agencies involved in promoting inclusive business typically share a goal, but their organizational agendas, KPIs and reporting can differ markedly. The formal requirements of development agencies can sometimes become the '[tail that wags the dog](#)': they shape - or 'projectize' - an inclusive business initiative towards the agency's needs, and away from the interests of the core business. For instance, an agency might prioritize a quantitative outreach target such as reaching a large number of farmers. As a result, the agency may (1) be prioritizing short-term scale instead of effectiveness and sustainability, and (2) neglect the operational measures needed to assess the effectiveness of a new business model and the returns on investment for the farmers and firms involved.

Keep the focus on building a financially sustainable business.

While the points raised above are certainly not meant to be a comprehensive guide to running inclusive, sustainable and scalable value chain projects, we do hope that they resonate with your own experience and are useful to your work. The Grow Asia and Springfield Centre teams are both keen to hear insights from your own experience, so if you're willing to share your thoughts with us please comment below or reach out to grahame@growasia.org, rhitchins@springfieldcentre.com or anyone from the [Grow Asia](#) or [Springfield Centre](#) teams.

Original article posted here: <https://www.growasia.org/post/a-confessional-on-promoting-sustainable-inclusive-value-chains>