



**Gordon Institute  
of Business Science**  
University of Pretoria

An exploration of the impact of interdependence based collaborations  
(IBC) on small-scale farmers and poverty alleviation

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A research project submitted to the Gordon Institute of Business Science,  
University of Pretoria, in partial fulfilment of the requirements for the degree of  
Master of Business Administration.

11 November 2013



## Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.



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11 November 2013

## **Abstract**

Poverty and food insecurity are common problems among low-income households in developing countries. Innovative interventions in the agricultural sector are regarded as effective in poverty alleviation and therefore food insecurity. Food insecurity is defined by London and Anupindi (2012) as a lack of access to adequate, safe and nutritious food and is closely associated with poverty. It can ultimately be addressed as part of a broader strategy to alleviate poverty, which would include enterprise-led initiatives, inclusive approaches and value chain adjustments.

London and Anupindi (2012) argued that a study hoping to demonstrate the relevance and reliability of understanding the base of pyramid (BoP) as a catalyst to interdependence-based collaboration, would address the level of agribusiness isolation and individualism, to reap the benefits of shared advantage, followed by addressing the interconnected issues of poverty and food insecurity.

This study proposes that small scale farmers can benefit from interdependence-based collaborations (IBC) of key role players from the state, private sector and civil society. Consequently, this is a qualitative exploratory study, aiming to seek new insights into the application of inclusive models based on the IBC within the small farm holding, the private sector, civil society and government, and thus their impact on the capacitation of the small-scale farmer and alleviation of poverty.

## **Keywords**

Poverty alleviation, inclusive business models, collaborative networks, interdependence-based collaborations, agricultural value chains

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## Definition of Terms

**Agricultural value chain** is defined as ‘the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), to delivery to final consumers, and final disposal after use’ (WEF, 2009).

**Base of the Pyramid (BoP)** refers to individuals and communities trapped in a cycle of poverty and disenfranchisement and classified as living at the base of the pyramid (BoP) (Prahalad, 2004). According to the World Economic Forum (WEF) (2009), the BoP encompasses nearly four billion people that earn less than US\$4 per day, living primarily in Asia, Africa and South America (also referred to as the “next billion”).

**Civil Society Organisations (CSO)** is defined by the World Bank (2010) as a wide array of non-governmental and not for profit organisations that have a presence in public life, including national and international NGOs, foundations, universities and research institutions. Civil society organisations are important actors in the delivery of social services and other developmental programmes as a complement to government action, especially in environments where government presence is weak (World Bank, 2010).

**Collaboration** is the deliberate association, joining, coming together of two or more players along a supply chain with the intention of optimising the operation of the chain. In the context of this research, the term collaborative relationship refers to alliances, joint ventures, business networks and other formal and informal relationships in which organisations coordinate activities to achieve their goals (Palakshappa & Gordon, 2006).

**Government**, for the purpose of this study, refers to government departments and any organisation mandated to provide government sector services – this includes government departments, municipalities and development agencies and bilateral institutions. The term will be used interchangeably with state.

**Inclusive business models** are “those which do not leave behind small-scale farmers and in which the voices of and needs of those actors in rural areas in developing countries are recognised” (Voiley, Lundy, & McGregor, 2009, p.187).

**Interdependence-based collaborations (IBCs)** are strategies from the base of the pyramid domain, offering new insights into how collaborative interdependence between sectors could enhance the connection between profit generation and the alleviation of poverty in developing economies (London & Anupindi, 2012).

**Private sector actors (PSAs)** in the food value chain include agricultural input companies, intermediaries, processors, retailers (WEF, 2009) and commercial farmers.

**Rural development** is the active structural and behavioural change in the rural economy that raises its competitive capabilities in the face of cost price squeezes, sustainability and vulnerability (Marsden, 2009).

**Small-scale farmers (SSFs)** are farmers (crop or livestock), practicing a mix of commercial and subsistence production, where the family provide most of the labour, and the farm provides the principal source of income (Narayanan & Gulati, 2002). Van Zyl and Kirsten (1998, p. 555) further characterised an SSF as one “whose scale of operation is too small to attract the provision of the services he/she needs to be able to significantly increase his/her productivity”.

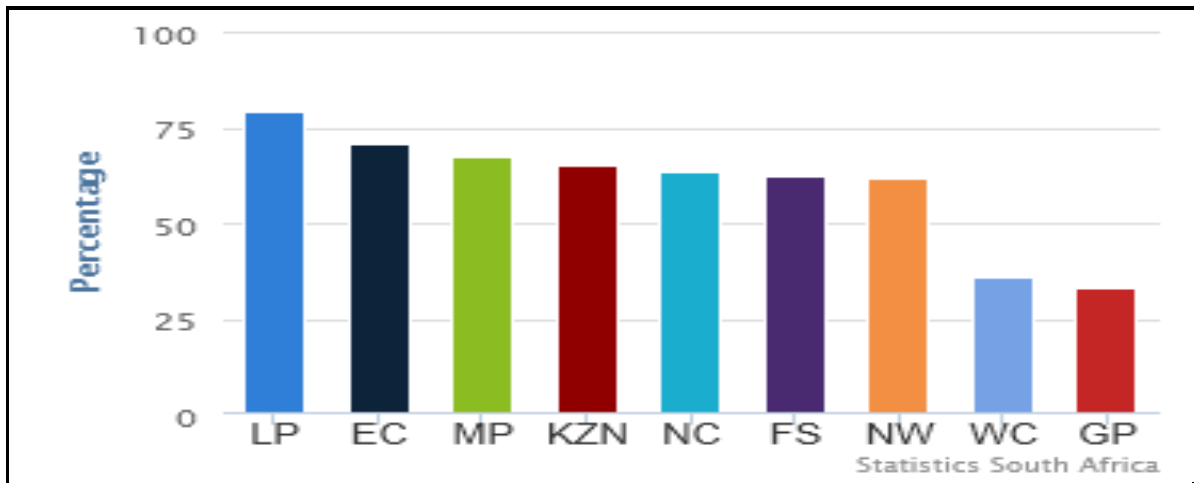
## CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

### 1. Introduction

In recent years, the importance of agriculture as a key driver of development and poverty reduction (IFAD, 2010) in developing economies has been at the forefront of developmental agendas. The World Bank (2004) classifies developing economies as those economies with a Gross National Income (GNI) per capita of less than US\$1,025 to US\$12,475. The World Bank (2004) further classifies South Africa as an upper middle income economy with a GNI of US\$4,036 to US\$12,475. However, despite its World Bank classification as a middle-income country, the majority of South Africans in the country are classified as low-income, due to the significant societal inequalities (Stats SA, 2011).

Small scale and subsistence farming characterise agricultural productions in developing countries, with farmers not producing enough for the growing populations (Bamiduro & Gbadeyan, 2011). Consequently, argued Bamiduro and Gbadeyan (2011), there is increased widespread poverty amongst the people, most especially those living in the rural areas. Similarly, South African rural areas are characterised by high levels of poverty, with unlimited employment in agriculture (NPC, 2011). According to Stats SA's (2013) results, based on Census 2011, 2.9 million households (20 percent of the population) are involved in agriculture. They furthermore reported that agriculture-dependent households tend to have limited access to basic services compared to the rest of the population. In corroboration, IFAD (2010) contended that rural poverty could be attributed to a lack of assets, limited economic opportunities and poor education and capabilities, as well as disadvantages rooted in social and political inequalities. The highest prevalence of households, involved in subsistence and smallholder farming, is found in the more rural provinces (Figure 1) – Eastern Cape, Kwazulu-Natal, Limpopo and Northern Cape (Stats SA, 2013).

**Figure 1: Provincial poverty levels**



LEGEND: PROVINCES			
LP – Limpopo	MP - Mpumalanga	NC – Northern Cape	NW – North West
EC – Eastern Cape	KZN – Kwa-Zulu Natal	FS – Free State	WC – Western Cape
			GP - Gauteng

Source: (Stats SA, 2011)

### 1.1. Research problem

Poverty is a key developmental challenge in social, economic and political terms in developing economies. According to Danse and Sietze (2007), innovative interventions in the agricultural sector are effective in poverty alleviation in developing economies. As a developing economy (GNP of up to but less than US\$17,475), South Africa needs to ensure a healthy agricultural industry that contributes to the country’s poverty alleviation interventions and food security. Food insecurity is defined by London and Anupindi (2012) as a lack of access to adequate, safe and nutritious food and is closely associated with poverty. It can ultimately be addressed as part of a broader strategy to alleviate poverty, which would include enterprise-led initiatives, inclusive approaches and value chain adjustments.

According to IFAD (2010), there is broad agreement that growth in agriculture usually generates the greatest improvement for agriculture dependent communities. In view of this, the South African agricultural policy intends to increase the income of the poorest groups in society by making small-scale agriculture more efficient and internationally competitive. This is government’s bid to increase the number of small-scale and medium-scale farmers and conserve agricultural natural resources (NPC, 2011). According to Van

Dirk and Trienekens (2012), agricultural value chains can play an important role in enhancing the lives of the poor by involving them in the economic development process of the value chains. DFID (2005) validated the authors' contentions by providing that, through focusing on small-scale, labour-intensive farming, employment opportunities are created for poor people that impact directly on poverty.

To achieve this, great focus needs to be aligned to developing general agricultural skills, offer small-scale farmers comprehensive support around infrastructure, marketing, funding, extension services (NGP, 2009) and facilitating access to markets through targeting especially small scale farmers in rural provinces (Stats SA, 2013). Furthermore, Van Dirk and Trienekens (2012) proposed that, to ensure sustainability and remain competitive, the involvement of the Small-Scale Farmers (SSFs) in agricultural value chains would require innovative development models and strategies. Such strategies are outlined in London and Anupindi's (2012) Interdependence-based collaboration strategies (IBCs).

IBCs are initiatives that emphasise a partnering strategy, premised on 'how we can help each other'. They provide the foundation for establishing and maintaining the necessary relationships within the existing value chains according to London and Anupindi (2012). However, implementation of the collaborative partnership model poses challenges even in optimal circumstances. Shared goals, operational similarities, a common understanding and general level of trust are some of the hard-to-attain ingredients necessary for successful collaborations (Austin, 2000). These are especially difficult to achieve when the collaboration is between organisations from diverse actors, whose mandates and modes of operation are very different (Kuhlmann, Schler, & Guinan, 2011).

This study aims to explore the model suggested by London and Anupindi (2012)'s research, in which the base of pyramid (BoP) domain offers new insights into how inclusive markets and collaborative interdependence between sectors can enhance the link between profits and the alleviation of poverty in rural areas, and thus reduce food insecurity concerns.

## 1.2. Significance of the study

South African agriculture has undergone significant structural changes over the past decade, due to the numerous government policies which persistently eroded certainty of land tenure, among other things. According to Aliber and Hart (2009), the inconsistencies in government policy have failed to secure sustainable livelihoods for resource-poor farmers and farm workers. A divergent view was provided by Obi, Van Schalkwyk and Van Tilburg (2012), who argued that in spite of considerable investments into restructuring the sector since 1994, poverty is still rife, because farmers have not been able to sell produce at a profit.

Whatever the cause may be, fewer rural households are reportedly dependent on land and natural resource assets to work and survive (Jacobs & Makaudze, 2012). Consequently, small-scale farming in South Africa has been reduced to a state where it contributes very little to the economy as a whole and to the welfare and livelihoods of rural dwellers in particular (Van Zyl & Kirsten, 1998). Unlocking the potential of this group of farmers and improving access to markets has therefore become a crucial developmental necessity.

Hamann, Giamporcaro, Johnston and Yachkaschi (2011) provided that the structural changes in the agricultural sector, a trend in many emerging markets, have resulted in a concentrated sector with a few large players controlling both production and sales capacity. Consequently, the smaller players are left grappling with the barriers of entry into the very competitive commercial system.

The majority of food producers at low-income levels in the country are indeed SSFs. This massive market, constituting over 50 percent of the population, has not created opportunities for smallholder farmers to develop themselves and their communities so as to address poverty at that level. This realisation has prompted the need for a deeper understanding of the elements that constitute a favourable business climate, or enabling environment, for the development of agribusinesses and the inclusion of SSFs in the value chains (NPC, 2011).

Economically, SSFs can raise their incomes by participating in commercial agricultural value chains – however, including them in value chains, entails significant challenges for



both private sector players and SSFs. For the private sector in South Africa, interacting with a large group of smallholders implies high transaction and monitoring costs to ensure quality, safety and timely delivery. For smallholders, participation can be risky, requiring access to inputs and training to satisfy stringent quality requirements.

The WEF (2009) provided a range of innovative strategies that can be deployed to capacitate SSFs to participate in these value chains:

- a) Improve farmers' access to inputs by expanding and strengthening rural retail networks, and offering financial services to farmers;
- b) Strengthen farmer capacity through training and outreach. Input companies can strengthen farmer awareness of new products and techniques. Buyers can work with farmers to improve production and meet quality standards;
- c) Provide market information that helps farmers access information on market prices and good farming practices;
- d) Increase access to financial services by adopting innovative strategies to provide credit, savings and insurance for individual farmers, and by providing capital funding for small business;
- e) Overcome infrastructure gaps through business-led solutions targeted at both hard infrastructure (storage and transportation, energy, water infrastructure) and soft infrastructure (organisations, policies and regulations that strengthen business operations).

Ideally, the private sector should be motivated to utilise their capacity and resources to create and apply models that support the inclusion of SSFs in value chains. Currently, some private sector actors have taken innovative, instructive steps to include smallholders in supply chains. But their efforts have not been inclusive in nature and thus have not been useful to understand and overcome the problems involved.

Government organisations should normally play an important role – implementing supportive policies, fostering public-private collaboration to develop private sector-led collaborations and promoting relevant applications that support efforts towards poverty reduction. In many countries, government does indeed lead collaborations with other partners, including the private sector, to produce useful applications for a given development context (Sen & Choudhary, 2011). These partnerships require careful

structuring and, due to the lack of details, they present unique challenges with regard to scale and sustainability, revenue sharing and intellectual property rights.

London and Anuipindi (2012) argued that a study hoping to demonstrate the relevance and reliability of understanding the BoP as a catalyst for IBC, would address the level of agribusiness isolation and individualism needed to reap the benefits of shared advantage, and subsequently address the interconnected issues of poverty and food security.

Ezeanyika, Anyanwu, Osita-Njoku, Pat-Mbano and Okwu (2010) argued that broader issues relating to macroeconomic, political and social policies are determinants of the parameters for rural development and poverty alleviation. UNDP (2007) elaborated that sector-specific issues, affecting product market competition, are collectively the most important impediments to faster economic growth and poverty reduction. The majority of such impediments relate to sector-specific policy, enforcement issues and bottlenecks that prevent the formation and integration of inclusive product and service value chains.

With reference to this, a study into inclusive models and their interdependent collaboration will provide information on how small farm holdings and the private sector can benefit from successful integrations. This will be achieved by presenting a view of market sectors that are important for growth and poverty reduction – integrated approaches that bring together key stakeholders to address value chain blockages, assistance to poor producers to ‘move up’ value chains and creation of new opportunities for waged employment.

Furthermore, this study aims to contribute to the theoretical understanding of the role of certain concepts in enhancing poverty alleviation initiatives through the development of inclusive businesses:

- Collaborative networks: Defined as a collaborative network of organisations that consists of two or more companies that bring tangible and intangible resources into a strategic partnership, for the mutual benefit of all members of the network (Bititci & Parung, 2008).
- Inclusive business models: These kinds of models seek to contribute towards poverty alleviation by including lower-income communities (LIC) within their value chains, without losing sight of the ultimate goal of business, which is to generate profits. Linking local producers to a sustainable market will enhance

economic wealth creation and social empowerment in developing countries (Michellini & Fiorentino, 2012).

From a business perspective, markets were lauded as the effective integrator of SSFs into the mainstream of national economies – thereby contribute towards poverty reduction through the cash income realised from sales of farm produce (Obi *et al.*, 2012). Moreover, based on the argument that business has a role to play in developing innovative strategies to eradicate the barriers that prevent the poor from actively participating in economic markets, both as consumers and producers, this study aims to develop deeper insight into how business can better exploit the IBC model to fulfil that role. Furthermore, as an ‘engine of growth’, agriculture and its related industries require increased attention in policies and strategies that aim to promote investments in agribusinesses and develop agribusiness value chains.

### **1.3. Research question and objectives**

Basing on the model suggested by London and Anupindi (2012), the following research question was generated:

Can small-scale farmers who are engaged in interdependence based collaborations with government, private sector companies and civil society organisations contribute towards poverty alleviation?

The major objective of the study is to explore the interdependence-based collaboration model (IBC) and its strategies so as to generate awareness of the situation, challenges and limitations that small-scale farm holdings face, specifically:

- a) To understand the context and environment affecting small-scale farmers and their ability to alleviate poverty, including constraints to their success;
- b) To gain insight into the various roles played by the state, private sector and civil society in supporting small-scale farmers;
- c) To explore the effectiveness of collaborations between the different stakeholders.

## **1.4. Chapter layout**

This research dissertation is composed of seven chapters:

### **Chapter One: Introduction**

A background to the focus of the research, within the South African context, is discussed in Chapter one. The chapter further outlines the research problem, the significance of the study and the research questions and objectives.

### **Chapter Two: Literature Review**

Chapter two gives the theoretical framework that informs the study – it explores the body of literature on inclusive business models and collaborative partnerships. The chapter also provides literature on agricultural value chains as an effective tool for eradicating poverty in economically deprived environments. It further highlights the challenges faced by SSFs in these environments and the strategies that can be employed to capacitate SSFs to participate and contribute towards the alleviation of poverty.

### **Chapter Three: Research Proposition and Questions**

Chapter three outlines the research proposition that emerging SSFs could benefit from the IBCs of key role players from the state, private sector and civil society. The chapter further discusses the research questions that will guide the study.

### **Chapter Four: Research Methodology**

Chapter four deals with the research methodology applied in this study. It also highlights the design of the interview guides that were formulated and conducted with a selected group of SSFs, government, private sector and civil society representatives. The research design, sampling procedures, data collection methods and ethical considerations are also discussed.

### **Chapter Five: Research Results**

Chapter five focuses on the interpretation of the research results by means of a qualitative analysis. Research findings from the interviews are presented in this chapter, clustered around the following key themes: BoP perspective and agriculture's contribution to poverty

alleviation; business models and strategies; and the effectiveness of business models and strategies.

### **Chapter Six: Discussion of Results**

In Chapter six, the findings reported in Chapter five are discussed in detail in relation to the literature. The discussions also present a view of how IBCs among key stakeholders in government, private sector and civil society can benefit SSFs to enhance their contribution towards poverty alleviation. The chapter concludes by highlighting the shortcomings of the study in terms of the sample and other limitations encountered by the researcher.

### **Chapter Seven: Conclusion**

This chapter highlights the main findings of the research, and further offers recommendations to stakeholders, based on the research findings and future research.

## **CHAPTER 2: LITERATURE REVIEW**

### **2. Introduction**

This literature is based mainly on the studies conducted by London and Hart (2004) and London and Anupindi (2012) in their efforts to understand and address poverty at the BoP. London and Hart (2004) in particular demonstrated that in developing countries, market-based approaches play an important role in addressing poverty. Trienekens (2011) alluded to the opportunities in developing countries – offered by the fast growing markets of the middle and high classes – for SSFs to operate in emerging domestic and international markets. Accessing these opportunities require the producers or SSFs to:

- a) adapt to stringent quality and safety standards and regulations in these markets;
- b) guarantee the quality of their produce and operate in a cost-effective way by gaining better control over production, trade and distribution.

London and Hart (2004) emphasised the need for value chain initiatives to focus on the opportunity to improve links between local producers to markets. The literature points further to the development of collaborative partnerships in value chain initiatives among SSFs, public and private sector and, civil society. In this chapter, the researcher will extract key lessons from available literature regarding the BoP perspective on poverty alleviation, business models and the effectiveness of the strategies or models.

#### **2.1. Base of Pyramid (BoP) perspective and agriculture's contribution to poverty alleviation**

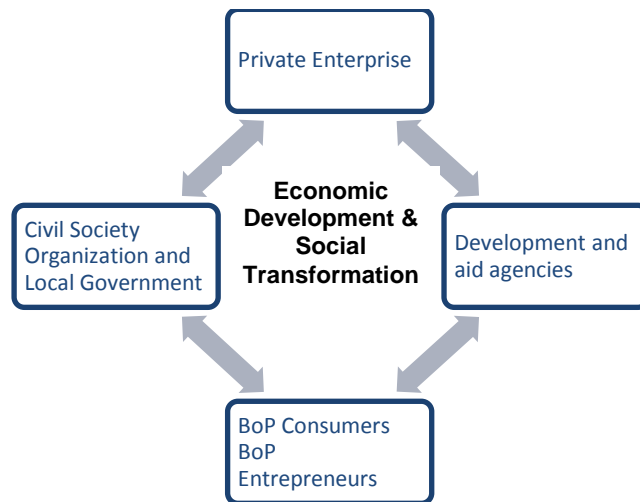
##### **2.1.1. BOP perspective**

The development of the BoP domain has helped to catalyse interest in new ways of thinking about the intersection of business strategy and poverty alleviation (London, 2009). Various authors (Kaplinsky & Morris, 2001; Simanis & Hart, 2006; Danse & Sietze, 2007), contended that sustainable poverty alleviation, in alignment with the BoP domain, entails the recognition of the poor as highly resourceful actors, with valuable knowledge and capabilities. Successful BoP ventures target the BoP segment as buyers, sellers, and entrepreneurs, straddling formal and informal economies and bringing productive assets

from these two environments together in a mutually beneficial manner (London & Anupindi, 2012).

The framework identified by Prahalad (2010, p. 26) presents a market development strategy that highlights the significance of partnerships for developing and implementing business strategies in developing markets (Figure 2). By working in collaborative partnerships, the different actors take advantage of each other's strengths, in order to reach their goals and, at the same time, achieve economic development and social transformation. To emphasise the significance of partnerships in addressing poverty in developing economies, Hamann, Giamporcaro, Johnston and Yachkaschi (2011) quoted the United Nations' argument that, while government leadership is crucial in addressing the implications of poverty, the private sector also has a vital role to play in the development of innovative initiatives.

**Figure 2: Framework for poverty alleviation**



Source: Prahalad (2010, p. 26)

London and Hart (2004) suggested that the BoP perspective provided insights about the development of mind-sets, capabilities, and partnerships that enterprises need to establish in order to develop viable business models. These approaches focus on framing the opportunity as creating a fortune with the base of the pyramid as opposed to the prior orientation of finding a fortune *at* the BoP (London & Anupindi, 2012). This shift from 'fortune-finding' to 'fortune-creating' emphasised the importance of co-creating business

models, technology designs and value propositions with the BoP and their partners (Prahalad, 2010).

There is consensus among researchers that the rural poor are extremely entrepreneurial, but limited by the lack of opportunities and choices and, in some instances, geographic isolation (VanSandt & Sud, 2012). London and Anupindi (2012) advocated the development and adoption of partnership models based on collaborative interdependence that focus on mutual value creation and the alignment of the key actors, to address the plight of poor communities.

### **2.1.2. Agriculture's contribution to poverty alleviation**

DFID (2005) provided that the importance of agriculture to poverty reduction goes beyond its direct impact on farmers' incomes – it also includes entire communities by delivering higher incomes, plentiful and cheaper food, and by generating patterns of development that are employment-intensive.

According to Obi, Van Schalkwyk, and Van Tilburg (2012), the dominance of agriculture in poorer economies is informed by, among other factors, its contribution to national GDP and employment in these economies. The authors asserted that any endeavour to enhance the livelihoods of the population, must be based either on agriculture or have strong links with that sector. Furthermore, because of limited opportunities elsewhere in these economies, efforts to expand employment opportunities, at least in the short-term, should focus on agriculture. Based on these contentions, SSFs are crucial role players in increasing rural incomes or viable local markets, to benefit the large numbers of poor in rural areas (Danse & Sietze, 2007).

Haggblade, Theriault, Staatz, Dembele, and Diallo (2012) postulated that value chains are useful analytical and diagnostic tools for identifying viable, remunerative income-earning opportunities for poor households in rural development initiatives. Accordingly, pro-poor strategies in developing markets, adopted by international donor agencies and development banks, focus mainly on value-chain development and market access (World Bank, 2004). The rationale behind the use of agricultural value chains to stimulate SSFs



are the associated benefits, which go beyond major employment creation opportunities through small-scale farmer schemes and the processing and sale of agricultural products.

Danse and Sietze (2007) contended that the effort to link smallholder producers to the value chain is driven by the assumption that the linkages will also enhance the technological capacities of smallholder producers, through the cost-efficient technologies available within the value chain. According to Haggblade *et al.* (2012), the convergence of productivity-enhancing agricultural technologies and profitable market access is a prerequisite for sustainable agricultural growth.

These development strategies further create multiplier effects at local markets for other goods and services provided by non-farming poor, such as trade, construction, manufacturing, and repairs. Trienekens (2011, p. 52) stated that the agricultural value chain could be viewed as “a vehicle by which new forms of production, technologies, logistics, labour processes and organizational relations and networks are introduced”.

### **2.1.3. Agricultural value chain**

The agricultural value chain is a complex network of related enterprises (WEF, 2009), in which the actors exploit competitive resources and operate within an institutional environment to move products from production through various activities to consumption (Trienekens, 2011). These complexities associated with the agricultural value chain are attributed to interdependencies, uncertainties, circularities and conflicting stakeholder interests (Lazarus, 2009). The complexities are further amplified by fragmentation and inefficiencies of the system, leading to erosion of value for the value chain actors in developing markets (WEF, 2009).

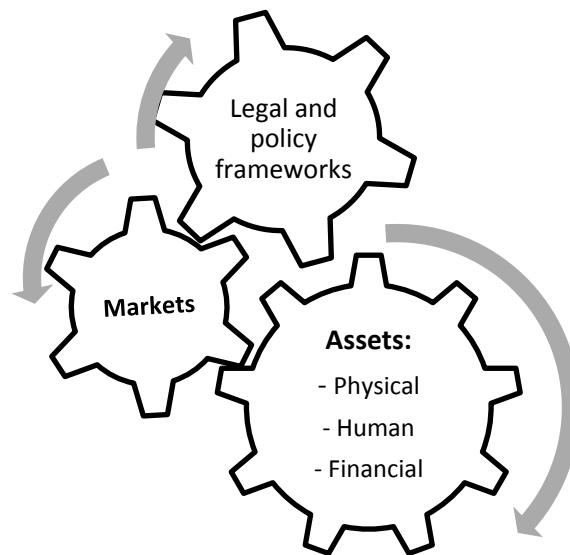
Numerous papers have been written on challenges facing small agribusiness players that prevent them from effectively and competitively participating in mainstream markets. Kuhlmann, Schler and Guinan (2011, p. 4) identified a “missing middle”, comprising of an underdeveloped link in value chains and a lack of productive systems to tie the SSFs into the stream of commerce. Mendoza and Thelen (2008) cited a lack of access to funding, limited investment in human capital (lack of skills or know-how) and entrepreneurship training, as well as geographic obstacles, as some of the major barriers responsible for the

exclusion of SSFs from active participation in main markets. Kwakkenbos and Van Wijk (2012) elaborated further by providing that smallscale producers' access to knowledge and technology, credit, markets and farmer-based organisations, is hindered by institutional challenges such as:

- formal rules;
- inter-organisational arrangements; and
- informal customs.

Figure 3 below depicts the multifold barriers or challenges facing agricultural producers in developing countries, as identified by various authors.

**Figure 3: Factors influencing the success of small scale farmers**



#### **a) Assets**

Trienekens (2011) pointed out that SSFs use traditional techniques and rely on family labour, which place them in a disadvantaged position in terms of the lack of access to funds. Bamiduro and Gbadeyan (2011) stated the lack of basic education, financial and entrepreneurial skills, and financial capacity impacted on the success of initiatives. In addition, financial services such as credit, savings and insurance are considered essential tools for investing in enhanced production, managing price and income volatility, and

mitigating risks such as drought or crop failure. However, argued Mendoza and Thelen (2008), most small-scale farmers have little or no access to such services.

### **b) Markets**

Quality demands, internationalisation, and market differentiation have led to changes in terms of the requirements placed on small farmers (Trienekens, 2011). Customers have become more demanding with regard to product and service quality, variety and food safety, placing producers under increasing pressure to improve product and service quality, enhance productivity, and reduce production and transaction costs (Ortmann, 2000). Given the small individual sizes of small-scale producers, it is neither possible for them to achieve the economies of scale nor to provide the volume of product required to be competitive in modern markets (Vermeulen, Woodhill, Proctor & Delnoye, 2008).

### **c) Legal and policy frameworks**

Lack of an enabling environment offering institutional and infrastructural support, availability of resources and effective and efficient coordination in value chains hinder the development of small-scale farmers into fully-fledged commercial farmers (Trienekens, 2011). In addition, on their own, small-scale producers have little power and political influence, and are unable to protect their interests in the market or the policy-making arena (Vermeulen *et al.*, 2008).

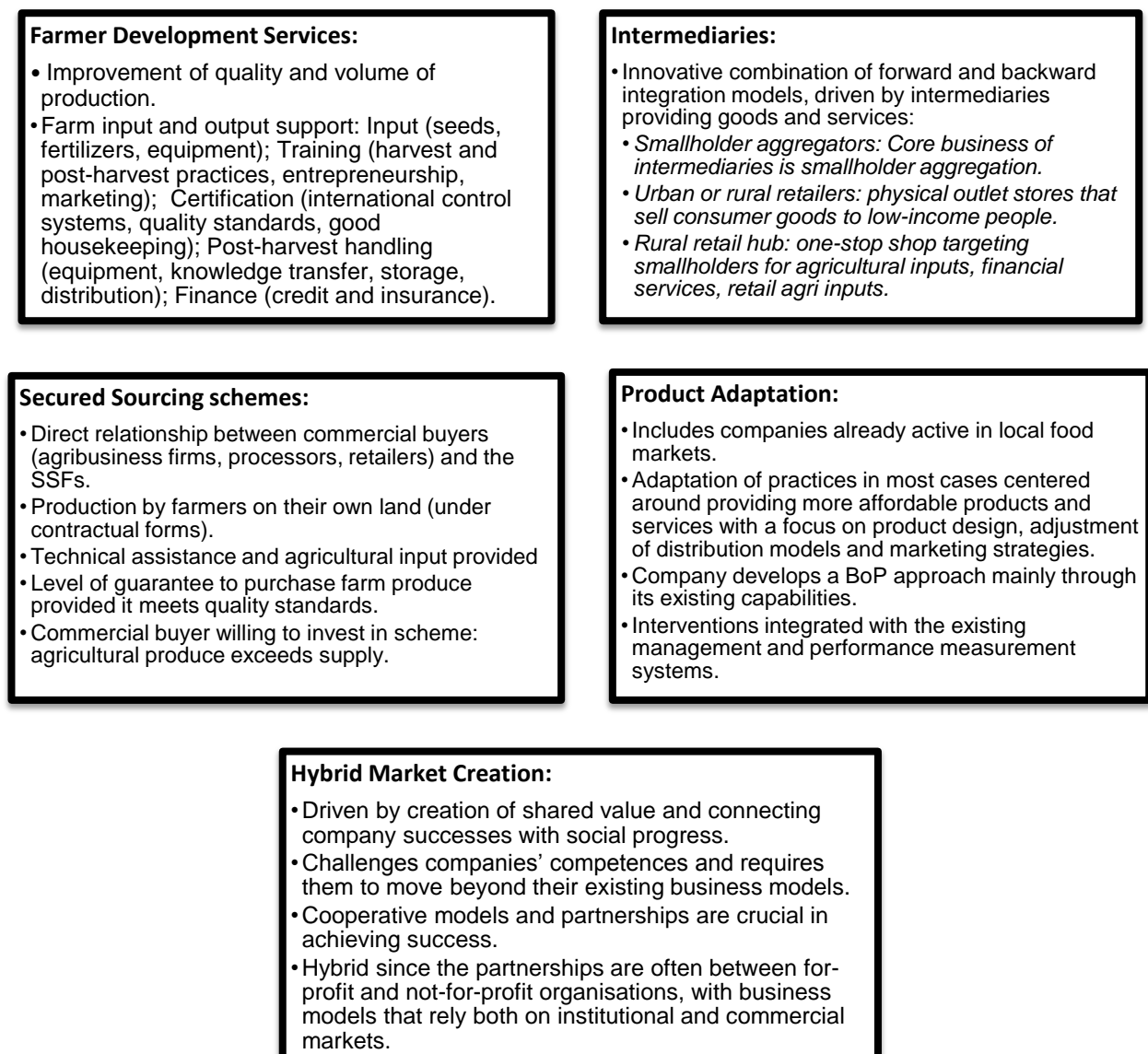
In the light of these complexities, London and Anupindi (2012) argued that innovative strategies are required to tap into the economic potential that exists throughout the food value chain. Such innovative strategies would entail developing links in the value chains and building productive systems that tie SSFs into the main stream of commerce (Kuhlmann *et al.*, 2011), thereby unlocking innovation and vibrant agricultural economies.

#### **2.1.4. Business interventions**

Chevrollier, Bults, Sprenger, Danse, Poniatowski and O'Neill (2012) identified five different business interventions aimed at mutual value creation in BoP markets: farmer development services; secured sourcing schemes (contract farming and out-grower schemes); intermediaries; product adaptation; and hybrid market creation (Figure 4). These five business interventions are an entry point for companies and other stakeholders

to develop products and services to improve the livelihoods of the BoP (Chevrollier *et al.*, 2012). By deliberately choosing one of these strategies, implementing a suitable governance structure, and leveraging existing elements in specific models, companies could become more effective in the food value chain, and interact and collaborate with the BoP. However, the selection of a business intervention does not only depend on the features of the company itself, but is also strongly related to the local context.

**Figure 4: Business interventions for rural small-scale farming**



Source: Adapted from Chevrollier *et al.* (2012)

## 2.2. Business models and strategies

### 2.2.1. Inclusive business models

Business models are the way in which businesses create and capture value within a market network of producers, suppliers and consumers (Vorley, Lundy, & McGregor, 2009). Business models that seek to contribute towards poverty alleviation are inclusive in nature. Inclusive business models incorporate poor communities within their value chains by actively seeking business opportunities with local partners. They combine knowledge developed at the top of the pyramid and wisdom and expertise found at the bottom, with the aim of generating both economic and social value (Michelini & Fiorentino, 2012). While supportive of the role of business, and accepting that profitable partnerships are the primary solution for poverty alleviation, VanSandt and Sud (2012) emphasised that inclusive growth is imperative – to them inclusive growth entails formulation of strategies that focus not only on the economic facets of development, but also on their social and cultural dimensions.

Humphrey (2006) submitted that inclusive businesses in developing economies open up opportunities in a growing, profitable, and largely untapped market. By collaborating with local communities, the private sector benefits in various ways:

- a) They are empowered to capture 'hidden' assets in the form of untapped resources and critical local knowledge on market movements and local consumer behaviour (WEF, 2009);
- b) Risks associated with open markets, where domestic businesses may be bypassed by cheaper imports (Vorley, Lundy, & mcgregor, 2009) are mitigated. Risk mitigation is achievable through economic and profit-related benefits, which include the opportunity to increase productivity, gain access to quality raw materials, reduce production costs, and gain access to local distribution networks (Michelini & Fiorentino, 2012).

Vermeulen *et al.* (2008) deduced that it is in the interests of business and government to find institutional mechanisms to unlock opportunities and empower small-scale producers, so that they can become profitable and reliable partners in value chains. While a lack of opportunity persists, growth may not be sustainable and may even lead to social tensions (VanSandt & Sud, 2012). In addition to unsustainable growth and social tensions resulting

from lack of opportunities, VanSandt and Sud (2012) pointed out another manifestation, that of migration to urban centres, in search of gainful employment. The predicaments that may arise out of urbanisation (beyond the scope of this research) range from urban squatting and environmental degradation, to health challenges like sanitation and availability of potable water.

The failure of SSFs to adapt and access markets, presents the risk of increasing poverty, not just for the producers, but for entire rural communities. These limitations create a 'vicious cycle', in which low productivity and a lack of access to capital depresses income and consumption, trapping the poorer communities in ever deepening poverty (WEF, 2009).

### **2.2.2. Effectiveness of models and strategies**

Quantifiable and qualitative impacts on SSFs are assessed to determine and gain an understanding of the effects of the business models on the populations of interest. According to Vorley *et al.* (2009), qualitative or skills-based indicators are difficult to quantify – however, they underpin and sustain the gains shown in quantifiable indicators such as profit.

According to Vorley *et al.* (2009) and Drews (2010), key quantifiable monetary indicators are useful in measuring chain-wide evolution of:

- a) Production volumes;
- b) Product quality;
- c) Net income;
- d) Distribution of income among smallholders within households and along supply chains; and
- e) Costs associated with risk mitigation and management.

Successful models evolve towards a common set of principles, which sum up to systemic competitiveness based on the collective efficiencies of all the actors (Vorley *et al.*, 2009) including:

- a) Greater information and knowledge flows;

- b) Focus on differentiated products;
- c) Orientation towards market demand; and
- d) Chain-wide organisational structures that recognise the interdependence of actors and facilitate collaborative problem solving.

### 2.2.3. Roles of Stakeholders

#### 2.2.3.1. Government

To maximise the impact of agriculture on poverty, strategies should be developed to establish links between increasing agricultural productivity and growth in the wider economy (DFID, 2005). Government plays a vital role in creating an enabling environment (Sarker & Rahman, 2006) for farmers (Shiferaw, Hellin, & Muricho, 2011) and business and civil society (De Boer, Van der Lienden, & Tuninga, 2012) to operate. FAO (2013) described enabling environments as conditions that create opportunities and incentives for business to invest and thrive. Government can create an enabling environment by, *inter alia*:

- a) Strengthening incentives for business engagement through boosting incentives, removing barriers and reducing costs that impede commercial activity. This includes establishing financial or market incentives, and improving the enabling environment (policy, infrastructure and services);
- b) Providing complementary funding and capacity to overcome gaps (for example in R&D funding) and strengthening hard and soft infrastructures required for business models to succeed; and
- c) Facilitating corporate engagement among diverse industries and stakeholders and uniting partners' complementary capacities around common goals to capacitate SSFs.

According to Vorley *et al.* (2009), over and above the role of creating an enabling environment, government is also responsible for facilitating linkages between SSFs and chain-wide learning. They maintained that the collaborative imperative for successful linkages between small-scale farmers and dynamics are:

- a) Trained and organised farmers;
- b) A receptive business sector; and

c) Conducive public policies and programmes.

Bamiduro and Gbadeyan (2011) summed it up by providing that government can combat some of the impediments that are inhibiting SSFs from contributing significantly towards poverty alleviation, by providing adequate basic social infrastructures, making more funds available to farmers and creating more employment opportunities, amongst others.

#### 2.2.3.2. Private Sector

According to Sarker and Rahman (2006), the market and the private sector have crucial roles to play in development. The role of the private sector in this regard is to support and enable SSFs to improve quality, safety standards and volume of production (Shiferaw *et al.*, 2011), by contributing towards building the system. Building systems, according to Prahalad (2005), entails training and educating across all levels to get responsible local partners, providing incentives to local partners and other constituents, and building capacity for self-governance. In so doing, the private sector would have succeeded in its role as an initiator and catalyst of business activities that create sustainable economic value for smallholders (De Boer *et al.*, 2012).

Though the private sector cannot resolve all problems associated with poverty through collaborative partnerships, it can bring technical and financial resources, the discipline of organisation, accountability, and entrepreneurial drive to persevere (Prahalad, 2010). As alluded to by Trienekens (2011), getting access to markets is not sufficient to ensure sustainability of value chains in developing countries. Supporting infrastructure and resources, including knowledge, are crucial for these chains or links to be successful.

#### 2.2.3.3. Civil Society

Ezeanyika *et al.* (2010) affirmed the role of civil society organisations in the betterment of human life in society through the actualisation of sustainable development. In support of this, Sarker and Rahman (2006) argued that the role of civil society lies in its contribution to the development of community capacity to participate in and benefit from developmental activities. The authors opined that civil society organisations reach out to the poor more effectively making them more efficient in delivering services and implementing programmes. Michelini and Fiorentino (2012) highlighted the significance of alliances with



local non-profit organisations in the development of partnerships in low-income communities. They elaborated that local non-profit organisations represent the best tool to create shared value, because they allow the private sector to gauge the specific needs of the market, acquire skills and specific know-how and improve relations with the community.

#### **2.2.4. Understanding collaborative networks**

The social network approach views businesses as embedded in a complex of horizontal, vertical and business support relationships with other organisations – supporting inputs and services, including advisory and credit facilitation (Trienekens, 2011). This notion is supported by Hamann *et al.*'s (2011) pronouncement that business has the potential to make proactive contributions to poverty alleviation through the formation of cross-sector collaborations aimed at improving value-chain efficiencies.

Collaboration means working together for mutual benefits. It entails several companies belonging to the same network sharing data and information, systems, risks and benefits. As a system, the partners in a collaborative network can be described as interdependent parts or subsystems (Bititci & Parung, 2008). This is affirmed by Preston's (2003) submission that interdependence is the underlying key to any strategic alliance, community partnership, or interpersonal collaboration.

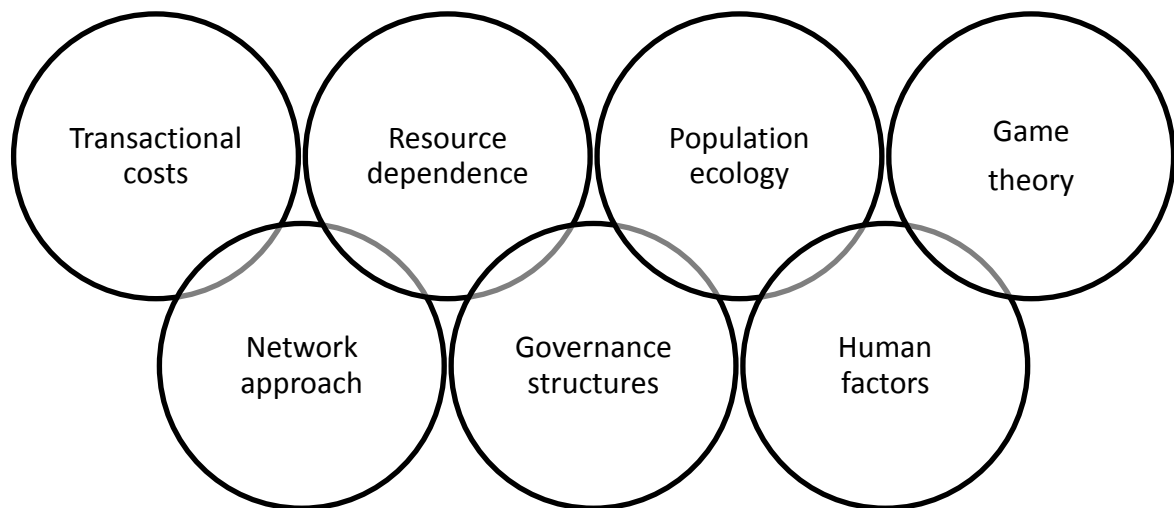
According to Hamman *et al.* (2011), partnerships are established as a response to gaps or voids in traditional governance models, and the inability of government to devise policies that are relevant in the dynamic economy. For weaker organisations, collaborations can provide access to scarce resources, thus ensuring some stability in times of uncertainty, and also furnish them with added legitimacy – for more powerful organisations they are a route to attaining control over resources (Warner & Sullivan, 2004).

Collaborative networks afford businesses an opportunity to improve their market positions, without competing among themselves, through the provision of access to various services that facilitate the emergence of economies of scale: technology, input purchase, promotion, commercialisation, design, productive processes, financing and other common activities (Michalus, Hernández, Hernández, Suárez, & Sarache, 2011). In corroboration,

Yang and Liu (2012) compared business strategic networks to reservoirs of external collective resources containing diverse knowledge and information, and allies' endorsements. Based on these assertions, a business network can be regarded as a source of competitive advantage.

According to the network theory, relationships are not only shaped by economic considerations (Trienekens, 2011). Figure 5 depicts the aspects identified as the determinants of the existence and efficiency of network structures:

**Figure 5: Aspects for the existence and efficiency of networks**



Source: Adapted from ten aspects for the existence and efficiency of networks (Eschenbacher & Zarvic, 2012, p. 1085)

- a) The *transactional costs* aspect is concerned with the need for transactional cost benefit to the potential partners in a collaborative network. Eschenbacher and Zarvic (2012) argued that for a network to be considered beneficial, potential partners need to see a transactional cost advantage in order to participate in the network.
- b) The *resource dependence* aspect stipulates that the win-win situation makes networks attractive to its participants. It enables them to reap individual and collective gains by contributing collaboratively (Hamann *et al.*, 2011) and it requires

the firms in a network to offer resources that are of interest to other players (Eschenbacher & Zarvic, 2012).

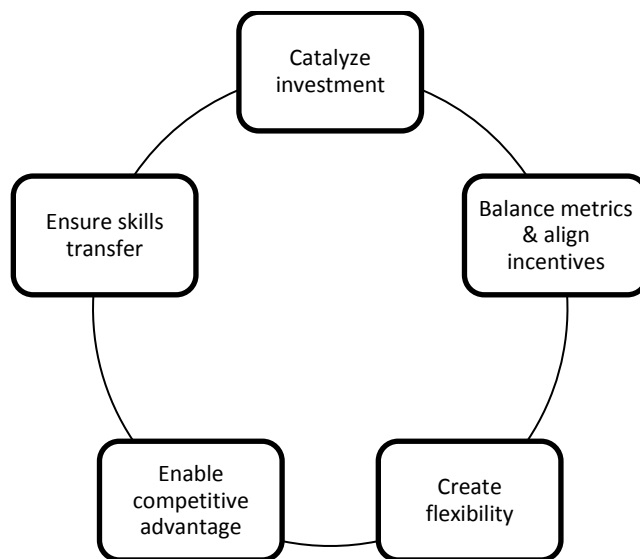
- c) The *network approach* aspect requires all participants to share a common goal and view the network as advantageous for reaching that common goal (Eschenbacher & Zarvic, 2012).
- d) The *population ecology* aspect provides that only organisations that are optimally adapted to their environments survive, which enable them to fulfil the requirements of the dynamic markets they operate in (Eschenbacher & Zarvic, 2012).
- e) Based on the *game theory* aspect, non-reliable partners are easily noticeable in an increasingly transparent world; this aspect stresses the worthiness of being a trustworthy collaboration partner (Eschenbacher & Zarvic, 2012).
- f) *Human factors* aspects are, according to Biticini and Parung (2008) encapsulated in Mohr and Spekman's (1994) five attributes of a partnership: commitment, coordination, trust, communication quality and participation, and the conflict resolution technique of joint problem solving.
- g) *Governance structures* and clearly defined responsibilities aspects (Vermeulen *et al.*, 2008) play a significant role in the success of alliances. Shiferaw *et al.* (2011) identified group characteristics, organisational rules and governance systems, types of products and markets, and roles of public and private sectors, as the key determinants of these governance structures.

### **2.3. Interdependence-based collaboration (IBC) model**

De Boer *et al.* (2012) argued that tapping into BoP markets, requires businesses to “unshackle the organization” (WEF, 2009, p. 7) by reconfiguring their business assumptions, models and practices. To achieve this, Prahalad (2005, 2010) advocated the co-creation of a solution to “the problem of poverty” (2010, p. 26) through collaborations between the private sector, government, civil society organisations, development agencies, and the poor communities. In line with this argument, De Boer, *et al.* (2012) contended that “unconventional partnerships” (p. 33) with government, NGOs, and other stakeholders, to combine the required capabilities and local knowledge, are essential for sustainable business development in BoP markets.

London and Anupindi (2012) proposed a model based on the BoP perspective that is founded on the proposition that the better an enterprise is able to meet the needs of the poor, the greater the returns for all stakeholders. Based on this premise, the authors concluded that “the ability to understand and create value desired by different stakeholders is critical for successful venture performance” (London & Anupindi, 2012, p. 12341). They then developed a set of strategies to be applied to enhance collaborative interdependence between different sectors. Figure 6 depicts the IBC strategies proposed by London and Anupindi (2012), discussed in more detail hereunder.

**Figure 6: Interdependence based collaboration strategies**



Source: Adapted from London and Anupindi (2012)

### 2.3.1. Catalyse investment

London and Anupindi (2012) observed that the private sector is acutely sensitive to the risks of investing in initiatives with potentially uncertain returns. In support of this observation, Shiferaw *et al.* (2011) postulated that the perceived high cost and risk of doing business in “thin markets” (p. 496) are responsible for business’ reluctance to invest in such markets, further suggesting that these hesitancies can be moderated by making inroads into the development of integrated market systems. Humphrey (2006) corroborated by suggesting that, though challenges in the business environment have

historically limited business incentives to engage in poor regions, many companies are developing approaches to overcome such challenges and transform them into opportunities.

To catalyse investment in BoP markets, London and Anupindi (2012) suggested that the development community take the initiative of making available to potential private sector investors, information on market opportunities and best practices for enterprise design. The first stage of Michalus *et al.*'s (2011, p. 224) "*Conceptual model for the creation of cooperation networks among Microenterprises, Small and Medium Enterprises (MSME)'s aiming at local agricultural development*" ratified the first strategy of the IBC. This involves the creation of a management unit (MU), integrated by the local stakeholders. The MU is tasked with, amongst other things:

- a) Making a strategic diagnosis of the current local situation;
- b) Identifying the production and/or service sectors likely to be developed in the territory;
- c) Estimating the sectoral impact on local agricultural development from the evaluation of the direct or indirect benefits to be obtained; and
- d) Establishing priority cooperation areas and promotion through different channels or means, in order to achieve the highest possible diffusion and capture the interests of potentially interested stakeholders.

### **2.3.2. Balance metrics and align incentives**

Performance measurements are often linked to the efficiency and effectiveness of an organisation in satisfying its customers. Theoretically, effectiveness is the extent to which customer requirements are fulfilled, while efficiency is a measure of how economically the firm's resources are utilised when providing the required level of customer satisfaction (Bititci & Parung, 2008). However, Olsen, Pinto and Virji (2005) contended that business performance metrics used in developing markets need to be focused on tracking performance relative to the market for reasons discussed below.

Market conditions in emerging economies are dynamic and largely outside the control of management. Business initiatives in these markets require time and resources, and often

generate lower returns or require a longer initial payback. In light of the above, Olsen *et al.* (2005) suggested that businesses operating in volatile markets set long-term goals and objectives to avoid overreacting to short-term fluctuations that could lead them off-course. Alternatively, Bititci and Parung (2008) proposed that a balanced scorecard methodology would be the most appropriate tool for collaborative networks to measure the financial and non-financial contribution of stakeholders.

### **2.3.3. Create flexibility**

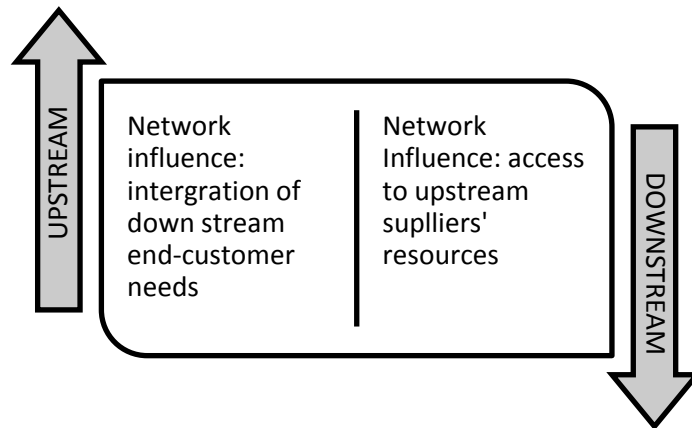
The BoP perspective emphasises the need for trial and error, particularly in the design and implementation stages, necessitating the need for flexible models (London & Anupindi, 2012). Flexibility refers to the ability of a business to reposition itself in a market and to dismantle its previous strategies to meet new customer needs (Sánchez, Joan, & Rodríguez, 2006). This is more so for businesses operating under highly uncertain conditions, conceded Olsen, Pinto, and Virji (2005), further emphasising the importance of flexible frameworks for resource allocation and principle-based practices that can easily be adapted when the need arises.

London and Anupindi's (2012) proposed that a BoP approach to providers of inputs and services is one of adjusting their business models to the constraints encountered by their non-traditional customers (Danse & Sietze, 2007), who are not on a par with the larger players in the food value chain in terms of technological exposure, among other factors. Danse and Sietze (2007) further argued that enterprises have to find ways to systematically identify, explore and integrate the views of all stakeholders on the "fringe" of agri-food networks (p. 42), for building competitive business models.

Based on the rationale that managers have more strategic options if they know where and how to access resources within their business network, the objective of flexible business models is for organisations to identify resources and capabilities available to them. Mason and Mouza (2012) argued that the bi-directional tension between alignment with downstream customers and accessibility to capabilities and resources of upstream suppliers facilitates adaptability. They further provided that strategic flexibility in a network context can be understood as a bi-directional construct, as depicted in Figure 7 below. The development of network influences contributes to a business's ability to integrate

downstream end-customer needs by reducing the 'distance' from the end-customer. Simultaneously, the network influence (or transactional relationships) enables a business to access resources of upstream suppliers without corporate ownership.

**Figure 7: Bidirectional flexibility**



Source: Adapted from Mason and Mouza (2012, p. 1342)

#### 2.3.4. Enabling competitive advantage

Mason and Mouza (2012) contended that production skills and resources, once seen as the heart of a firm's core capabilities, are no longer sufficient in themselves to create sustainable competitive advantage. Continuing competitiveness requires organisations to pay close attention to product and process upgrading, collective innovation (Vorley *et al.*, 2009) and the capability to utilise the business network's resources effectively.

If the objective of operating in a network setup is to gain access to resources and capabilities available within the network – thereby enhancing competitive advantage – Sánchez *et al.* (2006) pointed out that, by fostering effective communication between the multiple actors within the business network, businesses are empowered to develop innovative solutions to meet changing customer needs in hypercompetitive markets. The early formation of ties in low-income markets is a source of dynamic competitive advantage, based on the capability to access and exploit network information and allow the creation of value through sharing individual co-creation experiences. By integrating with non-traditional stakeholders, organisations acquire the knowledge necessary to generate

imaginative competitive thinking and, ultimately, develop radically innovative business models (Hart & Simanis, 2009).

### **2.3.5. Capacity building and skills transfer**

Shiferaw *et al.* (2011) identified lack of expertise on productivity-enhancing and risk-reducing management practices and lack of access to new agricultural technologies as contributing factors to the plight facing smallholder suppliers. They further argued that the empowerment of smallholder suppliers through collaborative initiatives mean economic viability and increased competitiveness for the suppliers and communities. Hart (2005) proposed that from a BoP perspective, social embeddedness is a capacity that enterprises require to serve local markets and build scalability, through the capacitation of local communities.

Sánchez *et al.* (2006, p. 20) defined social embeddedness as “the integration into diverse local networks that leads to the development of long-term and cooperative relationships and which may result in the achievement of common benefits for all the players involved in the network”.

Social embeddedness enables enterprises to efficiently access detailed knowledge of the local social and economic context and effectively interpret the information collected. Gulati, Nohria and Zaheer (2000) affirmed this argument by explaining that a firm, embedded in a social network can access key resources from its environment, enhance trust between actors and favour knowledge acquisition. Social embeddedness further enables businesses to identify and motivate key people to learn certain skills. These key people can, in turn, be incentivised to educate other people in their community, thereby increasing the likelihood that capabilities are not merely acquired and retained by dominant members in the community but also diffuse more widely (Shahzad, Kamal, & Gregg, 2012).



## CHAPTER 3: RESEARCH QUESTIONS / PROPOSITIONS

### 3. Introduction and proposition

According to Stats SA (2013), 2.9 million households (20 percent of the population) are involved in agriculture. They furthermore provided that agriculture-dependent households tend to have limited access to basic services, compared to the rest of the population. In corroboration, the IFAD (2010) contended that rural poverty results from the lack of assets, limited economic opportunities and poor education and capabilities, as well as disadvantages rooted in social and political inequalities.

Danse and Sietze (2007) argued that innovative interventions in the agricultural sector can be effective in alleviating poverty in developing economies. This is supported by IFAD's (2010) contention that growth in agriculture usually generates the greatest improvements for agriculture-dependent communities.

To achieve this, focus needs to be aligned to develop general agricultural skills, offer SSFs comprehensive support around infrastructure, marketing, funding and extension services (NGP, 2009), and facilitate access to markets, through targeting especially SSFs in rural provinces (Stats SA, 2013). Van Dirk and Trienekens (2012) proposed that, to ensure sustainability and to remain competitive, the involvement of SSFs in agricultural value chains would require innovative development models and strategies. Such strategies are outlined in London and Anupindi's (2012) IBC model.

Building on the above, this research proposes that the contribution of SSFs to poverty alleviation can be enhanced by the development of IBCs of key role players from the state, private sector and civil society, premised on the understanding of the SSFs' context, the markets in which they operate, and the roles of the different stake holders in the models.

### 3.1. Research questions

In addressing the problem of poverty, and food security in particular, London and Anupindi (2012) proposed the IBC model based on the BoP perspective, which relies on a proposition of mutual value creation. The IBC model further offers important insights for enhancing the integration of government-led and private sector-led approaches. In particular, London and Anupindi (2012) stressed that both approaches need to develop a partnering model based on collaborative interdependence.

Based on the model suggested by London and Anupindi (2012), the following research question is generated:

Can SSFs who are engaged in IBCs with government, private sector companies and civil society organisations contribute towards poverty alleviation?

The major objective of the study is to explore the Interdependence Based Collaboration model (IBC) and its strategies, so as to generate awareness of the situation, challenges and limitations that small farm holdings face, specifically:

- a) To understand the context and environment affecting SSFs and their ability to alleviate poverty, including constraints to their success.
- b) To gain insight into the various roles played by the state, private sector and civil society in supporting SSFs.
- c) To explore the effectiveness of collaborations between the different stakeholders.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4. Introduction**

Poverty is a key developmental challenge in social, economic and political terms in developing economies. According to Danse and Sietze (2007), innovative interventions in the agricultural sector are effective in poverty alleviation in developing economies. London and Anupindi (2012) proposed the interdependence-based collaborations (IBC) model, based on base of pyramid (BoP) perspective that is founded on the proposition that the better an enterprise is able to meet the needs of the poor, the greater the returns for all stakeholders. IBCs are strategies that emphasise a partnering strategy premised on 'how we can help each other'. They provide the foundation for establishing and maintaining the necessary relationships within the existing value chains (London & Anupindi, 2012).

Building on the above, the research proposes that SSFs could benefit from the IBCs of key role players from the state, private sector and civil society. Consequently, the research focused on exploring the application of inclusive models based on the IBC within the small farm holding, the private sector, civil society and government and thus their consequent meaning to the capacitation of the small-scale farmer and alleviation of poverty.

This chapter outlines the research design, rationale for the chosen methodology, sampling procedures, data collection strategies, data validity and ethical considerations employed during data collection. The chapter further provides the rationale for the methodology.

#### **4.1. Research design**

A qualitative exploratory research design was the method of choice for this study, as it is a method concerned with the systematic collection, ordering, description and interpretation of textual data generated from talk, observation or documentation (Kitto, Chesters, & Grbich, 2008). In addition, according to Leedy and Ormrod (2004), the collected data can be validated by the reviewed literature.

According to Rubin and Rubin (2005), qualitative research is a platform that allows researchers to not only learn about a topic but also to learn about what is important to those being studied. For this study the researcher explored the application of inclusive models based on the IBC within the small farm holding, the private sector, civil society and

government and thus their consequent meaning to SSFs and the alleviation of poverty. To facilitate the capacity to make conceptual generalisations from the local context of the qualitative study to other settings, it was imperative that the researcher had exposure to the processes of interaction, the meanings, values and experiences of the sampled individuals in their local contexts (Kitto *et al.*, 2008).

Furthermore, Peshkin (1993) argued that outcomes from qualitative research studies fall under one or more of four categories: description, interpretation, verification and evaluation:

- a) Description can reveal the nature of processes, relationships, settings and situations, systems and, people being studied.
- b) Interpretation subcategories include:
  - explaining and creating generalisations;
  - developing new concepts;
  - elaborating existing concepts;
  - providing insights that:
    - Change behaviour,
    - Refine knowledge,
    - Identify problems,
  - clarifying and understanding complexity;
  - Developing theory.
- c) Verification allows the researcher to test the validity of assumptions made, theories and generalisations.
- d) Evaluation provides means through which policies, practices and innovations are tested.

#### **4.1.1. Rationale for the proposed method**

The rationale for using an exploratory study is because little research has been conducted regarding the proposal by London and Anupindi (2012) that the BoP domain offers new insights into how inclusive markets and collaborative interdependence between sectors can enhance the connection between profits and the alleviation of poverty in rural areas.

Saunders and Lewis (2012) explained that an exploratory study aims to seek new insights about a topic that is not clearly understood by the researcher. Babbie and Mouton (2009) pointed out that exploratory studies are useful for, *inter alia*:

- testing the feasibility of undertaking a more extensive study,
- development of methods to be employed in subsequent studies, and
- clarification of central concepts and constructs of a study.

Based on these guidelines, the purpose of this research is to use the findings as the foundation to identify and categorise key variables. The identified variables could be used to formulate or inform the best possible model and develop a policy framework for inclusive agricultural value chain initiatives in rural areas.

This research employed a qualitative-exploratory approach and was based on a sample of:

- eleven SSFs,
- five government representatives,
- one private sector representative, and
- four civil society representatives.

#### **4.1.2. Research instrument design**

For the purpose of this study, semi-structured, in-depth individual interviews were conducted, using open-ended question interview guides. The open-ended questions allowed for probing, using target questions which maintained structure and logic (Creswell, 2013). This type of question allowed the researcher to gain understanding of the dynamics within the agricultural sector for SSFs.

According to Boyce and Neale (2006), in-depth interviews are useful for exploring new issues in depth, as they provide much more detailed information than what is available through other data collection methods, such as surveys. The comprehensive probing assisted the researcher in obtaining the key elements for the final recommendations.

The qualitative exploratory research was conducted using semi-structured interviews in two phases:

**a) Phase 1**

This phase comprised semi-structured, in-depth interviews with participants from the agricultural development environment – NGOs (Lima and MASDT), government (Department of Rural Development and Land Reform, Department of Agriculture and IDC), private sector (TSB) were selected. Semi-structured interviews were conducted to collect data from the selected participants, some experts in the field (see appendix A for the interview guide for government institutions and private sector actors). According to Zikmund (2003), expert interviews assist in the formulation of a problem and the clarification of concepts, rather than the development of conclusive evidence. These institutions were selected on the basis of their involvement in developing SSFs in rural areas. They provided insights regarding the extent to which the various partnership models are used successfully in capacitating farmers and alleviating poverty.

**b) Phase 2**

For phase 2, semi-structured interviews were conducted with SSFs (see appendix B for small scale farmers' interview guide). The aim of this phase was to gain insights into:

- a) The challenges faced by SSFs and the effectiveness of IBC strategies in addressing those challenges,
- b) The impact IBC strategies have on alleviating poverty.

**Table 1: Graphic presentation of data collection procedure**

	PHASE I	PHASE II
<b>SAMPLING</b>	Purposive	Snowball
<b>RESEARCH TOOL</b>	Semi-structured interviews	In-depth surveys
<b>INTERVIEWEES</b>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Private sector</li> <li>• Civil society</li> </ul>	Small scale farmers

Source: Author's own (2013)

## **4.2. Population and unit of analysis**

The population of interest included SSFs, representatives from the private sector, government and civil society. Wegner (2003) defined a population as a collection of all the observations of a random variable about which a conclusion in practice is to be drawn. For this study, care was taken to include into the population only those units with characteristics that were considered relevant for answering the research question. The unit of analysis for the first phase of the research was the collaborative partnership strategies; the unit of analysis for the second phase was the SSFs participating in collaborative partnerships.

## **4.3. Sampling design and method**

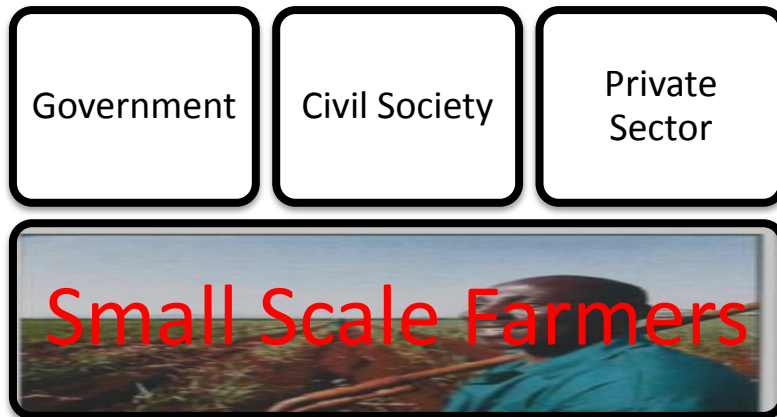
The sample for this study consisted of 21 participants, as recommended by Mason (2010), the sample size of livelihood studies such as poverty and food security should be fifteen or be determined when saturation has been reached. Saturation is reached when there is no new data appearing (Creswell, 2013). The population sample consisted of:

- a) four NGO representatives,
- b) one private sector representative,
- c) five government representatives involved in rural agriculture development initiatives
- d) eleven SSFs participating in collaborative partnerships.

The multi-level sampling design was used for the study. Onwuegbuzie and Leech (2007) provided that multi-level sampling designs are useful for facilitating credible comparisons of two or more subgroups from different levels of study. For this study, the multilevel design allowed the researcher to gain insights in a hierarchical approach (as depicted in Figure 9) of the perceptions on:

- a) Different initiatives that are being implemented on the ground,
- b) The roles of the different stakeholders,
- c) The effectiveness of the initiatives in terms of capacitating the population of interest (small scale farmers) and ultimately contributing to the alleviation of poverty.

**Figure 8: Hierarchy of samples**



Source: Author's own (2013)

The multi-level sampling design allowed the use of different sampling schemes and sample sizes for the lower-level and upper-level samples (Onwuegbuzie & Leech, 2007). Fewer samples were drawn from the upper level of government, civil society and private sector as compared to the lower-level samples (SSFs).

The selection of the participants was done using the non-probability sampling method, as there was no sampling frame and the complete list of all members of the population was unknown (Saunders & Lewis, 2012).

From the various non-probability sampling techniques, two methods were used to identify participants, the purposive-heterogeneous sampling method and the snowball method. Although upper- and lower-level samples were independent (participants were from different initiatives), the researcher ensured that they were conditionally related. This was achieved by the use of the snowballing sampling technique for the selection of SSFs. The data collected from the participants was then analysed by extracting “meta-themes” (Onwuegbuzie & Leech, 2007, p. 249) which represented themes at a higher level of abstraction.



#### **4.3.1. Purposive-heterogeneous sampling**

Purposive–heterogeneous sampling is a type of non-probability sampling in which the researcher’s judgement is used to select sample members, based on characteristics of interest and value representing the key themes of the topic (Saunders & Lewis, 2012). It was imperative that the sample displayed sufficiently diverse characteristics to provide maximum possible variation in the data collected, to enable logical generalisation (Saunders & Lewis, 2012). This sampling method was used for the selection of participants in phase one.

#### **4.3.2. Snowball sampling**

Snowball sampling is described by Saunders and Lewis (2012) as a type of non-probability sampling in which the first sample members identified subsequent members. According to Cooper and Schindler (2003), snowball sampling is most useful in instances where participants are difficult to identify and are best located through referrals. A sample of eleven farmers was drawn using the referral networks of the participants in phase one of the study.

### **4.4. Data collection**

The participants included members from the private sector, government, SSFs, and civil society. An open-ended question interview guide was used to allow for probing, using target questions which assisted with the maintenance of structure and logic (Creswell, 2013). The researcher audio-recorded all interviews and any potentially useful information was recorded systematically using field notes and sketches. Both primary and secondary data was used in this study.

#### **4.4.1. Primary data**

The use of human subjects in this study entailed the consideration of ethical implications by the researcher within the following categories:

- a) Protection from harm – ensuring that the participants were not exposed to undue physical or psychological harm, embarrassment or loss of self-esteem,
- b) Right to privacy – the information provided by the participants was kept confidential. The identities of the participants were protected at all times,
- c) Informed consent – everyone who participated in the study signed a written consent form after freely consenting to participation, without being coerced or unfairly pressurised. They were also well informed about what participation entailed – any participation was voluntary and reserved their right to withdraw from participating at any time.

#### **4.4.2. Secondary data**

The aim of this data collection method was to acquire information on agricultural value chains, inclusive business models and collaborative partnerships from the following sources:

- a) Library searches at universities,
- b) Internet and database searches,
- c) Books and peer-reviewed journal articles and articles in mainstream media related to the study,
- d) Workshop and conference papers.

#### **4.5. Data collection procedure**

Data collection entailed the gathering of data from the selected participants in the field. The interviewer made use of the pre-designed interview guide, with individual interviews taking approximately 30 to 60 minutes. The researcher recorded the interviews and made field notes during and after the interview process to enable the capturing of non-verbal clues (Creswell, 2013).

To ensure consistency between interviews and increase the reliability of the findings, the researcher, in both phases, provided the participants with the objectives of the interview, defined key concepts and gave an indication of the length of the interview. Where necessary, the guides were translated into local languages.

Protocol as suggested by Boyce and Neale (2006) was followed when collecting data through the in-depth interviews:

- a) Interviews were set up with participants – participants were informed of the request for an interview by telephone before an electronic request was sent. In both instances, the purpose of the interview was explained, why they were chosen for the interview, and the expected duration of the interview.
- b) Informed oral consent was obtained from participants for using a tape recorder and taking notes before the interviews commenced.
- c) Key data was summarised immediately following the interviews and where necessary, information given was verified.

#### **4.6. Pilot study**

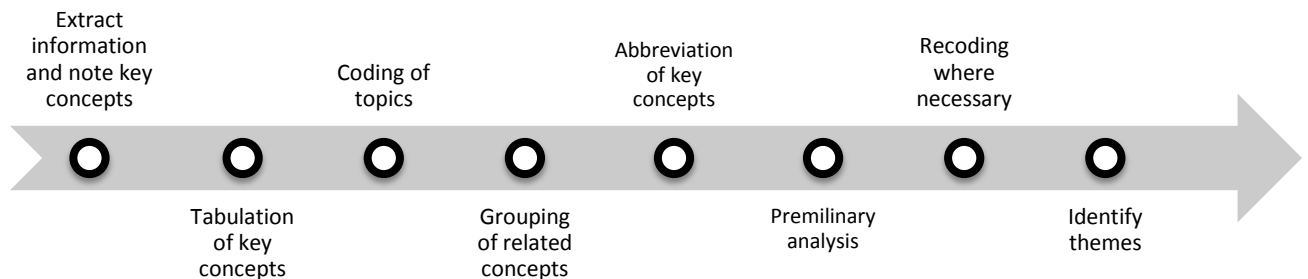
A pilot, according to Kruger and Welman (2001), entails the administration of a particular data collection instrument to a limited number of subjects from a similar population of interest. For this research, a pilot study of one interview, from both categories of respondents, was conducted – in order to test the understanding of the questions by the participants and the need for accommodating language preferences. The results of the pilot study warranted minor modifications to the phase one interview guide. The results of the pilot study were incorporated in the main study.

#### 4.7. Data analysis

Data analysis techniques are the methods a researcher uses to generate information by analysing data after its collection. Data analysis, by itself, involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying reporting and interpretation techniques. Data analysis in a qualitative research design is not a once-off exercise, it is an on-going process entailing the systematic examination and analysing of interviews immediately after they are conducted (Rubin & Rubin, 2005).

For the purpose of this study, results pertaining to the actual interviews were documented and the data analysis activity took place concurrently with the collection and interpretation of the data, and writing of the report. Audio-taped qualitative data was transcribed and, where necessary, translated during transcription. The transcribed data was then analysed and interpreted by the researcher through open coding in accordance with Tesch's steps of data analysis (Creswell, 2009), then ratified with the assistance of a professional coder.

**Figure 9: Tesch's 8 steps of data analysis**



Adapted from (Creswell 2009, p. 184)

#### **4.8. Limitations**

All research methods have limitations (Hofstee, 2006). The major limitations for this project were presented by the following:

- Lack of available data – the lack of available data on IBCs in the agricultural sector limited the scope of analysis.
- Time constraint and geography prohibited a countrywide sample. As a result, the research was limited to Mpumalanga and Limpopo Provinces.
- Instrument used to collect data – the use of semi-structured interviews was time consuming and expensive.
- Access – limited access to relevant individuals in government and DFI's for various reasons.
- Reliability – difficulty in replicating an interview with each respondent, resulting in non-standardised responses.
- Validity and biases – face-to-face structured interviews are prone to interviewer biases. For this study, the major risk in this regard was presented by biases arising from the participants' desire to 'prove' that their particular initiatives were successful.

#### **4.9. Conclusion**

The methods discussed above were used to analyse the collected data, enabling the researcher to gain enough insight to answer the research question:

Can SSFs who are engaged in IBCs with government, private sector companies and civil society organisations contribute towards poverty alleviation?

While a larger sample base could have benefitted the study immensely, the insights gained from the exposure to the context of the SSFs were informative enough to draw a conclusion. The interviews with government representatives, mandated to stimulate rural economic development through the capacitation of SSFs, exposed the researcher to the voids that the private sector, together with a strong civil society, still has to fill.

## CHAPTER 5: RESULTS

### 5. Introduction

This chapter outlines the findings obtained from the fieldwork, supported by the literature review or theoretical framework presented in chapter two. The fieldwork comprised of interviews with representatives from government, civil society, the private sector, and small-scale farmers.

In addressing the problem of poverty and food security, London and Anupindi (2012) proposed the IBC model based on the BoP perspective, which relies on a proposition of mutual value creation. The IBC model offers important insights for enhancing the integration of government-led and private sector-led approaches. In particular, London and Anupindi (2012) stressed that both approaches need to develop a partnering model based on collaborative interdependence.

Building on the above, the research proposes that SSFs can benefit from the IBCs of key role players from the state, private sector and civil society. The results seek to address the following research question:

Can SSFs who are engaged in IBCs with government, private sector companies and civil society organisations contribute towards poverty alleviation?

The collection of data was structured in two phases. The first phase comprised of interviews with participants from the agricultural development environment – civil society, government representatives, private business and developmental finance institutions (DFIs). All of the institutions were based in Mpumalanga Province, with national operations. The interviewees were playing an active role in the development of agriculture among SSFs in rural areas. They had extensive exposure to the challenges facing SSFs and the developments on the ground regarding the different models that are being initiated by government or the private sector. The interviews provided insight into the different initiatives, successes and failures and the key lessons for future use.

The second phase involved interviews with the small-scale farmers themselves, who provided rich information that enabled the researcher to draw conclusions on the research

topic. In this phase of the research, the demographics of the farmers were presented, to gain insight into the context of the SSFs. The BoP perspective and poverty alleviation were the focus for this phase, with the following objectives:

- a) Gaining an understanding of the context and environment affecting SSFs, and their ability to alleviate poverty, including constraints to their success,
- b) Exploring the effectiveness of the collaborative initiatives that the participants have been involved in.

## **5.1. Phase 1: Government institutions, private sector and civil society**

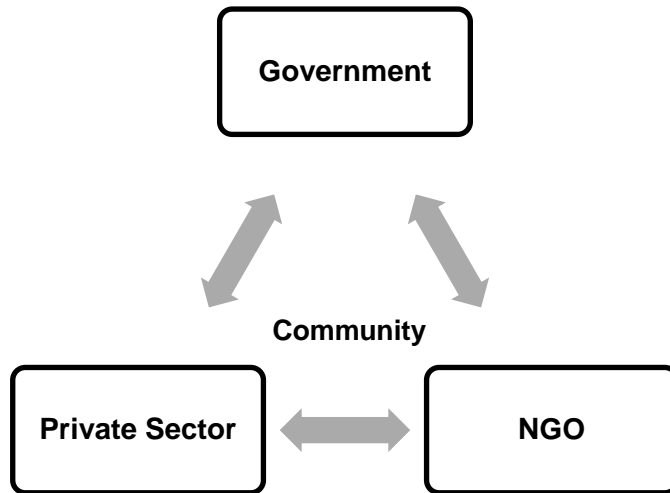
### **5.1.1. BOP perspective and poverty alleviation**

The stimulation of rural economies is the focus of the South African government, the private sector and civil society. Innovative strategies are required to address the plight of most of these communities. The lack of resources and the environmental conditions mean that many are trapped in poverty and all its associated social impacts. From the interviews, it was ascertained that the plight of the rural communities did not however go unnoticed; many efforts are being invested into stimulating rural agriculture, by offering support to SSFs and linking them to markets. Most of these initiatives were however failures. Investments by government, the private sector and other investors were lost for various reasons, with the most prevalent being lack of trust between the community members and the private sector.

The learning from the failures, informed the birth of the triangular structure consisting of government, the private sector and the NGO's which was found to be in existence and most popular among all stake holders. All three legs of the triangle were involved in these initiatives to varying degrees.

*".....we have government, we have private (sector) and here we have NGO sector. And in the middle is actually our community or our beneficiary" (Respondent 9).*

**Figure 10: Communal farmer development partnership structure**



Source: Author's own (2013)

*"The idea is that it [triangle] should lead to development of communities" (Respondent 5).*

### **5.1.2. Agriculture's contribution to poverty alleviation**

The farms are the major source of job creation in these communities. The majority of farming households depend on the farm produce for the provision of food and an income, which, in most instances, is sporadic in nature – due to the lack of formal markets and the nature of farming. The jobs created from farming are not only limited to farm-related work; it was found that there is a knock-on effect of job creation for other sectors. Other, non-farming people get employment from the farmers, for example, for their infrastructure development – where small businesses or individuals come to the farm and work on the infrastructure.

Those individuals, who get employment on the farms, generate a sustainable income that, in some cases, subsidises the social grants received by other members of their households. These households also benefit from farm produce rations, which contributes to the alleviation of food insecurity. The community livelihood impact is impressive when considered in terms of the households and not just the individuals.



**Table 2: Perceptions on agriculture’s contribution to poverty alleviation**

<p><i>“....for example you want to put up a fence, or maybe you want to do a road for the farms...there are some people who are skilled to do fencing, there is someone down there who can do the road....”</i></p> <p><i>“....I think it is more than 720 individuals that benefit from that thing because I think it is what, how many households, 300 and something households that receive a bag of mielie-meal.....”</i></p>	<p><i>Respondent 1</i></p>
<p><i>“....contracts from what you call it – like your harvesting contracts, your fertiliser application, your pesticide application, your planting contracts and all of those things, your road contracts....”</i></p>	<p><i>Respondent 2</i></p>
<p><i>“Obviously these 80 people getting employed are coming from a certain household and those households, it translates to an average of about five people per household, which if you have employed 100 people you have made an impact of 100 x 5 and so on. There is a number that will have benefited, obviously”</i></p>	<p><i>Respondent 3</i></p>
<p><i>“.....so they might be getting their pensions but over and above... R1500 per month is not much money, so if you say R1500 plus the R1500 they get from pension, that is at least something a month. So I wouldn’t be really worried about that. We are really trying to address issues of poverty”</i></p>	<p><i>Respondent 4</i></p>

### 5.1.3. Business interventions

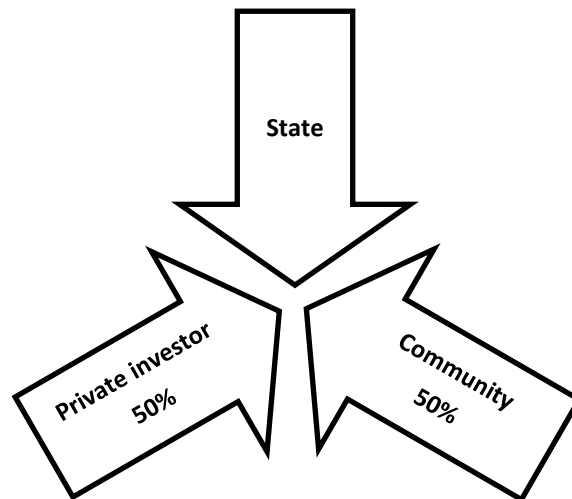
Interventions implemented by government, the private sector, and civil society are discussed below.

#### 5.1.3.1. Joint ventures

The structure of the joint venture (JV model), as depicted in Figure 12, entailed the coming together of small scale farmers, in the form of cooperatives or community property associations (CPAs), with a private sector player or a more established commercial farmer. The ‘external party’ and the local farmers would then split the ownership equally, with the land remaining the property of the community and leased to the JV for a set monthly fee.

The 50/50 split requires both parties to invest equally towards the initial capital outlay. Government would then invest the capital on behalf of the community farmers and play an oversight role in a bid to ‘protect’ the interests of the community farmers.

**Figure 11: Structure of the Joint Venture model**



The joint venture model was very popular when it was first introduced. Over time, its shortcomings caused a lot of ventures with the potential to succeed, to actually fail. The JV model structure was too complex for the community partners to understand and it also lacked transparency. Though the local farmers had government representatives sitting in on all strategic meetings, they felt exploited. Some of the respondents were of the opinion that there might have been some level of exploitation by the private investors. They took advantage of the fact that the local farmers did not have the skills to scrutinise the loan account statements. Government representatives had neither the time nor the skill to thoroughly go through the statements. However, the commitment of the partners to the ventures was mentioned as crucial for the success and sustainability. Transparency was also hailed as an important ingredient, without which the deals stood no chance of survival.

**Table 3: Responses from Participants Regarding the Joint Venture Model**

<p><i>“...government has actually sat as a director on these companies.... the time or the training to actually determine, ‘hold on, this cost is way above the industry norm’...”</i></p>	<p>Respondent 5</p>
<p><i>“JVs are not of themselves bad.....they have elements that can lead to alienation of the community, that can lead to abuse by the private sector”</i></p> <p><i>“...because the private sector has put in money; the promise was that government would fund the community’s portion”</i></p>	<p>Respondent 7</p>
<p><i>“So it is very dependent on the partner that you bring in ...transparency and everything else, because that is going to promote the long-term success of your involvement with the community...”</i></p>	<p>Respondent 9</p>

#### 5.1.3.2. Community private partnerships

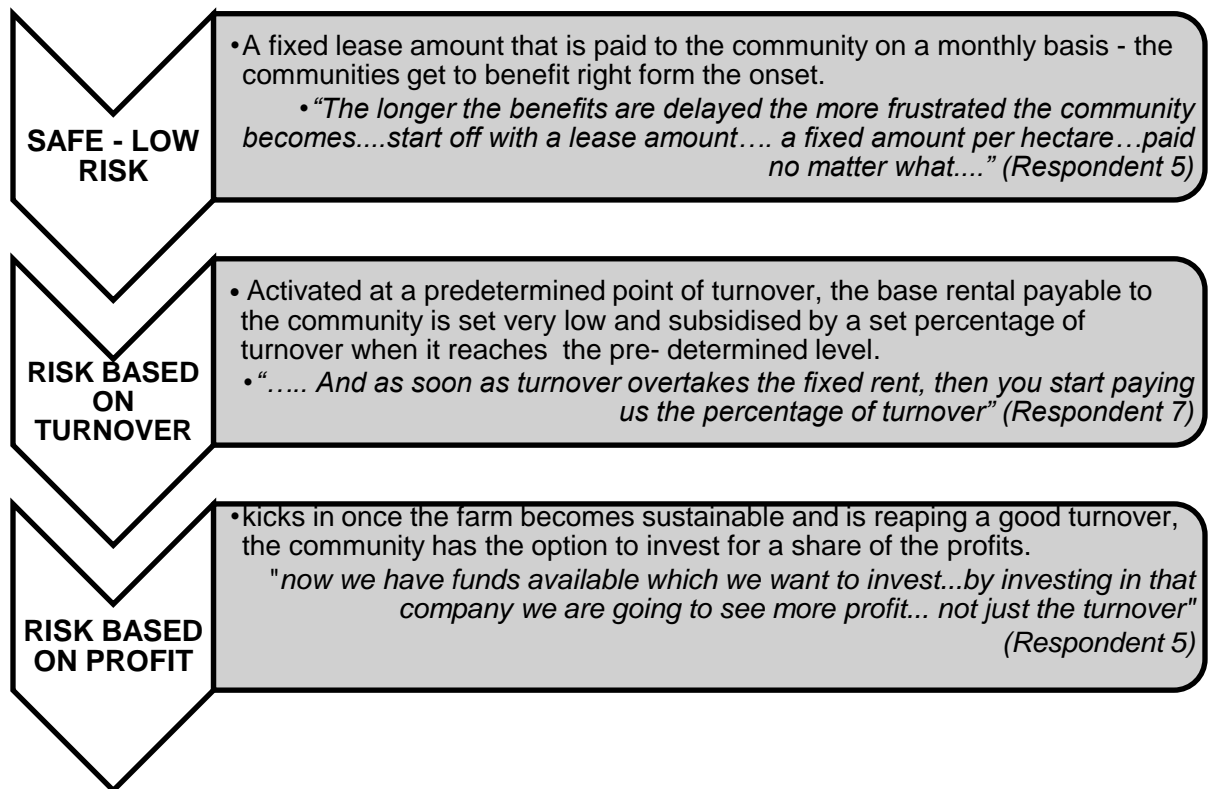
Out of the failures of the JV models, the CPP (Community Private Partnership) model was developed. The communities generally favour the CPP initiative, as it lends itself to transparency and it contains the element of a support fund for the community where funds are available for re-investment if necessary.

**Table 4: Responses from participants regarding the CPP model**

<p><i>“JV’s were very difficult for communities to understand or to see where their benefit is coming from....the assumption is that firstly you are coming in with a community that is relatively unsophisticated in terms of business models. So you need something simple that they can understand...”</i></p>	<p>Respondent 7</p>
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The CPP model works on three principles of risk: safe – low risk, risk based on turnover and risk based on profit (Figure 12).

Figure 12: CPP model stages



#### 5.1.3.3. Cooperative models

There are two types of cooperatives that exist, the traditional and the consolidations. Consolidations involve combining land and handing over the operations of the farm to a farm manager, whereas traditional cooperatives involve the sharing of resources and inputs between a number of farms.

Farmers in South Africa prefer to work independently and therefore prefer the traditional cooperative model. Unfortunately this model lends itself to conflict as there is no central decision-making.

Though cooperatives have not been too successful in the past, they have the potential to be mutually beneficial if the farmers were to understand economies of scale, use the strengths of each partner and work in a consolidated cooperative. The farmers also need to understand the potential value of going into partnerships.

**Table 5: Responses from participants regarding the cooperative model**

<p><i>“Where you have got ten individual operators coming together and cooperating to buy or to sell together, or to value add together, your governance to a degree is more stretched because you have got ten different decision makers who are deciding ‘am I going to actually use the cooperative to buy my inputs, or am I going to use the cooperative to sell my produce?’”</i></p> <p><i>“The pure cooperative model is basically you have ten individual operators who cooperate together to buy input, to get better prices for buying input or being able to store or market their inputs together”</i></p>	<p><i>Respondent 7</i></p>
<p><i>“... why you and I would go into a partnership? What value are you bringing and what value am I bringing?”</i></p>	<p><i>Respondent 8</i></p>
<p><i>“Farmers prefer their independence, they prefer to keep their own land, one of the big fears that people have when they have access to land, is giving up that right to land”</i></p>	<p><i>Respondent 9</i></p>

#### **5.1.4. Roles of the stakeholders**

##### **5.1.4.1. Government / State**

*“Government has a responsibility towards the communities....development and growth” (Respondent 9).*

Government’s mandate is ultimately to develop the communities and reduce unemployment rates. This is achieved in various ways, including the facilitation of partnerships between private sector and SSFs and the provision of infrastructure.

Government also provides a safe environment for investment to take place and they are committed to doing so in a bid to catalyse investments in the communities of interest. To protect the interests of all parties involved, government becomes a joint signatory to agreements between the different stakeholders. The agreements detail or outline the obligations of each partner in the venture in terms of the execution programme, job creation, and training to be provided. The issue of skills transfer is considered crucial by government, because the private sector has the expertise that could benefit SSFs in particular and the communities at large.

The overall perception of the participants was that poverty in rural communities, more especially communities that are historically dependent on agriculture, has reached unsustainable levels. Among the factors mentioned as contributing to this situation was government policy.

**Table 6: Responses from participants regarding the role of government**

<i>"....we sign those agreements between the state, the private partner and also our farmer. But we protect the interests of both"</i>	<i>Respondent 3</i>
<i>"....providing that institutional or an enabling and safe environment for investment to take place"</i>	<i>Respondent 6</i>
<i>"....If government laws and....the skills that made agriculture to flourish are still in the market so government was the enabler. In this case they became the dis-enabler so they need to be the enabler again"</i>	<i>Respondent 8</i>

#### 5.1.4.2. Role of the private sector

The private sector plays a key role in the development of communities. They are often willing partners to the communities as they are in need of additional produce for their own operations. Strategic partners provide farmers with skills development and training through mentorships, on-the-job training and formal training. Government will assist the farmers to find the right strategic partner to work with and ensure that a clause of the tripartite agreement is the transfer of skills.

The private sector seeks to strategically ensure sustainable development and growth for their own ultimate benefit of sourcing quality and quantity of produce to sustain their own processing and distribution activities.

**Table 7: Responses from participants regarding the role of the private sector**

<i>"The private sector is profit driven and do their level best...ensure that these guys produce and give you the produce and you sell it"</i>	<i>Respondent 7</i>
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#### 5.1.4.3. The role of Civil Society (NGO)

*“NGO’s are a very important part of that triangle” (Respondent 9)*

The NGO’s are passionate about the development of people and poverty alleviation through provision of employment. They see themselves as playing various important roles in the development of communities – some of these roles are initiated by other stakeholders or sectors.

NGO’s also contribute to up-skilling of farmers through provision of mentorship in technical and business skills. With the right mixture of skills, the farmers are able to produce good quality products that enable them to participate in formal agricultural value chains.

Since the NGOs have strategic partnerships with the actors throughout the value chain, they assist the farmers by facilitating partnerships with these players. Through these facilitated partnerships, farmers can access more competitively-priced inputs, structured financing deals, and other general market information.

However, although the NGO’s are providing all these services, the theoretical role of the NGO’s should be, as stated by the participants:

**Table 8: Responses from participants regarding the role of civil society**

<p><i>“Our biggest concern and our focus is rural development so as long as we see people developing that is what drives us....poverty alleviation and job creation fall under this big umbrella which is rural development I mean that is what drives us, irrespective of who we partner with in achieving that....”</i></p>	<p>Respondent 7</p>
<p><i>“Since we deal with a lot of small scale farmers we have a lot of relationships so to say with the private sector suppliers, for example, fertiliser suppliers and whatever inputs they may need for which arrangements are made to purchase in bulk for all the farmers in our programmes.”</i></p> <p><i>“when we are talking theoretically then NGOs should be there to provide a counter balance to the pure profit-driven motives of the private sector”</i></p>	<p>Respondent 8</p>

### 5.1.5. Collaborative Networks

The success of the initiatives is firstly based on the communities' understanding that the ventures are businesses where money is made through the effective use of the assets at their disposal. Secondly, it is dependent on commitment of the private sector partner. To circumvent possible shortcomings arising from misaligned goals by the different parties, a rigorous selection process for suitable partners within the communities is executed. Once selected, the local community partners are trained in all the business and technical aspects of farming, to ensure sustainability of the ventures.

**Table 9: Responses from participants regarding collaborative networks**

<i>"...selection is definitely an issue, but the other one is business training. My experience with agriculture is that they train production... get the people to understand that there is an asset that must be used to make money....it is a business"</i>	Respondent 8
<i>"... also dependent on who your private sector partner is ....you have got to build a good agreement"</i>	Respondent 7
<i>"They don't have the knowledge of directing a sophisticated business ... nearly all of these sorts of structured situations end up in mistrust..."</i>	Respondent 8
<i>"So that is how I bring in private sector....in assisting and supporting our farmers with this issue of skills transfers, proper markets, and so on"</i>	Respondent 3
<i>"Sustainability is addressed right in the beginning through assessments of suitability of the small scale farmers for the partnership...the right drive; ...the right potential? On conclusion of the venture, graduate audits are conducted to ascertain what has been achieved...we basically say we have gone this far and how far are you? But that is a continuous process....If you are not ready we will say how much more time do you need?"</i>	Respondent 9

### 5.1.6. The role of IBC Models

#### 5.1.6.1. Catalyse investment

In its bid to catalyse investments in rural farming communities, government has over the years introduced numerous initiatives. The main incentive provided by government to make the rural farming opportunities attractive to the private sector and other players, is the provision of institutional and financial support.



Sound business plans, developed by the communities and other stakeholders, are a requirement to access government support. Government insists on a joint business plan, to encourage partnerships that will be beneficial to all. In order to be considered for funding, the business plan must address the strategic objectives of the state and include financial projections detailing loan repayment structures. During the development of the business plan, government provides business support services, including finding a market which is a prerequisite for the business plan to be considered. The farmer must have a contract in place or a letter of intent, outlining the quantities and the time frame of production and sales.

Previous failures, arising from the mismanagement of funds, prompted the initiation of a strategy whereby grants given to communities are managed by the private partner and the farmer jointly. This has also served as an incentive for private partners to provide assistance to the farmers, as they ultimately stand to benefit from the farmers' yields.

**Table 10: Responses from participants regarding catalysing investments**

<i>"...“So we are playing the facilitating / coordinating role and then we sign those tripartite agreements between the state, the private partner and also our farmers. But we protect the interests of both”</i>	<i>Respondent 3</i>
<i>That is why I say sometimes it can be pre. Sometimes you will find that it is to try and get you to a level you can qualify. To assist you with the paperwork and other things”</i>	<i>Respondent 5</i>
<i>“The business plan must be aligned with our strategic objectives in terms of what we want to achieve as a department...enterprise development issues ....creation of jobs... approved by us, based on the fact that it is a bankable business plan....”</i>	<i>Respondent 2</i>
<i>“...market has been identified, and they provide with either a contract or a letter of intent ....able to take so much at what cost, what interval at what time”</i>	<i>Respondent 4</i>
<i>“...the grower will open an account in their name, but it will be jointly managed by the farmer and ‘us’ because they want to make sure that a percentage of the proceeds is reinvested into the farm....”</i>	<i>Respondent 11</i>

### 5.1.6.2. Balance metrics and align incentives

There were mixed perceptions from the participants about the metrics that are used to monitor the effectiveness of the initiatives. Some were able to discuss formal monitoring tools and others just had personal opinions of the successes. Formal monitoring tools that were mentioned included the monitoring of service level agreement outcomes, such as the measurements of deliverables, evidence of loan repayments and/or evaluation of financial statements. Some initiatives measured success or progress through the number of jobs that were created and the quality of the produce that came from the farms.

Financial measurement metrics focused on issues like turnover per hectare or whether all the farm workers were paid on time. These measurements often masked the underlying problems. In some instances the measurements would point to successful ventures, while the partnerships were on the verge of collapse. Problems were only identified on closer inspection of the issues that are not covered by the metrics – if the farmers and the workers were happy and paid; it was seen to be successful.

In a bid to align incentives with performance, government provided a grant to pay a minimum basic amount as a retainer to the mentors from the private sector. The agreed percentage of the proceeds make up the balance of the money paid to the mentors.

**Table 11: Responses from participants regarding catalysing investments**

<i>"...give you R5000.00 per month from the organisation and then the other R10 000.00 you work not only on the production but the profit after all deduction....so if you don't make anything, you've lost from making any profit...."</i>	<i>Respondent 4</i>
<i>"...measuring deliverables stated in the agreements..... impact in terms of job creation"</i>	<i>Respondent 2</i>
<i>"...it's different for the small scale farmers....are measuring based on their production. If he is not producing chances are he is not getting paid, he won't pay the loan he received....we do [go out and monitor], but in most cases when we see that is after things had gone wrong"</i>	<i>Respondent 5</i>
<i>"...we agree on the terms and the objectives .....based on these 'KPIs'..."</i>	<i>Respondent 8</i>
<i>"Okay, we have got a unit that also evaluates what we are doing and we also have to report on a quarterly basis, a monthly and quarterly basis to national – that is a monitoring mechanism"</i>	<i>Respondent 3</i>

### 5.1.6.3. Create flexibility

Depending on the needs of the farmer, Government will assist in finding a strategic partner. This could be a part-time mentor for experienced farmers or full-time partners or mentors for inexperienced farmers. The mentors train and monitor the development of the farmer in technical skills and business support services. Government keeps a database of possible partners in order to link them correctly to the farmers. This database of strategic partners is also used to link farmers to a market for their produce.

**Table 12: Responses from participants regarding creation of flexibility**

<i>“But there are farmers who still need to be held by the hand you see, you need more of strategic partnership there or full time mentors, people that work with these people on a full time basis”</i>	<i>Respondent 2</i>
<i>“You will have your mentor – which is also divided into two, you have your part time and your full time....”</i>	<i>Respondent 1</i>
<i>“...bringing in private sector ..... assisting and supporting our farmers with issues of skills transfers, proper markets... in terms of understanding the technicalities and dynamics of the whole industry – from the lowest part of the value chain to the last”</i>	<i>Respondent 3</i>

### 5.1.6.4. Enabling competitive advantage

The pressure of being competitive was not threatening the sustainability of SSFs only, big industries were also threatened by cheaper imports. The SSFs were at risk because of declining productivity resulting from escalating input costs. The agro-processors (private sector) were under pressure to maintain competitive advantage over cheaper imports.

According to the respondents, it was debated that subsidies for the farmers was not the solution, as this in itself does not ensure sustainability. The private sector had to come up with an innovative way of ensuring that they maintained competitive advantage on home ground, by increasing the supply of inputs from the SSFs.

This saw the emergence of an interdependent collaboration between the private sector players and the farmers, constituting a social solution, i.e. a human interface with farmers

to develop trust, and a strategy to promote the formation of co-operatives, in order to benefit from economies of scale.

**Table 13: Responses from participants regarding enabling of competitive advantage**

<p><i>“.....seen a steady decline in terms of the farmers’ production...we are in trouble. If we do not change the way we think or the way we do things”</i></p>	<p><i>Respondent 11</i></p>
<p><i>“Because of high input costs .....petrol and diesel is going up every day, fertiliser is going up every day, and the farmers are just sinking deeper and deeper, they are not coping, you and me are not coping”</i></p>	
<p><i>“....we are having challenges because now we have got the Brazil cheap imports.... So the industry is really challenged, hence the reason to come up with so many innovative ways to maximize production”</i></p>	
<p><i>“..... previously the answer to everything was a technical solution but what we are saying now is that as much as it is a technical operation, it needs a social solution as well. So those are the relatively new initiatives that takes care of that”</i></p>	
<p><i>“.....we are preaching the message ‘let’s form cooperatives’ and of course they have a bad name, so we are doing all that work to show them that it works, and we are pushing to have projects where the co-ops are in, which are dealing really well”</i></p>	

#### 5.1.6.5. Capacity building and skills transfer

The capacitation of SSFs is done through various methods, with the most successful being enterprise development. Skilled individuals such as agronomists are also used as strategic partners for training and mentoring SSFs in technical skills. Business support mentors train and monitor the development of the farmer in management of the business.

The up-skilling of the communal farmers is intended to create sustainability for the farmers’ business, even after the contract with the private partner is concluded. The agreement that is drawn up at the beginning of the partnership, enables the farmers to continue their business through contracts that have been sourced during the partnership, including the market that has been established for the produce.

**Table 14: Responses from participants regarding capacity building and skills transfer**

<p><i>"We also have people who are basically practitioners in the field that we are using, like agronomists, working with farmers to produce on a commercial basis"</i></p>	<p><i>Respondent 2</i></p>
<p><i>"...training part on production that includes every aspect of the production and preparation: crop production, harvesting, and the whole packaging. Training on financial and general management, and marketing aspects are provided..."</i></p>	<p><i>Respondent 4</i></p>
<p><i>"...you will find that they can't generate financial statements. Through our business support intervention we bring someone to sit through with them to assist them set up an accounting system.....book keeper to transfer skills on an on-going basis. Maybe for the first 3 months you continue to monitor to see if the book keeper is still doing it alright and then expect reports from them"</i></p>	<p><i>Respondent 5</i></p>
<p><i>".... an agreement with these small scale farmers for a 3 year period, within this 3 years they get practical and workshop training in training skills and other skills deemed necessary.....so these trainings are needs orientated....In the three year period, there are also a lot of market linkages that expose them to how market operates in terms of quality compliance etc."</i></p>	<p><i>Respondent 9</i></p>
<p><i>".....the contracts that these strategic partner will link our farmers with, remain with the farmers because now they have got the know-how, they have established a business...that contract remains.....with the same quality that they were trained to produce"</i></p>	<p><i>Respondent 3</i></p>

### **5.1.7. Effectiveness of business models and strategies**

Overall the participants were of the opinion that many of the initiatives are proving successful to some degree. Though many initiatives in the past have failed to deliver value in respect of resources spent, NGOs, government and the private sector have learnt much in the process. The private sector will always do what is necessary to survive, and Government needs to focus on being an enabler for all the other parties to thrive in these initiatives.

#### 5.1.7.1. Job creation and poverty alleviation

Although not always measured formally, there has been evidence of job creation through the initiatives that Government is involved in. Government respondents were very positive about the success they have achieved in the creation of jobs in the farming communities.

Some of the households that are benefitting from job creation are also receiving social grants through one or more members of the family; however, according to one of the respondents, this was not seen as a problem, because the perception is that the social grant is so small that the worker is entitled to receive this over and above their income from the farm in order to alleviate poverty.

**Table 15: Responses from participants regarding job creation and poverty alleviation**

<p><i>“People have been getting contracts... harvesting contracts, fertiliser application, pesticide application, planting and road construction contracts. For example now a local gentleman has received a contract, I think it is for about 1.2 million rand, to reconstruct harvesting roads in the project.”</i></p>	<p><i>Respondent 1</i></p>
<p><i>“....we have had successes you know...for an example, from nothing right, about eighty people now have got permanent jobs”</i></p> <p><i>“I think it is more than 720 families, or individuals benefit .....receive a bag of mielie meal per day ...”</i></p> <p><i>“... but for me I don’t see that as a problem because R1500 per month is not much money, so if you say R1500 plus the R1500 they get from pension, that is at least something a month. So I wouldn’t be really worried about that. We are really trying to address issues of poverty”</i></p>	<p><i>Respondent 2</i></p>
<p><i>“...people getting employed are coming from households of about five people per household, which if you have employed 100 people you have made an impact of 100 x 5 and so on.... so there is huge difference that we are making”</i></p>	<p><i>Respondent 3</i></p>
<p><i>“.....started from scratch and didn’t have anything on the land and then got grants and today that person has twenty something people, full time.”</i></p>	<p><i>Respondent 4</i></p>

## 5.2. Phase 2: Interviews with small-scale farmers

### 5.2.1. The participants

The interviews in the second phase of the study were done with SSFs that also farmed for commercial reasons. Eleven SSFs were interviewed in order to establish from the farmers' perspective, how IBCs with Government, private sector companies and civil society organisations contribute towards their success and the success of the communities in which they live.

#### 5.2.1.1. Demographic profile of the respondents

##### a) Gender and age

There was a fairly equal distribution of male and female farmers with 6 male and 5 female farmers interviewed. One farmer was over the age of 65, four were between 56 and 65 years old, 4 were between the ages of 46 and 55, one was between 36 and 45 years old and one was between 26 and 35 years old. There were no farmers interviewed younger than 25 years old (See Table 13).

**Table 16: Farmers' age and gender**

Age	Male	Female
	<i>Number of Participants</i>	
<25 years old	-	-
26 – 35 years old	1	-
36 – 45 years old	1	-
46 – 55 years old	1	3
56 – 65 years old	2	2
>65	1	-
<b>TOTAL</b>	<b>6</b>	<b>5</b>

**b) Highest formal education**

Seven of the farmers had only achieved a Matric/Grade 12 or less, one had a diploma and two had achieved degrees, one in social sciences and one in education. The other farmer did not specify his level of education.

**c) Dependents**

Although one farmer did not provide details of family members, all other farmers had a number of family members. They were asked about the number of dependents they had, but it became obvious during the interviews that they were not able to distinguish between dependents and non-dependents – the ages of the children were not a good indicator of dependence, as the majority of them had their children working on the farms with them. One respondent claimed to have 63 dependents, including his brother’s children that he had to look after, as well as other family members. Besides this respondent, the mean number of children was six, with least number of children being three. Eight of the participants stated that they had spouses as well (See Table 14 for additional details).

**Table 17: Farmers’ family members**

Respondent Number	1	2	3	4	5	6	7	8	9	10	11
<b>Family Members</b>	<i>Number of Family Members</i>										
Spouse	1		<b>NO ANSWER</b>	1		1	1	1	1	1	1
Children under 18	2				3			3	5		4
Children over 18				6	4	5	5	1	2	6	
<b>TOTAL</b>	<b>3</b>	<b>63</b>		<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>8</b>	<b>7</b>	<b>5</b>

**d) Type of farming**

Seven farmers were involved exclusively in crop farming and four conducted a mixture of crop and stock farming. The main crops that were farmed were maize, tomatoes, cabbages and sugar cane.



**e) Position or role of the interviewee in the farm**

Seven farmers claimed to be the owner of their farms, two stated that they were managers and one was a worker on the farm. The remaining participant did not state his status on the farm.

**f) Number of years farm has been in operation**

Four participants had been farming for more than ten years, five between five and ten years and two for less than two years. Two of these farmers had experienced a total collapse of their farms and had recently re-established the farm through assistance provided from various bodies. According to the farmers, when they got contracts to supply an agro-processing firm they qualified for funding from commercial banks. The harvest in the first year yielded good profits, due to lack of support, technical and business, the yield declined year on year. Ultimately most farms collapsed because they were not producing enough to service the loans or cover the operational costs.

**g) Number of employees**

One participant did not discuss the details of how many workers they had on the farm. Of the remaining 10 participants, five farmers employed temporary workers when needed and the other five only used their permanent workers. Permanent workers often included children of the family. In total, the minimum number of workers per farm was 5 and the maximum was more than 51. The average number of temporary workers per farm on an annual basis is 21, indicating that each farm can provide employment to an average of 21 workers over a year, even if only temporary. These workers are thus able to feed and clothe their families, and possibly send their children to school. On average 11 permanent workers are employed per farm.

**Table 18: Worker demographics**

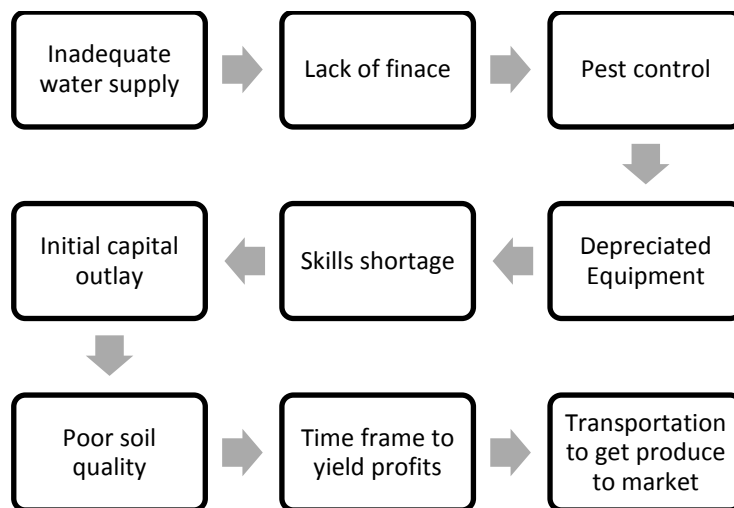
Respondent Number		1	2	3	4	5	6	7	8	9	10	11
Worker Demographics		Number of Workers										
Permanent Workers	Males	6	-	NO ANSWER	4	3	-	4	6	1	3	1
	Females	14	50		2	2	-	-	-	10	3	-
	Unspecified	-	-		-	-	3	-	-	-	-	-
<b>Total Permanent</b>	<b>20</b>	<b>50</b>	<b>6</b>		<b>5</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>11</b>	<b>6</b>	<b>1</b>	
Seasonal Casuals	Males	-	-	NO ANSWER	-	-	-	2				
	Females	-	-		-	-	-	14	15			4-10
	Unspecified	-	-		-	-	15	-	-	>40	-	-
<b>Total Casual</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>15</b>	<b>14</b>	<b>17</b>	<b>&gt;40</b>	<b>-</b>	<b>4-10</b>	
<b>TOTAL</b>		<b>20</b>	<b>50</b>	<b>N/A</b>	<b>6</b>	<b>5</b>	<b>18</b>	<b>18</b>	<b>23</b>	<b>&gt;51</b>	<b>6</b>	<b>5-11</b>

**5.2.2. Findings of the research**

**5.2.2.1. BoP perspective and poverty alleviation**

The farmers mentioned a number of challenges, depicted in Figure 14 below.

**Figure 13: Challenges facing SSFs**



Source: Author's own (2013)

Most of the farmers are quite resourceful, and have made plans to overcome their difficulties, as is reflected in these comments:

**Table 19: Responses regarding challenges faced by SSFs**

<p><i>"I went to an auction....I am having 3 ploughs now of which I did not have 5 years ago; I am now having 3 ploughs and 2 tractors"</i></p>	<p><i>Respondent 17</i></p>
<p><i>"Now as we speak we have alarms ....Yes, these machines we will surround them with fencing as well because the gate key everyone has to scan in and out. So they have to come in and when they go out and the alarm will ring and report that we're here"</i></p>	<p><i>Respondent 14</i></p>
<p><i>"....the training that we have gone to has shown us that you need to have an account with the shops that sell tools here and when a pipe breaks you dig and you fix it yourself and you sort it out yourself"</i></p>	<p><i>Respondent 12</i></p>

#### 5.2.2.2. Small-scale farmer support

Rural SSFs have been exposed to different kinds of assistance from various bodies, *inter alia*, government, developmental funding institutions (DFIs), the private and semi-private sector and through cooperatives.

#### **Government**

The farmers were quite positive about the support from government, which ranged from farming activities (including the loan of tractors, pest eradication, seed and fertiliser); training, mentoring, advice, and skills transfer; marketing services (including finding markets and support farming) and business management activities (including budgeting, business plans, contracts, and meetings).

Financial assistance was also mentioned by a number of participants as being provided by government. This is either done by providing the finance to the private sector or NGOs who then assist with the groundwork, or by providing finances directly to the farmers and cooperatives.

Though the farmers were generally positive about the support they received from government, they felt that the support was insufficient to establish profitable and sustainable ventures.

**Table 20: Reponses regarding government support**

<i>"Fertiliser....Yes they give them for free"</i>	<i>Respondent 19</i>
<i>"... we are promised sugar beans seeds"</i>	<i>Respondent 17</i>
<i>"...we got the fertiliser last year from government...."</i>	<i>Respondent 20</i>
<i>"They also provided training....they have really supported us in this manner"</i>	<i>Respondent 13</i>
<i>"....and they have assisted us with... contracts"</i>	
<i>"....government told us to form a cooperative and to select a mentor to provide us with training and ensure that we have the necessary knowledge and skills"</i>	<i>Respondent 12</i>
<i>"You know the training is there, government also assists by sending officers to train us..."</i>	<i>Respondent 18</i>
<i>"They said they will look for a market for us to sell our produce"</i>	<i>Respondent 15</i>
<i>"....you want R10 and you are given 50 cents, it is hard to see an impact....even the income that you are going to earn, it is just going to filter into your normal expenses and this is what happens"</i>	<i>Respondent 17</i>
<i>"Production is still the same because for one to improve, you must plough a bigger portion of your farm, then you can be able to meet the demand of your buyers and the expectations of your employees...issues of improving the salaries of the employees with that little amount"</i>	<i>Respondent 19</i>

### **Private sector and civil society**

Numerous private and semi-private companies were mentioned by the participants as providing assistance to the farmers. The private companies and associations appear to collaborate in providing assistance to the farmers, each using their own specialities presumably.

The main form of assistance provided is training and mentoring as can be seen in the following statements:

**Table 21: Reponses regarding private sector and civil society support**

<i>"They give me manure ...they borrow us when we have harvested then we pay it back"</i>	<i>Respondent 15</i>
<i>"...they give advises to farmers that now you can fertilise, now you can do this and that"</i>	<i>Respondent 22</i>
<i>"They gave us a lot of training. .... and now when I write my CV I include that. I'm trained about this business."</i>	<i>Respondent 14</i>
<i>"They have experts that know the industry and they give advice and ....refer you accordingly when you need assistance. They will show you how to do a particular process if you do not have the knowledge"</i>	<i>Respondent 12</i>
<i>"Yes boilers, these boilers we got the sponsorship...."</i>	<i>Respondent 20</i>
<i>"Eskom came and put electricity"</i>	<i>Respondent 12</i>

#### 5.2.2.3. Effectiveness of the support

The farmers interviewed were generally positive about their farms and the assistance they have been provided with. Many of them reported great improvements and their outlook for the future was positive. With the improved farming, poverty alleviation is apparent as more people in the community have jobs and are able to support their families.

The success of these farmers also appears to become sustainable as skills transfer is happening and the younger generation should be able to succeed the older ones and continue with the farming.

**Table 22: Reponses regarding the effectiveness of the support**

<i>"When I started I did not sell anything much really and it was not so busy at the time as time went then I found a market ....we used to harvest once a year but now I can harvest almost seven times a year"</i>	<i>Respondent 16</i>
<i>"The business is growing as long as we work like the training ...especially government as they are putting training in and helping you gets the knowledge to grow"</i>	<i>Respondent 18</i>
<i>"I planted 50 hectares...that was 1st and 2nd year and then 3rd year I planted 60 and then 273 hectares..."</i>	<i>Respondent 20</i>
<i>"We did not have the skill in the beginning. The difference is there because government is helping out a lot. There is support from government"</i>	<i>Respondent 17</i>
<i>"I did teach them....They do know the business and they can continue running the business"</i>	<i>Respondent 15</i>
<i>"One of my workers he is 27 years old, he is learning, when he came to my farm, he could not drive a tractor, he is now able to drive a tractor, he was not able to plant any seedlings, now he is able, when he leaves my farm he can be a manager somewhere"</i>	<i>Respondent 17</i>
<i>"The workers on the farm were born here on the farms, the only work they know is farm work and then if there is a workshop, then they attend"</i>	<i>Respondent 20</i>
<i>"We want to see it going ahead and our children can also live even if they do not get jobs, but for them to be able to live off the farm."</i>	<i>Respondent 16</i>

Immediate poverty alleviation was also apparent when farmers spoke about their own families and the people in the community who work on their farms.

**Table 23: Reponses regarding the effectiveness of the support**

<i>"This has helped us a lot, to farm here; hunger is something that we do not experience here"</i>	<i>Respondent 15</i>
<i>"It is fine the life here and living on farming, ...if you farm it is something that makes you happy and everyone is happy and they can go to school and get clothes and food"</i>	<i>Respondent 16</i>
<i>"People who work for us are from around the area, they are even here ploughing..."</i>	<i>Respondent 18</i>
<i>"Then if I take my salary bill of last year it was about R150 000, if you take"</i>	<i>Respondent 17</i>

<i>that globally, I have contributed something towards labour”</i>	
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The positive results of farmers being assisted and the positive outlook it brings to the community is nicely summed up by the following statement:

*“Yes once you have proper capitalisation, you have got machinery, you have got money inputs during the season it is good enough, and you will make more money than you could in working in the mines” (Respondent 17).*

## CHAPTER 6: DISCUSSION OF RESULTS

### 6. Introduction

Stats SA (2011) has categorised the majority of South Africans as having a low-income, which places them at the base of the pyramid (BoP). This is especially prevalent in the rural communities, where high levels of poverty and low formal employment exist (NPC, 2011). Subsistence and small-holder farming has become a means of survival for these communities – the Census 2011 reported 2.9 million households (20 percent of the population) were involved in agriculture (Stats SA, 2013).

Poverty alleviation through small-scale farming has been a strategic imperative for the South African Government, which is attempting to assist these communities in expanding their farming activities. The private sector, Government and civil society have realised the opportunities that exist in creating sustainable poverty alleviation – they have recognised that the poor are highly resourceful actors with valuable knowledge and capabilities (Kaplinsky & Morris, 2001; Simanis & Hart, 2006; Danse & Sietze, 2007).

This chapter discusses the results from the data reported in Chapter 5, juxtaposing it against the reviewed literature. The following themes were identified and weighed up against the relevant literature:

- a) BoP perspective and poverty alleviation;
- b) Agriculture's contribution to poverty alleviation;
- c) Business models and strategies;
- d) The roles of the stakeholders;
- e) IBC strategies;
- f) Effectiveness of the business models and strategies.



## 6.1. BoP perspective and poverty alleviation

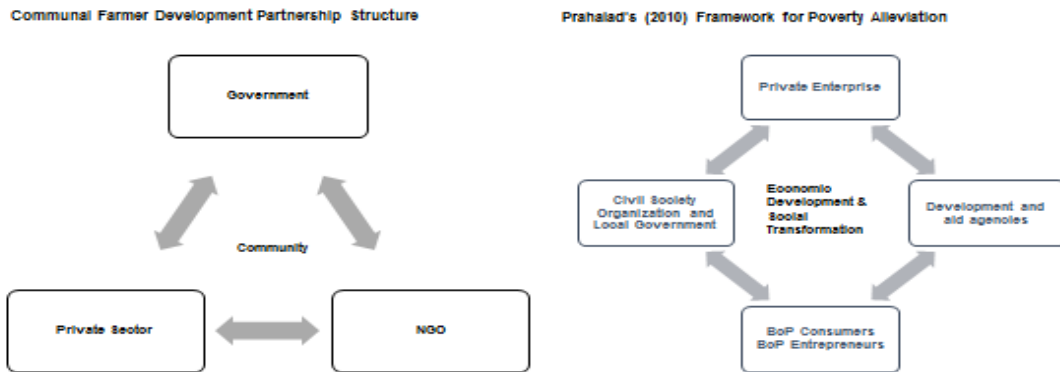
The small-scale farmers in the rural communities are faced with a number of challenges in their farming operations. From the BoP perspective, these farmers are essentially non-liquid (lack capital) and unskilled, therefore unable to manage their farms effectively. They are challenged with regard to finance and capital outlay, inadequate water supply, pest control, skills shortages, depreciated equipment, poor soil quality, time frame to yield profits and transportation to get product to the market. As a result of this, the government is mandated to assist these farmers in an effort to alleviate poverty and create economic development.

Government initiatives to assist the SSFs have, in the past, not obtained the desired results of sustainable development. Although initiatives of investing in these farmers were provided for by the government, the private sector and other investors, the investments were usually failures. Trienekens (2011) argued that relationships are not only shaped by economic considerations, supported by Eschenbacher and Zarvic's (2012) aspects of the existence and efficiency of network structures. Once the investors had claimed their share of profits, the farmers were left with very little, leading to mistrust between investors and farming communities. The farmers were unable to comprehend the business aspects of running their farms and could have benefitted significantly from the adoption of all the aspects of the existence and efficient of network structures.

London and Anupindi (2012) pointed out that there needs to be mutual benefit for the partners in a BoP venture. Lessons learnt from the previous failures in assisting the farming communities, resulted in an interest to develop new models which would transect business strategy and poverty alleviation (London, 2009) –this eventually led to the birth of the triangular structure, with government, the private sector and the NGO's as partners.

Prahalad's (2010, p. 26) framework for poverty alleviation, Figure 15, shows that the partners can take advantage of each other's strengths in order to reach their individual goals and ultimately achieve economic development and social transformation. Hamann *et al.* (2011) stressed the vital role of the private sector in poverty alleviation, but pointed out that government leadership remains a crucial element in any partnership. From the perspective of all stakeholders, the triangular structure is currently the favoured approach to development of the BoP.

**Figure 14: Communal farmer development structure and Prahalad (2010) Poverty Framework**



## 6.2. Agriculture’s contribution to poverty alleviation

In South Africa, farms have become the major source of job creation for rural communities. In addition, the knock-on effect for households of farm employees has a significant community livelihood impact. Households benefit not only through income earned from individual household members gaining employment, but have the added benefits of farm produce as a source of free or cheap food. The importance of agriculture to poverty alleviation was also identified by DFID (2005), who demonstrated that entire communities benefit from agriculture through a ‘multiplier’ effect of income generation, provision of food or cheaper food sources, and other employment-intensive economic developments resulting from the needs of the farming community.

Obi *et al.* (2012) contended that enhancing the livelihood of poor communities must be based on agriculture or have strong links with the agricultural sector, as the contribution to national GDP and employment from this industry is considerable. He emphasised that development efforts must be based on agriculture as these communities have very limited opportunities elsewhere in the economy. Small-scale and subsistence farming is a means of survival for rural communities in South Africa, but the lack of markets and the nature of farming result in sporadic income for these communities.

There is however, extensive support of agriculture as a means to poverty alleviation in the country, both through employment created by the farms and through the resultant

opportunities generated through farming activities. SSFs have been identified as essential players in efforts to increase rural incomes and create viable local markets which can benefit the rural communities (Danse & Sietze, 2007).

### **6.3. The agricultural value chain and poverty alleviation for SSFs**

Despite the difficulties that SSFs are faced with, farming is their means of survival, and they have been quite resourceful in overcoming many of their challenges. One of the greatest difficulties occurs in the agricultural value chain, i.e. the process by which products are moved from production through various activities to consumption. Finding appropriate markets and transportation to the markets is a major difficulty for these farmers once they have harvested their crops or matured their livestock. In addition, due to the lack of resources, the produce may be below market quality standards or as identified by the World Economic Forum (2009), too small a volume to provide value for the value chain actors in developing markets.

Value chains are however, useful in identifying viable, income-earning opportunities for poor households in rural development initiatives (Haggblade *et al.*, 2012). Government, the private sector, and civil society have realised that linkages created in the value chain will benefit economic development. Linking smallholder producers and Micro Small Enterprises (MSEs) to the value chain will provide technological enhancements of smallholder producers and MSEs through the cost-efficient technologies available within the value chain (Danse & Sietze, 2007).

The development of the triangular structure – involving government, the private sector, and civil society – is an attempt to address smallholder farmers' difficulties in the value chain. Economic development can be promoted through business interventions, such as tripartite agreements and partnerships between the various stakeholders. The World Bank (2004) reported that international donor agencies and development banks have also adopted pro-poor strategies in developing markets, with a focus on value chain development and market access.

#### 6.4. Business model interventions

The government in South Africa, involving stakeholders such as government, the private sector, and civil society, has implemented various business interventions. The effectiveness of these interventions varies, but the key is to obtain coordination between the parties within the value chains, to ensure that aggregate chain performance is realised and to avoid conflict of interests. Danse and Sietze (2007) proposed that to address the complexities, small players, governments, civil society organisations, development agencies, and the poor communities, need to build competitive business models which incorporate the views of all stakeholders in the agri-food networks.

Vorley *et al.* (2009) identified business models as the way in which businesses create and capture value within a market network of producers, suppliers and consumers. Vermeulen, *et al.* (2008) agreed that business and government should join forces and empower small-scale farmers through the provision of established mechanisms for creating sustainable and profitable business. VanSandt and Sud (2012) argued that sustainability cannot be achieved without providing opportunities for the small-scale farmers. The most popular business models that were identified include the joint venture (JV) model, Community Private Partnership (CPP) model, and cooperative models.

Development of SSFs has been attempted through the inclusive business models as a means of empowering the farmers to become sustainable business entities. Every stakeholder has a role to play in the initiatives, aiming at creating value for all partners. The principle is that government should benefit in economic development, the public and private sectors should achieve greater value for their investments and the farming communities should contribute toward poverty alleviation. According to Michelini and Fiorentino (2012), economic and social value will be added by transferring knowledge from the top to the bottom of the pyramid. VanSandt and Sud (2012) emphasised that inclusive growth is imperative for success.

The JV model was successful in linking SSFs with a private sector player or a more established commercial farmer. The partnership entailed the sharing of ownership equally, – with the property being leased from the JV – and government contributing towards the small scale farmers' investment and playing an 'oversight' role to protect the farmers. The

model proved unsuccessful when it was realised that the farmers lacked the business acumen to understand how their profits were being allocated, and that the government lacked the time and expertise to scrutinise the financial statements. This resulted in a loss of trust by the farmers, as they felt exploited. VanSandt and Sud (2012) identified that social tensions may arise with the lack of strategies around social and cultural dimensions.

The CPP model was initiated as an amendment to the JV model, involving a higher degree of transparency. In addition, the role of government was extended to provide a support fund, available to the farmers for re-investment. This model became successful in mitigating risk and providing opportunities for increased productivity, and Michelini and Fiorentino (2012) acknowledged it as an example of a successful inclusive business model.

The cooperative models, which are still being encouraged by the government, are successful to some degree. Consolidations are not favoured by the farmers, as they involve handing over responsibility to a farm manager. The traditional cooperative, where the farmer still has control, but resources are shared across farms, is preferred. Although these models are believed to be beneficial, Biticini *et al.* (2008) and Mohr and Spekman (1994) cautioned that conflict resolution techniques are required for joint problem solving in networked collaborations, which is an element of the cooperative model that has not yet been addressed.

## **6.5. Roles of stakeholders**

### **6.5.1. Public Sector / Government / State**

The government plays a vital role in poverty alleviation and has been mandated to develop communities and reduce unemployment rates. The agricultural sector of developing economies is able to achieve poverty alleviation (Danse & Sietze, 2007). However, small scale farming in South Africa currently contributes very little to the economy (Van Zyl & Kirsten, 1998).

Government has acknowledged that, in order to improve the contribution of the agricultural sector to the economy, farming initiatives by SSFs need to be facilitated. They have therefore instituted a number of ways in which to support these farmers and the rural communities, which the farmers have agreed have been very useful. The DIFD (2005) stated that in order to maximise the impact of agriculture on poverty, strategies need to be developed to link agricultural productivity and growth in the wider economy. Currently, government is attempting facilitation between the private sector and the small-scale farmer.

The government's main contribution to facilitation is to provide an enabling environment (Sarker & Rahman, 2006) for all parties involved. Partnership agreements are signed with all partners, outlining the roles and responsibilities of each, and government remains a joint signatory in the agreement.

A specific enabler that has been identified for the farmers, and which Shiferaw *et al.* (2011) deemed important, is the skills transfer that needs to take place. The government ensures that the private sector capacitates SSFs by transferring their expertise to the farmers. The FAO (2013) acknowledged that the partner's complementary capacities should be utilised. The farmers, in turn, will provide the labour and the produce to benefit the private sector's endeavours. In addition, the government will provide security to the private sector for their investments, thereby strengthening their incentive to provide funding and skills transfer, also identified by the FAO (2013) as imperative to the partnership approach.

The government can contribute significantly to poverty alleviation by removing the barriers that SSFs experience, including the provision of infrastructure, funding availability and job creation (Bamiduro & Gbadeyan, 2011). The farmers acknowledged that support from government has been forthcoming, with assistance in many farming activities – such as the loan of tractors and pest eradication, seed and fertiliser, training and mentoring services, business financial management services and market linkage services. However, government policy is impeding the process, as farmers are forced to wait extended periods of time for funding that has been promised to them and the private sector loses confidence in their investments. From the farmers' perception, the assistance from government, although extensive, was not enough to develop sustainable and profitable farming ventures.

### **6.5.2. Role of private sector**

Although the private sector cannot contribute directly to poverty alleviation (Prahalad, 2010), they still have a key role in economic development (Sarker & Rahman, 2006) – strategic partnerships benefit both themselves and the farming communities. The key motivator for the private sector is that, through skills transfer, they assist farmers in production, the results of which are used for their own operations. By ensuring sustainable development and growth, the private sector is assured of quality and quantity of agricultural produce which they use for their own processing and distribution, while the farmers further benefit through access to markets for their produce.

### **6.5.3. The role of civil society (NGO)**

NGO's have a passion for people development and poverty alleviation, with no profit-driven motives. They are therefore effective in reaching out to the poor and assisting them (Sarker & Rahman, 2006) to realise sustainable economic development status (Ezeanyika *et al.*, 2010). Through strategic partnerships, the NGO's are central to introducing farmers to markets, competitively priced inputs, structured financing deals, and other general market information. They also provide mentorship in technical and business skills, enabling farmers to compete in the markets.

## **6.6. Understanding collaborative networks**

According to Bititci and Parung (2008), collaboration involves partners in a network of interdependent parts, working together for mutual benefits. The collaborative efforts of government, the private sector and civil society, are intended to be mutually beneficial to all parties who each have their own agenda's. Preston (2003) agrees that this interdependence is key to the strategic alliance – an alliance which government aims to establish through facilitating a lengthy and rigorous selection process, in which the parties are afforded the opportunity to withdraw from negotiations at any point.

The partners in the strategic alliances are therefore not in competition, but rather afford facilitation for each other to achieve common goals (Michalus *et al.*, 2011). However, the

success of the collaborations with rural farmers depend on the communities' understanding that these are business partnerships where there is an expectation that relevant outputs will occur as a result of operational tools provided to them. In addition, the cross-sector collaborations that will improve the value chain (Hamann *et al.*, 2011) depend on the commitment of the private sector partners.

## **6.7. The role of IBC models**

London and Anupindi's (2012) identified a set of strategies that enhance collaborative interdependence between different partners in IBC models, including:

- catalysing investment
- balancing metrics and aligning incentives
- creating flexibility
- enabling competitive advantage;
- ensuring skills transfer.

These strategies are used as a basis for discussing the collaborative models of the South African agricultural initiatives for tackling poverty alleviation and growing the economy.

### **6.7.1. Catalyse investment**

The catalysing of investment for the development of SSFs is recognised by government as key to economic development through small-scale farming. These rural community farmers do not have access to funding directly through financial institutions and rely on support from the government to obtain funding.

In the past, various funding initiatives from government have failed, as a result of the mismanagement of the funds both from the government and the farmers' actions. The farmers are not equipped to manage large funds as they have no business training and do not understand how best to use the funding. The government has also not been in a position to oversee the fund management, due to a lack of financial skills themselves or the time required to investigate how the funds are being used. As a result, strategies have



been initiated in the collaborative agreements whereby funds are provided to the communities with the private partner and the farmer managing these funds jointly.

Shiferaw *et al.* (2011) and London and Anupindi (2012) pointed out that businesses are reluctant to engage in such initiatives, as the perceived risk of doing business with poor communities is high. The government therefore, has had to develop incentives and make the rural farming opportunities attractive to the private sector and other players in the market. The benefits provided through institutional and financial support from the government are that the private partners ultimately benefit from the farmers yields.

In order to gain government support, the farmers and the private sector need to engage with each other and develop a sound business plan outlining the benefits for all parties involved and including financial projections and loan repayment structures. A market link must also be established before the business plan is accepted. Government will assist in this process with business support services, to ensure the business plan is sound and, that all parties buy-in to the partnership and understand what is expected of them. This is similar to the management unit tasks identified by Michalus *et al.* (2011) that create cooperation networks among *microenterprises, small and medium enterprises* (MSMEs) aimed at agricultural development.

### **6.7.2. Balance metrics and align incentives**

It was clear that no alignment exists in government for measuring the efficiency and effectiveness of initiatives but Olsen *et al.* (2005) argued that in developing markets, performance must be tracked relative to the market and without overreacting to fluctuations, as the market in these economies is volatile in nature.

Bititci and Parung (2008) described efficiency measures as formal measures of appropriate resource allocation to provide relevant customer satisfaction. Some government departments measure financial metrics in terms of turnover per hectare, repayment of loans, or timeous payment of farm workers, but these measurements were shown to be inappropriate on their own, as softer issues are not taken into consideration with financial measurements.

Effectiveness measures would close this gap as they are described by Bititci and Parung (2008) – measuring the extent to which customers’ requirements are fulfilled. Some of these measures were apparent from government in terms of farm workers being satisfied, the private sector and markets receiving quality and quantity produce and the small-holder farmer receiving appropriate skills development tools.

A balanced scorecard methodology would address both efficiency and effectiveness measures, including financial and non-financial measures of the contribution of stakeholders, and would be appropriate for collaborations, according to Bititci and Parung (2008). However, no such tool is currently in existence and the government departments often just use their perceptions of farm workers’ satisfaction as an indicator of success.

### **6.7.3. Create flexibility**

The government has shown great flexibility in its endeavours, as it has changed its strategies for poverty alleviation and (Sánchez *et al.*, 2006) repositioned itself in the market in order to meet new customer needs. Government maintains a database of potential partners and allocates a strategic partner for the farmer, dependent on the farmer’s needs for skills development and in some cases will link the farmer to a market for their produce. This is in keeping with Mason and Mouza (2012), who contend that flexible business models use the strategic options of managers to identify resources and capabilities available to the parties, as the strategic managers know where and how to access the necessary resources.

### **6.7.4. Enabling competitive advantage**

De Boer, Van der Lienden and Tuninga (2012) argued that tapping into BoP markets requires businesses to ‘unshackle the organization’ (WEF, 2009, p. 7), by reconfiguring their business assumptions, models and practices. Due to declining productivity from SSFs, the private sector gets exposed to a shortage of inputs for processing. It was believed that this decline in productivity was a result of farmers not being able to keep up with the input costs of farming. In addition, the agro-processors find themselves having to compete with cheap imports which filter into the country. A strategy was needed whereby

the agro-processors (private sector) could ensure a steady supply of supply to their processing plants.

Vorley, *et al.* (2009) asserted that, in order for business to remain competitive, the business network's resources must be utilised effectively, and close attention paid to product and process upgrading and collective innovation. The private sector acknowledged that subsidies for the farmers would not result in sustainability – innovative initiatives were needed to maintain their input supply. Out of this came the collaborative partnership models, involving a strategy of co-operative formation for farmers to benefit from economies of scale. In addition, this model develops trust from the farmers, as there is an element of human interface with the private sector. Effective communication between the farmers and the private sector is required to meet the changing needs of the customer (Sánchez *et al.*, 2006) and manage the hyper-competitive markets.

#### **6.7.5. Capacity building and skills transfer**

Capacity building through skills transfer was seen as the cornerstone of collaborative endeavours. The most successful of these was identified to be enterprise development, which entails the sourcing of input suppliers or organisations that can assist farmers with technical expertise and transfer these skills to the farmers in the process. Business support mentors also train and monitor the development of the farmer in management of the business.

Enterprise development initiatives funded by government or the private sector avail resources to achieve capacity building through the use of mentors and training organisations. Identifying and motivating key people to learn certain skills and transfer these skills to others in their communities was identified by Shahzad, *et al.* (2012) as contributing to a diffusion of skills transfer through social embeddedness. Ultimately, the up-skilling of the communal farmers is intended to create a wave-effect of skills transfer, which will ensure sustainability even after the partnership has concluded.

## **6.8. Effectiveness of business models and strategies**

Many of the business models and strategies used by government in the past as a means to alleviate poverty have been unsuccessful. Current interventions however, are flexible and changing to meet the needs of stakeholders, as NGO's, the government and the private sector learn more and provide innovative solutions.

Government efforts to provide adequate basic social infrastructure, avail funds to the farmers and create employment opportunities, were identified by Bamiduro and Gbadeyan (2011) as contributing significantly to poverty alleviation. The participants in this study also acknowledged that there has been some success in the IBCs, where government acts as the enabler for all the parties to thrive. Farmers themselves acknowledged that there has been positive assistance from all parties and that they have seen great improvements on their farms, giving them hope for their future outlook.

### **6.8.1. Job creation and poverty alleviation**

Prahalad (2005, 2010) advocated the co-creation of a solution to 'the problem of poverty' (2010, p.26) through collaborations between the private sector, governments, civil society organisations, development agencies, and the poor communities. It cannot be claimed that these models and strategies have alleviated poverty, but job creation has been apparent, even if only for short periods of time. Some community members get permanent work on the farms and during peak production seasons, such as planting and harvesting times, temporary labourers are brought in to assist. The families of these labourers also benefit through alleviation of food poverty, as they receive rations from the farms in the form of food packages. This may not be much, but it is more than they had previously.

In addition to farm labour employment, sustainable farming results in opportunities elsewhere for the communities to gain employment. Farms require many inputs and infrastructure development and maintenance. Entrepreneurs in the community can tap into these opportunities by offering services to the farms such as, amongst other things, building roads, fixing water pipes, correcting electrical issues, transporting seed fertilisers or crops, or even general work such as cleaning or cooking for the farm workers. London and Anupindi (2012) identified that successful BoP ventures could contribute towards

bringing together formal and informal economies in a mutually beneficial manner, including buyers, sellers and entrepreneurs.

It must be highlighted that, as more community members have disposable income, they too will require additional products and services such as food, clothing, schooling, utilities and other services. The skills that the farmers acquire have a sustainable effect for the communities too, where these skills are transferred to the younger generation. The knock-on effects to economic development through the sustainable small farms are therefore never-ending.

## **6.9. Conclusion**

The DFID (2005) provided that agriculture's importance to poverty reduction goes beyond its direct impact on farmers' incomes – it extends to entire communities through higher incomes, plentiful and cheaper food, and by generating patterns of development that are employment-intensive. The research has shown that the IBCs that have seen various models developing between government, the private sector and civil society, together with the SSFs, have been effective in assisting the farmers and alleviating food shortages for many of the community members. However, the misalignment of strategies and the 'red tape' that the parties need to overcome are hindering the process of poverty alleviation. Poverty is still very apparent in these rural communities and more effort needs to be placed in streamlining the strategies and models, in order to ensure sustainable development.

## CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

### 7. Preamble

Statistics South Africa (2011) describe South Africa as having astronomical societal inequalities and place the majority of South Africans in a low-income category, particularly in the rural areas (NPC, 2011). However, the Census 2011 placed 2.9 million households (twenty percent of the population) as being involved in agriculture (Stats SA, 2013), where there is unlimited employment opportunities (NPC, 2011).

According to IFAD (2010), there is broad agreement that growth in agriculture usually generates the greatest improvements for agriculture-dependent communities. However, many of the agriculture-dependent households in South Africa have limited access to basic services, compared to the rest of the population (Stats SA, 2013). This leads to rural poverty from the lack of assets, limited economic opportunities and poor education and capabilities, as well as disadvantages rooted in social and political inequalities (IFAD, 2010).

In an attempt to alleviate poverty in the country, and increase the income of the poorest groups in society, the South African Government is committed to increasing the number of small-scale and medium-scale farmers and conserving agricultural natural resources (NPC, 2011). Through a number of failed attempts in the past IBC initiatives have realised some success with partnerships between the private sector, civil society, SSFs and the government. These initiatives, according to London and Anupindi (2012) emphasise a partnering strategy which is intended to benefit all players in the partnership, but Austin (2000) cautions that successful collaborations are difficult to achieve when the partners are from diverse backgrounds and have different ways of operating.

In light of the above, this research set out to establish whether SSFs who are engaged in IBCs with the government, private sector companies and civil society organisations, can contribute towards poverty alleviation. The study specifically explored the current context and environment affecting SSFs and the constraints to their success – it investigated the various roles played by the state, the private sector and civil society in supporting SSFs and it explored the effectiveness of the collaborations between these various stakeholders.

## **7.1. Key research findings**

The plight of the rural communities has not gone unnoticed, and stimulation of these economies is the focus of the South African government. Government, the private sector and civil society are investing heavily into stimulating rural agriculture, by offering support to the SSFs, and linking them to markets. However, the research found that poverty has not been alleviated by the IBC strategies and collaborative models of these stakeholders. Job creation on the other hand, has been apparent through the success experienced by some of these collaborations, indicating a potential for poverty alleviation through small-scale farming.

### **7.1.1. Current context and environment affecting SSFs and the constraints to their success**

Farms are the major source of job creation in the rural communities and the households depend on the farm produce for the provision and food and income. However, SSFs are currently faced with a number of difficulties in setting up their farming activities and maintaining these farms.

The majority of farmers have a Matric/Grade 12 or less education, but have a number of family members who depend on them for survival. The farms are their livelihood and the majority of them have experience in farming, having been working on the farms for more than 5 years. They do not, however, have the education or training needed to run these farms effectively.

The farming itself poses challenges as well, beginning with lack of capital and operating finance. Other challenges noted were inadequate water supply, pest control, depreciated equipment, skills shortages, poor soil quality, time frame to yield profits, finding markets and getting their products to the market. The farmers however often find resourceful ways to ensure that they get some income from their farms.

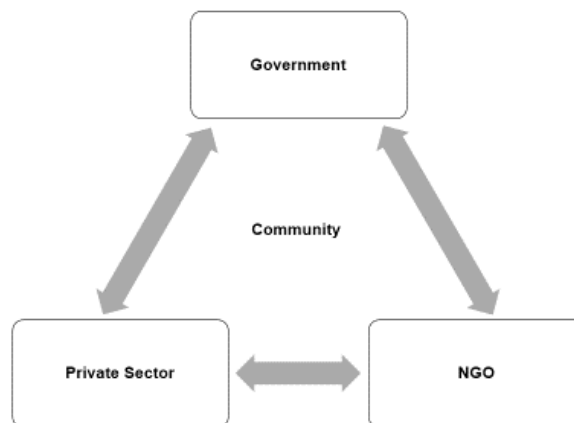
The farmers that were interviewed have all had some assistance from government through one or more of the collaborative models. Those who were recruited into the recapitalisation programme were able to share some of their perceptions about previous failures. The

main concern was around government funding, which had been offered but took too long to materialise, by which time the farm had collapsed. Other findings revealed that there was a lack of trust from the farmers, as they were unable to understand the earlier collaborative models and felt that they were not partners in the initiatives. The current collaborative models have not been in existence for too long, but seemed to be favoured by the farmers, as they are currently seeing some benefits.

### 7.1.2. The roles played by the state, private sector and civil society in supporting SSFs

Lessons learnt from previous failures of initiatives aimed at stimulating rural agriculture by offering support to SSFs, and linking them to markets, resulted in the triangular structure consisting of government, the private sector and the NGO's which is currently in existence (Figure 15). The most popular of these were the JV model, the CPP and cooperative models. Each player in the models has a specific role to play but there was overlap in responsibilities apparent.

**Figure 15: Communal farmer development partnership structure**



Government's role includes the facilitation of partnerships between the private sector and the SSFs, and the provision of infrastructure. It provides a safe environment for investment, through ensuring that all agreements outline the obligations of each partner, including the timeframes for activities to take place. They also become a joint signatory in order to protect the interests of all parties, mainly the investments made by the private



sector and the skills transfer to the farmers. Government incentivises the private sector through the provision of institutional and financial support.

In order to be considered for funding, the farmer and the private sector partner need to develop a business plan together. It was found that in many instances, the government provides business support assistance, including market linkages for the sale of produce.

The farmers reported that government also assists in other aspects, ranging from farming activities (including such things as the loan of tractors and pest eradication, seed and fertiliser to training, mentoring, advice and skills transfer, marketing services (including finding markets and supporting farming) and business management activities (including *inter alia*, budgeting, business plans, contracts, and meetings). Financial assistance was mentioned as being provided by government either directly to the farmer or through the private sector or NGOs, who then assist with the groundwork.

The private sector's motivation for assisting SSFs is their need for additional produce in their own operations. They want to ensure that they have enough produce and at a high enough standard for their markets or their processing applications. They are therefore willing partners in the collaborations. The main role of the private sector is to assist the farmers through skills transfer and mentoring, in order to create a business that is sustainable. It was found that training is provided for, both formally and informally, through training schools and on-the-job training.

The civil society or NGOs play similar roles to the government and the private sector. They ultimately want to ensure that community development happens, jobs are created and poverty is reduced. The NGOs have a network of strategic partnerships throughout the value chain which they use to assist farmers in accessing competitively priced inputs, market linkages and structured financing deals. They are also involved in mentoring the farmers in technical and business skills.

### **7.1.3. The effectiveness of the collaborations between the various stakeholders**

Economic development initiatives through small-scale farming have in the past not been very successful, with funding being used inappropriately. Through the earlier failure, the government and the private sector have learnt much and the current models, focusing on IBC strategies, are showing some success.

Each party in the collaborations have their own agendas, with the government trying to achieve sustainable economic development, the private sector trying to earn profits and the SSFs trying to make a living. In this challenging situation, government is trying to ensure success through strategically aligning private sector partners to farmers and farmers to markets. In addition, government is trying to protect the parties and themselves, through ensuring a business plan is in place outlining all parties' responsibilities and addressing the strategic objectives of the state.

Measuring progress on the effectiveness of the initiatives was clearly not being done effectively. There were some government departments that had quantitative measuring tools in place, but lacked more detailed monitoring processes. Other departments used gut feel and the satisfaction of the workers on the farms to measure success. There was acknowledgement though, that underlying problems were sometimes identified on closer inspection, or at the last minute, when the farms were on the verge of collapse.

Some private players have initiated their own innovative models such as the triangular model which is a partnership company with the farmers and the private sector. They provided the farmers with a human interface in order to develop trust, as well as pushing the formation of cooperatives to benefit from economies of scale. This innovative initiative has also shown some success, with a number of farmers on board.

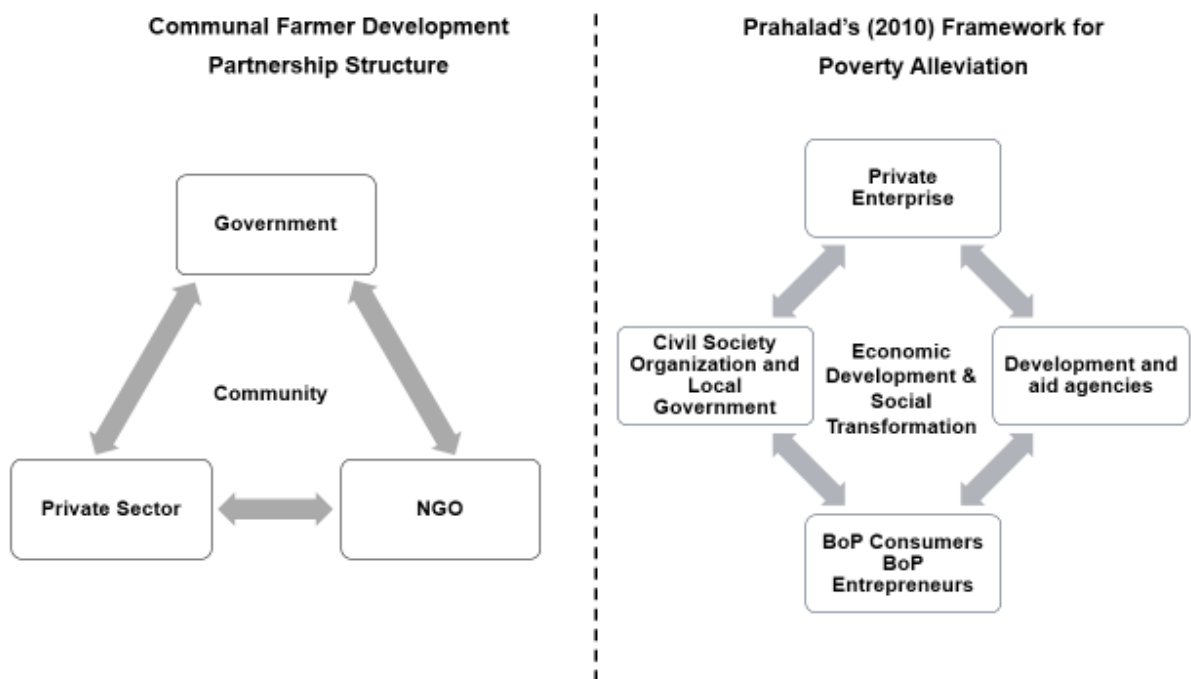
Enterprise development was shown to be the most successful of the capacitation methods for the SSFs. The training and mentoring of farmers in technical and management skills is priceless. It can be transferred to other members of the community and to younger generations, providing a basis for sustainability of agricultural operations in rural areas.

Sustainability is also created by the inclusion of a clause in the partnership agreement which allows the farmers to continue trading through the contracts developed during the partnership period. This includes the market that has been established for the produce.

## 7.2. Recommendations

The research has shown that the communal farmer development structure places the government, private sector and NGOs at three corners of a triangle with the communities in the centre. Prahalad's (2010) framework for poverty alleviation however places the communities at the BoP in line with the other stakeholders with economic development and social reform in the centre (See Figure 16).

**Figure 16: Comparison of communal farmer development partnership structure and Prahalad's Framework for poverty alleviation**



The communal structure therefore depicts communities as beneficiaries and not stakeholders. This may lead to dependency and a lack of commitment to the initiative from the farmers, resulting in unsustainability of successes in the long run. In addition, it compromises the flexibility of strategies as government or even the private sector are likely to continue implementing strategies that are viewed as successful, without really

considering the context and uniqueness of each community. Prahalad's (2010) framework on the other hand, positions communities as stakeholders in the development of strategies and business models, which provides the necessary context to ensure success of initiatives, and dictates the structure to be used in each community.

It is recommended that SSFs be placed in line with the other parties and considered as important stakeholders in the initiatives. This will ensure commitment to the initiatives and facilitate sustainability. The farmers are more likely to know the overall needs of the community and the available talent within the communities, which will facilitate the development of interventions aimed at non-farming activities.

The current role of government and strategic partners in the tripartite agreements is unclear. There is considerable overlap in terms of services provided by each of the parties, the government often performing a training role and supplying resources, which, according to the partnership agreements, is the role of the private sector. The government needs to align their strategy across departments so as provide a clear mandate for facilitation of the partnerships and ensure value is created for their investments. Further to this, the private sector and the farmers need to have a clear understanding of their roles and responsibilities which must be governed by the state.

Government officials, who are responsible for overseeing the initiatives, do not have the necessary skills or time to effectively oversee the process. They lack financial skills to monitor financial statements and they are tied down in red tape, which prevents them from visiting the farms often enough to identify any problems. The government officials need to be capacitated to oversee the initiatives, possibly through training in financial management and farming, or through the provision of resources that already have these skills in place.

An additional clause in the partnership agreements may be required to protect the farmers' land. Some crops diminish soil quality to such an extent that farmers are unable to grow other crops on the land. This is especially the case with tobacco, and this can place the farmer in a predicament when the partnership comes to an end, as treating the soil to return it to its original standard may be very costly. The initial agreements that are set up should consider this possibility and, if necessary, include a clause that the private partner is responsible for returning the soil to its original standard on conclusion of the partnership.

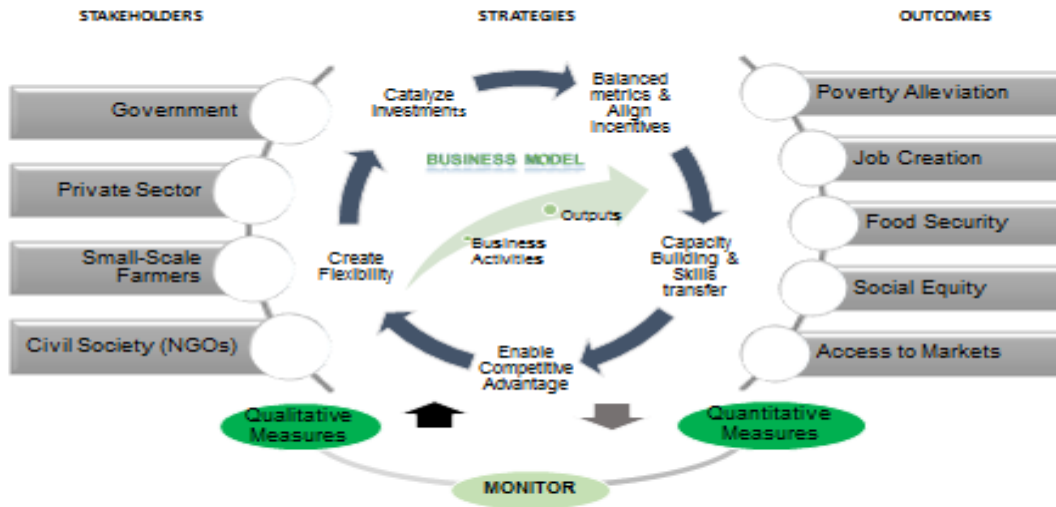
At the initial stages of negotiations, the farmers should be capacitated to understand the process and provided with the opportunity to give their input. The farmers have the in-depth knowledge of their own communities and are invaluable in providing information that will develop unique strategies for their specific communities, thereby encouraging commitment from the communities. This process will also open communication channels and develop trust between partners.

The research showed that there is a spin-off effect of job creation through the farming activities in the rural communities. Local entrepreneurs are able to provide non-farm related services to the farmers. Capacitation of these entrepreneurs may be required as an additional form of job creation.

Success in partnership initiatives can only be established through formal measurement processes which currently do not exist. The government officials tend to use their own initiatives in governing the process and measuring success and they in turn are measured through their KPIs. Both quantitative and qualitative measurement tools need to be developed and used uniformly throughout government, with government officials also reporting in a uniform manner to their superiors. Regular monitoring, using these measurement tools, will ensure that initiatives are on course for objectives to be met at the end of the period. At the conclusion of the partnership agreement, these tools can be used to establish the success of the partnership in creating sustainability.

A recommended framework for economic development, leading to poverty alleviation, can be seen in Figure 17 below. This places SSFs on the stakeholder level and, through using IBC strategies that are constantly measured and monitored through qualitative and quantitative means; it is believed that outcomes such as poverty alleviation, job creation, food security, social equity and access to markets will be achieved.

**Figure 17: Recommended framework for economic development through partnerships with small-scale farmers**



### 7.3. Recommendations for future research

The research was based on a small number of respondents from each stakeholder group and additional research with a larger sample may provide more clarity and detail on the roles of the stakeholders and perceptions of the successes achieved.

In particular, the government officials interviewed had diverse opinions on the processes and the role of the government in the partnerships. Investigating the government's role further and identifying whether policies and procedures are in place but not utilised effectively, may be advantageous.

The farmers interviewed in the research all resided in the Mpumalanga province and these farmers' perceptions may not reflect perceptions of farmers in other provinces. Conducting additional interviews with farmers in the other provinces may reveal different perceptions.

The framework recommended above is based on the IBC strategies and the current models being used by the parties. It is recommended that this model be tested with various stakeholders before implementation to ensure that all necessary elements are contained therein and that it is a model that can be used effectively.

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## APPENDIX A: INTERVIEW GUIDE FOR GOVERNMENT INSTITUTIONS AND PRIVATE SECTOR ACTORS

Dear Respondent

I am conducting research on the **EVALUATION OF THE IMPACT OF INTERDEPENDENCE BASED COLLABORATIONS (IBC) AMONG GRANT AND PRIVATE FUNDED FARMERS** in partial fulfilment of the requirements for the Master of Business Administration (MBA) at Gordon Institute of Business Science (GIBS), University of Pretoria.

Our interview is expected to last about an hour to an hour and a half, and will help in the evaluation of the model suggested by London and Anupindi (2012)'s research that the base of- the-pyramid domain offers new insights into how inclusive markets and collaborative interdependence between sectors can enhance the connection between profits and the alleviation of poverty in rural areas and thus reducing food insecurity.

Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Signature of participant:

Date:

Signature of researcher:

Date:

Organization's Name	
Designation in the Organization	
Role / Responsibilities in the Organisation	

The major objective of the study is to evaluate the interdependence- based collaboration model (IBC) and its strategies so as to generate awareness of small farm holding, identify, understand how the proposed strategies can contribute in alleviating food insecurity and poverty. Through the exploitation of the agri value chains:

- Understanding of Local context as a catalyst for investments: ensuring the team has a deep understanding of the unique opportunities and challenges of enterprise development in BoP markets;
- Identifying and using a set of metrics focused on assessing mutual value creation;
- Creation of flexible partnership models that encourage experimentation and values learning;
- Supporting market creation efforts that enable competitive advantage; and
- Ensuring that key skills and capabilities are fully transferred to enterprise partners

#### **A. MODEL, ENVIRONMENT AND MARKET STRUCTURE**

1. What efforts / strategies are in place that ensure and enhance Interdependence-Based Collaborations in agribusiness – more specifically among SHFs and Private Sector players?
  - a. How are they structured?
  - b. Success / failure rate of the initiatives?
2. Are there efforts to develop an understanding of enterprise development in Base of Pyramid markets among the SHFs?
  - a. Give examples of such initiatives.
3. What efforts are in place that support market creation to enhance / enable SHFs competitive advantage – and SA agriculture in general?

**B. GOVERNMENT INSTITUTIONS: INNOVATION FINANCE, OUTPUTS AND MARKETS OR POLICY**

4. Does the government offer any particular incentives for private sector to invest in this sort of initiatives?
5. Does government share the risks of new investments with these firms in any way? How so?
6. Does the government funding model for agricultural R&D encourage institutional collaborations or partnerships of any kind? If so, please explain.
7. Has the government established any new public agencies within the past year or so whose mandate is to facilitate coordination and collaboration among various types of SHFs and the private sector?
  - a. If so, why were they created and what is their purpose:
    - i. Poverty alleviation?
    - ii. Food security?
    - iii. Job creation?
    - iv. Skills transfer?
    - v. Linkages to market (agri value chains)?
8. Does your institution cooperate with agribusinesses (large and small scale) in financing the development of new products, processes or technologies? If so, please explain how this occurs.
9. How does your institution test and evaluate new ideas relating to IBC? Can you give an example?

**C. COLLABORATIONS AND LINKAGES**

10. Who are the main external actors that affect your firm's performance and influence its decision making? Public sector? Other agribusiness firms? Collective or business associations?  
Specify...

11. For each identified actors:
  - a. Characterize its main role from the perspective of your firm,
  - b. Assess its facilitating/impeding relationship to your business activities, and
  - c. Evaluate its performance in supporting technical change and innovation.
  
12. Do you work in collaborative partnership with any other SHFs or agencies? Which ones?
  - a. Are these partnerships facilitated by any government incentives or private agencies?
  - b. What are the benefits associated with these partnerships?
  - c. What are the challenges associated with the partnerships?
  
13. Do you participate in networks or maintain occasional communications with any firms or organizations outside the country? If so, what is the main purpose of these communications?
  
14. Does your firm participate in any business or collective SHFs associations? If so, what is the main motivation for doing so?

## APPENDIX B: INTERVIEW GUIDE FOR SMALL SCALE FARMERS AND FARM WORKERS

Dear Respondent

I am conducting research on the **EVALUATION OF THE IMPACT OF INTERDEPENDENCE BASED COLLABORATIONS (IBC) AMONG GRANT AND PRIVATE FUNDED FARMERS** in partial fulfilment of the requirements for the Master of Business Administration (MBA) at Gordon Institute of Business Science (GIBS), University of Pretoria.

Our interview is expected to last about an hour to an hour and a half, and will help in the evaluation of the model suggested by London and Anupindi (2012)'s research that the base of- the-pyramid domain offers new insights into how inclusive markets and collaborative interdependence between sectors can enhance the connection between profits and the alleviation of poverty in rural areas and thus reducing food insecurity.

Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Phone: +27 11 771 4373

Signature of participant:

Date:

Signature of researcher:

Date:



## A. DEMOGRAPHIC INFORMATION

### 1. Gender

Male	
Female	

### 2. Age range

>25	
26 – 35	
36 – 45	
46 – 55	
56 – 65	
<65	

### 3. Highest formal education qualification

Matric / Grade 12 or less	
Certificate / Diploma	
Bachelor's Degree	
Postgraduate Degree	
Other (Specify)	

### 4. Number of dependants

Spouse	
Children under 18	
Children over 18	
Other (specify)	
Total	

## B. BUSINESS INFORMATION

### 5. Nature of business

Crop farming	
Stock farming	
Agri-processing	
Other (Specify)	

### 6. Role / position in business

Owner	
Manager	
General worker	

7. Period business has been on operation

'> 2 years	
3 – 5 years	
5 – 10 years	
< 10 years	

8. Number of employees (If applicable)

Permanent Female (over 35)	
Permanent Female (under 35)	
Permanent Male (over 35)	
Permanent Male (under 35)	

9. Who are the main external actors that affect your firm's performance and influence its decision making? Specify...

- a. Public sector?
- b. Other agribusiness firms?
- c. Collective or business associations?

10. For each identified actor:

- a. Characterize its main role from the perspective of your firm,
- b. Assess its facilitating/impeding relationship to your business activities
- c. Evaluate its performance in supporting skills transfer and value chain linkages.
- d. Describe in detail its developmental impact, in terms of poverty alleviation in your community.