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# FACILITATING BEHAVIOR CHANGE AND TRANSFORMING RELATIONSHIPS

FIELD APPLICATION OF KEY VALUE CHAIN PRINCIPLES

microREPORT #141

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### DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## INTRODUCTION

Kenneth Arrow once wrote, “Every commercial transaction has within itself an element of trust...” But, as a corollary to this, he added: “It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence.”<sup>1</sup> The promotion of market linkages is a principal intervention in many enterprise development projects. Experiences indicate, however, that the formation of market linkages that does not permit close collaboration between players contributes little to systemic upgrading of the chain and, consequently, does not result in sustainable benefits to microenterprises. The value chain approach to enterprise development seeks to do more than just link microenterprises to buyers: It endeavors to facilitate changes in behavior and improve the quality of relationships between and among players to increase the competitiveness of the chain, while ensuring a broad distribution of benefits, skills and income at all levels of the industry. Win-win relationships can provide the platform to facilitate: a) upgrading to become competitive; and b) adaptation to changes in end markets, in the enabling environment or within the chain to remain competitive.

From the projects implemented by SDCAsia, the following critical success factors have been identified as necessary to successful inter-firm collaboration:

- trust
- good supplier/buyer performance and credibility (i.e., players have the competencies to meet basic market requirements and to manage the partnership)
- openness and reliability
- balanced power dynamics
- good communication

In addition, commercial benefits derived from the relationships—such as reduced transaction costs, enhanced business flexibility or improved risk management and safety nets—must be evident to all players involved and must outweigh the cost of building and maintaining relationships

Over and above these, the players must have common or strongly compatible objectives or interests, a strong focus on end market requirements, and a good understanding of markets and the external environment (e.g., competitors). The quality of relationships and degree of trust influence the way that benefits (and risks) are shared among players. Trust does not necessarily entail the absence of conflict, but it reduces the threat of conflict: The presence of trust lowers the probability that one partner will act opportunistically even if he/she has the opportunity to do so. Similarly, a high level of satisfaction and trust in a relationship has a positive effect on the degree of cooperation and, consequently, motivation for upgrading.

Project implementation experience also indicates that the nature and quality of relationships influence the upgrading trajectory of an industry. A good example comes from the *cardava* banana industry in the Mindanao region of the Philippines, which is the



Figure 1. “Who Sets the Standards,” Supply Chain Relationship Issues, B-ACE Stakeholders Workshop, 2006

<sup>1</sup> Kenneth Arrow, “Gifts and Exchanges,” *Philosophy & Public Affairs*, Summer 1972, Volume 1, Number 4.

focus of the USAID-funded Banana Agri-Chain Competitiveness Enhancement project (B-ACE). The problem of a lack of compliance with quality standards and market requirements at the farm and semi-processing levels was due more to poor relationships and a lack of trust than to the absence of technology *per se*. Quality perceptions vary among players at different levels of the chain. Farmers’ perceptions of quality standards are based on local norms, the procurement practices of local intermediaries (which may be selling to different channels and, as such, may have no consistent specifications), and factors directly impacting the price the farmer receives (e.g., the weight, since this affects farmers’ earnings, or the size that he/she thinks will fetch a better price from the processor or Manila buyers). On the other hand, downstream players, such as the banana chip processors, base their understanding of quality on the demand of the retailers and the reliability of supply. Helping farmers, intermediaries and processors see the entire supply chain rather than focusing on only their part of the chain can help to align their perceptions of quality standards.

This paper aims to present field applications of key principles of the value chain approach with a focus on emerging best practices for transforming relationships and changing behavior. This paper serves as a guide to the phases in relationship building and transformation, and the corresponding facilitation activities. It suggests an approach that value chain development programs can modify to suit their own needs and context. The four stages described in Table 1 below are not mutually exclusive: The development of relationships is an iterative and evolutionary learning process. The key is to start with small, “riskable” steps and incrementally expand depth and outreach as players become more open to working collaboratively and with increasing levels of trust. Trust is a mediating variable without which it is difficult to sustain cooperative relationships.

**Table 1: Stages in Relationship Building and Corresponding Facilitation Activities**

Stages	Facilitation Activities
<p><b>Awareness and initiation</b></p> <ul style="list-style-type: none"> <li>• To sensitize players to the need for and importance of working together</li> <li>• To establish the rationale for collaborative relationships in the industry</li> <li>• To set strategic objectives</li> <li>• To define positioning of microenterprises/communities and to enhance their attractiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of common objectives among industry players through stakeholders’ workshops</li> <li>• Initiation and/or strengthening of horizontal collaboration to lay the groundwork for vertical linkages</li> <li>• Facilitating the development of basic competencies and capacities to link and be linked</li> </ul>
<p><b>Inciting action and building the foundation</b></p> <ul style="list-style-type: none"> <li>• To build trust and create confidence among stakeholders to depend on each other for business activities</li> <li>• To increase cohesion and get players used to working together</li> <li>• To make explicit the benefits of working together</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of catalysts for change</li> <li>• Promotion of a culture of information sharing, learning and open communication</li> <li>• Promotion of a common understanding of standards and norms and accountability</li> <li>• Stimulation of consumer interests to create the incentives for change</li> </ul>
<p><b>Incremental promotion of more focused joint business-oriented activities</b></p> <ul style="list-style-type: none"> <li>• To establish pilot vertical collaborations</li> <li>• To further develop systems and governance structure</li> <li>• To increase information exchange and knowledge sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Establish pilots to assess the potential of larger-scale and longer-term collaboration</li> <li>• Design, development and transfer of partnership assessment system and schemes</li> <li>• Acceleration of adoption of change process through use of a core group of champions and identification of a focal point of change</li> <li>• Reinforcement of stakeholders’ motivation to pursue the change process through recognition and tri-media promotion</li> </ul>

Stages	Facilitation Activities
<b>Monitoring and iterative planning</b> <ul style="list-style-type: none"> <li>To assess the change process and evolution of relationships as the basis for adjustments in strategies</li> </ul>	<ul style="list-style-type: none"> <li>Conduct feedback gathering as the basis for iterative planning</li> </ul>

## PHASE I: AWARENESS AND INITIATION TO THE CHANGE PROCESS

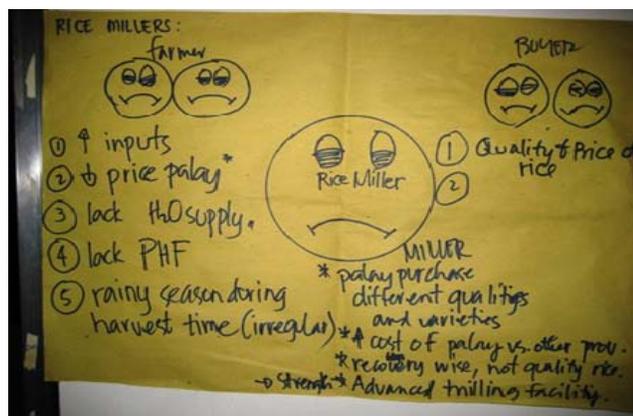
Frequently, chain participants are unaware of their relationships with other participants in the chain. At the start of the B-ACE program, for example, almost 50 percent of the *cardava* banana growers were not aware of the end user of their produce, signifying a lack of clear market intent at the time of production. Farmers see the market in terms of the next actor in the chain—the person who buys their produce. This view gives them the perspective of a “very small market,” which results in adversarial relationships. Consequently, actors are often reluctant to share information on where products are bought and sold. This lack of information-sharing leads to an absence of customer focus and difficulty in matching products to market requirements.

Generally, many of the constraints to the development of win-win relationships are rooted on behaviors and attitudes. Typical behavioral obstacles include the following:

- Aversion to learning or a lack of motivation to learn, often related to communication in the supply chain and the practice of “all-in procurement” (i.e., one price for all grades and sizes), provides disincentives for upgrading.
- The perspectives of actors at each level of the supply chain prevent them from seeing the impact of their actions on other levels. Analysis has shown that various links in the chain blame each other for market fluctuations, becoming enemies rather than partners.
- Value chain participants do not learn from their actions over time because the most significant consequences of action at any level accrue to the final product, resulting in a vicious cycle of actions and blame.
- Lack of trust results in opportunism, duplication of effort and a lack of information sharing. The problem of mistrust creates various other problems, such as the fear of relinquishing control.
- The attitudes of “*business as usual*” or “*we have always done it this way*” are equally real threats, as they keep people in their comfort zones and create resistance to the transformation required for collaborative initiatives.

Entry point activities to facilitate shifts in relationships among players are focused on building a better understanding of the industry and its interconnectedness. Below are the key mechanisms that SDCAsia has found to be successful in developing awareness and initiating a participative change process.

## A. PROMOTING COMMON OBJECTIVES THROUGH VALUE CHAIN STAKEHOLDERS' WORKSHOPS: BUILDING UNITY FROM DIVERSITY



### TEXT BOX 1: WORKSHOP SESSION: A PORTRAIT OF MY RELATIONSHIPS WITH OTHER PLAYERS (RICE SUBSECTOR)

Farmers showed by way of “smileys” how their relations with traders or the government negatively or positively affected their farm’s performance. Traders and millers also showed how farmers’ inconsistent produce quality affected their milling efficiency. The government providers presented how farmers were slow to adopt the technologies they were promoting. The activity allowed them to visualize how their behavior contributed to the competitiveness or underperformance of the industry and the similarities of their concerns.

The different players appreciated the process and became increasingly receptive and creative in creating solutions directed toward the collective success of the industry, rather than just the growth of their own enterprises. The biggest rice miller in the province immediately decided to invest in seed production when he realized during the workshop that access to high-quality seeds was still a major constraint to farmers’ consistent production of the good-quality paddy the miller needed.

The workshop also became the venue for the different players to build or update their own personal networks. Farmers and traders who had no access to post-harvest facilities learned during the activities who among the processors had an underutilized post-harvest facility that they can use for a fee.

Stakeholders’ workshops<sup>2</sup> explicitly and systematically engage participants in a collaborative process of reflecting on the current and future state of their industry, including the identification of viable short- and medium-term market opportunities. The workshops promote dialogue and accountability among players as they realize their common interest in improving the functioning of the chain and identifying effective interventions. In some cases it is necessary to conduct stakeholders’ workshops for each group of actors prior to holding one workshop with all of them. This is useful when the industry is very fragmented (like the *cardava* banana industry at the start of the B-ACE program in 2006), and where people are wary of talking about relationships for fear of negative repercussions (e.g., buyers will stop buying, or farmers will not sell their products to them).

<sup>2</sup> The stakeholders’ workshop was designed and piloted under the USAID-IGP and are continuously modified and customized (depending on industry/geographic specific characteristics) for use in other projects implemented by SDCAsia.

Stakeholders' workshops change relationships and behaviors by achieving the following:

1. *Facilitating self-realization of how actions and performance affect other players in the chain:* This is done via a workshop entitled "A Portrait of My Relationships with Other Players," which has the following objectives: a) To help participants see and understand how they are connected to each other; b) to increase participants' appreciation of the strengths and weaknesses of each player in the link; and c) to validate a field assessment of relationships and further deepen insights on the nature and quality of interactions between and among players.
2. *Deepening players' knowledge and understanding of the synergies between industry competitiveness and quality of inter-firm collaboration:* Appropriate information can change attitudes, and as such, it is useful for implementers to track the kinds of information players find the most helpful and relate it to the common issues they face.

Generally, presentation of the value chain analysis is focused on the following: a) findings relating to inter-firm cooperation and its implications for business competitiveness; b) relationships crucial to improving industry competitiveness and the profitable integration of microenterprises to the chain, with a corresponding assessment of constraints, opportunities and potential win-win solutions; c) market information and pricing and costing structures; and d) market requirements and standards and the current status of compliance with these standards.

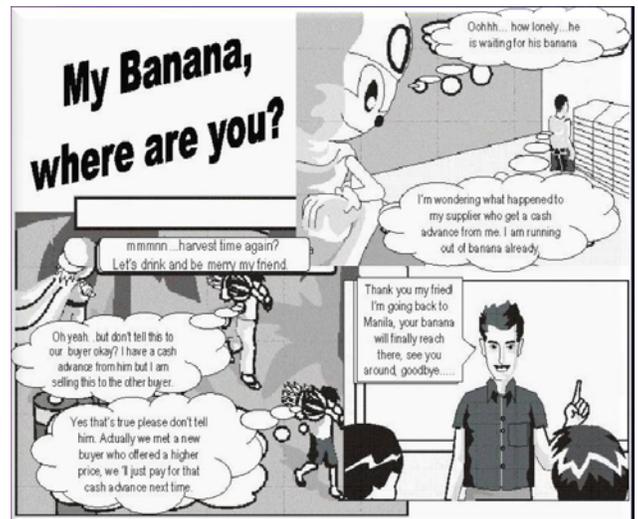


Figure 2: Sample comic addressing relationship issues from a B-ACE stakeholders' workshop, 2006

Presentations using comics (see figure 2 above) make it easy for players to understand and relate to the assessment. The format is useful for presenting the findings of the value chain analysis in a non-threatening way, avoiding defensive reactions. This is especially true when participants are mainly from post-conflict areas.

3. *Participatory development of an industry vision.* Each group of value chain actors defines its respective vision (see table 2 below for an example), which then forms part of the collective, industry-wide vision. In the definition of the vision, players are encouraged to include a statement on the quality of relationships. The vision should recognize healthy self-interest, as this provides the motivation for collaboration (adapted from Morton, 43.)

Table 2: Vision Development by *Cardava* Banana Growers

Priority Constraint: Unstable Supply of <i>Cardava</i> Banana				
Solution	Our contribution to the solution	What will motivate us?	Contribution we expect from other players	Incentives that we can provide to other players
Improve farm productivity	Application of GAP-aligned farm production practices; Dissemination of low-cost indigenous pest and control technology	Stable procurement practices  Less fluctuation in price  Price premium for large volume supply	Information on demand situation  Support to information dissemination on low cost indigenous technology	Stable supply at competitive cost; practice of proper grading and sorting at farm level
Excerpts: B-ACE Stakeholders Workshop, 2006				



Figure 3: Development of industry vision

4. *Harnessing the power and capabilities of value chain players.* The process of improving industry competitiveness must be driven by industry stakeholders, and in particular the private sector. Clearly relating the action plan to the potential available resources can help build early momentum and cooperation. Incentives and motivations are important considerations to ensure that stakeholders will be willing to invest in the change process. The objective of this workshop is to enable the participants to think of their potential contributions towards the achievement of the vision. This is also the first step in building trust since in the absence of knowledge about other players' motives and incentives, it is often difficult to establish trust.

## B. PROMOTING HORIZONTAL COLLABORATION AS THE GROUNDWORK FOR VERTICAL LINKAGES

Collective action is an important strategy for increasing smallholder opportunities and participation in dynamic markets. In view of lower transaction costs and more effective capacities, lead firms often prefer to work with organized farmers rather than individuals, despite the increased bargaining power that groups enjoy. But many MSEs or smallholder farmers are wary of engaging in collective initiatives because of bad experiences in the past and the fear of missing an opportunity to sell at the best price available for their produce.

The absence of strong horizontal linkages significantly reduces the benefits that can be gained from network relationships. Recurrent internal organizational problems, operational inefficiencies, a lack of capital and other problems translate into lost income and opportunities for MSEs who adhere to collective marketing agreements. Corruption and internal conflict within cooperatives as they grow more successful can be addressed through business organizational development (OD) assistance. For example, the SDCAsia project helped to establish a system to promote transparency prior or parallel to promotion of upgrading and linkages. Having shared objectives is a strong social mechanism that supports continued interactions among members of producer groups: The greater the sense of common purpose, the higher the probability of harmonious collaborative relations.

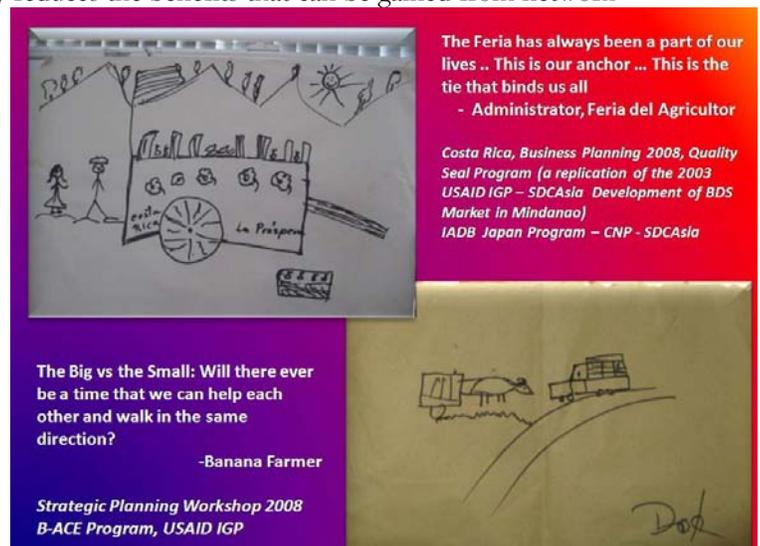


Figure 4: Drawing the good and not-so-good

SDCAsia combines a problem-oriented approach with processes that build on collective achievements, existing strengths and local skills. Combining these two approaches was primarily a response to past experience that demonstrated that an OD focused primarily on identifying and solving problems had a disempowering effect,

reinforcing smallholders' view of themselves as overwhelmed by problems and requiring the help of outsiders to overcome them. The combination of Appreciative Inquiry with a problem-oriented approach has also been effective in post-conflict areas (but not in very harsh and pervasive conflict) as it instills hope without trivializing the severity of the situation.

Below are the basic tools used by SDCAsia in facilitating the community engagement process parallel to enriching SDCAsia's own understanding of people's attitudes.

1. *Learning from the good and not-so-good things; affirming the best*—This is usually an opening activity during a strategic planning workshop in which participants draw the good and not-so-good events and elements in their community, relationships and self in relation to their industry (see figure 4). Common threads and issues from the participants' stories are collectively discussed in order to learn from these, to initiate the process of healing, and to generate creative ideas or images to spur collective change. The results of this session determine the contents of subsequent activities. The session usually ends with motivational videos such as the "Who Moved My Cheese?" by Spencer Johnson.<sup>3</sup>
2. *Recognizing and celebrating collective achievements and milestones*—This activity has proven to very useful in restoring the confidence of a community or group during a relationship crisis, conflict or period of uncertainty. The activity involves a recollection of the "best times" experienced collectively by the group—milestones, achievements, surviving challenging times together, etc. The main objective is for participants to appreciate the best of "what is" by focusing on peak moments of group excellence. Participants then seek to understand the unique conditions that made the high points possible, such as leadership, relationships, technologies, values, capacity building, or external relationships. The activity is primarily based on the premise that to initiate the change process, it is important to focus on incentives and what players want

<sup>3</sup> "Who Moved My Cheese?" is a simple parable that reveals profound truths about change. It is an amusing and enlightening story of four characters that live in a maze and look for cheese to nourish them and make them happy. "Cheese" is a metaphor for what you want in life. "The Maze" is where one looks for what he/she wants. The video is very helpful in facilitating a shift in mindset and openness to try different ways of doing things to get better results.



rather than focusing on problems. This activity developed in response to feedback from stakeholders that they have already “memorized” their problems.

3. *Aligning personal and group objectives and interests*— Industry players will invest in collective initiatives only if the expected benefits will fulfill their individual interests and outweigh the costs. Members should clearly see what the end goals of initiatives will be and how these will contribute to meeting their individual objectives. Understanding people’s incentive for participation also facilitates conflict management.

The heavy emphasis on common goals and their close link to real market opportunities are also central to the success of horizontal collaboration. The best trigger for closer collaboration at the community level is the pursuit of markets outside the locality as well as pride and social recognition.

4. *Start the planning with simple, low-resource collective initiatives*—Newly formed and resource-poor groups should be encouraged to start first with planning simple collective activities (bulking produce, jointly accessing input supplies, community model farms, etc.) that they can implement immediately and will incrementally lead to the achievement of their collective vision. At the initiation stage, the main objective is to get the players involved and excited to work together on something relevant and to build skills for collective planning and decision-making. This activity is carried out in parallel to providing opportunities to build social, human and financial capital. If the group is confronted with resource-intensive and complicated tasks early in the planning stage, it often leads to the abandonment of the collective initiative or the exclusion of certain members.

### TEXT BOX 3: ENABLING COMMUNITIES TO MEET MARKET REQUIREMENTS GIVES THEM A BETTER POSITION IN VERTICAL RELATIONSHIPS



#### Making Communities “Partnership Ready” via GMP Aligned Production

The B-ACE Project facilitates the development of communities’ knowledge base on Good Manufacturing Practices (GMP) via the establishment of a pool of community-based trainers.

#### First Encounter with Lead Firm



Basic know-how of GMP promoted better information flows between the processors and the first-fry facilities. GMP training increased the first-fry operators’ leverage with the processors. For example, when the export manager discussed rejects and acceptable chips, the group already knew what this meant and could readily converse with him. This provided initial assurance for the processor that the group would need only minimal supervision and follow-through training to be proficient. Training on financial management also afforded the group members better bargaining power with the lead firms.

*B-ACE Program, USAID – IGP*

### C. FACILITATING THE DEVELOPMENT OF BASIC COMPETENCIES AND LINKAGE CAPACITIES

The trade-offs between costs and benefits in relationships are directly related to the competencies of players since the weakest link may jeopardize the investment of others. The acquisition of basic competencies and capacities is a pre-requisite investment for value chain actors who wish to initiate vertical linkages, and it can help overcome or modify imbalances in bargaining power, as well as create the necessary conditions for enhancing trust. Key preconditions that entice lead firms to enter into strategic alliances with groups of MSEs or smallholder farmers are the following:

- Demonstration of capability to meet basic quality requirements, which implies the need for some upgrading and a good understanding of the required standards.
- Access to a significant volume, which calls for well-functioning horizontal collaboration.
- Willingness to invest. Lead firms are more inclined to invest when they see that the communities have invested their own money or assets. This provides a guarantee that the communities will work towards making the venture a success.

When value chain actors are given opportunities to develop the skills they need to make changes, they develop an increased sense of confidence. After hope, confidence is one of the most important factors that enable players, especially microenterprises, to cope with change and to negotiate with people that are perceived to be able to wield greater power.

As such, prior to actively promoting vertical linkages in projects, it is necessary to facilitate the upgrading of communities to an acceptable performance level through the following: a) development of a range of services (with market requirements as the starting point) that will address performance gaps; and b) building of indigenous capability and capacity to provide and deliver these services by themselves. The most important of these services are those that relate to the skills necessary to improve the community-level supply chain and, consequently, enable compliance with market requirements. Integrated in the skills needed for upgrading are basic management skills, negotiation and organizational skills, as well as basic numeracy, literacy and analytical skills to decrease vulnerability in the market. Upgrading is carried out by a core group of community-based service providers developed under the program. The services are embedded in the commercial system or in indigenous learning structures to make them financially viable.

The upgrading period geared towards making communities attractive and “partnership ready” also provides opportunities to immediately improve income generation capacities, allowing for the stabilization of food and general livelihood security. This is important because the need for immediate cash for daily food prevents microenterprises and smallholders from participating in transactions with specific payment schedules typical of volume orders or with pronounced seasonality in procurement. The B-ACE program addresses this issue through a parallel strengthening of an interlinked chain, such as street food vendors, which absorbs non-processing grade bananas for snack food preparation and procures daily.

## PHASE 2: INCITING ACTION: BUILDING THE FOUNDATION

Relationships are not built at “first sight,” but rather need goal-oriented actions to grow and develop. Collective empowerment (i.e., collective capacity for action) comes about as people learn that they share a responsibility for one another and by helping each other create social capital,<sup>4</sup> an essential resource in building win-win relationships. As such, while B-ACE interventions are geared toward supporting the empowerment of individual players, the process design and subsequent implementation contribute to the development of collaborative relationships across all functions in the chain. The “Initiation and Awareness” phase provides the players the rationale and impetus for the need to work collectively and for positive shifts in behavior, while the “Inciting Action” phase sets the partnership and change process in motion. There are three crucial elements for trust among industry players to be established:

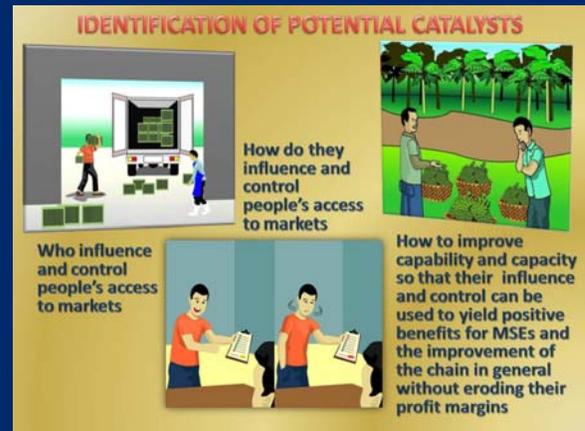
- Repeated exposure to others tends to lead to greater confidence that these others can be trusted (assuming b and c below hold true)
- The players are honest in their communications
- The players honor their commitments

### A. IDENTIFYING CATALYSTS FOR CHANGE

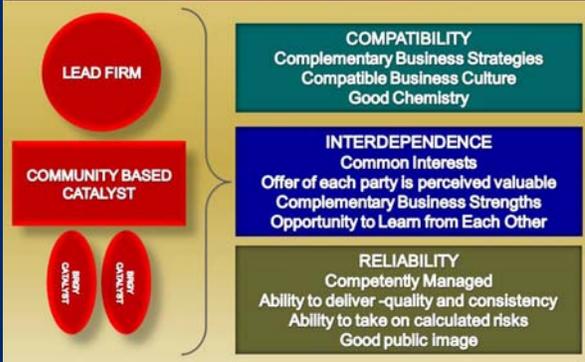
There is a need for catalysts to exist at the different levels (functions) of the value chain for change to reach upstream players. In the B-ACE project, for example, the change process is initiated by either a processor-exporter or a trader, but there is a need for core people within the community itself who are receptive to the change process and, in turn, catalyze growers and other players in the locality to adopt the changes. Depending on local conditions, a catalyst at the community level may be a cooperative or trader. In many project areas, community-level catalysts also need the municipal government to act as a ‘co-catalyst.’ Involving the municipal government is often important because the

<sup>4</sup> Institutions, relationships, and norms that shape the quantity and quality of social interactions (Adapted from World Bank definition).

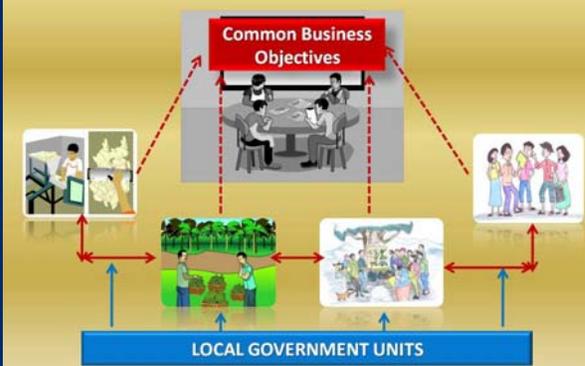
## TEXT BOX 4: IDENTIFYING CATALYSTS



### ASSESSMENT OF PERSONAL AND STRATEGIC FIT



### FACILITATE THE ALIGNMENT OF CATALYSTS ... BUILT ON COMMERCIAL LOGIC



government legitimizes the initiative, draws in other participants and provides resources that can accelerate the change initiative (e.g., farm-to-market roads, land for common service facilities, etc.) Getting respected industry players and other relevant stakeholders (e.g., service providers, government) involved at the earliest time possible is a key way to build momentum in value chain development initiatives.

The first step in identifying potential catalysts is to get a clear picture of the following at all levels of the chain:

- who influences and controls access to markets (at the community level) and how they do so
- ways to improve capability and capacity so that influence and control can be used to yield positive benefits for microenterprises and the improvement of the chain in general without eroding their profit margins
- incentives and motivations to drive the upgrading process

In filtering catalysts, an important aspect to take into consideration—aside from having resources and skills—is the presence of a clear business purpose (e.g., needing a stable fresh *cardava* supply base, seeking to increase cost efficiencies, etc.) rather than philanthropy-driven initiatives to ensure a medium- to long-term commitment. It is equally important for catalysts to have some sense of social responsibility and affiliation with the community. Other important factors in the identification of catalysts are compatibility and similarities in philosophy and approach with the other players in the chain. Typically, the project sets up events or gatherings to stimulate interactions between potential upstream and downstream catalysts for the project team and for the players themselves to assess synergies and possible collaboration for mutual business growth.

In the B-ACE program is conducting the following major tasks to facilitate the development of shared leadership in target communities:

- a) Identification of potential positional and opinion leaders as well as those individual players who influence and control communities' market access
- b) Building the capacities of identified leaders or catalysts to enable them to take the lead in change initiatives and in establishing the organizational base for collective actions. For example, when catalysts consist of traders and lead firms, improving their ability to access markets can be an important factor in building their effectiveness to support supply chain upgrading. Given the limited market perspectives of many rural traders, exposure to urban markets is often required in addition to training on product development, quality standards and quality control. To encourage lead firms to engage in long-term relationships with traders and/or the communities and entrust more of the production processes to communities, the B-ACE project assists lead firms in establishing a market stronghold by facilitating their access to buyers in larger markets and to services to meet the requirements of these buyers (e.g., GMP, HACCP). Market development and linkage support is provided with the objectives of: i) expanding the markets of the various value chain players; ii) ensuring a continuous flow of orders to the communities; iii) providing the impetus for the various players to work closely with each other; and iv) encouraging chain upgrading to consistently meet market demand and requirements.
- c) Strengthening mutually beneficial relationships between public- and private-sector actors. Through such relationships, the municipal government can achieve their plans and targets, facilitate a supportive business climate and, consequently, increase the revenue-generating potential of their areas, while industry players are better able to run their businesses due to the improved business environment promoted by the government.

## B. PROMOTING A CULTURE OF INFORMATION SHARING, LEARNING AND OPEN COMMUNICATION

Communication and information sharing play a central role in building trust and facilitating the development of collaborative relationships. Upstream players need to believe that lead firms have their best interest at heart. Downstream players, on the other hand, need to feel that suppliers are dependable and have the necessary skills and knowledge to cater to their requirements. Collaborative relationships cannot flourish without trust, which in turn cannot develop without a social infrastructure that gives industry players a chance to interact. Socio-cultural events and festivals can serve as venues for players to socialize in informal settings. This is a good strategy for mitigating socio-cultural barriers and adversarial attitudes and can complement the more formal strategic planning and stakeholders' workshops.

An example of a socio-cultural event in the B-ACE program is the Cardava Banana Festival, which was piloted at the start of the program and has now become a regular event organized by the government and the banana growers' associations with very minimal financial support from the project. Events during the festival are built around the theme *"Improved Competitiveness through Win-Win Relationships and Chain-wide Innovations ... A Tribute to Indigenous Skills, Knowledge and Culture."* Together in one venue, farmers, traders, processors, exporters, input suppliers, guests from government and private organizations, schools and the communities celebrate this one-day event in a cultural, festive and fun way with a series of competitions to showcase the various uses and nutritional value of *cardava* and innovative practices in farming, production and processing. The festival is also a powerful advocacy tool that creates awareness about the industry among consumers and the general populace that attends such festivals.

These festivals, which are held at the municipal and provincial levels, have become regular venues for players in the *cardava* industry to meet, discuss and learn from each other. It is during these festivals that lead firms step outside of their plants to connect with the communities at

### TEXT BOX 5: THE CARDAVA BANANA FESTIVALS

Giving the players the means to know for themselves:

#### INFORMATION, MOTIVATION, AND RELATIONSHIP BUILDING EVENTS ... BUILDING POSITIVE RAPPORT



#### PEER LEARNING THROUGH COMPETITION ... MODELS ... EXPOSURE TO GOOD PRACTICES



**A GROWING APPRECIATION AND CONSCIOUSNESS ON QUALITY**  
Competitions and inter-provincial trainings exposed participants to better than average produce as well as facilitated instant sharing and documentation of best practices.



*Listening first and then be listened to at a direct communication level:* Listening to an adversary's stories humanizes them and builds bridges. Often through dialogue people who once thought of each other as adversaries discover that they value very similar things, and can relate and support each other.

a place where they feel comfortable. With players of all levels present, it is easy for each individual actor to cross-check information received. The competitions have been instrumental in bringing together communities and different agencies to work together for the development of the industry. During these festivals each of the functions in the chain is highlighted. These socio-cultural events punctuate the *cardava* community's life and provide a sense of history.

The B-ACE program also facilitates equitable access to information and knowledge and provides the platform for self-expression via an interactive radio program that promotes participation via SMS. These low-cost interactive information services reduce feelings of isolation and improve information transparency. They also facilitate access to technical and market information that enables players, particularly MSEs, to monitor and adjust to dynamic market conditions and make informed decisions.

### C. PROMOTION OF COMMON UNDERSTANDING OF STANDARDS AND NORMS AND ACCOUNTABILITY

Many (mis)trust issues stem from varying interpretations and uneven implementation of standard—or, at times, ignorance of standards. Farmers are generally not aware of the end products and markets for their crops. Farmers also often feel that buyers purposely increase the percentage of rejects to decrease their procurement costs, knowing that it is cheaper for farmers to leave the rejects than to take them back. Given this persistent questioning of integrity, the B-ACE program encouraged lead firms and traders to open their plants to key suppliers and community-based catalysts to see the full procurement and production process, and thereby demonstrate the effects of bad-quality *cardava* on the final product. Parallel to this, lead firms are encouraged to visit community production sites to understand their conditions and limitations and, subsequently, to provide suggestions on basic upgrading.

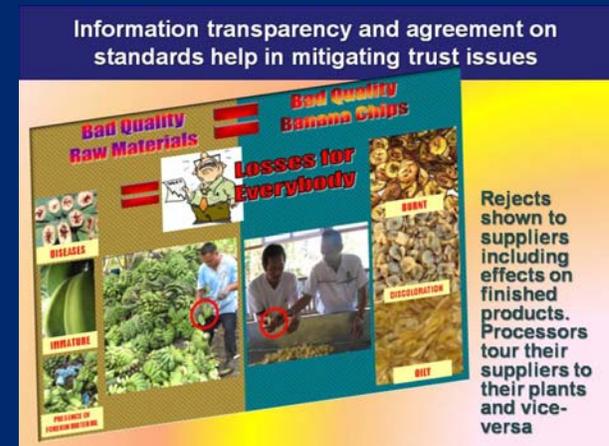
Benchmarking and cross-visits bring an important external focus and have proved to be powerful in

### TEXT BOX 6: “LET YOUR VOICES BE HEARD: SHARE AND ACQUIRE KNOWLEDGE” MOVEMENT VIA RADIO AND SMS



The “Mauswagong Pagpanguma” (Progressive Farming) radio program is managed and operated by the banana association with support from the municipal government. Listeners can participate by sending a message (comments, questions, suggestions) through mobile phone texting and receive a reply immediately on air. Common questions from listeners relate to markets, buyers and the future of the

### TEXT BOX 7: A STEP TOWARDS BUILDING ACCOUNTABILITY IN THE CHAIN ... TRUST BEGETS TRUST



Banana chip processors generally do not allow entry to their plants. The move to open up their plants to community catalysts has mitigated trust issues leading to more concerted efforts to improve that in turn benefit buyers and sellers. Slowly, a common understanding of quality and standards is spreading among players, and this, to a significant extent, promotes harmonious relationships and contributes to increased industry competitiveness.

facilitating self-realization among community groups of the importance of standards and the identification of opportunities for upgrading. A group visit also helps build the necessary team culture and the general feeling of “if they can do it, we can do it.” Sometimes, it is also necessary to pose a challenge to galvanize action within a complacent group and to generate urgency.

#### D. STIMULATING CONSUMER INTEREST TO CREATE INCENTIVES FOR CHANGE

As consumer demand drives supply chains, a better understanding of consumer behavior and attitudes is needed for supply chain actors to identify opportunities. In certain market contexts (e.g., local markets and street vendors), it may be necessary for a project to take the first steps towards stimulating consumer interest or creating incentives for change in the supply chain. In B-ACE, for example, to motivate food establishments to offer *cardava* products other than *turon* (banana spring roll) and *mamya* (banana fritters), the project had to first demonstrate market demand. Key supply chain players were therefore active participants in product development and market testing activities. This instilled a sense of ownership while building capacity to take the lead in promoting upgrading among their peers. Depending on vendors’ and food establishments’ experiences and their analysis of consumer reactions, the players can then decide on whether to adopt or drop an initiative. In one way or another, the project brings issues to the attention of the consumers and then uses consumer interest to attract players to the change initiative.

**TEXT BOX 8: CONSUMER INTEREST AS AN INCENTIVE FOR CHANGE**

**BUILDING UP A CORE GROUP OF CHAMPIONS/COMMUNITY-BASED PROVIDERS ... AND USING END MARKET DEMAND AS IMPETUS FOR CHANGE**

Above are photos of a promotional campaign directed at school children and general consumers. The campaign aims to motivate vendors to diversify into other *cardava* snack foods and to collectively improve income generation capacities.

### PHASE 3: INCREMENTAL PROMOTION OF MORE FOCUSED JOINT BUSINESS-ORIENTED ACTIVITIES

Concrete activities are important to ensure that the relationship building and change process picks up momentum. During this phase, the objective is for players to move beyond social interactions and networking to building collaborative business relationships. Activities generally revolve around areas of prime business interest to the parties involved and lead to the realization of short-term objectives while contributing to the achievement of longer-term objectives. Early benefits can help coalesce collective initiatives and motivate people to achieve even greater results. Generally, priority should be given to low-risk, early-return activities that are able to achieve the following:

- a) Facilitate transfer of skills and knowledge to strengthen business performance
- b) Increase interaction
- c) Help create the confidence needed by stakeholders to depend on each other for business activities.

## A. PILOTS TO ASSESS THE POTENTIAL OF LARGER-SCALE AND LONGER-TERM COLLABORATION

A pilot project allows actors in a value chain to commit themselves in stages to minimize risks and work out difficulties while proceeding on a small scale. As success is achieved, higher-risk projects can be introduced and implemented.

Through pilot projects, partners collaborate to identify and solve problems in their supply chain. ‘Learning by doing’ is a common methodology with lead firms acting as mentors. Chain partners analyze their operations, looking for practical ways to, for example, reduce costs and improve food quality and safety.

To initiate collaboration between parties who have expressed interest, a Partnership Opportunity Assessment meeting is held by the project or one of the prospective partners using the following agenda:

- a) Assessment of each other’s offer—lead firms discuss their policy and what they can potentially offer, and communities (which may include any traders present) describe what they can potentially commit to. This is followed by product and process evaluation vis-à-vis lead firm standards and requirements
- b) Definition of expectations, roles and contributions
- c) Agreement on next steps

### TEXT BOX 9: PILOT COLLABORATION—SUPPLY OF FIRST-FRY BANANA CHIPS



Local supply of first-fry chips is beneficial to both the communities and the lead firm. For the lead firm, it will reduce their production costs, while for the communities, first-fry operations allow them to take on more functions in the chain. Despite these advantages, lead firms and communities did not pursue this opportunity. To pave the way for collaboration, the B-ACE project tapped lead firms as resource persons in trainers’ training on GMP-aligned first fry production processes. Lead firms’ participation in these community upgrading activities provided the platform for the players to explore possibilities for deeper collaboration, and helped them to see the potential benefits of cooperation. Commercial transactions usually started with a simple activity such as the sale of fresh *cardava*, in parallel with a hands-on session to align community operations with those of the lead firm. Depending on the satisfaction of the parties,

the collaboration may develop further with incremental investments from each party. With increased transactions, parties usually then turn their focus towards productivity improvements. Even if the parties at some point break their relationship due to various circumstances, both parties are able to benefit from the cooperation, learn from the experience, and start at a higher level of understanding and cooperation in the next relationship.

**Table 3: Partnership Opportunity Assessment Matrix**

<b>Change Needed</b>	<b>Activity Required</b>	<b>Cost and Time Implications</b>	<b>Responsible</b>	<b>Incentives/Rewards</b>
Reduce oil usage by at least 10%	Frying system improvement to achieve correct frying temp (125°-140°C) via use of rice hulls for a consistent and sustained heat; and conscientious implementation of proper procedures in stirring and mixing	Use of rice hulls for frying would entail additional PhP 66.67 per ton of fresh green bananas	Lead firm—to send cook to demonstrate process  First-fryers – to designate key persons to undergo training ; implement the new process	Oil savings of 10-15% or PhP 730 per ton of fresh green bananas  Less rejects—fewer oil-soaked chips  Continuous orders if able to maintain delivery of good quality chips
Percentage of broken chips should be 5% or less  Ensure chips recovery at 25% or higher based on fresh green bananas	Efficient first-fry production techniques (GMP in first-frying) from receiving of raw material to slicing, frying and sorting of the chips	Additional labor/classifier at Php 100/day per 5 tons fresh green bananas Maintenance cost of slicing machine and yearly belt replacement	First-fryers	Deliveries within the allowable rejects range will be given premium price  Prompt payment since products will not be sorted again

*Excerpts from partnership opportunity assessment meeting between lead firm and first-fry community (B-ACE, 2008)*

To the extent possible, the risks of all parties are reduced to ensure that whatever the outcome of the pilot collaboration, neither party will be left worse off than before. The project, for example, encourages communities to collaborate with two or three buyers, but in a transparent way. Similarly, lead firms are not exclusively tied to just one community. When there is total dependence between MSEs and a buyer, there is a tendency for the lead firm to dominate decision-making, especially if it has invested more than the MSEs. Linkages assume a more transactional and win-win nature when both parties have alternative outlets and supply sources, minimizing the potential for a price-dependent and paternalistic relationship. When such a relationship deteriorates and a lead firm pulls out, MSEs often find it difficult to start all over again.

The implementation of collaborative pilot activities has also been instrumental in attracting more lead firms to work with communities from a capacity-building perspective rather than exclusively from a price offer and compliance point of view. The pilots have motivated lead firms and communities to analyze how they can improve their way of working together to avoid problems encountered during the pilot. Learning occurs without players having to make large financial commitments and undertake significant risk. Even when things do not work well or relationships end, risk aversion is not heightened since benefits exceeded the costs.

## **B. USE OF AN INFLUENTIAL CORE GROUP EARLY IN THE PROCESS**

An influential core group can be leveraged to involve their peers and make that one small shift that produces widespread change. In collective groups, it is natural for many people to wait and see how things go. A strategy used by SDCAsia is to informally form a core group of champions consisting of people identified as early adopters and use this group to win over the early majority. This allows implementers to build strategically and incrementally so that the change process acquires momentum. It has been observed that as soon a core group is enrolled in the change process, they usually also take on the task of ensuring that their peers behave and comply. The members of this core

group become role models and help to reduce uncertainty about a new idea by adopting it, and then conveying a subjective evaluation of the innovation to peers through their inter-personal networks.

**BEFORE** **TODAY**

**TEXT BOX 10: A SINGLE STEP THAT TRIGGERED A CHANGE IN MINDSET AND PRACTICES**

When the core group of “champions” in the Barranca Feria finally decided to upgrade their stalls, this created a bandwagon effect in the whole feria. With new stalls, the vendors became more conscious of their product display and conscientiously applied food safety and quality standards. Parallel to this, feria customers expressed their satisfaction with the changes, which further motivated vendors to collectively revitalize the feria.

**Investment in new stalls by Progressive Vendors triggered the more conscious implementation of Food Safety and Quality Standards in the Whole Feria**

**BARRANCA FERIA DE AGRICULTOR, COSTA RICA – 2008**  
IADB JAPAN PROGRAM – SDCAsia - CNP

### C. CELEBRATE EVERY SUCCESS IN THE CHANGE TO INSPIRE AND MAINTAIN MOMENTUM

SDCAsia communicates incremental improvements made by value chain actors and their role in encouraging good, socially responsible practices among their peers. Recognition from the project team, government or individuals respected by the actors is important to maintain momentum and spread interest among the “resistant” group. Interest from the media also helps to keep activities from stalling. In addition to income, pride and recognition are important motivators for microenterprises.



**Figure 5: Communicating success to maintain**

### PHASE 4: MONITORING AND ITERATIVE PLANNING

Given that relationships and markets are dynamic, market research and feedback from value chain actors play an important role in facilitating the development of win-win relationships. Aside from monitoring value chain development performance indicators, the B-ACE project also conducts regular snapshot assessments of the nature and quality of relationships through focus group discussions and a simple survey. This also allows the identification of emerging changes in the relationships among industry players and the corresponding issues that need to be addressed.

Responsibility for conducting a simple, brief survey on how communities perceive their relationships with other actors in the industry is gradually being transferred to community-based enumerators.

**Table 4: Satisfaction Rating—Farmers’ Relationships with Actors in the *Cardava* Industry**

How do you feel about your relationships with players in the <i>cardava</i> industry?	2006	2008
 VERY HAPPY	25%	41%
 HAPPY	25%	41%
 NOT HAPPY, NOT SAD	15%	9%
 SAD	30%	9%
 VERY SAD	5%	

### TEXT BOX 11: EXCERPTS FROM B-ACE SNAPSHOT ASSESSMENT

The snapshot survey in Table 4 used satisfaction as a qualitative measure of the perceived effectiveness and performance of business relationships. Receiving economic or noneconomic benefits as a result of the relationship is crucial to players gaining satisfaction from a relationship. The two most common reasons given by farmers for why they are now happy or very happy with their relationships with other actors in the industry are 1) an increased exchange of information and 2) a better price for their bananas. The minority who answered that they were “sad” had reasons primarily related to the lack of markets.

It was very evident from the snapshot assessment that the level of perceived satisfaction also influenced feelings and perceptions of the *cardava* industry as a whole, and their livelihoods in particular. It would seem that the evolution of better relationships and, consequently, improved access to market information, reduced uncertainties. With reduced uncertainties, the farmers seem to be more inclined to take calculated and incremental upgrading investments. Likewise, there is now a lower tendency for farmers to simply cut down their trees whenever there is a fall in the price of bananas.