

SECTION 10

Negotiating a Strategy to Increase Competitiveness



Guiding questions

1. Which of the inputs generated in the previous steps are important for facilitating negotiations between market chain actors?
2. How can we use the previous analysis to clarify the interdependence between market chain actors? Does this information identify areas where collective action by one or more actors could collaborate to improve their situation?
3. Does the existence of complete and shared information along the market chain permit decision making and facilitate agreements between actors to increase market chain competitiveness? Why or why not?
4. What kinds of agreements can we expect from a negotiation workshop? For whom is this space useful?

Introduction

This section focuses on the negotiation and design of the strategy to increase competitiveness among representatives of the market chain. Before arriving at this point, the service provider must have systematized the results of the market chain diagnostic workshops in a technical document as well as a suite of investment plans. These documents are an input for the negotiation workshop and the discussion about how to increase the competitiveness of the market chain. The list of participants for the negotiation workshop comes from previous work with care taken to ensure the representation of key actors either directly or indirectly. If additional actors

have been identified—for examples key buyers—they may be invited to this session, even if they have not actively participated in previous work.

The technical report communicating the results of the market chain diagnostic as well as a suite of investment plans should be available to all workshop participants prior to the event, and serve as a starting point for the process of negotiation. Based on these documents, the workshop reviews the results of the diagnosis, the proposed investment plans, and establishes possible alliances for short-, medium-, and long-term activities focused on increasing market chain competitiveness. Finally, the

logical path and investment plans are improved or accepted and action plans developed for their implementation.

Below, we revise step by step how to facilitate the design of a strategy to increase competitiveness.

Systematization of Results: Technical Document

Before the negotiation workshop, we recommend providing a technical document to participants, if this has not already been done, with the results from previous workshops. The contents of this document may follow the model below or another identified by the facilitating organization.

Suggested contents

- 1. Market chain selection:** A brief description of how and why the market chain was selected.
- 2. Market survey, by select team:** Key results of the market survey with special emphasis on demand aspects including retail prices, price trends, product qualities, market trends, and opportunities for new markets or new products.
- 3. Identification of actors:** Using the information from the summary interviews sheets and based on meetings, this section should outline who are the actors convened for the design of the strategy to increase competitiveness. Why were they selected? Who was excluded and why?
- 4. Participatory analysis of the market chain by selected actors:**

a. Market chain map

- Presentation of the final market chain map where product flows, actors' relationships and business development services identified.
- A report on price formation, including production costs for producers (if possible for the intermediaries and wholesalers), as well as the purchase and sales prices for each player.
- A report on income distribution along the market chain focused on gross margin (inputs-outputs) and what percentage of the final price reaches each actor.

b. Characterization of the market chain's actors

- Geographic location (where they are located).
- Role within the market chain (what function is carried out: production, processing, support, accounting, marketing, transport, etc.).
- Level of organization (what grade of business organization each player has) and type of organization (farmer organization, community development organization, business firm, etc.).
- Managerial capacity (what managerial practices are used such as administration, accounting, management capacity, marketing, etc.).
- Disposition to participate in market chain improvement (your perception of each player's desire to participate in activities to improve the market chain).
- Possible alliances identified between actors and their motivations. What possible alliances are visualized, between whom, what are the factors that make the alliance possible? (For example, motivations such as income gains, increased volume, improvement of product quality, opening new markets, etc.).

This last question is important since the necessary details will be worked on in the negotiation workshop with all market chain actors.

c. Business development services

Includes the business development services demanded and supplied along the market chain. The analysis of these data can be based on the following questions:

- Who supplies business development services to the market chain in the different links?
- How is the quality and effectiveness of the services perceived both by the clients and suppliers?
- Are there gaps between available services and those needed for increasing market chain competitiveness? What are they?
- Are there services that have many suppliers and few clients?
- Which services are paid for, and which require subsidies to function? Is there a

relationship between the quality of the service and whether it is paid for or subsidized?

d. The timeline and past interventions

Share the table of market chain history with the actors.

- Analyze the types of support offered to whom and on what themes.
- If people have catalogued this support as negative, analyze why.
- Share the outcome of previous interventions and identified local capacity to effect positive change.

5. Analysis of critical points: Include copies of the general limitation tree and the general solution tree with ranked limitations and their analysis. If discussions are anticipated, it may be useful to have all the problems trees generated available.

6. Logical path for the market chain: Include a copy of the logical path generated for the market chain with its respective activities and results.

7. Options for investment plans to be presented by group members: Present the short investment plans with the following information for each objective in the logical path:

- The projected activities and expected outcomes in this area.
- A solid estimate of the financial requirements and expected returns on this investment.
- An assessment of the risks entailed in work on this topic.
- A timeframe for implementation.

In addition, give credit for data collection and analysis to participants and facilitators in the workshops in the summary document.

We recommend providing this technical document with participants in the negotiation workshop ahead of time so that they can review the contents. It is also useful to kick off the workshop with a brief presentation highlighting the most important results from the diagnostic process. This aspect is important as some of the actors present in the negotiation workshop may have been absent from the previous workshops,

but are key to taking advantage of the business opportunities open to the market chain.

Negotiation Workshop

Objectives

1. Share and discuss the market chain diagnosis with a representative group of market chain actors.
2. Identify key points of common interest among the different actors.
3. Negotiate possible alliances and collective actions (between more than one actor) to take advantage of market opportunities.

Participants

The participation of key actors along the market chain—especially those necessary to take advantage of specific business opportunities—is vital for this workshop. In this case, the service provider should make every effort to involve key actors who may have not participated actively in other parts of the analysis but are key to chain development. This is often the case with major clients or traders with whom useful discussions are more feasible, based on the information contained in the market chain analysis.

Other types of actors can also be invited, such as specialist service providers who already provide or may provide business development services to the market chain, as well as NGO managers to evaluate the results depending on the needs of the market chain. In addition, a banker/accountant may be useful to assist in the revision of the investment plans.

Development of the workshop

The following steps are recommended for the negotiation workshop. The service provider and market chain actors should revise their applicability, and adapt or change them according to their best criteria. Combining the following list with less formal activities—i.e., coffee breaks, lunch, mixers, or round-table discussions—is useful as well as serving to reinforce the informal relations between diverse actors along the market chain.

Presentation of limitations and opportunities by actors

At the start, the problems found in the market chain can be shared by each group of actors. An easy way of communicating this information is by means of a matrix where the functional

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categories of the market chain appear with the points of view of the different actors as shown in Table 27.

This matrix should be adapted to the market chain's needs since the problem is unlikely to be as general as post-harvest management, but rather something more specific such as "lack of adequate packaging material".

Once this information has been shared, the service provider and the market chain actors should present the results of the business opportunities identified for the chain and their respective investment plans (Table 28).

Facilitating notes

1. The information needs to be presented to the actors in an easily understandable and comparable way according to the rank that each group has given the limitation or the

investment plan. If different actors have used different terms to refer to the same problem or opportunity, it is important that either all the terms appear (so that everyone can clearly see their point of view represented), or else a short phrase that attempts to pick up the essence of the problem/opportunity. If the second option is selected, the facilitator of the meeting must explain where the phrase comes from, and that this intends to reflect the terms used by the participants.

2. It is a good idea to leave a space for the participants to provide feedback on the diagnostic by giving their opinions and clarify points that are confusing.
3. It is important to emphasize not so much the diversity of viewpoints, which will certainly occur, but rather to emphasize common issues where a collective solution to the limitation may be found.

Table 27. Example of a matrix of problems per activity and actor.

Activity	Actors ^a				
	Producers	Processors	Traders	Buyers	Support service providers
Production	☹☹		-	-	☹
Post-harvest management	☹☹		☹☹☹☹	☹☹☹	☹
Processing	☹		-	☹☹☹	☹☹
Marketing	☹☹☹☹		☹☹	☹☹☹☹	☹☹☹
Business organization	☹		-	☹	☹☹☹☹

a. More ☹ indicates a more important problem.

Table 28. Example of business opportunities matrix and investment plans.

Investment plans	Actors ^a				
	Producers	Processors	Traders	Buyers	Support service providers
Organization of farmer collective marketing group	☺☺	☺☺☺	☺☺	☺☺	☺☺
Introduction of new varieties	☺☺	☺☺☺☺	☺☺	☺☺	☺☺☺☺
Introduction of a market information system among market chain actors	☺☺☺☺	☺☺☺	☹☹☹☹	☹☺	☺☺☺
Introduction of common product standards and grades along the chain	☺☺	☹☺	☺☺☺	☺☺☺	☹☺
Development of new, value added products for the urban market	☺☺	☺☺☺☺	☺☺	☺☺☺☺	☺☺

a. More ☺ indicates support to a particular investment plan.

4. The objective of this space is to show the participants that their problems are intimately interrelated. The links between actors and their difficulties serve as inputs to identify common causes and as a way of visualizing possible gains for various actors from changes made in one part of the market chain.

Negotiation between market chain actors and service providers

The second stage of the workshop seeks to facilitate discussion among participants, market chain actors, and specialist service providers to identify the best way to improve market chain functionality. This process should flow from the problem and opportunity analysis included in the first part of the workshop. The objective is to identify joint activities or areas in which joint activities could be generated, in the short-, medium-, and long-term that can improve the market chain. Ideally, these activities will represent some type of gain for most market chain actors or, at least, for more than one of them. It is important to avoid focusing on solving one problem that principally affects one actor as the other participants will misinterpret this as favoritism.

In this stage, the real interest of the participants in supporting collective action in the market chain is put to the test.

Facilitating notes

- The role of the workshop facilitators is critical at this stage since equilibrium must be found among the distinct actors. The

- focus should be on how to generate positive solutions for most if not all participants, not gains for some at the expense of others.
- It is better to identify relatively simple activities in the short term and increase the level of complexity and difficulty over time even though complete solutions represent more gains than partial ones. We recommend this approach as most of the actors in the market chain do not know one another well, and many have histories of adversarial relationships. To achieve complex objectives, therefore, requires a process of incremental positive experiences through which actors can build trust in each other and confidence in the process of market chain improvement.

Identification of possible alliances for generating and implementing solutions

In the third step of the workshop, potential opportunities for collaboration are identified. This starts by listing investment plans and the actors who wish to participate, and what they are willing and able to contribute (Table 29).

A good method at this stage is to divide the investment plans by timeframe (short-, medium-, and long-term) and by resources (local, mixed and external resources). It is important to note that the concept of short-, medium-, and long-term varies by market chain. One of the tasks of the negotiation workshop is to identify a feasible timeframe with market chain actors for a given task. We recommend starting with pilot actions that show quick, tangible results—in a few months—

Table 29. Identification of alliances by each stage of the market chain.

Stage	Activities	Participants	Contributions
Production	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Post-harvest	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Processing	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Marketing ^a	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Business organization	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.

a. Marketing in this context can refer to either trade or retail. These are general categories and should be adapted or changed based on the needs of the market chain.

to generate a positive dynamic around the strategy to increase competitiveness. In this sense, a reading of the participants' degree of patience is important. More patient groups can opt for more ambitious initial results, while groups with pressing needs or low levels of trust need rapid results to achieve simple, but important, achievements (Table 30).

This is similar to the idea of developing one or two pilot activities along the chain as a jumping off point for more ambitious processes of market chain improvement. A good pilot activity should:

1. Be feasible to achieve in a reasonable amount of time—6 months—and generate tangible, measurable results for more than one actor in the market chain.
2. Lay the groundwork for more ambitious activities by showing the utility of working together.
3. Include a simple monitoring system that allows market chain members to assess the advances of the activity and make changes in a timely fashion if needed.
4. Be relatively low-cost and, where possible, draw principally on locally available resources, people, and knowledge.
5. Focus on building positive relationships among market chain actors.

Facilitating notes

- At this stage the goal is for market chain actors to commit to collaborate. Details can be worked out in the final strategy to increase competitiveness, and further revised and improved upon in additional workshops as the necessary confidence between the actors grows.
- The workshop facilitator should try to emphasize solutions that focus principally

on the use of local resources since the attainment of external resources is a long, risky process. By choosing this path, solutions may take more time, but they will not be subject to external decision-making processes divorced from local realities.

Revision of the logical path

Based on the above discussion, the logical path prepared previously is presented to the workshop participants for discussion and improvement.

At the end of the negotiation workshop, the following products should be available to serve as input to the preparation of the final strategy:

- Identification of possible alliances to solve market chain problems and clear commitments in this respect.
- Anticipated investment plans, with times and external resource needs.
- Revised and improved logical path for a strategy to increase competitiveness.

Design of the Final Strategy to Increase Competitiveness

Based on the corrected technical document, the systemized results of the negotiation workshop, and the agreements achieved between the actors, a final version of the strategy to increase competitiveness can be designed. Staff from the service provider can carry out the actual write-up of the document; however, the final version should be shared with and reviewed by the market chain actors to ensure validity.

This document can be a more extensive version of the technical document, adding the results and agreements of the negotiation workshop, or can be a new document with more details.

Table 30. Time and resources required to implement a marketing strategy.

Resources	Timeframe		
	Short < 6 months	Medium 6 to 12 months	Long > 12 months
Own	What can we do in the next 6 months using principally our own resources?	What can we do in the next 6 to 12 months by mixing local resources with targeted external help?	What can we do in 1 year or more based on local capacity and a judicious use of external support?
External	If there is no sure source of funds in the short term, it is best focus on solutions that use local resources and knowledge.	What key activities in the next 6 to 12 months should be prioritized for limited external support?	What key activities require external support over the long-term (i.e., targeted research) to help promote market chain competitiveness?

Generally, various details from the negotiation workshop remain open for discussion, such as responsibilities, costs, and dates. These details should be developed and put in the final document either by the service provider or by a working group of market chain actors. In this sense, the final strategy is an on-going process. Two short case studies of final strategies and their implementation are shown in Boxes 6 and 7.

CIAT does not recommend a specific format for the final strategy, as its use for planning joint

actions and for developing funding proposals precludes a set structure. We do recommend, however, that the market chain have a logical general framework for the market chain improvement that all actors can agree upon and collectively seek to implement. This is especially true in big market chains where the total cost for implementing the complete strategy at once is prohibitive. In almost all cases, it is recommended to divide the strategy into specific sub-projects focused on specific funding opportunities while, as the same time, not losing sight of the relationships between each sub-project.

Box 6

Black pepper in Pucallpa, Peru

Black pepper was identified as having a substantial market demand in Peru with Pucallpa is the only producing area in the country. The application of the method to increase market chain competitiveness substantiated this opportunity and showed farmers that the prices they received for their products was only a small part of the value that this same product received in Lima. Price differences of between 600% and 1000% were found in this chain. Based on this information, 45 small producers formed a private business (Piper S.A.) and decided to implement the strategy for chain improvement. In the first 6 months, they improved and homogenized their local post-harvest practices through a horizontal (farmer to farmer) process and entered into negotiations with an industrial buyer in the city of Huancayo. As a result of the first process, participating producers differentiated their product, achieving 20% more for each kilo of pepper than non-participants in the local market. In addition, Piper S.A. sold 1.5 MT (approximately 10% of the local harvest) to the buyer in Huancayo in two lots. The price paid for the first lot was 58% above local market price while for the second lot, a 30% increase was achieved. After the second sale, imports from Ecuador decreased prices limiting further sales. Piper S.A. has purchased technical and marketing assistance from CRESE S.A., a private for-profit organization applying CIAT's area approach.

In addition to the short-term gains achieved in 2001, local producers have developed a clear business vision of where they hope to go in the mid- and long-term. During fieldwork in October 2001 (after prices collapsed), farmers said things like, "now that we understand the market better, we realize that we can achieve better prices by improving quality and linking to buyers. But this is only the beginning. This year (2001) we sold pepper in Huancayo for more than 10 soles per kilo when local prices were, at best, 5 soles. But if we grind our pepper and package it for the local market, that same kilo is worth 22 soles. We are now looking for funds for a grinder and later on will see if we can grow and process for a large Lima company".

Box 7

Cut flowers in Cauca, Colombia

The production of cut flowers—Anthurium—has traditionally been a women's concern in the Department of Cauca, Colombia. When good market opportunities appeared for this product, a market chain analysis was facilitated by CORPOTUNÍA, a local NGO, with three groups of women. The analysis of the farm to market chain revealed that profit was largely captured by flower shops in the departmental capital of Popayán while the producers themselves were barely covering costs. Armed with this information, a negotiating session occurred between representatives of the women's groups and possible buyers. This process resulted in a 24% price increase for producers who, in return, agreed to sort, grade and pack the flowers based on their customers needs. More important than this initial gain, however, is the business vision which the women's groups have developed that involves the establishment of a direct sales point in the city and, in the long run, the sale not of cut flowers, but of floral arrangements.

Negotiating a Strategy to Increase Competitiveness

In general terms, the strategy can be understood as a road map that defines a path for increasing the competitiveness of a market chain. The way in which the strategy is implemented depends on the actors themselves. There are examples of strategies of competitiveness that are implemented by local actors (formal and informal) with a minimum of external help, and others that have managed to obtain significant funding. It is important, therefore, not to view the strategy as a

document, but rather as the first step in a process of discussion, collaboration, and support between actors focused on changing their relationships in a substantial way, and therefore the functioning of the market chain.

In the following and final section, some general guidelines for the monitoring and evaluation of strategies to increase competitiveness are presented.