

SECTION 4

Guidelines for Adapting the Process to Local Needs



Guiding questions

1. What are the principles behind a strategy to increase competitiveness?
2. What characteristics and qualities are required to facilitate the design of such a strategy?
3. Why is it important to keep in mind the heterogeneity of the market chain's actors even within a single segment of the market chain?
4. How can research and development activities be combined in a strategy to increase competitiveness, in the short-, medium-, and long-term?

Introduction

In the previous sections, we reviewed basic concepts underlying market chains and the basic steps in developing a strategy to increase market chain competitiveness. In this section, we will look at how to adapt and apply these principles into the design of a local strategy.

A strategy to increase competitiveness is based on a combination of innovation and building agreements between chain actors that seek sustainable improvements in the competitive performance of a particular market chain. This market chain approach is applied within the

context of an area or territorial approach to rural enterprise development. The methodology includes support to both the market chain actors and to the businesses that support the market chain. Local actors including technicians, promoters, facilitators, and local leaders can apply the methodology without having to rely upon external experts. Implementing actors should review and adapt the method to their needs, deciding which parts of the method are most useful, and where changes will be required. To support the process of adapting the method to local needs we recommend some basic guidelines.

Market Orientation

A competitive strategy should be considered as a business tool, designed to support enterprise activities that increase income and respond to market demands. Before designing a market chain strategy, local facilitators should have a clear idea of the strengths, weaknesses, and potential for enterprise development in their local area, and have up-to-date information on the market opportunities open to the project area and the aims of the client group. Methods to gather this information are dealt with in Guides 2 and 3 of this series.

Market Chain Focus from “End to End”

This methodology reviews all the functions of the market chain starting from input provision to the consumption of the final product. The existing enterprise and available business development services are analyzed as well as the functions of input provision, production, post-harvest management, processing, and marketing. This requires that key players in the system are identified and participate in the process of market chain analysis. Developing a multi-actor group and having a wide analytical framework is important in understanding the market chain as a business system, and at the same time identifying critical points where a minimum of effort will generate maximum benefits.

Coordination among Different Actors to Identify and Develop Synergies

The methodology assumes that areas of common interest between diverse actors along the market chain are not evident. For this reason, the methodology seeks to incorporate and motivate a range of actors to define common objectives and strategies, thus permitting a coordinated effort between them. In this approach, it is important to ensure that key actors are included in the system. The organization facilitating the process should have friendly relations with key informants or actors, or be disposed to build these relationships during the course of the process. Building contacts with actors in the private sector including enterprises, supermarkets, local, and external traders and those offering business development services, etc., is sometimes complicated, given time limitations. However, the ability to negotiate with these actors is critical because of the information they

manage regarding the market chain and market potential.

Working with the Private Sector

An additional objective is the identification and development of synergies among actors along the market chain. The organization facilitating the process should involve representatives of all actors along the market chain to highlight their interdependence and the possibilities of improving their business activities. This does not mean that all actors participate at all times in the design of the strategy. Most private sector representatives will not attend long workshops and therefore the process facilitator may need to interview some market chain representatives to capture their opinions and relay these ideas to the group in the design phase. Where possible, private sector representatives should review the analysis of the market chain and be key participants in the final design of a market chain strategy. Despite being less participative due to time constraints, these actors can often help (or hinder) any proposed change in the market chain, and therefore must be included.

Selection of Key Informants in Decision-Making Processes

Understanding how a market chain functions and who the key players are, is vital to having good representation from the market chain. These key informants range from input suppliers, producers, those who are involved with post-harvest management, processing, and marketing of the final product, to business development service providers. Key informants need to participate actively so that their viewpoints are clearly heard and incorporated into the information gathering and strategy development.

Respecting People’s Time, Needs, and Differences

In certain circumstances it is better to separate actors so that their time is used most effectively. Traders for example are busy people and do not appreciate time spent discussing other peoples business that is not relevant to their area of activity. The facilitator should therefore evaluate whether certain groups in the market chain are best interviewed within a mixed group, or interviewed separately. For example, if a market chain includes the participation of large-, medium-, and small-

scale producers, with diverse technologies, different access to resources, and thus different opportunities and limitations, it is important to have representatives of each group to design effective support strategies to meet their different needs. People or organizations involved in processing activities are another example; the use of different levels of processing technology can affect processing efficiency, costs, and final product quality. At a consumer level, differentiation is also important. For example, consumers of varying income levels may have varying demands based either on product quality or price, or a combination of the two. The facilitator should take care to separate these types of actors and groups as this will not only help to focus future interventions more appropriately, but will also use people's time in a respectful and meaningful manner. The facilitator should constantly review people's comments on the process, and if participants are bored, or feel their time is not being well used, the process needs to be changed.

Combining Research and Development Activities to Promote Innovation

The final strategy to improve the competitiveness of a market chain can include both research and development activities, which may take place at any point along the market chain. Research actions may focus on improving productivity, post-harvest management, processing, marketing, or the provision of business development services with the purpose of improving market chain competitiveness. At the same time, other actors may implement development activities seeking to increase the market chain's competitiveness.

Typically short-term activities focus on development outcomes, but as the strategy advances, and research results are obtained, other innovations are introduced which may be of a medium to longer term nature. Several actors along the market chain often implement the longer term interventions.

The process of innovation is typically long term and, if possible, permanent. A reasonably long time horizon is important to improving market chain competitiveness. In other words, improving the market chain quickly is important, but if substantial, or sustained improvements are sought, a more strategic research approach that facilitates innovation may be required. Strategic research is not necessarily an action carried out by specialists

or research centers, although these may participate, but rather a permanent focus of innovation, learning, and diffusion that draws on both experts, and the knowledge of market chain actors and their own capacity for innovation.¹¹

Mixing Short-, Medium-, and Long-term Activities with Available Resources

A strategy to increase competitiveness, which includes both research and development activities, can be divided into short-, medium-, and long-term actions and should be developed with a sound understanding of whether external resources are required or not. In the first instance, a strategy should be based on local actions using local resources and knowledge, before seeking external support. This is useful because it promotes a positive dynamic between the actors and helps a community to realize that they can do things themselves, without waiting or relying on external support. If a community is to embark on a business strategy, it is always best to develop processes and activities that are within their financial reach. In the medium and long term, as a business idea advances, local and external resources and knowledge can be mixed more effectively, and at the same time more complex actions or strategies designed and implemented to increase competitiveness.

There are three main reasons why it is important to think about time and resources from the start of the process:

1. A process initiated with local resources and knowledge tends to strengthen local capacities for analyzing and resolving problems, and thus assists in the development of capacities for innovation.
2. Seeking solutions to market chain needs based on existing local resources instead of waiting for external resources (or projects) to

11. Three clear examples here are the master builders of local processing plants who may be excellent adaptors and diffusers of improvements in post-harvest technology, Local Agricultural Research Committees (CIALs, the Spanish acronym), that carry out applied research focused on crop production at the community level, and Research Groups in Rural Agroindustry (GIAR, the Spanish acronym) that integrates post harvest technology and production improvements to develop value added products targeted towards a specific market demand.

solve the problem results in faster and more sustainable actions. Often the most efficient solutions require more commitment from actors than financial support.

3. Grounding activities in local resources tends to reduce the pressure of overestimating the market chain's needs and possible responses. A clear example is the choice of technological options. When large- or medium-scale funding is available, costly and complicated technological solutions tend to be chosen; when solutions are based on local capacity for payment and maintenance of the technology, the types of interventions are generally better matched with local needs and conditions, and outcomes are often more sustainable.

Identifying a Process Facilitator

Finally, the design of a business strategy requires facilitation by an organization or individuals. This organization can be a Producers' Association or other union (for example, a processors' association), a local Chamber of Commerce, one or various nongovernmental organizations (NGOs), a university, a private enterprise, or other group. In our experience, NGOs working with organizations of producers are the most common facilitators, but in some cases other combinations of actors have promoted market chains. For example, a public-private regional center for competitiveness assisted work in Colombia, and a private support service enterprise assisted market chain development in Peru. These processes could be led by a strong private enterprise that seeks to improve

their competitive position and that of their market chain. The facilitating organization should have certain basic capacities, characteristics, and attitudes for the work, as outlined below. Table 5 is a generalization of the basic conditions, and therefore should be taken as a guide and not as a definitive list.

In summary, the design and implementation of a strategy to increase competitiveness has a business orientation, responds to clear market opportunities, analyzes the totality of the market chain with contributions from key actors, seeks synergies between them to implement research or development actions, and proposes actions at short-, medium-, and long-term, with or without external resources.

In this section we have discussed the principles that support and orient the analysis of a market chain and the design of a strategy to increase competitiveness. Some characteristics and qualities were identified that are required of organizations or persons intending to facilitate the design and execution of strategies to increase competitiveness. The importance of recognizing the heterogeneity of the market chain's actors and its implications was also touched upon. Finally, the section closed with a brief discussion on how to combine research and development activities in the short-, medium-, and long-term to generate innovations that permit increases in the market chain's competitive position.

In the following sections, practical details of each step of the method will be developed.

Table 5. Identifying a process facilitator.

Key characteristics	Necessary	Recommended
Position of neutrality in the market chain	✓	
Experience with the management of participative methods and process facilitation	✓	
Convening capacity and at least some level of influence in support policies to the sector	✓	
Disposition to facilitate design of the strategy and seek funds and support for its implementation	✓	
Interest in participating in the implementation of the strategy	✓	
Trust of the actors and a reputation of acting with transparency	✓	
Interest in building or improving local capacities	✓	
Previous experience in rural enterprise development		✓
Knowledge of market tendencies relevant to the market chain		✓
Basic knowledge of the market chain		✓