PARTNERING FOR SCALE
COLLABORATING TO MORE EFFECTIVELY ENGAGE SMALLHOLDER FARMERS

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Established at the University of Michigan in 1992, the William Davidson Institute (WDI) is an independent, nonprofit research and educational organization focused on providing market-based solutions in emerging economies. Through a unique structure that integrates research, field-based collaborations, education/training, publishing, and University of Michigan student opportunities, WDI creates long-term value for academic institutions, partner organizations, and donor agencies active in emerging markets. WDI also provides a forum for academics, policymakers, business leaders, and development experts to enhance their understanding of these economies. WDI’s mission is to create true, sustainable solutions through understanding, testing, and implementing actionable, private-sector business models which address the challenges and opportunities in emerging markets.

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WDI’s Scaling Impact Initiative, led by Dr. Ted London, is a recognized leader in exploring the role of market-based approaches to poverty alleviation and has substantial experience in developing rigorous theory that has immediate practical applications in the field. The expertise of the WDI team lies in a deep understanding of the unique dimensions of the inclusive business perspective, and an understanding of the role of partnership ecosystems and the enabling policy environment in facilitating the growth of inclusive businesses from inception to scale. WDI’s Scaling Impact Initiative develops actionable tools, frameworks, and methodologies that help for-profit businesses, nonprofit initiatives, and development organizations facilitate the scaling of sustainable inclusive businesses.

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ACRONYMS

IB  Inclusive Business
Bop  Base of the Pyramid
PEF  Partnership Ecosystem Framework
GDP  Gross Domestic Product
DFI  Development Finance Institution
WDI  The William Davidson Institute at the University of Michigan
IFC  International Finance Corporation
GIZ  Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
USAID  The United States Agency for International Development
DFID  The Department for International Development
EXECUTIVE SUMMARY

The conversation about the role of business in poverty alleviation at the base of the pyramid (BoP) has changed substantially over the past decade. Increasingly, business is viewed as a critical player in solving this global challenge. Enterprise managers, entrepreneurs, development professionals, and government leaders interested in a variety of contexts have all recognized the potential of inclusive businesses (IBs) and responded with growing interest in investing and partnering to build sustainable and scalable enterprises across a variety of industry sectors and geographic regions.

Few IBs in the agricultural sector are sufficiently vertically integrated to address all of the productivity constraints or market access challenges experienced by smallholder farmers in BoP contexts. As a result, developing a strong portfolio of partners is critical to enabling mutual value creation and developing a sustainable, scalable business model. These partners may provide support focused on enterprise development or market creation, and they may make investments in enabling action or building capabilities.

The focus of this report is to shed light on the opportunity for IB leaders to leverage partnerships to overcome the challenges they face in seeking sustainability at scale. Our findings, based on interviews with both entrepreneurial and corporate-led enterprises engaging with smallholder farmers in Kenya and South Africa, offer important insights on how these enterprises can enhance their performance through building an effective partnership ecosystem. In particular, we focus on addressing the following two questions for IBs seeking to transition from pilot to scale:

**The “who”** – Which partners should enterprise leaders prioritize as most crucial to enabling sustainable, scalable inclusive business development?

**The “how”** – Once these inclusive business leaders have identified their priority partners, what are the strategies and processes they will need to use to develop and maintain these relationships to maximize their effectiveness?
The Partnership Ecosystem Framework (PEF) provides a useful approach to assess an enterprise’s partnership ecosystem in terms of two key dimensions: differences in the focus of partner support, and differences in the type of support that partners provide. The result is four distinct quadrants that IBs should consider as they develop their partnership ecosystem.

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Figure 1: Partnership Ecosystem Framework

The first stage of this research study used the PEF to understand how different partnership ecosystems influenced the success of 14 IBs in the pilot stage in Kenya and South Africa. Our goal was to develop insights into prioritizing the “who” of partnerships as it related to success in building a viable business model and engaging with a robust number of smallholder farmers.

**FINDINGS**

1. A stronger overall partnership ecosystem increased the probability of a successful pilot, defined in terms of both validating the business model and engaging with smallholder farmers.

2. In terms of prioritizing quadrants of the PEF, the facilitate enterprise activities (FEA) quadrant had the strongest association with overall IB success in piloting.
Partnership support across the FEA and enhance enterprise resources (EER) quadrants had the strongest association with success in validating the business model.

When the IB’s business model was focused on sourcing as compared to servicing, partnership support in the facilitate market transactions (FMT) quadrant had a stronger association with higher levels of engaging smallholder farmers.

Partnership support in the enhance market resources (EMR) quadrant was the least utilized partnership approach.

Corporate initiatives, as compared to entrepreneurial initiatives, had fewer partners across their overall partnership ecosystem, and they also tended to be less successful in their pilotig. This was especially prevalent for the IBs based in South Africa.

Together, these results highlight the importance that IB leaders understand the influence of each quadrant in the PEF on their efforts to transition from pilot to scale. Different quadrants have different impacts on building a viable business model and engaging smallholder farmers. The influence of these quadrants also varies by business model type, organizational structure, and geographic location. This suggests that IB leaders must build a robust partnership ecosystem that aligns with their piloting goals and responds to their specific contextual situation.

The second stage involved identifying a selected set of five mini case studies focused on the experiences of and strategies used by IBs in their efforts to build a partnership ecosystem over time. Our goal was to develop insights into the “how” of partnerships – understanding how to develop and maintain these relationships.

### FINDINGS

1. Partnership development and management efforts were more successful when an individual had been designated as responsible for maintaining the partnership ecosystem.

2. In developing partnerships, IBs understand not only the role that partners play in their business model, but should have an understanding of partners’ own business models and how this collaboration will create value for them.

3. In managing partnerships, IBs recognize that their partnership ecosystem should evolve over time, and enable a process to anticipate and facilitate this change.

Together, the results from the second stage of this research project demonstrate the importance of ensuring the proper resources, capabilities, and processes are in place to develop and manage an IB’s partnership ecosystem. Having someone specifically designated to oversee the partnership ecosystem enhanced success in both developing and managing this portfolio of collaborations. Additionally,
developing effective partnerships benefitted from building a capability to understand the partnership outcomes from the perspective of the potential partner. Finally, effectively managing the partnership ecosystem benefitted from ensuring a process was in place to regularly assess each partnership and the ecosystem as a whole. This facilitated opportunities for continued improvement or adjustments in current relationships. It also enabled a more strategic approach to adding new or terminating existing partner relationships to match evolving circumstances and strategies.
INTRODUCTION

This report identifies key lessons learned by inclusive businesses (IBs) on who to partner with and how to manage partnership portfolios, specifically in the context of engaging with smallholder farmers in Sub-Saharan Africa. Leveraging the Partnership Ecosystem Framework (PEF), a tool that IB leaders can use to map and assess their current portfolio of partners, this study examines the partnership activities of both entrepreneurial and corporate-led initiatives seeking to move from piloting to scale in Southern and Eastern Africa. These IBs have engaged a wide variety of partners and partnership strategies, to varying degrees of success, in their efforts to facilitate a transition to scale. The findings from this research project provide insight into strategies for building effective partnership ecosystems and how these approaches can vary by business model, initiative type and operating context.

The conversation about the role of business in poverty alleviation at the base of the pyramid (BoP) has changed substantially over the past decade. Increasingly, business is viewed as a critical player in solving this global challenge. Enterprise managers, entrepreneurs, development professionals, and government leaders interested in a variety of contexts have all recognized the potential of IB and responded with growing interest in investing and partnering to build sustainable and scalable enterprises across a variety of industry sectors and geographic regions.

BASE OF THE PYRAMID AND INCLUSIVE BUSINESS

There are over 4 billion people living on less than $3,000 a year, a socio-economic defined as the BoP (Hammond, Kramer, Tran, Katz, & Walker, 2007). According to the International Finance Corporation (IFC), this segment constitutes a $5 trillion global market (The World Bank, 2016). Given the enormity of the business opportunity and the scope of the poverty alleviation challenge, success will be measured in terms of building a growing number of sustainable, scalable IBs. IBs are businesses that seek to integrate the BoP either as customers, suppliers, distributors, or employees.
While hundreds of IBs developed for the BoP have been launched over the past decade, comparatively few have successfully moved from pilot to scale (Koh, Hegde, & Karamchandani, 2014). Developing a sustainable and scalable new enterprise is challenging in any context and these challenges are compounded in the resource-constrained environment of BoP markets.

In response, the development community and other partners have sought to facilitate the process of enterprise development and growth through a variety of different models of support, including accelerators, incubators, impact investing funds, grant programs, operational assistance, consulting services, and advocacy support.

Despite growth in the prevalence of these implementation models, our understanding of the influence that these interventions play in the success of IB development remains incomplete. Additionally, heterogeneity across the BoP as well as variation in the enterprises’ business model and structure makes it more difficult to generalize findings without careful analysis and evaluation.

The focus of this report is to shed light on some of these challenges facing IB leaders seeking sustainability at scale. Our findings offer important insights on how these enterprises can maximize their performance through building an effective partnership ecosystem. In particular, we focus on addressing the following two questions for IBs seeking to transition from pilot to scale:

**The “who”** – Which partners should enterprise leaders prioritize as most crucial to enabling sustainable, scalable inclusive business development?

**The “how”** – Once these inclusive business leaders have identified their priority partners, what are the strategies and processes they will need to use to develop and maintain these relationships to maximize their effectiveness?

The outline of the remainder of the report is as follows. In the next section, we describe the particular context that was selected; namely, the agricultural sector in Eastern and Southern Africa. Following that, we introduce the Partnership Ecosystem Framework (PEF) as a strategic tool that IB leaders can use to identify, organize, and assess their portfolio of scaling facilitators, and outline the design of this two-part study. We then present our findings for both parts of the study. The report concludes with a summary of the lessons learned and recommendations for moving forward.
SMALLHOLDER FARMERS IN AFRICA

The world’s poor are highly dependent on agriculture as a source of income with over 1 billion people employed by the sector (International Labour Organization, 2014) and 70 percent of the world’s extreme poor living in rural areas (International Fund for Agricultural Development, 2011). If supported correctly, growth in the agricultural sector can be a highly effective tool in alleviating poverty (Curtis, 2010). Indeed, alleviating poverty in developing countries without increasing agricultural productivity has proven to be extremely difficult (Bill and Melinda Gates Foundation, 2008).

In Sub-Saharan Africa (SSA), agriculture accounts for almost one third of total GDP, and employs almost two thirds of the population (The World Bank, 2014). However, smallholder farmers in SSA face substantial challenges in their efforts to reach scale and consequently lift themselves out of poverty, and much work still remains to be done to meet their needs. It is estimated that half of the 2.2 billion global population increase between 2015 and 2050 will occur in Africa (UNICEF, 2014). In the context of both increasing populations and greater food insecurity due to climate change, water shortages and other stressors, addressing these challenges becomes even more urgent.

KENYA CONTEXT

Agriculture is a key component of Kenya’s economy, accounting for approximately 25 percent of the country’s GDP (UNEP, 2015). More than 80 percent of the population relies on the sector, either directly or indirectly, for their livelihoods (UNEP, 2015). While almost half of the land area in Kenya is classified as agricultural, only 16 percent is considered as having high or medium agricultural potential, which puts significant emphasis on the need to increase productivity and improve yields in order to reverse long-term declining performance in the sector (Institute for Development Studies, 2006). Kenya’s agricultural sector is an important target for non-Development Finance Institute (DFI) impact investors, who have made more deals in agriculture (approximately 130) than in any other sector, albeit with a relatively small average deal size (The Global Impact Investing Network, 2015).
SOUTH AFRICA CONTEXT

Agriculture is, by contrast, a smaller portion of South Africa’s GDP, comprising 2.6 percent of the country’s overall economic activity. In the past 20 years, there has been a shift towards higher intensity farming, and production of high-value export crops. While 69 percent of the land is suitable for livestock, less than 10 percent is considered arable (New Agriculturalist, 2013). As with Kenya, agriculture is an important sector for non-DFI impact investors, although the number of investments is slightly below those in the financial services, energy, and housing sectors. As in Kenya, investment deals in the agricultural sector in South Africa tend to have a smaller average size than in other sectors (The Global Impact Investing Network, 2016).

CHALLENGES

Smallholder farmers in general face two broad categories of challenges: those that limit the productivity of their land, and those that limit their ability to access efficient markets. Furthermore, these challenges are highly interdependent, and solving for one may be insufficient from the perspective of enhancing value creation and value capture by smallholder farmers (London, Anupindi, & Sheth, 2010). Smallholder farmers must be able to increase productivity, while also having access to markets to ensure that additional output results in increased incomes (Gradl, Kükenshöner, Schmidt, & Ströh de Martínez, 2012).

Increasing productivity requires the right inputs, including seeds, fertilizer, irrigation, and working capital, and it requires the right knowledge, technology, and expertise to convert these inputs into improved quality and quantity of produce (Gradl, Kükenshöner, Schmidt, & Ströh de Martínez, 2012). Increasing smallholder farmers’ access to efficient markets requires overcoming a lack of organization and aggregation, limited market information in terms of product specifications and pricing, poor contract enforcement mechanisms, and low supplier power that results in intermediaries and brokers capturing a substantial portion of the value created. Additionally, there may be physical barriers such as the inability to transport goods beyond the farm gate while also maintaining product quality (London, Anupindi, & Sheth, 2010).

Despite different contexts, smallholder farmers in both Kenya and South Africa face some of the same challenges. Both countries are water stressed (Monteiro, Kalungu, & Coelho, 2010), which reduces the amount of arable land, necessitates substantial investments in irrigation, and limits both yields and resilience of crops. This is a significant barrier for smallholder farmers who don’t have access to improved inputs such as irrigation technology, resilient seed varieties, and better fertilizers. Farmers in both countries also face exclusion from efficient markets, albeit for different reasons. In Kenya, farmers face constraints in terms of an underdeveloped value chain infrastructure connecting farmers to buyers with appropriate aggregation, transport, and storage (Institute for Development Studies, 2006). While smallholder farmers in South Africa may face some of these same limitations, a more pronounced challenge in this market is the highly competitive environment.
and prominence of large-scale and highly mechanized commercial farms. Smallholder farmers find it difficult to access markets without a minimum volume of produce, and struggle to compete with the economies of scale experienced by commercial farms in value chains that have little product differentiation, and therefore limited opportunities for small farmers to attract a premium based on quality, location of production, etc.

The relative impact of these challenges can vary by the type of agricultural produce in question. For example, value chain infrastructure challenges relating to transport, storage, and wastage may be more significant for perishable crops such as fresh fruits and vegetables that are fragile and have a short useful life post-harvest, than for non-perishables such as cashew nuts. Lack of efficient aggregation of small-scale suppliers, alternatively, may be a more significant barrier for commodity products where there is little product differentiation and price discrimination such as corn, than it is for niche products that have greater potential for differentiation such as heritage or heirloom varieties of fruits and vegetables, or livestock.
INCLUSIVE BUSINESS AND MARKET-BASED SOLUTIONS

A growing recognition of the potential to connect the BoP business opportunity with development community efforts to alleviate poverty has led to a substantial increase in the interest and investment in inclusive businesses (IBs). IBs are enterprises that seek to integrate the BoP either as customers, suppliers, distributors, or employees. These enterprises operate in BoP markets, seek financial sustainability, plan for scalability within and across markets, and actively work to produce significant net positive changes along multiple dimensions of well-being across the BoP, their communities and the broader environment (London, 2016).

These IBs can be divided into two categories based on their structure. Many IBs are entrepreneurial endeavors, meaning that the enterprise was developed from the start with the specific focus of integrating the BoP into their business models. In addition to these entrepreneurial IBs, existing companies have also seen an opportunity to enter BoP markets. These corporate-led IBs are new initiatives embedded in established organizations.

Across both types, these initiatives generally proceed through three distinct stages of development:

Design: IBs in the design stage are typically focused on envisioning the business model and have yet to test the operational viability of the enterprise.

Pilot: IBs in the pilot stage are validating the operational viability of their business model. While these enterprises may be generating revenue, their focus is on experimentation, learning, and the transition to scale.

Scale: IBs in the scale phase are focused on taking the lessons from the pilot stage to expand to new markets or offer new products or services.
INCLUSIVE BUSINESS IN THE AGRICULTURE SECTOR

IBs offer the potential to address the productivity and market access challenges faced by smallholder farmers. IBs can ensure that appropriate inputs to enhance value creation are accessible and affordable. This requires business models that incorporate the opportunity to sell goods and services to local farmers. IBs can also focus on ensuring that a strong and transparent market exists for smallholder farmers to sell their produce. This requires business models that incorporate the opportunity to buy produce from local farmers. Both selling to and buying from the BoP are therefore components of the equation for addressing smallholder farmer constraints.

Few IBs in the agricultural sector are sufficiently vertically integrated to address all of the challenges that are experienced by smallholder farmers in BoP contexts. As a result, developing a strong portfolio of partners is critical to enabling mutual value creation and the development of a sustainable, scalable business model. These partners may provide support focused on addressing productivity constraints or market access constraints faced by smallholder farmers, or they may make investments in creating or enhancing the market environment.

Entrepreneurs and corporate leaders, together with their development sector partners have recognized the potential of IBs and responded with growing interest in collaborating to design, pilot, and scale enterprises serving smallholder farmers. Yet, while hundreds of IBs developed for BoP markets have been launched over the past decade, comparatively few have achieved significant scale. Moving from pilot to scale is challenging in any context and these challenges are compounded in the resource-constrained environment of BoP markets. That said, it is becoming increasingly apparent that our understanding of the influence that partnerships and partnership ecosystems play in IB development remains incomplete.
THE PARTNERSHIP ECOSYSTEM FRAMEWORK

Prior research has shown that most IBs must establish a strong ecosystem of partners willing to invest their expertise and resources to support enterprise development in BoP markets (London & Fay, Improving Inclusive Business through Enhanced Relationships with Scaling Facilitators, 2015) (London, The Base of the Pyramid Promise: Building Businesses with Impact and Scale, 2016). This partner support can range from investing in the activities and capabilities of the enterprise to helping to create the markets for the enterprise’s products or services.

For most IBs, the landscape of partners is complex and difficult to prioritize. Different potential partners can offer differing types of support. Some may offer access to financial capital, technical expertise, capacity building, or networks, while others focus on market-level investments such as generating awareness of product or service categories, or supporting changes in market institutions through legislative and public policy advocacy.

Understanding and navigating this complex landscape of scaling facilitators is a challenging undertaking. In this report, we use the Partnership Ecosystem Framework (PEF), a tool developed specifically to address the challenge IB leaders face in developing the appropriate portfolio of partners within the broader universe of potential collaborators.

APPLYING THE PARTNERSHIP ECOSYSTEM FRAMEWORK TO INCLUSIVE BUSINESSES ENGAGING SMALLHOLDER FARMERS

The PEF assesses an enterprise’s partnership ecosystem in terms of two key dimensions: the columns address differences in the focus of partner support, while the rows capture differences in the type of support that partners provide. This results in a 2x2 framework, with four distinct quadrants.

1 Certain scaling facilitators can also use more than one type of implementation model – such as incubator and impact investing – in their efforts to enhance the scaling.
Figure 1 provides examples of the different types of partner support for each quadrant and this is discussed in further detail below.

**FOCUS OF SUPPORT**

Focus is an important distinction in the support provided by partners. Some partners focus on the development of individual ventures, and others on the development of the market environment.

**Enterprise Development**

IBs working with smallholder farmers often require partner support in developing the enterprise itself, building its capacity and ability to engage with smallholder farmers in a sustainable and scalable way. The benefits of these partner investments flow to the individual enterprise being supported.

**Market Creation**

IBs engaging smallholder farmers must also consider the need for partners that can provide support to create new markets, or enhance the operation of existing markets. The benefits of market creation investments are not captured by an individual enterprise, but rather enhance the market environment for other players within the market.
**TYPE OF SUPPORT**

Partner support can also be distinguished by type. Partners provide two types of support; facilitating operations and building capacity.

**Enabling Action**

Whether focused on enterprise development or market creation, interventions that enable action aim to enhance the rate of transactions in the market by facilitating enterprise activities or aiding market dynamics.

**Building Capacity**

Investments in building capacity have the effect of developing assets, including those owned by enterprises and those embedded in the market.

This results in four distinct quadrants that characterize different types of IB partnerships that 1) Facilitate Enterprise Activities, 2) Enhance Enterprise Resources, 3) Facilitate Market Transactions, and 4) Enhance Market Environment.

**FACILITATE ENTERPRISE ACTIVITIES**

This quadrant includes partner investments that support the operations of the enterprise, including more efficiently and effectively understanding the market context, facilitating connections to farmers, and building a value proposition.

**Market Intelligence**

In order to integrate smallholder farmers into their supply chains, IBs must have information about the opportunities and challenges in working with smallholder farmers. This includes understanding consumer preferences for the products they produce, and how these farmers operate – where they are, what products they produce, what quality they produce, their ability to get their products to market, their harvest timing, etc.

**Market Access**

One of the largest challenges in engaging smallholder farmers in agricultural supply chains is the transaction cost of working with many small suppliers. Market access partnerships may facilitate more effective engagement with large numbers of farmers through a variety of aggregation mechanisms including farmer groups, coops, intermediation, and brokerage.

**Value Creation**

Whether IBs are sourcing from smallholder farmers or providing services to them, their goal is generally to improve outcomes for these farmers. In order to reach scale, IBs should understand how improvements in these outcomes, or social performance, is related to the financial performance of the enterprise, and to enterprise strategy.
**ENHANCE ENTERPRISE RESOURCES**

This quadrant includes partner investments that build the capacity of the enterprise, including four types of capital that enable the enterprise to operate more effectively and at greater scale.

**Financial Capital**

Financial capital may be in the form of debt, equity, or grants, or other assets that are provided directly to the IB to increase its access to financial resources.

**Human Capital**

Human capital investments provide personnel support and development to IBs through a variety of forms, including board participation, training of internal staff, mentorship, and access to outside experts.

**Knowledge Capital**

Knowledge capital consists of the transfer of or access to tools, frameworks, and processes that can enhance strategic opportunity recognition, landscape analysis, and strategic decision making.

**Social Capital**

Partnerships may provide social capital to an IB through formal or informal means including access to networks, or added legitimacy through endorsement or association.

**FACILITATE MARKET TRANSACTIONS**

This quadrant includes partner investments that help create the market by intervening at the level of the individual farmer. The benefits from these investments are experienced by the entire market rather than a single enterprise.

**Enhancing Productivity**

Partnerships that enhance the productivity of farmers typically focus on improving the availability of inputs such as seeds, fertilizer, capital, training, or expertise. This improves the quality and quantity of goods produced by farmers.

**Improving Market Access**

Partnerships that improve market access for agricultural products include off-taker relationships, which provide a stable and reliable source of demand if quality and other considerations are met. These partnerships may also involve investments in developing new or existing channels to make them more accessible to smallholder farmers.
**ENHANCE MARKET ENVIRONMENT**

This quadrant includes partner investments that build the assets that constitute the infrastructure of the market itself, and create an enabling environment that is more efficient and more accessible for smallholder farmers. These may be both tangible and intangible assets and benefit all farmers in the market equally.

**Value Chain Infrastructure** Agricultural value chains require the right infrastructure to exist in order to produce, process and sell the final product. Partners may invest in specific aspects of this infrastructure; for example, investing in a pack house operated by a farmer group, to ensure more efficient operation of markets and to allow smallholder farmers to capture more of the value created in the value chain.

**Legal Infrastructure** Smallholder farmers are often required to adhere to a variety of mandatory standards and regulations relating to the environment, health, and safety, which may be both onerous and expensive to comply with, and which may contribute to their exclusion from efficient markets, particularly export markets (The World Bank, 2012). Partnerships that support smallholder farmers in complying with these regulations, and which help to develop policy environments that are more favorable to smallholder farmers, are an important aspect of incorporating smallholder farmers into agricultural value chains.

**Institutional Infrastructure** Smallholder farmers rely on a wide variety of institutions in order to be successful. These institutions, such as the banking and legal sectors, certification and standards, and property rights institutions, are often not aligned with the specific needs of smallholders. Partnerships that focus on improving these institutions for the benefit of smallholders can be critical in achieving scale.

Using the PEF is a valuable tool for IB leaders to map their existing partnership ecosystem and identify gaps in this portfolio. As such it provides important insights into where opportunities exist to build a stronger partnership portfolio. There are, however, some logical next steps that build from aggregating individual experiences with the PEF and enable us to better realize the goal of having a much larger percentage of IBs achieve sustainability at scale. Specifically, inclusive businesses must develop and maintain the appropriate ecosystem of partners focused on facilitating scale. In order to optimize the opportunity available through these collaborations, we must develop a much richer understanding of lessons learned and best practices in building partnership ecosystems.
Importantly, when using a tool such as the PEF, enterprise leaders still must address two important challenges creating the partnership ecosystem. The first involves recognizing that forming partnerships is costly in terms of time and resources. As such, enterprise leaders must understand “who” they should prioritize when seeking to develop a strong portfolio of partners critical to their growth trajectory. The second recognizes that identifying who to partner with is a first step in a longer process. Enterprise leaders also must understand “how” to develop and maintain these relationships to maximize the potential for value creation.

This results in two important questions for IBs, which we explore in the context of engaging smallholder farmers in Africa:

*Which partners should enterprise leaders prioritize as most crucial to enabling sustainable, scalable inclusive business development?*

*Once these inclusive business leaders have identified their priority partners, what are the strategies and processes they will need to use to develop and maintain these relationships to maximize their effectiveness?*
Addressing the two questions central to this study required a two-stage research design.

The first stage of this research study used the PEF to understand how different partnership ecosystems influenced enterprise performance. Our goal was to develop insights into the “who” of partnerships – which are most important to enabling IB development.

The second stage involved producing a selected set of four mini case studies focused on the experiences of and strategies used by IBs in their efforts to build a partnership ecosystem over time. Our goal was to develop insights into the “how” of partnerships – understanding how to develop and maintain these relationships.

This study relied on a qualitative research methodology, an effective approach when the goal is to understand the dynamics of multiple stakeholders within a field setting (Eisenhardt, 1989) (Miles, 1994) (R.K., 2003). In order to draw conclusions across partnership ecosystems, we identified 14 IBs to participate in this study, eight of which were based in Kenya and six in South Africa. Both countries face challenges both in increasing the productivity of smallholder farmers, and in integrating them into broader value chains. Both Kenya and South Africa have strong domestic and export markets for commercial agricultural produce, and have attracted a set of development sector organizations interested in supporting inclusive business development. The 14 enterprises were carefully selected to ensure a mix of entrepreneurial IBs and corporate IB initiatives housed within larger organizations.

2 One of the enterprises included in this study is based in Kenya; however, our analysis focused on operations in Rwanda
This specific set of enterprises was selected for several reasons. First, we wanted to have multiple enterprises for each country and each type of IB (entrepreneurial and corporate-initiated). Second, we selected enterprises that had responded to the productivity and/or market access constraints faced by smallholder farmers. Third, all were in the pilot stage and had generated revenues. Fourth, all aspired to transition to scale. Finally, we selected enterprises with leadership teams deeply interested in understanding and improving their partnership strategies, and sharing lessons learned with a wider community. This collaborative approach helped ensure that the information we received highlighted both the successes and challenges of developing partnerships in these contexts.

Our data collection focused on developing a rich and holistic understanding of each IB’s partnership ecosystem, and included data in the form of documents, interviews with both the IBs and some of their partners, and field visits. This data was coded, analyzed across groups, and compared across data sources to confirm our findings.

We began by collecting and analyzing secondary information, and conducting telephone interviews with the leadership of each IB. This data was compiled along with background information on each of IBs, with a particular focus on understanding their partnership ecosystem. We then analyzed the partnership ecosystem and developed preliminary PEFs for each IB. These data also offered initial insights into the enterprises’ performance.

Next, we developed an interview protocol that included a series of open-ended questions and follow-up probes to gain a deeper understanding of the partnership portfolio and its impact on enterprise performance. This ensured that each interviewee would be asked a standard set of questions. We developed the follow-on probes to enable flexibility in diving deeper into specific aspects of partnering strategy and outcomes based on the respondent’s answers to our questions. Specifically, we sought to assess how the partnership portfolio impacted the IB’s economic performance.

Then, as part of a field visit to both Kenya and South Africa in late 2015, we conducted detailed in-person interviews with the leadership of each IB. The data collected was assessed on an ongoing basis, which allowed us to identify both patterns and variations in the data. These interviews were both recorded and summarized.

We used this information to revise the PEF to identify the full partnership ecosystem for each of these enterprises. For each IB, we coded and grouped the partnership data based on the four quadrants of the PEF framework (Miles, 1994). In conjunction, we developed detailed performance summaries for each IB that allowed us to explore the performance implications of the enterprise’s partnering efforts.
In order to compare enterprises’ partnership efforts, we established the following measures of partnership activity and pilot performance.

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>VALUES</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership Efforts</td>
<td>Low</td>
<td>1 or fewer partners</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>2 partners</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>3 or more partners</td>
</tr>
<tr>
<td>Level of Engagement With Smallholder Farmers</td>
<td>Not yet</td>
<td>0 farmers</td>
</tr>
<tr>
<td></td>
<td>Limited</td>
<td>Small number of SHF (less than a 1,000) or few repeat transactions</td>
</tr>
<tr>
<td></td>
<td>Robust</td>
<td>More than 1,000 and repeat transactions</td>
</tr>
<tr>
<td>Assessment of Business Model Validation</td>
<td>Invali</td>
<td>Pilot has shown the model to require ongoing subsidy to continue, or has been paused entirely</td>
</tr>
<tr>
<td></td>
<td>d</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In-progress</td>
<td>Pilot is underway and seeks to determine if the model is economically self-sustainable</td>
</tr>
<tr>
<td></td>
<td>Validated</td>
<td>Pilot has proven the business model to be economically self-sustainable and the enterprise is ready to bring it to scale</td>
</tr>
<tr>
<td>Business Model Focus</td>
<td>Sourcing</td>
<td>Primarily about dealing with the transactional challenges, and less about the productivity challenges</td>
</tr>
<tr>
<td></td>
<td>Servicing</td>
<td>Primarily about dealing with the productivity challenges, and less about the transactional challenges</td>
</tr>
<tr>
<td>Type of Initiative</td>
<td>Entrepreneurial</td>
<td>Enterprises that build a business model that intentionally seeks to incorporate the poor as consumers, producers or employees</td>
</tr>
<tr>
<td></td>
<td>Corporate</td>
<td>Initiatives that intentionally seek to incorporate the poor as consumers, producers or employees within a corporate enterprise that may have a number of other objectives, business models and strategies</td>
</tr>
</tbody>
</table>

Table 1: IB Performance Measures
Table 1: IB Performance Measures

In order to establish a definition of performance that can be compared across IBs, we identified two measures of success that we consider particularly important outcomes at the pilot stage. First, we determined if the business model has been validated or not, or if this validation was still in progress. Validation of the business model was assessed based on whether the enterprise was seeking funding to scale its operations. The second factor that contributes to success is the level of engagement the enterprise has with smallholder farmers. Whether the enterprise is sourcing from or providing services to smallholders, or if it is entrepreneurial or corporate-led, the level of access to and engagement with smallholder farmers is an essential component of the model. While all of the enterprises had piloted business models that intended to engage smallholder farmers, some enterprises faced challenges in developing this component of the model and had stopped or delayed this effort.

We then conducted analyses of each IB to identify patterns emerging from the data from the individual enterprises. Next, we conducted cross-IB comparisons, which enabled us to develop an understanding of influence of partnership ecosystem on performance across different contexts (Miles, 1994) (Eisenhardt, 1989). These results are discussed in the findings section below. Together these data provided a rich assessment of which partners enterprise leaders should prioritize as most crucial to enabling sustainable, scalable IB development.

After completing our stage-one data collection and integrating the learnings from the field with insights from our desk research, we moved to the second research question. Once an IB has identified “who” is crucial in its efforts to build an ecosystem of partnerships, the enterprise
leadership must understand “how” to develop and maintain these relationships. The second stage of the project explored this issue by developing five in-depth case studies across four IBs from stage one.

The case studies selected were: SA1, SA6, SA7, K1 and K3 (see table on page 22). This set consisted of two IBs from Kenya and two from South Africa, one of which launched two separate initiatives. The case studies selected also included three cases that involve sourcing from smallholder farmers (K3, SA6, and SA7), and two that involve the provision of services to smallholder farmers (K1 and SA1). These five cases were also selected to demonstrate strategies to identify roles within partnership ecosystems, the process of anticipating and managing change, and maximizing the performance of individual partnerships, that may be instructive for similar organizations in similar contexts.

In this part of the study, we focused on better understanding the strategies and approaches used by IBs in their efforts to build their partnership ecosystems over time, and how they managed their portfolio of partners to enhance enterprise performance. In order to understand how these four enterprises manage their partnership portfolio, we designed a new interview protocol that asked about the processes used to find and then secure partners. We also explored how these partnerships were implemented and integrated, and how this impacted performance. These questions probed for both successes and failures. We also asked each respondent to consider the lessons they had learned across the different partnering efforts.

To collect this data, we returned to the field in early 2016. This time, we interviewed a wide selection of managers and partners connected with each organization. As in stage one, we assessed our collected data on an ongoing basis. This allowed us to recognize emerging patterns, first within and then across cases. This allowed us to probe more deeply into areas identified as critical to enhancing our understanding of the research question. As before, all interviews were recorded and summarized.

This rich qualitative data, along with data collected in the first stage, was used to develop case studies that summarized processes used and outcomes resulting from each IB’s effort to identify, secure, and manage an ecosystem of partners. These case studies include lessons learned about successful and unsuccessful partnership development, and how the management of the partnership process translated to enterprise performance. We also explored when and how IB leaders can integrate its set of partners to create value beyond the impact of each individual partnership.

In addition to the findings within each case, we analyzed the data across the four cases, with a focus on understanding the learnings from these IBs on how to maximize the performance both of individual partnerships, and of the full partnership portfolio. We sought to understand how effective partnership building can facilitate an IB’s efforts to make the transition to scale. These results are discussed in the findings section below.
FINDINGS: STAGE 1

Which partners should enterprise leaders prioritize as most crucial to enabling sustainable, scalable inclusive business development?

In analyzing our data across the four quadrants of the PEFs of each IB (see Table 2), our results show that a stronger overall partnership ecosystem increases the probability of a successful pilot. IBs that have reached the “validated” stage in their business model testing, with a “robust” set of smallholder farmers, achieved higher levels of partnership across the four quadrants of the PEF as compared to IBs whose pilots had neither validated the business model nor engaged with a robust set of smallholder farmers.

<table>
<thead>
<tr>
<th>Venture ID</th>
<th>Country</th>
<th>Business Model Focus</th>
<th>Type of Initiative</th>
<th>Product Type</th>
<th>Level of Engagement</th>
<th>Business Model Validation</th>
<th>FEA</th>
<th>EER</th>
<th>FMT</th>
<th>EME</th>
</tr>
</thead>
<tbody>
<tr>
<td>K1</td>
<td>Kenya</td>
<td>Servicing</td>
<td>Entrepreneurial</td>
<td>Perishable and non-perishable</td>
<td>Limited</td>
<td>In-progress</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>K2</td>
<td>Kenya</td>
<td>Servicing</td>
<td>Entrepreneurial</td>
<td>Perishable and non-perishable</td>
<td>Robust</td>
<td>Validated</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>K3</td>
<td>Kenya</td>
<td>Sourcing</td>
<td>Entrepreneurial</td>
<td>Non-perishable</td>
<td>Robust</td>
<td>Validated</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>K4</td>
<td>Kenya</td>
<td>Sourcing</td>
<td>Entrepreneurial</td>
<td>Perishable</td>
<td>Limited</td>
<td>Validated</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>K5</td>
<td>Kenya</td>
<td>Servicing</td>
<td>Entrepreneurial</td>
<td>Perishable and non-perishable</td>
<td>Robust</td>
<td>In-progress</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>K6</td>
<td>Kenya</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Non-perishable</td>
<td>Not Yet</td>
<td>Invalidated</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>K7</td>
<td>Kenya</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Perishable and non-perishable</td>
<td>Limited</td>
<td>In-progress</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>K8</td>
<td>Kenya</td>
<td>Sourcing</td>
<td>Entrepreneurial</td>
<td>Perishable and non-perishable</td>
<td>Limited</td>
<td>In-progress</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>SA1</td>
<td>South Africa</td>
<td>Servicing</td>
<td>Corporate</td>
<td>Perishable and non-perishable</td>
<td>Not Yet</td>
<td>In-progress</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>SA2</td>
<td>South Africa</td>
<td>Servicing</td>
<td>Corporate</td>
<td>Perishable and non-perishable</td>
<td>Limited</td>
<td>Invalidated</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>SA3</td>
<td>South Africa</td>
<td>Sourcing</td>
<td>Entrepreneurial</td>
<td>Non-perishable</td>
<td>Not Yet</td>
<td>Validated</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>SA4</td>
<td>South Africa</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Perishable</td>
<td>Not Yet</td>
<td>Validated</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>SA5</td>
<td>South Africa</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Perishable</td>
<td>Limited</td>
<td>Invalidated</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>SA6</td>
<td>South Africa</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Non-perishable</td>
<td>Limited</td>
<td>Validated</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>SA7</td>
<td>South Africa</td>
<td>Sourcing</td>
<td>Corporate</td>
<td>Non-perishable</td>
<td>Not Yet</td>
<td>In-progress</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 2: Inclusive Business Descriptions and Performance
This broad finding was consistent across the different countries, business models, and structure. Indeed, the more successful pilots (those with a validated business model and at least limited engagement with smallholder farmers) achieved high or medium levels of partnerships in at least three quadrants of the PEF, while the less successful pilots (which either had a business model that was invalidated and/or had not yet engaged with smallholder farmers) generally had lower levels of partnerships in at least two quadrants.

In terms of prioritization across quadrants, the in-depth analysis of the PEFs of the 14 enterprises offered several key insights. First, partnership support in the facilitate economic activities (FEA) quadrant had the strongest association with IB success in piloting, defined in terms of building a viable business model and engaging smallholder farmers. Our data showed that three of the four pilots that reached the “validated” stage with “robust” or “modest” engagement with smallholder farmers had “high” levels of partnership engagement in this quadrant. For example, K4 leveraged partnerships with both its donor and farmer groups in the FEA quadrant to develop strong, long-term relationships with farmers that resulted in a secure supply of inputs critical to its products. The fourth enterprise in this set, SA6, had “modest” levels of engagement.

Alternatively, the IBs with “low” levels of partnership support in this quadrant were less likely to develop a pilot that reached a stage of “validated” and they also had more difficulties engaging a “robust” number of smallholder farmers in their piloting activities. In particular, all four pilots that had “low” levels of partnership in this quadrant had “limited” engagement with smallholder farmers.

Second, our findings showed that partnership support across the FEA and enhance enterprise resources (EER) quadrants had the strongest association with success in validating that the business model was ready to transition to scale. For the six IBs that ran pilots resulting in the validation of the business model, all had “high” or “medium” levels of partnerships in the EER quadrant and four had “high” levels of partnerships in the FEA quadrant. For the three IBs that concluded that their pilot was not going to lead to a viable business, all had “low” levels of support in the EER quadrant, and one had “low” support in the FEA quadrant.

For example, SA3 was highly successful in identifying partners that provided financial capital early on in its development. This allowed the company to invest in developing a plantation to grow the crop that supplied inputs to its products, build state of the art production facilities, and begin developing a market for its products. The company has validated the economic self-sustainability of its model through early sales.

Third, our analyses indicated that when the IB’s business model was focused on sourcing as compared to servicing, partnership support in the facilitate market transactions (FMT) quadrant had a stronger association with greater levels of engaging smallholder farmers. All four sourcing-oriented models that achieved robust or modest engagements with smallholder farmers
had at least medium levels of partnership support in the FMT quadrants. For example, K3 has leveraged a “high” level of partnerships in the FMT quadrant to address both productivity and market access challenges and enable a robust level of engagement with smallholder farmers. Of the five servicing-oriented models that achieved robust or modest engagements with smallholder farmers, only three had at least modest levels of partnership support in the FMT quadrant with the other two having low levels of support.

Fourth, our results showed that the enhance market resources (EMR) quadrant was the least utilized partnership approach in our sample. Only three IBs developed partnerships in this quadrant. Two of those that did, though, reached the “validated” stage with modest engagement with smallholder farmers.

Fifth, our analysis showed that corporate initiatives, as compared to entrepreneurial initiatives, had fewer partners across their overall partnership ecosystem and they also tended to be less successful in their piloting efforts. This was especially prevalent for the IBs based in South Africa. Of the seven IBs that either concluded that their pilot was not going to lead to a viable business or had limited engagement with smallholder farmers, five of those were corporate-led initiatives based in South Africa. These IBs also had fewer quadrants with medium or high levels of partnership support as compared with entrepreneurial endeavors that were generally more successful.

**IMPLICATIONS**

IBs operating pilots in BoP markets are often faced with the challenge of both building viable enterprises and helping to create markets for their products or services. Using the PEF to analyze the partnership ecosystems of 14 IBs in the piloting stage, the results from this study offer some important insights into effective partnering strategies. Overall, achieving higher levels of partnerships across more quadrants is related to greater success in the piloting stage, both in terms of validating the business model and engaging with smallholder farmers. Rather than focusing on just one or two collaborations that emphasize access to capability development or market access, IBs must seek a portfolio of partners that address a wide set of potential needs in enterprise development and market creation and in enabling action and building capabilities.

In terms of prioritization, IBs should focus their efforts in the FEA quadrant. This quadrant is the gateway to both developing the business model and engaging with smallholder farmers. If this quadrant is neglected, the prospects for successful piloting appear diminished. Effectively reaching smallholder farmers is often the most challenging aspect of developing a sustainable, scalable IB in the agriculture sector. Enterprises that are unable to effectively understand and engage smallholder farmers through partners may struggle to overcome logistical barriers and trust issues, and fail to develop a compelling value proposition, impacting both the validation of the business model and the opportunity to engage with these farmers.
However, while seeking partners in the FEA quadrant is necessary, it is also not sufficient. An IB should also prioritize its partnering efforts depending upon its goals for that stage of piloting, and the environment and context in which it operates. Partners in the EER quadrant can provide the resources required to develop a validated business model. Partnership support in the FMT quadrant, alternatively, is particularly important for IBs seeking to engage more smallholder farmers. This was especially true in business models that emphasize sourcing over servicing. The difference across business models may be due to the fact that providing services to farmers may not need to focus on increasing farmer productivity; rather they can focus on satisfying existing unmet demand. Sourcing organizations, however, are often required to address both productivity and market access challenges.

Partnership support in the EME quadrant, at the piloting stage, seems to be less relevant. This quadrant, however, may well become more important as the IB moves to scale. Partnerships in this quadrant tend to focus on long-term aspects of market creation such as the development of new infrastructure or policies that address market constraints. Pilots can be effective tools for testing and learning while working within these constraints. Reaching scale may well require partners focused on addressing the imbalances created by these market constraints.

In addition to the business model, the structure and location also influence the partnering strategy. Corporate-led initiatives and those located in countries with more developed market environments may face greater challenges in building a partnership ecosystem. This, however, does not mean these efforts are less important. Rather, our results suggest that these IBs may need to invest even more effort and resources in partnering.
**FINDINGS: STAGE 2**

*Once these inclusive business leaders have identified their priority partners, what are the strategies and processes they will need to use to develop and maintain these relationships to maximize their effectiveness?*

To better understand how IBs develop and maintain a partnership ecosystem over time we identified five case studies from stage one, across four different organizations. These case studies provide insight into the challenges of managing a partnership portfolio, and how the strategies used by these organizations to develop and maintain their partnership ecosystem influence the success of these partnering efforts. In particular, these five cases demonstrate variations in partnership development and management strategies that may be instructive for similar organizations, in similar contexts.

In the remainder of this section we give a high-level overview of the selected case studies, which provides background and context for the findings that follow.

**IB DESCRIPTIONS**

**K1:** This entrepreneurial initiative aims to connect smallholder farmers with sources of credit through a technology solution. The technology platform provides lender data to financial services partners and also manages loan origination directly with smallholder farmers. The enterprise has developed high levels of partnerships in the FEA and FMT quadrants and has experienced some early results in engaging with smallholder farmers. However, the model has

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3 The names of these IBs are disguised to protect confidentiality.
not yet proven to be financially self-sustaining, and the initiative will likely require additional partnerships to support increased engagement with smallholder farmers, and to support the provision of a wider range of financial products in order to make the transition to scale.

**K3:** This entrepreneurial initiative sources agricultural products from smallholder farmers in Kenya, processes these products and sells directly into retail channels. The enterprise has developed high levels of partnerships in the FEA, EER, and FMT quadrants, and has both validated its business model and its ability to engage with smallholder farmers. The enterprise is currently seeking to scale by increasing the number of products being sourced from smallholder farmers, and to bring these additional processed products to market alongside its current range.

**SA1:** This corporate-led initiative provides agricultural services that primarily address farmers’ productivity constraints through provision of improved inputs such as seeds, fertilizer, equipment, and access to financing. The initiative has developed medium level of partnerships in the FMT and EER quadrants. Early pilots have been successful at engaging smallholder farmers. However, the IB has struggled to demonstrate the viability of its business model. Additional partnerships may well be necessary to refine the model.

**SA6:** This corporate-led initiative sought to source a non-perishable product from smallholder farmers in South Africa. The IB initially engaged primarily with partners in the FMT quadrant of the PEF. When those collaborations proved insufficient, the IB then explored additional partnerships with organizations in both the EME and the EER quadrants. This provided not only social capital and legitimacy, but also support in enhancing farmer productivity and in managing the overall partnership ecosystem. Over time, the pilot showed viability and the leadership team feels that it is ready to scale, having also successfully engaged smallholder farmers.

**SA7:** This corporate-led initiative developed an additive for one of its products using an agricultural crop not that is not widely grown by local smallholder farmers. The initiative brought together a number of partners, which contributed to medium levels of partnership in the FEA, EER, and EME quadrants. While this collaboration resulted in a business model that is viable, the IB has not been able to collaborate with the partners in the FMT quadrant to address productivity and market access issues faced by potential smallholder farmers. In addition, it is not clear all of the partners can pilot at a similar growth rate that supports the IB’s efforts to expand.

**FINDINGS**

The analysis of these case studies provided a number of insights into partnership development and management. First, our analysis showed that both partnership development and management efforts were more successful when an individual had been designated as responsible for maintaining the partnership ecosystem. This was particularly relevant for corporate-led initiatives where IB activities might be only one of a number of activities within the company, and in cases where
there may be multiple partners across quadrants in the PEF. In both cases, the role of coordinator becomes increasingly important as the number of parties, and the complexity of coordinating between them, increases. For example, K3 has a clear system of partnership coordination across a number of internal units and a wide group of partners, which has contributed to the validation of its business model and to robust levels of engagement with smallholder farmers. SA7, however, does not have a clear partnership coordinator, which has contributed both to internal challenges in coordinating the launch and piloting of the initiative, and continued gaps in its partnership ecosystem.

Interestingly, one of the corporate-led IBs outsourced the maintenance of the partnership ecosystem to another organization. In the case of SA6, the company had originally filled this role themselves. However, this resulted in sub-optimal outcomes due to poor coordination and a lack of accountability within the partnership ecosystem, and it decided to bring on an additional partner. This partner was identified specifically for its ability to coordinate the partnership and to facilitate each partner becoming more accountable for not only the success of the product, but also the benefits that this initiative brought for the smallholder farmers. This left the enterprise itself to focus on its core capabilities as an off-taker, and resulted in better overall partnership outcomes.

As part of the partnership coordination role, making upfront investments to ensure roles and responsibilities were clear across the partnership, and that partners shared each other’s visions of success, proved beneficial. In the instances where challenges arose in managing partnerships, these ranged from communications issues, misunderstanding of partners’ capabilities, to misalignment among partners’ interests and mission. For example, SA7’s first production run went well, but attempts to ramp this up ran into constraints when they found that their partners had different expansion capacities, and that additional partners would likely be needed to support further development of the initiative.

Second, in developing partnerships, IBs should understand not only the role that partners play in their business model, but should have an understanding of partners’ own business models and how this collaboration will create value for them. Each partnership should have a shared vision of the desired outcome, both for the partnership, and for each other. This requires that the IB understand the factors that influence the partner’s decision making, key constraints, and drivers of success. Knowing this allows for more effective problem solving and integrative bargaining between partners. For example, K1 initially worked with one of its partners to create a digitized version of that partner’s standard loan product so it could be offered to smallholder farmers via K1’s mobile platform. However, shortly after starting the development it became clear to their partner that building a digital version of an existing product would not allow it to realize all of the efficiencies that K1’s model could offer. This insight prompted K1 and their partner to develop an entirely new product that was designed for a digital platform, which significantly sped up development of the offering. A greater shared understanding of each other’s business models has also created new opportunities to develop innovations that will further increase the efficiency and scale at which loans can be provided to smallholder farmers.
Third, in managing partnerships, IBs should recognize that their partnership ecosystem will evolve over time, and should enable a process to anticipate and facilitate this change. This evolution can result in adding new partners, removing existing partners, or changing the role of current partners. Partnership needs may evolve, for example, due to changes in the enterprise’s strategy, or in the strategy or direction of partners. For example, K3 recognized that creating a supply chain for a single agricultural commodity was expensive, and the opportunities to scale a single product were limited. Consequently, the enterprise’s strategy changed from one focused on enhancing productivity of smallholder farmers, to one focused more on addressing market access challenges by creating new channels for a wider range of these farmers’ products. The leadership of the enterprise considered this a critical step to achieve a viable business model, while also engaging greater numbers of smallholder farmers through its existing supply chain infrastructure. The revised strategy resulted in changes in partner roles within the FMT quadrant. First, the enterprise de-emphasized its relationships with those partners focused on productivity challenges. Second, after reviewing its current partnerships in the context of the revised strategy, the enterprise explored the opportunity to redefine the role of an existing partner. Previously, this partner had provided financial capital. This partner was also well equipped to provide technical knowledge, and assist with channel development and improved market access, a role it embraced once it understood the revised strategy.

Partners can also influence strategy and it is important to understand how the addition of a partner may have a negative impact on the goals and effectiveness of the initiative. While a partner can add needed resources, it may also impact the focus and effectiveness of the pilot. For example, SA1 has resisted taking on partners that would provide additional financial resources but have a different agenda in terms of who is served and how the resources are allocated. While support in the ERR quadrant was potentially useful, this initiative felt that the downside was substantial enough to cause it to refrain from these engagements.

Partnerships are also subject to change occurring within individual partners, either at a strategic or personnel level, which may require the removal of partners or a change in their role. As a result, partnership coordinators should continually monitor for periods of personnel or strategic transitions in their partners. This can be particularly relevant where public sector agencies are involved and governments may change, resulting in changes in both personnel and strategy. For example, SA6 expanded production to a new region in South Africa, which involved working directly with local government agencies. Unlike in other regions, this initiative lacked the upfront investment in developing a formal agreement between the partners. Over the course of the pilot, many of the people involved, in some cases nearly all of the personnel at a single local government agency, changed. This made it difficult to maintain accountability among partners and slowed the implementation of the pilot. This resulted in limited engagement with smallholder farmers, and it is unclear if this region can achieve financially self-sustainability.
IMPLICATIONS

This section of the research study offers deeper insights for specific cases about how individual enterprises managed particular scenarios. It also provides insights gleaned from comparing across case studies.

Three main implications emerged. Building a partnership ecosystem benefited from ensuring that (1) proper resources, (2) proper capabilities, and (3) proper processes were in place. This requires that IB leaders proactively strategize and invest in partnership development and maintenance.

In terms of dedicated resources, a strong partnership strategy resulted when these IBs had a partnership coordinator, whose role included considering not only who to partner with, but also the dynamics of a potentially diverse and multi-sector partnership ecosystem, and the processes required to effectively manage this ecosystem.

These cases also provide examples of the value of developing the capability to understand how to maximize the performance of individual partnerships within the ecosystem. This includes maintaining strong communication between partners, remaining flexible in terms of their approach, and staying focused on producing positive outcomes for the partnership, and for each other, throughout the collaboration.

Finally, these cases also provide examples of how partnership ecosystems can change, and how enterprises that invest in processes to anticipate and manage this change can develop more resilient partnership ecosystems.
CONCLUSIONS AND NEXT STEPS

Together, these results highlight the importance for IB leaders to understand the influence of each quadrant in the PEF on their efforts to transition from pilot to scale. Different quadrants have different impacts on building a viable business model and engaging smallholder farmers. The influence of these quadrants also varies by business model type, organizational structure, and geographic location. This suggests that IBs leaders must build a robust partnership ecosystem that aligns with their piloting goals and responds to their specific contextual situation.

The results from the second stage of this research project demonstrate the importance of ensuring the proper resources, capabilities, and processes are in place to develop and manage an IB’s partnership ecosystem. Having someone specifically designated to oversee the partnership ecosystem enhanced success in both developing and managing this portfolio of collaborations. Additionally, developing effective partnerships benefitted from building a capability to understand the partnership outcomes from the perspective of the potential partner. Finally, effectively managing the partnership ecosystem benefitted from ensuring a process was in place to regularly assess each partnership and the ecosystem as a whole. This facilitated opportunities for continued improvement or adjustments in current relationships. It also enabled a more strategic approach to adding new or terminating existing partner relationships to match evolving circumstances and strategies.

AREAS FOR FURTHER RESEARCH

The results of this research study have reinforced the recognition of how important effectively prioritizing, developing and maintaining a partnership ecosystem is to IBs seeking to transition from pilot to scale. It has also shown that tools such as the PEF are valuable and important in
helping IBs to better optimize their partnership ecosystems in a complex and difficult-to-operate context. However, much remains to be done in order to enhance our understanding of how to maximize performance of individual partnerships and partnership ecosystems, and to realize the impact and opportunity of inclusive business.

The enterprises included in this study are all at, or have just completed pilots. Future research that includes enterprises that have reached scale will provide additional insights into the pathways by which scale is achieved and the role of the enterprises’ partnership ecosystems in achieving this outcome.

While we included discussions of failed partnerships in our data collection for this work, there is naturally less data available on these failed partnerships and unsuccessful strategies, than is available on successful approaches. A longitudinal research approach will allow for study of a range of IBs, and their associated partnership strategies over an extended period will provide greater variation in success, and will help to refine the current findings and further contribute our understanding of the role of partnership in enterprise success.

In addition to research focused on the level of the enterprise, much remains to be done to understand the landscape of potential partners, and how to enhance the support that is available to IBs. The effectiveness of IBs is influenced by the portfolio of development organizations seeking to support them. These organizations can enhance the partnership landscape by better understanding how to identify and invest in the most effective interventions, scale back activities that generate limited value, and address gaps that require new and innovative approaches to partnership support. This research would help prioritize funding, enhance coordination across the development community, and create a holistic and integrated set of investments that support the development of more sustainable, scalable IBs in BoP markets.

In closing, this report provides specific recommendations for how IB leaders can build more effective partnership ecosystems to overcome the challenges they face in seeking sustainability at scale. This work, and future efforts, are crucial if we are to truly harness the power of IBs to alleviate poverty in BoP markets.
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