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Good Performing Enterprise (Co-operative) with Social Venturing and Co-operative Entrepreneurship Business Model (SVCE-bm) in Zambia

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Abstract:

Social Venturing Economics (SVE) school of thought is new and still evolving. The proponents of SVE advocate social venturing and co-operative entrepreneurship business model (SVCE-bm) as the most appropriate tool for socioeconomic development in developing nations with inadequate institutional framework to support the New Generation Co-operatives business model (NGC-bm). The SVCE-bm is a theoretical business model under development and is simply defined as multi-actor business architecture for value creation, delivery and capture. This paper attempts to investigate the existence of good firms in Zambia using SVCE-bm.

The theoretical concepts underpinning SVCE-bm is new institutional economics and its branches - transaction cost economics, agency theory, and property rights.

A case study design to investigate the existence of good SVCE-bm in Zambian firms using in-depth interviews was used. The desk research study method was used to compliment the case study also.

The study has established that there is none completely similar to SVCE-bm but there exists SV-bm that are almost similar. The major departure is on exit strategy and ownership. In SV-bm enterprise, smallholder producers, co-operatives or MSMEs are contracted to supply agricultural commodities and there is no plan for them to assume ownership and running of value adding firms. The SV-bm enterprise promotes dependency syndrome such that if the enterprise were to close, the contracted stakeholder's economics and social prospects would come to zero.

The SVCE-bm requires supportive environment and has potential for sustainable social economic development for developing economies especially in supporting smallholder producers, co-operatives, MSMEs to own value adding enterprise.

The SVCE-bm has potential for replication in local government and ministry of agriculture in the development of co-operatives.

Keywords: *Social venturing and co-operative business model, new generation co-operative business model, Investor owned firm business model, Social venturing economics, Transaction cost economics, new institutional economics, Traditional co-operative business model. Sustainable development, inclusive business*

1. Introduction

In the post-Cold-War era, proponents of Non-governmental organizations (NGOs), influenced by neoliberal economic and democratic theory (markets and private sector initiatives are the most efficient mechanisms for achieving economic growth and providing most services including social services to people) argue that NGOs have the capacity and commitment to make up for the shortcomings of the state and market in third world countries. NGO's are critical "third or middle sector" fostering the development of marginalized segment of the population, Makoba (2002). However, the declining aid, dependency on donor funding and criticisms to donor aid has made NGO's business model unpopular. Most donors need self-financing NGO's "to ensure that the developmental impact of scares aid resources is maximized", Van der Velden (2009, p.71, 73-74), Schacs (2005), Edwards and Hume (1996, p.23-29) and Moyo (2009). As such, donor community, governments, including philanthropists favour social enterprise business model, referred to as social venturing business model (SV-bm), using market-based activities as solutions to sustainable development challenges in developing countries, Osterwalder et al, (2002), Wilson et al. (2009, p.1), Godeke and Bauer (2008, p.4), and Social Enterprise London (2005, p.1-6).

1.1. Background

The Zambian industry is made up of large enterprises that drive the economy and micro, small and medium enterprises (MSMEs) that employ the majority of labour force (88%). Most of MSMEs are informal, have no paid employees, are home based income generating activities than clearly structured businesses, are located in rural areas (81%) and are involved in agricultural production (70%) or wholesale/retail trade (21%), and the remainder (8%) are into construction, mining and manufacturing. The agricultural production is primarily organized into smallholder producers or co-operatives. Poverty and unemployment levels are high in rural and peri-urban areas, productivity for micro, small and medium enterprises (MSMEs) is low and often they lack sufficient knowledge and information, thus incurring high transaction costs. In most cases, they trade in farm commodities without value addition and therefore fetch low prices. The middlemen, including processors, purchase farm commodities, often at less than market price, and add value in order to sale farm products to consumers at higher prices. In short, smallholder producers, MSMEs, and Co-operatives are less productive because of the following challenges, entrepreneurial skills capital, technical knowledge, technology, sufficient information about the market, and competition with well-established local and foreign corporations, Conway and Shah (2010), Mtonga (2012, p. 3,5-7); Lolojih (2009, p. v,1; AEO(2012, p.5,11; Bonger and Chileshe2013, p.19; Zambia Business Survey 2010; Mbuta 2004, p. viii). These are shortcomings of market and state, they are wicked problems that require addressing using innovative business models with entrepreneurial approach (Makoba 2002; Van Dijk 2011, p. 49).

Investor owned firm business model (IOF-bm) with strong corporate social responsibility (CSR), IOF-bm pursuing vertical integration and contract farming strategies have been used as models that help smallholder producers, MSMEs, and co-operatives overcome their wicked problems with mixed success results, Prowse (2008, p.1-7; Morris and Imrie 1993). The IOF-bm is associated with social, environmental and economic problems, van der Vellden (2011) quotes Porter and Kramer (2011), Bakshi (2009); accused of engaging in tax avoidance through transfer pricing, Raid and Afronet (2002) and Saluseke (2014). The IOF-bm pursuant of profit maximization leads to self-interest seeking with guile, Williamson (1987, p. 30).

Similarly, investor owned large commercial farming is not a panacea to replacing smallholder farmers. The model end-up displacing the rural folks and turning them into cheap farm labourers and giving rise to land ownership disputes, Pearce (2012) and Hicks (2010). The traditional co-operative business model (TC-bm) has been used in the past as a satisfactory but the five inherent property rights weaknesses makes it unsuitable for use in liberalised market, Tortia et al., (2013, p.30). As such, new business models, the new generation co-operative business model(NGC-bm) being the most successful, has ameliorated the TC-bm weaknesses. However, NGC-bm cannot be adopted to Zambia due to wicked problems faced by smallholder farmers, co-operatives and MSMEs, Siame (2014, p. 714; Fulton 2001, p.2, 11-12).

2. Literature Review

The paper analyse literature in social venturing business model design in order to identify any deficiencies and omissions in earlier research, Galvan (2006), by reviewing SVE ontologies used in SVCE-bm and recent academic and practitioners' publications in the subject matter.

To date, research in business model is still in its infancy, dealing with many concepts, ontologies and business model frameworks, all of which have merit but none has been universally accepted, Lambert (2006), Mayson (2010, p3). However, when it comes to business model theories, most researchers and practitioners use specific aspects of New Institutional Economics and Economic Organizational Theory, (see Lambert 2006; Rose and Scheepers 2001; Goransson et al, 2007; Kalantari 2010).

Given the state of business model research and the lack of consensus regarding definitions and constructs of business models, it's appropriate to apply the conceptual framework in a bid to progress the research. A conceptual framework, according to Miller and Islam (1988, p.96), aims to... broadly define a number of key terms and concepts that can be used in identifying and debating the issues. Osterwalder et al, (2002) undertook extensive research to synthesise the existing electronic commerce and management literature to produce a comprehensive business model ontology (BMO) that specifies, in a structured way, elements and sub-elements of the business model. Based on BMO, Osterwalder and Pigneur (2009), developed Business Model Canvas, with nine business model building blocks, as a strategic management template for developing new or documenting existing business models.

The business model building block is not a static tool. It is suitable for most IOF-bm with minor modifications but with extensive modifications for SV-bm and SVCE-bm typology. Consequently, the paper reviews two typologies, SV-bm and SVCE-bm, which researchers and practitioners have advanced as "Business Model for Sustainable Development" or inclusive business, Caroline (2009).

2.1. SVE ontologies

The proponents of SVE argue that social venturing entrepreneurs distinguish themselves as entrepreneurs who are willing and able to address wicked problems, while social venturing entrepreneurship is the contribution to solving wicked societal problems by entrepreneurial method, van Dijk (2011, p. 48-49). For Professor Gert van Dijk, Social venturing entrepreneurship and the application of SVCE-bm in a firm, is an alternative way to promote global social justice, has an advantage above conventional entrepreneurship as it has reintroduced the concept of entrepreneurship as a calling and is not less than a (silent) revolution, (Van der Velden 2011, p. 70; Kievit et al, 2008).

2.1.1. Social Enterprise, Social Entrepreneurship and Social Venturing Entrepreneurship

Researchers, practitioners and policy makers use the terms Social enterprise and social entrepreneurship interchangeably, whilst in SVE school of thought, the two terms mean social venturing entrepreneurship, (Paredo and Mclean 2005, p. 5; Haugh (2005, p. 5; Van Dijk 2011, p. 48).

In this paper, SVCE-bm is an organization structure and its relationship that explains how social venturing entrepreneur has incorporated external partners with local community, MSMEs, Co-operatives, suppliers, smallholder farmers to achieve sustainable development.

2.1.2. Social Venturing Entrepreneur

These are entrepreneurs who are willing and able to address wicked problems. They are creators of effective social change in a context of economic, social, environmental and political conditions. Social venturing entrepreneur has advantage over conventional entrepreneur as he practices entrepreneurship with a calling. The conventional entrepreneur follows primarily a dichotomous line of thinking– profit motive (Schumpeter 1934 and Baumol 1993) whilst a social venturing entrepreneur line of thinking is both self-interest and social interest (altruism) or ethical motives and moral responsibility, Bornstein (1998) and Catford (1998).

2.1.3. Social Venturing Investor

At the centre of philanthropic foundation or a non-governmental organization (NGO), is a social investor with entrepreneurial traits. This type of entrepreneurial behaviour is current. These are entrepreneurs that benefited from the first successful developed phase of their entrepreneurial lifecycle and would like to give back to the world. These social ventures are very much driven by a clear vision on solving society issues and a dedicated worldview. Social investors do obtain a financial return on the investment, but accept a lower return and/or a longer grace period (‘slow’, ‘patient’ capital) which is compensated by demonstrating non-financial returns as well, (van Dijk 2011; Van der Velden 2011, p. 80; Brouwer et al, 2010).

2.1.4. Social Venturing Entrepreneurship Investment on Return

The Social Venturing entrepreneurship investment on return targets people, planet and profit. The impact on the part of people and planet serve as important criteria for their business model. Therefore, profit in SVE is not a teleology but rather a means to achieve the core objective, mission and vision of social venturing enterprise. Thus, invest in market opportunities to earn sufficient income to achieve maximum social impact and enterprise sustainability, (Kariog et al, 2011, p. 146-148; Brouwers et al, 2010).

2.1.5. Social-Economic Impact and Exit

When a specific level of social-economic impact has been attained in SVCE-bm enterprise, it is time for the social venturing investor to say goodbye. When wicked problems have been sufficiently addressed/reduced (trained local leadership, social venturing firm generating income to sustain social impact and operations and has good governance). From the inception of the social venturing enterprise, the social venturing investor discusses exit criterion and conditions thereof with local stakeholders and draws a short, medium to long term plan to achieve a successful exit, (van der Velden (ed) (2011, p. 146-148; Nuer 2012, p. 1; Van Abbema and MacDonald 2009).

2.1.6. SVCE-Bm Building Blocks

For SVE school of thought, eleven business building block elements as opposed to nine constitute a business model for sustainable development, Siame (2014).

| | | | |
|--------------------------|--|---|---|
| Infrastructure | Key partners | Class A = Capital Class B = Debt & risk Class C = Service provision Class D = Product development Class E = Business partners Class F = Raw materials | Vision Mission Objectives Both economic & social/environment |
| | Core business & resources | Key resources | May include HRM, building, equipment, land, input etc. |
| | | Key Activities | May include, production, accounting, logistics, warehousing etc. |
| Value Proposition | 1. Customer value proposition (CVP) 2. Member value proposition (MVP) 3. Partner value proposition (PVP) | | |
| Customers | Customer segments | 1. Niche market for external customers 2. Internal customers (members & partners) | |
| | Customer relationships (CRs) | 1. External customers 2. Internal customers | |
| | Channels | 1. For external customers 2. For internal customers | |
| Finances | Costs | Operational & social impact costs | |
| | Revenue streams | Revenues from commercial activities & from partners (grants, donations) | |
| Impact & exit strategies | Social impact | Knowledge & technical skills | |
| | Exit strategies | Farmer owned, employee owned, local entrepreneur owned, communal via trust owned, social enterprise development Fund etc. or a combination (Nuer (2012, van Abbema & Sibanda 2009, van der Velden (eds) 2011) | |

Figure 1: SVCE-bm elements
Source: Siame (2014, p. 721) – www.ijird.com

For SVCE-bm, classes A and B capital in key partner and revenue streams elements plays a vital role, Jed (2003, p.36), in defining social and commercial values to created and captured.

2.1.7. Environment for SVCE-Bm

Smallholder farmers, MSME, co-operatives, and communities face wicked problems (Mtonga 2012; Lolojih 2009; AEO 2012; Bonger & Chileshe 2013; ZBS 2010; Mbuta 2004) shown in the second circle in figure 2 below. The first circle shows the kind of key partners needed in SVCE-bm to provide assistance to smallholder farmers, MSME, co-operatives to start value adding enterprise, Sanago and Salverda (2009, p.145).

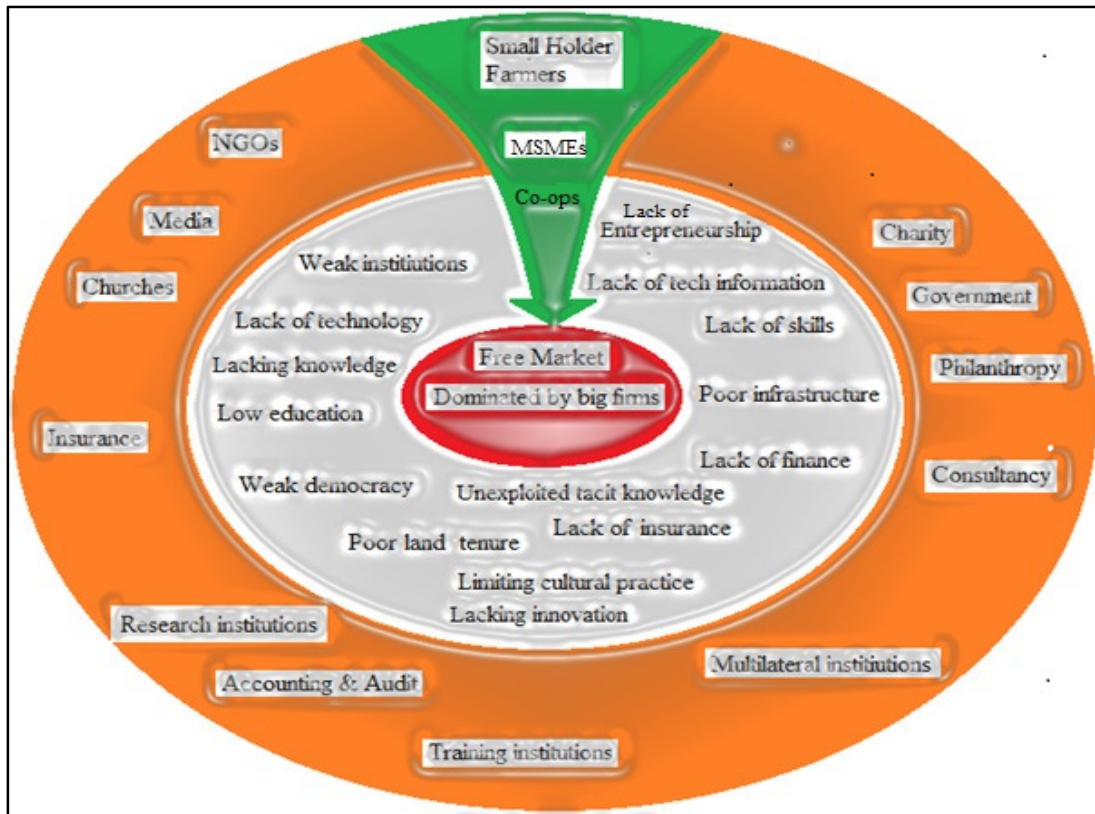


Figure 2: Nature of environment for SVCE-bm

2.1.8. Upstream Value Addition Processes and Downstream Market Development

SVCE-bm provides smallholder farmers, MSME, co-operatives opportunity to respond to competitive conditions by engaging in value addition and market activities, thus eliminating intermediaries, and deal with the customers in order to maximize revenue generation as shown in figure 3 below.

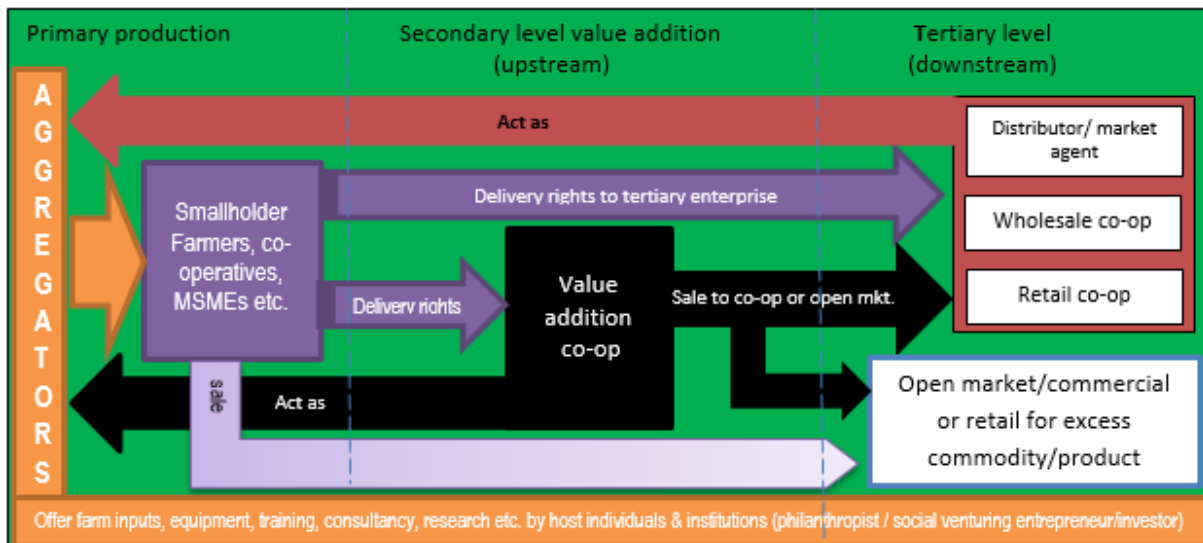


Figure 3: SVCE-bm spanning sphere
Source: Siame (2014, p.716) – www.ijird.com

The aggregators in the fig. 3 symbolise the number of partners the social venturing entrepreneur has garnered in addition to upstream or downstream joint ventures or both, to provide necessary assistance to smallholder farmers, co-operatives, MSMEs to meet delivery rights specifications. Similarly, some partners mobilised focus on making the upstream and downstream joint ventures a commercial success and some proceeds are allocated to achieve sustainable impact, Halper and Tennyson (2006, p.5). This vertical co-ordination is in conformity with recent consumer demand to trace the origin of food products upstream to the farm and beyond to be assured of wholesomeness and quality, (Nilsson and van Dijk (eds) 1997, p.38; Barkema et al., 1991).

2.2. Business Models for Sustainable Development (BMSD)

Downed by the reality that government-driven poverty reduction approaches are insufficient, investment in social development cannot work alone, grant-funded initiatives are often poor in scale and sustainability of impact and productive opportunities need to be scaled up. That private sector-driven growth can benefit many and that growth does not always go hand in hand with poverty reduction rather increase inequality, development professionals are seeking innovative BMSD. Consequently, Ashrey (2009) urges business, non-profit organizations and government to explore inclusive business approaches to deliver services needed by the poor. Caroline contends that business can have greater impact on development by adapting their core business practice than corporate philanthropy alone to reduce costs and expand opportunities for the poor. She suggested four ways to apply *inclusive business* motivated by both self-interest and social interest, as shown in figure 4.

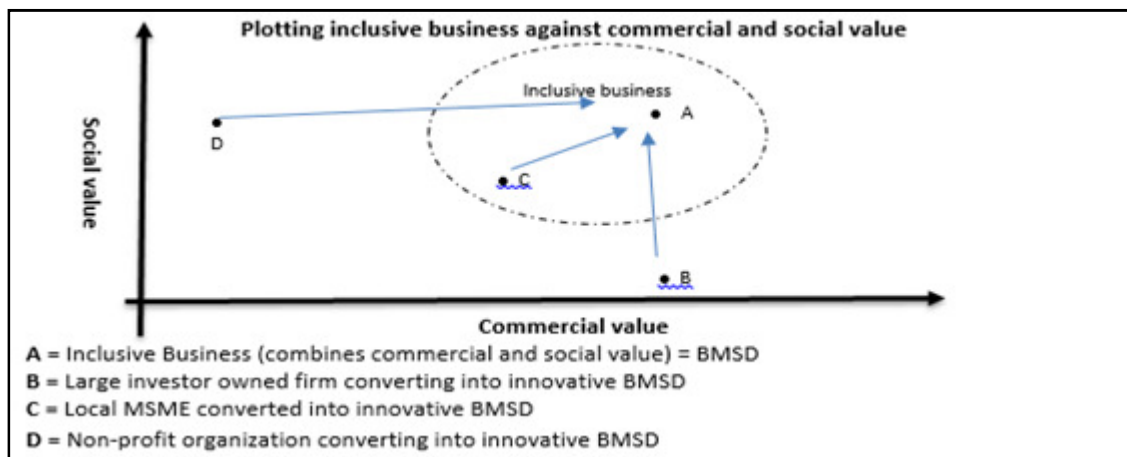


Figure 4: Inclusive business
Source: Ashrey (2009, p. 3)

The term *inclusive Business* is replacing sustainable and responsible business. UNDP defines it as “business models that create value by providing products and services to or sourcing from the poor, including the earned income strategies of non-governmental organisations”, (UNDP 2008).

Mair and Marti (2005, p. 8) provides good examples of social enterprise business model that Muhamma and Yunus developed for Grameen Bank or that Dr Abouleish chose for Sekem. Both the Grameen Bank and Sekem use profits generated by their main activities to engage in new social ventures. Grameen has launched ventures such as Grameen Telecom or Grameen Energy, while Sekem has launched several social ventures, including a university and hospital. These are inclusive business denoted “C” in figure 4 above.

Furthermore, Caroline provided levers to use in harnessing core business for development impact as indicated in figure 5.

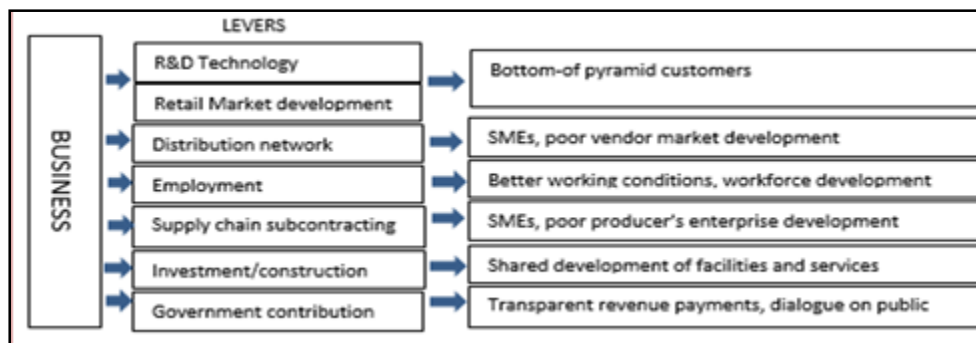


Figure 5: Ways to adapt inclusive business model
Source Ashrey (2009, p. 4)

She concluded that business has major and multiple impacts on developing economies and people through purposeful action, there is no one way to adapt the business model, and delivering greater development benefits – higher social value – can go hand in hand with building shareholder value.

Wilson et al. (2009) and Knode made adaptations to Alexander Osterwalder and Yves Pigneur Business Model Canvas, www.businessmodelgeneration.com to design Business Canvas for Social Enterprise. For Ingrid Burkett Knode, linking commerce and impact inside the social enterprise business model is critical in designing an effective and sustainable enterprise, see figure 5. For Wilson et al. the Business models for sustainable development aim to deliver economic, social and environmental benefits through core business activities. The model includes value proposition (tangible results from goods or services) to deliver social, environmental and economic values, while value distribution within the market chain is a key feature. Business model sustainability involves building their own capacities and strategic alliances with other enterprises, government agencies and development practitioners. Involving local communities as partners and co-designers of new models enhances local buy-in and ownership. Significant investment of time and resources at the start is key for building strong working partnerships, and successful innovation, experimentation and scale-up, but models need to be self-sustaining in the long term. Ongoing monitoring and evaluation needs to be built in to the business model.

For Wilson et al and Knode, to deliver sustainable development benefits through core business activities rather than philanthropy, the company needs to look not only at value creation and capture for itself and its customers, but also value distribution throughout the market chain. The chain may include small-scale producers, local small-scale and social enterprises, and service providers such as banks. Creating value for partners in the chain helps to develop more robust, efficient and resilient market chains that benefit all participants.

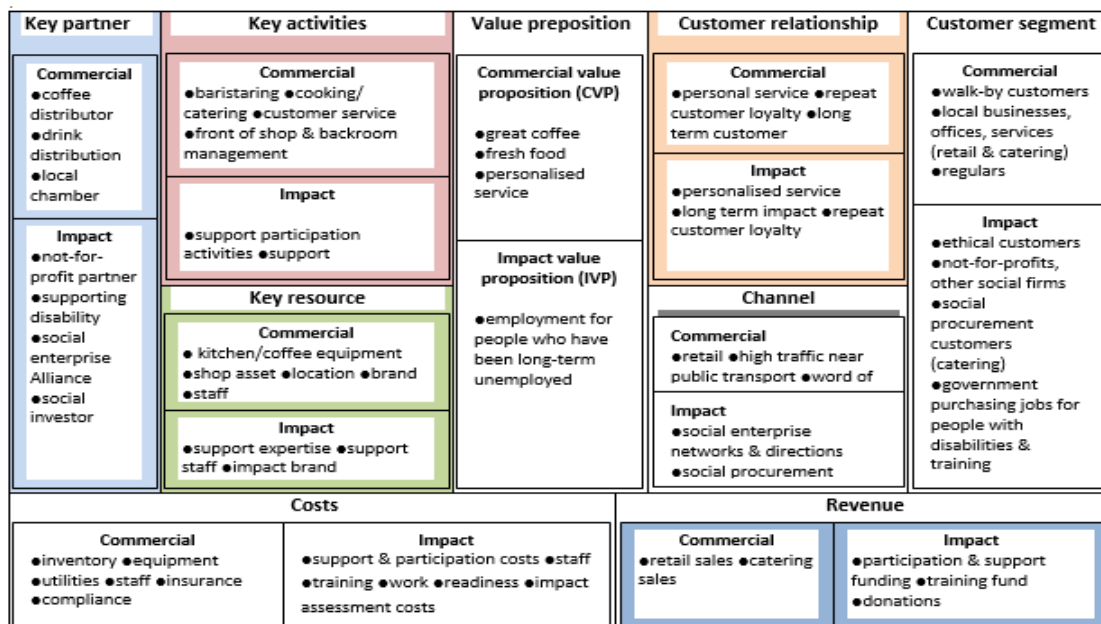


Figure 6: Business Model Canvas for Social Enterprise
 Source: Ingrid Burkett Knode igrid@knode.com

3. Research Gap

For SVE School of Thought, (Van Dijk 2011; Kievit et al., 2008; Kievit 2011; Nuer 2012; alter et al., 2001; Van Abbema & McDonald 2009; Sanago and Salverda 2011; Ashrey 2009, p.8) conclusion that there is a growing array of new case studies (in SV-bm) to learn from, but we are still at the start, at the stage of *wide welcome for inclusive business ideas and new forms of engagement* and that there is enough evidence on their impact to suggest that they can deliver scale and sustainability *but the evidence is far too broad – brush or anecdotal to allow for hard-headed analysis of strengths and weakness, what works or does not*, the SVCE-bm brings in new ideas worth comparing with good working SV-bm in Zambia. In so doing, the study would establish strength and weakness for SV-bm and SVCE-bm thereby providing practitioners and policy makers’ sufficient information for their decision making and contributing to body of knowledge.

4. Research Design and Methodology

A phenomenological research strategy employing case study design was chosen as most appropriate to investigate the existence of good SVCE-bm in Zambian firms using in-depth interviews (Yin, 2003). Desk research study method was also used to search for companies using SVCE-bm in Zambia. Case study approach has the advantage for drawing on multiple sources of information. Data was collected from Group and individual settings using unstructured questions based on the theoretical proposed SVCE-bm template. Questions specific to the ten building blocks were posed to interviewee in order to elicit information for validating the existence of theoretical SVCE-bm in Zambian firms. That is, SVCE-bm ten building blocks template served as a research instrument, Osterwalder

(2011). SVCE-bm is an adaptation of Alexander Osterwalder business model canvas nine building blocks template. The SVCE-bm has ten elements or building blocks as opposed to Osterwalder’s nine building blocks. Impact and exit strategy is an introduced building block and further, the key partner element is subdivided into five classes, value preposition into three components, while customer relationship and channel elements are divided into two components respectively.

A non-probability sampling technique was used because of phenomenological paradigm, concentration on SVCE-bm elements, and in-depth analysis of the study. Judgement/purposive sampling technique was used to select companies to be studied. The researcher approached experts to provide names of good performing processing or value adding facilities owned by co-operatives or run on behalf of co-operatives or serve individual smallholders. The assumption for selecting good performing processing or value adding firms was based on the understanding that they encompass as many theoretical SVCE-bm elements as possible.

The sample size constituted the following: A group of three experts representing 39 registered Dairy Association of Zambia were interviewed. Two managers of Diocese of Mongos Development Centre where they process rice and rice by product, bio fuel and bio soap products. The raw material for the processing plant comes from smallholder co-operatives and individual smallholders. Two managers at COMACO were interviewed separately on different days and location. One manager for each of the following co-operatives: Choma District Daily Co-operative, Mpima Daily Co-operative society, Mapepe Daily Milk Collection Centre.

On sample size, if it is intentionally a qualitative study, then relatively small, purposive samples would be typically be used, and there is no “rule” that determines sample size. The sample builds and evolves as data gathers, and it is the quality, rather than the quantity of the sample that is the researcher’s prime concern, Salkind (2000, p.96).

Validity and reliability were addressed by content validity and inter-rater reliability. For content validity, experts or senior managers of facilities were interviewed to provide information whilst inter-rater reliability was achieved by the amount of agreement amongst the different people interviewed as well as information obtained through desk research on SVCE-bm phenomenon.

5. Findings

The research findings are summarised and presented using the theoretical SVCE-bm template for easy analysis and comparison. Firstly, the findings for Community Markets for Conservation (COMACO), Diocese of Mongu Development Centre (DMDC) and Mpima Daily Co-operative (MDC) business models are analysed using radar chart and COMACO business model is further compared with SVCE-bm since it was found to be the best SV-bm similar SVCE-bm.

5.1. COMACO, DMDC, & MDC Business Models

The radar chart, figure 7, summarises the analysis by comparing the theoretical SVCE-bm elements to COMACO-bm, DMDC-bm and MDC-bm elements on a scale of 0 to 5. In his radar chart, SVCE-bm elements assumes the virtual optimal performance values of 5; while other values are plotted based on the information the researcher obtained from the expert interviewee.

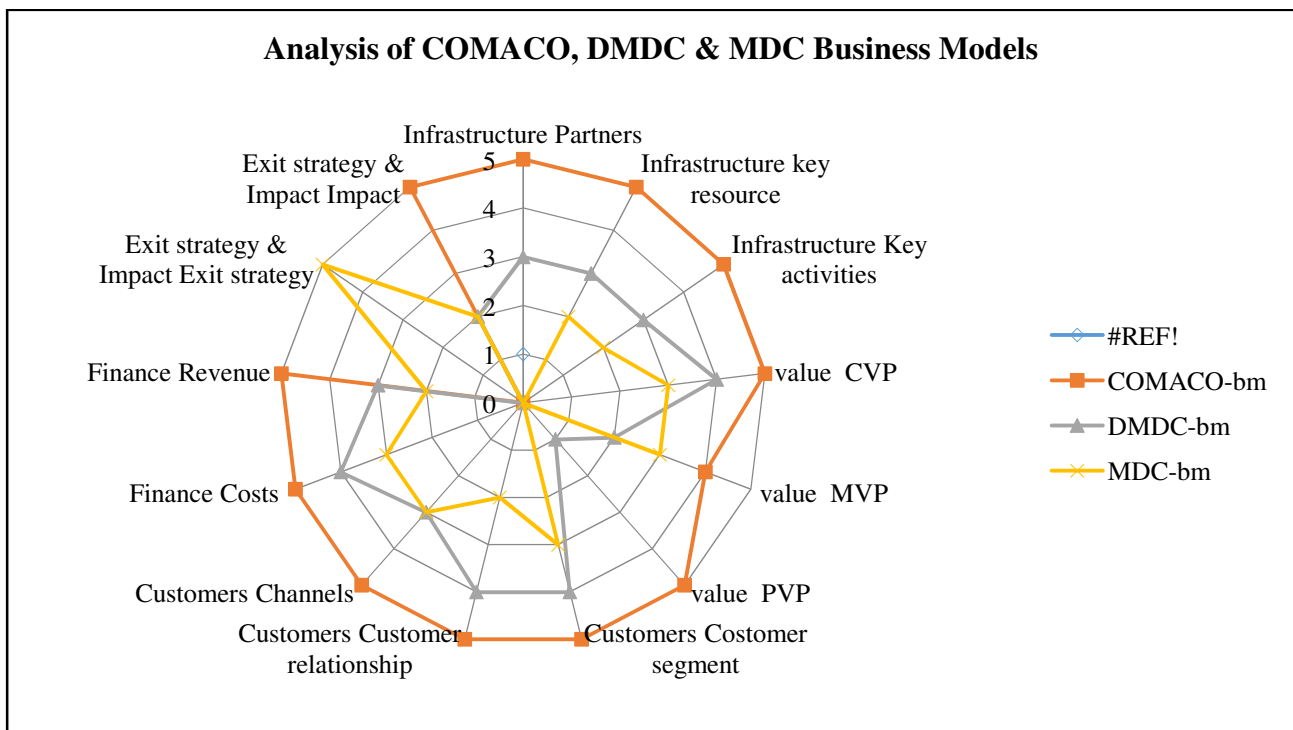


Figure 7: Business Models Radar Chart

5.1.1. COMACO-bm

| | | | |
|-------------------|--|---|---|
| Infrastructure | Key partners | <ul style="list-style-type: none"> • Funding – The Royal Norwegian Embassy, EU • Technical – Lead agricultural technical partner - The Conservation Farming Unit; Lead technical partner – Philanthropist General Mills; & Lead academic collaborating partner – Cornell University of USA • Business – Lead business consulting partner – Haas Business School, Berkeley University of USA • Aggregators – CARE International, Program Against Malnutrition & Wildlife Conservation Society, World Food Program, EU, MoA extension units | <p>Vision - The Luangwa Valley ecosystem is made secure from human disturbances by sustaining liveable incomes and household food needs through trade incentives that drive land use practices supportive of well-managed landscapes and natural resources. Through this success, serve as an example and learning platform for extending COMACO to other regions in Zambia and the sub-continent</p> <p>Mission - Provide marketing services, trade benefits, and extension support for farm-based and natural resource-based commodities as a basis for small-scale farmer adoption of improved land use practices that promote natural resource conservation</p> <p>Objectives - Poverty reduction, Job creation, & sustainability wild life & ecosystem in Luangwa valley</p> |
| | Core business & resources | <p>Key Resources</p> <ul style="list-style-type: none"> • Plant & equipment • Procurement & distribution network • Technology • Qualified staff • Partnerships & alliances • Intellectual property rights • Brand name "IT'S WILD!" • Producer groups • Trading depots & CTC's <p>Key Activities</p> <ul style="list-style-type: none"> • Processing & packaging finished "IT'S WILD" products • Marketing & distribution • Product & market development • Financial & management accounting • Human resource development • Relationship management • Validation of conservation compliance | |
| Value Proposition | <p>Customer value proposition (CVP) - • All natural foods • Reliable food production & supply • High quality, tasty 'green' products</p> <p>Member value proposition (MVP) - • Fair commodity prices • Access to market • Annual conservation farming dividends • Free maize incentive • Healthy lives for members families • Improved communication • On-going training • Local leadership • 65% ownership share in own community-managed tourism camps called IT'S WILD! Bush camps • New farming methods</p> <p>Partner value proposition (PVP) - Jobs creation • Poverty & hunger reduction • Sustainability; • Saving wildlife & ecosystem (Increased animal numbers, increased farmer enrolment, food security, conservation compliance, wider crop, enterprise diversity & income-safe)</p> | | |
| Customers | Customer segments | <p>Niche market for external customers - • Urban retail outlets throughout Zambia & Regional export markets</p> <p>Internal customers (members & partners) - • Farmers and co-ops located along-side Luangwa's wildlife</p> | |
| | Customer relationships (CRs) | <p>External customers - • Quality assurance • Timely response to queries • product/service availability • Ethical communications & point of sale adverts</p> <p>Internal customers - • Timely financial & operational and M&E reports • Adherence to common ethics, values & contractual obligations • Efficient communication through official channels, • Workshops/seminars/meetings and trainings • local/public print/audio media, • Point of sale adverts</p> <p>Impact report to attract continued partner support - Better life to poor people; • Health & well-being; • Educating and caring children; • Sustainable ecosystem • Reduction in poaching • Reduced poverty and hunger</p> | |
| | Channels | <p>For external customers - • Retail outlets and other foreign distributors</p> <p>For internal customers - • Own six regional conservation trading centres (CTCs) • Own 75 trading depots Local dealers • Other foreign distributors</p> | |
| Finances | Costs | • Operational costs • Fixed costs • social impact costs | |
| | Revenue streams | Sales (maize, beans, soya beans, rice, honey etc.) • grants & donations | |

Figure 8: COMACO-bm

Source: Interviews and COMACO publications (Floyd Mwansa fmwansa@itswild.org andwww.itswild.org)

The radar chart fig 7 above shows COMACO-bm performing better than DMDC-bm and MDC-bm. All the COMACO-bm elements except member value proposition (MVP) and exit strategy that COMACO doesn't have unlike SVCE-bm. The superior performance can be contributed to social venturing entrepreneur's entrepreneurial acumen such as networking and lobbying that are critical in assembling key partners to drive and achieve the vision, mission and objectives of SVCE-bm, Kievit (2011). Complete COMACO-bm is shown in figure 8 and can be compared with SVCE-bm theoretical model fig 1

5.1.2. DMDC-bm

The DMDC-bm is fairly performing better than MDC-bm but far less than COMACO-bm. From the radar chart fig.7. DMDC-bm has a weak partner element than COMACO-bm and therefore lacks resources to achieve its objectives. Given a strong partnership element, the DMDC-bm would be as good as Grameen Bank or Sekem, Mair & Marti (2005). The only provider of resources is the Catholic Church and if more partners were incorporated, DMDC-bm has potential to achieve more than is the case, Halper and Tennyson (2006, p.5), Wilson and Zarsky (2009, p2), Caroline (2009, p3) and SAB Miller (2008).

5.1.3. MDC-bm

The least in performance is Mpima Daily Co-operative processing plant. The Mpima dairy processing plant funded by a partner (ZATAC) and the plant operated successfully during partner tenure. After the partner exited, Mpima Daily co-operative has been riddled with problems such as lack of capital, side selling, low production and productivity, co-operative members' dissatisfaction, and inability to expand market share. The PDC-bm poor performance can be attributed to a) the use of TC-bm with its inherent property rights problems (Tortia et al, 2013) and b) its inability to attract social venturing entrepreneur to build a strong partner element. Transforming the MDC-bm to SVCE-bm is the solution to ameliorate the challenges.

6. Discussion and Analysis

The COMACO-bm is a SV-bm that fits examples “D” in fig. 4 and distribution network, employment and supply chain subcontracting “levers” in fig. 5, Caroline (2009), and also adapts to Knode’s business model for social enterprise, fig. 6 and vertical co-ordination fig.3, Nilsson and Dijk (1997). Therefore, it is a BMSD because it is reducing poverty and hunger and saving wildlife and ecosystem among thousands of poor, food insecure families that share Luangwa valley with elephants and other wildlife and are likely to poach wildlife and burn forests for charcoal.

By respecting and helping poor farmers overcome their problems with skills, inputs, and fair market prices, they will become not only loyal producers of commodities for the various products that COMACO manufactures and sells to consumers, but also good farm producers who can meet company targets. This is exactly what COMACO is achieving. The business partnership between COMACO and farmer is based on the “deal” that the trade benefits come only if producers remain committed to the right farm and land use practices. Farmers now know that if they accept this “deal”, there will be a buyer who will pay a fair price in cash money, giving them an incentive to farm instead of poach or charcoal. From SVE school of thought, this strategy does not provide good answers to the following questions for the parties to remain loyal to COMACO in the long term.

How long will the poor farmers remain loyal and good farm producers? What would happen to small-scale farmers if the social venturing enterprise closes or winds up for some reason(s)? The scenario is that the poor farmers’ skill, and knowledge keeps on increasing and therefore will be able to know the consumer needs and wants and how much the consumer is willing to pay. The poor farmer will gradually become an enlightened farmer seeking higher Maslows’ Need Hierarchy. The information asymmetry among the economic subjects may lead to moral hazards, hidden actions or opportunistic behaviour, Saccomandi (1998), or a condition of self-interest seeking with guile, Williamson (1987, p30). Sooner than later, the small-scale farmer becomes unloyal resulting into higher transaction costs, making the SV-bm unable to generate sufficient income to sustain social impact. In case of fig.2, it implies that the smallholder farmer, co-operatives and MSMEs will not be assisted to use market opportunities available to large enterprise occupying the middle cycle or using Caroline (2009) fig 4, they will not become inclusive businesses.

The SV-bm challenges highlighted can be ameliorated by SVCE-bm that encompass exit strategy, Nuer (2012) where by the smallholder producers, co-operatives, MSMEs take over ownership of downstream and upstream enterprise. The second question doesn’t arise in SVCE-bm venture since the partners are meant to exit at some point leaving ownership to locals. In SVCE-bm, the skills and knowledge acquired is meant to enable producers assume higher management positions and self-governing, while in SV-bm venture, the skills and knowledge is meant to make them increase productivity and to produce quality commodities, Alter et al, (2001). By analysing a good performing enterprise (SV-bm - COMACO-bm) and comparing with SVCE-bm building blocks (elements), the study has contributed to filling the gap but requires further testing in Zambia through pilot studies (see fig 1 and 7).

The implication to policy makers and practitioners are as follows:

- There is need to pilot SVCE-bm firm in order to ascertain the survival of the venture after partner exit
- The SV-bm venture at some point would suffer from information asymmetries between parties – giving rise to self-interest seeking with guile, Williamson (1987) and transaction cost would start increasing, Saccomandi (1998) and Bauman (2000)
- Using SVCE-bm, civic entrepreneurship in Zambia’s Local Government would bring about sustainable service delivery to communities
- Adapting SVCE-bm, Food Reserve Agency & Zambia Federation of Co-operative would provide exit strategy for government’s expensive and political farmer input subsidy program
- Government can use SVCE-bm to fast track economic development through e.g. INDECO
- Enterprise pursuing vertical integration through subcontracting and large scale commercial farming generate more negative than positive externalities and therefore may not be relied upon as BMSD, Hicks (2010), Pearce (2008) and Jayne et al. (2003 & 2007)
- Governments in developing economies should consider giving favourable tax incentives to multinational corporations that embrace SVCE-bm as opposed to contract strategy
- The industrial parks, industrial clusters, industrial Zones etc. being created by Zambian government will be meaningful if SVCE-bm is embraced as opposed to contracts Prowse (2008), Morris and Imrie (1993), Pearce (2012)
- The SVCE-bm requires a supportive regulatory, business environment to be successful
- Using SVCE-bm, the low participation of Zambians in the economy would be increased, Minister of Finance announcement in Parliament, March 2015

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