Typical Mistakes Development Organizations Make

(While Helping Companies Develop Outgrowing Operations)

TYPICAL MISTAKES MADE BY DEVELOPMENT ORGANIZATIONS (DOs) WHEN:

Building the capacity of companies engaged in outgrowing to decide whether to establish an outgrowing operation:

- Telling companies that an outgrowing operation can help them achieve immediate savings in raw material costs. *In fact, when companies compare what they pay during the first few years of outgrower operations with what they used to pay to procure raw materials from traders, most do not see a reduction in costs.*
- Insisting that the company use a particular model of outgrowing operation
- Proposing that it, rather than the company, should organize the farmers. *Doing so can result in unrealistic expectations by both company and outgrowers, reduce the company's sense of ownership, lead to dependency, etc.*

Building the capacity of companies engaged in outgrowing to hire staff:

- Moving forward with technical and financial support to a company before it hires staff to manage the outgrowing operations
- Hiring field staff for its own program from the company it is supporting
- Providing allowances or higher remuneration to company field staff by paying per diem, fuel allowances, etc. *Such allowances are not sustainable for the company; they can create the wrong signals or incentives for field agents and could result in their leaving the company after support ends.*

Building the capacity of companies engaged in outgrowing to select and engage lead farmers:

- DO serves as intermediary between the company and lead farmers. *DO should not serve as an intermediary as the company must take responsibility for selecting and negotiating with lead farmers*
- DO promotes strategies in which producers elect their lead farmers – as they may do with producer organizations. *To increase sustainability, outgrowing operation lead farmers have a contractual relationship with the company and should therefore be chosen by the company.*

Building the capacity of companies engaged in outgrowing to select outgrowers:

- DO serves as an intermediary between the company and outgrowers by forming producer groups, negotiating with the company on behalf of outgrowers, etc. *This can create a number of problems, including fostering dependency on the DO, hindering development of relationships between outgrowers and the company, etc. Participation in an outgrowing operation should be seen as a business relationship between the company and the outgrower.*
- DO mobilizes and even preselects outgrowers to propose to the company. *This can cause problems such as creating unrealistic expectations of the DO by both company and outgrowers, reducing the company's sense of ownership of the outgrowing operations, etc. The company should be responsible for the entire selection process, though the DO may provide technical support, as described above.*

Building the capacity of companies engaged in outgrowing to communicate with farmers:

- DO communicates with the company on behalf of outgrowers (or vice versa). *This can distort information, hinder direct communications between the company and outgrowers and foster dependency on their intermediary role.*
- DO provides transport to company field agents and/or lead farmers to help them overcome logistical challenges to good communication with outgrowers. *This assistance makes them dependent on the DO and is not sustainable*

- DO finances sophisticated and expensive communication systems such as radios and satellite phones. *This type of assistance is unsustainable as the company cannot maintain or replace these systems.*

Building the capacity of companies engaged in outgrowing to provide technical assistance to outgrowers:

- DO staff and technical consultants directly train outgrowers. *This does not build company capacity in a sustainable way.*
- DO organizes and manages the outgrower training/ coaching activities. *This results in the same problem noted above.*

Building the capacity of companies engaged in outgrowing to provide credit to outgrowers:

- Provide subsidized credit to outgrowers. *This is unsustainable and can make both the outgrowers and company dependent on the DO.*

Building the capacity of companies engaged in outgrowing to ensure outgrower access to appropriate inputs, including seed:

- Taking on an intermediary or negotiation role between the company and input suppliers. *This does not allow the company to develop the negotiation skills necessary for long-term success.*
- Distributing inputs to outgrowers on behalf of the company. *This can result in problems of sustainability, weak relationships between outgrowers and input suppliers, inputs going to the wrong farmers, company blaming the DO for problems, etc.*
- Subsidizing the provision of inputs to outgrowers. *Not sustainable*
- Providing inappropriate agronomic advice to the company, sometimes by staff lacking expertise.

Building the capacity of companies engaged in outgrowing to determine price for outgrower produce:

- DO gets involved in price negotiations between the company and outgrowers. *This is a critical aspect in the process of building relationships and trust between the company and outgrowers and therefore should take place between those two parties*
- DO encourages outgrowers to demand a fixed price at the beginning of the season. *This can create problems if market prices go higher and can interfere in the development of the relationship between the company and outgrowers*
- DO provides outgrowers with end-market prices, but does not help them understand the level of effort and costs the company incurs in bringing a product to market.

Building the capacity of companies engaged in outgrowing to manage procurement from outgrowers:

- DO becomes directly involved in procurement, collecting and transporting produce from remotely located outgrowers to company collection points. *This creates dependency on the DO, and might also displace other local companies/people who already perform the service.*
- DO finances machinery for post-harvest activities without involving the company.

Building the capacity of companies engaged in outgrowing to develop a seed program:

- DO gets overly involved in managing the company's seed development program. *This can hinders the company's ability to manage the program on its own over the long term.*

Building the capacity of companies engaged in outgrowing to develop demonstration and trial plots:

- Becoming overly involved in the management of the company trial and demonstration plots. *This hinders the ability of company to manage the plots sustainably on its own.*
- Insisting on a particular production package that may not be feasible.

Building the capacity of companies engaged in outgrowing to develop management information systems:

- DO supports development of a monitoring system that meets its own reporting needs, rather than those of the Company. *By their nature, DOs usually have different goals than a private sector company so they most likely have very different reporting needs.*
- DO overburdens the company by attempting to include its own information and reporting requirements into the company MIS. *This can result in a complicated and costly system that might not be sustainable by the company.*
- DO evaluates company field staff performance and reports the information to Company management. *This can compromise trust between DO staff and field staff. The result could be difficult situations in which company field staff withhold problems and information and are reluctant to share their problems and mistakes with DO staff.*
- DO pressures the company to use advanced technologies, e.g. GIS, bar coding, etc. *Advanced technologies, while useful, can be expensive and may be unnecessary to meet company needs.*

Facilitating company exposure visits to successful outgrowing operations:

- DO does not include all relevant details in the MOU, especially details regarding who is responsible for paying what costs initially and how reimbursements are to be handled. *This can result in communication problems between the two parties and delay or halt implementation.*
- Requiring too little or no cost-sharing by the company. *This can lead participants to view the visit as a free trip rather than a learning opportunity*
- The DO cost-shares too little of the visit. *This can discourage participation by those who may not be able to afford to pay the full cost or who may not see the value of exploratory visits*
- DO allows company to send participants who are not key decision-makers. *In this case participants may be unable to follow through with implementing new ideas learned during the visit.*