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AGRICULTURAL MARKET SYSTEMS BEHAVIOR CHANGE WHEEL

The Change Wheel explores examples of pathways that an agricultural market system may take as the system becomes more inclusive. It considers the patterns of behavior that drive the market system, and the reinforcing and counterbalancing forces that support the change process.

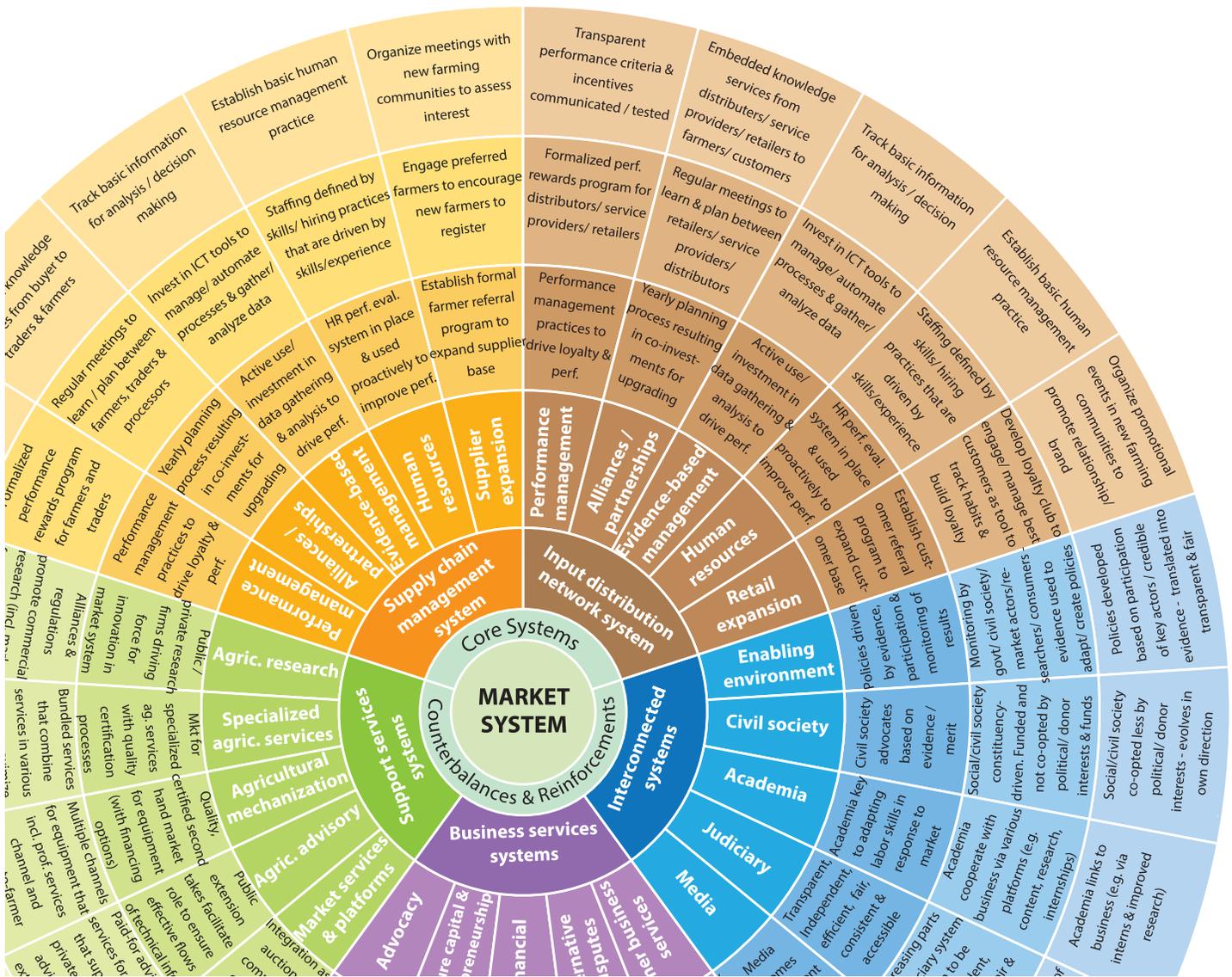


FIGURE II. AGRICULTURAL MARKET SYSTEMS CHANGE WHEEL



CORE MARKET SYSTEMS

INPUTS DISTRIBUTION MARKET SYSTEM

In the inputs distribution market system, there are frequently opportunities to facilitate the growth of agricultural input supply firms, and their dealers and retailers, which supply inputs and services to smallholder farmers. By influencing their behaviors, an activity is able to drive the firms to consider smallholder farmers as a more integral part of their business strategy, as customers procuring agricultural inputs and services. This, in turn, drives more support to their customers (the smallholder farmers) through modern retail promotions and customer service strategies adapted to rural, agricultural contexts. For example, more information and training could be provided to farmers through these firms usual business services and promotions, This ultimately drives a more inclusive input supply system.

Activities could support change within the following areas, among others, for firms supplying inputs to smallholder farmers (see Table I for practical examples of the change process for each area):

- PERFORMANCE MANAGEMENT through performance criteria and reward systems, such as preferred distributor/retailer and farmer/customer mechanisms.

- STRATEGIC ALLIANCES AND PARTNERSHIPS with distributors, retailers, service providers, and farmers, for sharing embedded knowledge through to yearly strategic co-reviews.
- EVIDENCE-BASED MANAGEMENT from basic information tracking through to active investment in data gathering and analysis to drive performance improvement.
- HUMAN RESOURCE MANAGEMENT from basic staff performance assessments to having performance evaluation systems in place that drive improvements in firm performance.
- RETAIL EXPANSION through customer retention and expansion using promotional events, loyalty clubs, and customer referral programs.

BUYERS' SUPPLY CHAIN MANAGEMENT MARKET SYSTEM

In the agricultural buyers' supply chain management market system, there are frequently opportunities to facilitate the growth of agricultural firms procuring smallholder-grown produce, and the traders and processors that play a role in this system. By influencing their behaviors, an activity is able to drive these firms to consider smallholder farmers as a more integral part of their business strategy, as suppliers of produce. This, in turn, drives more support to the firms' suppliers (the smallholder farmers) through modern supply chain management strategies adapted to rural agricultural contexts, This ultimately drives a more inclusive buyer market system.

Activities could support change within the following areas, among others, for firms procuring agricultural produce from smallholder farmers (see Table II for practical examples of the change processes):

- PERFORMANCE MANAGEMENT such as formalizing preferred supplier mechanisms.
- STRATEGIC ALLIANCES AND PARTNERSHIPS with traders and farmers for sharing embedded knowledge through to yearly strategic co-reviews.
- EVIDENCE-BASED MANAGEMENT from basic information tracking through to active investment in data gathering and analysis to drive performance improvement.
- HUMAN RESOURCE MANAGEMENT from basic staff performance assessments to having performance evaluation systems in place that drive improvements in firm performance.
- SUPPLIER EXPANSION through farmer meetings and farmer referral programs.

COUNTER-BALANCING AND REINFORCEMENT SYSTEMS

To support the changes being facilitated in the core inputs supply and buyer markets, there are several systems that provide counterbalances and reinforcements. The agricultural support services market system, the business services market system, and other interconnected market systems help to sustain the changes in the core market systems, and to drive these changes in the right direction.

AGRICULTURAL SUPPORT SERVICES MARKET SYSTEM

In the agricultural support services market system, there is often a need to transition firms to providing more specialized agricultural services to support the growth of input supply firms and firms buying agricultural crops.

Activities could support the following changes, among others, within firms that provide support services to agricultural firms (see Table III for practical examples of the change process):

- AGRICULTURAL MACHINERY FIRMS actively selling and adapting equipment to the local context.

- SPECIALIZED AGRICULTURAL SERVICES providing basic services through to providing specialized services for the agricultural market.
- PUBLIC AND PRIVATE AGRICULTURAL RESEARCH organizations working closely with market actors.
- AGRICULTURAL ADVISORY SERVICES providing accessible and compelling agronomy information and technical services to the sector.
- AGRICULTURAL MARKET SERVICES AND PLATFORMS decreasing costs and improving confidence that market transactions will be fair and transparent.

BUSINESS DEVELOPMENT SERVICES MARKET SYSTEM

In the business services market system, there is often a need for firms to provide more specialized business development services to agricultural firms in order to support the growth of input supply firms and firms buying agricultural crops.

Activities could support change within the following types of business development services, among others, for agricultural firms (see Table IV for concrete examples of the change process):

- ADVOCACY SERVICES such as providing basic discussion platforms with businesses through to participatory policy design processes.
- EQUITY INVESTMENT AND ENTREPRENEURIAL ADVISORY SERVICES such as venture capital investment.
- FINANCIAL SERVICES tailored to the agricultural sector, with, ultimately, constant innovation and improvement of financial products for the agricultural sector.
- ALTERNATIVE DISPUTE MECHANISMS from defining basic avenues for disputes through to having a wide range of dispute mechanisms in place.
- OTHER BUSINESS SERVICES from initial services targeting small and medium-sized enterprises (SMEs) through to a wide range of services and providers for the agricultural sector overall.

INTERCONNECTED MARKET SYSTEMS

There are frequently opportunities to improve functioning of interconnected market systems to support the growth and behavior change of agricultural input supply firms and firms buying agricultural crops.

Activities could support functioning of the following interconnected systems, among others, in areas where they impact the agricultural market (see Table V for concrete examples of the change process):

- ENABLING ENVIRONMENT agricultural-related policies could constantly adapt, with changes driven by an evidence-driven, participatory process.
- CIVIL SOCIETY could separate from political interests and ultimately use evidence-based advocating processes.
- ACADEMIA could be linked to business with cooperation around innovations for agriculture.
- JUDICIARY could evolve to have an independent, transparent, consistent, and fair application of the laws related to agriculture.
- MEDIA could become an important voice to their audience (such as farmers and/or agricultural SMEs) and become an advocacy and checks-and-balances entity within the agricultural market.

TABLE 1: INPUTS DISTRIBUTION NETWORK SYSTEM: STAGES OF BEHAVIOR CHANGE

	PERFORMANCE MANAGEMENT	ALLIANCES/PARTNERSHIP	EVIDENCE-BASED MANAGEMENT	HUMAN RESOURCES (HR)	RETAIL EXPANSION THROUGH CUSTOMER RETENTION AND EXPANSION
<i>Early Stage Change</i>	Transparent performance criteria and incentives communicated and tested (e.g., sales targets, merchandizing, customer services/ satisfaction)	Embedded knowledge services from distributors, service providers, and retailers to farmers/customers	Track basic information for analysis and decision making (e.g., financial performance, farmer/customer productivity, and cost and trend analysis)	Establish basic HR management practice (e.g., job descriptions, skills requirements, and yearly performance reviews)	Organize promotional events in new farming communities to promote relationship/brand
<i>Mid-Transition Change</i>	Formalized performance rewards program for distributors, service providers and retailers (e.g., aspirational mechanisms like performance clubs)	Regular meetings to learn and plan between retailers, service providers, and distributors throughout the year	Invest in ICT tools to manage/automate processes and gather/analyze data – i.e., customer, inventory, finance, etc.	Staffing requirements defined by skills, hiring practices that are driven by skills and experience	Develop loyalty clubs to engage/ manage best customers/ farmers as tool to track customer habits and solidify loyal and growing customer base
<i>Tipping Point Change</i>	Performance management practices to drive loyalty and performance (e.g., peer learning meetings, club membership tactics)	Yearly strategic review and planning process. Includes participation by retailers, service providers, and distributors. Results in co-investments to upgrade channel	Active use and investment in data gathering and analysis to drive performance improvement (e.g., use of growth metrics to guide decision making)	HR performance evaluation system in place and used proactively to improve firm performance	Establish customer referral programs to expand customer base

TABLE II: SUPPLY CHAIN MANAGEMENT SYSTEM: STAGES OF BEHAVIOR CHANGE

	PERFORMANCE MANAGEMENT	ALLIANCES/PARTNERSHIP	EVIDENCE-BASED MANAGEMENT	HUMAN RESOURCES (HR)	SUPPLIER EXPANSION
	THROUGH PREFERRED SUPPLIER MECHANISMS	FORMING ALLIANCES WITH TRADERS AND FARMERS			
<i>Early Stage Change</i>	Transparent performance criteria and incentives communicated and tested (e.g., grades and standards with price differentials)	Embedded knowledge services from buyers to traders and farmers	Track basic information for analysis and decision making (e.g., financial performance, farmer productivity, cost and trend analysis)	Establish basic HR management practices (e.g., job descriptions, skills requirements, and yearly performance reviews)	Organize meetings with new farming communities to assess interest
<i>Mid-Transition Change</i>	Formalized performance rewards programs for farmers and traders (e.g., aspirational mechanisms like suppliers clubs)	Regular meetings to learn and plan between farmers, traders, and processors throughout the year	Invest in ICT tools to manage/automate processes and gather/analyze data	Staffing requirements defined by skills; hiring practices that are driven by skills and experience	Engage preferred farmers to encourage new farmers to register
<i>Tipping Point Change</i>	Performance management practices to drive loyalty and performance (e.g., peer learning meetings, club membership tactics)	Yearly strategic review and planning process that includes farmers and traders, which results in co-investments to upgrade supply chain channel	Active use and investment in data gathering and analysis to drive performance improvement (e.g., use of growth metrics to guide decision making)	HR performance evaluation system in place and used proactively to improve firm performance	Establish formal farmer referral programs to expand supplier base

TABLE III: AGRICULTURAL SUPPORT SERVICES SYSTEM: STAGES OF BEHAVIOR CHANGE

	AGRICULTURAL RESEARCH	SPECIALIZED AGRICULTURAL SERVICES	AGRICULTURAL MECHANIZATION	AGRICULTURAL ADVISORY SERVICES	MARKET SERVICES & PLATFORMS
	PUBLIC AND PRIVATE AGRICULTURAL RESEARCH ORGANIZATIONS CLOSELY CONNECTED TO MARKET ACTORS	EMERGENCE OF BASIC SERVICES THROUGH TO STRONG MARKETS FOR SPECIALIZED SERVICES	AG EQUIPMENT FIRMS ACTIVELY SELLING AND ADAPTING EQUIPMENT TO THE LOCAL CONTEXT	ACCESSIBLE AND COMPELLING AGRONOMY INFORMATION AND TECHNICAL SERVICES	MECHANISMS THAT DECREASE COSTS AND IMPROVE CONFIDENCE SO THAT SPOT MARKET TRANSACTIONS WILL BE FAIR AND TRANSPARENT
<i>Early Stage Change</i>	Regular discussions between market actors and research organizations including academic/public and private research organizations	Emergence of basic specialized agricultural services for farmers (e.g., spraying and land preparation, post harvest handling, processing, warehousing)	Emergence of specific localized equipment for specific crops	Input firms and supply chain management schemes that provide embedded advisory services gain competitive advantage	Structured open markets (spot markets) that have specific services and rules that attract farmers because of transparency and consistency benefits
<i>Mid-Transition Change</i>	Emerging alliances and regulations that promote commercialization of research, including improved feedback from market actors on research needs	Emergence bundled services that combine services in various ways to maximize efficiency of delivery	Emergence of multiple channels for equipment that includes a professional services channel and a direct-to-farmer channel	Emergence of paid advisory services for farmers that supplement private embedded advisory and public extension services	Emergence of auctions or closed exchanges that begin to decrease transaction costs for spot market transactions
<i>Tippling Point Change</i>	Public/private research firms are the driving force for innovation in market systems. Research firms forming alliances with, or integrated into, agricultural firms. Transparent mechanisms in place to commercialize public research, and consistent flows of investment funds into research (private and public)	Growing and constantly innovating market system for specialized agricultural services that have quality certification regimes	Emergence of a robust quality certified second-hand market for equipment linked to a wider range of financing options	Public extension services evolve towards a facilitative role to ensure effective flows of technical info by market actors. Engage academia/research to develop practice guidance for delivering embedded and paid for services.	Integrated systems that lead to auctions or commodity exchanges that are integrated with mechanisms such as warehousing (most commodity crops move through these)

TABLE IV: BUSINESS SERVICES SYSTEM: STAGES OF BEHAVIOR CHANGE

	ADVOCACY IMPROVING DISCUSSION PLATFORMS WITH BUSINESSES THROUGH TO PARTICIPATORY POLICY PROCESS	VENTURE CAPITAL & ENTREPRENEURIAL SUPPORT SERVICES SOME LEVEL OF EQUITY /ACTIVE INVESTMENT AND ENTREPRENEURSHIP ADVISORY SERVICES	FINANCIAL SERVICES TAILORED FINANCIAL SERVICES THROUGH TO CONSTANT INNOVATION AND IMPROVEMENT	ALTERNATIVE DISPUTES DEFINING BASIC AVENUES FOR DISPUTES THROUGH TO HAVING A WIDE RANGE OF DISPUTE MECHANISMS IN PLACE	OTHER BUSINESS SERVICES INITIAL BUSINESS SERVICES TARGETING SMALL AND MEDIUM-SIZED ENTERPRISES (SME) THROUGH TO A WIDE RANGE OF SERVICES AND PROVIDERS
<i>Early Stage Change</i>	Market actors engage government through discussion platforms organized through advocacy service provider (increases number and credibility of platforms)	Rudimentary venture and impact investors active with agricultural firms that are connected with entrepreneurial advisory services	Financial services are tailored for various actors in the market system	Disputes landscape defined (e.g., some disputes managed via skilled mediators)	Initial business services adapted for and tested with SME market actors (e.g., ICT, marketing, branding, management consulting, HR, etc.)
<i>Mid-Transition Change</i>	Advocacy service providers convene regular discussions on evidence of policy effectiveness (between government, researchers, civil society, and market actors)	Viable venture capital firms with agricultural portfolios, and accelerator models that are commercially viable and/or durable through public/private partnerships	Increased role of financial products for agricultural market systems (e.g., equity, insurance, savings, mobile, and niche products)	Basic mediation services that recognize and respond to disputes in order to improve longer term performance and trust in the market system (e.g., track increasing levels of distrust and win/lose outcomes)	Specialized business products, applications, or services are available to SME agribusinesses by other businesses (e.g., integration of mobile money in transactions; applications supporting customer and supplier relationship management; and marketing agencies specialized for agriculture)
<i>Tipping Point Change</i>	Market actors are core participants in policy processes that are more participatory, evidence driven, and adaptive	Investment banking services begin to emerge (includes mergers, acquisitions, derivatives, venture capital, initial public offering (IPO), etc.)	Constant innovation in improved financial services across multiple types and platforms (e.g., formal, value chain, venture capital, mobile)	Wide range of alternative dispute mechanisms in place to limit unresolved disputes and limit the levels of distrust/rent seeking	Wide range of services and service providers that further increase the effectiveness and adaptability of business services and the system as a whole (e.g., catalyze greater interconnections between service providers – automated credit approvals based on firm’s customer management system)

TABLE V: INTERCONNECTED SYSTEMS: STAGES OF BEHAVIOR CHANGE

	ENABLING ENVIRONMENT SYSTEM	CIVIL SOCIETY	ACADEMIA	JUDICIARY SYSTEM	MEDIA
	POLICIES ARE CONSTANTLY ADAPTED THROUGH AN EVIDENCE DRIVEN, PARTICIPATORY PROCESS	SEPARATION FROM POLITICAL INTERESTS THROUGH TO EVIDENCE-BASED ADVOCATING	LINKAGES WITH BUSINESSES THROUGH TO COOPERATION AROUND INNOVATION	INDEPENDENT, TRANSPARENT, CONSISTENT, AND FAIR APPLICATION OF LAWS	GIVING A VOICE TO THEIR AUDIENCE THROUGH TO BECOMING AN ADVOCACY AND CHECKS-AND-BALANCES ENTITY IN THE MARKET
<i>Early Stage Change</i>	Policies developed based on participation of key actors and credible evidence and then translated into transparent and fair enforcement (e.g., grades and standards, health and safety, police along transport routes, and more health and safety standards enforced)	Social/civil society is co-opted less by political or donor interests and evolves in own direction	Academia links to business (e.g., via interns and improved research)	Improved awareness of laws and rights coupled with resources to support citizens when engaging the judiciary	Media outlets increasingly give a voice to their audience (i.e., moving to audience-driven growth model)
<i>Mid-Transition Change</i>	Monitoring is performed by a range of governmental, civil society, market actors, researchers, and consumers, which results in evidence that is used in a participatory manner to adapt/create new policies.	Social/civil society is constituency-driven and funded and not co-opted by political or donor interests and funds	Academia cooperates with businesses via various platforms (e.g., exchanges on content, research, internships, curriculum development, etc.)	Increasing pockets of judiciary system that are known to be independent, transparent, fair, and consistent	Media outlets sell advocacy and investigative journalism as commercial products
<i>Tipping Point Change</i>	The overall policy process is driven by evidence, participation, and objective monitoring of stated results	Civil society advocates based on evidence/merit	Academia becomes an important, innovative force, as well as a mechanism for ongoing adaptation of the labor force skills in response to market requirements	Widespread access to efficient, independent, transparent, fair, and consistent judiciary	Media becomes an independent force in the system advocating for its listeners, acting as an effective counterbalance to private sector and government