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Inclusive business for rural development: New typology and differentiated value creation in the agri-food sector

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Abstract

Inclusive businesses (IBs) resonate with policymakers seeking to leverage private capital in support of poverty alleviation and sustainable development. In the agri-food sector, which represents the largest segment of the base-of-the-pyramid (BOP) market and a key source of livelihood for the rural poor, there is limited evidence on their diversity and social value creation mechanisms. This prevents practitioners from identifying impactful IB types and design features. A statistical analysis of 46 cases in Tanzania and Ghana identified four IB types: (1) self-reliant agribusinesses, (2) domestic plantation companies, (3) social enterprises, and (4) locally-embedded Small and medium-sized enterprises (SMEs). Our findings suggest that socially-driven and localized IBs hold high impact potential but require significant external support, while more self-sufficient IBs adopt less socially innovative designs. This study demonstrates the utility of a data-driven approach to capture the complexity of real-world IBs, which yielded practical insights for more effective poverty alleviation through business means.

KEYWORDS

agribusiness, agricultural development, base-of-the-pyramid (BOP), inclusive business, rural development, social value, typology

1 | INTRODUCTION

Pursuing economic profits and social benefits simultaneously, inclusive businesses (IBs)—commonly understood as entrepreneurial initiatives that benefit low-income groups while generating commercial returns to businesses (Derks et al., 2022; Lashitew et al., 2018)—appeal to policymakers and development practitioners seeking to leverage private capital for sustainable development (Arnold, 2018). In the agri-food sector, which represents the largest segment of the

base-of-the-pyramid (BOP) market (Azevedo et al., 2015; Hammond et al., 2007), IBs are expected to offer a key development pathway for rural producers who make up a large proportion of the world's poor populations (Schoneveld, 2022; World Bank, 2016).

The growing policy interest in IBs, however, is not well supported by empirical evidence (Likoko & Kini, 2017; Schoneveld, 2022). Not every IB offers the type of support needed to lift the rural poor out of poverty (Pouw et al., 2019). While IBs in the agri-food sector are highly diverse (German et al., 2020), surprisingly little is known about

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the types of IBs warranting public sector and donor support. Although several typologies have been developed over the past decade (e.g., German et al., 2020; Vermeulen & Cotula, 2010; Vorley et al., 2009), they do not appropriately reflect the diversity and complexity of IBs materializing on the ground for reasons outlined later. The knowledge gap has led to the misunderstanding among some policymakers that IBs are essentially corporations sourcing from rural producers, resulting in a “big business” bias among development institutions that increasingly emphasize scale rather than depth of social value creation (Schoneveld, 2022). This has in turn resulted in policy support programs that fail to target and facilitate genuinely inclusive and impactful IBs (Schoneveld, 2022).

We also know little about how the various IBs engage in social value creation differently. IBs in the agri-food sector are said to combine various value creation “instruments” such as supply contracts and collective organization to overcome principal-agent and transaction cost challenges (Chamberlain & Anseeuw, 2019; Ménard & Vellema, 2019). These pioneering studies, however, do not account for negative spillovers on the wider community and the environment (Yang et al., 2017) or compare social value creation mechanisms across different IB types, which makes it difficult to identify and replicate impactful IB types and design features in future interventions.

To address these gaps, this paper seeks to (1) develop a new IB typology that better reflects the recent developments in the agri-food sector and (2) examine how the various IBs engage in social value creation differently. It draws on primary data of 46 IB cases from Tanzania and Ghana. Using a data-driven approach that considers the complex attributes of IBs and minimizes researcher bias, the resulting typology provides key insights regarding the relative strengths and shortcomings of each IB type in achieving the intended poverty alleviation and sustainable development outcomes.

This paper proceeds as follows. Sections 2 and 3 review the existing knowledge regarding IBs and social value creation, sketching out the conceptual frameworks used for later analysis. Section 4 elaborates on our quantitative methodology. Section 5 proposes the new IB typology and illustrates the value creation instruments adopted by the respective IBs. Sections 6 and 7 discuss the implications for IB policymaking and future research.

2 | INCLUSIVE BUSINESS IN THE AGRIFOOD SECTOR

2.1 | The concept

While most definitions of IBs in the agri-food sector emphasize generating economic returns and benefiting low-income agricultural producers (Chamberlain & Anseeuw, 2017a; SNV & WBCSD, 2011), they seldom elaborate on what the specific benefits are, how to measure them, or how to account for potential negative spillovers to the wider community and the environment (Likoko & Kini, 2017; Schoneveld, 2020). Only recently have scholars started to address these blind spots. Schoneveld (2020), for example, more explicitly

problematises “target beneficiaries” and spillover effects, providing a set of criteria for differentiating a genuine IB from a non-inclusive one. Amidst the ongoing conceptualization, however, practitioners have operationalized the IB concept in diverse forms (Chamberlain & Anseeuw, 2017b; Marquez et al., 2010). To capture this diversity, this paper adopts an intentionally broad definition that encompasses the full range of “IBs” in the study countries. Specifically, we consider an organization to be an IB when it is engaged in business transactions with low-income producers in the spirit of “mutual benefit,” as determined by external stakeholders such as producer groups, government, donors, or NGOs.

2.2 | Existing typologies and limitations

There is considerable diversity among IBs in terms of contract terms, ownership structure, payment modality, service content, and product and process specifications (Chamberlain & Anseeuw, 2017b; Rösler et al., 2013; Sopov et al., 2014). To inform policymakers that rely on actionable knowledge (Palmer, 2012), scholars have attempted to capture this diversity by constructing typologies, which can simplify complex realities into “fundamental variables” (Moore & Koontz, 2003, p. 452) and identify elements relevant for policy formulation (Alvarez et al., 2018; Hoppe, 2018). Vorley et al. (2009) developed one of the earliest typologies that divided IBs into buyer-driven, producer-driven, and intermediary-driven initiatives. Vermeulen and Cotula (2010) proposed six types of IBs based on production arrangements and land-labor relations: contract farming, leases and management contracts, tenant farming and sharecropping, joint ventures, producer-owned businesses, and upstream and downstream business links. More recent typologies have been formed around market destination and crop characteristics (German et al., 2020) and value chain roles (Chevrollier et al., 2012; Danse et al., 2020).

These existing typologies, however, suffer from conceptual and methodological limitations that impede their practical utility. First, they differentiate IBs based on one or two organizing principles, creating overly simplified IB types that inadequately reflect reality. Recent studies highlight that IB outcomes are affected by multiple factors concurrently (Chamberlain & Anseeuw, 2017b; Schoneveld & Weng, 2023), yet the respective authors offer little clarity regarding why they chose the specific organizing principle over a host of other factors identified to be influential to IBs' value creation (reviewed in Section 2.3). Such simplified typologies offer little explanatory power over the business ventures' performance (Doty & Glick, 1994). They may even induce unintended effects when used for decision-making purposes; for example, impactful IBs may be discriminated against merely because they produce certain crops deemed “non-inclusive” by a given typology.

Second, typology construction is heavily influenced by the methods, variables, and datasets, used in the analysis (Alvarez et al., 2018). While statistical techniques such as multivariate analysis have become dominant in development studies due to their benefits of analyzing multiple variables systematically across large sets of data

(Alvarez et al., 2018; Cortez-Arriola et al., 2015; Kamau et al., 2018; Pacini et al., 2014), the existing IB typologies have instead been conceptualized based on a limited number of cases, which limit the scope of comparative analyses between the different types of IBs proposed.

Third, except for Danse et al. (2020), the existing typologies rarely interrogate business model designs and value creation mechanisms, and how they differ across IB types. In our view, a practice-relevant typology needs to inform policymakers about the differentiated abilities of IBs in achieving the intended social outcomes as well as their respective strengths and shortcomings. Such insights would help with designing support programs tailored to the needs of respective IBs.

2.3 | Toward a new typology—Key attributes

To develop a new practice-relevant typology that resolves the deficiencies outlined above, we focused on structural attributes as the building blocks since they can be readily identified by policymakers and manipulated through IB support programs. Based on literature review, we identified nine attributes that are considered to significantly affect IBs' value creation practices in the agri-food sector: crop type, market, investor origin, shareholding by development organization(s), driving actor, business entity type, nucleus estate, size, and partnerships.

Crop type and market destinations play an important role in determining IB designs and inclusivity outcomes as they dictate production processes and standards, and influence value chain governance, which in turn affect the upgrading opportunities available to IBs and their producers (Fold, 2008; German et al., 2020; Giger et al., 2020; Lee et al., 2012). Investor origin also shapes business practices by affecting a firm's local embeddedness (Hart & London, 2005; Sanchez et al., 2007), ability to mobilize internal and external resources (Rösler et al., 2013), and likelihood of adopting high social, labor, and environmental standards (Daviron & Gibbon, 2002). Receiving equity financing by development organization(s), via impact investment funds or foundations, may alter IBs' business practices to satisfy financing conditions linked to quantifiable social impacts (Beckwith, 2018; IDB, 2017).

The driving actor behind an IB initiative is critical (Vorley et al., 2009), with producer-driven initiatives more likely to prioritize producer empowerment and social value creation than buyer-driven initiatives (Kaminski et al., 2020; Kelly et al., 2015). The type of business entity spearheading the IB, for example, publicly-listed corporations, privately registered businesses, or social organizations (Kolk et al., 2014), also has significant bearing on business model selection and conducts. For example, publicly-listed multi-national corporations (MNCs) generally seek targeted collaboration with international NGOs, while private businesses are more locally embedded and may partner with government entities, community groups, and/or local NGOs (Kolk et al., 2014; Rösler et al., 2013). In contrast, social organizations, that is, non-business entities such as producer groups, cooperatives, or associations, are known to prioritize producer benefits over commercial viability in business model designs, requiring

significant external support in financing, business management, and technical guidance (Sopov et al., 2014).

Possession of nucleus estates affects social value creation since dependency on producers is lower, with producers more likely to be incorporated for corporate social responsibility purposes or to complement the estate's production volumes (Kaminski et al., 2020). The size of the initiative in terms of the number of producers engaged is considered to affect decisions related to service provision and contract terms. Larger initiatives, for example, are often pressed to pursue efficiency gains in their business model designs to counter the increased transaction cost (Bocken et al., 2016; Chevrollier et al., 2012).

Finally, cross-sector partnerships (CSPs) affect an IB's value proposition and outcomes through partner participation in business model design, strategic decision-making, and resource provision such as social capital and localized information (Schoneveld & Weng, 2023; Vellema et al., 2019). IBs have increasingly adopted complex partnership structures involving multiple parties such as government, research institutions, NGOs, and/or producer organizations, arranged in diverse forms such as joint ventures, memorandums of understanding, or simply informal collaboration agreements (Nahi, 2018; Schouten & Vellema, 2019).

3 | SOCIAL VALUE CREATION IN AGRIFOOD SECTOR

IBs encounter several challenges as they engage with low-income agricultural producers and seek to generate social values beneficial to them. Principal-agent problems may occur when producers fail to comply with the product and process specifications required by developed markets in the Global North (Kuzilwa et al., 2017; Ménard & Vellema, 2019). This may raise transaction costs for the business, which is already high in the BOP contexts characterized by poor physical and market infrastructure (Sánchez & Ricart, 2010), geographic dispersion of producers (Sánchez & Ricart, 2010), and their preference for social contracts and informal rules (London & Hart, 2004). These factors increase risk of contract breaches, which are difficult to indemnify due to underdeveloped formal institutions (Lashitew et al., 2022; Mair et al., 2012). Additionally, IBs may unintentionally generate negative spillovers such as intra-community inequalities, reduced livelihood resilience, and environmental degradation (Hinson et al., 2019; Mangnus, 2019; van Westen et al., 2019).

To overcome such challenges, IBs are said to leverage multiple value creation “instruments” for effective social value creation (Chamberlain & Anseeuw, 2019). They include contracts, services, equity sharing, and collective organization (Chamberlain & Anseeuw, 2019; Ménard & Vellema, 2019), which primarily address the principal-agent and transaction cost problems. To date, however, the issue of negative spillovers has received scant attention, even though addressing them is critical for maximizing IBs' potential for social value creation (Schoneveld, 2020). By drawing on the wider literature of agribusinesses and inclusive value chain integration, this

TABLE 1 Instruments for social value creation and sub-components for inclusive outcomes.

Instrument	Definition	Sub-components
Supply contract	Pre-season agreements denoting the sales and purchases of products between producers and an IB, often with pricing and product specifications.	<ul style="list-style-type: none"> • Minimum purchase price • Sharing of profits from increased market price • Presence of a neutral contract mediating party • Non-exclusive agreement
Production-supporting services	Materials and services offered to producers by IBs and/or partners to support cultivation, harvest, and post-harvest handling and logistics.	<ul style="list-style-type: none"> • Extension • Inputs • Planting materials • Labor and machinery • Transportation • Post-harvest training • Post-production services such as storage, curing, and marketing
Producer shareholding	Equity shares held by producers in an IB, denoting the level of ownership and decision-making power over business operations.	Not applicable
Collective organization	Producers or community members organized in groups to engage with an IB, undertaking production, aggregation, or other activities.	<ul style="list-style-type: none"> • Presence of producer organizations in the value chain • Support for producer organizations • Producer organizations play an active role in co-designing the initiative
Certification and related support	Producers receiving assurances from independent/third-party organizations about their products being compliant with a particular set of standards. IBs and/or partners providing financial, material, or technical support to facilitate compliance.	<ul style="list-style-type: none"> • Presence of producer certification • Financial support to cover auditing cost • Material provision to facilitate compliance • Organizational training and/or technical advice to support compliance
Vulnerable group support	Dedicated efforts made by IBs and/or partners to include vulnerable groups in the supplier base and additional livelihood support and training provided to these groups.	<ul style="list-style-type: none"> • Presence of specific efforts to include vulnerable groups as suppliers • Skills development and support in financial literacy, business skills, and non-agricultural credit
Risk management	Value chain activities or non-profit programs organized by IBs and/or their partners to address negative unintended consequences arising from operations.	<ul style="list-style-type: none"> • Alternative income source development • Nutrition and health education and support • Crop insurance • Environmental policy/monitoring mechanism

section reviews a set of seven instruments, with respective sub-components, that IBs use to create values and deliver inclusive outcomes for low-income agricultural producers in the BOP (summarized Table 1).

Supply contracts are used by businesses to specify production details such as quality, quantity, process, timeline, and pricing of the crops sourced from producers and reduce associated uncertainties (Abebe et al., 2013; Masten, 2000). For producers, supply contracts help guarantee market access (Simmons, 2002) and reduce price risks through pre-agreed pricing mechanisms (Barrientos et al., 2016). Unfavorable contract terms, however, can “lock in” producers to a single buyer, limiting the benefits obtained from market participation (Eaton & Shepherd, 2001; German et al., 2020). As a result, whether

supply contracts can contribute to social value creation depend on the specific contract provisions. Four contract characteristics are particularly favorable to producers. The first two, minimum price and sharing of profits from increased market price, ensure that producers are protected from declining yet benefit from rising market prices (Abebe et al., 2013; Ménard & Vellema, 2019; Wang et al., 2011). Having a neutral mediating party such as government and NGOs in contract negotiations reduces the power imbalance between producers and buyers (Little & Watts, 1994; Thorpe, 2018), contributing to securing more favorable contract terms for producers (Kelly et al., 2015; Smaller et al., 2018). Non-exclusive agreements address the issue of “lock-in” associated with conventional supply contracts (Eaton & Shepherd, 2001); they allow producers to sell to others if the

agreed amount of produce is supplied and is sufficient to pay back any credit owed (Smaller et al., 2018).

Production-supporting services are offered by IBs and/or partners to improve producers' cultivation and harvesting practices and logistics access (Abebe et al., 2013). Widely considered to be a common feature of IBs (Likoko & Kini, 2017; World Bank, 2018), this instrument includes services such as extension support, input provisioning, labor/machinery, transportation, post-harvest training as well as post-production services such as storage, curing, and marketing (Humphrey & Memedovic, 2006; Kelly et al., 2015; Wongtschowski et al., 2013). Each service seeks to redress market and institutional failures experienced by producers such as, inter alia, lack of technical assistance, limited access to modern inputs and planting materials, and poor physical infrastructure (Christiaensen, 2017).

Producer shareholding improves an IB's social value proposition through sharing residual incomes with producers (de Koning & de Steenhuijsen Peters, 2009; Eaton & Shepherd, 2001), thereby increasing producer loyalty and deterring contract defaults (Ménard & Vellema, 2019). It is also said to facilitate active participation in business management by producers acting as shareholders (Kaminski et al., 2020), though the actual extent of their participation and decision-making power in business operations varies depending on the case (Chamberlain & Anseeuw, 2019), as does the level of equity held by producers (de Koning & de Steenhuijsen Peters, 2009).

Collective organization can reduce transaction costs associated with service provisioning, contract negotiation, and payment processing for IBs (Da Silva, 2005; Prowse, 2007). For producers, joining a producer organization increases their negotiation power vis-à-vis the business (Bijman, 2008; Glover & Kusterer, 1990) and facilitates access to input and output markets (Markelova et al., 2009). This instrument, however, is also known for complications, for example, financial mismanagement (Ochieng et al., 2018; Shiferaw et al., 2009), elite capture of the organization's leadership (Chirwa et al., 2005), and complex organizational structures that may reduce individual producers' understanding of and commitment to the IB (Chamberlain & Anseeuw, 2017a; Glover, 1987). Support for producer organizations to prevent these issues is therefore essential, with organizational capacity building or promoting a transparent governance structure considered particularly effective (Ochieng et al., 2018). When producer organizations play an active role in co-designing the initiative, producers gain more voice and ownership in IB decision-making (Bijman, 2008), increasing the inclusive potential of this instrument.

Certification and related support are used by IBs to differentiate their products and/or meet the requirements of the end markets in global agri-food chains (Gibbon & Ponte, 2005). Recent years have seen a rapid increase in the number, scope, and types of certification initiatives in the agricultural sector (Hatanaka et al., 2005; Nelson & Tallontire, 2014). Documented benefits of certification include price premiums (Bacon, 2010), minimum price guarantee (Hatanaka et al., 2005), human resource development, increased farm system resilience through adoption of good agricultural and integrated pest management practices (Hatanaka et al., 2005; Mook &

Overdeest, 2018), better protection of rights of producers and workers (Mook & Overdeest, 2018; Reynolds, 2014), and community development funded through price premiums (Johannessen & Wilhite, 2010). The level of benefits, however, varies significantly depending on how certifications are operationalized (Reynolds, 2014). Highly resourced and capacitated producers are better able to cope with their requirements, which squeeze out the most vulnerable producers from the supplier base (Bijman et al., 2011; Gibbon & Ponte, 2005). Third-party certification may also transfer the cost of quality control from businesses to producers (Bijman et al., 2011; Hatanaka et al., 2005). These drawbacks of certification can be lessened when IBs and/or partners support producers undergoing certification by providing finance of auditing, material provision, and organizational training/technical advice (Blackmore et al., 2012; ISEAL Alliance, 2018).

Vulnerable group support is used by IBs that emphasize working with marginalized members of the community. The instrument responds to the observation that conventional IBs may perpetuate local inequalities by affording preferential access to more affluent and capacitated producers who pose reduced credit default and transaction cost risks (Donovan & Poole, 2014; Ferris et al., 2014). IB operations may also exacerbate pre-existing gender power asymmetry and biases (Tsikata & Yaro, 2014). To counter these negative distributional impacts, IBs may dedicate efforts to include these vulnerable groups into their supplier base (ADB, 2016; Stern & Matlock, 2020), and strengthen their capacities through, for example, skills training and support in financial literacy, business skills, and facilitating access to non-agricultural credit (Stern & Matlock, 2020).

Risk management is employed by IBs to alleviate potential negative impacts on producers, community, and the environment that may arise unintentionally, for example, increased vulnerability to price shocks (van Westen et al., 2019), climate shocks (Rosenstock et al., 2020), and food and nutritional security risks (Mangnus, 2019; van Westen et al., 2019; Wangu et al., 2021). Producers participating in IBs may also expand farms into forested land (Ordway et al., 2017; Tyukavina et al., 2018) or contribute to water pollution through increased usage of chemical inputs (Tittonell & Giller, 2013). Left unaddressed, these social and environmental spillovers could affect IBs' commercial viability and reduce producers' livelihood resilience, compromising IBs' potential to generate inclusive outcomes in the long term. To address these risks, some IBs have adopted measures such as alternative income source development (Mangnus, 2019), nutrition and health education and support (BCtA, 2014; Danse et al., 2020), crop insurance (Baarsch et al., 2013; Sopov et al., 2014), and environmental policy/monitoring (Bush et al., 2019; Ros-Tonen et al., 2015).

4 | METHODOLOGY

To develop an IB typology based on the key attributes and examine their social value creation mechanism, we collected and analyzed data from 46 cases from Tanzania and Ghana, which were chosen due to

their persistent rural poverty, popularity among policymakers for using IB interventions to facilitate agricultural development and their diverse commodity portfolios that include the major staple and export crops produced by the region.

4.1 | Country contexts

Due to persistent rural market failures and low agricultural productivity among low-income producers, IB development in sub-Saharan Africa, particularly in the agri-food sector, has attracted significant donor and investor interests in recent years (Olayide, 2021; Woodhill, 2016). Tanzania and Ghana are two important BOP markets in Africa that are characterized by extreme poverty, market failures, and low agricultural productivity; as a result, they have attracted significant donor and investor interests in value chain development (Adam, 2018; Temu, 2006). Both countries produce a diverse portfolio of agricultural commodities that, together, cover the major staple and export crops of the region (Adam, 2018; Wolter, 2008).

4.2 | Case selection and data collection

In the absence of a comprehensive list of IBs in the agri-food sector of the two countries, the 46 cases (32 in Tanzania and 14 in Ghana) were identified using snowball sampling across two spatial scales. First, at the national level, we conducted document scanning and expert interviews with personnel from government, NGOs, donor agencies, and companies to draw up a list of initial cases, which were spread across the main agricultural production areas of the two countries. Second, at each locality where we visited for interviewing the cases on the initial list, we conducted another round of expert interviews with local officials and stakeholders to identify locally active IBs that were not known to national-level experts.

Data collection was conducted between 2018 and 2021 across multiple field visits. For each identified case, we conducted semi-structured interviews with IB managers using a standardized survey instrument that covered the key attributes (Section 2.3) and instruments (Table 1). Where further triangulation and gap-filling were necessary, we interviewed additional stakeholders such as donors or producer organization leaders linked to the IB operation, and/or reviewed publicly available project documents to complement the survey results.

Although case selection was inevitably affected by accessibility and availability of interviewees, deliberate efforts were made at national and local levels through multiple channels to capture a diverse array of initiatives in terms of value chains, size, and geography. In the absence of a systematic record of IBs, we consider the selected cases, which together cover 22 crop value chains and multiple geographies with each country, to be one of the best attempts to represent the trends of the two countries. Table 2 offers descriptive statistics of the key attributes of the studied cases.

TABLE 2 Key attributes of the 46 cases analyzed.

Characteristics		Share in percentage (%)
Crop	Annual	48
	Perennial	52
Market	Export	57
	Domestic	43
Investor origin	Foreign	35
	Domestic	65
Equity holding by the development organization	Present	15
	Not present	85
Business entity	Publicly listed	15
	Privately registered	67
	Social organizations	17
Driving actor	Buyer	39
	Producer	4
	Intermediary	57
Nucleus estate	Present	37
	Not present	63
		Mean (SD)
CSP partnership	Number	2.3 (1.46)
		Median (SD)
Size	Number of producers	1418 (8075)

4.3 | Data analysis

To generate an IB typology based on the key attributes, we conducted a two-step statistical analysis. First, to reduce the dimensionality of the data, a categorical principal component analysis (CATPCA) was performed, resulting in the removal of the variables size and shareholding by the development organization that failed to explain adequate variance in the data. This step was crucial to remove correlated variables, which is known to be a challenge in typology construction (Doty & Glick, 1994; Scott, 2008). We then performed a two-step cluster analysis for its ability to identify natural groupings with both categorical and continuous data on the remaining seven variables. This yielded a four-cluster solution, based on the statistical measure of fit (Bayesian Information Criterion).

To examine the value creation instruments employed by the four IB types identified through the above analysis, we constructed Likert-scale indicators using the instrument sub-components detailed in Table 1. A higher Likert score indicates that an IB adopted the relevant instrument more comprehensively (Table 3). We then conducted Kruskal-Wallis H Tests, a rank-based nonparametric test for between-group comparisons when the dependent variable is continuous or ordinal (Kruskal & Wallis, 1952), to detect whether statistically significant differences exist in the Likert scores across IB types. For the instruments that displayed statistically significant differences, post-hoc analyses in the form of Dunn's (1964) procedure with a Bonferroni correction were used to compare the differences between each IB type.

TABLE 3 Likert scale for instruments of social value creation.

Instrument	Sub-components	Likert scale
Supply contract	<ul style="list-style-type: none"> • Minimum purchase price • Sharing of profits from increased market price • Presence of neutral contract mediating party • Non-exclusive agreement 	<ol style="list-style-type: none"> 1. None of the characteristics 2. One characteristic 3. Two characteristics 4. Three characteristics 5. All four characteristics
Production and logistics services	<ul style="list-style-type: none"> • Extension • Inputs • Planting materials • Labor and machinery • Transportation • Post-harvest training • Post-production services such as storage, curing, marketing 	<ol style="list-style-type: none"> 1. No services 2. Extension services only 3. One or two services in addition to extension services 4. Three or four services in addition to extension services 5. More than five services in addition to extension services
Producer shareholding	<ul style="list-style-type: none"> • Level of equity holding 	<ol style="list-style-type: none"> 1. None 2. Minority 3. Minority—with a concrete plan for majority producer shareholding soon 4. Majority 5. Full ownership
Collective organization	<ul style="list-style-type: none"> • Presence of producer organizations in the value chain • Support (establishment or training) for producer organizations as suppliers • Producer organizations play an active role in co-designing the initiative 	<ol style="list-style-type: none"> 1. No producer organization involved 2. Producer organization is the supplier; no support; no active role in the design 3. Producer organization is the supplier; with support; no active role in the design 4. Producer organization is the supplier and has some role in the design 5. Producer organization is the supplier and is one of the main architects of the design
Certification and support	<ul style="list-style-type: none"> • Presence of producer certification • Covering the financial cost of auditing to support compliance • Material provision to support compliance • Organizational training/technical advice to support compliance 	<ol style="list-style-type: none"> 1. No certification used 2. Certification is used, but no support for producers 3. Yes support, only one type 4. Yes support, two types 5. Yes support, all three types
Vulnerable group support	<ul style="list-style-type: none"> • Specific efforts to include vulnerable groups as suppliers • Skills development and support in financial literacy, business skills, and non-agricultural credit 	<ol style="list-style-type: none"> 1. No effort to include vulnerable groups 2. Efforts to include vulnerable group; less than 50% of the supplier base; no skills development 3. Efforts to include vulnerable groups; less than 50% of the supplier base; with skills development 4. Efforts to include vulnerable group; more than 50% of the supplier base, no skills development 5. Efforts to include vulnerable group; more than 50% of the supplier base, with skills development
Risk management	<ul style="list-style-type: none"> • Alternative income source development • Nutrition and health education and support • Crop insurance • Environmental policy/monitoring mechanism 	<ol style="list-style-type: none"> 1. No risk management 2. One strategy in place 3. Two strategies in place 4. Three strategies in place 5. All four strategies in place

5 | FINDINGS

5.1 | A new typology

Our analysis of the key attributes resulted in four IB types, which we coin (1) self-reliant agribusinesses; (2) domestic plantation companies; (3) social enterprises; and (4) locally-embedded SMEs (Figure 1).

Self-reliant agribusinesses consist of IB initiatives that are largely owned by foreign investors. In our survey, 30% of these were publicly-listed MNCs. This IB type caters to export markets and produces high-value crops such as avocado, French beans, snow peas as well as non-food crops such as tobacco, coffee, cocoa, rubber, oil palm, and sugar. Nucleus estates were relatively common at 40% in our survey, the second highest share among the four types. This IB type stands out for its low number of cross-sectoral partnerships.

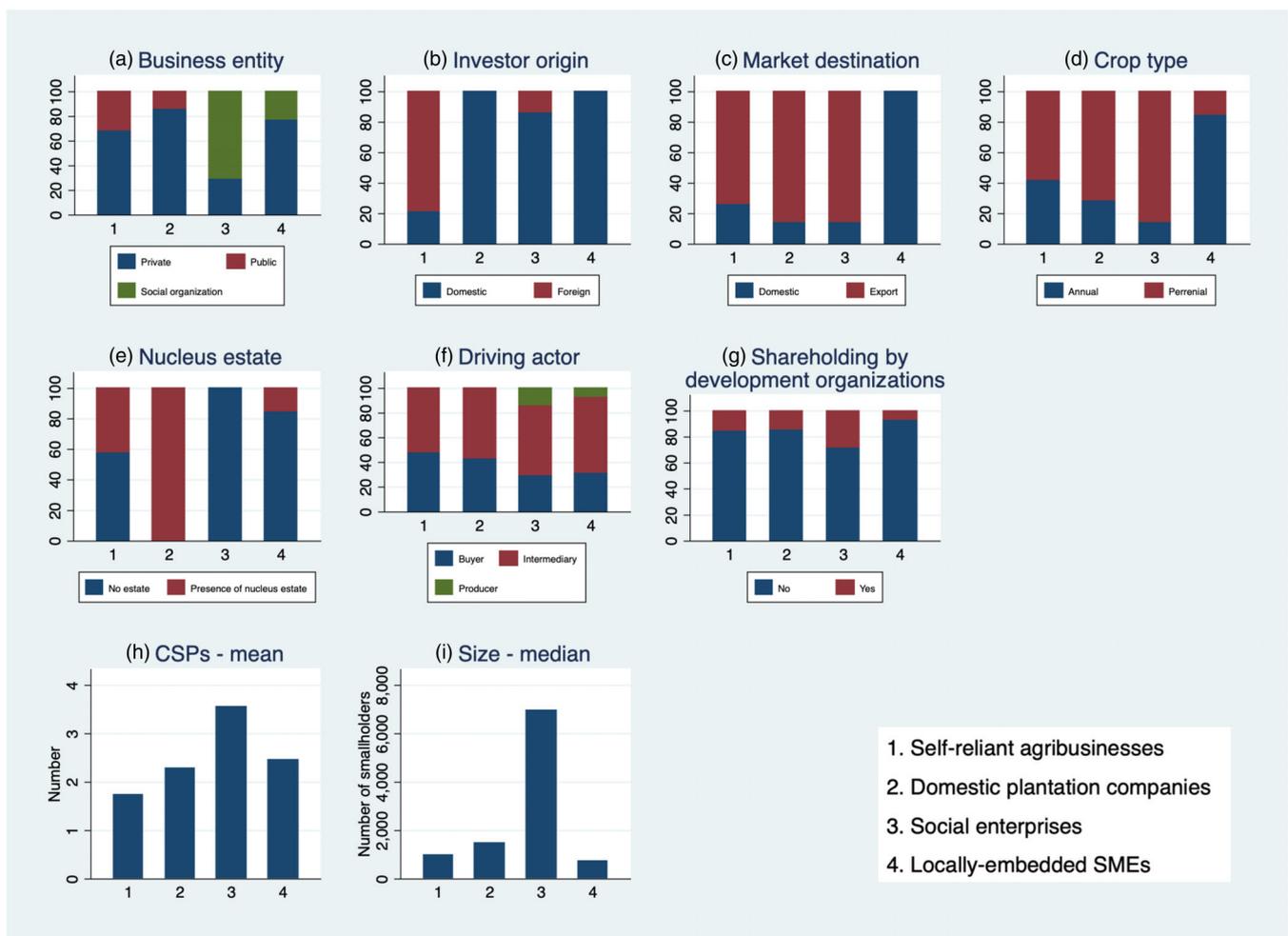


FIGURE 1 Key attributes by inclusive business type, in proportions and numbers. Respective group size were Type 1 self-reliant agribusinesses ($n = 19$), Type 2 domestic plantation companies ($n = 7$), Type 3 social enterprises ($n = 7$), and Type 4 locally-embedded SMEs ($n = 13$).

Many of the businesses in our survey leveraged in-house technical and financial resources to implement producer sourcing programs, with half of the cases driven by the businesses themselves, the highest proportion among the four types. The intermediaries driving the other half largely confined themselves to provision of funds, which contributed to the development of producer sourcing activities. As a result, the agribusinesses in this IB type generally maintained a high degree of control over the design, management, and branding of their producer programs with limited involvement of NGO or government partners. The schemes were also relatively small, reflecting the businesses' focus on operating financially profitable producer schemes.

Domestic plantation companies consist of IB initiatives led by national businesses that primarily target export markets. This IB type stands out for its reliance on nucleus estates to cultivate plantation crops such as rubber, coffee, and tea, as well as horticultural crops. In our survey, the businesses largely used producer sourcing to supplement their estate production. Apart from domestic ownership and less involvement of MNCs, stronger partnership needs distinguish this IB type from self-reliant agribusinesses. The domestic businesses in our

survey were more likely to be confronted by resource and capacity constraints; some struggled to facilitate producer uptake of certification standards necessary for exports to the Northern markets. Hence, they relied on donors and NGOs for the technical support needed to facilitate producer compliance of such standards.

Social enterprises consist of IBs initiatives operated by community-oriented social businesses such as producer cooperatives and NGOs dedicated to advancing producer livelihoods. Most of the IBs in our survey were initiated by buyers or intermediaries that helped them conceive the mission-driven business models. None owned nucleus estates, instead specializing in producer engagement. These IBs developed intricate business models that emphasized impact at scale, with a median reach more than 7000 producers. Even more than domestic plantation companies, this IB type is confronted by resource and capacity constraints due to their mission-driven business models and limited experience with business management, thereby relying heavily on partners for the necessary financial and technical resources. In our survey, the businesses in this type on average engaged more partners than any

other type, with the partners also more likely to be involved in strategic and day-to-day management of business operations over a long period.

Locally-embedded SMEs consist of initiatives owned by local businesses that specialize in local crops such as maize, rice, sorghum, potato, and tomato. The focus on food crops and local markets distinguishes these businesses from the other IB types. The SMEs in our survey traditionally focused on aggregating staple crops from nearby producers, which was reflected in their small size and limited use of nucleus estates. Their “trader” business model evolved when they were approached by donor programs to establish IB initiatives dedicated to improving local food security. These programs typically assembled local actors into a consortium, which beside the anchor SME also included agrochemical companies, financial service providers, producer groups, and government extension services. As a result, the IBs of this type are well integrated into existing local food systems where they capitalize on established local market structures and actors. Since the SMEs and partners are socially embedded in the areas they operate, they tend to be particularly responsive to producer needs and local conditions.

Beyond the differences, we also observed certain commonalities among the studied IBs. Most importantly, intermediaries such as donors, NGOs, and public agencies, were key driving actors across all IB types, responsible for the establishment of more than half of the initiatives. Except for locally-embedded SMEs, most initiatives focused on the export market and perennial crops, illustrating the strong connection between IBs and value chains serving the Northern market. Most IBs also engaged less than 2000 producers, far below the scale requirement demanded by some flagship IB support programs.

5.2 | Instruments for social value creation

This section presents how the four types of IBs used the instruments for social value creation, with an emphasis on their commonalities and differences. Overall, social enterprises stood out for employing the largest array of producer-inclusive instruments, with statistical differences from the other types in the overall Likert score as well as in specific instruments such as supply contract, producer shareholding, and collective organization (Figure 2 and Table 4). There were limited

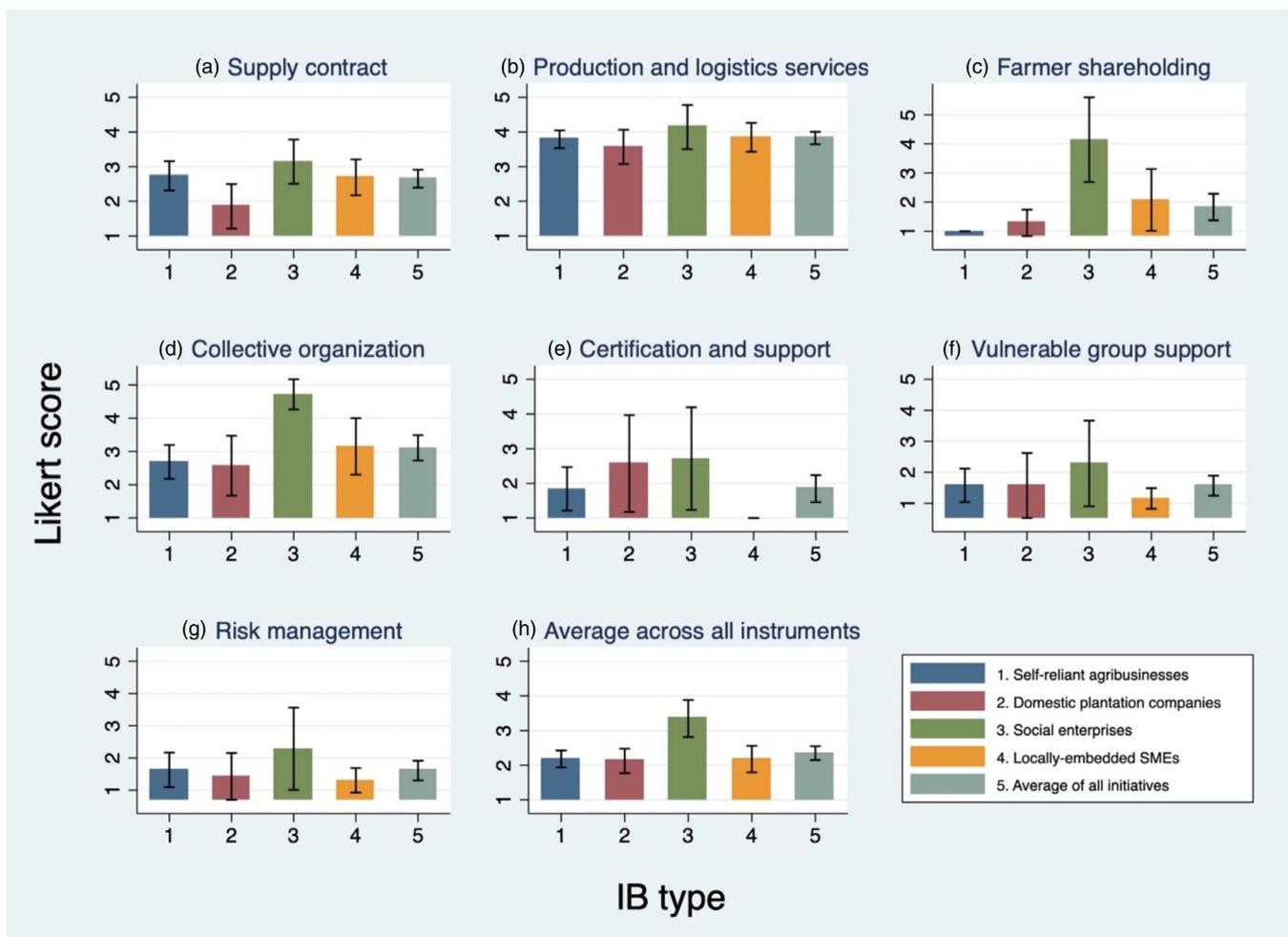


FIGURE 2 Mean of instrument Likert scores with error bars, by inclusive business (IB) type.

TABLE 4 Differences in instrument application patterns, by IB type.

Instruments	Kruskal–Wallis H test		Post-hoc analysis	
	χ^2 (3)	p-value	Pairs with statistically significant results (mean ranks)	p-value
1. Supply contract	7.288	.0632*	Between domestic plantation companies (12.07) and social enterprises (30.79)	.035**
2. Production and logistics services	2.223	.5273		
3. Producer shareholding	12.36	.0062***	Between social enterprises (38.21) and • Self-reliant agribusinesses (17.50) • Domestic plantation companies (22.64) • Locally-embedded SMEs (24.81)	• .000*** • .029** • .034**
4. Collective organization	12.522	.0058***	Between social enterprises (39.43) and • Self-reliant agribusinesses (19.53) • Domestic plantation companies (18.43) • Locally-embedded SMEs (23.46)	• .003*** • .016** • .055*
5. Certification and support	6.838	.0772*	Between locally-embedded SMEs (16.50) and • Domestic plantation companies (29.50) • Social enterprises (30.50)	• .062* • .035**
6. Vulnerable group support	3.321	.3447		
7. Risk management	2.325	.5078		
8. Across all instruments (total)	12.967	.0047***	Between social enterprises (40.21) and • Self-reliant agribusinesses (21.34) • Domestic plantation companies (20.29) • Locally-embedded SMEs (19.39)	• .0041*** • .0155** • .0026***

Note: Distributions of the instrument scores were not similar for all groups, as assessed by visual inspection of boxplots.

* $p < .1$; ** $p < .05$; *** $p < .01$.

differences between the other three IB types, although an instrument-level analysis revealed several important insights, summarized below (see Supplementary Materials for further results on the individual instruments).

The most widely adopted instrument was production and logistics services, with relatively uniform application patterns (Figures 2b and S2) and no statistical difference across IB types (Table 4). The next common instrument was collective organization (Figure 2d), yet we observed differences regarding producer organizations' participation in business model design (Figure S4). Specifically, only social enterprises systematically engaged producer organizations in co-designing their initiatives, with self-reliant agribusinesses and domestic plantation companies rarely engaging in bottom-up collaborative design (Table 4). Qualitative evidence suggests that this affected the social legitimacy of such IBs in several cases, consequently lowering producer loyalty to the companies.

Supply contracts were another common instrument (Figure 2a) although supply contract details differed between domestic plantation companies and social enterprises (Table 4). All of the domestic plantation companies adopted exclusive contracts, effectively “locking-in” producer suppliers (Figure S1). Social enterprises, on the other hand, involved (neutral) contract mediation parties such as governments or NGOs to craft contracts that ensured inclusion of producer interests in relation to pricing, aggregation, and loan repayment (Figure S1).

The most notable differences across IB types were observed in relation to producer shareholding and certification and related support (Figure 2c,e). Social enterprises achieved a high degree of producer shareholding through their producer groups; in contrast, none of the self-reliant agribusinesses engaged producers as co-owners of the companies (Figure S3). In terms of certification, locally-embedded SMEs reported no usage of certification due to their domestic market orientation. For the other three IB types, social and environmental product and process standards were often required for exports to the European and American markets. Companies and/or partners typically covered the financial cost of auditing on behalf of producers and provided them with technical and material support (Figure S5).

Finally, regardless of IB type, vulnerable group support and risk management were less common instruments (Figure 2f,g, Table 4). For those IBs that proactively integrated marginalized groups into the supplier base, women were the main target group, with the IBs and/or partners providing capacity building and livelihood improvement support such as financial literacy and business skills training and forming groups to facilitate general credit access (Figure S6). As for risk management, only a small share of the IBs adopted environmental monitoring mechanisms and/or policies to address deforestation and water pollution, while only one IB offered crop insurance to its producers (Figure S7).

6 | DISCUSSION

Our statistical analysis revealed four different types of IBs, self-reliant agribusinesses, domestic plantation companies, social enterprises, and locally-embedded SMEs, which displayed important differences in their social value creation mechanisms. Below, we elaborate on the relative strengths and shortcomings of each IB type in relation to sustainable rural development and discuss the implications for research and policy.

6.1 | Four IB types: Unique features

Social enterprises stand out for their mission-driven and more participatory business models that simultaneously manage to achieve considerable reach. Producer groups and other civic partners are often directly involved in business model design and strategic decision-making. Despite their large scale of operations, this IB type employs the broadest array of value creation instruments. This is in large part achieved through their engagement with numerous partners from different sectoral domains. However, these IBs are comparatively dependent on external financial and technical support from the development community. This raises questions about their long-term self-sustainability, as well as their susceptibility to donor project cycles and shifting performance metrics. Their ability to continue expanding their reach is also questionable given the broad array of costly services they offer and their limited professional business management experiences. As a case in point, several of the studied IBs reported financial difficulties after rapidly expanding services to too many producers. Whether this IB type can succeed commercially in the long term is therefore uncertain, echoing the constraints observed by Vermeulen and Cotula (2010) and Schoneveld (2022) regarding producer-owned businesses.

Locally-embedded SMEs are unique among the four IB types due to their alignment with the needs of local food systems and ability to strengthen vertical linkages endogenously. By increasing food production and shortening supply chains, this IB type contributes to food systems transformation that aims to enhance food security and sustainability (Weber et al., 2020). It also appeals to big business skeptics concerned about producer specialization in export-market oriented cash crops (Clapp & Moseley, 2020; González, 2014; van Westen et al., 2019). Nevertheless, this IB type demands highly localized support as development agencies need to bring together relevant local actors to form a consortium and mentor them to manage the IB operations collectively. Scaling these IBs is challenging given their relatively small size and limited working capital as well as need for resource-intensive support from external funders.

In contrast, self-reliant agribusinesses and domestic plantation companies are able to implement business models that incorporate multiple inclusive instruments by leveraging their own capital, resources, and expertise. Since many possess these in-house, their need for partnerships is more limited. Many only need supplementary (often one-off) funding to set-up producer sourcing programs. These

characteristics make them attractive to policymakers looking for cost-effective and self-sustainable IBs that do not require long-term support and management. Indeed, self-reliant agribusinesses were the most prevalent type in our dataset, reflecting the broader trends in which MNCs and large private companies have become the main beneficiaries of IB policies seeking quick results at scale (Schoneveld, 2022). Our analysis, however, suggests that undiscerning promotion of such IBs poses risks. Producers and partners often have little influence over the design of their business models and service delivery packages, raising questions over their responsiveness to (changing) producer needs. Because many such IBs complement production from nucleus estates, their need for managing and building producer relations and deepening producer participation is lower than other IB types. Already operating at a comparatively small scale, their interest in expansion is generally low, with estate productivity and output taking priority. Highly vertically integrated MNCs also generate limited local economic linkages.

6.2 | Beyond the differences: General trends

The commonalities among the studied cases suggest several noteworthy trends in IB development in the agri-food sector. First, the importance of partnerships cannot be overstated, confirming the broader trends among hybrid businesses in the BOP (Derks et al., 2022; Han & Shah, 2020). All IB types are associated with a high level of intermediary drivenness and presence of cross-sector partners, pointing to the important roles played by development actors as architects, financiers, brokers, and/or service providers. The kinds of external support needed differ substantially by type, however. The agribusinesses in our study generally required specific resources such as funding or certification, while the smaller and more localized IBs additionally needed support in business management, network facilitation, and capacity building over a long period. Even though external support seems to be critical for these other IB types to achieve commercial viability and scaling, we in fact know relatively little about their partnership configurations and value exchanges, in contrast to the extensive research on partnerships in global corporations (Dahan et al., 2010; Hart & London, 2005; Rivera-Santos et al., 2012; Sanchez et al., 2007). Future research should explore the variegated roles of partnerships for IBs in the agri-food sector by building on this paper and other recent works on the topic (e.g., Pouw et al., 2019; Schouten & Vellema, 2019; Vellema et al., 2019).

Second, the majority of the studied IBs produced for export, which remain the focus of the development community keen to improve inclusivity of the value chains serving the Northern market (e.g., cocoa, tea, and coffee). This emphasis on export crops and distant markets, however, poses risks to local food and nutritional security. Evidence not only suggests that producer specialization in export crops may impact local food availability (Anderman et al., 2014; Gebru et al., 2019; Mangnus & van Westen, 2018), but that increased income from IB participation may not translate to improved food and nutritional security (Gebru et al., 2019; van Westen et al., 2019;



Wangu et al., 2021). These risks related to export-oriented IBs highlight the unique value proposition of locally-embedded SMEs in producing for the national market, underscoring their relevance in improving food sovereignty and strengthening local economic linkages.

Third, some value creation instruments have become mainstream in agricultural IB designs. Particularly common instruments across all IB types are supply contracts, production-supporting services, and collective organization. Specifically, among our studied cases, variable pricing mechanisms were widely adopted as a contract term, as opposed to the fixed pricing system traditionally used by contract farming schemes (Abebe et al., 2013; Ménard & Vellema, 2019). This indicates that IBs are more committed than traditional agribusinesses to adopting pricing mechanisms favorable to producers. We also observed frequent involvement of neutral third-parties such as local government or NGOs in negotiating supply contracts between producers and IBs, a feature that has been advocated by practitioners to improve procedural inclusiveness of IBs (Kelly et al., 2015; Smaller et al., 2018).

Forth, the IBs generally performed poorly on two instruments critical for social value creation: vulnerable group support and risk management. Without proactive measures to include marginalized members of the community, IB operations may inadvertently deepen pre-existing inequalities as the most vulnerable remain excluded from participation (Escobal & Caverro, 2012; Tobin et al., 2016). Additionally, social and environmental safeguards are essential to ensuring IBs' long-term benefits to producers in today's increasingly volatile climatic and economic conditions that challenge production systems in the Global South (Rosenstock et al., 2020; Serdeczny et al., 2017; Walker et al., 2010). With all IB types falling behind on these two aspects, our results at best suggest that the IBs in their current forms are not ready to tackle structural causes of poverty and address socio-environmental trade-offs. At worst, some may criticize them for perpetuating the neoliberal development paradigm by integrating producers into global value chains without due consideration for the associated structural inequalities and power asymmetries (Scheyvens et al., 2016; Torres & Duarte, 2021).

7 | CONCLUSION

IB policymaking currently stands at a crossroads for the agri-food sector, a critical part of the BOP market due to its size and role in the lives of a large portion of the world's poor populations. On one hand, there are genuine hopes that IBs can facilitate transformative changes in Global South's rural communities thus far not achieved by decades of public and foreign aid support (Beckwith, 2018; Woodhill, 2016). On the other hand, IB support increasingly targets conventional initiatives that involve large agribusinesses (Schoneveld, 2022). With higher capacity, resources, and corporate responsibility pressures, large agribusinesses are thought to offer more services or adopt more inclusive instruments (Rösler et al., 2013)—an assumption rejected by this paper. On the contrary, our findings show that well-supported social enterprises operate business models that involve a larger

number of inclusive instruments and producers. We also observed that SMEs embedded within the local food system are better positioned to contribute to food security and the growth of the rural economy. Yet, currently, such innovative IBs with high impact potential are often too small to qualify for the flagship support programs from international institutions. In exchange for efficiency and lower transaction cost, some donors may be missing out on important opportunities to strengthen IBs at the grassroots level. Our study also illustrates several shortcomings in the designs of agribusiness-led IBs, which limit their potential for social value creation. To scale IB impacts, it is necessary to revise policy incentives for agribusinesses to adopt more inclusive designs and redirect policy focus toward high-potential grassroots initiatives. Additionally, all IB types require more proactive efforts to include marginalized groups and incorporate social and environmental safeguards.

Our results suggest several concrete steps to better support IBs in promoting sustainable rural development. First, policy support needs to be bolstered for those IB types that have more inclusive designs and high impact potential, that is, social enterprises and locally-embedded SMEs. These IBs, however, require significant support in funding and capacity building over a long period to achieve commercial viability. Development programs targeting these IBs should be designed accordingly, eschewing the traditional project cycles and performance metrics that demand quick results at scale.

Second, it is necessary to incentivize agribusiness-led IBs to improve their value creation designs. Traditional agribusinesses sourcing from contracted producers (i.e., contract farming) will likely remain as one of the dominant IB types as their financial independence is attractive to policymakers. To harness their full potential for social value creation, development funding could incentivize more producer participation in program design and asset ownership as well as promote local procurement and revenue retention.

Third, mainstreaming vulnerable group inclusion and social and environmental risk reduction is important in all types of IBs. Funding conditions and performance metrics could incentivize IBs to include the less-endowed members of the community, promote livelihood and dietary diversification among producers, discourage conversion of forests and woodlands, and encourage more sustainability thinking throughout the supply chain (Mehmood et al., 2021). Crop insurance is another important tool to lessen the impacts of climate change on producers (Tadesse et al., 2015), with IBs and their partners well placed to lowering the existing barriers for uptake.

Fourth, given the significant policy interests in scaling IBs (Gradl & Jenkins, 2011; Schoneveld, 2022; Woodhill et al., 2012), further research should examine the different scaling dilemmas and pathways associated with each IB type. For example, while some of the social enterprises in our study engaged in hasty expansions only to encounter financial difficulties, the agribusinesses in contrast remained cautious against expansion due to concerns over profitability. Tailored support, for example, business skills development for the former and financial incentives related to expansion for the latter, would help resolve respective barriers and facilitate the broadening and deepening of IB impacts.

Finally, in terms of scholarly contribution, this paper helps expand the empirical and theoretical boundaries of business and organization studies literatures, which apart from a few exceptions (e.g., Ciambotti et al., 2023; Davies & Doherty, 2019; Mehmood et al., 2021), have engaged little with the agri-food sector despite its economic, social, and environmental significance. Our analysis offers rare insights into BOP initiatives that seek to integrate low-income populations as producers, rather than as consumers, which have been the dominant focus of much of the BOP literatures (Davies & Chambers, 2018). Given the large social and environment footprint of business activities in the agri-food sector (FAO, 2017; World Bank, 2014), integrating insights from this key sector can enhance the explanatory power over how business activities can better contribute to global sustainable development. This paper also demonstrates that a data-driven approach is better suited to generating a robust typology that reflects the diversity and complexity of real-world IBs, as well as to provide comparative insights on their differences in value creation mechanisms. Going forward, as IBs become an indispensable tool to “doing” development across the Global South, similarly data-driven and empirically-grounded research in different sectors to understand the diversity and complexity of social value creation may yield useful insights for more effective poverty alleviation through business means.

AUTHOR CONTRIBUTIONS

Xiaoxue Weng: Research design, Data Collection, Data analysis, Write-up, Review. George C. Schoneveld: Research design, Data analysis, Write-up, Review. Benno Pokorny: Research design, Write-up, Review. Geoffrey Mutayoba: Data collection, Review. Niels Fold: Review. Emily J. Gallagher: Research design. Edward Ezekiel: Data collection. Selma van der Haar: Research design.

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CONFLICT OF INTEREST STATEMENT

We declare no potential conflict of interests.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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