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## Cultivating sources of competitive advantage

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# **Cultivating sources of competitive advantage:** opportunities for small-scale African farmers in global value chains

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university of  
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# **Cultivating sources of competitive advantage**

Opportunities for small-scale African farmers in global value chains

## **Proefschrift**

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 op gezag van de  
 rector magnificus prof. dr. E. Sterken  
 en volgens besluit van het College voor Promoties.

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Matthias Olthaar  
Groningen, 2015

## **Abstract (EN)**

Entrepreneurs in developing countries face daunting challenges in their endeavors to reap the benefits from their activities. Particularly smallholders operating in competitive markets are confronted with severe challenges. In the current thesis we study the strategic position of African farmers in global value chains – at the level of the individual farmer and the collective – and the institutional environment they are confronted with. On both theoretical and empirical grounds we discuss opportunities for farmers to appropriate more of the value created by them. We collected quantitative and qualitative data among sesame seed farmers in Ethiopia and other stakeholders in the sesame seed value chain. We contribute to existing literature in different ways. Firstly we contribute to existing literature by studying the access to and use of strategic resources by African farmers at individual level as well as the level of the collective. We contribute to current literature not only by demonstrating commodity producer heterogeneity (despite their ostensible homogeneity), but also by developing a novel template for studying the basic tenets of one of the most prominent theories in strategic management literature in the past two decades, the resource-based theory. While the resource-based theory has proven to be valuable for both scholars and managers, its intuitive insights appeared difficult to operationalize. To date there is still an ongoing discussion on how to increase rigor of empirical resource-based theory research. We argue that the template that we develop adds to this rigor. In our study on the use of resources at the level of the collective we contribute to existing literature in particular by providing novel empirical quantitative and qualitative evidence for consequences of the balancing act between equity and efficiency, and for the importance of member homogeneity in terms of goals yet member heterogeneity in terms of contributions, that both have been theorized before, but suffered from a lack of empirical proof. We continue with a study on institutional environments that confront entrepreneurs in developing countries. We develop a framework for studying such environments and shift the focus from so-called ‘voids’ in current literature to the richness that, as we argue, characterizes societies’ institutional fabrics. We argue that failures to utilize the potential of entrepreneurial activity in developing countries is more the result of competing institutions than of absent institutions. Our final contribution concerns global value chain literature. We discuss conditions for successful value appropriation by primary producers. We argue that to date the distinction between value creation and value appropriation has largely been neglected in global value chain research, resulting in incomplete findings and conclusions, as well as disappointing policy implications. To fill this gap we rely on strategic management and collective action literature and argue how primary producers in global value chains can develop, bundle, and deploy strategic resources as a collective of sole proprietors.



## Abstract (NL)

Ondernemers in ontwikkelingslanden zien zich geconfronteerd met lastige uitdagingen in hun pogingen de vruchten te plukken van hun activiteiten. In het bijzonder kleinschalige boeren die actief zijn in competitieve markten worden geconfronteerd met complexe uitdagingen. In dit proefschrift bestuderen we de strategische positie van Afrikaanse boeren in mondiale waardeketens – op zowel het niveau van het individu als het collectief – en de institutionele omgevingen waarin deze boeren zich bevinden. Op basis van zowel theoretische als empirische gronden bediscussiëren we mogelijkheden voor boeren om meer waarde toe te eigenen van de waarde die ze creëren. We hebben kwalitatieve en kwantitatieve data verzameld onder sesamzaadboeren in Ethiopië en andere stakeholders in de sesamzaadketen. We leveren verschillende bijdragen aan bestaande literatuur. Ten eerste bestuderen we de toegang tot en gebruik van strategische middelen door Afrikaanse boeren op zowel het niveau van het individu als het collectief. We dragen daarmee bij aan de literatuur door niet alleen heterogeniteit van ogenschijnlijk homogene bulkproducenten aan te tonen, maar eveneens de ontwikkeling van een nieuw methodologisch sjabloon voor het bestuderen van de centrale theses van één van de meest prominente theorieën binnen het vakgebied van strategisch management gedurende de afgelopen twee decennia, de “resource-based theory”. Hoewel de resource-based theory van waarde is gebleken voor zowel academici als de praktijk, bleken de intuïtieve inzichten moeilijk te operationaliseren. Tot op heden is er een lopende discussie over hoe empirisch resource-based theory onderzoek beter geoperationaliseerd kan worden. We beargumenteren dat het sjabloon dat we ontwikkeld hebben hieraan bijdraagt. In onze studie naar het gebruik van middelen op het niveau van het collectief dragen we in het bijzonder bij aan bestaande literatuur door met empirisch kwantitatief bewijs te komen voor de voorheen getheoretiseerde zoektocht naar 1) de balans tussen efficiëntie en gelijkheid binnen collectieven en 2) het belang van homogeniteit onder leden van een collectief voor wat betreft de doelstellingen doch heterogeniteit voor wat betreft de bijdragen aan een collectief. De volgende bijdrage betreft een studie naar institutionele omgevingen waar ondernemers in ontwikkelingslanden zich mee geconfronteerd zien. We hebben een raamwerk ontwikkeld voor het bestuderen van dergelijke omgevingen. Daarbij verschuiven we de focus van zogenaamde “voids” (leegtes) zoals die momenteel in de literatuur worden bestudeerd, naar de complexiteit en verscheidenheid van institutionele omgevingen. We beargumenteren dat teleurstellende prestaties voor wat betreft het realiseren van het potentieel van ondernemerschapactiviteiten in ontwikkelingslanden, meer het resultaat is van aanwezige concurrerende instituties dan van afwezige instituties. Tot slot dragen we bij aan literatuur over mondiale waardeketens en productienetwerken door het bediscussiëren van voorwaarden voor waarde toe-eigening. We stellen dat tot

op heden het onderscheid tussen waarde-creatie en waarde toe-eigening niet wordt toegepast in onderzoek naar waardeketens. Dit resulteert in onvolledige bevindingen en conclusies, alsmede tekortschietende suggesties voor beleidsmakers. Om deze onvolledigheid in de huidige literatuur te adresseren maken we gebruik van strategisch management literatuur en beargumenteren we hoe primaire producenten in waardeketens strategische middelen kunnen ontwikkelen, bundelen en inzetten als collectief van eenmansbedrijven.



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