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Research paper No. 9-2017:

Value Chain Upgrading in the Informal Agricultural Economy of Uganda: Networks among Small Business Owners as a Solution to Institutional Voids

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AGRI-QUEST Research Paper Series provide state-of-the-art background evidence-based knowledge about topics related to ethics, quality standards, sustainability, and Corporate Social Responsibility (CSR) in agriculture in the context of Uganda. They are part of the broader AGRI-QUEST research project funded by The Netherlands Organisation for Scientific Research (NWO-WOTRO).

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Executive Summary

The purpose of this paper is to analyze how networks between small business owners (SBOs) in the informal economy of agriculture in the East African country Uganda can be a tool to overcome the barriers caused by institutional voids, in order to upgrade agricultural value chains. The analysis suggests that weak or absent institutions in the agricultural sector lead to various impediments that especially affect SBOs operating in the informal sector of agriculture. Yet, SBOs seem to have found a way to overcome those hurdles through establishing business networks to access capital, resources and markets. Moreover, those networks are based on informal, internal mechanisms like bylaws or internal guidelines that have positive impact on SBOs' work. Subsequently, with the help of networks better quality and larger quantities can be produced, leading to an upgrade of the respective value chain. These findings demonstrate a valuable and feasible solution for SBOs operating in the informal sector of agriculture in developing countries to upgrade their value chain despite a weak institutional environment. In addition to that, the study illustrates that networks are an informal type of institution, not an organizational form that substitutes institutions, hence meaning that the very existence of networks is not sufficient to guarantee long-term success for SBOs. The paper opens paths for future research to focus on the use of networks as supplementary informal institutions as a solution to other barriers SBOs are facing in developing countries' informal agricultural sectors.

Keywords: Networks, Value Chain Upgrading, Institutional Voids, Developing

Countries, Uganda, Informal Economy, Agriculture

Introduction

The transformation of small business enterprises in the agricultural sector of developing countries towards a more efficient and profitable value chain appears to be inevitable when considering the fact that they have to compete with an increasing number of Western imports in their local and international markets (Trienekens, 2011; Mesquita & Lazzarini, 2008). The rising degree of globalization furthermore engenders the necessity to keep up with Western standards (Goedhuys & Sleuwagen, 2016). Besides, since 45 % of the population living in developing countries is involved in agriculture, agricultural productions are the main source and chance for economic growth and the combat of poverty (Pretty, Toulmin & Williams, 2011; Kim, Larsen & Theus, 2009). More productive and efficient processes within the agricultural industries of developing countries do not only decrease food prices but also increase the overall output and hence simultaneously raise the income of local farmers.

In the East African country Uganda agriculture represents 53 % of total export earnings (Ministry of Agriculture, Animal Industry and Fisheries, 2016) and 72 % of the population's employment (Uganda Bureau of Statistics, 2014). Yet, between 1961 and 2014 the gross agricultural production per capita has decreased by over 50 % from 136.85 International \$¹ to

¹ 1 international \$ in Uganda would buy a comparable amount of goods and services 1 US \$ would buy in the U.S. (The World Bank, n.d.)

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68.68 International \$ according to the Food and Agriculture Organization (FAO) of the United Nations (2017). This indicates that the country is currently not able to align its agricultural output with an average population growth of over 3 % per year² (FAO United Nations, 2017). Thus, agricultural value chains in Uganda require adjustments so that the production output increases. Yet, food value chains in developing countries are rather unstable due to factors like constant changes in the environments, the mounting dominance of Western goods, urbanization or a lack of generally applicable laws and regulations (Gómez et al., 2011).

Scholars who study value chains in developing countries therefore especially focus on how prevailing constraints like insufficient access to resources (Trienekens, 2011), weak institutional settings (Mair & Marti, 2009; Goedhuys & Sleuwagen, 2016), poor infrastructure (Mesquita & Lazzarini, 2008; Trienekens, 2011) and constrained market access (Trienekens, 2011; Anane-Taabeah, Quagraine & Amisah, 2016) inhibit value chain upgrading. According to Trienekens (2011) value chains can be defined as a tool to “[...] produce value added products or services for a market, by transforming resources and by the use of infrastructures – within the opportunities and constraints of its institutional environment.” (p. 53). Value chain upgrading refers to the ability of companies to increase the degree of value added to their production and products (Guiliani, Pietrobelli & Rabelotti, 2005). When discussing constraints to value chains and value chain upgrading, research in particular calls attention to weak institutional settings, so called

‘institutional voids’, (Goedhuys & Sleuwagen, 2016; Mair & Marti, 2009; Murphy, 2007). That is because institutions are the prerequisites of markets (Goedhuys & Sleuwagen, 2016) and therefore represent the platform of working value chains. They foster economic interactions and ensure low cost transactions through guidelines, laws and norms (North, 1991). Thus, they are also an important step towards the upgrading of value chains. In order to overcome these constraints and achieve value chain upgrading recent international literature has identified networks amongst value chain actors as an efficient and feasible tool for SBOs in developing countries (Mesquita & Lazzarini, 2008; Murphy, 2007; Trienekens, 2011). These findings were amongst others conducted in countries like Bangladesh (Mair & Marti, 2009), Argentina (Mesquita & Lazzarini, 2008), China (Lu & Trienekens, 2008) as well as on the African continent (McCormick, 1999; Murphy, 2007). Although several developing countries in Africa like Tanzania or Kenya have been

subject of this research area, the informal agricultural economy in Uganda has received scant attention in this context. However, especially since Uganda is listed amongst the least developed countries of the world (United Nations, 2016) it is important to understand how SBOs can overcome barriers like institutional voids in order to efficiently organize their value chains. Besides, Ugandan SBOs have only limited power to improve the weak institutions in their country by themselves. Making use of local networks may therefore be a possibility to bridge predominant institutional voids. Thus, an investigation of network effects such as access to resources or information gives

² Average population growth in Uganda during 2004 until 2014.

insights into how even least developed countries like Uganda are able to upgrade their value chains despite operating in an environment that is shaped by weak or absent institutions.

Covering this research gap furthermore lives up to the increasingly dominant position of Western firms that are entering developing countries' markets and threaten local producers through putting them out of the market (Adenikinju, Söderling, Soludo & Varoudakis, 2002). Hence, in order to ensure that local Ugandan products do not get crowded out by imported Western goods, it is crucial to find out how to improve their competitiveness by upgrading the value chain. Finally, a deeper understanding of how to climb the value chain in environments shaped by financial, infrastructural, organizational and technological barriers (Murphy, 2007) can be derived.

Therefore, this study investigates the consequences of weak and absent institutions and the benefits of networks for SBOs in order to find out how networks can bridge institutional voids in order to achieve value chain upgrading. The **research question** is thus stated as follows:

How can networks among SBOs in the Ugandan informal economy of agriculture bridge institutional voids in order to achieve value chain upgrading?

In order to answer the research question, an inductive research in the course of semi-structured interviews with SBOs in the informal agricultural industry of Uganda is conducted. The qualitative data is supposed to provide insights into the scope of engagement in networks of local

SBOs in Uganda and to what extent their value chains are burdened with institutional voids.

The main findings of the underlying analysis show that SBOs in Uganda's informal agricultural sector have to cope with barriers generated through institutional voids such as lack of policy implementation or fraud. This inhibits agricultural players like farmers from upgrading their value chain in the sense of producing bigger quantities and better qualities. Yet, it was observed that SBOs found a way to circumvent those barriers, namely by founding networks. SBOs draw on the consolidation of their resources, capital and knowledge and like that develop a system that reminds of informal institutions. Taken together the findings of this research shed new light on network effects and relations and on how they can help bridging institutional voids in Uganda in order to achieve value chain upgrading.

The first section of this paper consists of a discussion of the theoretical background of value chains, institutional voids and networks. From that the main knowledge gap of the current state of literature is derived. The next chapter explains the research method as well as the data collection, its analysis and the context of the informal, agricultural economy of Uganda. In the following section, the data collected is analyzed. The first part consists of an analysis of key institutional voids and their consequences. The second part presents networks amongst SBOs as a potential solution to bridge institutional voids. From those findings, a conceptual model is derived that shows the interrelations between institutional voids and value chain upgrading and presents networks as a mitigating strategy for SBOs to achieve value chain

upgrading. A discussion of the results shows the contribution to current literature as well as implications for the implementation of the theoretical findings. Finally, the limitations of this research and possible outlooks for future research are demonstrated.

Theoretical Background

The Concept of Value Chains

Over time, a considerable body of literature has evolved around the topic of value chain theory in developing countries. There are four streams that prevail research on value chains, all of them focusing on interrelations of value chain actors (see Table 1 in the appendix). Firstly, new institutional economics (NIE) is offering a governance-focused perspective towards value chains (Trienekens, 2011). NIE determines governance choices in order to ensure fair and efficient transactions between actors (Furubotn & Richter, 2008). In the context of developing country producers, the intention of NIE is set on finding the best possible agreement in an environment of uncertainty, opportunistic behavior and weak institutional settings (Trienekens, 2011).

Due to the ongoing process of globalization a second stream of value chain approach developed namely global value chain analysis (GVCA). In a nutshell, it investigates the organization of global production and distribution processes (Gereffi, 1999; Humphrey & Schmitz, 2002). The main emphasis of this approach is set on the role of lead Western firms in value chains and tries to answer how they can incorporate the goods and services of developing country producers in their value chain in order to

accelerate it through exploiting developing countries' market advantages like cheap labor (Gibbon, Bair & Ponte, 2008; Trienekens, 2011). The third theoretical approach towards value chains is social network theory (SNT). This approach is based on the assumption that companies are not only engaged in economic but also in social relationships which rest upon factors like trust, power or reputation. Actors who benefit from their position in a net of relationships simultaneously benefit from so called social capital (Burt, 2005; Becker, 2010). Their connections enable them to further expand direct and indirect relationships with other actors within the value chain which facilitates the exchange of resources (Burt, 1997; Coleman, 1990). This implies that one's position within a value chain can be a competitive advantage itself (Burt, 1997). The focus of SNT in the context of developing countries is mainly set on investigating how network formation is taking place and in which ways network members benefit from their membership from a financial and information access perspective (Apicella, Marlowe, Fowler & Christakis, 2012; Chuang & Schechter, 2015; Krishnan & Sciuabba, 2009). Finally, the fourth stream of value chain approaches, supply chain management theory (SCMT), deals with necessary actions to get an end-product to the consumer. It is emphasizing the need to satisfy customers' demands to achieve a competitive advantage. Through focusing on the management of value chains, SCMT aims at delivering solutions on how to improve primary processes to increase sales. SCMT applied to the context of developing countries emphasizes the management and compliance of quality standards in order to meet customers' needs (Talluri, Baker & Sarkis, 1999; Trienekens, 2011).

The four approaches have been widely deployed to the agricultural industry in African countries (Gibbon & Ponte, 2005; McCormick, 1999; Murphy, 2007). The perspective of globally operating organizations in terms of GVCA however is neglected in the underlying paper since the focus of this analysis is not set on how lead Western firms can increase their profitability abroad, but on how locally operating SBOs can sustain their livings while acquiring economically oriented processes. This emphasis is crucial since the agricultural sector in Uganda is shaped by informality. Most activities are executed as coping strategies, meaning that SBOs engage in these activities due to self-subsistence reasons rather than profit oriented rationales. The Uganda National Household Survey of 2009/ 2010 revealed that there are approximately 1.2 Million informal businesses in Uganda out of which a majority of 27 % are originating in the agricultural sector (Uganda National Household Survey, 2009/ 2010, pp.143). Informal activities include any kind of engagement that is done in order to circumvent institutional regulations like tax fares (Leonard, 1998) and that are not reported or detected by the official gross domestic product calculation of a country (Smith, 1994). Therefore, many authors see informal economies as “A survival mechanism for the poor” (Leonard, 2000, p. 1072).

From an abstract point of view, the concept of value chains emphasizes not only the manufacturing perspective but also encompasses the entirety of actions involved in transforming resources into market ready outputs (Giuliani, Pietrobelli & Rabelotti, 2005). Humphrey and Schmitz (2002) define value chains as the relationships of the individual actors within a value chain. Trienekens (2011)

furthermore adds the aspect of innovation by stating that value chains are a tool to generate new processes, technologies or production systems. All definitions overlap in the sense of value chains being a relational construct between various actors that transform and add value to the product or service.

However, value chains themselves can be improved as well by for instance improving the social network or engaging in more sophisticated product assortments. The process of adding value to the value chain, namely value chain upgrading, is crucial for any actor who is involved in enhancing a product since it generates considerable economic benefits.

Value Chain Upgrading

In the light of global markets and increasing power of Western organizations, scholars have identified value chain upgrading as one of the most sustainable possibilities for developing country producers to increase and protect their competitiveness (Humphrey & Schmitz, 2002; Mair, Marti & Ventresca, 2012; Murphy, 2007; Trienekens, 2011). Value chain upgrading refers to the ability to increase the degree of value added to production and products (Gibbon,

Bair & Ponte, 2008; Giuliani et al., 2005; Humphrey & Schmitz, 2002). Murphy (2007) argues that upgrading is especially pivotal for innovation and can be achieved through mobilizing different kinds of resources and knowledge throughout geographical levels. Therefore, he takes four different perspectives towards upgrading. The *economic perspective* encompasses upgrading mechanisms that generate market access in a cost-efficient way and enhance the competitive position

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of local producers. From a *social perspective*, economic actors can engage in social networks in order to generate ties that are based on trust and thus benefit from access to markets, resources and knowledge that eventually help them to upgrade their value chain. The third perspective, *institutional upgrading*, occurs through the support and guidance of social, political or religious institutions and should help economic actors to perform in a transparent and cost-efficient way. Finally, there is *geographical upgrading*, the combat of geographical barriers through generating accessibility to global marketplaces by clustering technological processes within one area.

These four perspectives towards value chain upgrading by Murphy (2007) can be related to the three theoretical approaches of value chains applied in this analysis. The economic perspective follows the idea of SNT and NIE by emphasizing the role of social relations and minimum transaction costs when it comes to entering new markets in order to enhance the value chain. SNT underlines the importance of social relations in value chains, thus implying that social networks can foster the upgrading mechanisms. The institutional perspective of upgrading value chains can be affiliated to the idea of NIE and its notion of institutions being a direct and indirect provider of governance structures. Finally, accessing global marketplaces as a tool to upgrade a value chain according to the geographic perspective can be derived from the focus of SCMT on vertical relations between producers and suppliers and on engaging in international and national quality standards.

The above-mentioned approaches to the concept of value chain upgrading show

that there are multiple ways for SBOs to enhance their value chain and thus achieve a better competitive position (Trienekens, 2011). However, especially in developing countries upgrading value chains can turn out to be difficult due to various constraints that appear in unstable, informal environments and imperfect markets (Trienekens, 2011). Baker and Nelson (2005) argue that economic actors and hence their value chains are constrained by the resources they have and by those they do not have. Poor physical infrastructure and poor information and communication infrastructures can furthermore hinder the upgrade of value chains (Mesquita & Lazzarini, 2008; Trienekens, 2011) through restricting the distribution of information or the transport of goods. In addition to that, agricultural players oftentimes struggle with accessing new, auspicious markets that could help them to upgrade their value chains. Grunert (2006) investigated that in the case of developing country producers it is essential to have access to market knowledge and be market oriented in order to be able to access markets and generate a heterogeneous market with specialized market activities. Finally, a further constraint extensively discussed in current literature are weak or non-existing institutional settings (Mair & Marti, 2009; Goedhuys & Sleuwagen, 2016). Institutions provide rules of exchange guidelines and various other support mechanisms and are considered to be the preconditions for market access and activity (Mair & Marti, 2009). Efficient institutions directly and indirectly enforce and measure the most cost-efficient way to transact (North, 1991). The absence of institutions, so called institutional voids, subsequently negatively influences the competitiveness of the economic actors

operating in this market.

Institutional Voids

According to the findings of value chain constraint research, institutions constitute the market's ecosystem which again shapes the environment in which organizations are operating by offering guidelines, norms, values and rules that are accepted by the actors within the ecosystem (Puffer, McCarthy & Jaeger, 2016). These ecosystems are compromised by institutions that are supposed to foster innovation, decrease transaction costs and provide access to capital through offering support for economic agents to engage in markets (Goedhuys & Sleuwagen, 2016).

Scott (1995) differentiates between different types of institutional systems the first two of them being formal institutions and the latter being informal institutions. Regulative institutions include governmental regulations and laws as well as different types of enforcement bodies. Normative systems are expectations and roles which are enrooted in business policies and practices as well as ethical standards. The third type, cognitive institutions, consist of shared beliefs, interpretations and values. Institutions can assume the form of social, political or religious institutions (Goedhuys & Sleuwagen, 2016). This study focuses on regulative and normative institutions in the context of the informal agricultural sector in Uganda.

In developing countries, institutions' tasks are mainly to enforce regulations and standards of Western retailers in order to promote international export (Trienekens, 2011). Yet, institutions also play a pivotal role when it comes to giving economic

actors primary access to knowledge, resources and markets, irrespective of demands of Western companies, in order to allow them to engage in local business in the first step (Mair & Marti, 2009). Nevertheless, not every institution effectively manages to provide economic actors with these aspects, some of them even fail completely (Murphy, 2007).

The lack of such institutions is called institutional voids. Their absence hinders the markets from functioning since economic agents are discouraged from actively taking part in market activities (Goedhuys & Sleuwagen, 2016). Through for example setting trade barriers or inhibiting the flow of information (Trienekens, 2011) a lack of strong institutional settings constrains the upgrade of value chains. According to Trienekens (2011) value chains are about transforming resources into market ready goods with the help of the underlying infrastructure. This means that the scope of possibilities within a value chain is constraint by the institutional environment. Most of the producers in developing countries are producing in small scales only, meaning that their awareness for exporting is not encompassing international trade but local trade. Still, they also require access to information, resources or capital in order to be able to produce, even though not necessarily on an international level. This information can only be provided by institutions that enforce certain standards (Trienekens, 2011; Giuliani et al., 2005; Mair & Marti, 2009). Hence, the opportunities to upgrade value chains in order to be able to participate in local and global value chains are constituted by the existence of institutions.

Networks

A potential solution to institutional voids as suggested by current literature (Trienekens, 2011; Mesquite & Lazzarini, 2008; Murphy, 2007) are partnerships between actors of a value chain, so called networks. The performance of successful industrial clusters and networks in the Western part of the world, such as the Italian industrial districts, have led to the assumption that SBOs in developing countries can benefit from this system as well (Humphrey & Schmitz, 2002; Hanna & Walsh, 2008; Giuliani et al., 2005). Indeed, McCormick (1999) has already investigated six different clusters in Africa in 1999 that successfully overcame barriers to growth and development due to constraints like institutional voids by engaging in geographical and sectoral cooperation.³

The term network goes back to the idea of industrial clusters by Marshall (1919) who describes them as trust and knowledge exchange systems. In particular medium sized enterprises are supposed to benefit from so called network effects which are defined as the situation when the total benefits resulting from the network are greater than the sum of all individual benefits of all actors within the network (Marshall, 1919).

A central aspect of networks is governance (Giuliani et al., 2005; Humphrey & Schmitz, 2002). In this regard, Schmitz and Humphrey (2002) use the term 'cluster' as an umbrella term for different types of governance forms. They differentiate between arm-length

governance of value chains and non-market relations. In the context of non-market relations three different types were identified: *networks* which constitute of a non-hierarchical system of value chain actors that share and exchange their competences with each other but still have equal power; *quasi-hierarchy systems* which include legally independent actors that get determined by the rules of one leader; and finally, *hierarchies* in which one value chain actor is owned by another (Humphrey & Schmitz, 2002). The underlying analysis focuses on governance forms of equal power, hence *networks*.

Trienekens goes beyond the governance-related approach towards networks and defines networks as "production networks in which business actors exploit competitive resources and operate within an institutional environment" (Trienekens, 2011, p. 59). Li, Chu, Hung, Chang and Li (2010) define networks as a tool to overcome organizational and geographical barriers. In accordance with this definition, Hanna and Walsh (2008) view networks as interfirm cooperation that offer support to conquer resource constraints.

Potential benefits of networks were investigated in a study by Lu, Trienekens, Omta and Feng (2008) who found out that small vegetable farmers in China gain from personal networks with business partners through reduced costs of transaction, access to new markets or improved product quality. Moreover, farmers were able to generate buyer-seller relationships through which they could distribute and share knowledge and assistance. These advantages remind of support mechanisms of institutions, leading to the assumption that network benefits can bridge absent or weak

³ The clusters identified by McCormick (1999) are Kenya Eastland Garments, Kamukinji, Ziواني, Lake Victoria Fish (Uhanya Beach), Ghana Suame and South Africa Western Cape clusters.

institutions, at least in the short-run (Mesquita & Lazzarini, 2008; Trienekens, 2011).

Summary

In deciding how to enhance their value chain, economic actors face a variety of options. Yet, especially actors in developing countries who produce on small scales struggle with the concept of traditional value chain upgrading. Apart from deficient access to resources and markets and poor infrastructure, developing countries' economies tend to lack strong institutional settings. Institutional voids thus represent an actual major threat to the upgrading of value chains for SBOs in developing countries. The relevance in examining how the engagement in networks leads to value chain upgrading despite weak institutional settings is thus to find a solution on how developing countries' economies can tackle the hurdles of institutional voids. When comparing institutions literature and network literature in the context of value chains, the overlap of the effects of institutional settings and network effects attracts attention. If existent, both can provide economic actors with access to markets and the exchange and distribution of tangible and intangible resources.

Research Method

In the underlying case, qualitative research was chosen over quantitative research. Being able to ask non-standardized questions, get context information and explore the topic in detail is essential for answering the underlying research question. Since one of the main advantages of qualitative research is being able to get context information (Creswell & Miller, 2000), it justifies the choice against

a numeric-based quantitative research approach. A further reason for this choice is the cultural background of the Ugandan respondents. First, many preferred giving information on a personal basis in the context of face-to-face interviews. Second, not all informants were fluent in English and a big number of people could not read nor write which would have made the distribution of for example questionnaires in the sense of quantitative research barely possible.

For the purpose of making this qualitative research design as reliable and trustworthy as possible a thick description of all research components was done (Creswell & Miller, 2000) with the help of observation notes that incorporate a detailed explanation of the research setting and environment, based on cultural and historical background as well as the behavior of the respondents (Creswell & Miller, 2000; Ravitch & Mittenfelner Carl, 2016). This allows readers to gain in-depth information into how the research is constructed and therefore decreases the probability of misinterpretation of the data. The main components of this qualitative research design are the following:

Interviews. Face-to-face interviews took place in a semi-structured way with open questions which allowed to ask in-depth questions and achieve high response rates. Furthermore, it gave the possibility to clarify misunderstandings regarding the questions right on site, ask probing questions and challenge the respondent's way of thinking. This method also proved to be helpful when the circumstances required to touch sensitive topics such as governmental inefficiencies or poor living and working circumstances of SBOs.

Field Notes. The information provided by

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the respondents was furthermore nourished by observations made during the interviews in the form of notes. Living circumstances, behaviors, responding patterns or the interview setup played a crucial role for verifying and complementing the answers of the informants. Still, the emphasis is set on the direct answers of the interviewees, not on the observations. Observation notes were included at the end of every interview transcript.

Research Context

The research context was conceptualized around the Ugandan crop areas Bugiri and Oyam that mainly engage in rice and cassava cultivation. The agricultural sector in Uganda employs around 72 % of the working population (The World Bank, 2013). According to the results of the last agricultural census in 2008/ 2009, rice achieved an estimated 191,000 Mt and was mainly grown for sale in the Eastern part of Uganda. The national production of cassava summed up to 2.9 Mt and is primarily produced for home consumption in the Eastern and Northern regions of Uganda.

2000 marked a crucial year for the agricultural sector in Uganda. The Plan for Modernization of Agriculture (PMA) was introduced alongside policy and institutional reformations (Benin et al., 2007). The agricultural decentralization and liberation aimed at being able to reach even the smallest players, down at the very beginning of the agricultural value chains (Benin et al., 2007). Therefore, so called public extension workers⁴ were

⁴ These are individuals employed by the government or non-governmental organisations who work as an agricultural development agents for contacting and demonstrating improved farming

introduced, aiming at travelling through the country side and supplying SBOs with resources and knowledge. The approach reached its peak in 2001 when along with the Local Government Act the National Agricultural Advisory Services (NAADS) were introduced. Based on public- private approach towards extension service delivery, NAADS helps farmers to join forces and build farmers' organizations and furthermore gives support with accessing marketing and extension services (Benin et al., 2007) through for instance trainings, distribution of market information or support in network building.

Next to these primarily governmental support systems, several NGOs have established in the Ugandan landscape of agriculture which are offering a platform to all kinds of stakeholders engaged in the business of agriculture and like that increase their power and impact. Moreover, research institutes such as universities are engaging in for instance finding new ways of processing crops in a more efficient and innovative way in order to access a broader market.

Data Collection

The data was collected during a three-week trip to Uganda in collaboration with the Kampala- based research project Agri-Quest. Agri-Quest aims at improving the agricultural business climate in Uganda by strengthening quality standards and ethical practices. The research team consisted of four Agri-Quest researchers,

methods to farmers. They are responsible for organising, disseminating, guiding and introducing technical methods in agricultural production directly to farmers and for facilitating farmers coming into contact with cultivation methods to promote agricultural production. (Agricultural Census Uganda, 2008/2009, p.98)

five students of the Vrije Universiteit Amsterdam and two Africa 2000 Network employees who each were in charge of the preparation and organization of one field trip.

The focus of interviewees was set on a variety of agricultural players in the value chain as well as on different types of institutions. For the purposes of qualitative research and theoretical sampling, the inclusion of various perspectives from different actors and thus the collection of a rich set of data was the main component rather than ensuring statistical validity as it would have been the case for quantitative research designs (Corbin & Strauss, 1990).

Interview questions were mainly phrased around the topics of efficiencies and inefficiencies of institutions, current dominating work processes such as harvesting and processing, networking amongst SBOs and national and international quality standards. An interview protocol was developed beforehand, yet circumstances did not always allow to follow it. Questions that were asked were for instance “How do you benefit from collaborating with other farmers / input dealers / processors?” or “How would you describe the institutional landscape in the agriculture business?”. In addition to that, since the data collection took place in collaboration with other researchers, topics like gender, unethical practices and post-harvest methods were discussed as well.

Field trips to Bugiri and Oyam. During the period of data collection, two field trips to the districts of Bugiri and Oyam took place. The data collection was coordinated and accompanied by project coordinators of the Africa 2000 Network. Besides, a

camera team was present the entire time, recording the face-to-face interviews. The interviews were mainly conducted in English, however sometimes the circumstances required an interpreter for the respective local languages. The interview process during the field trips was shaped by the research project Agri-Quest, yet the setup of the interviews allowed to ask individual research specific questions as well. Interviews took on average between 30min and two hours, depending on the number of respondents.

Individual interviews in Kampala. In addition to the interviews conducted during the field trips, which represent the main part of the data set, additional interviews with one interviewee and one to three researchers were made in the capital of Uganda, Kampala. Here, the focus was set on non-governmental institutions which is why one NGO employee and three professors of Makerere University were interviewed. These interviews were necessary in order to ask more detailed, research specific questions and to enrich the variety of respondents.

Data Analysis

The analysis of the data was done with the help of the Gioia Model (Langley & Abdallah, 2011). The inductive coding approach helped to filter out the most essential aspects of the data and group it together in order to create more abstract, generic factors that eventually lead to a conceptual model. After transcribing the recorded interviews, the data was conceptualized and reduced to first order codes. These codes were constantly re-fitted and re-named in order to be able to develop higher themes. An example for a first order concept is “ineffective translation of existing policies” based on

the continuous emphasis of interviewees that existing policies simply do not get implemented well enough. Through relating this first order code with other similar first order codes, the second order theme “lack of policy execution” could be constructed which is part of the aggregate dimension “lack of execution” and eventually leads to the overall topic of “institutional voids”.

In addition to data in the form of the transcribed interviews, the observations and field notes were consulted after coding. Besides to the primary data conducted in Uganda, secondary data in the form of network, value chain and institution literature were consulted in order to identify potential overlaps or differences between the findings.

Naturally, the question of validity appears when doing qualitative research. In order to prevent misinterpretations, the data was examined by researchers of the Agri-Quest project after transcribing. Moreover, the notes and recordings were constantly exchanged with the research team on site, giving further opportunities to include their point of views and interpretations of what was said by respondents. The integration of observation and field notes into the coding process as described above furthermore ensures validity. Possible misunderstandings based on language barriers could be resolved with the help of the Africa 2000 Network project coordinators who were fluent in both, the respective local languages and English.

Research Findings

The following chapter contains the analysis of the collected data. The first part describes and analyses the key institutional voids that shape the agricultural sector of Uganda. Derived from that the consequences SBOs have to face are presented. Finally, networks as a solution to institutional voids are analyzed.

Institutional Voids in the Ugandan Informal Economy of Agriculture

The above description of the institutional landscape in the fields of agriculture in Uganda shows that a great number of institutions exist. Nevertheless, the inefficiencies within the support mechanisms are dominating, thus generating institutional voids within the agricultural landscape of Uganda. Interviewees primarily mentioned three inefficiencies leading to institutional voids and eventually inhibiting agricultural actors from upgrading their value chains.

Lack of execution. The translation of policies from theory to practice, thus the implementation, is oftentimes not taking place at all, leaving policies to be superfluous and only existing on paper. One respondent describes the source of the inefficiency of institutions as following:

Literally everything. Some institutions are good but they are not working. Policies, we have them. Actually, we have one of the best policies but they

don't work. [...] No, they do not get implemented. And that's definitely a problem. [1a]

This shows that although support mechanisms like policies do exist in theory, they do not get implemented.

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Another scenario is the inefficient execution of policies, meaning that they get implemented only partly. An example for this inefficiency is the NAADS system. The idea of educating extension staff and sending them to the countryside of Uganda is barely executed and if it is, only over a short period of time [6a]. One reason for the poor execution of NAADS was reported to be the disproportionate ratio between policy implementation and existing resources, as an agricultural officer in Bugiri stated:

Governments now need to look at the resources, in term of facilitation for that policy. The ideas are good, because it is talking about relevant components, but let them farm it more. [7a]

On the one hand, this goes back to the small number of extension workers that prevents the services from reaching SBOs [9a]. On the other hand, a lack of equipment in terms of transport does not allow public extension workers to actually travel to the countryside, as reported by a cassava farmer in Oyam. SBOs are asked to contribute to fuel that extension workers need in order to reach them. However, the majority of SBOs can simply not afford it and thus are barely able to benefit from the extension services.

They have employed these people, the extension staff you were talking about, but they don't have transport. [...]. They are not facilitated, poor facilitation. They need to be facilitated, give them a motor cycle, give them fuel that is when they can visit farmers. [11a]

At the same time, this implies that institutions involved in public extension services are facing financial constraints when it comes to sustaining support

systems. In general, the lack of resources and execution lead to redundant support mechanisms and a low rate of interaction between SBOs and institutions.

Lack of governance and enforcement. Poor governance and enforcement of existing support mechanisms represent another major constraint to the ability of agricultural actors to upgrade their value chains. It occurs when support mechanisms like policies are not being executed over the long-run. This becomes apparent when looking at the lack of efficient control mechanisms for instance in the fields of quality control. One SBO explained that buying good seeds is difficult because of a lack of quality control:

When it is being brought in from outside, sometimes the quality ends up being questionable because it comes from outside and it's not the cassava we are using here. [13a]

Interviewees in the field of cassava farming emphasized that they are furthermore lacking national and local standards that would guide their production and help them to enter more elaborate markets [15a – 17a].

Connected to this is the lack of institutional presence and guidance. In general, the support provided by institutions is not designed for a long-term perspective and thus appears to be inefficient since the recipients of the support are not able to incorporate it in their processes. A researcher of Makerere University Kampala ascribes this to the poor institutional governance:

It's the governance. It's really a big Africa problem. We have to sort our governance. Once we sort a bit of that I think

implementation would be there. [20a]

Institutional guidance furthermore failed due to political decisions made in the past that still inhibit the agricultural environment in Uganda. In 1990s the Ugandan government cut down their budgets, stopped supporting farmer cooperatives and decreased its presence as supporter of the agricultural sector. This led to a decline of the agricultural sector. [19a]. Today, SBOs are still lacking specific trainings and workshops which could provide them with relevant knowledge about for instance the rationales behind crop rotation:

And then there is also the tendency of our people not do know the sequence of planting, maybe cassava with other crops. They don't know how to integrate them. So, the rotation somehow also affects the yield. After planting cassava, this season maybe next season you again plant cassava, which is not a very good practice. [22a]

A final aspect observed in this context is the problem of fraud which inhibits an active presence of institutional representatives and hence restricts institutional guidance. One informant stated that during an audit of the European Union it was found out that quality inspectors were operating under illegal arrangements that helped traders to skip quality controls [26a]. A similar case was reported by an agri-input dealer who stated that some agri-input dealers are collaborating illegally with quality inspectors in order to be able to sell less valuable products from abroad.

The inspectors, some of the inspectors they come and then they collaborate with other agri-input dealers that are taking.

[25a]

The engagement in such illegal arrangements between players in the agricultural value chain and representatives of institutions does not only lead to major inefficiencies in the agricultural sector but also to the redundancy of institutional support mechanisms such as quality control systems.

Lack of holistic institutional support system. The last constraint investigated which is leading to institutional voids is a lack of a holistic institutional system. This concerns the entity of existing institutions, especially the general set up of the institutional systems as well as a lack of bottom-up approaches of institutions. The institutional landscape is shaped by short-term oriented, non-transparent institutions that are barely aligned towards a joint interplay of their forces. Especially the farmer groups interviewed mentioned that they only get little long- term support from institutions.

They go back to as they were doing it. They know what to do, but it all goes back. They need more continuous sensitization and demonstration. [29a]

Besides, the role of the individual institutions is oftentimes indistinct, making it difficult for agricultural players and stakeholders to allocate the institutions' areas of accountability. Furthermore, it was stated by one informant that a more holistic approach regarding an interplay of all institutions is currently missing.

One of my recommendations is that, we will have, we need to have a holistic framework. Holistic, I don't want to say, extensional work, extensional staff alone. We need to have a holistic and quality kind

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of training approach, that we are giving to our farmers. I want Africa 2000 network to come and support me, I want the Ugandan government also, to support me and talk to the farmers what to do. [27a]

This statement was underlined by the fact that most SBOs interviewed have received support by one institution only, if any.

The poor setup of the institutional landscape is furthermore supported by the dominating approach of designing top-down support strategies rather than bottom-up approaches leading to deficient practical relevance. The data shows that many recipients appreciate the general idea of institutional support systems; however, they criticize the lack of proximity to the SBOs' needs:

The other thing, you need to do, is to make proper assessment of these needs and properly designed, interventions, that suite the local needs, not the book needs. Interventions should suite the local needs... The commitment will not be there. [34a]

Interviewees stated that it would be essential to redesign such top-down approaches so that they overlap more with recipients' needs. SBOs currently have no opportunity to take influence on the creation of new policies [32a]. This further hinders an interplay between SBOs and institutions and hence fosters an individual, partial institutional system rather than one integrated setup.

Consequences of Institutional Voids

The poor execution of existing support mechanisms, the lack of one united, holistic institutional system and the insufficient enforcement and governance shows that the institutional environment of

agricultural players in Uganda is inefficient. The above-mentioned institutional voids do not only inhibit the support systems from reaching the recipients but they also hinder SBOs from being able to upgrade their value chains. This can be seen when looking at the consequences for agricultural SBOs. The main consequences are low-quality products and insufficient quantities. This stems from a lack of resources, lack of capital, lack of market access, lack of information access, lack of awareness and lack of incentives, again caused by the inefficient institutional landscape.

Summary

Figure 1 (see appendix) summarizes the findings of the analysis of institutional voids in the informal economy of agriculture in Uganda. Institutional voids arise from a lack of execution, a lack of governance and enforcement and a lack of a holistic institutional system. This leads to SBOs facing several constraints such as a lack of capital or lack of incentives. Due to these barriers, SBOs cannot produce in a more commercial way that would allow them to sell better quality products in bigger quantities, thus inhibiting them from upgrading their value chains and eventually entering bigger, more profitable markets.

Networks: A Potential Solution to Institutional Voids in the Ugandan Informal Economy of Agriculture

In the context of weak institutional settings, SBOs operating in the agricultural sector of Uganda engage in forming networks and joining their forces to achieve higher aggregate inputs and outputs. The data shows that SBOs participate in networks in order to benefit

from advantages such as access to resources or markets. Although not always consciously perceived as the decisive reason, the data shows that the consequences of institutional voids are leading SBOs to enter networks. The following describes the key advantages for SBOs in the agricultural sector in Uganda of engaging in networks and thus shows how and why networks can be a potential solution to institutional voids.

Access to capital. Every network interviewed could show evidence for an internal saving system that was obligatory for all members to join. A farmer group in Bugiri for instance developed a system that compelled every member to pay 1,000 Uganda Schilling in five instalments in order to contribute to the network [1b]. The money is saved until a member needs financial support or until a certain sum is reached and the money gets equally distributed to every member.

We pay the money back to each member and each one solves their one problems with it. We also use it for borrowing money to members. [6b]

Like that, this network can almost operate financially independent from big loan institutions through their individual financial support system. Besides, the safe-keeping of the money is the task of four network members, each one of them responsible for one key or the storage box. Another respondent reported that the framework of collectively saving and financing one another is popular amongst networks in the region of Oyam. “Boalijab”, literally translated ‘drop-in-the-basket’, has become an essential part of the network culture of SBOs [2b]. Apart from having an internal saving and loan mechanism structure, these systems also attract new

members to the networks and furthermore help networks to gain access to external financial institutions that could support them beyond their own abilities [9b / 10b].

Access to resources. A further advantage of engaging in networks is the access to a bigger pool of resources. Here, especially human capital, tangible resources like machinery and intangible assets such as knowledge were stated as incentives. In terms of human capital, the division of labor was a significant factor mentioned by several farmer groups. The work of cultivating land, planting or harvesting crops is physically tough. Hence, farmers in networks divide their labor force in order to be able to work more efficiently.

Another benefit of the cluster is working together and helping each other on the field. One day we can work for one person and the other day we can work for another person which makes our work easy. [11b]

Network members furthermore benefit through access to tangible assets such as machinery, facilities and tools which they would be lacking if operating individually. Since every member brings in their holdings, harvesting tools or processing equipment can be shared within the network, meaning that the number of for instance machinery SBOs can access is bigger. This was underlined by the manager of an agribusiness initiative in Bugiri:

That is the benefit of coming together. Secondly, if there is post-harvest equipment they are sharing they will now start going together planting and harvesting. Tomorrow is that one and this one. Today is this one and that one. [15b]

In addition to labor division and sharing of

machinery and equipment, the collected data furthermore reveals that SBOs engaging in networks benefit from exchanging knowledge and information. Through linkages within but also across different networks, transformation of knowledge becomes simple. One informant emphasized the advantage of cross-network information sharing and using successful networks as role models to inspire and motivate other networks:

We can use such groups to become role models. They can share and try to network. You know, groups from some sub-counties go to others, they network and listen to each other so that they actually get out of that. [17b]

Besides, sensitization of a greater number of SBOs becomes less complicated when working together with networks [18b]. Recipients of sensitization programs of institutions can easily convey it to their fellow members, thereby reaching more people than when sensitizing individual SBOs [19b].

Market access. One of the major constraints for agricultural SBOs in Uganda is the lack of quality and quantity. However, it was investigated that networks like farmer groups engage in bulk production, meaning that they can produce more due to the accessibility to resources.

When you are doing it at such small scale like that, the only best way to aggregate productivity is really to get those farmers into groups. [22b]

According to a government official in Bugiri, farmer groups furthermore engage in simultaneous planting and harvesting which gives them the possibility to produce greater amounts at the same time. Like that they are able to store their crop, sell it

in bulks and thus supplying bigger markets.

They need to be in a stronger institution, a strong developed farmer group or association so now they can also have their own ... buyers, they can manage group activities, they can order input at once, they can be positioned to harvest at once, they can bulk, they can look for market, they can also now check standards at their level, [...]. [21b]

Another interviewee mentioned the advantage of specialization when it comes to bulk production. Networks can focus on one specific crop rather than on many different due to their resources. Hence, they can specialize their productions, bulk it, wait for higher prices [24b] and eventually attract bigger markets like that. This approach was also confirmed by a farmer group in Bugiri who could enter new markets through bulking their outputs.

If they sell collectively in bulk, they can source for good markets anywhere they want. [23b]

Apart from the ability to produce in bulks, networks open markets through the production of high-quality products. This is especially due to individual quality guidelines networks dedicate themselves to. A majority of the farmer groups interviewed stated that they developed internal rules that aim at improving the quality of the collectively produced crops.

We have bylaws, which state that when you are a member you are not supposed to dry your rice on the bare ground. This is a policy. We also have policies regarding discipline and we have leaders. [28b]

Being a member of a network that is committed to produce high-quality

products in large scales can also be beneficial when it comes to making use from already existing relationships with traders and sellers and attracting new markets. A good reputation of a network makes selling one's products easy, as reported by a farmer group in Bugiri.

And we have access to potential buyers outside the market who come to buy from the cluster because they know these members are part of a group and produce good quality rice. We also have buyers outside the Bugiri district. [30b]

A commercial cassava farmer in Oyam furthermore stated that he supports fellow farmers whenever he cannot cover the demand and like that motivates others to stick to certain quality standards in order to be able to access these markets at short notice [29b].

Internal mechanisms. It could be observed that several network internal mechanisms have evolved that further drive the advantages of networks. First, group pressure within the network seems to have positive influence on the way of working of members. As reported by informants, SBOs tend to overcome their laziness when entering networks because they notice the success of other members and furthermore feel the pressure to perform according to the overall performance of the network.

They have farming groups and they rotate. And that rotation has led them to do more. Because if you go alone, sometimes you can get lazy. But if you know that there is your group, you will be fine if you don't go, you will stress yourself even if you're drunk and you will go. Forming them into those groups has encouraged them. [32b]

At the same time, this means that SBOs

adapt good habits and more efficient work practices from their fellow members in order to be able to follow up and contribute to the network's success. Besides, it was detected that group pressure forces members to sell their products for one price, hence inhibiting members from selling at any price offered and thus earning only little money [34b].

Second, specific informal support systems developed by the respective networks act as a framework for behavior and doing business to the members. One interviewee reported that during the 1980s when cooperatives were still supported by the government, network internal guidelines determined the success:

So, each and every member had to follow those guidelines which was good because it gave them additional...well kind of an informal support system I'd say. You know: group pressure and having internal, informal standards and everything. [35b]

A producer of hibiscus and shea products furthermore explained that there are certain prerequisites farmers have to fulfil in order to be allowed to supply her business with their products.

And for us, if we are going to deal with them, we require them to just do three things. One: That they will have good accommodation. [...] Then, we want them to take their children to school – to educate their children. And then to be able to give them good health. You know, to be able to afford basic education, shelter and health. [37b]

Subsequently, network internal guidelines do not only positively influence the business of SBOs in terms of work processes and output but also their personal circumstances. Finally, by joining

their forces and engaging in a network, SBOs increase their bargaining power:

Yeah! I mean if there is a strong voice or a particular item it will actually be done. [...] Even their bargaining power will increase if they do that and they will get better prices because they have the volumes or even accessing inputs would be much easier for them. [38b]

Hence, apart from network benefits that aim at overcoming market imperfections, also internal support systems that arise from group dynamics and social relations seem to entail advantages for SBOs.

A Conceptual Model of Institutional Voids, the Consequences for Value Chain Upgrading and Networks as a Mitigation Strategy

The findings of the above analysis are presented in Figure 2 (see appendix). The conceptual model demonstrates the coherence between institutional voids and networks and their effects on value chain upgrading.

The analysis shows, that the institutional landscape in Uganda contains various institutional actors who provide different kind of support services to SBOs in the agricultural sector. In this context, the public extension services which are largely provided by the government were often mentioned. Yet, also NGOs like AgriProFocus or Africa 2000 Network were familiar institutions to respondents. However, inefficiencies in the institutional systems are dominating the agricultural environment. Institutional voids mainly stem from a lack of execution and a lack of governance and enforcement of support mechanisms and furthermore from a lack

of a holistic institutional support system. As a consequence, SBOs are facing several restrictions in their daily work. These inefficiencies inhibit SBOs from producing qualitative products in sufficient quantity. Consequently, their inability of boosting the productivity hinders them from upgrading their value chain and thus attracts bigger domestic, national or international markets.

If SBOs are members of a network, they can benefit from access to capital, resources and markets and from in-house mechanisms that additionally foster their way of doing business. Like that, they are able to produce qualitative products in bigger quantities and are thus able to upgrade their value chain.

Interrelations between institutions and networks

As observed, joining forces and forming networks helps SBOs in Uganda's agricultural sector to create support systems that help them to overcome the predominant institutional voids. Networks are able to provide precise solutions to the problems that occur through institutional voids. Hence, they are filling the gaps that the weak or non-existent of institutions leave behind. From this, one can derive that if a strong institutional setting was existing in the informal agricultural industry of Uganda, institutions would be able to fill those gaps themselves. This leads to the conclusion that networks are not substitutes to institutions but rather an informal type of institution that supplements formal institutions since they are providing SBOs with the same benefits only in a more informal way. Hence, SBOs take advantage of both institutional types at the same time and do not create networks as a substitute for non-existing

or non- working institutions. In fact, it was investigated that engaging in networks as informal institutions oftentimes even gives better access to formal institutions.

The stream of economic sociology mainly deals with this idea, more general with how social structures like institutions, networks and cognitive frames influence economic outcomes of individual players (Beckert, 2010). This analysis shows that institutions and networks show interrelations, especially when it comes to them shaping the market through social structures and linkages. As stated by Beckert (2010), institutions shape networks while networks can establish the power to shape institutions. Applied to the underlying findings, this assumption can be supported. The structure, setup and eventually also the existence or non-existence of institutions actively influences the emergence of SBO networks in Uganda's agricultural sector.

Hence, networks can develop strong power structures which increases the network's bargaining power towards other value chain actors but also towards formal institutions. This allows for a conceptualization of interrelations between networks and formal institutions where both influence the setup and emergence of the other but only the unity of formal and informal institutions determines the economic output of individual players in the long-run.

Group Dynamics

Most significantly however are the internal mechanisms of these networks that allow SBOs to make use of the above-mentioned advantages in the first place and furthermore offer internal guidelines and frameworks. The group mechanisms

that are expressed in group pressure, internal guidelines and in increased bargaining power could not be achieved through formal institutions only. This suggests that networks do not only have the advantage of offering SBOs access to resources, capital, markets, knowledge and information but also generate a bigger awareness for economic benefits and furthermore offer incentives to actively engage in actions that lead to those economic benefits. The effects of group dynamics are a broadly researched topic in various scientific fields such as psychology, sociology and business management. In this context, Brown (1988) identified three key aspects of group processes. First, he sees groups as the source of social identities, meaning that the belongingness to a group defines the personality, implying that members adapt common beliefs and interests of a group. Second, finding a balance between emotions and rationales is a constant tension for group members. Third, social comparison process between members of a group but also across different groups are a main part of how individual members evaluate their personality but also their business skills.

All in all, this shows that networks and their internal processes considerably influence their members, leading to group members feeling a certain degree of pressure to follow the internal group guidelines and contribute to the network's success at least as much as all other members. This goes hand in hand with the underlying findings that show how SBOs in networks are indirectly forced to work harder and more efficiently through network dynamics and thus contributing to a higher and more qualitative output.

Discussion and Implications

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This study has focused on examining how networks among SBOs in the Ugandan informal economy of agriculture can bridge institutional voids in order to achieve value chain upgrading. It has shown how SBOs like farmers and processors struggle to supply local and international markets due to a lack of institutional support mechanisms. It was investigated that SBOs, in particular farmers, try to circumvent this barrier by organizing themselves into networks. Like that they form an informal type of institution through their own efforts which eventually helps them to for example access markets and resources or accumulate their knowledge and power. The main contributions of this paper are therefore a) the conclusive identification of key institutional voids and their nature, b) the identification of networks as informal institutions that can act as a solution to institutional voids and thus support the upgrade of value chains and c) the conjunction of economic sociology and institutional literature.

Firstly, it was shown that in this case the main reason for the existence of institutional voids is not only the absence of support mechanisms but most notably the lacking implementation. The transformation of theoretically elaborated recommendation into practice appeared to be the root of institutional voids in Uganda's agricultural sector. In addition to that, it was shown that the absence of one particular type of institution can have several consequences, thus contradicting the view of previous research that differentiates between institutional voids that prevents market from functioning, institutional voids that represent a barrier to participation and institutional voids that hinder the development of markets (Mair & Marti, 2009). Rather, institutional voids should be seen as the trigger for various

consequences that can simultaneously lead to a lack of participation, market development and market functioning.

Secondly, in the context of network literature, results show that networks give SBOs access to capital, resources, information and markets and furthermore provide members with internal mechanisms that guide and influence their way of doing business. The findings therefore fill the research gap noted by Khanna and Rivkin (2001) regarding a lack of insights into how the get-together of SBOs can present a solution to institutional voids. In addition to that it was detected that the general set-up of networks reminds of the framework of institutions, yet the informal character dominates. Thus, it can be derived that networks are an informal type of institution and hence a supplement to informal institutions. In that way, this paper contradicts with current findings that networks can act as a substitute for strong institutions (Trienekens, 2011; Amaeshi, Adegbite & Rajwani, 2016). Besides, it was shown that networks can actually bridge the consequences of institutional voids. Compared to existing institution literature that mainly focus on the effects of weak or absent institutions (Mair & Marti, 2009; Puffer et al., 2016), this paper presents an actual and feasible solution to institutional voids.

Thirdly, the results show that networks have an impact on the mindsets of their members. Here, the network literature gets incorporated with the approaches of economic sociology and the fields of psychology by emphasizing the role of network internal mechanisms such as group pressure. The internal setup of networks is considerably contributing to the SBOs ability and willingness to engage

in more efficient work practices. In particular group affiliation indirectly influences SBOs behaviors in networks. Like that it is shown that the economic benefits of networks also originate from sources of group dynamics and social impacts. Previous research mainly identified access to tangible and intangible resources or increasing bargaining power as an advantage of engaging in networks, however neglecting the interrelations between those benefits and social factors (Lu et al., 2008). In that way, the findings add valuable insight into existing network literature by identifying social factors as a reason for the success of networks in informal environments like the agricultural industry in Uganda.

From a practical perspective, the findings give implications on how to improve the current prevailing value chain structure in Uganda's informal agricultural sector by making use of networks as informal institutions. The results show a feasible solution for SBOs to bridge institutional barriers and achieve value chain upgrading by their own efforts and with what they have at hand. This also helps them to get out of poverty and moreover contributes to the alignment of agricultural output and the rising population in Uganda. It furthermore shows that weak institutional settings do not have to be an insurmountable barrier for SBOs. Through joining forces, they cannot only improve their own business but furthermore impact the entire industry through their strong bargaining power. Finally, networks can be an efficient tool to make SBOs aware of the economic benefits of commercial farming which contributes to the change of the general mindset of agricultural players in Uganda which was criticized by many respondents.

Limitations and Conclusion

The underlying study presents a first step towards uncovering the potentials of networks as a solution to overcome institutional voids. Although great care was taken when collecting and analyzing the data, certain limitations restrict this qualitative study. First, the context of the study is narrowed down to one least developed country, namely Uganda. In this context, only two regions served as data collection points. Thus, the geographical focus might limit the generalizability and transferability of the findings. Second, some interviews were conducted in the respective local language. Mistakes of translation as well as a certain degree of interpretative translation by the local interpreter cannot be precluded. In order to ensure the highest degree of credibility possible in this context, the interview transcripts were compared to the transcripts of the local team of the Agri-Quest project and adjusted if necessary. Finally, it has to be considered that various other aspects apart from the institutional environment and social linkages between actors influence agricultural processes and eventually determine the success and failure of value chains. The underlying paper focused on only two of many aspects in order to emphasize the interplay between formal institutions and informal institutions.

Hence, future research should focus on taking into account other value chain enhancing factors like geographical clustering or sophisticated product assortments and combine those findings with the underlying ones in order to create a more holistic approach to solutions to institutional voids. In addition to that, it would be interesting to see if the results of this study match with research conducted

in other least developed countries in order to investigate if the conceptual model introduced can be generalized to a broader context. Moreover, the influence of cognitive systems like common beliefs and norms on value chain upgrading as well as the role of religion could be an interesting aspect for future research that puts even more emphasis on the informal institutional environment.

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Appendix

Theory	Focus	Objectives	Developing Country Focus
New Institutional Economics (NIE)	Governance of transactions	- Decreasing transaction costs - Inhibiting opportunistic behavior	Decreasing transaction costs in uncertain environments
Global Value Chain Analysis (GVCA)	Management of internal and external linkages of globally operating businesses	- Increasing power in the global context - Decreasing information asymmetry	Incorporating developing country value chains in Western companies' businesses
Social Network Theory (SNT)	Social networks in business environments	- Improving position within network - Exploring new relations - Exploiting existing linkages - Benefitting from indirect connections	Formation of networks for information access and access to financial means
Supply Chain Management Theory (SCMT)	Vertical relationships of value chain actors	- Satisfying consumers' demand - Improving vertical relations within supply chain	Management and compliance of quality standards

Table 1: Theoretical approaches towards the concept of value chains

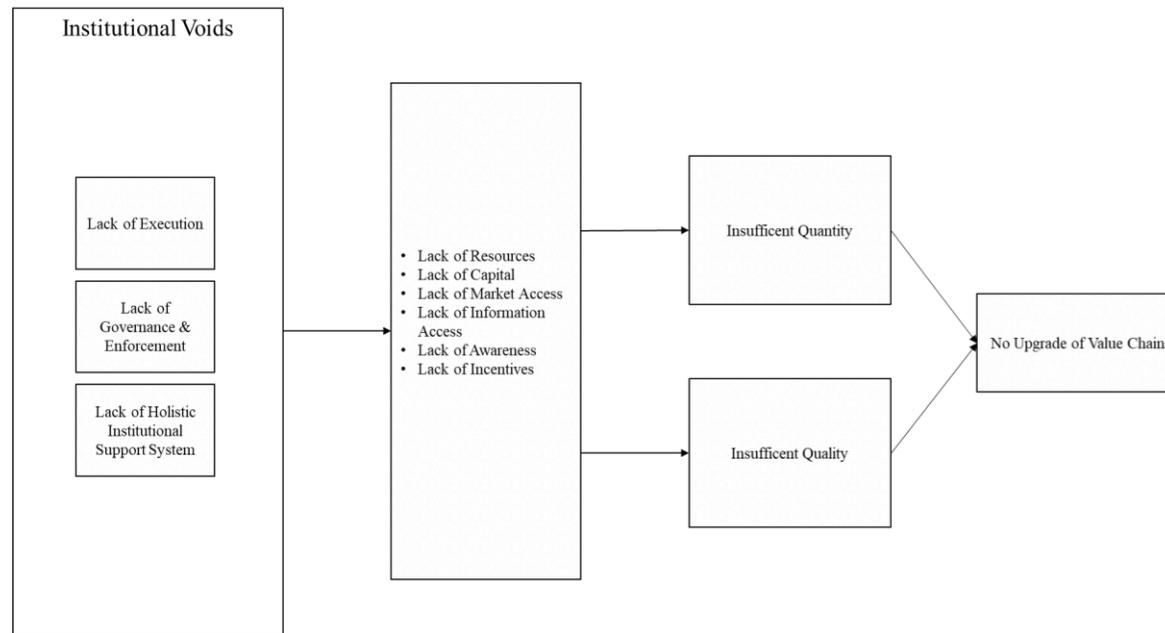


Figure 1: A model of causes and consequences of institutional voids

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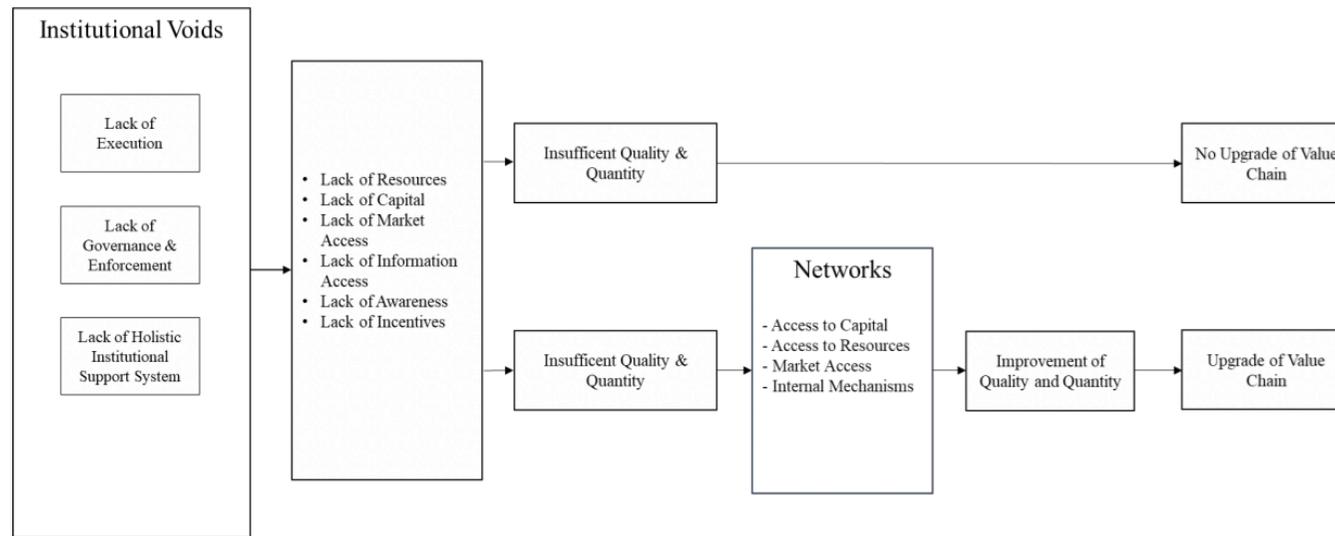


Figure 2: Conceptual Model