Relationship management in a value chain involving "bottom of the pyramid" participants: a case study from Nepal

R.P. Adhikari, R. Collins, X. Sun

Abstract

This paper explores relationships within value chains in developing countries, suggesting that a greater understanding of the social, economic and behavioural dimensions can be used to manage collaborative relationships. Relationship management is frequently described as the management of dyadic business relationships between organisations. However, the management of different dimensions of relationships at the same time among chain actors who may or may not be organised has received little attention. Findings in this paper are based on a case study of tomato value chains in Nepal. Results suggest that in a developing country, actors in value chains differ vastly in terms of organisational characteristics. Upstream, farmers are small, poor and unorganised, while downstream, supermarkets are typically larger, formally organised business entities. Actors in between them share characteristics from either end. For the majority of actors in agrifood value chains within a developing country, business relationships are personal and usually managed by the household head who is typically socially attached to other actors. For them, a relationship within a value chain is not only an economic phenomenon, but also has behavioural and social dimensions. For more formally organised actors such as supermarkets, employees who establish relationships with other actors in the chain have no social obligations to others. Evidence from this study suggests that a lack of understanding of these relationship dimensions leads to short term rather than long term relationships. This paper demonstrates that actors who better understand the nature and characteristics of their business partners and are able to act across various relational dimensions simultaneously, have been able to establish more effective longer term business relationships.