



APOMIPE

PROGRAMA DE APOYO A LA MICRO
Y PEQUEÑA EMPRESA EN EL PERÚ



MANUAL TO ARTICULATE BUSINESS NETWORKS

MANUAL TO ARTICULATE BUSINESS NETWORKS

PROGRAM TO SUPPORT MICRO AND SMALL BUSINESSES IN PERU (APOMIPE) – COSUDE
Manual to Articulate Business Networks

APOMIPE TEAM (Phase II)

HELVETAS Swiss Intercooperation (HSI) Programa Perú

Patricia Camacho	APOMIPE Program official
Carola Amézaga	National coordinator
Hernán Zeballos	Head of Networks at the National Level (September 2008 – September 2010)
Luis Miguel Artieda	Head of Networks at the National Level (September 2010 – May 2011)
Diana Prudencio	Head of Networks at the National Level (June 2011 – December 2011)
Manuel Tong	Assistant Head of Networks at a National Level (June 2011 – December 2011)
Aguila Soria	National Administrator
Katerine Ortiz	Assistant

INTERCOOPERATION América Latina

Geovanny Carrillo	APOMIPE Advisor for Knowledge Management
-------------------	--

CEDEPAS NORTE Office Cajamarca

Mónica Sánchez	Unit Coordinator for Regional Articulation (UAR) Cajamarca (September – October 2008)
Luis Valera	UAR Coordinator Cajamarca (November 2008 – June 2009)
Mario Casanova	UAR Coordinator Cajamarca (julio 2009 – diciembre 2011)
	Specialist in Business Networks UAR Cajamarca (September 2008 – June 2009)
Ricardo Cacho	Specialist in Business Networks (UAR) Cajamarca (July 2009 – December 2011)
Tania Vásquez	Administrative Assistant UAR Cajamarca
Frans Mendoza Díaz	Support Personnel UAR Cajamarca

Centro Bartolomé de las Casas (CBC) Cusco

Alejandro Contreras	Coordinator of the Regional Articulation Unit (UAR)Cusco
Hugo Quispe	Specialist in Business Networks UAR Cusco
Luis Alberto Rojas	Administrative Assistant UAR Cusco
Agustín Huamani	Support Personnel UAR Cusco

MINKA La Libertad

Alberto Otoyá	Coordinator of the Regional Articulation Unit (UAR)La Libertad
Cristian Moreno	Specialist in Business Networks UAR La Libertad (julio 2008 – octubre 2010)
Betsy Mori	Specialist in Business Networks UAR La Libertad (octubre 2010 – diciembre 2011)
Milagros Zavaleta	Administrative Assistant UAR La Libertad
Marx Zamora	Support Personnel UAR La Libertad

Design and Layout: Ronald Huamani

Proofreader: Diana Cornejo

Photos: APOMIPE Team – CEDEPAS Norte (Cajamarca) – Centro Bartolomé de las Casas (Cusco) – MINKA (La Libertad) – HSI (Lima)

Editor: Helvetas Swiss Intercooperation

Av. Ricardo Palma N° 857, Miraflores, Lima, Perú.

Book rights 2011-13693 in the National Library of Peru

First Edition.

Print run: 1000 copies

Printer: Gráfica Esbelia Quijano SRL.

Jr. Recuay 243, Breña, Lima

APOMIPE (2011). **Manual para la Articulación de Redes Empresariales**. Programa de Apoyo a la Micro y Pequeña Empresa en el Perú (APOMIPE) – COSUDE. Lima

THIS PUBLICATION CAN BE REPRODUCED TOTALLY OR PARTIALLY IF PROPERLY CITED

TABLE OF CONTENTS

PRESENTATION	4
INTRODUCTION	10
THE ARTICULATOR'S ROLE	16
KEY CONCEPTS	20
PHASE 1. ANALYSIS OF TERRITORIES, CHAINS AND BUSINESS OPPORTUNITIES	23
PHASE 2. PROMOTING, SELECTING AND GENERATING STRATEGIC ALLIANCES	33
PHASE 3. GENERATING AND STRENGTHENING TRUST	43
PHASE 4. CONSOLIDATING TRUST: PLANNING IMPROVEMENTS AND PILOT ACTIONS	57
PHASE 5. STRATEGIC PROJECT FOR JOINT BUSINESS VENTURES	67
PHASE 6. MANAGING A JOINT BUSINESS	75
PHASE 7. SETTING UP A NETWORK OF NETWORKS AS SECOND-TIER ORGANIZATIONS	87

P R E S E N T A T I O N

The Program to Support Micro and Small Businesses in Peru (APOMIPE) is a bilateral cooperation program run by the Swiss Agency for Development and Cooperation (COSUDE) and the Ministry of Production (PRODUCE). Its objective is to contribute to efforts to eliminate the obstacles that restrict equitable, inclusive and sustainable development for Peruvian men and women. Its main purpose is to improve the competitiveness of small producers who have been articulated in Business Networks composed of productive chains and geographic areas of intervention.

APOMIPE has been executed in two phases: the first initiated activities in 2005 and ended in August 2008. The second began in September 2008 and is set to conclude in December 2011. The Program's execution has been overseen by HELVETAS Swiss Intercooperatio¹, a Swiss foundation with a global focus on natural resource management and climate change, rural economic development, local governability and knowledge management among other topics. At the regional level, the Program has been executed with the assistance of national NGOs: MINKA in La Libertad, CEDEPAS NORTE

in Cajamarca and Centro Bartolomé de las Casas in Cuzco.

The two main strategies of the APOMIPE program have been

1. Promoting business networks as an associative method to accompany and transfer capacities to small producers or micro businesses with a clear focus on markets and developing internal bonds of trust to engage in joint business ventures (development of Social Capital and Human Capital).

2. Contributing to improving the environment for the business networks' productive chains within a framework for consensus-based territorial economic development.

APOMIPE's first strategy involved implementing the Rural Business Network Strategy that the organization had developed based on ONUDI's Business Network Methodology. The second strategy used the methodologies and tools for Territorial Economic Development that had been developed by INTERCOOPERATION in the ASOCAM framework² for the Andean region.

¹ HELVETAS Swiss Intercooperation was founded on July 1, 2011 after two Swiss Foundations, INTERCOOPERATION and HELVETAS (www.helvetas.ch), merged. Until June 30, APOMIPE was run by INTERCOOPERATION.

² ASOCAM: Plataforma Latinoamericana de Gestión de Conocimientos para el Desarrollo Local en Áreas Rurales. www.asocam.org

APOMIPE has used two main strategies to promote the business networks and focused on ensuring that tangible benefits are perceived early on as an incentive to join business networks; producers are empowered (facilitating role of the promotion team and articulator); producers make a commitment to support the network with effort, time and money throughout the process to set up the business network and co-finance activities to consolidate articulation; perform analysis to ensure that businesses are sustainable; and focus on gradual implementation (strict compliance with the actions put forth in the methodology's six phases).

This manual, which reflects the systematization of this experience, has enriched this methodology by incorporating a 7th phase, which contemplates second-tier associativity known as the Network of Networks. This phase bolsters efforts to aggregate supply to increase the businesses' profitability.

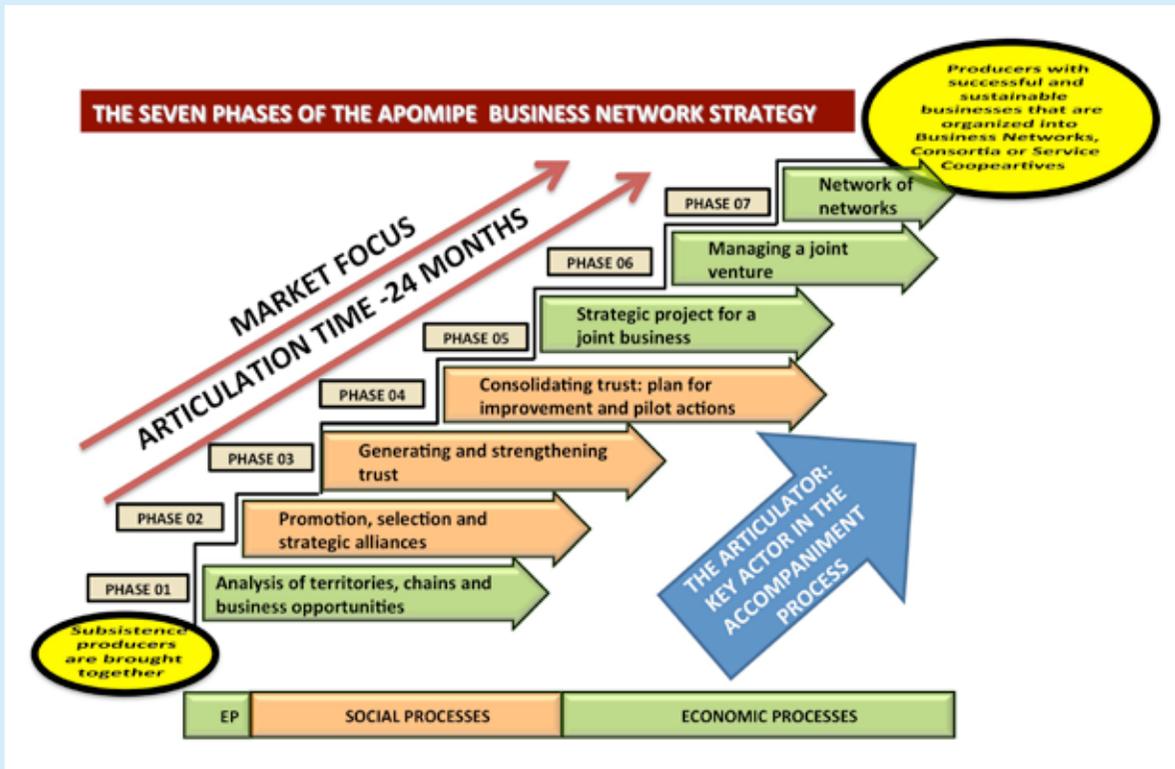
This strategy to improve the environment of the business networks' chains has been based on the following strategic principles: contributing to strengthening local and regional governability; strengthening the leadership capacities of business networks; supporting leaders in spaces for local and regional consensus building with

concrete agendas for territorial economic development; strengthening the institutionality of APOMIPE's national executors; systematizing experiences to contribute to the replicability and scaling-up of validated strategies; seeking impact on public policies at the national level; and, finally, becoming a fundamental axis in efforts to direct actions toward those living in poverty and extreme poverty by leveraging minimum productive resources and fine-tuning targeting efforts. The program as focuses heavily on promoting and supporting the active participation of women.

The program's impact is reflected in the fact that producers organized in business networks have achieved economies of scale, grown, penetrated new markets, become competitive, generated more income, and have, in their majority, escaped poverty. The consolidated and business networks, which have been organized in a second-tier format, are setting the bases for futures associative businesses for services and commercialization. This economic impact would not have been possible without APOMIPE's efforts. These social aspects and human skill are often ignored in strategies to promote rural businesses in poor areas of Peru. These actions have a direct impact on technical-productive aspects or management schemes.

We believe that the sequence of processes developed through APOMIPE's methodology have generated indispensable complementarity between social and economic processes that has helped ensure the sustainability of the businesses run by the business

networks' members. The chart below summarizes the main phases of APOMIPE's methodology, which will be discussed in depth in this manual. Accordingly, this methodology has been enriched by a series of lessons learned.



It is also important to point out that the business networks have strengthened women in particular by raising their self-esteem and making them leaders of successful family businesses. Finally, the business networks that the program has promoted in specific territories and chains have contributed significantly to dynamizing service markets that specialize in production services, micro loans, training and other areas. As such, a larger set of local economies has been stimulated by the presence of these networks³.

In the year 2008, we published the first edition of this manual, which reflected our accumulated experience with the Business Network Methodology during the program's initial phases (2005-2008). This manual is the second revised edition. It represents our experience with systematizing the application of the Rural Business Networks Methodology and the results seen during the program's second phase (2008-2011). The contents of this manual have been developed in a participative format through the following activities:

1. A three-day workshop was held in Lima in March 2011 with the participation of 20 local articulators and APOMIPE's technical team. The ASOCAM team also participated in this effort.
2. Chapters were written by UAR's technical teams and were subjected to joint weekly review by the

technical teams via virtual meetings held over a six-month period.

3. The final product was reviewed by the program's Coordination Unit to ensure consistency.

APOMIPE's technical team, which was composed of four executing institutions, believes that this manual will be an important validation instrument in efforts to promote inclusive territorial economic development through business networks. This associative modality has the potential to contribute to the endeavors of Peru's poor and extremely poor to build successful businesses and may be useful in neighboring countries with similar situations.

HELVETAS Swiss
Intercooperation

MINKA

CEDEPAS Norte

Centro Bartolomé
de las Casas

Lima, October 2011.

³ The report on the quantitative and qualitative measurement of the APOMIPE program and the set of systematizations it conducted provide ample information on the impacts generated. This report can be found at www.apomipe.org.pe

LIST OF PARTICIPANTS AT THE KNOWLEDGE MANAGEMENT WORKSHOP TO SYSTEMATIZE EXPERIENCES AND DEVELOP THIS MANUAL (MARCH 2011)

PARTICIPANT'S NAME	AREA / INSTITUTION
ARTICULATORS	
Rosas Marino Calderón Fernández	CAJAMARCA
Héctor Gilberto Bardales Sarmiento	CAJAMARCA
Cristian Paul Urrunaga Velásquez	CAJAMARCA
Thania Jhoana Romero Gutierrez	CAJAMARCA
Milton Yonel Cruzado García	CAJAMARCA
Gonzalo Hernán Dominguez Fuentes	CAJAMARCA
Juan Benites Arroyo	CAJAMARCA
Raúl Castro Gonzales	LA LIBERTAD
Olga Alayo Reyes	LA LIBERTAD
Kriz Otoyá Ruiz	LA LIBERTAD
Carlos Vergara Gonzales	LA LIBERTAD
Santos Rodríguez Martínez	LA LIBERTAD
Daniel Castro Biminchuno	LA LIBERTAD
Patricia Azabache Romero	LA LIBERTAD
Guadalupe Lourdes Holgado Huarancca	CUSCO
Bercellia Ballesteros Vargas	CUSCO
Darwin Ayma Aymachoque	CUSCO
William Quispe Herrera	CUSCO
Cesar Calixto Corrales Malpartida	CUSCO
Omar Mateo Apaza Mamani	CUSCO
UAR TECHNICAL TEAM	
Mario Casanova	CAJAMARCA / CEDEPAS Norte
Ricardo Cacho	CAJAMARCA / CEDEPAS Norte
Tania Vásquez Ramirez	CAJAMARCA / CEDEPAS Norte
Alberto Otoyá	LA LIBERTAD / MINKA
Betsy Mori	LA LIBERTAD / MINKA
Alejandro Contreras	CUSCO / CBC
Luis Rojas	CUSCO / CBC
UC TECHNICAL TEAM	
Patricia Camacho	LIMA / HSI
Carola Amézaga	LIMA / HSI
Luis Miguel Artieda	LIMA / HSI
METHODOLOGICAL SUPPORT AND FACILITATION	
Geovanny Carrillo	INTERCOOPERATION América Latina
Yasmin Jalil	INTERCOOPERATION América Latina / ASOCAM
Sandra Conde	LIMA / HSI
Katherine Ortiz	LIMA / HSI
Paola Cavero	LIMA / HSI



I N T R O D U C T I O N

This manual is designed to be used primarily by public and private institutions that promote economic development in territories with poor or extremely poor populations. The aspects that should be kept in mind when using this manual include:

1. INSTITUTIONAL ARRANGEMENTS THAT SUPPORT ENTITIES SHOULD CONSIDER WHEN INITIATING EFFORTS TO PROMOTE BUSINESS NETWORKS

- a)** The concentration of public and private entities with influence in the territories.
- b)** Determine institutional focus points and objectives, particularly in local and regional governments, to promote territorial economic development in their jurisdictions and drive social inclusion as well as the fight against poverty.
- c)** The local and regional governments have active economic development divisions with competent officials who are committed to fulfilling objectives.
- d)** The political willingness of these institutions to

support a mid and long-term accompaniment process to set up business networks and eliminate all welfarism.

- e)** The existence of a favorable normative framework to promote associativity among businesses in the territories.
- f)** The existence of private entities such as NGOs or companies that are willing to work alongside the public sector and small producers by implementing strategies that are compatible with promoting associativity at the business level while improving the environment of the prioritized productive chains; all of this should be accomplished without incurring in welfarism.
- g)** The need to prioritize support to certain chains and territories that fulfill a series of minimum criteria to ensure that activities to promote business networks are more effective. In particular, it is a good idea to choose two types of basic chains in which to intervene in the rural sector or small population centers:
 - Chains that require minimal investment whose products are experiencing increasing demand in local

and regional markets that are easy for producers or micro businesses to access and which require minimal investment. These chains correspond to products in the basic urban household budget such as dairy products and their derivatives and leafy vegetables, whose demand is growing thanks to high population growth in middle-sized cities close to territories with poor and extremely poor populations.

- Chains with niche products for specific markets inside and outside the country that require support with significant investment in market studies, technology transfer, etc. These chains have put our biodiversity on display and generally offer high returns on investment. Some examples are aguaymanto, tara and quinoa among others.

h) Identify female leaders at the beginning of the process and plan specialized accompaniment for their families given the fundamental role that women play in setting up and consolidating business networks and their businesses, which may generate conflict at the onset.

LESSON LEARNED

To ensure territorial dynamism, we suggest beginning activities with at least 10 business networks.

2. MANAGING THE AVAILABILITY OF THE RESOURCES NEEDED TO PROMOTE BUSINESS NETWORKS

Local and regional governments have their own budget resources to co-finance and promote private productive activities, including efforts to promote business networks. This is thanks to Law N° 29337 or the PROCOMPITE Law, which focuses on promoting productive competitiveness at the government level.

This law consists in setting aside up to 10% of a local or regional government's annual budget. This 10%, which must be previously approved by MEF after these governments have conducted an analysis to prioritize territories and chains, can be set aside as a grant fund to co-finance private productive proposals for private agents, who are known as Organized Economic Agents (OEA) and are grouped together as associations

of producers, consortia, cooperatives and business networks.

These funds can be utilized by the OEA who win grants to acquire equipment, machinery, infrastructure, inputs and materials for their productive process. Nevertheless, these funds can also be used to finance technical assistance and consultancy to set up and develop associative projects or, more importantly, to apply the business network strategy to finance the articulator's accompaniment role.

3. SELECT AND HIRE ARTICULATORS IN BUSINESS NETWORKS

KEY CONCEPT:

Articulator: Professional in charge of articulating producers or micro businesses within Business Networks.

The process to select an articulator

The institution in charge of the project or program to promote business networks should lead the process to select, hire and train an articulator as well as supervise his or her progress.

To find an articulator, entities can make public announcements through local or national media or hold private meetings with individuals who have experience in processes to accompany associative business endeavors. The institution can develop this process with local governments, universities, institutes and other relevant institutions in the territory¹.

Once candidates are identified and contacted, private interviews should be held to determine if they meet the basic requirements to fulfill the role of an articulator. Ideally, more than one evaluator should participate in the process to ensure consensus.

¹ The APOMIPE program has 72 articulators. A list of personnel can be found at www.apomipe.org.pe and www.helvetas.ch.

What criteria should we keep in mind when selecting articulators?

The candidates for the articulator position must have the majority of the characteristics listed below in terms of knowledge, experience, aptitudes and attitudes.

Knowledge and experience:

- Professional or technical training related to the chain to be supported.
- Knowledge of the territory where intervention will take place.
- Knowledge of integration and group management techniques.
- Experience in managing diagnostic tools for micro business and plans for productive improvements.
- Knowledge of SWOT analysis for business plan formulation.
- Experience in managing business and articulating with the market.
- Has a network of institutional relations.
- Knowledge of basic computer programs: Word, Excel, Power Point.
- Knows how to use the internet.

Aptitudes and Attitudes:

- Ability to speak in public clearly and effectively.

- Is good at selling ideas.
- Has leadership capacity.
- Has the capacity to persuade.
- Can conciliate.
- Is assertive.
- Is empathetic.
- Has negotiating skills.
- Is calm and balanced.
- Has a long-term vision.
- Is flexible
- Knows how to listen to others.
- Is goal-oriented.
- Is committed to inclusive economic development.
- Is responsible
- Is punctual.
- Is loyal.

The candidate's profile should be recorded in the matrix to select articulators (H1).



Tools available

- H1: Matrix to select articulators

4. GUIDELINES TO TRAIN ARTICULATORS

This chapter discusses the factors that institutions should keep in mind when training articulators for business networks.

LESSON LEARNED

An articulator must accompany processes at a maximum of five business networks.

Where should the articulator begin?

- The articulator should review the bibliography related to associativity, productive chains, group management, trust building, among others. An exhaustive review of the articulation phases described in this manual will be indispensable.
- Ideally, the institution will help the articulator set up visits to areas and chains that are involved in associative projects. This will give the articulator a clearer idea of how the producers engage in joint endeavors and how the chains' links relate to one another.

Nevertheless, just hiring an articulator does not ensure success given that it is difficult to know whether this individual is truly convinced that the business network methodology works. As such, periodic sessions need to be held to raise awareness. At the beginning of the contract, these meetings should be more intensive to assure that the articulator is fully aware and convinced of his duties.

MAIN STRATEGIES IN THE BUSINESS NETWORK METHODOLOGY

- Promote horizontal associativity by developing confidence in engaging in joint endeavors.
- Start with a clear business opportunity.
- Demonstrate tangible benefits in the short term.
- Promote empowerment of producers and micro business (role that the articulator and support entities play as facilitators).
- Ensure willingness to contribute effort, time and money to producers or micro businesses.
- Co-financing the producers or micro businesses in all activities in the articulation process.
- Ensure business sustainability.
- Step-by-step actions: 7 phases

LESSONS LEARNED

On average, a rural business network can consolidate trust with 10 to 12 members.

5. NAMING THE PERSONNEL IN CHARGE OF SUPERVISING THE PROCESS TO PROMOTE BUSINESS NETWORKS

Public and private institutions should ensure that the process to promote business networks is adequately supervised by hiring specialized personnel for this purpose.

The individuals who are assigned to supervise should become a nexus between the support entity and the articulators who have been hired. To ensure adequate supervision, supervisors should have a business vision and be aware of the importance of promoting local economic development. These individuals should have the skills needed to supervise processes to build social capital and develop human capacities. They should be known for being efficient, responsible, decisive and able to communicate with the producers and micro businesses that are beneficiaries.

The supervisors' role includes reviewing the articulators' reports, visits to business networks that receive support, support for identifying needs for technical assistance, materials, infrastructure and other important aspects of the process to develop the businesses in corresponding networks.

What does supervising the articulator entail?

- The articulator should present monthly written reports with details on progress made in each of the business networks assigned to him (her) based on the recommended duration for each of the methodology's phases.
- The institution should schedule continuous monitoring trips to the areas and chains assigned to each articulator. This will give a good picture of the cohesiveness of business networks, the achievements obtained and the problems seen throughout the process that require immediate attention.
- When the articulator is hired they need to receive awareness training. To consolidate the process to convince the articulator that the methodology is useful, it will be necessary to hold meetings and/or workshops to clear up doubts or concerns. These meetings should be held monthly or quarterly as necessary.

T H E A R T I C U L A

The primary functions that articulators must fulfill to guarantee optimum performance in each of the phases of the methodology to promote business networks during phases 2 to 7 are as follows:

PHASE 2. PROMOTING, SELECTING AND GENERATING STRATEGIC ALLIANCES

In this phase, the articulator's role is vital given that this is when he (she) identifies which producers or micro businesses are potential beneficiaries and are truly interested in working with other actors in a network. He or she should facilitate the process to set up a business network and encourage members to identify joint business opportunities. The articulator must develop skills in the following areas:

- Be convinced that the business network strategy works.

- Have a clinical eye to identify potential beneficiaries.
- Ability to sell the idea to producers or micro businesses.

PHASE 3. GENERATING AND STRENGTHENING TRUST

Promoting trust among the business networks' members is the articulator's main function. This individual must accompany beneficiaries in the process to define a potential business opportunity and support them in subsequent planning efforts. To develop and strengthen trust, the articulator must be capable of leading and promoting, alongside the beneficiaries, initiatives to develop bonds. This includes organizing visits between members, internships in successful businesses and work and integration meetings as well as encounters to establish internal rules. If the articulator is to be successful in this phase, he or she must possess the following skills:

T O R ' S R O L E

- Ability to manage information.
- Ability to identify successful businesses
- Ability to propitiate bonds of trust among the business network's members.
- Promote reflection.

PHASE 4. CONSOLIDATING TRUST: PLANNING IMPROVEMENTS AND PILOT ACTIONS

In this phase, the articulator must be capable of reaffirming the bonds of trust among the business networks' members and ensuring that a commitment is in place to continue the articulation process. It is necessary for the articulator to help the beneficiaries conduct an evaluation of the lessons learned in the previous phases to identify the activities necessary to improve work in the network and achieve a common goal. To consolidate trust, the articulator must determine, with the help of the business network, the

short-term pilot actions that will generate more positive impact. To do this successfully, the articulator must:

- Increase his knowledge of the sector or chain that he is supporting.
- Be a good guide to ensure that the plan is properly prioritized and executed.
- Strengthen bonds of trust and transparency in terms of information.
- Promote relations with institutions.
- Know the tools and act as an advisor to the business network.

PHASE 5. STRATEGIC PROJECT FOR A JOINT BUSINESS

Based on the experiences in previous phases, particularly in terms of generating and consolidating trust, the articulator must work with the business network to develop a business plan and strategic project to achieve

the objective that has been chosen and penetrate the target market. In this phase, the articulator must:

- Facilitate re-evaluation by contributing relevant information.
- Be knowledgeable about the market of suppliers.
- Put together a project in a participative way
- Help organize the process to execute the strategic project.
- Transfer knowledge to manage resources.
- Accompany and monitor strategic project execution.
- Assign and transfer responsibilities and competences.
- Write up a closing report for the strategic project with the help of the business network.
- Know about market types and sales techniques.

PHASE 6. MANAGING A JOINT VENTURE

In this stage, the articulator must demonstrate management skills to administer the network with a business focus in mind to generate sustainable and independent income.

A business promoter has knowledge of management tools and provides support to consolidate the business network in its commercial relations with clients and

suppliers (along with any other aspects necessary in this stage). The articulator should receive training to become a business promoter given that he (she) has already developed close ties to the business network, which will be difficult to replicate if another person assumes the role of promoter.

In phase 7 it will be necessary to hire a manager. It is important to distinguish between a business promoter and a business manager. The following table enumerates the differences between the two.

In addition to the aforementioned, to ensure that the articulator contributes to generating sustainable solutions with clients, he (she) must:

- Provide guidance in efforts to innovate and add value to the business network's products.
- Stress the fact that the business network must adapt to market variables (product quality, continuity, required quantities, price, etc.).
- Use key technological tools in the commercialization process.
- Generate empowerment in all of the business networks in the commercialization processes (price, product, delivery deadlines, and promotion).

BUSINESS PROMOTER:

- Professional who accompanies the network in the process to develop a joint business model.
- Supports the business network in its efforts to utilize management tools.
- Supports the process to develop productive activities to generate profit.
- Transfer capacities to members of the business network to manage joint businesses and strengthen the network's internal leadership.
- Support efforts to adopt and take decisions concerning strategies, plans and actions relative to business management.
- Help evaluate situations in the internal and external environment that affect the business.
- Fulfill a leadership role.

MANAGER:

- Professional who manages the business's affairs.
- Supervise planning, organization, management and control of the business.
- Management is an administrative function in the organizational structure.
- Works with pre-established models that were planned at the beginning of the business.
- Management functions are medium or long term.
- Management has an explicit impact on processes.
- Management can represent the company before third parties and coordinate all resources through planning, organization, management and control processes to achieve the objectives established by the business's partners.

K E Y C O N C E P T S

Associativity at the business level

Covers all of the organizational forms that conform to principles of association and joint businesses.

Business

Activity to generate economic benefits by taking advantage of market opportunities.

Business Line

Type of goods or services in a productive chain.

Business Network

This is a strategic alliance of small producers or micro businesses that have bonds of trust and work together to improve their businesses and articulate with the market in a beneficial and sustainable way.

Business Network Articulation

Process to promote business networks.

Business Network Articulator

Professional or technician who promotes efforts to set up business networks.

Business Opportunity

Potential opportunity to generate income and benefits for producers or micro businesses in a business network, within a chain or in a territory that can be used as a platform for joint ventures.

Bottleneck

Negative factor that acts as an obstacle to the business network's efforts to fulfill its objectives or which blocks the chain's normal process cycle.

Commercialization channel

The venue through which producers offer products to consumers. An example of a commercialization channel is a store owned by a producer.

Competitive situation

Refers to the status of a business network's members within a chain and its environment. The strengths, weaknesses, opportunities and threats should be analyzed based on the business opportunity that has been identified.

Critical mass

Indicates that enough actors exist in a territory or the same branch of an activity to consider engaging in larger-scale economic development processes.

Feedback

Analysis of the defects and errors detected in the business network's activities or in its relation with the environment; the purpose is to take preventive and corrective measures to avoid making the same mistakes in the future.

Joint venture

Business that springs from a debate between members of a business network once business opportunities have been identified and a SWOT analysis has been performed on the chain.

Margin

The difference between gross income and the costs generated by a process to produce and sell a good or service. Estimates of margins are useful in determining a business's attractiveness and viability.

Market

Set of interactions between buyers and sellers of products and services.

Negotiating Power

The capacity of a buyer or seller to obtain favorable results in a commercial transaction.

NGO (non-governmental organization)

Civil or social entity that does not depend on the State and works for social or humanitarian ends. An NGO can act as a support institution to execute a business network program.

Productive Chain

Articulated set of actors and functions that make it possible for a product or service to move from the

production stage to the consumption stage. Direct actors (producers, middle men, transformers, consumers) and indirect actors (suppliers, support institutions, financial entities and service professionals).

Productive Vocation

This is the tendency that a territory or population has to engage in productive activities based on the natural and cultural resources available in the area.

SME (micro and small businesses)

Refers to economic units that produce goods and services to improve profitability; these units hire individuals outside the family.

Support entity

Public or private institution that subsidizes (without resorting to welfarism) goods or services to support small producers or micro businesses in the process to articulate and manage a joint business through business networks.

Territorial economic development

Refers to the process for economic and social development in a specific territory; several agents participate in this process, including base organizations, governmental and non-governmental entities that interact to obtain improvements in socio-economic conditions.

phase 1

*Analysis of territories,
chains and business
opportunities*





OBJECTIVE

Identify the territories, productive chains and business opportunities with market potential as well as favorable environmental conditions that justify investing resources to set up business networks.

SUMMARY¹

The basic condition for a business project to be successful is that it evolves within a productive chain that has market potential and its respective territory

has the necessary conditions to generate supply and access to this market. As such, prior to initiating a process to articulate small producers, the respective development institution must conduct a systemic and participative analysis of the chains and territories that have the greatest potential for economic development. This analysis will provide detailed and comprehensive information on the chain, the actors involved, the support framework and the chain's normative framework.

¹ In Peru's current normative context, phase 1 fits nicely with the process to identify chains to strengthen as stipulated in Law Ley N.o 29337 PROCOMPITE (2009) as step 1 for local and regional governments to put together initiatives and the budget needed to improve the competitiveness of productive chains in their territories, which strengthens the private sector.

The following points should be considered: the presence of current or potential buyers for products made by the chain that will be supported; the productive vocation of the territory is in harmony with the environment (sustainability); there is a critical mass of small producers or micro businesses in the selected chain; the productive experience of the selected chain of producers or micro businesses; the levels of articulation of the links that make up the chain; the articulation that exists between the producers and these institutions; the existence of an energy supply and other basic productive infrastructure such as highways or the existence of policies that favor the chain and territorial economic development.

After the territories and chains have been selected, it is time to identify which business lines have the most potential and define concrete business opportunities to generate interest in joining the business network among small producers or micro businesses².

Finally, it will be necessary to make institutional arrangements to hire and train one of the key individuals in the process to articulate the business networks: the articulator.

ESTIMATED DURATION

This phase consists in four steps and lasts about two months.

PASO 1: TERRITORY SELECTION

Objective of this stage

To select the territories that fulfill the minimum criteria needed to engage in inclusive productive activities where there is a pool of small producers or micro businesses with a low level of development but which possess growth potential (resources such as climate, land, water, productive infrastructure, etc.).

What criteria do we need to keep in mind to identify and select territories?

To identify and select the most adequate territories to include in the business networks, we have defined a list of important conditions that must be taken into account to verify suitability during the process to gather information. These are:

1. The productive vocation of the territory is in harmony with the environment (sustainability).
2. Existence of specific chains (products) with market potential.
3. Proximity to urban markets, which can be small but have high population growth.
4. Existence of a significant number of small producers or micro businesses.

² APOMIPE has included this first phase using the methodology developed by Intercooperation, SNV and CICDA (Van der Heyden, Damien y Camacho, Patricia. *Guía metodológica para el análisis de cadenas productivas*. Lima: SNV, CICDA e Intercooperation, junio de 2004).

5. Existence of the conditions and natural resources necessary to produce competitively (land, water, grass, climate, among others).
6. Communications system (telephone).
7. Minimum transportation structure such as highways or paved routes in good working order.
8. Existence of cooperation entities, companies or State institutions with the political will and interest in driving inclusive economic development.
9. Existence of norms favorable to promoting associativity between producers or micro businesses as well as local economic development and inclusion.
10. Harmonious social relations (absence of grave conflicts between producers or micro businesses).
11. Minimum influence of assistance-based interventions.

What do we need to do to conduct an analysis of the information gathered to select the territories?

First, we need to put together a database of the main actors in the institutional environment to develop the chain.

With this information, the support entity can contract the right people and institutions in order to identify the most appropriate territories.

Different means can be used to gather information needed to analyze the territories. Some of the recommended alternatives are:

Interviews with key people. It is necessary to interview people who lead productive processes and are in the position to provide the information sought.

Workshops. Relevant actors, including municipalities, business associations, public institutions, buyers, NGOs, projects, must attend the workshops.

Secondary information analysis. Population statistics, economic activities, etc. Use different media such as web pages, books or different publications.

The information from the database should be used to produce a list and assign scores to select the territory that has the most potential for economic development and the greatest possibility for impact on inclusive social development.



Tools available

- H1: "Criteria for territory selection"



PASO 2: SELECTING PRODUCTIVE CHAINS

Objective of this step

From the previously identified territories, select the chains with the best conditions to generate significant impact on inclusive social and economic development.

Which criteria should we take into account to analyze and select the productive chains with the best conditions to become part of a business network?

This step can be completed at the same time as step 1. To select the productive chains, it is important to evaluate the following criteria:

1. Business line with a margin that is attractive to producers.
2. Growing market with potential.
3. Service suppliers exist around the chain.
4. Existence of one or various buyers that are articulated with the chain's producers.
5. Presence of a significant number of producers or micro businesses in the chain selected.
6. Significant productive activity in the territory that has development potential.
7. The producers or micro businesses have previous experience in the activity or a similar activity.
8. Products offered have a quick turnover and sales.
9. Productive process with continuous sequential stages (productive activities that permanently require joint tasks).
10. Sufficient profitability evident in the chain's links.
11. Productive activity with low environmental risks.
12. Chain has the potential to generate employment.
13. Potential for second level articulation (network of networks) that facilitates the aggregated supply demanded by the market.
14. Opportunity to replicate or massify the process to set up business networks.
15. Institutionalization of the support for the chain.
16. Possibility of adding value to the chain's production or service provision.
17. Existence of organizations of producers or micro



- businesses that can facilitate joint activities.
- 18. Minimum ability to manage technological packages was in place.
- 19. Alternative ways of articulating with the final market.

It is very important to remember that there are two types of basic chains:

- Product chains with a growing demand in local and regional markets (intermediate cities), such as dairy products and their derivatives, meat fruit and leafy vegetables, which are more accessible to small producers or rural micro businesses.
- Product chains with specific market niches such as *aguaymanto*, *tara*, quinoa, among others that require more institutional support.

What do we need to do to conduct this analysis?

To conduct this analysis we recommend the alternatives mentioned in step 1.

KEEP IN MIND: Some local governments have been analyzing chains to put together PROMCOMPITE initiatives; in these cases, this analysis should be sufficient. In the case of private promotion entities and in territories where the local government does not engage in activities to promote the local economy, it is important to include local governments in the process to identify and select the chains. In this way, the local governments are strengthened so that they can lead consensus-based local economic development processes.



Tools available

- H2: "List of criteria to select chains"





PASO 3: CHAIN ANALYSIS

Objective of this step

To gather more detailed information on the chain, the actors and the environment in the framework of existing regulatory and support functions. The step orders the information collected during the analysis of the territory and selected chains.

What constitutes a systemic analysis and how is it done?

In terms of systemic analysis,³ we are referring to analyzing the main function within the productive chain, the actors in the environment that provide support services (transportation, financing, technical assistance, sanitation, etc.) as well as the regulatory framework. This requires looking at both formal and informal norms that influence the productive activity that has been selected. We can use the H3 to identify and better understand the following aspects:

1. Relevant actors in each of the chain's functions.
2. Know who plays a given role in the market and who pays for the same.
3. Productive, technological and commercial bottlenecks to identify which aspects require more emphasis during the intervention.
4. Potential for "win-win" alliances.
5. Tax and sector norms and public policies that affect the chain.
6. The population's customs or practices.



Tools available

- H3: "Methodological scheme to analyze the combined chain utilizing the M4P systemic method"

³ The systemic analysis suggest using the chain analysis methodology to apply the M4P systemic focus (H3).

STEP 4: IDENTIFY BUSINESS OPPORTUNITIES

Objective of this step

Identify concrete business opportunities within the selected chain and analyze the viability of promoting business networks to take advantage of these opportunities.

What do we need to do to identify business opportunities?

a) Identify existing business lines in the chain selected

- Gather the information needed from the chains in selected territories.
- Identify different business lines in each productive chain, identifying market trends at the local, regional, national and global scale.
- Conduct a comparative analysis to identify the business lines with the greatest potential considering market trends and profit margins.
- Calculate the profit margin in each of the chain's links.
- Identify the most advantageous sales channels .

Some examples of business lines in the agricultural chains are:

- Primary products without certification.
- Added value products: with organic or fair trade certification.
- Transformed products.

Some examples of business lines in livestock chains:

- Primary products: live animals or breeders
- Transformed products: slaughtered or packaged.
- Derivative products

Some examples of business lines in the tourism chain are:

- Community living tourism
- Adventure tourism.
- Cultural and archaeological tourism.
- Service providers: handicrafts, restaurants, travel agencies, etc.

b) Identify business opportunities

- Propose different kinds of business opportunities with defined markets and concrete clients.
- Identify how the producers can participate in the transformation, added value generation, product development, etc.

c) Analysis of technical viability

Analyze if it is possible for producers to take advantage of the market opportunities identified and make the changes needed based on the following criteria:

- They have experience in the productive activity and have the necessary skills.
- They don't need to make changes in their way of life and activities.
- Accessible technology.



MILESTONES IN PHASE 1

MILESTONE	VERIFICATION		VERIFICATION SOURCE
	YES	NO	
Criteria have been defined to prioritize territories and potential chains.			List of approved prioritization criteria
An analysis has been conducted of potential territories for an intervention.			Executive summary of the analysis
The territories that meet the criteria defined are prioritized.			Multi-criteria selection matrix
An analysis has been conducted of the chains that meet previously defined criteria in prioritized territories.			Executive summary of the analysis Multi-criteria selection matrix
Concrete opportunities have been identified for small producers in prioritized productive chains.			Table with a summary of the concrete opportunities identified

phase 2

*Promoting, selecting
and generating
strategic alliances*





OBJECTIVE

Initiate the process to articulate producers or micro businesses that have the ideal characteristics to work in a business network and promote the generation of strategic alliances with public and private institutions in the environment.

SUMMARY

During awareness meetings, the articulator identifies the producers or micro businesses that are interested in organizing and working in a business network to achieve more economic benefits through business opportunities. From the onset, the articulator should make people

aware of the potential benefits or making a commitment to invest effort, time and money.

Based on the evidence gathered, the group will pare down through a self-selection process to eventually include only those producers who are truly interested in getting ahead and working together to improve productivity and income.

In this phase, the articulator will promote efforts to form a business network and will help the participants jointly evaluate opportunities for attractive and accessible businesses. Next, the articulator will support the process

to identify a leading producer. This individual will catalyze the process and encourage the other members to take planned, consensus-based actions that have common objectives.

In parallel, the articulator should involve the different actors in the environment in strategic alliances that facilitate access to financial support, technical assistance or any other help that will strengthen the business network through organizational, productive and commercial plans.

ESTIMATED DURATION

The estimated duration of this phase is approximately one month.

STEP 1: PROMOTING THE ADVANTAGES OF WORKING IN A BUSINESS NETWORK

Objective of this step

The producers learn about and evaluate the advantages of working in a business network based on viable business opportunities.

What do we need to do to clearly promote the advantages of working in a business network?

1. Identify and call on the producers and seed group

- Identify associations, family groups and producers with experience in associative efforts.
- Identify and call on leading producers with the help of producers, municipalities or other local organizations.
- Hold meetings in each area; use the most effective communications means available.

KEY CONCEPTS:

Seed groups. These groups are based on prior relations between producers; for example: a group that has been articulated by another program, a family business, business association, among others. Bonds of trust will facilitate efforts. These groups constitute the first elements that the articulator should identify.

Leading producer or micro business. This is a local producer or micro business that has the ability to bring others together and has the vision and interest to engage in joint efforts. These individual should use these contacts to bring together a group of producers or micro businesses that know or support them.



2. Identify and call on institutions in the environment

The systemic analysis of the chain that was conducted in phase 1 identified institutions in the environment that can promote efforts to strengthen productive activities and form business networks. In this phase, it is important to hold periodic meetings with the institutions to inform them about the intervention's objectives and the benefits of working in business networks to ensure their participation in the process.

In this step, it is also necessary to work with actors to find solutions to the bottlenecks identified during the systemic analysis of the chain.



For example: During the systemic analysis, we identified the inputs needed for guinea pig production; nevertheless, none of them sell inputs to produce animal feed. Based on this, we coordinated efforts with existing suppliers to ensure the sale of inputs.

3. Conduct periodic meetings to increase the awareness of producers or micro businesses

The articulators and the support unit should schedule periodic meetings to increase producers' awareness of the benefits of joint action. For this purpose, we recommend the following actions:

ACTIVITIES	OBJECTIVE	PROCEDURE	TOOLS
Introduce the institution	Initiate efforts to meet with producers or micro businesses (first approach).	Introduce the institution and program that promote business networks.	H1: Scheme of the methodology's phases and steps.
Present the scheme for business networks, benefits and indicate the conditions that must be met to participate.	Transmit that following message to producers or micro businesses: What is a business network? How do business networks work? What conditions must be met? What are the main advantages and benefits, particularly in terms of increasing sales, productivity, reducing costs, increasing household income and improving the quality of life?	Introduce producers to and have them engage in the experience of participating in business networks; use familiar examples of successful endeavors, videos of testimonies and other means.	H2: Example of a testimonial video of successful experiences.
Present the business opportunity.	Identify the business opportunities that the producers or micro businesses can access	Present and explain the business opportunity and the conditions needed to exploit it to the fullest; include time commitment, effort and money required from producers.	Use poster boards and different color markers. Mention positive examples.



It is important to consider the following:

- During the meetings, initiate a process of self-selection to weed out producers who are not interested to concentrate on those interested in working collectively.
- If some of the producers are reticent, it is better to look for others and not insist on convincing uninterested parties. The producer should be convinced that joint action is the best option; if not, these people may result the group's trust level.
- A list of the producers should be kept that includes there basic data (name, address, telephone).
- Meetings should be held at times that are convenient for producers.

KEEP IN MIND: It is important to remember that the awareness meetings shouldn't always be large. If smaller meetings are held, it is important to use the right instruments. The gamut of possibilities is wide: you can use PPT, videos, poster boards, figures, among others. It is important to ensure that the content and scheme are consistent regardless of the presentation tool used.

Women fulfill a fundamental role in family decision making. As such, articulators must ensure that a high percentage of women participate in the meetings. The recommended strategy is to extend personalized invitations to women during meetings.

We suggest holding meetings with producers who are familiar with the local government or community authorities.



Tools available

- H1: "The methodology's schemes and phases"
- H2: "Video of successful experiences"
- H3: "Awareness videos for specific productive chains"

STEP 2: CHARACTERIZATION, ANALYSIS AND SELF-SELECTION OF PRODUCERS AND MICRO BUSINESSES

Objective of this stage

Identify and select the producers who have specific characteristics and meet the basic criteria to work in a business network.

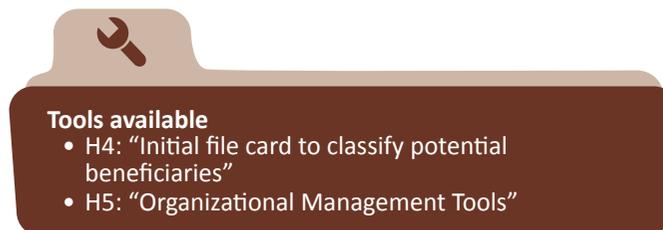
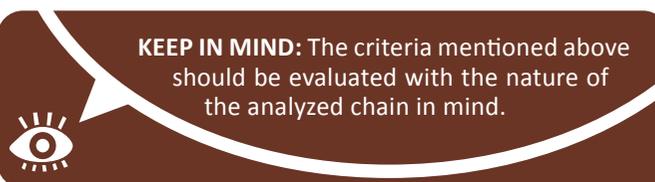
What are the basic conditions to work in a business network?

In the awareness meetings, it is important to transmit more information about the project and evaluate producers' reactions and responses to the proposal and the work scheme presented.

The criteria to analyze potential beneficiaries and the initial file to classify each producer (H4) will help you learn more about the producers. The business networks' working conditions should be evaluated according to the following criteria:

- **Availability to invest effort, time and money in designing and developing a business network.** Practice has shown that this method is infallible when selecting a group of producers and forecasting their success in terms of joint action. The only way that producers will truly assume their commitment is if they participate in co-financing the cost of activities and developing future investments to engage in collaborative business efforts.
- **Reasonable logistics costs.** This refers to the cost that producers must assume to hold meetings. Geographic dispersion and difficulty of access impede producers from meeting on a periodic basis.

- **Homogeneousess.** If income, size and development of the businesses are heterogeneous, the business network will not function optimally given that priorities and interests are very different. Diversity in terms of language, management modalities, planning styles, training, etc. may cause communication and management problems.
- **Represents the beneficiaries' main activity.** The weight that the activity supported has in the household income structure is one of the most important variables given that it determines the producers' time and availability.
- **Trust level.** Trust is a basic condition to ensure the business network's progress and success. It is important to ensure that trust is not compromised by conflicts, opportunism¹, dishonesty and negative history between members (loan culture, legal, environmental, labor problems or poor reputation of clients or other producers).



¹ Opportunism is defined as a attitude of taking advantage of momentary circumstances for personal gain. People who have this attitude should be weeded out of the group.



It is important to remember that more than a criteria-based selection process, this effort involves self-selection where the producers decide if they will continue working with the initiative or not according to the business opportunity that has been identified. The producers who choose to continue should be convinced of their decision and must meet a series of requirements to participate.

After self-selection is finished, the articulator should put together a charter to mark the beginning of the business network's activities. The charter will contain the participants' written commitment to the network.

KEEP IN MIND: Prior to finalizing the business network's self-selection process, the articulator must verify that the producers or micro businesses are engaged in the productive activity that is being supported and ensure that participants have previous, relevant or potentially important knowledge relative to their economic activity. Visits can be made to productive centers to verify the information provided. It is also necessary to analyze the members' interpersonal relations to avoid future conflicts.



STEP 3: GENERATING STRATEGIC ALLIANCES

Objective of this step

To promote the process to generate strategic alliances with public and private actors (governments, development institutions, service providers, etc.) with an eye on actively involving them in efforts to ensure the chain and business network's sustainability.

How can we identify the institutions that we should engage?

To determine which institutions should be involved at this stage, it is important to consider the key actors identified in the chain's systemic analysis (phase 1). These actors should be included in strategic alliances if and only if they meet the following criteria:

- The institution is highly involved in and committed to the activity.
- Effective participation in local development processes.
- Availability of human, technical or financial resources or institutional strengths that can contribute to the process.



Tools available

- H6: "File card to classify institutions"
- H7: "Agreement model"



MILESTONES OF PHASE 2

MILESTONE	VERIFICATION		SOURCE OF VERIFICATION
	YES	NO	
The producers or business owners that have self-selected are willing to move ahead with the business network and invest effort, time and money.			Charter
Participating producers or micro businesses have chosen a leader to drive the quest to achieve objectives and execute concrete actions to ensure the same.			Registry of the objectives and actions that have been planned
The actors with the capacity and willingness to provide services based on the business opportunities that have been selected.			List of identified actors

phase 3

*Generating
and strengthening
trust*





OBJECTIVE

Develop and strengthen trust relations that generate cohesion in the business network and prepare its members to engage in joint ventures.

SUMMARY

The objective of this phase is to ensure that producers or micro businesses develop enough trust in one another to initiate joint ventures.

To accomplish this, a business opportunity is defined to direct the business network's future actions. Based on this opportunity, the business network will proceed to design a plan for improvements. In this stage, the producers or micro businesses structure and define their operations and formalize their relations by complying with internal rules.

A key factor in achieving the aforementioned is the existence of trust between producers or micro

businesses. To ensure that the trust component is in place, the articulator promotes actions to increase the group's cohesion by making the advantages of working in a network tangible.

Visits are made to the plants, workshops or parcels of each producer. Additional visits are made to successful business networks and model companies. Camaraderie activities are planned for members alongside productive or social activities.

In this phase, the articulator's presence is fundamental. This individual must be a good listener, promote reflection and above all, be capable of propitiating strong bonds of trust between members of the business network and possess group management skills.

ESTIMATED DURATION

The duration will be approximately three months.

PASO 1: DEVELOPING A BASIS FOR TRUST

Objective of this step

Promote social activities that generate attitudes and values that facilitate the process to develop trust to ensure the viability of the business network's joint ventures.

How do we define trust?

In terms of joint ventures, trust represents a human relation that has established a solid basis for the businesses in question. It constitutes an intangible factor that is nourished by the process of people getting to know each other—based on their attitudes and behavior—so that they can be sure that all the members of a business network are responsible and fulfill the agreements that have been approved to achieve the objectives proposed.

Trust within the business network is evident in the members' attitudes and values:

- Commitment to common objectives.
- Responsible compliance with agreements.
- Transparent use of resources and ideas.
- Comradeship with other members.
- Willingness to work on a team.
- Knows people.
- Has a contagious sense of optimism

How is a basis of trust built?

This consists in helping ensure that the business network's members trust one another enough to initiate a plan for improvement to take advantage of a joint business opportunity. Specifically, the following is sought:



- The group gets to know each other.
- They identify with the business network and initiate small-scale joint action.
- Evaluate and make agreements to define objectives for joint action.
- Begin contributing resources and time to fulfill objectives.

Which mechanisms are needed to develop and maintain a basis of trust?

a) Group meetings

Call a meeting of all of the network's members to capture the producers' interest. At more advanced stages, the items on the agenda will vary according to the business network's level of development.

The meeting should be called with the following in mind:



- Should be scheduled on days and times that the participants are available.
- The agenda has been agreed to previously.
- The business network's members are committed.
- Prepare work meetings according to the participants' characteristics.
- Meetings are held one a week throughout the articulation process.

What should participants achieve during the meetings?

- Analyze their competitive position. We recommend conducting a SWOT analysis
- Define the internal rules. The business network's members should be given a model of rules in which they define the objective that drives their effort to organize. In addition to the guiding point, members should determine responsibilities and commitments



including contributions, punctuality, transparency or ethical behavior. The approval of and compliance with the commitments assumed in the internal rules contributes to generating trust throughout the process to set up a business network to continue striving for joint goals in the future.

- Elect the first representatives and assign responsibilities.
- Organize and coordinate different activities that help develop mutual trust. Develop a format to plan activities that clearly emphasizes the responsibilities of all of the members of the business network.

What should the articulator keep in mind?

1. To ensure a successful and high-quality meeting:

- Call on all members to attend and confirm attendance.
- Previously prepare the material that will be used.



- Prepare the agenda: each of the meetings should be well prepared to ensure that the network stays on track and remains active.
- The articulator should bring the weekly work agenda to the meetings so that each participant can assume his or her responsibility in the group.
- Schedule meeting times and avoid going over ninety minutes.
- Hold meetings in different producers' homes to build trust.
- Show relevant videos and testimonies when necessary.

2. To achieve the objectives to generate trust:

- Engage in different dynamics to break the ice at the beginning of the meetings. These dynamics help the group to communicate better.
- Encourage all attendees to participate. Use dynamics to maintain their interest.

- Review the agreements and commitments made during the previous meeting.
- Record necessary agreements and concrete commitments.
- Create commissions to execute complex tasks.
- Promote a culture of accountability among the business network's members. Write up the minutes of each meeting. It is necessary for the business network to record all minutes in the Book of Minutes; they can also keep a registry of contributions.
- Report the meetings' results: at the end of the meeting, the articulator should provide information on the most important aspects covered, the agreements made and responsibilities assigned. This report should include observations in terms of meeting attendance and compliance with contributions to the common fund.

KEEP IN MIND: We recommend that the business networks schedule and hold more additional group meetings (beyond the weekly meetings established). This will help drive the articulation process and generate trust.



b) Integration activities

Informal integration meetings are good opportunities to share ideas in a relaxed way, discuss problems, find solutions, and unify the group. These moments can be propitiated by the articulators. It would be a good idea to suggest that the group's members be the ones to set up additional times to meet.

Examples of the type of encounters that can be organized:

- Social gatherings to celebrate the group's formation.
- Working breakfasts or dinners
- Visits to events of interest to the group.
- Celebrations to recognize important events relative to the business networks.
- Leisure activities.

KEEP IN MIND: The articulator must set up the meeting Schedule with the producers or micro businesses, propose meetings in advance, try to hold meetings at times that do not affect work activities and confirm that the majority will attend to ensure that meetings will be successful.





c) Presentation and visits to the installations of each member of the business network

The presentations made by each member of the business network and the visits that producers make to other producers will give members more information about participating businesses and strengthen trust.

How can these presentations and visits be organized?

- Schedule two or three presentations per meeting.
- Each member should comment on his business experience.
- The following topics can be discussed
 - The history of the business or product
 - The production and commercialization process.
 - The main problems faced.
 - The business's strengths and weaknesses.
 - Other aspects of interest to the members of the business network.

- It is important to propitiate an exchange of ideas and formulate questions to clear up some points; focus on maintaining a good attitude.
- Visits can be scheduled at the same time as group meetings or as an additional event depending on what the group wants.

What are the visits meant to accomplish?

It is important to mention that the visits constitute a mechanism for learning and innovation given that the businesses will learn about their similarities and differences. During visits to installations, producers learn about how other members of the network conduct productive processes. This provides feedback and sheds light on new ways to solve problems. Some of the producers may make changes at their production installations based on knowledge gathered from other members.

KEEP IN MIND: Although there are clear benefits to this activity, it is a slow process to convince producers to be open to visits given that they may believe they are dealing with potential competitors. As such, it is best to wait until the group has had several meetings and some social events prior to suggesting visits to installations (if not they will feel that the articulator is pressuring them).





d) Establishing internal rules

Internal rules must be established to:

- Regulate the group's operations.
- Minimize conflict
- Prevent opportunism.

The lack of rules generates distrust among group members because they won't know how to protect themselves from opportunistic behavior or face problems that need to be addressed

The rules must include:

- The aspects that regulate the business network's functioning.
- How decisions are made.
- Basic structure of the business network.
- Members' duties.

- Meetings.
- How the common fund works.
- Setting up a fund for contributions
- Some disciplinary rules and other pertinent aspects.

In addition to a regulated common fund, it is necessary to set up a fund for contributions as a way of measuring the group's trust levels by asking members to contribute some resources. The internal rules should guarantee that the fund for contributions has the following characteristics:

- Contributions should be made regularly by all participants.
- The fund should evolve as the projects advance and trust increases.
- Mechanisms should be established to guarantee the transparent use of funds (add information on the amount and use of the contribution, assign the funds' administration to the treasurer, record contributions).

It is important to remember that the decision to set up a fund for contributions is generally very difficult for the business networks given that they need to invest their resources in something new and unknown. In light of this, the articulator should take the time to discuss the importance of the fund and provide details on how it works.

KEEP IN MIND: The process to develop and approve the internal rules should be conducted according to a previously determined structure. A workshop methodology should be used to develop the contents in a participative manner. In this way, the commitments will be discussed and assumed jointly. Generally, the rules are approved in an assembly through a project formulated by the articulator. A model for internal rules can be used after the participants' contributions have been consolidated.

The effects of the internal rules are formulated and approved at the beginning of the articulation process given that they constitute commitments for group harmony. A workshop methodology should be used to identify joint efforts and evaluate their viability through a SWOT analysis; this information will be used to develop the rules. In this way, the rules will evolve from a tool to develop trust into a basis for formulating a joint strategic project.



e) Activities that generate income for the common fund

To ensure that the business network has the resources to cover operating expenses and finance small projects, it is necessary to create and organize a common fund.

The first step to creating this common fund is engaging in activities that generate income and strengthen bonds of trust between producers or micro businessmen.

Viable activities include fund-raising events (raffles, sports activities, food preparation, among others).

f) Choosing a board

The business network should select its first board of directors to represent them and distribute the workload and facilitate communication inside the network. This board should have at least three members that fulfill the following functions:

- **President:** will represent the group before institutions and at events.
- **Secretary:** will put together and be responsible for the book of minutes during group meetings.
- **Treasurer:** will hold contributions from the group and donating entities in custody.

With time, and depending on the business network's needs, the first board will work as a business structure. As the business consolidates, the business network's duties will be divided among the working areas of a typical business.



Tools available

- H1: "Factors that favor trust"
- H2: "Minimum contents of the internal rules"
- H3: "Flow chart and internal organization scheme"
- H4: "Minimum criteria for leadership"
- H5: "Trust Video"



PASO 2: DEFINING A BUSINESS OPPORTUNITY FOR THE BUSINESS NETWORK

Objective of this step

Define a concrete business opportunity that serves as a basis for generating trust between members of a business network.

How do we define business opportunity?

We use the analysis conducted in Phase 1, when we identified business opportunities that have a concrete market and potential clients. To define and analyze business opportunities, relevant information needs to be available on the chain that will be evaluated (H6) such as specific data from the producers and their businesses (H8). In the same way, it is useful to analyze the product's supply and demand (H9).

With this information in mind, we need to encourage the business network's members to think about their problematic through a SWOT analysis (H7), which will allow a viability analysis of the opportunities identified

according to the business network's characteristics and initial status.

Once the most profitable opportunity for the business network has been defined and validated through a series of minimum criteria (H10), it is time to determine the business network's future actions: working internships, plans for improvement, pilot actions, strategic project, etc.

The SWOT analysis should be based on the business opportunities identified. This should provide the business network with some ideas for profitable joint ventures. In summary, the purpose is to formulate a SWOT analysis, identify possible joint endeavors and determine the businesses' viability. A realistic evaluation of viability and the possibility of developing a business will strengthen trust given that they reduce the risk that business networks fail to develop prospects for joint endeavors.

The process to identify joint endeavors in phase 3 is very important given that it helps tie together plans for improvement and pilot plans with the strategic project that will be developed in the future.



Tools available

- H6: "Visualizing information that is relevant to the chain"
- H7: "SWOT analysis of the business network"
- H8: "Production-business baseline"
- H9: "Quick poll of the market"
- H10: "Minimum criteria to define business opportunity"
- H11: "Format to identify joint business"

PASO 3: STRENGTHENING TRUST

This step's objective

To strengthen the bonds of trust between the members of the business network through initial activities to generate trust based on the possibility of doing business together.

Based on the trust generated through the activities conducted in the previous step, key activities are organized to strengthen and consolidate trust between members of the business network. These include:

a) Working internships

This modality provides practical training that articulates spaces for learning and work, which facilitates processes to acquire a wide spectrum of competences.

In terms of the business network, working internships help establish ties between the group of producers and micro businesses and provide opportunities to learn from others. Planning a working internship and spending time together encourages interaction between producers and the exchange of ideas and experiences.

Benefits:

Most working internships provide the following benefits:

- Facilitate learning of lessons that are important to the business network's business.



- It allows the producers to see how it is possible to achieve better economic results through different practices (management, technical management, technological tools).
- Producers have more incentives to experiment with new ways of working; we have even found that once these internships are over, business networks have immediately assimilated the techniques learned.

Kinds of internships

- At fairs
- At operating business networks
- At model businesses
- At potential clients in distant markets.
- At training and research centers (universities, technological training centers).

In any case, the business network and the articulator must identify which alternatives exist according to the



business network's characteristics and necessities and carefully plan the activity to ensure success.

Business networks that are currently operating and model businesses are of great help in transmitting to the producers the type of results that are sought. This allows the producers to observe an example of efficiency and organization and visualize what that can aspire to in the future. This also gives producers more information about their sector and permits them to identify suppliers and future clients.

The articulator should follow these steps:

- Select paradigmatic cases that serve as an example to producers.
- Schedule visits in advance.
- Support producers to coordinate logistical aspects.
- Prepare producers for a visit by indicating what they need to consider and which questions should be asked.

- Try to close the visit with a lunch or dinner.
- Reflect on the visit's results in the next group meeting and reach some conclusions.

b) Joint purchases and sales

Producers or micro businesses can buy their inputs as a group to reduce costs through bulk buying and make joint sales to supply larger clients.

These activities are highly beneficial to producers or micro businessmen because:

- They can obtain lower prices with suppliers.
- They can obtain better prices for their products.
- Generate trust because they observe and enjoy concrete results in the short term.

c) Identifying and strengthening leaders in business networks

If a leader is evident and has been in the group since it began, he or she can use his or her influence to ensure that all members keep their eye on the ball. In the case that no such leader has emerged, the articulator can assume leadership of the group and work with the business network as a guide to develop an internal leader or admit a new member who has the characteristics of a leader.

For this purpose, the articulator can use guidelines to identify and develop functional leaders¹. These guidelines propose different strategies such as leadership training to strengthen and develop the competences of the business network's leaders.

¹ Leaders whose leadership stems from the business. He handles issues related to the market and production effectively and shares his findings.



KEEP IN MIND: The articulator helps the business network measure changes in income and costs that may arise from these activities so that the producers or micro businesses can be certain which benefits are attached to joint endeavors.



Tools available

- H12: “Plan for internships – Structure”
- H13: “Plan for internships – Structure ”
- H14: “Rules for joint purchases and sales”
- H15: “Guidelines to identify and develop functional leaders”

MILESTONES IN PHASE 3

MILESTONE	VERIFICATION		SOURCE OF VERIFICATION
	YES	NO	
Participating producers and micro businesses have jointly evaluated and defined attractive and accessible business opportunities.			List of business opportunities chosen by producers
Producers and participating micro businesses formalize their economic, productive and social relations.			Internal rules in effect List of the board members that have been chosen
Participating producers or micro businesses regularly contribute funds to conduct activities.			Registry of contributions that members have made to the common fund

phase 4

*Consolidating trust:
Planning improvements
and pilot actions*





OBJECTIVE

Consolidate the business network's bonds of trust by planning improvements and executing pilot actions.

SUMMARY

This phase consists in ensuring the business network consolidates trust through a process to plan improvements and

execute pilot actions to visualize a joint business opportunity. To accomplish this, the production, organizational and commercial plans need to be consolidated along with training and technical assistance.

ESTIMATED DURATION

La duración estimada es de cinco meses.



STEP 1: VALIDATE THE BUSINESS OPPORTUNITY

The objective of this step

Capitalize on lessons learned in the previous stage and validate the business opportunity defined.

How do we validate the business opportunity?

It is important to share the previous stages experiences and lessons with the business network's members during meetings and gatherings. The analysis of lessons learned will validate the business opportunity and identify the adjustments that need to be included in the improvement plan.

To conduct the analysis, it will be necessary to:

- Share both positive and negative experiences from the previous stage. Key question: what benefits or damage will come from internships, visits to businesses and other activities?

- Collectively inform all of the business network's members of the lessons learned. Key question: Why did some things work while others didn't.
- Keep in mind —and it is necessary to update— the SWOT analysis of the business opportunity (Phase 3).
- Consider —and if it is necessary up-date—the production baseline for the business (problems and possible solutions) (phase 3).
- Reaffirm the decision of the members of the business network to continue the project.

STEP 2: DEFINE THE IMPROVEMENT PLAN'S OBJECTIVE

The objective of this step

Visualize the validated business opportunity and use it as the improvement plan's objective.

How should we formulate the improvement plan's objective?

The improvement plan's objective should be formulated in a way that:

- Helps people visualize and take advantage of the validated business opportunity.
- Represents what the business network hopes to achieve in a specific time period.
- Guides the business network's joint actions in the future in the short-term (pilot actions) and the mid-term (strategic business project).

During the group meetings and the different activities that are held to build trust, the business network's members and the articulator discuss and analyze its strengths, weaknesses, threats and opportunities. Once all of these aspects have been analyzed, the business network can identify the objective. The "h30" tool and pages 104 and 105 of the *Guía de cadenas RURALTER*, second edition, will be useful.

STEP 3: DESIGN AND EXECUTE AN IMPROVEMENT PLAN

The objective of this step is to design and execute an improve plan. To accomplish this, it is necessary to keep the following points in mind:

- Examine the characteristics that were found in the previous phases (initial format, competitive status, among others) with the business network.
- Suggest measures to overcome weaknesses and take advantage of the opportunities found.
- Make sure that the design is as detailed and precise as possible given that this plan will serve as the basis for the business network's actions over the next few months. The plan for improvements should cover at least one year.
- Begin executing the plan three months after the business network.
- Prepare the network to implement the pilot proposals.
- Visualize the main necessities for training and technical assistance in productive, organizational and commercial aspects and make small investments to resolve bottlenecks in the business network.
- Identify institutions that promote productive processes to secure their support for the improvement plan.

The guidelines for developing an improvement plan and its model, along with the criteria to prioritize improvements, can be used to develop a plan for improvements.

This plan also allows development institutions to co-finance the training and technical assistance that the business network needs to achieve its objectives. Training in cost management, recording sales, business management and leadership are some of the transversal activities that should be included in the improvement plan for all of the business networks regardless of the business line. Training sessions prepare the business network to face market demands and measure results at the project level. The articulator can explain how to use a cost sheet and if necessary, will ask for support from a specialist in costs.



KEEP IN MIND: The key elements of plans for improvement, objectives and goals should be visible in meetings halls so that the business networks' members don't lose sight of the objectives and goals that have been set forth.



Tools available

- H1: "Model for a plan for improvements"
- H2: "Guidelines to develop a plan for improvements mejoras"
- H3: "Criteria to prioritize improvements"



STEP 4: DESIGNING AND EXECUTING PILOT ACTIONS

Objective of this stage

Support the business network so that it can execute a concrete project that is part of a plan for improvement to generate tangible benefits through joint action.

How can we select, formulate and execute pilot actions?

To select pilot actions, we need to consider which of the options contemplated in the plan for improvements best suits the business network's needs and opportunities.

1. Identify specific solutions and quickly execute a plan for improvements.

Within the options contemplated in the plan for improvements that identify specific solutions to problems or opportunities, we need to choose those that:

- Have more impact

- Constitute short term actions (three months top).
- Can be financed do to their low cost and risk.
- Are simple and tangible in the designated time period.
- Improve income or reduce costs for the business network's members.
- Help consolidate the business network's organization

In order for the pilot actions to generate a sense of belonging and empowerment, the business network's members must be responsible for part of the financing needed for actions: in this way, they will see it as their investment. It is also necessary to look for support from other institutions in the environment to co-finance actions.

2. Identifying pilot actions

Choosing and formulating pilot actions, along with all other actions, should be a participative process. To determine action, a group meeting should be held with the business network's members to define the corresponding objective, strategy and conditions. This involves asking the following questions:



QUESTIONS	TOPIC
What will this action achieve?	What problems will be resolved and which opportunities will be exploited if this action is executed? What changes and concrete results will be generated by this action?
Why is it viable?	Evaluation of viability
How will the action be executed?	Where will it take place? Place and situation How much will the action cost? Which resources will the producers contribute to the business network to execute this action? When will activities take place: Who will be in charge, activity schedule
How will you measure results and impact?	How will the process to execute the action be monitored? Information system Monitoring and evaluation
How will learning be systematized and transmitted?	Report on results and lessons learned



Pilot actions can be defined by using the “Scheme for pilot actions” and “An example of pilot action.”

It is important to keep the following in mind:

a. Changes that produce action

The following questions should be answered regarding the changes that the action will generate:

- Will the initial conditions and the problems identified by the business network change significantly?
- What changes are expected?
- How can changes be measured in the short term?

b. Building indicators

To design, execute and evaluate actions, it is necessary

to have a set of indicators that provide evidence of what will be achieved, how much, of which quality and when.

Some key indicators, fruit of the APOMIPE experience, are:

- Increase in sales
- Cost reduction
- New clients

c. How an actions is situated in a context

Actions have a defined scope and focus on a set of factors, which makes it necessary to situate them in a spatial and temporal context with sufficient breadth to interpret their real impact on the business network.

KEEP IN MIND: To develop pilot actions, it is necessary to take the following into consideration:

1. It should be as concrete and concise as possible and not exceed five pages without annexes.
2. Its design should be based on a participative and specialized methodology. As such, it is important to involve the entire team and consultants with technical knowledge in the sector in question in the process to prepare the action.





It is important to indicate that the process to begin designing pilot actions implies commitments and obligations from producers and micro businesses as well as support institutions. For this reason, it is necessary to formalize these commitments in writing through a letter of commitment. The articulator must clearly convey the importance of this document to indicate that it is not just a formality and instead represents a real commitment.

3. Executing pilot actions

Efficient and participative action is the basis for pilot actions. This approach helps increase trust levels within the business network as members see that the objectives that have been set forth are being fulfilled.

To accompany and facilitate the implementation of pilot actions, the articulator should:

- Coordinate a plan to execute pilot actions with the business network's members.

- Provide details on the schedule included in the written document.
- Include it in a plan for execution to implement the actions in question as planned.
- Create commissions to oversee each activity relative to the action, assign responsibilities and deadlines.
- Seek support and financing from institutions in the environment.

The process to manage pilot actions can be summed up as follows:

1. Design and plan
2. Organize work
3. Integrate the team
4. Direct
5. Control

At the end of the first pilot project, the articulator should facilitate get togethers and meetings while gathering intentions to execute proposals for other pilot actions that will be co-financed by support entities or the business network.

KEEP IN MIND: To empower producers or micro businesses and develop their business skills, it is necessary to involve them in all aspects. The producers or micro businesses must investigate purchasing options, issue quotes and negotiate better prices among other aspects.



When pilot actions have ended, the articulator should organize an evaluation meeting with the business network’s members and write up a report on the impacts that were achieved and the lessons learned. The report should be written by using the “Scheme for a closing report on pilot actions and lessons learned” format.



Tools available

- H4: “Scheme for pilot actions”
- H5: “Example of a pilot action”
- H6: “Format for a letter of commitment to participate in the process to propose and delegate representatives”
- H7: “Scheme for a closing report on pilot actions and lessons learned”
- H8: “Example of a pilot action report”

MILESTONES PHASE 4

MILESTONE	VERIFICATION		SOURCE OF VERIFICATION
	YES	NO	
Participating producers and micro businesses have chosen a business opportunity that guides their economic and productive activities.			Better techniques and productive individuals in each participant’s business
Participating producers or micro businesses have earned additional income from small, joint economic activities relative to the business opportunity that they have chosen.			Income and expense reports for the pilot actions implemented

phase 5

*Strategic project
for joint business
ventures*





OBJECTIVE

Design and implement a joint strategic business project to consolidate the productive base while setting the bases for and ensuring the viability of the business opportunity that has been identified so that the network's members can increase their income.

SUMMARY

A pre-condition of this phase is that the business networks must have consolidated trust and made substantial changes following the implementation of their improvement plans and pilot actions. This requires

conducting an in-depth analysis of the competitive situation of the business network's members, their difficulties, potential and the environment in which they develop their businesses to establish a common long-term objective. This objective should guide the strategic project like a business plan. The project should facilitate efforts to engage in the concrete business opportunity identified by the business network and significantly improve the competitiveness of its members.

Unlike pilot actions, which last three months, strategic projects are generally planned to be executed in six to

twelve months depending on the investment. As such, these projects require more resources, investment, time and money from the business network's members.

This phase's actions should be directed at consolidating the business's sustainability; as such, the articulator must strengthen the competencies and skills that are needed in this phase and set the bases for managing a joint venture. The business network must be aware of this process.

ESTIMATED DURATION

The duration should not be less than six months or more than a year depending on the type of investment that the business network's members make.

STEP 1: RE-EVALUATION OF THE COMPETITIVE SITUATION OF THE BUSINESS NETWORK'S MEMBERS

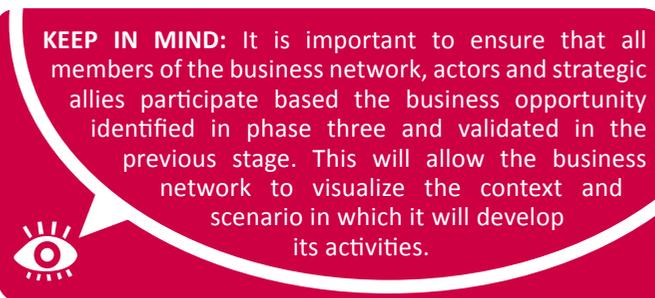
This step's objective

The objective is to evaluate the competitive situation of the business network's members based on the business opportunity identified following the first experience in implementing the pilot actions and activities that have been developed in the framework of the plan for improvement.

- In this step, it is important for the articulator to facilitate an analysis of the competitive situation of the business network's members in their business environment to consolidate their productive base, improve processes, generate added value and integrate with the next step in the chain (H2: "Up-dating the SWOT analysis").

- It is necessary to visualize which clients, trends and commercialization channels will be targeted by the business network's product or products.
- In this phase, guidance should be more specific and directed at specific markets and clients. It will be necessary to have more in-depth knowledge of the market by conducting appraisals to identify real and potential clients, prices and production levels, commercialization costs, systems that can be used to promote products, etc.

The levels of analysis in this step are: (i) the market, (ii) production, (iii) investment and profitability, and (iv) the environment in which the members produce. For this purpose, it is necessary to use the H1: "Format to up-date information on the chain."





STEP 2: DEFINE THE OBJECTIVE AND FORMULATE A BUSINESS PLAN

This step's objective

The objective is to identify the long-term objective that is sought—which will be the focus with which the business network will guide its future activities—and formulate the business plan based on better knowledge of the competitive situation of the business network's members.

- The objective must be concrete and based on the business opportunity.
- Some specific objectives should be formulated as strategies to reach the business network's main objective. These objectives should be feasible and aligned with the long-term objective that has been selected.



KEEP IN MIND: It is important to keep in mind that the objective of the joint business project should be related to the business opportunity visualized in the plan for improvements.

Example:

GENERAL OBJECTIVE

- Increase production volumes to supply the guinea pig market in the city of Cuzco.

STRATEGIC OBJECTIVES

- Improve the productive installations of the business network's members.
- Increase productivity in the sheds with quality guinea pigs.
- Organize the guinea pig supply in the market identified.

Process to develop a business plan

- Identify the business idea and provide supporting details on the business information format.
- Explain how this idea will be developed through the business plan.
- Present the business plan that makes the strategic project viable.

a. Business Idea

To define the business idea:

- At group meetings, discuss the different alternatives for business ideas identified during the process to analyze the competitive situation of the business network's members, the SWOT analysis and other analyses conducted in previous phases.
- Identify the most beneficial move for the business network's members based on concrete market demand. The competitive situation analysis will allow us to identify the most viable alternatives.

- Use foreseeable results to determine if this business idea is viable, meaning that it has real market potential.
- Put together the business information format with the help of the respective guide (H3) and use examples of similar formats for other projects.

KEEP IN MIND: It is important to remember that the people who review this format have little information on the business network's situation. As such, the articulator must transmit clear ideas and ensure that each of the activities proposed by the business network is duly analyzed and supported.



b. The business plan

- This document makes the strategic project that has been based on a business idea viable.
- It includes the recommendations made by specialists after field studies.
- Includes concrete and clear actions that help ensure that the business network is in the position to take advantage of the business opportunity identified.
- To develop the strategic project, use the "Business Plan Format" (H4).

KEY CONCEPT:

The business plan is the document that makes the business idea that will be implemented (or has already begun implementation) viable. It should contain a market, technical, financial and organizational study.

KEEP IN MIND: During this step, the following suggestions should be kept in mind:

- The articulator should develop the strategic project with the help of the business network.
- Advice from a specialist can be sought to guide the project and make it viable.
- It is a good idea to set real deadlines and consider necessary approval times.
- Formulate the projects according to investment capacity. Don't overshoot.
- It is important to provide specific information about the business network's real scope.
- Make the marketing plan stand out in the strategic project.
 - It is necessary to prepare calling cards for the business network and generate a base of real potential clients.
 - The products generated on the project will have added value due to the chain's



Tools available

- H4: "Business Information Format"
- H5: "Strategic project format (business plan)"
- H6: "Typology of strategic projects"

STEP 3: STRATEGIC PROJECT EXECUTION

This step's objective

The objective is to begin executing the strategic project with criteria for efficiency to achieve the business opportunity identified by the business network and prepare the business management plan.

What process is used to execute the strategic project?

- Once the project has been approved, the business network, with the help of the articulator, must initiate the plan for project execution.
- The business plan should contain the execution plan for the strategic project, including activities, deadlines, individuals in charge and budget to guide the process to execute the business network's strategic project.
- The plan for improvements should be used as a scheme to design the execution plan and provide more details on activities, the individuals in the charge and the project schedule.
- When the plan is formulated, the business network can organize commissions and delegate responsibilities to execute the strategic project and prepare the business network for a joint venture.



Tools available

- H7: "Plan to execute the strategic project"



STEP 4: EVALUATE THE STRATEGIC PROCESS

Objective of this step

Periodically evaluate project compliance levels, progress and implementation to verify that the objectives proposed by the business network for the strategic project for a joint business are met.

Implementation and start up on the strategic project

- Every three months the articulator, along with the business network, must evaluate technical-financial progress; the results will help redirect efforts and reach decisions that ensure that the objectives proposed are met.
- The project's format is not rigid: it can change during execution and implementation; nevertheless, it is important to keep sight of the goal and not deviate from the objectives set for the joint business.
- The dynamic to develop the final report on the strategic project is the same as that used for pilot actions.



KEEP IN MIND: It is important to keep in mind that the project evaluator and formulator should be two different people.

Tools available

- H8: "Strategic projects progress reports"
- H9: "Format for the closing report on the strategic project"

MILESTONES PHASE 5

MILESTONE	VERIFICATION		VERIFICATION SOURCE
	YES	NO	
The business network's members have defined and worked on a perspective for a mid or long term joint business.			The network's business plan and reports on its implementation
They have implemented structures and key functions to ensure that the joint business can work autonomously.			Registries to formalize the joint business (billing, income tax payments, charter of the consortium or cooperative) Report on strategic project execution

phase 6

*Managing
a joint
business*





OBJECTIVE

The objective is to accompany the process to jointly manage a business to ensure its sustainability.

SUMMARY

In this phase, the business network will initiate operations through the business management plan defined in its strategic project; in some cases this may involve starting a new business.

In this stage, the organization finalizes its efforts to define responsibilities and the articulator begins to gradually assume the role of business promoter, which can be co-financed on a temporary and decreasing basis by the institution that supports the process.

A monitoring plan and a business consolidation fund are established to help the business network face new management challenges to ensure that the business functions independently and sustainably.

ESTIMATED DURATION

This phase's duration depends on the characteristics of the business network's business choice. The minimum recommended duration is six months.



KEEP IN MIND: The duration chosen is tentative given that it depends on the progress that the business network makes in the articulation process.



STEP 1: SUPPORT FOR BUSINESS MANAGEMENT

This step's objective

The objective is to ensure that accompaniment is in place to assure that joint business management is sustainable.

What does support for business management entail?

It consists in accompanying and advising the articulator in the phase to manage the business or its operations. The business network has been informed about the new stage that they must embark on to ensure a successful business.



Who is the business promoter?

The business promoter is a local articulator who understands and uses business instruments that support the business network's efforts to consolidate its commercial relations with clients and suppliers among other tasks.

It is necessary to differentiate the role that the articulator will play in the business network. The role assumed is that of a business promoter not a manager of a large company.

The chart below helps differentiate some of the key roles that the articulator plays as a business promoter as opposed to a manager at a medium or large business:

ARTICULATOR AS A BUSINESS PROMOTER:

- Accompany the development of a joint business.
- Support the business network in its efforts to apply business management tools.
- Support the process to engage in productive activities to generate profit.
- Transfer capacities to the business network's members to jointly manage the business and strengthen internal leadership within the network.
- Support for the decision making process relative to business management.
- Help evaluate the situation in the business's external and internal environment.
- Play a leadership role.

MANAGER AT A MEDIUM OR LARGE COMPANY:

- Manage the company's affairs.
- Exercise control over planning, organization, administration and monitoring activities relative to the business.
- Management is an administrative function within the organizational network.
- Work with previously established models that have been in place since the business began.
- The management function is mid or long term.
- Management at the company level has an explicit impact on processes.
- This individual can represent the company before third parties and coordinate all resources through a planning, organization, administration and control process to achieve the objectives set by the company's partners.

For this purpose:

Inform the business network about the new stage of business management

The articulator or institution that acts as a promoter should inform the producers about the importance of business management from the onset. To accomplish this, it will be necessary to relay the importance of this phase to the network's members and convinces them support that is required to manage a business. In this phase, it is important to share information and materials that contain concrete examples to differentiate support for business management or discuss experiences that can help the network's members understand the need for support during the business management process. (H1).

KEEP IN MIND: To contribute to generating sustainable relations with clients, the articulator who acts as a business promoter should:

- Provide guidance in the process to innovate and add value to the business network's products.
- Emphasize the importance of ensuring that the business network can adapt to market variables (product quality, continuity, quantities required, price, etc.).
- Use key technological instruments in the commercialization process.
- Generate empowerment in all of the business networks in the commercialization process (price, product duration and promotion).



Tools available

- H1: "Guidelines to create awareness about supporting business management"



STEP 2: BUSINESS MANAGEMENT

This step's objective

The objective is to ensure that producers or micro businesses operate their businesses in a sustainable way once the strategic project has ended. This will be accomplished by assuring that the business network's members are trained to use basic management instruments and tools for marketing, financing, commercial relations and administrative operations in a joint business.

What does this support entail?

The business network should have a plan for joint business management and implement and monitor this process.

a. Draw up a plan for a joint business

A specific plan of action should be developed for phase 6. This plan, which should cover a six-month period, includes important aspects for joint businesses such as marketing, organization, administration, financial management, production for commercialization, etc. (See H2).

1. Marketing. It is important to remember that the better you know your market, the better the possibilities of achieving success. In this sense, four elements of marketing are particularly important:

a. Product. Which product and what does the market expect; this takes into consideration how often clients purchase and which products they consume, need or prefer. This also means producing or acquiring products in quantities that are aligned with our selling power.

b. Promotion. This entails exerting influence so that people will buy what is offered. For example, the name of the company, location, what is sold, advantages of purchasing the product, etc.

c. Place. This refers to the clients' location and where sales are made. To gather information in this regard, it is necessary to identify the client and find answers to the following questions: What do they like? How much

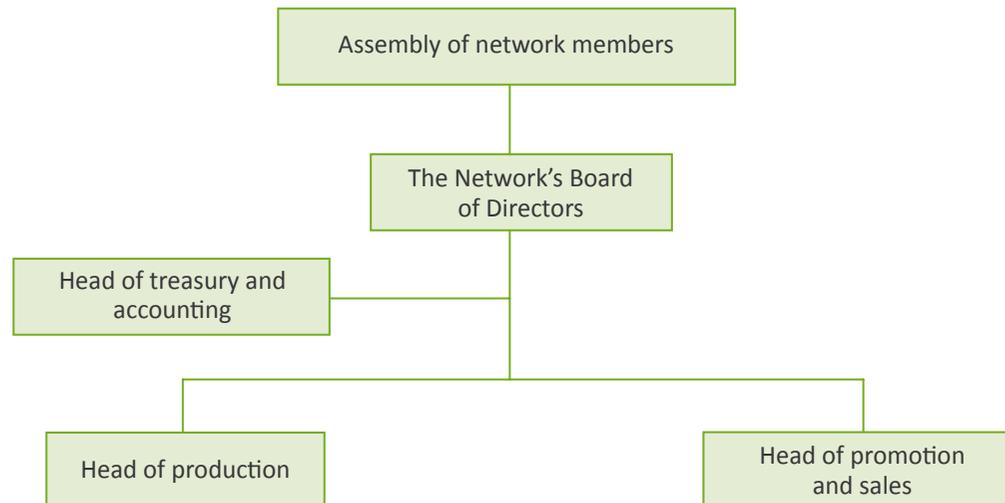
do they buy? Where do they buy? What motivates their purchases?

d. Price. Monetary value attached to a product or service or the amount of money that is paid for merchandise or services.

2. Organization and administration. Means:

- Determining the functions and structure necessary to achieve an objective, establishing authority and assigning responsibilities to the individuals who will be in charge of these functions.
- This is the way that a business or company structure is defined; it includes identifying the tasks that will take place, who will perform each task, how tasks will be grouped, who reports to whom and where decisions are made.
- We recommend drawing up a flow chart that identifies responsibilities and functions.

EXAMPLE OF A BASIS FLOW CHART





General Functions of the Flow Chart

Assembly of the network's members. This is the business network's maximum authority. It decides on medium and long term actions.

Board of Directors. These individuals are responsible for ensuring that the business networks' agreements are fulfilled, overseeing the decision making process and representing the business network both publicly and privately.

Head of treasury and accounting. In charge of administering the business network's income and providing clear information on all movements and expenses in supporting documents as required.

Head of production. This individual is in charge of ensuring that the production process runs smoothly and quality products are generated.



Head of promotion and sales. Is in charge of implementing the sales process and the marketing plan for the joint business.

It will also be necessary to plan the business network's future activities as a company and decide on the strategy, goals or objectives that will be in place.

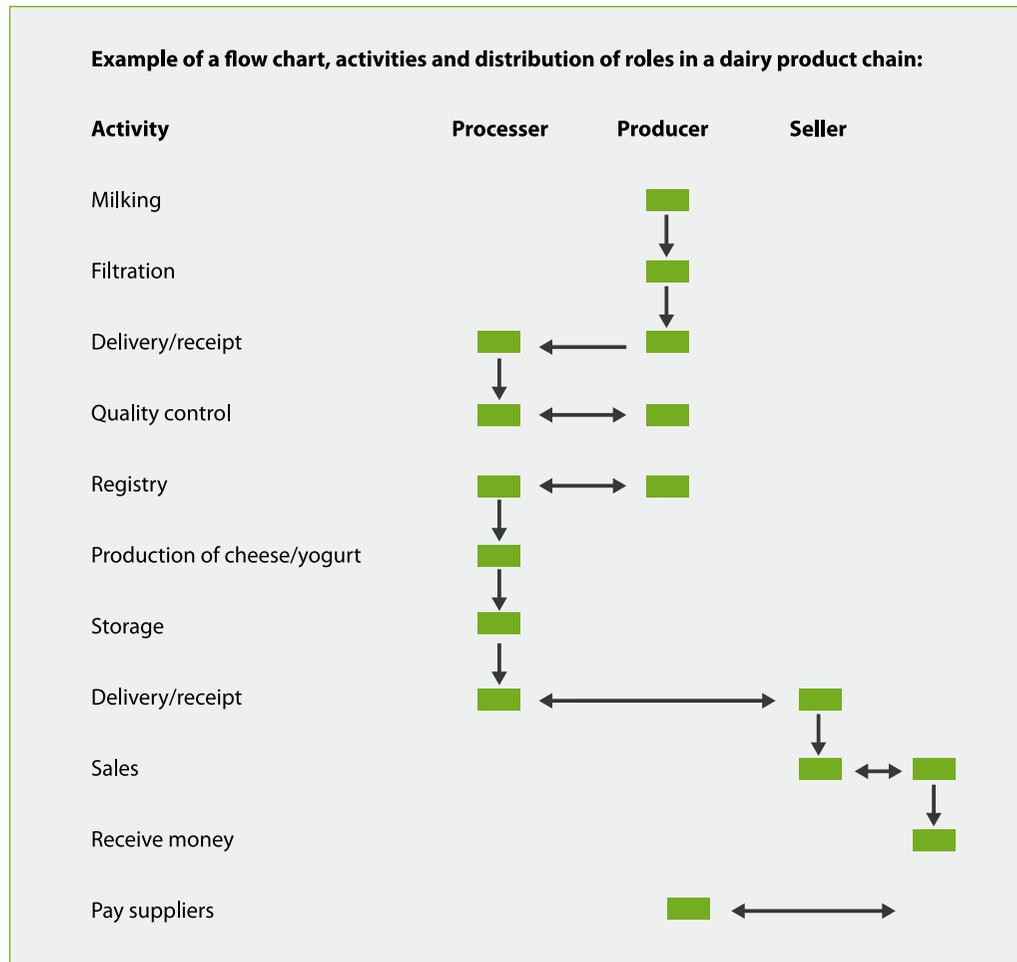
3. Financial management. This means thinking seriously about the role of economic management in the business developed. For this purpose, it will be necessary to:

- Keep a basic accounting registry that clearly visualizes income, expenses, production costs and earnings margins.
- Financial management also means obtaining funds and credit at the lowest possible cost as well as allotting, controlling and evaluating the business network's use of financial resources to achieve maximum profits.

Production for commercialization, supply logistics and distribution.

- This means that the processes to obtain a final product must be clearly defined and established.
- At the same time, it means ensuring that the proper

logistics are in place, supplying the goods and services needed to satisfy customers' demands with the business network's products and transforming a set of raw materials, manual labor, energy, inputs, information, etc. For this purpose, it is necessary to develop a flow chart for the process.



b. Monitoring plan

It is necessary to monitor the management plan to learn more about and measure business development. The support institution will establish mechanisms to ensure the sustainability of the joint business and generate lessons for producers and micro businesses.

Initially, frequent visits should be made to the business network. Over time, the frequency of visits will drop as the business consolidates. On these visits, the articulator will discuss business issues with the network to identify the ways that the support institution or the producers/micro businesses contribute to development.



Tools available

- H2: “Model of a management plan for a joint business”
- H3: “Model to follow-up on the business network’s sales and production”

STEP 3: FORMALIZATION

This step’s objective

The objective is to provide advantages and stability to the joint businesses developed by the business network within the country’s legal framework, which will ensure that benefits are attained and responsibilities are acquired.

Formalization entails:

- Formalizing sales, which can be done through the leader’s RUC or, depending on the sales level, by means of a consortium without independent accounting.
- Formalizing the business network when the business volume is sufficient to cover the fixed costs of a company. For rural producers in the agricultural and livestock sector, we recommend the service cooperative option, which will give them access to the tax incentives that are available to producers in business networks.



Some advantages of formalizing the business network:

- Develops the clients' trust.
- Allows the business network to participate in public tenders as suppliers of goods and services.
- Provides opportunities to participate in grant funds and programs supported by the government.
- Offers access to the best business opportunities.
- Responsibilities are shared among the business network's members.
- The return on investment in the joint business is apparent after an evaluation of economic results.
- Offers access to financing resources.
- Helps boost the members' identification with the business, which acquires value from setting up legally.
- Paints an ethical and responsible image of the partners, which adds value to their products and services.



How can formalization be achieved?

- Adjust the internal rules developed at the beginning of the articulation process given the needs of the new business (address issues of the proportionality of property, ceding rights, trusts, etc.).
- Review and establish mechanisms to control the business's finances.
- Guide the group (if necessary) and establish ties with a specialized external legal advisor, who will evaluate the business network's characteristics and search for a best legal form.

What aspects should be addressed in the legal formalization process?

Use the guidelines for formalizing a business.

- Identify the best time for the business network to embark on the formalization process. It is best to

wait until the groups have a real need to formalize.

- Conduct an analysis of formalization’s costs and benefits.
- Inform the business network, along with the advisor who has been hired, of the benefits of formalization by providing numerical examples and proposing possible scenarios.
- Visit other business networks that have already been formalized so that they can attest to the advantages of formalization.



MILESTONES FOR PHASE 6

MILESTONE	VERIFICATION		VERIFICATION SOURCE
	YES	NO	
The joint business has reached or exceeded the breakeven point between total expenses and income.			Financial statements of the joint business
Both the joint business and its partners have options to access financial and non-financial services related to the products or services they offer.			Contracts, billing and payment stubs

phase 7

Setting up a network of networks as second-tier organizations





OBJECTIVE

Promote efforts to set up a network of networks with the business networks in a territory to encourage and development larger-scale joint projects and businesses within a chain. The purpose is to increase the supply for new markets and consolidate the business networks as representative organizations in their territories.

SUMMARY

The business networks, which have been set up and supported through the six previous phases that have been conducted in the territory, can unite and set up a second-tier organization that we call the network of networks. This process is similar to that use to set up a single business network. If one or various business opportunities

are identified that demand aggregate product volumes, a self-selection process is performed so that the business networks (leaders) can set up a network of networks to later develop a broad base of trust between the members of all of the business networks that have been grouped together. Next, the promoting entity will help the producers design and execute a joint plan. This step is a very important aspect of the process given that the network of networks contemplates a more ambitious activity schedule that includes developing contacts with larger clients and markets as well as signing contracts without independent accounting to increase earnings without the need to set up a business. Later, if necessary, the networks can become companies. In the aforementioned scenario, the network of networks acquires new capacities by managing its own resources, developing its own projects and contributing to efforts to meet the needs or other producers or micro businesses in the chain in its territory.

ESTIMATED DURATION

Stage seven’s duration will be determined by the characteristics of the networks’ business. The recommended minimum is six months.

KEEP IN MIND: It isn’t necessary to finish all of the six stages previous to stage seven to set up the network of networks. This effort can, as an exception, begin after phase four after identifying a joint business opportunity within the chain that requires higher aggregated volumes of products. It is important to ensure that individual capacities are in place and trust levels within the business networks have been consolidated.



STEP 1: IDENTIFY BUSINESS OPPORTUNITIES

In this stage, the support entity, through the articulator, must create awareness in the business networks of the advantages of setting up a network of networks as indicated in the table below.

THE ADVANTAGES OF SETTING UP A NETWORK OF NETWORKS

- Creates the potential to drive larger-scale joint businesses to access larger markets with more buying power.
- Increase negotiating power with clients and suppliers.
- Joint effort to promote the chain and the territory in which it operates.
- Consolidates the business networks as local and regional entities to allow them to protect their interests more effectively when dealing with public and private agents.
- Makes it possible to generate collective brands that increase the value of the products offered due to efforts to standardize products and processes.
- More likely that the search for institutional alliances with public and private actors and financial entities to secure project financing will be more successful.
- Consolidates the associative experience in the territory, which generates the possibility that the same can be replicated in neighboring territories and similar chains.
- Formalizes sales by setting up a consortium without independent accounting that is registered in SUNAT.
- Forms the basis to set up a supply and commercialization company in the future: possibility of setting up a Service Cooperative.



Joint business opportunities are identified with the help of articulators, who play a motivating role so that the business networks —and their leaders in particular— are duly aware of and ready to become part of a network of networks. The support entity, the articulators and representatives or leaders of business networks participate in this process. Throughout the process and in the framework of business opportunities that have been identified, several business lines should be proposed that take advantage of the capacities that have already been developed by the networks that will be part of the unified network. These capacities should be analyzed according to the following criteria:

- The preferences of current (clients) and future consumers as well as their physical proximity and buying power.
- The business line's profitability (keep in mind the cost that each business network will need to assume).



- The viability of the opportunity in terms of investment and duration.
- The technical and productive capacities of each business network.
- The possibilities of innovating and generating aggregated value for products.

The business opportunities identified, along with their respective business lines, can be listed in a portfolio (H1) that will be used to select the best opportunity and business line for the self-selection process that will be conducted by the business networks.



Tools available

- H1: "Example of a portfolio of opportunities and business lines"

STEP 2. THE BUSINESS NETWORKS' SELF-SELECTION PROCESS FOR THE NETWORK OF NETWORKS

Although the business networks —and the leaders in particular— were informed of the advantages of working in network of networks, not all the networks have the same interests and motivations or are in the position to assume the commitment necessary to be part of the network of networks.

As such, similar to step 2 of the process to set up individual business networks, it will be necessary to engage in promotion and self-selection —this time among business networks— to set up a network of networks that is in line with the opportunities and business lines identified.

This process will involve organizing periodic meetings between the support entity, articulators and business networks and the producers or micro businesses that belong to the networks. These meetings should be directed at transmitting the advantages that the opportunities and business lines (previously identified by their leaders) will generate for the business networks' members and their territories. It must be clear that to take advantage of these opportunities, it is necessary to unite within a network of networks.

In parallel, the support network can identify and seek out new public and private agents at the local, regional and even national level and consolidate ties with the institutions that have already been contacted. At this point, the mission of the support entity, the articulators and the leaders with more vision and understanding of the market is to disseminate the achievements obtained through the associative process at each of the business networks and propose more ambitious goals that can be met through setting up a network of networks.

Similar to the situation during the final process to self-select producers and micro businesses for a business network, the process to self-select for the network of networks will take place during meetings. During this stage, the members that voice little interest in the idea of forming a single network or the business opportunities identified or feel unprepared to take on this challenge will step aside. In this case, the promoting entity or the articulators, along with the leaders of the interested business networks, may decide to look for other networks in the territory that are interested in joining the network of networks.



KEEP IN MIND: It is best to schedule periodic meetings with the members of the business networks at times when producers or micro businesses are able to attend given that the objective is to ensure the highest attendance possible.

Once the network of networks has been fully set up, it is necessary to formalize the entity by developing a charter for the network of networks (H2) that registers the beginning of activities to engage in joint business efforts and states the commitment of all the members of each participating network.



Tools available

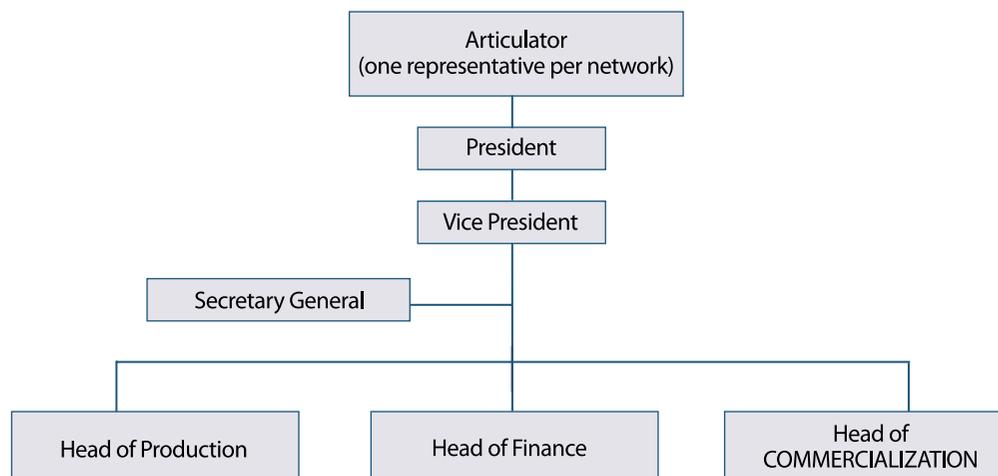
- H2: "The network of networks' charter"

STEP 3. GENERATING TRUST AMONG BUSINESS NETWORKS AND STRENGTHENING SECOND-TIER ORGANIZATION

After the self-selection process is complete and the network of networks has been set up according to the charter, it is necessary to ensure that the members of the new network of networks trust one another enough to engage in the joint business identified as an opportunity.

Constant group meetings, integration activities (meals, camping trips, parties, anniversary celebrations, etc.) and visits to the locales of each member of the business network need to be organized so that members can get to know one another better and develop bonds of trust with all of the networks participating in the network of networks.

One of the most important results that can be achieved through these meetings is based on developing the organization's internal rules (see H3). This is a valuable instrument to ensure the network of networks' sustainability given that this document defines processes, functions, sanctions and other guidelines that the members of this new organization must fulfill. One of the primary points addressed in this document involves the process to name the members of the board. This decision must be based on a majority opinion of the members of the network of networks as expressed during work meetings. Generally, the rules of the network of networks include a flowchart and details on the functions that each member is expected to assume. These rules must also establish mechanisms to distribute quotas (products and entries) for the joint commercialization among business networks and their members. Next, we will present a basic example of a flow chart for a Board of Directors for a network of networks.



During these meetings, it is also necessary for the network of networks to conduct a situational analysis of its business networks. This requires a new SWOT analysis (strengths, opportunities, weaknesses and threats) that is wider in scope. Based on the aforementioned, the network of networks should generate a work plan (H4) with the articulator to define the activity schedule and assign responsibilities to each of the members. The common fund must also be addressed during these meetings.

Once the members have formed bonds of trust, it is time to plan internship programs (visits to successful experiences at other business networks in the same chain) or engage in joint purchases and sales that strengthen trust.

Next, based on the business opportunities identified, the SWOT analysis conducted and other efforts to compile necessary information, the network of networks, with the assistance of the articulator, should be capable of deciding which joint businesses are of interest.



Tools available

- H3: "Example of internal rules for the network of networks"
- H4: "Model of a work plan for the network of networks"
- H5: "Guidelines to formalize the business"



STE 4. JOINT BUSINESS PLAN

Once bonds of trust among the members of the network of networks have been generated and strengthened, the network (with the articulator's assistance) will design and implement its business plan and strategic project. To accomplish this, it must choose a business objective that it hopes to fulfill as a second-tier organization based on the opportunities and business lines identified in the previous steps.

Although the process to design and implement the business plan and the strategic project is similar to that described in phase five (setting up the business network), the network of network, by nature, requires a wider scope in terms of objectives and planned activities. Next, we will enumerate some of the typical tasks that should be included in strategic projects for the network of networks:



- Processes, products or services need to be standardized to cater to the larger volumes and higher quality demanded by larger clients.
- Creation and use of a collective brand that encompasses and generates value for the network of networks' products both inside and outside the territory.
- Obtain sanitary certificates or a quality certificate for the products offered as well as the products that have been developed in order to fulfill higher expectations in new markets.
- The network of networks' organization will be strengthened by hiring technical and administrative personnel that have a business profile.
- The network of networks will be consolidated at the institutional level by generating alliances with public and private actors so that the network will be considered a representative entity for producers and micro businesses in the chain that operates in a specific territory.
- A location will be found for the network of network's operations and a basic administrative structure will be formed.
- Technical assistance for research on new markets

both nationally and internationally and new product development (new varieties of products, innovations in terms of processes or generating added value).

- Business models and a plan to formalize operations will be developed for the network of networks according to the demands of the business opportunity selected.

STEP 5. BUSINESS ADMINISTRATION AT THE NETWORK OF NETWORKS

Finally, we are at the stage in which the network of networks begins to operate through joint business management. In this stage, the network of networks' should operate according to business criteria. In this phase, similar to phase six, the network of networks should design a management plan and the promoting entity should develop the corresponding monitoring mechanisms. Tools 2 and 3 in phase six can be used for this purpose.

During this stage, joint sales need to be formalized. The most appropriate alternative is to register as a Consortium without Independent Accounting (CSCI). The advantage is that this modality allows the network to formalize its sales in the National Superintendence for Tax Administration (SUNAT) but does not require it to set up an independent company. sales in an independent company. CSCI is a transitory alternative that will be in place until the network of networks grows and accumulates enough surplus to allow it to formalize as a company and comply with the labor and municipal frameworks applicable to the productive sector in question. The best way for the agricultural and livestock sector to formalize in Peru is by registering as a cooperative of users or services¹.

¹ The APOMIPE program has published, in conjunction with the Ministry of Production, several manuals for both of the aforementioned alternatives: CSCI and Service Cooperative.

Additionally, the network of networks should place emphasis on consolidating commercialization and sales management strategies. This involves, for example, finding contacts for distribution, attracting new clients and having a clear understanding of market trends, etc.

Nevertheless, an important challenge that the network of networks must face in this stage consists in ensuring that they will eventually be in the position to manage their own resources to engage in projects. To accomplish this, the network of networks must be very active, with the support entity's assistance, and generate strategic

alliances with public or private institutions that can co-finance future initiatives.

Finally, a network of networks that is in the joint management stage should evaluate its ability to execute actions that consolidate its position to contribute to economic development in the chain and the territory. This will allow it to capture the interest of external agents to increase investment in both ambits. In this phase, it is important to reinforce the leadership capacities that currently exist or focus on those that were initially defined.

MILESTONES FOR PHASE 7

MILESTONE	VERIFICATION		SOURCE OF VERIFICATION
	YES	NO	
Several purchases or sales have been made that involve more than one business network in a joint endeavor.			Registries for joint commercial operations.
The structure to coordinate or administer various business networks with joint businesses has been formalized to constitute a network of networks.			Boards or committees composed of leaders from various business networks with joint businesses.
The network of networks has presented proposals to public or private entities that benefit the members of the business networks that have been organized.			Proposals presented
The leaders of the business networks that make up the network of networks have signed a Consortium Contract with Independent Accounting the allows it to formally sell larger production volumes while optimizing the tax costs that correspond to product sales transactions.			Consortium Contract without Independent Accounting is registered at SUNAT
The network of networks has set up a service cooperative (model recommended) to operate formally, considering all pertinent aspects: tax, labor, licenses, etc.			A company has been chartered