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Governance Inertia & Performance in a Micro-sized Single Desk Seller

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ABSTRACT

Single Desk Seller (SDS) firm structures dominate the agribusiness sector in many developing countries, and were created to resolve export market failure and achieve performance efficiency and effectiveness. Many of these SDSs are also state owned enterprises and have been perceived to be inefficient and a drain on the public purse, as well as no longer having a *raison d'être* in the face of the World Trade Organization's anti-competition open markets policies. However, unlike in developed countries, SDSs are likely to remain a significant feature in small developing countries due to their inherent problem of small scale and undeveloped equity markets. It therefore beholds researchers and practitioners to correct inefficiencies of these structures in order to achieve optimal performance. The Arrowroot Industry Association, with a record of disastrous performance makes an ideal case to explore this governance-performance relationship. A holistic case study research methodology was used to carry out this study

The main finding was that the governance structure of the Arrowroot Industry Association (AIA) was unresponsive to and did not co-evolve with its environment over the last (20) twenty years. As a result it increasingly became an inefficient mechanism for solving governance according to the normative prescriptions of property rights, transactions cost, agency, resource based view, resource dependency theories, stakeholder, and stewardship theories. Consequently, and despite having a rare and valuable starch product, the AIA was unable to meet demand or secure sufficient rents from the value chain to meet the revenue objectives of itself or of its members.

The most significant causes of inertia in the AIA's strategy and structure were caused by two exogenous variables (a fixed legislation and significant political influence in the strategic process), and two endogenous variables (poor cognitive ability of management and directors and the limiting effects of its eroded resource base). The combination of poor performance and inertia of the AIA over the years resulted in various forms of escalating commitments, debt accumulation and a shrinking supply base upstream as producers sought alternative means of income. Furthermore, the absence of markets for managerial talents, corporate control and arrowroot production, harvesting and processing technologies restricted alternatives available to the AIA of Government in resolving the perceived problems.

Research implications and recommendations for the AIA are subsequently discussed. The major recommendations proposed to reverse the performance problem of the AIA were (1) tighter vertical integration of the AIA to internalise of downstream inefficiencies, (2) efficient allocation of property rights along the entire value chain, (3) clearly defined roles and boundaries for key stakeholders, (4) increasing managerial, technological and financial capacity, and (5) reducing Government control by making influence-cost significantly prohibitive.

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ACRONYMS

A.C.C.O.R.D	Australian Centre for Co-operative Research and Development
AIIP	Arrowroot Industry Improvement Project
AWB	Australian Wheat
CATM	Chinese Agricultural Technical Mission
CARICOM	Caribbean Common Market
CTF	Cassava Task Force
CWB	Canadian Wheat Board
EC\$	Eastern Caribbean Dollar (Pegged rate US\$1=EC\$2.70)
ECA	East Caribbean Agency
ECCB	Eastern Caribbean Central Bank
ECGC	East Caribbean Group of Companies
EU	European Union
FAO	Food and Agricultural Organisation (of the United Nations)
FATM	French Agricultural Technical Mission
GDP	Gross Domestic Product
GOSVG	Government of St. Vincent and the Grenadines
ICA	International Cooperative Alliance
IFAD	International Fund for Agricultural Development
KAIRI-SAP	KAIRI Strategic Action Plan
MOA	Ministry of Agriculture
NCB	National Commercial Bank
OAS	Organisation of American States
OECS	Organisation of Eastern Caribbean States
RNM	Regional Negotiating Machinery
SCM	Supply Chain management
STABEX	Stabilisation of Export Earning
STE	State Trading Enterprise
SVG	St. Vincent and the Grenadines
SVAIA	St. Vincent Arrowroot Industry Association
SVBGA	St. Vincent Banana Growers Association
SDS	Single Desk Seller
USAID	United States Agency for International Development
WIBDECO	Windward Island Development Company
WTO	World Trade Organisation