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Department of Economics

## Chachaklum, a Viable Initiative?

A stakeholder management approach towards a community enterprise

*Ella Lundström*



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*Ella Lundström*

**Supervisor:** Cecilia Mark-Herbert,  
Swedish University of Agricultural Sciences (SLU)  
Department of Economics

**Assistant supervisor:** Luis Alvarado  
SSC-Americas, Guatemala City

**Examiner:** Carl Johan Lagerkvist  
Swedish University of Agricultural Sciences (SLU)  
Department of Economics

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# Summary

Due to poorly functioning local and regional markets, the smallholders in San Francisco, Petén, were dependent on intermediaries that took advantage of the smallholder's distance to markets. In an attempt to secure income and strengthen their bargaining position, 189 smallholders joined forces through the creation of a social smallholder network, held together by a community based enterprise. This enterprise was initiated in 2011 with the help of government incentive programmes and NGOs that within a few years will leave the enterprise to auto regime.

This study treats the sustainability of a community forest based enterprise, Chachaklum, in northern Guatemala. The study identifies factors that enable smallholders to organize themselves in order to obtain business practices that support an improved standard of living. The viability of the enterprise and its relation to external business partners are analyzed through a stakeholder approach.

The findings of this study shows that the development of Chachaklum is highly dependent on a large number of stakeholders to which it has created very positive relations. One determining success factor was found to be that the business idea plays well with the municipal development plan. It was also found that the social idea of the enterprise appears to have a positive effect on stakeholder relations with NGOs and government representatives.

The conclusions drawn in this study are that even though Chachaklum has not reached economic sustainability, the social vision of the enterprise and its currently strong stakeholder relations creates many possibilities. It was found that Chachaklum's future viability cannot be predicted by solely consider its auto sustainability since the enterprise may not need to be auto sustainable within a foreseeable future. Its complex stakeholder relations also require an in depth analysis since Chachaklum does not function as an independent enterprise but is created by several stakeholders and for several goals. This study has also found that there is a general need for more studies of community based enterprises. Whether the model would be successful or not in other communities was found to depend on several determinative factors which are considered throughout the study.

# Sammanfattning

Till följd av dåligt fungerande lokala och regionala marknader, var småbönderna i San Francisco, Petén, beroende av mellanhänder som utnyttjade böndernas isolering från marknader. Med mål att säkra inkomster och stärka sin förhandlingsposition, gick 189 bönder samman och skapade ett socialt nätverk som sammanhålls av ett samhällskooperativ. Företaget startades 2011 med hjälp av statliga stöd och ideella organisationer vilka inom några år kommer att lämna företaget att klara sig på egen hand.

Den här studien behandlar överlevnadsförmågan för ett samhällskooperativ, Chachaklum, i norra Guatemala. Studien identifierar faktorer som tillåter småbönder att organisera sig och skapa företagsformer som stödjer bättre levnadsförhållanden. Företaget undersöks ur ett intressentperspektiv.

Studien har funnit att Chachaklums utveckling är högst beroende av flertalet externa intressenter och att företaget, för tillfället har goda relationer till dessa intressenter. En viktig framgångsfaktor som har identifierats är att företagets vision sammanfaller väl med kommunens utvecklingsplan. Företagets sociala mål har också haft positiv påverkan på dess relation med ideella organisationer statliga och organ.

Slutsatserna av studien är att även om Chachaklum inte har uppnått ekonomisk hållbarhet, så innebär dess sociala vision och i starka relationer till dess intressenter många möjligheter. Studien fann även att Chachaklums framtida hållbarhet inte kan mätas genom att endast beakta dess självständighet eftersom företaget inte kommer att behöva vara självständigt inom en förutsebar framtid. Dess komplexa relation till sina intressenter, kräver också en omfattande analys eftersom företaget inte fungerar som ett självständigt företag utan är skapat av flera intressenter och för flera ändamål. Den här studien har även funnit att det finns ett generellt behov av fler studier som behandlar samhällskooperativ. Huruvida modellen skulle vara framgångsrik i andra samhällen beror på flera påverkande faktorer inom vilka beaktas genomgående i studien.

# Abbreviations

CATIE	Centro Agronómico Tropical de investigación y enseñanza
CBE	Community Based Enterprise
CFBE	Community Forest Based Enterprise
CONAMA	Comisión Nacional del Medio Ambiente (Guatemala's National Environmental Commission)
CONAP	Consejo nacional de áreas protegidas (Guatemala's National Council for Protected Areas)
CONSIG	Technological Department for Industry Support
CSR	Corporate Social Responsibility
FAO	Food and Agriculture Organization of the United Nations
FOGUAMA	Guatemala's Environmental fund (Fondo Guatemalteco del Medio Ambiente)
GDP	Gross Domestic Product
GFP	Growing Forest Partnerships
HDI	Human Development Index
ICA	International Cooperative Alliance
IFAD	International Fund for Agricultural Development
INAB	Instituto Nacional de Bosques, (Guatemala's National Forest Institute)
INE	Instituto Nacional de Estadística
MDP	Municipal Development Plan
NFP	National Forest Programme
NGC	New Generation Cooperatives
NGO	Non-Governmental Organization
PAFG	Plan de Acción Forestal para Guatemala (Guatemala's National Forest Programme)
PINFOR	Forest Incentive Programme
PINPEP	Incentive Program for Smallholder forest owners (PINPEP)
SIDA	Swedish International Development Cooperation Agency
SFM	Sustainable Forest Management
UNDP	United Nations Development Program

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# 1 Introduction

*This study treats the viability of a forest enterprise in Guatemala's northern region Petén. The enterprise was established with the support of government incitements that aim to strengthen forest management practices. This first chapter provides an introduction to challenging factors of Guatemalas' forest sector. The problem as well as the aim and delimitations in focus of this study are also presented. At the end of this chapter an outline for the following chapters is presented.*

Complex, might be the first and final word needed to describe the management of Guatemala's forests. The country's relatively small surface covers dramatically diversified landscapes with volcanoes interconnected by steep mountain roads from the Pacific coast and the highlands to the tropical rainforest in the north. Ever since the country became independent, the 23 different indigenous groups that inhabit rural areas have developed different dynamics and power relationships in regards to nearby forests (Capistrano, Colfer and Carol, 2005:285-287). These communities have traditionally both profited and suffered from the government's "open access" approach towards forests. After the peace accords in 1996 and the ending of a 36 years long war, government regulations were formulated as a measure to limit deforestation (*Ibid.*). These regulations complicated income generating activities for communities and smallholders. As a result, the regulations would have disrupted traditional power balances why they were often ignored and discouraged. The government initiatives for forest conservation and regulation have thereby often resulted in increased poverty that lead to desperate actions such as illegal logging for fuel wood (*Ibid.*).

## 1.1 Problem background

Guatemala is currently the largest economy in Central America and has an average gross domestic product (GDP) growth rate of four percent per year (UNDP, 2014:1). However, the country is still ranked as number 133 of 186 countries according to the United Nation's human development index<sup>1</sup> (HDI) (*Ibid.*). Approximately half the population consists of poor people that live in rural areas nearby forests and are dependent upon fuel wood for their daily lives (Ruralpovertyportal, 2014:1). Illegal exploitation as well as unsustainable agricultural practice has led to continuous degradation of natural resources with 73,000 hectares of forest disappearing annually (INAB 1, 2014:4). As fuel wood is the most common energy source in rural areas and due to dysfunctional control mechanisms, the Guatemalan government estimates that 30-50% of the wood on the market has been collected in illicit logging activities (INAB 1, 2014:4). Even though illegal logging seems to go unnoticed in the short term, it has severe ecologic, social and economic consequences (*Ibid.*). The phenomenon has led to loss of income for the state as well as unfair competition for the legal entities that intend to trade the wood on legal terms and work for a sustainable use of natural resources. As a result, the remaining 4.6 million hectares (42% of the land area) is only half of the area that was covered by forests in the 1950s (INAB 1, 2014:4; The Red Desk, 2014).

In 1989 Guatemala stated the Protected Areas Law Ley de Areas Protegidas as a first step to fight deforestation (The Red Desk, 2014). Natural reserves were seen as a key measure to protect and conserve important water resources and endangered species. Among these is the Mayan biosphere that covers parts of Belize, Mexico and Guatemala and is the largest

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<sup>1</sup> HDI human development index is a tool to compare and measure social and economic development. HDI index assess components such as literacy, life expectancy, education and standards of living. More information can be found at <http://hdr.undp.org/en/statistics/hdi>.

protected landscape in Central America (The Red Desk, 2014). As it has been difficult to capitalize investment financing instruments, innovative payment instruments for goods and services are gaining much attention in South America (Van Dijk and Savenije, 2009:47). The government of Guatemala has been implementing financial incentive programs since 1998 (Junkin, 2007:38; GFP, 2014:1). The Forest Incentive Programme (**PINFOR**) and the Incentive Program for Smallholders<sup>2</sup> (**PINPEP**) programs were created by the government of Guatemala with the mission to improve livelihood strategies in rural communities and thereby decrease the deforestation pace (INAB 2, 2014:1).

PINFOR is a long term incentive program that initiated in 1997 and was supposed to end by 2016 (INAB 1, 2014:1). The incentive program states four main objectives; 1) maintain and improve sustainable forest production and incorporating natural forests to productive economic output; 2) incorporate degraded forest areas to activities through the establishment and maintenance of forest plantations and regeneration; 3) create incentives that enhance maintenance and creation of forests for the generation of environmental services and; 4) generate a basic volume of prime material for the development of the forest industry (INAB 1, 2014:1). PINFOR constitutes of a subsidy provided as a cash advance by INAB through the Ministry of Public Finances. Potential beneficiaries are land owners including municipalities that are dedicated to reforestation projects and maintenance of demolished forested areas. Social associations that form legal entities and work on municipal properties are also able to pledge for this subsidy.

Petén is a region in the north of Guatemala where 87% of the population in the region is affected by food insecurity (Junkin, 2007:38). The region used to be covered by exclusive coniferous forest that was long kept from human interference due to its location. About 50 years ago, things started to change as a new road came to connect the region with the rest of Guatemala. Soon thereafter settlers migrated to Petén in order to make a living of the forest (*Ibid.*). However, the dream of getting rich from the Petén forests did not materialize (Junkin, 2007:39). The forests were cut down to make place for cattle farming and agriculture. Large industries also cleared forest areas for precious wood or in favor of palm oil plantations. Left behind were deserts of cleared areas and smallholders that intended to make a living of agriculture and agroforestry. The geographic location that once left Petén untouched, became one of the barriers that inhibited development in the region. Geographic distance to clients and business partners lead to high production costs and poor infrastructure. The region also struggled with forest fires and illicit trafficking of endangered species. Disappearing forests and government restrictions lead to illicit logging that favored the middlemen's' possibility to take advantage of the poor. Many forest groups saw PINFOR as a way to increase their income but as money were improperly managed or due to external difficulties, the results were seldom positive (Junkin, 2007:39).

In 2011, six smallholder groups in the municipality of San Francisco, Petén decided to join forces with the mission to obtain enforced bargaining power in the market and thereby increase and secure income (GFP, 2014:2). The six subgroups, Municipio de San Francisco, Proprietarios Privados, Santa Rita, Santa Teresa, Municipio de San Benito and Nueva Concepción formed Chachaklum S.A., hereafter referred to as **Chachaklum**.

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<sup>2</sup> INAB defines forest smallholders as farmers with fifteen hectares of land or less. Further information can be found at (<http://inab.gob.gt>)

## 1.2 Problem

Several challenges for sustainable forest management have been identified (Van Dijk and Savenije, 2009:47). Compared to agricultural production, sustainable forest management appears risky with expensive long term investments and little short term benefits. During the long term production cycle wood extraction may function as a rapid solution to solve liquidity problems. The absence of concrete policies regarding the allocation of public resources also creates uncertainty and inefficient forest management. Moreover, public institutions are insufficiently efficient due to lack of long term commitment and weak legislation. Finally, future financing may be threatened by political uncertainty, budget allocation and inefficient administration of resources.

The largest source of financing forest management would be the capital market with national and international companies (Van Dijk and Savenije, 2009:47). International companies have traditionally focused on exploitation for short term benefits rather than rehabilitation of forests and landscapes. Potential national investors such as banks still tend to only consider traditional values associated with forests, such as timber and fuel wood that are extracted after many years of investment. Other values such as water conservation and carbon fixation as well as potential sources of income generated by tourism and conservation subsidies are thereby ignored. Unless sustainable development is considered, the long term profits will suffer due to high operating costs.

Chachaklum's present and future is and will continue to be dependent on many stakeholders. Larson and Ribot (2007:14) stress that the different stakeholders in the forestry sector all have their own objectives and that disputes tend to favor the powerful rather than support the poor. As the powerful start off from a better position, the negotiations will come to favor them in one way or another. In order for the smallholders to strengthen their situation, strong grassroots organizations should enforce their position by participation in discussions regarding power decentralization (*Ibid.*). These organizations are able to improve access for the poor, challenge unjust traditions and affect policy formulations in favor of the poor. However, for these grassroots organizations to be effective in reaching their aim, they must be well organized and well allied. Since the sustainability of the enterprise will be dependent on the entire value chain, alliances must function as well in the supply chain as in the distribution and marketing chain (Lecup, 2011:15).

## 1.3 Aim and delimitations

The aim of this study is to identify factors that enable smallholders to organize themselves in order to obtain business practices that support improved standard of living. The study considers Chachaklum, a community based enterprise in the Petén region in Guatemala. The smallholders' perceptions of the enterprise and its relation to its stakeholders are studied. External stakeholders whom are vital for the survival of Chachaklum were also assessed.

Research questions of special interest are:

- *How can Chachaklum serve as a model for other community forest based enterprises, what success factors can be identified?*
- *What key opportunities and constraints do the stakeholders perceive as critical for the long term viability of Chachaklum?*

This study is a case study concentrated to a community based enterprise in the municipality of San Francisco, Petén. It considers challenges for sustainable forest management in rural areas but does not consider other types of industries in the area. Although the theme studied is a dynamic process it solely provides a static perspective of the current situation. Since the information was collected during Chachaklum's third year of existence, the study does not approach the enterprise's history of economic development. Due to the unique setup of the enterprise (pers. com., Romero, 2014), the study does not compare the enterprise to similar cases in Guatemala. The study is a descriptive study and should not be seen as a normative study. It is a single case study based on qualitative interviews rather than quantitative data. The analysis is based on a stakeholder management view of the enterprise rather than on financial information and focuses on social relations. This study does not intent to compare different theories but rather to combine them in order to understand the particular case. Ethical delimitations are considered by not evaluating individual behavior.

## 1.4 Outline

The first chapter provided an introduction to challenging factors of Guatemalas' forest sector. The problem as well as the aim and delimitations in focus of this study were presented. An outline for the following chapters is presented in figure 1 below.

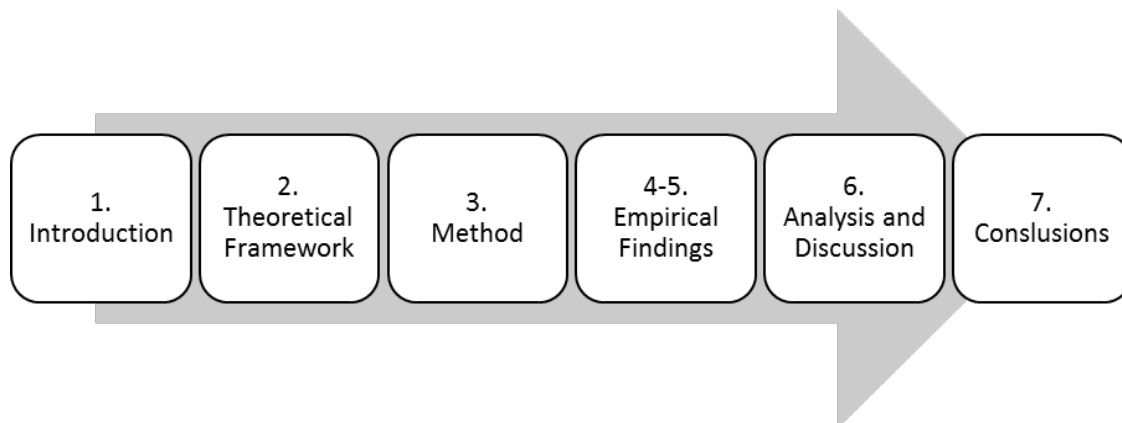


Figure 1. Illustration of the outline of the study.

The second chapter provides a theoretical perspective to the problem. It starts by describing the problem of how forest degradation is linked to poverty. The concepts of corporate responsibility and sustainability as a managerial approach are presented followed by a brief presentation of the stakeholder theory and the community based enterprise concept. The analytical framework is presented at the end of chapter two and applies a sustainability approach on community forest based enterprises.

The third chapter aims to provide the reader with information about the research process and the scientific method of the study. The chapter also provides an overview of how the data was collected. The end of the chapter considers complications and qualitative aspects of the study.

Chapter four provides background information to the empirical study. Since Chachaklum does not function in a vacuum of theoretical principles, site specific information about Guatemala, the Petén region and the municipality of San Francisco is presented. The complexity of the problem is illustrated by presenting national, regional and local data that affect the environment to which the enterprise has had to adapt.

The empirical findings are presented in chapter five. The chapter begins with the history of Chachaklum followed by a brief introduction to the production process and the functions of the enterprise. The remaining part of the chapter presents information that was received through semi structured interviews and participation in meetings.

Chapter six uses the theories presented in chapter one and two to approach the empirical findings. The analysis considers the specific characteristics of cooperative initiatives and community based enterprises as a measure to provide explaining factors to the enterprise's stakeholder relations. It also compares the findings with those of earlier studies.

Chapter seven encloses the study by a discussion about Chachaklum's future viability. It also aims to answer the research questions presented in chapter one. As in the other chapters of this study, focus is on stakeholder relations. The seventh chapter is followed by chapter eight where the general conclusions are presented.

## 2 Literature Review and Theoretical Perspective

*This chapter starts by describing how forest degradation is linked to poverty. The introductory part is followed by the concept of sustainability and corporate responsibility as a managerial approach to satisfy enterprise stakeholders. The stakeholder theory presents different stakeholder groups and briefly discusses stakeholder salience. It is followed by an introduction to community based enterprises and their characteristics. The conceptual framework applies a sustainability approach on community forest based enterprises.*

### 2.1 Sustainable forest management

Forests are home to more than to eighty percent of the earth's terrestrial species and vital for the livelihoods of millions of people in rural areas (FAO, 2012:2). The forests provide more than two billion households with firewood used for power generation (FAO, 2012:27). These forests also regulate water supplies all around the globe while at the same time playing an important role for its carbon balance. For the past five thousand years, forests have provided humanity with shelter, food and firewood. Forests have also been a source of raw material for tools, transports and income generation (FAO, 2012:2). As the agrarian society developed, forests were cut down to give room for pasture and agriculture. The ongoing desertification processes are often the result of unsustainable agricultural practices on land that was once covered by forest. Sustainable development approaches should therefore not ignore the importance that forests and forest products can have for sustainable development (*Ibid.*).

A positive correlation between poverty and forests can be shown in most developing countries around the globe (FAO, 2012:30; Larson and Ribot, 2007:11; Pendleton and Howe, 2002:2). This is often due to the rural communities' isolation from markets with well-functioning infrastructure. The correlation of forest-poverty has augmented as large enterprises unrestrictedly have been allowed to exploit the land due to inept land tenure laws or unfair usage of fair laws. Under such circumstances, the rights of poor or indigenous people is seldom considered nor respected, why their possibilities of making a livelihood from the forest as a natural resource, becomes negligible. Even when deforestation is considered, new laws tend to strengthen the power of the powerful and increase income gaps rather than support equality in the society. Almost thirty percent of the world's forests are located in Latin America (Pendleton and Howe, 2002:2). Between 1990 and 2010 continuous deforestation and unsustainable use of natural resources led to a total net loss of about 88 million hectares of forest in the Latin American region (FAO, 2012:16).

After decades of exploiting the forests the need of a new approach towards the use of the natural resource has become apparent (FAO, 2012:2). In an increasingly globalized society, neither large corporations nor smallholders are able to act completely unrestricted. Since there have been few financial incitements for private businesses to conserve forests, the government has traditionally been responsible of the task (Bass *et al.*, 2001:1). Constrained by limited budgets, it has been a core issue to find ways in which the private sector acts for a common good. The expectations of companies are also increasing as corporate social responsibility (CSR) is becoming an important issue for many stakeholders (Grankvist, 2009:17). The idea is that the powerful, in this case the corporations, should act responsible and take action in order to minimize the negative effect that their actions may have on the surroundings (*Ibid.*). In the best of cases they should even act for positive effects. The CSR concept is closely related to the triple bottom line of sustainability approach stated by Elkington in 1994.



*“Sustainability is the principle of ensuring that our actions today do not limit the range of economic, social and environmental options open to future generations”.* (Elkington, 1999:20)

As the citation illustrates, sustainability considers a triple bottom line of economic, environmental and social sustainability (Grankvist, 2009:17; Ammenberg, 2004). According to Elkington (1999:38) the economic sustainability approach of an enterprise is quite simple to comprehend. It involves the need to make a net profit by considering physical-, financial-, intellectual- and human-capital. While the physical and financial capital is tangible and easy to measure, it might be more difficult to motivate investments in intangible capital such as knowledge and sustainable management initiatives for future gains.

*“When forests do not have a high enough financial value or an opportunity cost satisfactory to the producer, they tend to disappear”* (Van Dijk and Savenije, 2009:11)

The citation refers to a failure of identifying financial values that support SFM. The environmental bottom line is of growing interest for most stakeholders worldwide and involves the sustainability of natural capital such as forests or sweet water (Elkington, 1999:51; Ottman, 2011). Companies might find environmental requirements problematic and time consuming as they demand adaptation and prohibit continuous exploitation. In the short term, sustainable forest management (**SFM**) could lack economic incentives due to a failure in identifying and capitalizing the wide range of products and services that the forests may provide (Van Dijk and Savenije, 2009:11). Forests tend to be valued based upon their contribution to GDP as a result of wood extraction. Due to this logic the value of the resource diminishes as the wood is extracted. As costs of forest management are compared to income generated solely from the price of wood it is difficult to find financial motives for SFM.

The third bottom line mentioned by Elkington (1999:37) is the social sustainability aspect. To consider the social sustainability aspects of a business requires stakeholder considerations regarding the different stakeholders’ perspectives. Due to the globalized society, sustainable initiatives will not only have to consider stakeholders in the nearness (Grankvist, 2009:17). Ethical and cultural aspects would have to be considered just as well as laws and regulations. In order to be able to manage the social sustainability of an initiative, it is essential for the business to be aware of the different stakeholders that could affect or be affected by the business (Freeman, 1984:46).

## 2.2 Stakeholder theory

Stakeholder theory is a popular theory to use when dealing with an organization’s relationship to its surroundings and a common managerial tool for determining the firm strategies (Bonnafous-Boucher and Porcher, 2010:206). Stakeholders are referred to in a multiple of ways by different authors and thereby come to involve very different subjects of matter dependent upon what managerial issues that are being studied (Mitchell *et al.*, 1997:858). Savage *et al.*, (1991:61) describe stakeholders as those who have an interest in the actions of a firm and the ability to influence it (Mitchell *et al.*, 1997:858). Donaldson and Preston (1995: 85) describe stakeholders as "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity" Freeman (1984:46) on the other hand defines stakeholders as “any group or individual who can affect or is affected by the achievements of the firm’s objectives.” In other words stakeholders are related to an organization in one way or another and the stakeholders’ behavior will therefore come to affect the environment in which the organization’s managers act (Freeman, 1984:46), Mitchell *et al.*, (1997:858).

It is assumed that the future of an enterprise is dependent upon how well it satisfies stakeholder demands, why it is essential for the managers to be able to identify the stakeholders and their respective expectations (Roberts, 2003:161-163). Figure 2 below illustrates the stakeholders identified by Roberts (2003:161-163)

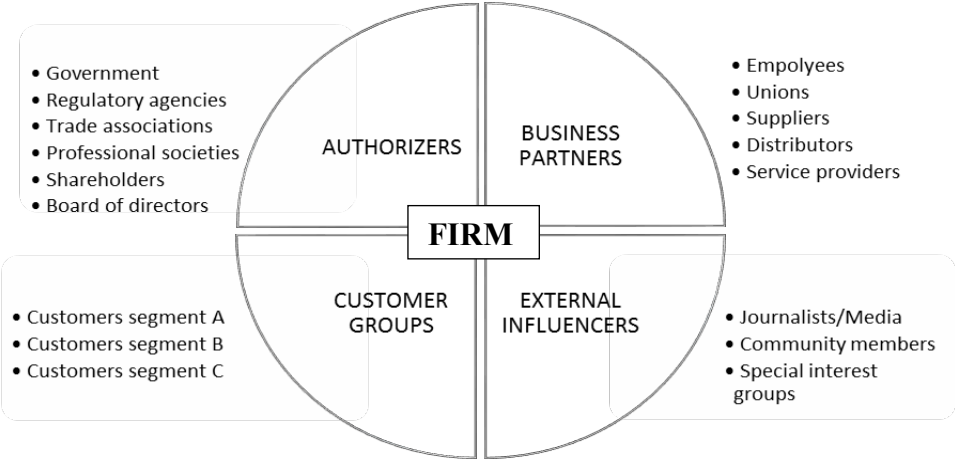


Figure 2. Corporate stakeholder model, adapted from Roberts (2003:162)

As shown in the figure, the authorizers include the board of directors, shareholders, professional societies, trade associations, regulatory agencies, trade agencies and the government. These authorizers possess a direct crucial power over the strategic management and legal status of the firm. The business partners are service providers, distributors, suppliers and unions as well as the employees. Good relations with these external stakeholders are essential in order to lower transaction and production costs. The external influencers are journalists, community members and interest groups whose interest for the behavior of the firm may change over time. Finally, customer satisfaction is essential for the firm’s survival.

Since stakeholder claims may be direct controversial, it might be impossible for a firm to satisfy everyone’s wants and needs (Larson and Ribot, 2007:14). Stakeholder salience refers to the degree of importance a stakeholder is perceived to have over the firm’s decision making process. A firm’s perception of whom is important to satisfy differs from case to case and might change over time. The theory of stakeholder salience use three stakeholder features in order to prioritize the stakeholders’ different claims. These are power, legitimacy and urgency (Mitchell *et al.*, 1997:869), illustrated in figure 3.

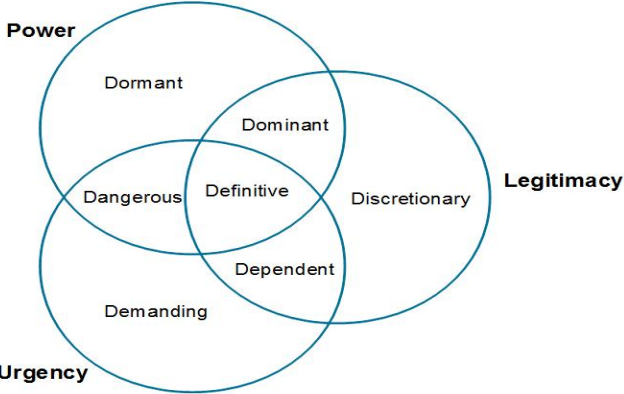


Figure 3: Qualitative classes of stakeholders, (Mitchell *et al.*, 1997:874).

As represented in the figure above power relations are highly determinative for the outcome of a negotiation (Larson and Ribot, 2007:11, Markovsky, Willer and Patton; 1988:220). External conditions and network shapes may though affect resource distribution over time as power relations are transferable and variable (Mitchell *et al.*, 1997:865). Different stakeholders might thereby gain or lose power over time.

Legitimacy or the legitimate right to make a claim often deals with regulations and property rights but does also consider moral expectations and norms (Bonnafeus-Boucher *et al.*, 2010:206; Mitchell *et al.*, 1997:862). Legitimacy is therefore an unsecure factor as it might be both intangible and tangible but useless unless the stakeholder has the power to enforce the legitimate right.

The last factor urgency adds a dynamic perspective to stakeholder salience. It is described by Mitchell *et al.* (1997:867) as “*the degree to which a stakeholder claims immediate action*” and is perceived as the result of time sensitivity of action and the stakeholder’s degree of interest. Urgency is also dependent upon the relationship with the stakeholder and two parties might have different perceptions of the urgency of a situation.

Mitchell *et al.* (1997:873-876) state that these factors are seen as socially constructed and variable over time. Even though these factors may be used in destructive but ways there is little use for managers to worry about dormant, discretionary and demanding stakeholders that only comply with one of the stakeholder salience factors (*Ibid.*). Managers should rather focus on the definitive stakeholders that possess legitimate power and have urgent and legitimate claims. Further, dominant stakeholders are often given much attention as managers want to avoid their condemnation. Dangerous and dependent stakeholders might be ignored until they suddenly become an urgent matter as an effect of feeling neglected of access or respect (Senecah, 2004:14).

Stakeholder theory was created as a managerial tool (Freeman, 1984:46) It is criticized for assuming that it is possible to foresee and fully comprehend the interests of the different stakeholders (Bonnafeus-Boucher *et al.*, 2010:206). It is also impossible to identify all the stakeholders and their salience and naive to think that stakeholder interests are homogenous within the different categories identified (*Ibid.*).

## 2.3 Cooperative initiatives and community based enterprises

The International Cooperative Alliance (ICA) defines cooperatives as “An association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ICA, 2014:1). Cooperatives are usually created based on core values such as democracy, solidarity and self-responsibility with the main goal to benefit the users (Nilsson, 2001:329). According to ICA (2014:1) these values enhance principles such as voluntary membership and democratic member control. There are many possible explanations for the birth of cooperative initiatives and as illustrated in table 1 below. These initiatives struggle with characteristic challenges as summarized.

Table 1. Cooperation to overcome market failure

Market imperfection	Expected benefits	Challenges
<p><b>Economic stress</b> High entry costs to markets, non expected crisis</p> <p>(Hagan and Tsumi, 2005:8; Peredo and Chrisman, 2004:20)</p>	<p>Stable prices and secured market demand</p> <p>(Hagan and Tsumi, 2005:8; Nilsson, 2001:353)</p>	<p>Poor competitiveness or financial profit</p> <p>(Nilsson, 2001:353)</p>
<p><b>Legitimacy</b> Single smallholder may have poor political legitimacy and poor credibility</p> <p>(Dyer and Singh, 1998:676; Hill, 1990:511; Nilsson, 2001:353)</p>	<p>Enhanced trustworthiness, political legitimacy and credibility representing a larger group.</p> <p>(Lecup, 2011:16; Peredo and Chrisman, 2004:23)</p>	<p>Single farmer's mistake may affect the rest of the members.</p> <p>(Chaddad and Cook, 2004:358)</p>
<p><b>Power/Information asymmetry</b> of market price, unbalanced negotiation power, small scale bargaining</p> <p>(Nilsson, 2001:353)</p>	<p>Interesting business partners Co-delivery/transport, pooling of resources</p> <p>(Lecup, 2011:16; Peredo and Chrisman, 2004:23)</p>	<p>Difficult to gather around common goals</p> <p>(Nilsson, 2001:355)</p>
<p><b>Geographic and social</b> distance to markets and potential business partners</p> <p>(Hagan and Tsumi, 2005:8 Bass et al., 2001:21)</p>	<p>Education, cooperation, information sharing</p> <p>(Nilsson, 2001:353)</p>	<p>Democratic participatory system Slow decision making</p> <p>(Tracey et al., 2005:335; Peredo and Chrisman, 2004:30)</p>

As illustrated in the table, imperfect markets rise transaction costs due to mistrust, information asymmetry and physical distance between buyer and seller (Hagan and Tsumi, 2005:8). These characteristics create a need for both parties to invest time and money in information search, valuation, negotiation and enforcement of agreements (Dyer and Singh, 1998:676 Hill, 1990:511). Therefore, the more risky the agreement appears, the more costs will have to be inverted to avoid potential risks. Since poor smallholders act in high risk environments with limited access to markets and limited possibilities to minimize risks, they are disproportionately affected by market imperfections (Hagan and Tsumi, 2005:8). A cooperative can help its members to overcome market failures by offering business opportunities and lower transaction costs, making production more efficient or by strengthening the sole smallholder's bargaining power when represented by a larger group (Nilsson, 2001:353).

Economic and social stress may be underlying reasons for community members to react (Peredo and Chrisman, 2004:20). Other reasons are barriers that hinder market entrance or the individual's absence of political legitimacy (*Ibid.*). Environmental degradation or social disintegration can also trigger initiatives (Bass et al., 2001:21). A group of lenders that join their capital can collectively gain legitimacy and better conditions while negotiating with financial institutions (Lecup, 2011:16; Peredo and Chrisman, 2004:23). Pooling of resources before negotiating with clients can significantly improve income generation (Peredo and Chrisman, 2004:23). Education and knowledge sharing are other important reasons why farmers join forces why the social part of being a cooperative member is considered valuable

(Nilsson, 2001:353). The creation of common ground fills a social function that over time strengthens social networks and thereby social capital. It is commonly a mixture of these elements that create a base for an initiative to take place as an attempt to strengthen the members' possibilities of action (*Ibid.*).

Cooperative enterprises phase several determinative challenges (Nilsson, 2001:355). It might for example be difficult to please all the members since demands and ideas may vary within the enterprise (*Ibid.*). To enhance the democratic process each member usually has one vote independent on his or her capital investment or social status (Tracey *et al.*, 2005:335). The participatory approach involves slow decision making processes that weaken the competitiveness of the cooperative (Peredo and Chrisman, 2004:30).

The distribution of ownership rights, the rights of residual control of an asset, affects the efficiency of collaborative initiatives (Grossman and Hart, 1986:718). Due to unclear ownership and control mechanisms, traditional cooperatives often struggle with financial investment problems (Chaddad and Cook, 2004:358; Nilsson, 2001:353; Van der Krogt, Nilsson and Høst, 2007:470). One such problem is the horizon problem where long term investments are avoided as a risk minimizing measure. The free rider problem is another type of investment problem where one member may benefit from the investment made by another member without sharing the risk of investment (Chaddad and Cook, 2004:358). In order to stay competitive in dynamic markets, new forms of cooperatives have taken form. These new generation cooperatives (**NGCs**) tend to function in a more market orientated way in order to be profitable and competitive (*Ibid.*).

The concept of community based enterprise (**CBE**) refers to "A community acting corporately as both entrepreneur and enterprise in pursuit of the common good" (Peredo and Chrisman, 2004:30). The creation of a CBE aims to stimulate both economic and social benefits (*Ibid.*). In other words the CBE's goals are to benefit both the individual community member and the community as a whole since the people in the community own, govern and manage their enterprise together (*Ibid.*). CBEs are often used as a measure to transform power relations as they create and enhance the smallholders' bargaining power (Tracey *et al.*, 2005:327).

As the description provided above suggests, there are many similarities between the cooperative concept and the CBE concept why it may be hard to distinguish them. Several NGCs are considered "borderline cases" and other types of collaborations between community and enterprise may serve similar goals (Peredo and Chrisman, 2004:19). In theory a CBE does however not only consider a small group of community members but the majority of the community members (Tracey *et al.*, 2005:328). The CBEs do also have multiple sub goals that may be reached by different methods (*Ibid.*). Paradoxically though, the definition of community varies from case to case (Peredo and Chrisman, 2004:18). Similarly to a cooperative, a CBE cores from a social vision but usually has several sub goals and is governed in a participatory manner rather than in a representative way (*Ibid.*). The concept of social enterprise is also closely related to the CBE concept (Tracey *et al.* 2005:335). In contrast to a social enterprise though, a CBE also means to generate profit to investors (*Ibid.*).

The large group of members involved in a CBE increases the possibility to gain trust and access to capital and other resources (Peredo and Chrisman, 2004:37). Financial profit tends to be of minor importance for these enterprises giving priority to other sub goals such as self-reliance and job opportunities (*Ibid.*). Communities with little unemployment imply greater purchasing power and better life standards in terms of education and social services are

considered more attractive and can thereby reduce migration from the area and revitalize the society (Mayers and Vermeulen, 2002:14).

## 2.4 Sustainable CBEs, a conceptual framework

For development projects to survive in the long run, they have to consider financial, environmental and social aspects of sustainable development (Peredo and Chrisman, 2004:7). In other words the actions have to be socially accepted by the different stakeholders, consider supply of future resources and be profitable (Peredo and Chrisman, 2004:28).

*“Community building as a process is like planting trees. The best time to plant a tree was 20 years ago, and the second best time is now”* (Middleton, 2000:1)

The citation above illustrates parts of the complexity and long term commitment needed to establish sustainable CBEs. As traditional development activities were directed to assimilation of habits from the more industrialized countries, projects were often seen as temporal charity work and little attention was given to sustainability of the actions (Peredo and Chrisman, 2004:7; Lecup, 2011:42; Mayers and Vermeulen, 2002; Tracey *et al.*, 2005:327). The models used were constructed to function in developed societies with strong social capital and well-functioning institutional settings which are seldom the case in developing societies (Lecup 2011:42). Community based forest enterprise (CFBE) has been a popular tool for development agencies that aim to fight deforestation by improved understanding of alternative values of forests (Bass *et al.* 2001:18). As a result many of the projects failed as soon as external support and money ran out. Modern initiatives therefore aim to support entrepreneurial activities that also consider the long term viability of the initiatives (*Ibid.*). Figure 4 below illustrates Lecup’s model of five sustainability areas of concern that are specific for CFBEs.

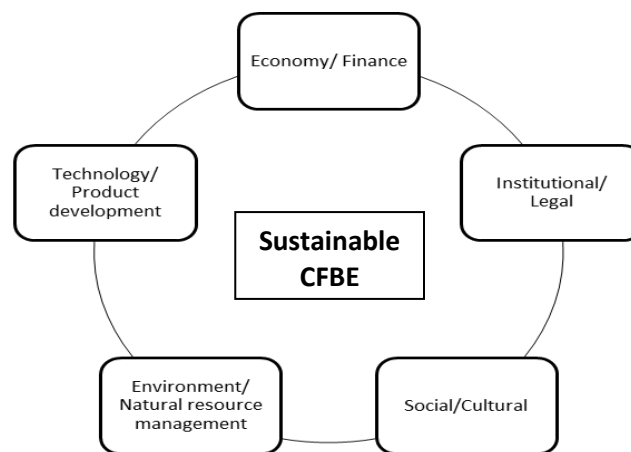


Figure 4. Sustainability areas of concern for CFBEs development. (Adapted from Lecup 2011:13)

As illustrated in the figure, Lecup (2011:13) has further developed Elkington’s TBL of sustainability to fit the complexity of CFBEs initiatives by providing an institutional perspective of the TBL of sustainability. CFBEs should consider economic and financial aspects, the available technology and research development, the management of natural resources, the institutional and legal perspective and the social or cultural setting in which the enterprise acts.

The development of an autonomous CFBE is both complex and time consuming. The specific setup of the enterprise somewhat blur the different relations. Figure 5 below illustrates a mutual interdependence between actors and environment.

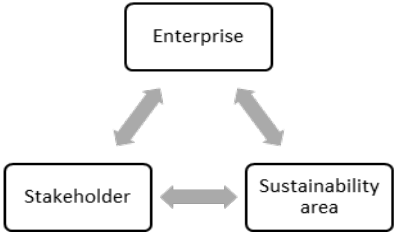


Figure 5. Mutual interdependence between actors and environment.

As according to Freeman 1984:46 stakeholders can affect and are affected by the behavior of the firm. The statement insinuates a direct link between an enterprise and its stakeholders. The stakeholders do however, also affect the environment in which the enterprise acts (Mitchell *et al.* 1997:858). As a management tool, stakeholder theory provides a way for the enterprise to identify stakeholder demands. Since the environment in which the enterprise acts affects and is affected by the behavior of the enterprise, the environment may be considered a stakeholder. The environment is however unlikely to provide direct claims on the enterprise and is in this context considered an external factor of concern that creates the basis in which the enterprise and the stakeholders act (Hagan and Tsumi, 2005:8; Lecup, 2011:13). Moreover, the CSR concept does also imply that an enterprise affects the environment in which it acts (Grankvist, 2009:17). Table 2 below illustrates a connection between the Lecup’s sustainability areas of concern and stakeholder influence for CBEs.

Table 2. Sustainability area of concern and stakeholder influence.

Sustainability area of concern	CFBE and stakeholder influence
Economy and finance	Poor shareholders dependent on external resources and support, possibility for donors/ loan providers to enforce personal interests Possibilities for long time community benefits as a result of successful CBEs (Bass <i>et al.</i> , 2001:22)
Institutional and legal settings	Small possibilities to truly change institutional settings but possibility to even out power balances between stakeholders (Larson and Ribot, 2007:11); Southgate <i>et al.</i> , 2000:2011).
Social and cultural aspects	Cultural settings may facilitate or challenge organization and decision making or may also inhibit democratic decision making CBEs may provoke stakeholders as the organizational setting may contradict power relations (Mitchell <i>et al.</i> , 1997:867; Peredo and Chrisman, 2004:9)
Environment and Natural resource management	Joint forces for SFM in resource scarce communities. CBEs may enforce activity among stakeholders to create common ground and goals (Peredo and Chrisman, 2004:37; Bass <i>et al.</i> , 2001:21)
Technology and product development	Risk of unthoughtful product development and investments (Lecup, 2014:43) Possibility to strengthen regional entrepreneurship and enhance possibilities for product development may benefit stakeholders in the region (Mayers and Vermeulen, 2002:14).

The first area of concern for the sustainability of a CFBE is economy and financing (Lecup 2011:13). Financing problems tend to be common in mutual organizations in general (Chaddad and Cook, 2004:358; Nilsson, 2001:353; Van der Krogt *et al.*, 2007:470). CBEs set up in poor rural societies do have little or no capital to begin with which leave little room for mistakes. The possible loans and direct aid that they obtain from external stakeholders might

thereby be the sole opportunity for the setup of a business. Stakeholders such as NGOs that act both authorizer (donor) and technical support (business partner), hold strong influential power and are able to affect the business idea and direction (Bass *et al.*, 2001:22). A successful CBE is though able to provide positive effects to the economic development of the municipality, surrounding communities and individual entrepreneurship (Peredo and Chrisman, 2004:33). Improved infrastructure and local economic development create a beneficial environment for the rise of new enterprises (Mayers and Vermeulen, 2002:14).

The institutional and legal settings that affect most CBEs depend on the isolated locations that involve increased transaction costs and poorly controlled legislation (Bass *et al.* 2001:18-19). It would be naïve to ignore apparent regional institutional challenges in an attempt to reallocate resources nor is it enough to introduce CBEs to participate in an unfair system (Larson and Ribot, 2007:13). Property rights should not be considered secure in markets that lack respect for the rule of law, where contracts are often overlooked and impossible to enforce (Larson and Ribot, 2007:11; Southgate *et al.*, 2000:2011). Sadly, these types of institutional challenges are more common than not, the reality in developing regions and where resource allocation is most required. Even with the help of service providers such as NGO's and other powerful stakeholders, the possibilities for the CBEs to truly change these hinders are small (*Ibid.*).

The third area of concern is to overcome social and cultural hinders for the development of a CBE. Efficient communication between the members (shareholders) and the leaders (board of directors) of an organization is essential for its survival (Chaddad and Cook, 2004:359; Senecah, 2004:13). In marginalized societies, with high unemployment rates and hierarchical social relations the communication among the shareholders of a CBE will continuously be affected by their initial relations (Peredo and Chrisman, 2004:9). These have since long been determined by hierarchic positions in the society that among others, core from ethnic, social and economic status levels (*Ibid.*). As a result, decision making processes are not as democratic as they appear but heavily dependent on a small group of people Cornforth, 2004:19). This phenomenon leads to limited management capacity based on traditional methods (Bass *et al.*, 2001:18-19). Mistrust and jealousy have also been shown to be the reason for failure of cooperative actions (Key and Runsten, 1999:397). As CBEs grow they might be able to change these cultural settings why traditional power relations between stakeholders, are challenged (Tracey *et al.*, 2005:327).

The fourth area of concern is natural resource management and the environment (Lecup, 2014:13). Resource scarce communities phase the challenge to find a variety of income generating sources that are not dependent on the degradation of land (Peredo and Chrisman, 2004:37). Communities that base their income on a sole source tend to be more vulnerable than societies that depend on differentiated sources due to their passive stakeholder networks that offer few employment opportunities (Bass *et al.*, 2001:21). The CFBE's combined goals of profit seeking and social objectives are often balanced by searching for unrelated business activities to boost income. One such example is to combine income generated by agricultural produce with a forest enterprise, often referred to as agroforestry. The income generated from agriculture is independent of the price for wood why the business portfolio is less dependent on a sole source of income.

Technology and product development is the fifth area of concern for the sustainability of a CFBE. A common mistake by authorizers such as donors, is to provide direct financial or material donations that encourage the CFBEs to produce products without ensuring a market



demand (Lecup, 2014:43). One such example is to encourage certification and adaptation to standards in order to fulfill export requirements instead of focusing on more easily accessible markets (Bass *et al.*, 2001:26). Such support may rather undermine efficiency as internal conflicts might grow stronger due to poor organization of the support (Bass *et al.*, 2001:36). If efficiently established and developed, the CBE provides; 1) a good example and a source of inspiration for other entrepreneurs to take after; 2) a common acceptance of entrepreneurship as positive for the environment and; 3) the possibility for neighbor communities to engage in related or complementary businesses (Mayers and Vermeulen, 2002:14).

As a managerial tool, stakeholder theory can be used to identify and adapt to these factors why it is seen as a useful management tool for CBEs (Grankvist, 2009:17; Ammenberg 2004; Mayers and Vermeulen, 2002:19). Sustainable enterprise development partly depends upon external factors such as the environment, the institutional and legal environment, the social and cultural environment, the economic environment and technological resource development (Lecup, 2011:12-13). Moreover, trust, networks and norms, define a society's capability of economic development (Peredo and Chrisman, 2004:28). These elements combined are often referred to as social capital which is crucial for the economic development of a society (Elkington, 1999:51). Although, the business form of an organization is however also determinative for its success since (Nilsson, 2001:355). As shown in the table above cooperative initiatives such as CBEs face characteristic challenges but also gain characteristic benefits. To solely identify and adhere to stakeholder relations without considering the business form, would therefore provide limited understanding for the situation.

Since CBEs have a social as well as a profitability aim, and due to their characteristics, the viability and efficiency in reaching its aims should consider the goal fulfilment. CBEs are often set up and strengthened with the help of external agencies and experts that by the end of a project hand over and leave the management of the enterprise for auto regime (Peredo and Chrisman, 2004:7; Lecup, 2011:16). At this critical point in time, many initiatives have failed to survive (Lecup, 2011:12). The phenomenon may be explained by an attitude were community members become indolent towards the management of an enterprise due to lacking sense of ownership (*Ibid.*). One explanation is that enterprise management and control has been centralized to a limited group of members (Senecah, 2004:13). Thereby the members have gotten accustomed to not have access to documents and meetings. Limited access to background information provides limited understanding of problems and potential solutions why it affects the quality of decisions and propositions (Senecah, 2004:23) This in turn might affect the legitimacy, self-esteem and consideration of the propositions by an individual (*Ibid.*). The attitude often leads to poor interest for autonomous continuation of a project as the incentive fund terminates (Senecah, 2004:13, Lecup, 2011:12). Although a CBE requires a complex diversity of skills and commitment, its competitive strengths are embedded in specific local knowledge and democratic collaboration (Tracey *et al.*, 2005:341). If successful, enhanced individual authority can promote mature groups of individuals with an increased ability to solve collective community issues (Ostrom, 2000:154).

By strengthening entrepreneurs in their entrepreneurial processes the community members become actively engaged in the development process rather than being passive charity receivers (Lecup, 2011:14, Peredo and Chrisman, 2004:7). The entrepreneurs should rather be provided support to create representative organizations (*Ibid.*). CBE are seen as one strategy to create sustainable CFBEs.

## 3 Method

*This chapter aims to provide the reader with information about the research process. The author describes the scientific method of the study. The chapter also provides an overview of how the data was collected. The end of this chapter considers constraints as well as qualitative aspects of the study.*

### 3.1 General approach

The purpose of a study should be determinative for the specific approach selected in order to reach the goal (Robson, 2011:18). Qualitative research is popular for social research studies where human beings are the subject of research (Robson, 2011:16). An abductive approach was chosen for this study in order to intend to understand a phenomenon. Thereby, the study aimed to approach the empirical findings by the use of a theory rather than to prove an existent theory by a deductive approach nor use the findings to create a new theory as does an inductive approach (Bryman, 2008:11, Robson, 2011:67).

Since this study aimed to understand social constructions and interactions in a dynamic social world, that world had to be viewed through the reflections of the respondents (Bryman, 2008:385). In order to fully understand behavior, attention had to be paid to context and details as stated by Bryman (2008:385). This approach was used during the interviews. When observing social gatherings, special attention was therefore given to reactions and interaction between participants.

Qualitative research is dependent upon attempts to understand social action (Bryman, 2008:16). Qualitative research has been criticized for being subjective and difficult to replicate as transparency is often low and may be of poor use for drawing generalized conclusions (Bryman, 1998:391-396). The treatment of women in qualitative research has been criticized as they might be ignored, disproportionally represented or approached as objects.

A qualitative approach was preferred to a quantitative approach due to the exploratory dimension of this study since the elements and thereby the variables remained unknown prior to the interviews. To avoid early assumptions affected by prejudices and external contamination (Bryman, 2008:389), this study was initiated with broad questions that later concentrated to focus on issues that appeared as adequate. In this study, women are underrepresented in proportion to the society as well as in proportion to enterprise members. Although seventeen percent of the enterprise associates are females, this study only considers one woman. This is due to cultural reasons but also due to poor attendance of women during the meetings. While all the male respondents were approached during reunions, the only woman interviewed was contacted directly.

### 3.2 Research method

Case studies are often approached with qualitative methods for gathering data such as unstructured interviewing (Bryman, 2008:53; Robson, 2011:136). This method is favored by qualitative researchers due to the deep insight of a particular case that thematic interviews can provide the researcher. A multiple case study might lower the external validation problem of single case research (Bryman, 2008:58). A single case study on the other hand can provide deep understanding of the case since the researcher is not occupied with searching for comparative variables (Bryman, 2008:61).

This particular study is a descriptive case study and should therefore not be adhered to as a normative study. The phenomenon of smallholder collaboration was the subject of interest and this particular phenomenon is highly relevant for the smallholders in Petén (Junkin, 2007:39). Since the theme studied is a dynamic process, a longitudinal case study would have been adequate. This study is however restricted to only provide a static perspective of the current situation.

As qualitative interviewing aims to understand the respondent's point of view, the focus of the interviews has to lie on matters that the respondent finds important (Bryman, 2008:437; Robson, 2011:280). The interview guide is especially important for the conduction of multiple case studies, in order to facilitate the comparison of the cases (*Ibid.*). Although qualitative interviewing might not reach the level of comprehension that a participative method could, face-to-face interviews and visits offer a deeper insight in the situation than a phone interview or an Internet survey (Bryman, 2008:466).

During the interviews in this case, income generating activities and future viability were core issues discussed as well as the interdependency of the enterprise and its stakeholders. Semi-structured interviews were preferred as it allows the interviewer to ask follow up questions and facilitate dialogue (*Ibid.*). The interviews were structured by the use of an interview guide (see appendix 1-5) in order to reach the specific topic of interest. For this study the interview guide proved helpful to facilitate comparison between answers given by the different respondents they had diverse perspectives. Interviews were seen as interesting since they provide the researcher with intangible information that would not be provided by only participating (Bryman, 2008:466). It was also seen as the efficient way of collecting data from rural areas where poor education and illiteracy may be limiting the respondents' ability to comprehend the questions. Personal meetings allowed extended explanations which in many cases proved useful.

Semi structured group discussions provide a chance to reflect upon how issues are discussed within a group of participants and how the group arrived to a joint meaning (Bryman, 2008:474-476, Robson, 2011:293-294). This method allows discussion between participants that may rise issues that a one on one interview might ignore. This since the participants can contribute with matters that they find important. It might however be difficult for the researcher to distinguish between what is a common perception and the personal idea of the one that is the most active.

Group discussions during reunions and social gatherings proved the social differences between the associates. The less educated were more tranquil and even shy to express their ideas. The more educated associates on the other hand were much confident. In the case that the associates were gathered with Chachaklum's employees, the situation was reversed.

### 3.2.1 Theoretical framework

By using a generally accepted theory, a researcher is able to prove that other researchers have approached the concept in a similar manner (Robson, 2011:65). Thereby it might be easier to find arguments for the conclusions and the study may be approached as more legitimate by the outside world. Stakeholder theory is a useful theory when dealing with an organization's relationship to its surroundings and a common managerial tool to determine firm strategies (Bonnafous-Boucher and Porcher, 2010:205). The setup of an organization is however determinative for its success and by solely identify and adhere to stakeholder relations without considering the business form, would provide limited understanding for the situation.

Theories that regard cooperating initiatives and mutual businesses' rights and control mechanisms provide explanation factors and deeper understanding of an enterprise (Chaddad and Cook, 2004:360).

In the cases of this study, smallholders have by joint forces gained access to forests as a natural resource. In that way, they are dependent on each other and the efficiency of their combined work. In this case the CBE theory offered a way to understand the strengths and weaknesses that the enterprise has to consider. Since Chachaklum exists in a complex social world, the smallholders' access to the capital depends on their relationship to external stakeholders. The situation creates several situations of mutual dependence both within the enterprise and towards the environment.

The conceptual framework is used to narrow down the focus of the study and to find the features of interest for the study (Robson, 2011:66). Thereby a more complete understanding of the situation is provided. The CBE concept was found interesting since it has gained much attention in for the development of rural communities (Junkin, 2007:38; Mayers and Vermeulen, 2002:8, Peredo and Chrisman, 2004:35, Van Dijk and Savenije, 2009:53). Since CBEs directly depend on several factors such as government and NGOs, not considering the multi-stakeholder concept would provide poor analytical value (Mayers and Vermeulen, 2002:19). The five sustainability areas of concern for CFBEs were used in order to ensure that the analysis covered these areas since Lecup (2011:13) states that they are needed to create a sustainable CFBE.

A production economics approach could have been used as an alternative way of describing the situation. The viability of the companies could have been explained by calculating revenues and costs. This view would not have considered the external environment and the social setting in which the smallholders act. Therefore it would also ignore the social and environmental sustainability mentioned by Elkington (1999:37). Since the forests are usually owned by the municipalities or the state financial sustainability would not have been sufficient for the survival of the enterprise (Mayers and Vermeulen, 2002:8).

The use of a single theory may limit the full understanding of a phenomenon (Hung, 1998:108). Another theory that might have been useful for the study is the Agency theory where control mechanisms are used to avoid risk (Mitchell *et al.*, 1997:863). This theory would have served a similar purpose but the approach would have been one where moral hazards were expected. In the case where the smallholders manage their own land and do not have employers, this theory would have had limited use. The stakeholder theory offers a possibility to study the phenomenon in a broader sense.

### 3.3 Data collection

Figure 6 illustrates the steps in the research process taken by the author to solve the problem. A literature review was initiated in order to identify the aim of the project. As secondary information was continuously collected, research questions and the focus of the study were determined. Primary data was mainly collected through personal meetings, participating in enterprise reunions and by qualitative interviews conducted one-by-one or in groups on two to four people. As the data had been collected it was transcribed and analyzed by the author.

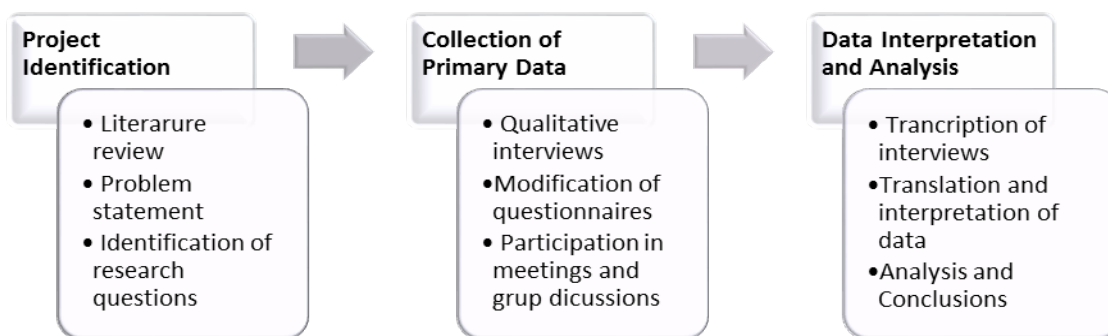


Figure 6. An illustration of the research process.

The steps are illustrated in a step by step process pattern although the three processes did not have such clear beginnings and ends. The first part of the research process was initiated in the autumn of 2013 but the final identification of project was not stated until March 2014. As the specific project had been identified earlier preparations, such as questionnaires were adapted to fit the specific project. After the first interviews further modifications were done as interviews and meetings lead to new information. The written transcription, translation and analysis of the data were conducted during the end of the project. The analytical part was though a continuous part during the entire study. The detailed methodology is explained in the following subchapters.

### 3.3.1 Collection of secondary data

The study was initiated by collection of secondary data from the Internet. Some articles were provided by the supervisor but most of the articles used were found by searching for the words provided in table 3 in the search engines Google Scholar and Primo.

Table 3. Key words used for the collection of secondary data

ALL TEXT	AND	ALL TEXT	AND	ALL TEXT
agribusiness		collaboration		Central America
bosque		community		Guatemala
forest		community enterprise		Latin America
forest community		smallholder		Petén
forest enterprise		smallholder cooperative		Chachaklum
forest smallholder		sustainability		San Fransisco
forestry		CBE		
smallholder		partnership		
Sustainable forest management				

The webpages of FAO, INAB, INE and SIFGUA were the most important for information regarding the local situation. INAB's webpage also provided contact details to local offices that were the first contacted as a measure to identify local respondents. Printed books were accessed in the SLU library and were used to comprehend theories. Of the thirty-eight articles and books used in this study, twenty one had been published during the last ten years. Seven had been published between 2010 and 2014 and seventy-eight percent of the articles were published after the year of 2000. Two articles were published prior to 1990. These were Grossman and Harts' The costs and benefits of ownership from 1984 and Markovsky et al., Power relations in exchange networks published in 1988.

### 3.3.2 Collection of primary data

The primary data consist of material collected through interviews with enterprise stakeholders. The data were collected during nine weeks in Guatemala. This section provides a detailed description of the process.

#### **Choice of respondents**

Since respondents should be experienced and have good knowledge of the field of discussion (Rubin, 2005:64), the study initiated by meetings with INAB, SSC-Americas and Rainforest Alliance. These organizations provided their view of the problems in Guatemala and identified potential companies of interest. Two meetings were held in INAB's main office in Guatemala City while three meetings were held in the regional offices of Alta Verapaz, Totonicapán and Quetzaltenango. Due to land tenure laws and cultural as well as linguistic differences, these regions were not chosen as focus points for this particular study.

Chachaklum was chosen based on direct request and advice by a representative from INAB. The enterprise has become a front runner that INAB hopes will inspire others (pers. com., Samayoa, 2014). It has established relations with government institutions and NGOs in the area and is actively searching for new opportunities. Moreover, the legal and cultural issues are clearer than for many of the other companies and regions even though Chachaklum still faces several challenges. In other words Chachaklum was found suitable for this particular study.

With respect for cultural differences, primary contact was established together with an external contact person such as a representant from INAB or Rainforest Alliance. The first official meeting with the enterprise directors took place in Rainforest Alliance's regional office in Santa Elena, Petén. The project aim was presented and accepted. The stakeholder model was used to identify potential respondents together with the enterprise directors. Since different parties might have different opinions of the situation (Rubin, 2005:68). It was found important to reach both the board of directors and other associates. By similar reasoning, it was found interesting to obtain the view of the enterprise as well as the external stakeholders to be able to illuminate their different perspectives. Mayers and Vermeulen (2002:19) also stress the importance of considering the multi stakeholder concept since CBEs directly depend on several actors.

#### **Development of questionnaires**

Two different questionnaires and interview guides were prepared prior to departure. One was directed towards Chachaklum's internal stakeholders while the other was prepared for the external stakeholders.

The guide for the internal stakeholders (see appendix 1) initially contained twenty-five questions divided into three categories that considered; 1) personal background; 2) internal aspects and 3) external considerations. The entire guide was used for the first interview with a member of the board. The general conclusion after the first interview was that the interview guide was too long. Some of the basic questions was also answered during the first interview. It became obvious that 1) the smallholders do not have security for their plantations; 2) Chachaklum is not certified; 3) the enterprise does not have machinery. The production process was also described during the first interview why the question regarding this matter was only considered once more. During the meetings other additional questions came up. The questions that were deleted and the additional questions used for the analysis and conclusions of this study are presented in table 4 below.

*Table 4. Questions added to and extracted from the initial associate questionnaire.*

<p><b>Questions added to the initial interview</b></p> <ol style="list-style-type: none"> <li>1. Do you perceive that Chachaklum works well or does the enterprise have some problems?</li> <li>2. How did you motivate the smallholders to become associates?</li> <li>3. What would happen if a key person terminates his post (mainly referring to the president and the consultant). Is there someone within the enterprise that would be able to fill it?</li> <li>4. When will the associates be able to receive benefits from their shares</li> <li>5. How do you think that Chachaklum could function better as an organization?</li> <li>6. How have the middlemen reacted on the establishment of the enterprise?</li> </ol>
<p><b>Questions removed from the initial interview guide</b></p> <ol style="list-style-type: none"> <li>7. How you get your products to the place of sales?</li> <li>8. Who provides you with machinery for your production?</li> <li>9. How would you define your relationship?</li> <li>10. Is the business certified, if yes, which certification, what are the demands?</li> <li>11. Do you plan to invest in your production in a near future?</li> <li>12. If yes, what are your plans?</li> <li>13. Do you have insurance for your production? If, not why? Background, external</li> </ol>

The question regarding investment plans was approach even though the particular question was often not asked. Due to these understandings, the questions were not directly considered during the remaining interviews. Not all the respondents answered all the questions. This was at times due to misunderstandings regarding the purpose or interpretation of a question. Other times answers were not provided since the respondent did not have any answer, or preferred not to share his/her answer to the particular question. The last four questions concerned stakeholder influence. These appeared to be the hardest questions to answer, especially for the associated that were not members of the board.

Since the group of external respondents was heterogeneous, the interviews took different forms. The external stakeholder questionnaire presented in appendix 2 was used for interviews with CATIE, INAB, Rainforest Alliance and Banrural. Prior to the interview with the regional INAB representative, several meetings with central INAB representatives had been held which affected the interview in order to obtain additional information. Removed and added questions are presented in table 5 below.

*Table 5. Modifications of external stakeholder questionnaire*

<p><b>CATIE Questions removed from the initial interview guide</b></p> <ol style="list-style-type: none"> <li>1. How would you describe the ministry's policy towards the private sector?</li> <li>2. What solutions do you see for current problems within Chachaklum?</li> </ol> <p><b>CATIE Questions added to the initial interview guide</b></p> <ol style="list-style-type: none"> <li>3. What impact do you think that Chachaklum may have in Petén?</li> <li>4. For how long do you plan to support Chachaklum?</li> </ol>
<p><b>INAB Questions added to the initial interview guide</b></p> <ol style="list-style-type: none"> <li>1. When do you believe that Chachaklum will function as an independent organization?</li> <li>2. What weaknesses do you find determinative for Chachaklum?</li> <li>3. What local impact has Chachaklum generated?</li> <li>4. What are INAB's plan for the future of Chachaklum?</li> </ol>
<p><b>BANRURAL Questions added to the initial interview guide</b></p> <ol style="list-style-type: none"> <li>1. How would you define your relation to Chachaklum?</li> <li>2. What do you think about the general idea of Chachaklum?</li> </ol>

The entire interview guide was used for the interview with Rainforest Alliance. The external stakeholder guide was also used as a basis for interviews with the clients, Alianza Estratégica and Inversiones Valleverde. The client guide is presented in appendix 3. The smallholder interview guide was used as a basis modified to fit interviews with Chachaklum's employees. This since socio economic data was considered important and interesting. Appendix 4 provides the interview guide created for the employees.

## **Interviews**

All respondents except Alianza Estratégica were interviewed during personal meetings. These meetings took between half an hour to two and a half hours. Alianza Estratégica answered the interview guide over e-mail. Pen, paper and a recorder were used during the interviews and meetings. Even though the respondents might have provided limited answers due to the use of the recorder (Bryman, 2008:451), the tool was found important as a measure to avoid memory mistakes and to facilitate smooth dialogue. A copy of the questionnaire had been printed on forehand and was offered the respondents prior to the interviews.

Prior to the interviews contact was established by phone, e-mail and/or prior personal contact. Ethical considerations such as voluntary participation stressed by Robson (2011:200) were approached by; 1) attending enterprise reunions and ask and smallholders for the permission to conduct an interview in their home environment; 2) e-mail and phone contact ask for interviews with external stakeholders. Out of the twenty-two interviews, twelve were conducted during the first personal meeting. For the respondents to feel comfortable, it became custom to visit the plantations or to have a small chat with curious family members. The respondents were also provided an oral presentation of the project and a copy of the questionnaire. To offer the printed copy was a delicate matter since literacy levels differed between respondents. While some respondents were completely illiterate and intimidated by the situation others were apparently proud by being able to prove their capacity. Before initiating the interview, permission was asked to record it. None of the respondents objected. Personal questions regarding income specifications and sexuality were intentionally avoided. The women equality question had not been seen as a priority for the study but since the question was approached during an enterprise reunion on April 2<sup>nd</sup>, the question was from time to time discussed during the visits.

Due to illiteracy, the transcription of the interviews had to be precise and thereafter translated. The transcription was done with the help of a native Spanish colleague. The different answers for each question were then collected and compared as summary was written. As the colleague also attended the interviews, answers and summaries were discussed between parties. The respondents that use e-mail, mainly the INAB representatives and NGO representatives were asked to reassure that the understanding of the content was correct. The validation was done over e-mail when possible. Mobile phones were also used in order to reassure missing or unclarified answers. In the case of the illiterate smallholders, the direct transcription was considered sufficient.

Since personal values of the interviewer may affect the research questions (Robson, 2011:219), caution was taken to not intrude on personal viewpoints such as questionable ethical behavior. In a similar way, the answers might have been dependent on the communication between the interviewer and the respondent. The age of the author as well as the nationality and appearance might also have affected the answers (O'Muircheartaigh and Campanelli, 1998:76).



### 3.4 Complications

First things first; the field study encountered fewer complications than expected. The great interest from the enterprise as well as regional and national government agencies facilitated the process as information was willingly provided. Meeting with NGOs and government agencies created a good base and contact network. An overview of the conducted interviews and reunions are presented in table 6 and 7 below.

*Table 6. Overview reunions*

<b>Reunions</b>	
<i>Date, Place</i>	<i>People/Institutions Present</i>
2014-03-21, INAB G. City	Samayoa Alvaro, Wilfredo Villagran, Antares Bermejo
2014-03-25 INAB G. City Quezaltenango	Wilfredo Villagran, INAB, Rainforest Alliance, Antares Bermejo
2014-04-02 INAB G. City	Samayoa Alvaro (INAB), Rodolfo Cardona, Antares Bermejo
2014-03-31 Burger King Santa Elena	Grijalva Donald (Chachaklum), Martinez Marwin (INAB)
2014-04-01 R.A. Petén	Chachaklum board of directors, representants Madera Justa (COPAIDE), Antares Bermejo
2014-04-02 San Francisco	Enterprise reunion, 15 associates + CATIE, Anna rep. Carmelita, Antares Bermejo
2014-05-04 San Francisco	Chachaklum 19 representants, CATIE, Chachaklum's external accountant, government representative (CONSIG), Antares Bermejo

*Table 7. Overview interviews*

<b>Date</b>	<b>Meeting/Person Interviewed</b>	<b>Interview Form</b>
2014-04-21	Samayoa, Alvaro, Director of Industry and commerce, INAB	personal meeting
2014-04-01	Pan, Abelino, vice-president Chachaklum	personal meeting
2014-04-02	Ramírez, Juan, associate Chachaklum	personal meeting
2014-04-02	Cambranes, Jenifer, socio Chachaklum	personal meeting
2014-04-02	Cambranes, Carlos, Presidentt de Chachaklum	personal meeting
2014-04-03	Melendres, David, Vocal de Chachaklum	personal meeting
2014-04-03	Girón Medina, Audelino, associate Chachaklum	personal meeting
2014-04-03	Beltrán, Saul, vocal Chachaklum, personal meeting	group meeting
2014-04-03	Gonzalez, Jesus, vocal Chachaklum	group meeting
2014-04-03	Avila, Alejandro, associate and expresident Chachaklum	personal meeting
2014-04-03	Luna, Florentino, associate Chachaklum	personal meeting
2014-04-03	Romero, Juan José, secretary Chachaklum	personal meeting
2014-04-11	Grijalva, Donald, associate and consultant of Chachaklum	personal meeting
2014-04-25	Castellano, Ermes, Gerente de Banrural	personal meeting
2014-04-25	Adonai, José, owner Inversiones Valleverde	personal meeting
2014-04-25	Martinez, Marwin, Regional director INAB	personal meeting
2014-04-25	Bautista, Rudy, Asistente Técnico forestal CATIE	personal meeting
2014-04-29	Salvador, Guadalupe, Mayor of San Francisco municipality	personal meeting
2014-04-29	Gonzalez, Lorenzo, Employee Chachaklum	group meeting
2014-04-29	Lisianez, Cristian, Employee Chachaklum	group meeting
2014-05-01	Mussack, Mike, General Manager Alianza Estratégica	e-mail interview
2014-05-01	Cruz Bolainos, Jorge Luis	personal meeting

The tables above illustrate the chronological order in which the study took place. The first reunions provided background information and served to identify the subject of interest while the last served to complete the picture. Cultural challenges regarding how to approach a meeting was one challenge to be noted. Guatemalan and Swedish time perspectives are somewhat different. Invites and meetings were several times changed, postponed or prolonged. Due to this, a day to day approach towards work hours had to be embraced. These same cultural differences also facilitated the study as the associates and board of directors were free to schedule interviews at almost any time of the day.

Language difficulties were also noted due to different mother tongue of interviewer and respondent. Interpretation problematic and misunderstandings were therefore harder to overcome than if both parts would have had the same mother tongue. The recorder was proven essential to overcome such problems as well as repeating questions. The greatest facilitator was though a native Spanish speaking colleague that explained the more complicated questions as he was well introduced to the study. This was the most helpful for the explanation of questions regarding stakeholder power balances.

Some interviews proved more difficult than others mainly since it was hard to distinguish the respondent's personal view as the respondent did not seem to value his/her own opinion but merely referred to someone else. This was mainly the case during interviews with associates that were lower educated or had little business experience.

### 3.5 Trustworthiness

The concepts of validity and reliability are closely related (Bryman, 2008:153). The validity of a study deals with how appropriate and sensible the research questions are and whether the approach to solve the research questions is appropriate for the particular situation (Robson, 2011:85; Bryman, 2008:151). The researcher is to question whether the findings are correct or if mistakes and misunderstandings have appeared that will affect the outcome of the study (*Ibid.*). By asking experts in the field of research, one can enforce the face validity of the selected measure (Bryman, 2008:152). The reliability of a study concerns the possibility to obtain the same results if the study was repeated once more (Robson, 2011:85). The concepts mostly concern quantitative studies as the tools and objectives measured may fluctuate and or change over time. Similar criteria have been developed for qualitative studies where trustworthiness may be measured by the study's credibility, transferability (identified as generalizability by Robson, 2011:91), dependability and conformability.

The credibility of a study concerns the quality of the research practice and the level of correct understanding that the researcher is able to achieve by the study (Robson, 2011:93). The credibility may be increased by member validation where only trustworthy sources are sought for and considered or by triangulation, the use of different research methods in order to reach results.

Different methods were used in order to enhance the credibility of this study. The answers given by the associates were compared to each other. In the case one respondent had an idea very different from the other answers, and the reason for this idea was known, the reason was taken into account in order to not use the wrong idea for an analysis. Since the other stakeholders were represented by a single respondent, the type of comparative validation of answers was not possible for their answers. Instead, the answers were compared to the answers given by the other stakeholders. In the case that a stakeholder provided answers that were controversial from the other respondents, the questions were asked again during or after

the interview. Since most of the associates had provided their answers before the other stakeholders did, their answers were used as a frame of reference. It is also assumed that some of the external stakeholders such as the Alianza Estratégica, the mayor and Banrural provided positive answers since they expected Chachaklum to take part of the results..

Transferability refers to the possibility of using the data for other cases as well (Bryman, 2008:377-379). Low transferability insinuates that the result is only interesting and valid for that particular case while high transferability implies that it is also useful for other studies. Dependability considers the auditing approach of the data collection and involves record keeping of the research process. It could be closely related to the final credibility criteria conformability, which refers to the objectivity of the researcher. Although detailed auditing might be time consuming, structured auditing of the process means that the researcher's objective approach is easier to prove if questioned (*Ibid.*).

The transferability of this study is considered quite high since the aim with the study is to figure out whether Chachaklum's model is effective or not. Although several of the results were proven to be site specific the inclusive business model itself could be used in order to setup similar CFBEs. This study identifies success factors and challenges that could be sought for in other places around Guatemala as well. Since there are few similar cases in Guatemala today, it is assumed to be difficult to use the study method on other CFBEs. It would though be possible to use it for similar cases outside the country or in order to analyze other enterprise models as well.

This study considers a lot of research material upon which the conclusions were drawn. All the official interviews and reunions were recorded and transcribed. The off-record material consists of comments during informal gatherings with stakeholders. This type of material has probably affected the outcome of the study by strengthening or contradicting the interviews. In both cases, the off-record material is assumed to have had an effect on the results.

Since the interviewer did not know the respondents nor the society or the NGO's from before, it can be stated that this particular study was initiated to be independent on subjective goals. In other words, the interviewer had nothing to win on providing positive or negative results. In that way it is an external analysis. It should though be stated that the final results might have been affected by over time an increasing personal interest in the wellbeing of Chachaklum. Even though almost all the data used was saved onto a recorder, the interviewer's attitude towards the honesty of some the respondents might have come to be more suspicious towards the end of the study.

Authenticity refers to the political approach of the study (Bryman, 2008:379-380). It considers the degree of fair representation of respondents, the ontological authenticity that improves the respondent's understanding of the situation and the educative authenticity to create mutual understanding between participants. It also includes the project's catalytic ability to promote action and engagement. Finally, the tactical authenticity of the project should consider whether the study approach has empowered the participants in future actions.

It is believed that the respondents' received different benefits during the meetings. Some of the external stakeholders such as the INAB representatives' received information about the study beforehand and meetings had also taken place, prior to the interviews. The board of directors' obtained a PowerPoint presentation with follow up questions and the CATIE representative was provided information during earlier meetings. All except one of the

interviewed smallholders were present on the reunion on April 2<sup>nd</sup> and voluntarily signed up for the interviews. Their understanding for the project and the subject of matter was enhanced by the reunions and gatherings as well as during discussions prior to and after the interviews. Solely the mayor, the Banrural representant and one smallholder were interviewed based on short introductions since these interviews were conducted by catching an opportunity.

Since some of the questions were answered by comments such as “*When one has never thought about it, one does not know*” (pers. com., Girón, 2014), it can be assumed that the associates started consider new dimensions of the enterprise and their position within. It is also thought that the discussions with the manager and the board of directors created mutual understanding and a base from which challenges and possibilities were discussed. INAB and the NGOs are hopefully satisfied with and able to make use of the external analysis.

## 4 Empirical Background

*This chapter aims to provide the reader with background information to the empirical study. Since Chachaklum does not function in a vacuum of teoretical principles, practical information is presented. The complexity of the problem is illustrated by presenting national, regional and local data that affect the environment to which the enterprise has had to adapt.*

### 4.1 Guatemala's forest sector

Guatemala is located in the northern part of Central America. It borders to Belize and Mexico in the north and to El Salvador and Honduras in the south. The large amount of mountains and volcanos form a variable landscape with diverse climate and geography. As a result of differences in altitude, the average temperature in the lowlands is 27° C while 16-21°C on the mountain valleys (FAO, 2014:1). Cool highlands, semi dry savannah, tropical jungle and fertile coastlines offer different possibilities as well as difficulties for smallholders. The country is for example affected by tropical storms and hurricanes that cause great damages (Ruralpovertyportal, 2014:1). The forest sector is going through a positive change were the government favors more species than merely caoba and cedar (pers. com., Cruz, 2014). There are several incentives for forest plantation but they are not sufficiently organized. Even though there is much primary production that is starting to provide results, the industrialization process is still poorly developed and struggles with old and inefficient equipment (*Ibid.*). There are also few supporting financial instruments that provide support to industrialization. Small organizations such as Chachaklum are in the need of organizational support and that financial incentives tend to be short-term rather than long-term incentives.

The Guatemalan forests are primarily managed by two independent government agencies The Council of Protected Areas (**CONAP**) and Guatemalas National Forest Institute (**INAB**) (Sifgua, 2014). The work of these agencies may overlap as they manage funds for conservation and protection of forests. In their decisions they do also have to consider the National Environmental Commission (**CONAMA**) and the Environmental fund (**FOGUAMA**) which deals with environmental rehabilitation though financing mechanisms as well as various service payments funds such as water funds and wildlife protection funds (Van Dijk and Savenije, 2009:53). Finally, there are also local government funds managed at municipal or local levels. The outcome and focus of these funds depend on specific interests of the different communities which in turn depends on agreements with NGOs and other institutions.

INAB works for the protection, control and regulation of the forests (INAB, 2014). This is done by minimizing deforestation, promote reforestation by improving agricultural practices and improve productivity. It also intends to support forestry business by incentive programs that aim to support sustainable livelihoods in rural areas. Meanwhile it also aims to protect endangered species and conserve natural ecosystems. INAB also manages the country's Forest Incentives Programme (PINFOR). The programme was initiated in 1997 with the aim to stimulate forest planting. The \$350 million programme and will be carried out until 2016 and is an important part of the National Forest Programmme. INAB takes care of technical and legal aspects, the Ministry of Public Finance manages the dividend of funds. In that way INAB never has to treat with actual money transfers (Van Dijk and Savenije, 2009:54).

## 4.2 Petén and San Francisco

Guatemala has a large indigenous population with 23 different ethno-linguistic groups, many from Mayan heritage (Ruralpovertyportal, 2014:1). With a population of 13.6 million inhabitants and a total land area of 108,889 km<sup>2</sup> it is the most densely populated country in Latin America (*Ibid.*). The country has been politically stable since the 36 year long civil war, which came to an end in 1996 (FAO, 2014:1).

Petén is Guatemala's largest region. About 50% of the region is covered by exclusive coniferous forest and in the past farmers migrated to the area in order to make a living of the wood (Junkin, 2007:39). However, the dream of getting rich from the Petén forests did not become reality. The region struggles with forest fires and illicit trafficking of endangered species. As the state of the regions forests is worsening, sustainable practices are becoming a core issue to deal with for the foresters in Petén. Neighbour groups have joint forces and created cooperatives to acquire legal rights of forest management in their communities.

According to INE (2011:9) 13% of Guatemala's population lived in extreme poverty while 41% lived in Non-extreme poverty. INE (2011:8) defines extreme poverty to the ability of being able to afford a food basket of alimentation for daily nutrition needs. Non extreme poverty also includes the ability to pay for basic social services (*Ibid.*). This means that 46% were considered non poor (INE, 2011:9). In 2011 extreme poverty meant an annual income of 4380 QGT (3940 SEK or less). Non-extreme poverty meant an annual income of 9000 GTQ or less (INE, 2011:9). Considering annual inflation of the QGT this refers to annual incomes of 3940 SEK and 8095 SEK (Trading Economics, 2014). In Petén 16, 25% of the population was considered to be extremely poor while 49, 42% was considered not extremely poor. In total 66% of the population in Petén were poor (INE, 2011:9).

According to the municipal development plan (**MPD**) written in 2010, San Fransisco municipality consisted of 1941 families and a total population of almost 9000 inhabitants (Penados *et al.*, 2010:11-12). Almost 12% were illiterate which is a lower percentage compared to average in Petén (Penados *et al.*, 2010:20). Women represented 12, 3% of the work force and 21 persons had a university degree (Penados *et al.*, 2010:35).The inhabitants tend to be tranquil and passive (pers. com., Martinez, 2014). The average monthly salary in today's value was 1,400 GTQ (1191 SEK) and there was poor connection with external markets (Penados *et al.*, 2010:33). The majority of the inhabitants were smallholders dedicated to agriculture and cattle farming or small shops such as bakeries, artisanal work or dairy production for the local market (Penados *et al.*, 2010:41). Since there was no specific industry in the municipality, the MPD highlights the positive economic effect that the forest incentive programs have provided (Penados *et al.*, 2010:33).

About 40% of the land area is owned by the municipality (Penados *et al.*, 2010:25). The accessibility to potable water is 88% and the municipality highlights the scarcity to be a challenge to deal with (Penados *et al.*, 2010:23). As in the rest of Petén the once diversified forest covered vegetation has disappeared to give room to cattle farming and agriculture (Penados *et al.*, 2010:28).

## 5 Empirical findings

*This chapter provides the reader with the empirical findings. It begins with the history of Chachaklum and follows by a brief introduction to the production process and the functions of the enterprise. The second part of this chapter introduces Chachaklum's stakeholders.*

### 5.1 Chachaklum

Even though the smallholders had been more or less organized they all had several challenges in common. The plantations were all quite young (2-13 years old) and poorly managed, why the extraction did not bring much income (INAB, 2011:R.F.Chachaklum). The geographical isolation of San Francisco was a problem for the smallholders in the region as they had little access to markets and infrastructure services (Junkin, 2007:38). Since the smallholders lacked vehicles to transport their products and as most of the plantations were not accessible during the rainy season (mid-May to mid-October) when the demand is the largest, the farmers might be unlucky to not be finished before rainfall and thereby be left with destroyed products. In other words, it was an ideal setup for the middlemen to set their own rules and take advantage of the situation (GFP, 2014:2; Junkin, 2007:39).

#### 5.1.1 A new enterprise

Chachaklum was materialized through communication with NGOs and INAB (pers. com., Martinez, 2014). The idea was to gather the wood into large volumes before interacting with the market in order to strengthen the smallholders' bargaining power and become interesting business partners as a mean to secure income (GFP, 2014:2). At the startup of the project there was a general idea of making the municipality an associate so that it would be more involved in the process (pers. com., Cambranes, C., 2014; Romero, 2014). Due to political changes, this did not become reality why the enterprise functions as an independent organization (pers. com., Romero, 2014). The final decision to create a shareholding enterprise was taken after considering cooperative and community enterprise setups and the determining reasons were mainly practical (pers. com., Samayoa, 2014). The NGOs supported Chachaklum by; 1) organization and facilitation of meetings, inventory of raw material, fact sheet elaboration and identification of products and markets (GFP, 2014:4). Since the establishment of the enterprise NGOs such as Rainforest Alliance and Centro Agronómico Tropical de investigación y enseñanza (**CATIE**) have continuously supported the enterprise with capital investments, business management training and capacity technical backstopping.

Chachaklum was founded in the spring of 2011 with the support of the NFP Facility and Growing Forest Partnerships (GFP, 2014:2). Thirty shares were offered for 500 GTQ (425 SEK) each but not all of the smallholders decided to become associates. Some bought one share as a group with one representant why Chachaklum consists of thirty direct associates plus indirect associates.

Today, the smallholders collectively manage more than 750 hectares of productive forest (pers. com., Bautista). The plantations are dominated by tropical and rapidly growing beech (*Gmelina arborea*). *Gmelina* was found to be an interesting specie to grow since it grows rapidly and is not affected by the corruption and rapid money flow that characterize the cedar and teak markets (pers. com., Grijalva). *Gmelina* also prevents erosion and water scarceness (FAO, 2012:2). Figure 7 below illustrates Chachaklum's production process.

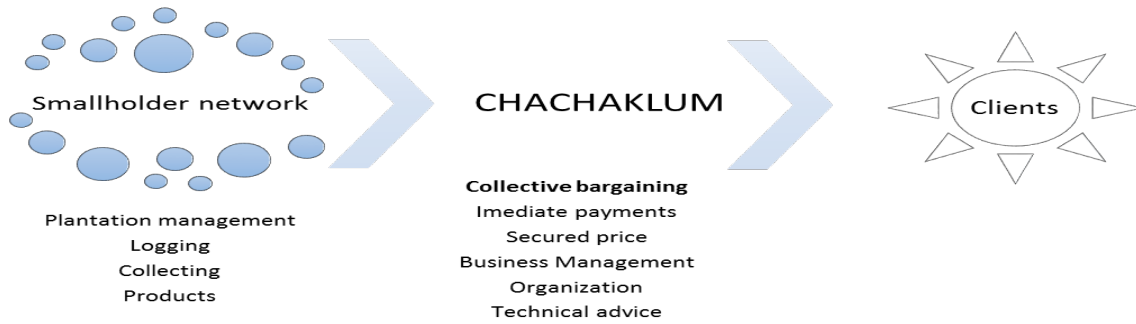


Figure 7. Value chain Chachaklum

The value chain initiates with plantations that grow for ten to thirteen years before a final cut. Smaller loggings are done every three years (pers. com., Romero, 2014). The plantations are kept clear by the use of a machete. Motor saws are used at the time of logging but the trucks are loaded by man force. It currently takes four men half a day to load a fifty cubic meters truck (pers. com., Gonzalez, J., 2014). The collection and delivery of the wood is managed by the clients. Chachaklum manages funds, contracts and the work force, provides technical assistance and communicates with the market. The bargaining with clients is done as an enterprise why the middlemen have had to accept the higher price (pers. com., Beltrán, 2014).

## 5.2 Chachaklum's stakeholders

The stakeholders identified in figure 8 below were approached in this study. Chachaklum's relation to its authorizers is discussed in the first part of this subchapter followed by the relation with its business partners. Also the customer are discussed in detail.

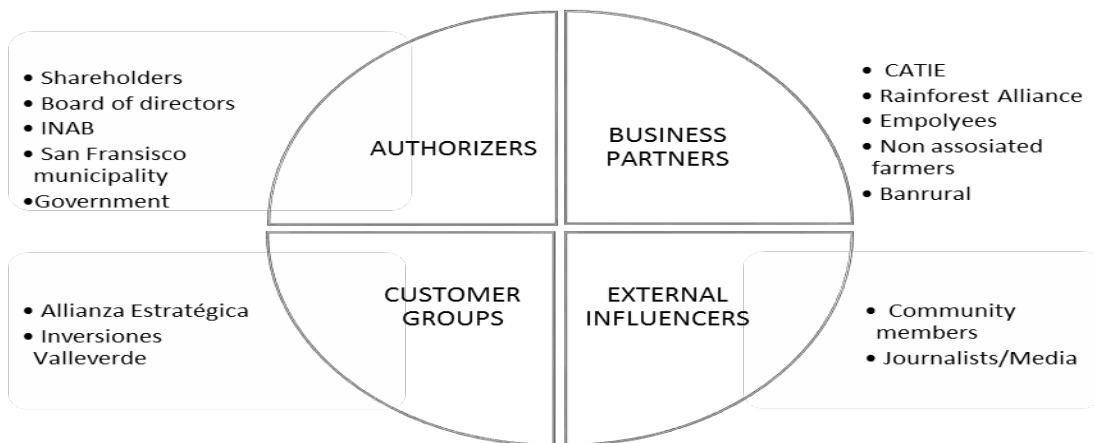


Figure 8. Overview Chachaklum's stakeholders

As the figure shows, Chachaklum authorizers are the associates, the board of directors, INAB and the government. The municipality and the mayor are displayed as one since the mayor usually makes decisions on behalf of the municipality (pers. com., Salvador, 2014). Banrural, CATIE and Rainforest Alliance, the employees and the non-associated smallholders are referred to as business partners. The customers are Alianza Estratégica and Inversiones Valleverde. The external influencers such as journalists, media and other community members presented in the figure were not directly contacted. They are however affecting and affected by Chachaklum's actions and are therefore considered by this study.



### 5.2.1 Authorizers

The associates have different backgrounds. Romero (pers. com., 2014) estimates that most of the members are farmers, 25% have higher education, 25% are professionals other types of professionals. Thereby, the initiative attracted different aspects of their lives. Table 8 presents some socio economic data about the respondents.

*Table 8. Overview socio economic data of smallholders*

<b>Respondent</b>	<b>Sex</b>	<b>Age</b>	<b>Hh. Size</b>	<b>Ed. level</b>	<b>Occupation, other income</b>
Alejandro Avila	M	51	x	x	Ministry of agriculture, cattle farming
Abelino Girón	M	63	9	Illiterate	Agriculture, corn and beans
Abelino Pan	M	53	x	some	farmer
Carlos Cambranes	M	x	7	University	Retired teacher (president)
David Melendres	M	48	4	some	Silviculture, agriculture
Florentino Luna	M	68	6	Illiterate	Agriculture, Small shop
Jenifer Cambranes	F	31	1	University	Internet café
Juan Ramírez	M	64	5	Technical	Cattle farming
Juan José Romero	M	42	5	University	Rural dev. consultant, wife also works
Saul Beltrán	M	53	7	some	Agriculture
Jesus Gonzalez	M	X	3	some	Agriculture, corn and beans
Donald Grijalva	M	33	4	University	Perito forestal, engineer

It should be noted that five of the associates are women but only one female associate was interviewed. Women are therefore relatively underrepresented in this study. The proportion of farmers and illiteracy is quite representable for real life.

INAB provides the PINFOR fund and controls that the projects are materialized. The government agency considers Chachaklum to function as an associate that is able to reach smallholders in a way that INAB, as a governmental organization is unable to (pers. com., Martinez, 2014). INAB is not able to work with each and every smallholder that has a handful hectares but can provide incentives to groups of smallholders. Chachaklum fills the function as an intermediary organization.

The municipality and the mayor approve the thinning and logging done by Chachaklum (pers. com., Salvador, 2014). The municipality also provides the majority of the land that is reforested and distributes the PINFOR incentives (pers. com., Salvador, 2014). Chachaklum and the reforestation in general are meant to provide work and positive effects on the municipality why the ceased mayor was one of the shareholders (pers. com., Salvador, 2014).

### 5.2.2 Business partners

The business partners consist of the forty-eight employees that Chachaklum provided with temporal work last year as well as this year. The employees that work with logging and loading of trucks are not provided work during the entire year but the work with Chachaklum stands for the majority of their income.

CATIE and Rainforest Alliance have provided Chachaklum with technical assistance and funding. CATIE and US Aid provide two persons that work 80-100% with Chachaklum (pers. com., Bautista, 2014). The idea is to retire and leave the enterprise to auto sustainability in 2015. One of the technical assistants is also an associate of Chachaklum.

Banrural is the bank through which funds are managed. Banrural has a positive view of the forestry sector and expects it to grow in the future (pers. com., Castellano, 2014). The relation for now is merely administration of the bank account but there might be opportunities for further operations that could strengthen the relation in the future (*Ibid*). The manager shows a trivial interest for Chachaklum.

### 5.2.3 Customers and external Influencers

The main customer Alianza Estratégica buys ninety percent of the produce (pers. com., Pan, 2014). Alianza Estratégica has 109 providers and Chachaklum contributes to less than one percent of Alianza Estratégica's need (pers. com., Mussack, 2014). Chachaklum held dialogue with several potential clients but Alianza Estratégica was considered the best option since it was able to pay cash within a day. It was considered an advantage for Chachaklum since it has to pay the employees each week (pers.com. Grijalva, 2014). Chachaklum considers the relation to be of mutual dependence since few companies are able to produce volumes as large as Chachaklum (pers. com., Grijalva, 2014). Alianza Estratégica would prefer stable delivery throughout the year in order for Chachaklum to become a more interesting business partner (pers. com., Mussack, 2014).

Inversiones Valleverde's carpentry business was initiated four years ago and produces bee hives made of *Gmelina* for the regional market (pers. com., Adonai, 2014). The business is currently flourishing and has six employees. Much of Inversiones Valleverde's success is thanks to what is considered a symbiosis with Chachaklum (*Ibid*).

*"The existence of Chachaklum is a great benefit for me. In case it would stop to exist it would have a very negative influence in my business. I would have to search for prime material in other places and pay high prices to intermediaries"* (pers. com., Adonai, 2014).

The citation refers to the Inversiones Valleverde's dependence on the wood that it receives from Chachaklum. Prior to Chachaklum Inversiones Valleverde had difficulties finding material for its production and the production was about to shut down due to the lack of wood (pers. com., Adonai, 2014). Adonai considers the future existence of Chachaklum as determinative for the future of his own business and has a positive view of the future collaboration as shown by the comment below.

## 5.3 Sustainability areas of concern

This subchapter is divided into the five sustainability areas of concern mentioned by Lecup (2011:13). The different perspectives of Chachaklum's stakeholders are presented. Focus is on the stakeholders that are considered the most salient for the different sustainability areas.

### 5.3.1 Economy and finance

The smallholders mention economic benefits such as increased income and secured demand for their products as important motives to join their forces. The expectations for the future are high even though Chachaklum has not yet achieved much profit (pers. com., Pan, 2014). One technical advisor is paid directly by CATIE for technical advice. As represented by the comment below, he is also an associate.

*"At first sight it might look bad that one person is both enterprise associate and enterprise consultant but I believe that it is positive since one becomes more involved"* (pers. com., Grijalva, 2014).

The citation provides an example of Chachaklum's complex stakeholder relations. At the moment the technical advisors do most of the administrative work such as planning, bargaining with external partners, and accounting (pers. com., Grijalva, 2014; Romero, 2014). There have been some management problems but the current board works quite well (pers. com., Girón, 2014). The low capital and insecurity of cash flow are discussed by the board of directors and the secretary. There are several thoughts regarding how to obtain capital in order to invest but there are no clear investment plans (pers. com., Cambranes, C., 2014, Grijalva, 2014 Romero, 2014; pers. com., Cambranes, J., 2014). A few different solutions are proposed such as a bank loan in order to execute investment plans, strengthen relations with current collaboration partners, extend the number of projects and plantations, invest in a sawmill, direct benefits from an external source or joining forces with other communities or with the municipality. PINFOR favors the mayor.

*“The more plantations, the better for the municipality. A mayor that would not support the reforestation process would be stupid, because it would mean no more work and no more money flow”* (pers. com., Salvador, 2014).

As insinuated by the citation above, the community members and the municipality benefit by the existence of Chachaklum. San Francisco municipality receives a yearly amount of 1.500.000 GTQ (1.300.000 SEK) forest incentives since it reforests more than any other municipality in Guatemala (pers. com., Salvador, 2014). The municipality also receives a percentage of the smallholders' incomes which makes reforestation a good business for the municipality. Forest incentive programs are the development of a forest industry are therefore included in the MPD (MPD, 2010).

*“Chachaklum is a profit seeking community enterprise but at the moment it does not generate any profit.”* (pers. com., Martinez, 2014)

*“The smallholders do not understand that they do not even have the money to pay their taxes”* (pers. com., Cruz, 2014)

The citations are examples of the external stakeholders' thoughts regarding Chachaklum. INAB's regional office is highly involved in Chachaklum's development (pers. com., Martinez, 2014). There are ongoing discussions regarding product development and the regional office has also offered Chachaklum a space within its property that includes free services. Financial aid and capacity building from international organizations such as Rainforest Alliance and CATIE has improved the forest management process in order to increase future income (pers. com., Romero, 2014). Chachaklum considers the relation with CATIE and Rainforest Alliance to be very good as they provide technical expertise and capacity building (pers. com., Cambranes, C., 2014; Pan, 2014). The external stakeholders on the other hand see that Chachaklum is still strongly dependent on external support (pers. com., Martinez, 2014). The technical support provided by CATIE is due to the funding from the NGO itself. In other words, the person in charge of technical support, payments and planning of the plantations is paid by CATIE and not by the enterprise itself (pers. com., Martinez, 2014). Past management practices and poor soil have resulted in low growth and low quality (pers. com., Martinez, 2014; pers. com., Samayoa, 2014).

### 5.3.2 Institutional and legal settings

Corruption and dysfunctional legal systems are mentioned as the main causes of poverty in the region, why transparency and control within the enterprise is considered essential (pers.

com., Romero; 2014; pers. com., Melendres, 2014). Through the PINFOR programme Chachaklum provides a security for the smallholders as the municipality is unable to take the land away from him/her as long as the areas remain healthy plantations (pers. com., Cambranes, C., 2014). Due to land tenure problems and financial problems in previous organizations, Chachaklum appeared at a critical point in time (pers. com., Beltrán, 2014; pers. com., Gonzalez, J., 2014; pers. com., Ramírez, 2014). Chachaklum offered a solution to move forward at that time but the smallholders still remember the difficulties:

*“We have to be careful to not offend the mayor, because if we do he can make our existence very difficult”* (pers. com., Girón, 2014).

The citation is an example of the associates’ awareness of their dependence on the municipality. Some of Chachaklum’s smallholders own their own land but most of them work on land owned by the municipality (pers. com., Ramírez, 2014). One year contracts are preferred by the municipality in order to hinder smallholders from destroying the land (pers. com., Salvador, 2014). The contracts can be broken by the municipality in the case that the smallholder does not treat the land in what according to what is considered a sustainable manner (pers. com., Salvador, 2014). If a smallholder would want to buy the land, the process requires the plans to be approved by external evaluation. The process would thereby become expensive and earlier happenings have shown that property rights might still be ignored. One of the previous organizations was more or less forced to sell its land to the municipality without much explanation (pers. com., Romero, 2014; pers. com., Beltrán, 2014; pers. com., Girón, 2014). The motives stated by the municipality at that time were poor economic development of the organization as well as non sustainable land management.

Chachaklum intends to be a private and politically independent enterprise but with a continuous relation with the municipality (pers. com., Grijalva, 2014). There used to be obstacles but much has changed and the mayor is prepared to help Chachaklum (pers. com., Beltrán, 2014). He has offered machinery and an office so that would give work to the people in the community but Chachaklum has not accepted these offers in order to stay politically independent (pers. com., Cambranes, 2014). It is obvious though that the mayor would benefit from a good relation with Chachaklum since the enterprise represents so many people (pers. com., Romero, 2014). The enterprise is a social setting but it has to convince the smallholder network to participate in order to influence the activities (pers. com., Romero, 2014).

*“If Chachaklum would not exist, then I would have continued in my old job. It was very bad, my boss kept hiring and firing me on and off. I never knew when nor if I would get paid”* (pers. com., Gonzalez, L., 21014)

As illustrated by the citation, the employees consider Chachaklum to be a trustworthy employer as it provides contracts and pays a legal salary which is more than the employees generate from work on farms or in construction (pers. com., Gonzalez, L., 2014; pers. com., Lisianez, 2014). The employees have not received any particular education or training but state that the main benefit is the security that Chachaklum offers in terms of payment dates and salaries (pers. com., Gonzalez, L., 2014; pers. com., Lisianez, 2014). For now, the employees have not organized themselves except for a social get-together (pers. com., Lisianez, 2014).

### 5.3.3 Social and cultural aspects

Since the PINFOR initiative preferably works with groups of smallholders, some members had previously been organized in smaller groups that had been more or less dysfunctional (GFP, 2012:2). Due to their past experiences, several smallholders were uncertain of the potential benefits of entering the enterprise and some of the partners from the earlier organizations chose not to become Chachaklum associates (pers. com., Beltrán, 2014; Gonzalez, J., 2014; Luna, 2014). Most of the associates do not have experience from well-functioning organizations and did not fully comprehend the concept of cooperatively organized work (pers. com., Cambranes, C., 2014). Therefore they are unable to fully comprehend why and how they have to organize themselves and work together.

*“When one speaks about a community, it is like speaking about a bee hive. Everyone has to work and help the community, just like a bee”* (pers. com., Gonzalez, J., 2014).

*There used to be some communication problems with the old board as the associates did not receive much information, but things are improving. One example was the document presented during the last meeting that the associates knew existed but that barely none of them had read* (pers. com., Beltrán, 2014).

The citations refer to the associates’ ideas regarding Chachaklum as a social construction, which is considered one of the main benefits that the smallholders have received from being part of the organization (pers. com., Pan, 2014). Most of the communication is realized through meetings. Some meetings are open for everyone why others mainly concern the board of directors as it takes much force to gather everyone (pers. com., Cambranes, C., 2011). Decision from the board of directors is received through notes and phone calls (pers. com., Cambranes, C., 2014). By creating private shareholding enterprise that operates in a cooperative manner, the enterprise wanted to avoid some of the difficulties that affect a traditional cooperatives (pers. com., Samayoa, 2014; pers. com., Bautista, 2014). The participatory democratic decision making process does still create some managerial problems though. One such problem is the organization and active involvement of members since too few attend the meetings that are organized (pers. com, Luna, 2014).

The hopes and expectations of the general manager and the board’s abilities are high, sometimes high enough for the rest of the members to become passive as they do not valor their own ideas (pers. com., Luna, 2014). The NGOs stress that it is essential for Chachaklum to reach auto-sustainability since CATIE sooner or later will leave the enterprise (pers. com., Bautista, 2014). At that time, Chachaklum’s political independence and its ability to remain united will be essential for the enterprise’s credibility and survival.

### 5.3.4 Environment and natural resource management

Chachaklum has taken over a role that used to be governmental responsibility, to promote sustainable forest management (pers. com., Cruz, 2014). The problem used to be that there were no extension service, no market and no resources. Chachaklum has provided a market for the plantations that provides an increased value for its products and give greater returns to the smallholders. Two of the respondents mentioned increased work opportunity in the community as a reason for entering the business (pers. com., Cambranes, J., 2014; Melendres, 2014). Some also find it a measure to fight deforestation and promote water conservation since it is scarce in the region (pers. com., Romero, 2014).

*“I love nature and have always enjoyed the forest. It hurts me to see how they cut down the trees. The Guatemalan society is poor in that sense. Because the forest is there for everyone”* (pers. com., Carlos Cambranes, C., 2014)

The citation proves that the ideological idea of Chachaklum is strong and the respondents are proud to participate in its progress. The idea was considered attractive since Chachaklum is a unique form of enterprise in Petén and since it provides several benefits to the society (pers. com., Cambranes, J., 2014; pers. com., Girón, 2014).

### 5.3.5 Technology and product development

Chachaklum is currently receiving much attention and support from several directions such as CATIE, INAB, Rainforest Alliance and the municipality. The smallholders recognize that it would be a huge advantage to be able to transport the product to the buyer (pers. com., Melendres, 2014).

*“Chachaklum is a diamond but it needs to be given some glimpse of hope, so that it would know where to shine. I would describe Chachaklum as a social phenomenon that provides families with food on the table. We do still not belong to the forest industry, we still lack machinery”* (pers. com., Avila, 2014).

The citation illustrates the associates’ interest in finding value-added products. The enterprise is has applied for a government offer of a sawmill that would be provided the enterprise within a year (pers. com., Avila 2014; pers. com., Cambranes, C., 2014). Another thought is to build a house completely out of *Gmelina* and situated on the land offered by INAB (pers. com., Grijalva, 2014). Also the mayor stated that the municipality is thinking to donate a sawmill to Chachaklum so that the enterprise will be able to create value added products, gain more profit and thereby provide more work for community members (pers. com., Salvador, 2014). The NGOs tend to be more cautious and mean that Chachaklum has to be careful and not take risks that they are unable to manage (pers. com., Cruz, 2014). Many companies that are accustomed to doing simple work have gone under as they tried to change their work form (pers. com., Grijalva, 2014).

## 6 Analysis

*This chapter aims to approach the empirical findings with the theories presented in chapter two. The analysis starts by defining the stakeholders' salience while the second part approach the five sustainability areas of concern mentioned by Lecup (2011:13). The analysis also considers the specific characteristics of cooperative initiatives and CBEs as a measure to provide explanatory factors to the enterprise's stakeholder relations.*

### 6.1 Stakeholder salience

Since this study uses stakeholder management theory as analytical basis, sustainability is approached by considering stakeholder relations. Sustainability from a stakeholder management perspective can be adhered to as the degree of stakeholder satisfaction (Roberts, 2003:161-163). Chachaklum's relations to its different stakeholders are analysed and discussed below.

Definitive stakeholders have urgent legitimate claims in an enterprise and the power to enforce their claims (Mitchell et al. 1997:874). According to Roberts (2003:161-163) the authorizers possess a direct crucial power over the strategic management of the enterprise. In the case where the authorizers also have legitimate and urgent claims, they are considered to be definitive stakeholders. Especially the associates are dependent on Chachaklum's viability since they have taken a risk and are dependent upon income from Chachaklum in order to support their families. The associates are dependent on the wellbeing of Chachaklum and are therefore perceived to be definitive stakeholders within all the sustainability areas of concern defined by (Lecup, 2011:12).

Rainforest Alliance and CATIE have invested both time and money in the Chachaklum and the enterprise is to a large extent both financed and managed by them. The NGOs are assumed to have strong interest in Chachaklum's economic wellbeing as well in its social and environmental effects. They are not in the need of rapid technological development of the enterprise but need the business to be sustainable. Because the municipality authorize the farmers' rights to land and PINFOR support, its satisfaction is seen as crucial for the economic and legal viability of Chachaklum. INAB on the other hands states its urgent claims regarding the enterprise's environmental sustainability and natural resource management through the PINFOR programme. Since Chachaklum is currently dependent on their support, these stakeholders are also considered to be definitive.

The dependent stakeholders have legitimate and urgent claims but do not possess much power to affect the enterprise (Mitchell *et al.*, 1997:874). The employees are considered dependent stakeholders in this sense. Since Inversiones Valleverde, the external farmers and the community members are also dependent on the continuous existence of Chachaklum but have little power to affect it they are also considered dependent stakeholders. Alianza Estratégica, Banrural, and media do not appear to show much interest in Chachaklum at the moment why they are considered dormant stakeholders.

Peredo and Chrisman (2004:30) define a CBE as "a community acting corporately as both entrepreneur and enterprise in pursuit of the common good". Their description show some of the difficulties in terms of understanding Chachaklum. It is clear that Chachaklum is characterized by its setup and complex stakeholder relations. On the one hand Chachaklum is a private shareholding company that aims to create profit for the associates. Thereby, it is not

considered to be a social organization with merely social aims. On the other hand it does not intend to press prices but rather to increase the smallholders' income. Therefore, it is not solely profit seeking but rather a mixture of the two. Most of these smallholders are not enterprise associates. To make it even more complex, some of the enterprise stakeholders consider Chachaklum to be a tool to solve community issues rather than an enterprise. Some of Chachaklum's stakeholders such as the NGO's also play dual stakeholder roles for the enterprise. As an example, Rainforest Alliance and CATIE take on an authorizing role by funding the enterprise but also function as service providers of technical assistance. The fact that INAB offers Chachaklum a space within its own property while a technical assistant decided to be an enterprise associate, further complicates the stakeholder roles.

### 6.2 Sustainability areas of concern

This subchapter discusses Chachaklum's five sustainability areas of concern. For natural reasons, each part of the chapter mainly focus on the stakeholders that appear to be the most salient within the field. This also means that not all the stakeholders are considered. Table 9 below provides an overview of how the stakeholders are affected by and affect Chachaklum's sustainability areas of concern.

*Table 9. Summary of Chachaklum's sustainability areas of concern*

<b>Sustainability area of concern</b>	<b>Chachaklum and stakeholder influence</b>
Economy and finance	<ul style="list-style-type: none"> <li>• Access to resources</li> <li>• Enhanced legitimacy</li> <li>• Dependent on external resources and support</li> <li>• Source of inspiration</li> <li>• Creation of a positive local economic development in the society</li> <li>• Possibility for donors to enforce personal interests</li> <li>• Diversified goals, not just economic</li> <li>• Free rider and horizon problems</li> <li>• Slow decision making</li> <li>• Poor business management skills</li> </ul>
Institutional and legal settings	<ul style="list-style-type: none"> <li>• Local corruption</li> <li>• Legal security through collaboration</li> <li>• Transparency and control</li> <li>• Municipal control</li> <li>• Political independency?</li> </ul>
Social and cultural aspects	<ul style="list-style-type: none"> <li>• Improved social capital</li> <li>• Democratic decision making</li> <li>• Poor attendance at meetings</li> <li>• Slow decision making process</li> <li>• Strong belief in NGO's</li> <li>• Passive members</li> </ul>
Environment and Natural resource management	<ul style="list-style-type: none"> <li>• Ideological interest in SFM</li> <li>• Financial incentives for SFM</li> <li>• Positive relations</li> <li>• Further going SFM such as certification of business.</li> </ul>
Technology and product development	<ul style="list-style-type: none"> <li>• Prime material and non-value added products</li> <li>• Education in SFM -&gt; long term thinking</li> <li>• Sawmill(s) donated without market analysis for products</li> <li>• House as marketing purpose</li> </ul>



### 6.2.1 Economy and finance

Peredo and Chrisman (2004:37) state that economic benefit is not the sole interest of a CBE. The associates' ability to feel satisfaction for being part of a positive movement, even though they have not received personal profit agrees with the idea of a CBE. Nilsson (2001:329) means that one of the main goals for cooperative initiatives is to benefit the users. By establishing a stable price for the wood and limiting the smallholders' vulnerability towards intermediaries, Chachaklum has been successful in this aspect. However, since Chachaklum does not solely consist of smallholders' that use the enterprise for marketing purposes, the benefits should also consider Chachaklum's other users. The pro-environment associates reach their environmental aims such as reforestation of open areas. In the case the NGO's, are considered users, Chachaklum has also been able to benefit these since it serves as a tool to fulfill goals such as rural development and enhanced SFM. Through a even broader perspective Chachaklum has also provided benefits for INAB, employees, customers, community members, non identified stakeholders and the earth with benefits by providing income and preventing deforestation.

Traditional cooperatives often phase financial challenges such as free rider and horizon problems (Chaddad and Cook, 2004:358, Nilsson, 2001:353). The associates' different ideas about the future core in different levels of risk adverseness (pers. com., Avila). As a result they remain stuck in a passive state with multiple ideas that lead nowhere until offered direct government support for investment. Chachaklum is also affected by the duality of maximum benefits to investors' contra maximum benefit to society since it is a private shareholding enterprise that also works for the benefits of the municipality. This struggle could be compared to the free riding problem discussed by Chaddad and Cook (2004:358) where one member benefits from the investment made by another member without sharing the risk of investment. In this case the term member could refer to a member of the enterprise or to a community member.

Lecup (2011:12) mentions the high risk for CBEs to cease when external support is withdrawn. The fact that the associates are unconcerned about their dependence on the NGOs may relate to their poor experience of business management or an overconfidence in the business. The NGOs' concern regarding the future of the enterprise might in the other hand be a response of too much knowledge and experience from failed projects. Even though a large group of smallholders has increased possibilities to get access to resources (Lecup, 2011:16), a large group does not assure that resources are properly used. The fact that INAB offers a space within its own property shows strong hope for Chachaklum but could also be viewed as a sign of INAB's concern regarding the vulnerability of the enterprise. The same concerns that are shared by CATIE and Rainforest Alliance.

The reforestation trend provides both social and financial benefits. Communities with little unemployment imply high life standards and are considered attractive (Mayers and Vermeulen, 2002:14). A community that depends on a sole source of income is assumed to be more vulnerable than one that depends on a portfolio of income generating sources (Bass *et al.*, 2001:21). Chachaklum is not the only enterprise in San Fransisco (MPD, 2010) but its size implies that it has a significant effect on the employment rate and money flow in the municipality. Although Inversiones Valleverde buys part of the production, Chachaklum's dependency on Alianza Estratégica must be considered a risk. If the collaboration would terminate, Chachaklum has to find a new agreement that includes transportation of wood. Eventhough it would be inconvenient, the produced volume makes Chachaklum an interesting

business partner why it is likely to find new buyers. As long as the smallholders stay united, they remain with such large scale benefits.

Mayers and Vermeulen (2002:14) mean that a successful CBE can function as a source of inspiration for other communities and individuals in the region. In the long run, the money flow can improve infrastructure and local economic development to create a beneficial environment for the rise of new enterprises. This vision appears to be shared by Chachaklums' stakeholders. Smallholders as well as INAB, the municipality and support organizations mentioned increased work opportunities and life standards in San Francisco as one of the main goals with Chachaklum (pers. com., Romero, 2014). The relation that Chachaklum has with Inversiones Valleverde is a concrete example of this phenomenon (pers. com., Adonai, 2014).

### 6.2.2 Institutional and legal settings

When representing a large group, a single smallholder can gain increased legitimacy and credibility in the eyes of the authorizers (Nilsson, 2001:353; Peredo and Chrisman, 2004:23). According to INAB's requirements, joint forces between smallholders were crucial for the smallholders in order to obtain the PINFOR incentive (GFP, 2012:2). Modern development incentives aim to support entrepreneurial activities that consider the long term viability (Bass *et al.*, 2001:18). Since PINFOR itself focused on the plantation of forests, but lacked the ability to promote sustainable forest management, Chachaklum can be seen as a mechanism that promotes SFM and provides long term viability to the PINFOR incentive. The enterprise has thereby managed to fulfil parts that PINFOR is unable to. The benefits offered by INAB strengthen this theory. As long as Chachaklum serves INAB's purpose and promotes SFM, INAB is not likely to complicate Chachaklum's existence but is rather expected to continue supporting the enterprise. Although, from a political perspective, it might be difficult for INAB to explain why it provides a private, profit seeking enterprise with free services. It might have been easier if Chachaklum would have been a non-profit organization.

Uncertain property rights are considered a limiting factor in markets with poor respect for the rule of law (Larson and Ribot, 2007:11; Southgate *et al.*, 2000:2001). Nilsson (2001:353) and Tracey *et al.* (2005:327) do however imply that CBEs can be used as a measure to transform power relations. Chachaklum is clearly dependent on a good relationship with the municipality to obtain access to land (pers. com., Grijalva, 2014). The associates' concerns are considered rational based on earlier experiences where their property rights were ignored. The facilities offered by the municipality but neglected by Chachaklum implies that the collaboration has strengthened the smallholders' bargain position. Earlier experiences must yet be considered why the need to rent municipal land is considered a risk factor for the enterprise. As long as the land remains municipal property, Chachaklum has to avoid problems with the municipality and the mayor.

Larson and Ribot (2007:14) state that when two parties enter an agreement, the stronger party will have to be favoured in way or another. Power relations are though dynamic and transferable and parties might gain and lose their power over time (Mitchell *et al.*, 1997:865). Since Alianza Estratégica buys almost all the wood, the relative dependence of the companies insinuates that the initial agreements provided benefits for Alianza Estratégica. Two years ago, Chachaklum had not yet proved its trustworthiness. The great number of direct and indirect members in a CBE does however increase the possibility to gain trust and access to resources (Tracey *et al.*, 2005:335). It is therefore assumed that Chachaklum's was considered an interesting business partner due to its size and collaboration with strong business partners.

### 6.2.3 Social and cultural aspects

CBEs are often used as a measure to transform power relations but the complexity of CBEs provides multiple hazards (Tracey *et al.*, 2005:327; Bass *et al.*, 2001:18-19). Among others, Chachaklum struggles with the duality of democratic control contra efficiency. The democratic decision making process creates the same slow decision making process as several other cooperative incentives. In order for associates to be active, they need to have access to material and meetings and feel that their opinion is respected (Senecah, 2004:14). If not engaged in the initial decision making process, the associates can lose their sense of ownership of a business (Lecup, 2011:12). The high hope and trust that the associates put on the board creates a positive environment but little action (pers. com., Luna, 2014). Although the board creates possibilities, the decisions still have to be approved by the associates. The passive associates thereby slows down Chachaklum's decision making process and ability to react on market changes. The slow decision making process might be due to several reasons. Firstly, the passivity might be explained by the society's social construction. The poorest associates' either do not value their own ideas, as in the case with some of the respondents in this study, or feel that their ideas are not seriously considered by the ones with higher education. Secondly, since Chachaklum was setup with the help from NGOs it may have led to a sense of lack of ownership which displays in poor participating in meetings today. If the associates' ideas are not or have not been seriously considered at an earlier stage, they might still lack sufficient motivation to attend.

Larson and Ribot (2007:14) state that the setup of an organization is determinative for its success. A CBE's competitive strengths lie in its social embeddedness with a complex diversity of skills and commitment (Tracey *et al.*, 2005:341; Bass *et al.* 2001:18). Chachaklum's popularity among donors might be explained by its inclusive approach that involves smallholders as well as business men and technical consultants. However, the composition of associates also results in spread objectives, why they have been unable to agree on common goals (pers. com., Avila, 2014). Martinez (pers. com., 2014) mentioned that the people in San Francisco have traditionally had a passive approach towards their income generation why it can be assumed that the associates expect things to improve just because they have created an enterprise. It might be that this passivity has been transferred to Chachaklum. Another possible explanation is that the enterprise's struggle to satisfy all the stakeholders and meanwhile stay politically independent, results in confusion among the associates.

Social capital is essential for the economic development of a society and CBEs can increase the ability to solve collective community issues (Elkington, 1999:51; Ostrom, 2000:154). Since Chachaklum offers the same price for the wood to associates as to non-associates, the smallholders in the municipality benefit from increased income and secured payments (pers. com., Grijalva, 2014). In other words, they are not excluded from the benefits created by the enterprise why Chachaklum obtains enhanced social embeddedness in the municipality. Even though Chachaklum's remains dependent on goodwill from the mayor, he is dependent on the many votes that the enterprise embodies. The votes do not only include the associates, but also the non-associated smallholders that sell their wood to Chachaklum, employees with family members and others that depend on Chachaklum for their survival.

#### 6.2.4 The environment and natural resource management

Long term investments in SFM are not the logic step to take for poor smallholders (Van Dijk and Savenije, 2009:11). The ideological thoughts the associates share regarding SFM do thereby not agree with the general view of smallholder forest practices. Even though some of the associates did share the environmental interest before entering the enterprise CATIE and Rainforest Alliance have been involved in the education of smallholders for a long time. Due to the belief that the associates have in the technical assistants, the NGO's are assumed to have had a strong influence in the associates' attitudes. Therefore, CATIE and Rainforest Alliance are assumed to have affected the social goals and the interest that Chachaklum's associates express regarding SFM.

According to the findings of this study the customers, the bank and the community members appear to pay little attention to environmental concerns. Poor education and management support, leads to poor management of the forests which means poor economic benefits and thereby also poor incentives for investment (Van Dijk and Savenije, 2009:11). The smallholders' choice of the rapidly growing *Gmelina* tree is considered to be a compromise between the government's long term perspectives of forest regeneration and the smallholders' need of continuous income.

#### 6.2.5 Technology and product development

Education and knowledge sharing are important reasons why farmers join forces but cooperative initiatives often struggle to finance capital investments (Nilsson, 2001:353). . Even though the education and management planning that Chachaklum provides the associates have resulted in higher incomes, the associates are clearly interested in finding value added products as a measure to further improve Chachaklum's profitability (pers. com., Avila, 2014). Although, the current business setup with Alianza Estratégica benefits Chachaklum, the current situation also makes Chachaklum dependent on investment in trucks might benefit the Chachaklum in the future. In the case that Chachaklum would be able to offer transport of its goods or even start to create value-added products, the enterprise would be able to provide more employments and increase its profit.

The several possible solutions mentioned by the associates' show diversification within the company but also anxiousness regarding the current situation. Lecup (2011:43) states that CBEs that are provided direct financial support may make unthoughtful investments. The potential sawmill is considered to be one such direct support since it is provided without any conduction of a market analysis. On the one hand, a sawmill might serve to build the office within INABs properties and thereby generate temporal employment for the municipality. On the other hand, there is no clear idea of how this would be done. In the long run the machinery will require management costs and staff but no products nor a market have been identified. The INAB offer with land and free services would though benefit the political independence of Chachaklum since it does not have to agree on an office area financed by the municipality (pers. com., Grijalva, 2014).

# 7 Discussion

*This chapter encloses the study by a discussion about Chachaklum's future viability. This chapter aims to answer the research questions presented in chapter one. As in the other chapters of this study, focus is on stakeholder relations. The research questions of interest discussed are:*

- *How can Chachaklum serve as a model for other community forest based enterprises, what success factors can be identified?*
- *What key opportunities and constraints do the stakeholders perceive as critical for the long term viability of Chachaklum?*

The subchapters intend to answer the research questions one by one. Although the credibility aspects were already discussed in chapter 3, one last reminder is provided here. It should be kept in mind that the external stakeholders were informed that Chachaklum was to take part of the findings. The answers provided might therefore have been more positive than in real life in order to please the interviewer and the associates. The analysis, discussion and conclusions drawn in this study are the results of the answers provided.

## 7.1 Identified success factors

Chachaklum hopes to be established within the forest industry within a few years' time (pers. com., Avila, 2014). Even though things appear to go well, there is still much left to do for the hope to become reality. The identified success factors to be discussed in this study are:

- Combined social and economic goals
  - Joint forces
  - Shared long term perspective
  - Heterogeneous group of associates
  - Strong partnerships
  - Transparent and open-minded management
- Production in line with municipal development plan

### 7.1.1 Combined social and economic goals

The collaboration between smallholders can be identified as the first determinative success factor. By joint forces, the smallholders obtain several benefits that are distinctive for cooperative organizations such as large scale benefits and enhanced legitimacy as discussed by Nilsson (2001:353). Although, similar types of cooperative initiatives had been active prior to Chachaklum and plantations had already been established (INAB, 2011:1) . So why did the creation of Chachaklum attract more external stakeholders than the earlier organizational setups? According to Mr. Samayoa (pers. com., 2014), the NGOs and special interest organizations remained sceptical until a certain point when the enterprise all of a sudden became highly interesting as it collaborated with international organizations such as the GFP. This suggests that the general stakeholder interest for an enterprise increases as it shows alliances with powerful stakeholders. Lecup (2011:15) support this theory by stressing the importance of being well allied. Although, Chachaklum has experienced benefits in line with Nilsson's (2001:353) statements about cooperative initiatives, the organizational setup affects the dynamic viability of the enterprise. In other words it is clear that Chachaklum's future viability is dependent on other factors than merely collaboration.

Peredo and Chrisman (2004:7) state that many development initiatives lack sustainability perspectives. Van Dijk and Savenije (2009:47) also state that the Guatemala's institutions tend to lack long term commitment to their projects. INAB's involvement in Chachaklum's future proves the opposite. The PINFOR programme could have resulted in what can be seen as temporal charity work that did not support sustainability. Chachaklum on the other hand implies commitment to be a permanent solution. Especially the fact that its technical advisors have chosen to invest in the enterprise is seen as facilitating for the continuation of Chachaklum. If Chachaklum would have included solely smallholders without business and organization experience, the risk of ending up as the previous organizations is presumed likely. In this case many of Chachaklum's associates have other types of principal careers and have joined Chachaklum for ideological reasons rather than for financial needs (pers. com., Grijalva, 2014; pers. com., Cambranes, C., 2014). It is considered beneficial for Chachaklum to have associates that do not feel intimidated by business meetings or paper work. The more Chachaklum is able to manage its own business, the more are the NGO's able to focus on other types of supportive tasks. Even though the technical advisor is currently paid by CATIE for his work, the technical expertise can continue as an internal resource as Chachaklum starts to earn money to pay him. It is also assumed that the external stakeholders find the business promising for the same reason why Chachaklum has attracted strong business partners.

The combination of social, environmental and economic goals is seen as a business setup that benefits Chachaklum in many ways. Bass *et al.*, (2001:18) state that CBE is a popular tool for development agencies to fight deforestation. This study shows further proof for that statement since Chachaklum partly can be considered a product of continuous collaboration with its business partners. Chachaklum's social and environmental goals are assumed to be reasons for the enterprise's popularity among donors as it allows them to reach their social and environmental goals. The setup also enhances social embeddedness and goodwill from community members in San Francisco. In the small community in which Chachaklum functions, non-directly involved community members may experience the benefits of increased money flow or work opportunities with legal salaries. By intending to be an inclusive business Chachaklum may increase the positive environment in San Francisco, create an entrepreneurial environment and in that way strengthen the municipality. The danger one large enterprise upon which many depend is that if things go wrong, many may suffer (Bass *et al.*, 2001:21). With its social goals in mind Chachaklum could intend to minimize such a risk by support new entrepreneurial activities with whom the enterprise can create a symbiosis similar to the one with Inversiones Valleverde. Such enterprises would benefit Chachaklum in terms of being a customer and would also be able to provide even more employment and money flow in San Francisco.

Peredo and Chrisman (2009:7, 33) state that one of the core ideas with CBEs is to provide work for community members, enhance individual entrepreneurship and thereby be a positive source for the community as a whole and the individual. The positive economic development of Inversiones Valleverde is much dependent on its relation to Chachaklum. It can be thereby be stated that Chachaklum has generated both direct employment within the enterprise but also that it has facilitated the creation of additional employment through Inversiones Valleverde. Even though the employees find the bureaucratic process to be tiresome, legal contracts for the employees are considered beneficial for Chachaklum in order to work in a transparent manner. The employees are provided a legal salary and appear in books as tangible "evidence" of how well the enterprise succeeds. Continuous transparency is also believed to have a positive effect on the relations that Chachaklum has with other important stakeholders such as INAB, the municipality and the NGO's. Especially the international

organizations are assumed to leave rapidly if they suspect any form of corruption or strange business since they are likely to be investigated by international stakeholders that would not appreciate corruption. Chachaklum's weak financial status does however have a negative effect on the benefits. It does for example restrict Chachaklum from offering its employees permanent work.

### 7.1.2 Business in line with the municipal development plan

According to Larson and Ribot (2009:14) uneven power balances tend to favour the powerful rather than support the poor in the case of disputes. One determinative success factor identified is by that Chachaklum has managed to create a business that plays well with the municipal development plan. As a paradox to the complexity of sustainable forest management, Chachaklum appears attractive for the government, the municipality as well as the NGOs since it works for common benefits. Thanks to this, Chachaklum currently receives support and goodwill from these actors and has so far managed to avoid disputes (pers.com., Grijalva). It should though be noted that none of the organizations provide their support free of charge but all have their own expectations of Chachaklum. The municipality states positive effects such as employment, as an explanation for its interest in the wellbeing of Chachaklum (pers. com., Salvador, 2014). INAB expects reforested areas, transferability and adaptations to rules and laws while the NGOs work for social and environmental benefits (pers. com., Martinez, 2014). The political independence of Chachaklum might therefore have to be reconsidered since there is a great political interest in the enterprise's actions. Since Chachaklum is not likely to have any direct negative effects on the existence of the NGO's nor on INAB, these entities are not assumed to feel threatened by the enterprise. Nonetheless, they are supposedly interested in a making Chachaklum a successful project why a failure would be expensive and embarrassing.

While INAB and the NGOs are supposedly interested in seeing positive results, Chachaklum's relationship with the municipality and the mayor is more complicated. Tracey *et al.* (2005:327), mean that CBEs can be used as a way to transform power relations and Larson and Ribot (2007:14) state that grassroots organizations can to challenge policy formulations. Chachaklum's work is assumed to obtain support by from the municipality as long as the actions do not interfere with the traditional power balances in San Francisco. One such problem could be if the company starts to pledge for a share of the bonus payment that the municipality receives from INAB. From the mayor's point of view, the associates and the 189 smallholders also represent many of the votes in an upcoming election why Chachaklum is assumed to have created a social security net for the smallholders. Even though the smallholders do not own their land, the risk that the mayor would neglect future contracts has been reduced. It would for example be difficult for the municipality to use maltreatment of land as an excuse. Especially since the smallholders obtain training in SFM from international organizations and are included in Chachaklum's forest management plans. The smallholders that do not own their land will never be able to count with secure property rights. It can though be assumed that Chachaklum's social construction enhances the smallholders' legitimacy and serves as one way of securing property rights and claims.

Alianza Estratégica is also likely to be attracted by Chachaklum due to the large size of the enterprise and would probably not have gotten into contact with the single smallholders for wood. The agreement with a sole agent that picks up and delivers the wood for Alianza Estratégica is easier than in the case of multiple sellers and multiple buyers. An overall logging plan means that the production process becomes more efficient.

## 7.2 Stakeholder concerns

This part of the discussion provides an overview of the stakeholders' concerns regarding the viability of Chachaklum. Each part mainly covers the stakeholders considered the most salient, which are directly affected and directly affect each sustainability area of concern.

### 7.2.1 High hopes, few worries

Most of Chachaklum's associates do not appear worried about the future sustainability of the enterprise. Their rather optimistic view has several potential explanations. Firstly, the associates' confidence might be due to their lack of previous experience from organizations. As an example, the ones that do not know that they have to pay taxes, do not worry about the taxes. Secondly, it could be because they have not yet considered that the NGOs will eventually leave the business to auto sustainability. Since financial and technical support have been generously provided for the past years and the associates are blessed with an active board of directors they might expect positive things to continue arriving. These findings strengthen Lecup's (2011:12) idea that smallholders tend to become passive charity receivers as they get accustomed to constant support. According to Lecup (2011:12) such a laidback attitude can lead to the end of a CBE as the support terminates. Since this might be the case among some of the smallholders, it is considered a strength for the enterprise that the associates create a heterogeneous group of people where some are accustomed to business management and know that one has to work hard within an organization.

A third reason for the associates' positive attitude can also be because of a strong belief in and hope for the future. Van Dijk and Savenije (2009:47) state that one of the difficulties for SFM is the smallholders' lack of long term commitment. It is therefore seen as positive that the associates are aware of the idea of the commitment as an investment for the future and a social phenomenon that needs to be nursed. This attitude is assumed to have been implemented and strengthened by the NGOs and the government institutions that work with long term perspectives in mind (GFP, 2014:1). Although, the shared long term perspective might also have been implemented by the associates that entered the organization for ideological reasons. Since the setup of Chachaklum was a cooperative action between smallholders, other associates, NGO's and the government, it is difficult to identify who affects whom in the relations. By not marketing Chachaklum as a rapid fix to a problem, the long term perspective is assumed to have minimized unrealistic hopes that could lead to disappointment in the future.

Due to well-known problems with traditional cooperatives identified by for example Nilsson (2001:353), the CBE concept, may have been culturally easier to introduce to the community than a setup called cooperative would have been. This could be one explanation to Chachaklum's position as donor favourite and INAB's "baby". It is considered a weakness that the associates tend to not worry about the future since the external stakeholders with more experience from the field do. Adaptations to donor requests is though assumed to have been facilitated since the board of directors also had personal interests in SFM. The concerns stated by the external stakeholders might be due to the entities' theoretic knowledge and earlier practical experience within the field of development work. As long as Chachaklum continues to have positive relations with external stakeholders, the pride that the smallholders announce for being parts of Chachaklum, might continue. The positive social force can encourage the associates to take the SFM approach further in the future. Even though only the future is able to reveal potential mutual gains, the general idea of social benefits seem to strengthen the stakeholders' common ground.



### 7.2.2 Trust in others, passive associates

The problem within Chachaklum does not appear to be trust but rather to much of it. Cornforth (2004:19) stated that CBEs are usually affected by social hierarchies and that unequal status relations lower an enterprise's level of democracy. Based on Cornforth's idea, it is assumed that this is what is going on in Chachaklum. From a positive perspective, the smallholders' trust in the manager and the board of directors facilitate their possibilities to take action. From a negative perspective, that freedom appears to come on the cost of democracy. As long as the smallholders' are fine with putting their trust in others, confrontations are avoided. Nevertheless, it also means that the smallholders' loose insight in the management why the democratic decision making processes will depend on the board's formulations of different alternatives. In other words, the democratic process does not become that democratic. Since larger decisions are currently not taken without a majority of the associates voting yes, poor participation in meetings hinders the decision making process. Since Chachaklum has created an almost monopolistic position on the local market, the need for rapid decisions might not be crucial for the survival of the enterprise at the moment. It might though become a problem in the future when Chachaklum is to enter more competitive markets. In such a case it might be essential adapt the participatory approach so that the board of directors are able to take larger decisions. This would probably speed up Chachaklum's ability to rapid adaptations. But, it would also mean that the associates in the future would loose understanding of the board's behaviour and the sense of ownership that they currently feel. Such a problem might lead to unsatisfied members that create a negative environment and eventually even might leave Chachaklum.

Illiteracy and non-existent phone service are assumed to increase the importance of the reunions. No matter the reason for the poor-attendance problem, it has to be dealt with in one way or another. In order to solve the problem, someone has to identify the true cause of the phenomenon of passive associates. This would require minimal effort by for example directly asking the associates. If the true cause is identified, there might be a possibility to solve the issue. The fact that the more active associates are aware of the problem but until now merely complain about the poor attendance rather than take action, could be referred to as passivity from their side as well. This study could have served to answer such questions if the more passive associates would have been approached. Nonetheless, since the selection of respondents for this study was based on voluntary participation and prior personal presentation of the project, the passive associates were not approached which might have affected the answers.

Chachaklum's relative dependence on Alianza Estratégica is seen as a vulnerability. The size of Chachaklum could be considered to strengthen its bargaining position with Alianza Estratégica but its relative dependence is still notable. Peredo and Chrisman (2004:23) mention large scale benefits as being a reason for smallholders to join forces. Because Alianza has an almost monopolistic right to Chachaklum's produce, the enterprise remains dependent on their relation. In order to balance the power relation, Chachaklum should not settle with Alianza's agreement but continue discussions with other parties as well. When the initial agreement was made, Chachaklum is assumed to have had poor bargaining power. Since power relations are dynamic and transferable, active renegotiations of contracts would probably benefit the future of the enterprise since Chachaklum will hopefully have more and more produce to offer. By doing so, Chachaklum might be closer to reaching Tracey *et al.*'s (2005:327) idea of a CBE as a force to transform power relations. Such actions are though supposed to increase transaction costs in terms of time from the general manager.

### 7.2.3 Political independence

The associates' respect for the mayor and politicians in general is assumed to be based on the earlier happenings that have affected some of them more than others. The findings strengthen Capistrano *et al.*'s, (2005:285-287) thesis regarding uneven power distribution in Guatemala's rural societies by. Also Larson and Ribot (2007:11) stated that property rights are not to be referred to as secure in societies with poor respect for laws and legislations. The respondents in this study show proof of that such problems are still effecting San Fransisco. The associates' statements regarding corruption being the main cause of poverty in the region (pers. com., Romero, 2014; pers. com., Melendres, 2014), also refers to such ideas. Based on earlier experiences, the property rights are never to be referred to as secure for the smallholders that manage government land. It is also assumed that the poorest of the poor are the ones that have had problems with land tenure in the past. Due to the limited financial resources, these smallholders' are unable to buy their land. Nor is it the time for Chachaklum to secure land.

Even though Chachaklum would take a loan a from Banrural, the interest rate would mean yet another cost for Chachaklumthe enterprise. Van Dijk and Savenije (2009:47) state that the financial institutions limited interest in SFM is due to a failure in capitalizing forestry products and services. Banrural's limited interest in Chachaklum appears to be due to such a failure. It does however remain unclear whether Chachaklum would be interested or able to obtain a bankloan since the enterprise still receives quite a lot "free of charge". Even though Guatemala's economy currently appears to blossom, the surrounding worlds unstable economy might also come to affect the country. In such a case, it is seen as positive that Chachaklum, at this time remains unaffected by unstable interest rates.

Mitchell *et al.* (1997:865) mean that power balances are dynamic and transferable. The mayor's positive attitude towards Chachaklum is assumed to be because their relation has created a win-win situation. As long as the situation continues to provide more gains than problems for the mayor, the relation is likely to continue. In the case that PINFOR would not continue after 2016, the relation might come to change. The mayor would still receive income thanks to the timber sales. However, if Chachaklum would start to create value added products on private land and have its office within INAB's property, it would be more difficult for the municipality and the mayor to claim large parts of the profit. It can thereby be assumed that the offering of municipal land and investments might have been excuses for the municipality to remain with insight in and control over Chachaklums' actions. As stated in the analysis, the fact that Chachaklum rejected the mayor's offers strengthen the idea stated by Mitchell *et al.* Although, until property rights are secured by legal contracts and the jurisdiction in San Fransisco and Guatemala is less corrupt, the relation is considered critical.

### 7.2.4 Environmental concerns?

Chachaklum's environmental sustainability could be approached and measured through the narrower conservational perspective of CONAP. The reforested areas are tough of poor interest in a conservatory perspective why the creation of natural reserves administrated by CONAP, is not an option. The plantations are still considered to be relatively sustainable compared to previous practices in the area which ignored long term benefits. The SFM and agroforestry conducted is assumed to have a positive impact on the environment as the *Gmelina* prevents erosion and water scarceness (pers. com., Grijalva, 2014). Since San Fransisco already suffers from water scarceness, tree plantations with *Gmelina* should therefore be considered environment friendly. Especially in comparison to the provious illicit logging without reforestation in mind, which created the problem in the first place.

Grankvist (2009:17) mentions that due to the globalized society, it is not enough for growing enterprises to only consider stakeholders in their nearness. Chachaklum is currently small and newly established why media and journalists appears to have paid little attention to the enterprise. In the future, Chachaklum itself or its clients might wish to certify its production in order to satisfy international customers. If so, the environmental aspects might have to be considered to a much larger extent. The few considerations regarding Chachaklum's environmental sustainability in this study might also have been because the respondents were introduced to the theme of the study on forehand. Since the study focused on financial perspectives and stakeholder relations, the respondents might have provided such answers. One example is the mayor's financial interest in Chachaklum. The environmental sustainability of Chachaklum's production is not likely to be a reason for the municipality to recover the land as long as the PINFOR incentive is provided the plantations (pers. com., Salvador, 2014). In the case that the municipality would wish to remove Chachaklum from the land, poor environmental management, other reasons may still be used for complaints.

### 7.2.5 In search for value added products

Several studies identify that cooperative initiatives tend to suffer from financial problems (Chaddad and Cook, 2004:358; Nilsson, 2001:353; Van der Krogt *et al.*, 2007:470). In agreement with these studies, this study shows that also Chachaklum suffers from poor financial resources. Even though the associates express an interest in finding value added products, it is clear that Chachaklum does not have the capital for such a financial risk (pers. com., Cruz, 2014). Therefore, the industrialization would probably not materialize within quite a long period of time, unless the government support in the form of a sawmill is provided.

A sawmill could be a solution that creates more employment and permanent work for the employees which is one of Chachaklum's main goals. However, as stated by Lecup (2014:43), aid in form of direct financial or material donation that encourage entrepreneurs to produce products without ensuring a demand are common mistakes by donor agencies. The introduction of a sawmill means a large risk for Chachaklum since the sawmill is donated the enterprise without any requirement of a profound market analysis (pers. com., Grijalva, 2014). The enterprise's poor financial solidity (pers. com., Romero, 2014) also increases the relative vulnerability towards the maintenance costs. Due to the early stage of the planning process, it is also unclear if a sawmill would provide the employees that manage the collection of timber with permanent employment since the logging does not provide work during the rainy period. It is however seen as a facilitating factor that both the government and the municipality show interests for industrialization of Chachaklum and do not hesitate to promise the enterprise many things even though the NGO's are cautious. The concerns expressed by the NGO's are assumed to be based on earlier examples of such investments while the associates appear to be more ignorant.

## 8 Conclusions

*This study aims to analyze Chachaklum's viability by identifying success factors and considering challenges faced by the enterprise. The conclusions drawn are presented below.*

Chachaklum currently stabilizes the smallholders' income, provides employment opportunities, educates the smallholders and promotes sustainable forest management. It is true that Chachaklum has not yet reached economic auto sustainability and that it remains dependent on external support. There are possibilities though. This study has identified two specific factors that supposedly increase Chachaklum's future possibilities. These are:

- Combined social and economic goals
- Business in line with the municipal development plan

The relation strength and weakness is though somewhat of a paradox. Many of the identified success factors are also the fundamentals of the enterprise's weaknesses. The combination of social and economic goals creates a biased view towards salaries, natural resource management and financial gains. As earlier experienced, a change of political direction may harm the future of Chachaklum. In such a case, the state of the existent plantations and other stakeholder relations will be determinative factors for the future of the business.

Chachaklum's strong stakeholder relations currently create a myriad of opportunities and the present challenge is to decide in whom to trust. Poor solidity and organizational challenges make Chachaklum vulnerable why an inaccurate investment could mean the end of the enterprise. On the bright side, the plantations are growing stronger and the trees are reaching attractive diameters that can generate more income for the associates and employment opportunities for the people in San Francisco. Transparent business practices and the support from local and national government agencies, create an environment in which Chachaklum is able to evolve.

Considering the interdependency between the five sustainability areas, the stakeholders and Chachaklum, the conclusion has to be that no complete truth can be defined regarding Chachaklum's future viability. Even though it is a profit seeking enterprise it partly functions as a cooperative or as a social enterprise. The relations within the enterprise are far from clear while the relations between Chachaklum and its external stakeholders are even more complex. Chachaklum is not yet auto sustainable but that does not mean that the enterprise will cease any time soon. The enterprise's positive effects on local development creates strong social embeddedness among stakeholders. The NGOs will leave Chachaklum. On the other hand INAB shows no sign in doing so but appears to strengthen its relation with Chachaklum. With continuous support from the government agency, Chachaklum may not need to deal with being completely auto sustainable.

It is believed that the inclusive business model could probably be translated to other communities as well, but it should be taken into account that not just the model has to function. The people involved are just as important. It is a mixture of model-individuals and the environment that will shape the future of Chachaklum. As stated by Avelino Pan:

*"Alone one man does not move forward, but together many do"*

## 8.1 Future studies

Since this study solely provides a static perspective to a dynamic process the stakeholders' current perspectives are the only ones provided. Thereby this study only considers a trivial idea of how the stakeholders' attitudes have changed over time. It does for example barely regard the history even though it is mentioned by some of the stakeholders. The future is although even more difficult to predict. Especially since Chachaklum is about to enter new industrialization process. From the stakeholders' comments it is understood that the mutual trust between stakeholders has grown over time. This study has found that there appears to be a general need for more studies regarding the CBEs and community enterprise collaboration. There is among others a need to understand the challenges during different stages of the development process of a CBEs why longitudinal studies would be preferred. Further studies could also concern how CBEs affect local and regional social capital and its affects of collaboration within other areas as well.

The findings of this study show that Chachaklum does not fit perfectly into any of the theories used. It has become apparent that the special setup of a CBE makes it hard to distinguish and define the stakeholders' roles and thereby also their biased interests. Due to the complex stakeholder relations, it might therefore be insufficient to use stakeholder theory as the sole managerial tool. The use of theories that regard CBEs and cooperative behavior offer explanations to behavior but tend to ignore certain determinative aspects and impacts from the outside world such as external sustainability perspectives. This study shows a need for further studies that focus on how to approach new types of enterprises in order to analyze their existence from a broader perspective since these types of organizations are often setup in countries with poor respect for the rule of law.

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# Appendix 1: Questionnaire Smallholders

Time:

Place:

## Socio Economic Data

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Respondent	Sex	Age	Hh. Size	Ed. level	Occupation, add.income
1 Alejandro Avila	M	51	x	x	Ministry of agriculture, cattle farming
2 Audelino Girón	M	63	9	Illit.	Agriculture, mainly corn and beans
3 Abelino Pan	M	53		some	Tree cutting only?
4 Carlos Cambranes	M	x	7	University	Retired teacher
5 David Melendres	M	48	4	some	Retired, fish farming, agriculture
6 Florentino Luna	M	68	6	Illit.	Agriculture, Small shop
7 Jenifer Cambranes	F	31	1	University	Internet café
8 Juan Ramírez	M	64	5	Tech.	Cattle farming
9 Juan José Romero	M	42	5	University	Rural dev. Consultant, wife also works
10 Saul Beltrán	M	53	7	some	Agriculture
11 Jesus Gonzalez	M	X	3	some	Agriculture, corn and beans
12 Donald Grijalva	M	33	4	University	Perito forestal, environmental ing.

## Background

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1. *How did you get into the forestry sector?*
2. *Do you co-operate with other organizations? How?*
3. *Would you be able to briefly explain the production process?*

## Internal aspects

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4. *What was your initial reason for entering the community enterprise setup?*
5. *What were your experiences with entering an association?*
  - a. *How did you act to minimize risks?*
  - b. *Has your experience changed over time? How?*
6. *What main benefits do you currently perceive from the business agreement?*
7. *Do you in some way feel limited by the setup? If yes, how?*
8. *How does the internal communication work?*
  - a. *How do you receive information?*
  - b. *How are you able to make your voice heard?*
9. *What is your main concern for the future viability of the business?*
10. *How will you prevent it from becoming reality?*
11. *How would you like to see that the agreement between X and yourself evolves in the future?*

## External considerations

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12. *How would you define your relationship between Chachaklum and its main client? (Since long established? New? Merely business or also private relationship)*
13. *How do you get access to land and forest? (own, rent, manage)*
14. *How is the production financed?*
15. *How do you perceive your relation with your financier?*
16. *How do Government, regulatory agencies, trade associations and professional societies influence your business?*
  - a. *How can Chachaklum influence them?*
17. *How do unions, suppliers, distributors and service providers influence your business?*
  - a. *How can Chachaklum influence them*
18. *How do journalists, media, community members and special interest groups influence your business?*
  - a. *How can Chachaklum influence them?*
19. *How do the clients influence your business?*
  - a. *How can Chachaklum influence them?*

### **Questions that were removed from the initial interview guide**

- 1) How you get your products to the place of sales?
- 2) Who provides you with machinery for your production?
  - a. How would you define your relationship?
- 3) Is the business certified, *if yes, which certification, what are the demands?*
- 4) Do you plan to invest in your production in a near future?
  - a. If yes, what are your plans?
- 5) Do you have insurance for your production? If, not why? Background, external

### **Specific questions that were not in the interview guide but answers were used for the analysis**

- 1) Do you perceive that Chachaklum works well or does the enterprise have some problems?
- 2) How did you motivate the smallholders to become associates?
- 3) What would happen if a key person terminates his post (mainly referring to the president and the consultant). Is there someone within the enterprise that would be able to fill it?
- 4) When will the associates be able to receive benefits from their shares
- 5) How do you think that Chachaklum could function better as an organization?
- 6) How have the middlemen reacted on the establishment of the enterprise?

## Appendix 2: Interview Guide, INAB, NGOs

Date:

Name of person interviewed:

Gender:

Type of organization:

Email address:

### Background Information

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1. Position:
2. Years in position:
3. Education

### Guatemala's Forestry Sector

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4. How do you perceive the market outlook for the forestry industry?
5. What is the role for the ministry for the development of the country's forest sector?
6. Are there existing policies promoting private forest businesses?
7. Are there existing policies hindering private forest businesses?

### Smallholders

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8. Would you consider smallholders well included in the forestry business today?
9. How would you describe the possibilities for single smallholders that want to initiate and develop a forest enterprise?
10. What are the challenges faced by smallholders? (*In production, sales etc.*)

### Community Enterprises, cooperatives

---

11. How do you perceive Chachaklum as a way of:
  - a. *Approaching Sustainable Forest Management?*
  - b. *Income generating solution?*
  - c. *Improving the situation of rural communities*
12. What do you see as being the main challenges faced by Chachaklum?
13. How Chachaklum able to affect
  - a. *Financiers?*
  - b. *Communities?*
  - c. *State/municipality representatives?*
  - d. *NGOs?*
  - e. *Clients?*
  - f. *Customers?*
14. To what extent does Chachaklum need to adapt its business to these stakeholders?
15. Do you see that the Chachaklum could access the regional, national and international market in a sustainable manner where economic, social and environmental sustainability is considered? *If yes, how?*

## Appendix 3 Interview Guide, Clients and Bank

Date:

Name of respondent:

Sex: Male

Age:

Organization:

Position:

Years in profession:

Number of employees:

---

1. How did you obtain prime material before you initiated your relation with Chachaklum?
2. How would you obtain prime material if Chachaklum disappeared?
3. Who are your clients?
4. Do you have competition and who are they?
5. What is your relation with the municipality and NGO's?
6. How would you describe your relation with Chachaklum?
7. How do you hope that the relation with Chachaklum develops in the future?

## Appendix 4: Interview Guide Employees

Time:

Place:

Name of person interviewed:

### **Socio Economic Data**

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Gender.....

Age of respondent.....

Household size.....

Education level.....

Profession/Occupation .....

Main income generating activities.....

### **Chachaklum**

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1. When did you start working with Chachaklum?
2. Why did you decide to start working for Chachaklum?
3. Are you thinking to continue working for Chachaklum? *Why (not)?*
4. What influence has your position had in your life since you started?
  - a. How have you benefited?
  - b. How has it limited you?
5. Have you received some education or training by Chachaklum?
6. Have you experienced problems during your time in Chachaklum?
7. What do you think could be done better/improve? (ex. Schedule, frequency of work, salary etc.
8. What is your general idea about Chachaklum?
9. What are your expectations of Chachaklum in the future?

## Appendix 5 Brief Description of Project

The aim of this study is to identify factors that enable smallholder foresters to organize themselves in order to obtain business practices that support a good standard of living. The author intends to study the smallholder's perceptions of the internal organization as well as partnerships with external business partners. The author also intends to assess the perceptions of external stakeholders whom are vital for the survival of the business. The study is concentrated smallholder forest owners in the Petén region in Guatemala.

Research questions of special interest are:

- How have the smallholders organized themselves internally in order to even out the power balance/strengthen their bargaining power in the partnership?
- What key opportunities and constraints do the smallholders perceive as critical for the long term viability of the cooperation?
- What key opportunities and constraints do the NGOs and communities perceive as critical for the long term viability of the collaboration?

*Table. Brief English Version of PowerPoint presentation*

Page	Content	Illustration
1	A sustainable enterprise	Triple Bottom Line
2	<b>Who are we?</b> , Agro economist, SLU, MSc Thesis	n/a
3	<b>The beginning I.</b> Explanation of Swedish consumers' interest for the environment and how international companies have had to respond, CSR	n/a
4	<b>The beginning II.</b> Explanation of SSC-Forestry and Sense group and the meeting. Reference to meeting with INAB.	n/a
5	<b>Principal objective with the study</b> <b>Permission of working with XX.</b>	n/a
6	Stakeholder map	Stakeholder map
7	<b>Possible benefits for the enterprise</b>	n/a
8	n/a	Wooden products
9	Links and thanks	n/a