

A Business Model Analysis of Malaysia's Independent Oil Palm Smallholders

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ABSTRACT

This case study explores the fundamental business models of independent oil palm smallholders in Malaysia to tackle the ongoing inclusion gap within formal sustainable value chains. Notwithstanding the national mandate for Malaysian Sustainable Palm Oil (MSPO) certification, 78.4% of independent smallholders remain marginalised, presenting a substantial threat to overall sustainability and equity within the sector. This study utilises a business model perspective to analyse data from a cross-sectional survey of 301 independent smallholders in Johor, moving beyond a barriers-focused approach. Analysis indicates a heterogeneous landscape consisting of three distinct business model archetypes: (1) Asset-Constrained Familial Units, centred on subsistence; (2) Commercialising Smallholders, evolving towards market-oriented practices; and (3) Integrated Entrepreneurs, functioning as diversified micro-enterprises. The findings reveal a fundamental discrepancy between the stringent compliance mandates of formal certification schemes and the varied capabilities, resources, and economic goals of these distinct archetypes. This misalignment elucidates the elevated rates of exclusion more convincingly than solely individual-level obstacles. The study concludes that attaining comprehensive sustainability necessitates transitioning from a uniform compliance framework to tailored partnership strategies designed for specific business models. Policymakers and industry stakeholders are advised to develop inclusive interventions, tailored support mechanisms, and innovative value chain connections that acknowledge and enhance the existing business logic of smallholder enterprises.

JEL Codes:

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