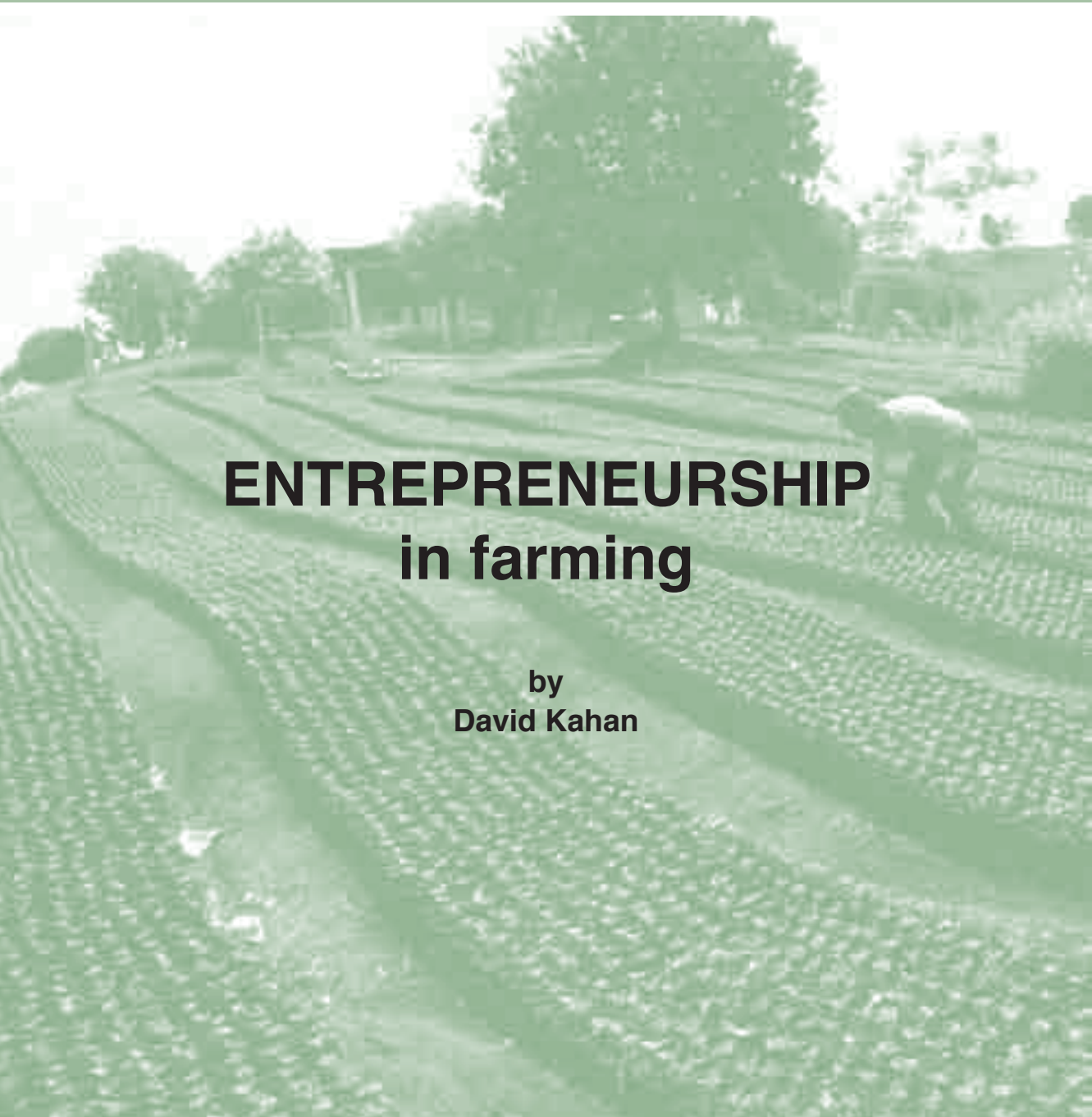


# 5

Farm management extension guide



## **ENTREPRENEURSHIP in farming**

by  
**David Kahan**

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## Preface

A lot is being said these days about farmers becoming 'entrepreneurs'. But what is entrepreneurship? What does it take to be entrepreneurial? How can an entrepreneurial behaviour be created and sustained? How can entrepreneurial skills be developed? How do entrepreneurial farmers respond to the changing farming environment? What strategies do they use? What actions do they take? And how can extension workers help farmers develop entrepreneurial capacity?

There are two parts to entrepreneurship. The first is the managerial skills needed to start and run a profitable farm business. The second is 'entrepreneurial spirit'. Both are important. Managerial skills can be taught, but an entrepreneurial spirit cannot be taught. Many farmers are already excellent managers and many also have some of the spirit of an entrepreneur. As 'price takers' many farmers have developed outstanding abilities to make the most of their resources. But being 'price takers' suggests that these farmers are not innovative, do not take risks, and lack the drive that is usually associated with an entrepreneurial spirit.

The purpose of this guide is to provide a better understanding of the concept and practice of entrepreneurship. With this understanding it is hoped that extension workers will be better able to help farmers develop the skills and spirit of an entrepreneur. It is part of a series of booklets on farm business management designed to help extension workers support farmers.

What is presented in this guide can be applied to people who want to start a farm business for the first time and to farmers who are already running a farm business. In every country, both situations occur. Many existing farmers want to make changes to their farming systems by introducing high value enterprises directed to the market. There are also many newcomers (young and old, male and female) entering farming who are starting with their first farming enterprise. This guide can help extension workers help all of these potential farmer-entrepreneurs.

While field level extension workers will rarely be responsible for designing and organizing trainings in entrepreneurship development, it is useful for them to understand what works and what doesn't. Sometimes they may be work closely with Subject Matter Specialists who have experience in management training or even in facilitating external trainers.

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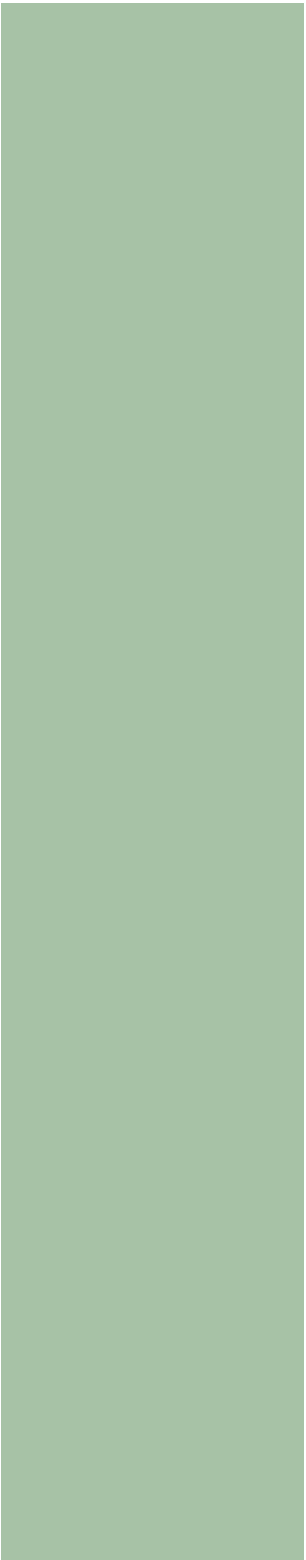
  

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David Kahan

Chapter 1

# **Understanding entrepreneurship in farming**

## MAIN POINTS IN CHAPTER 1

### ***What is entrepreneurship?***

*Entrepreneurship is a key factor for the survival of small-scale farming in an ever-changing and increasingly complex global economy. But what is entrepreneurship in agriculture? How does it relate to small-scale farmers who operate on the edges of the economy?*

### ***Farmers as entrepreneurs***

*Farmer-entrepreneurs see their farms as a business. They see their farms as a means of earning profits. They are passionate about their farm business and are willing to take calculated risks to make their farms profitable and their businesses grow.*

### ***The entrepreneurial environment***

*Farmer-entrepreneurs operate in a complex and dynamic environment. They are part of a larger collection of people including other farmers, suppliers, traders, transporters, processors and many others. Each of these has a role to play in producing products and moving them through to the market – through the value chain. Each one needs to be an entrepreneur. They also need to respect each other and work together to make the whole system work better and be more profitable.*

### ***Entrepreneurship dynamics***

*But beyond this, successful farmer-entrepreneurs are technically competent, innovative and plan ahead so they can steer their farm businesses through the stages of enterprise development – from establishment and survival to rapid growth and maturity. However, there are many challenges that these farmers face: social barriers, economic barriers, regulations, access to finance and information, and their own managerial capacity to cope with risks and changes and to seize opportunities.*



## WHAT IS ENTREPRENEURSHIP?

Entrepreneurship, value chains and market linkages are terms that are being used more and more when talking about agriculture and farming. Many small-scale farmers and extension organisations understand that there is little future for farmers unless they become more entrepreneurial in the way they run their farms. They must increasingly produce for markets and for profits. Becoming more entrepreneurial can be a challenge for small-scale farmers. They will need help from extension workers and other institutions.

What is an entrepreneur? An entrepreneur is someone who produces for the market. An entrepreneur is a determined and creative leader, always looking for opportunities to improve and expand his business. An entrepreneur likes to take calculated risks, and assumes responsibility for both profits and losses. An entrepreneur is passionate about growing his business and is constantly looking for new opportunities.

***For small-scale farmers to become more 'entrepreneurial' assistance from extension workers and supporting institutions is needed***

Entrepreneurs are also innovators. They always look for better and more efficient and profitable ways to do things. Being innovative is an important quality for a farmer-entrepreneur, especially when the business faces strong competition or operates in a rapidly changing environment

\* \* \*



## FARMERS AS ENTREPRENEURS

***Small-scale farmers often have entrepreneurial qualities.***

Can small-scale farmers become entrepreneurs? Yes. Small-scale farmers all over the world have shown a remarkable ability to adapt. They look for better ways to organise their farms. They try new crops and cultivars, better animals, and alternative technologies to increase productivity, diversify production, reduce risk – and to increase profits. They have become more market-oriented and have learned to take calculated risks to open or create new markets for their products. Many small-scale farmers have many of the qualities of an entrepreneur.

For small-scale farmers to become entrepreneurs they need all of these qualities and more. They need to be innovative and forward-looking. They need to manage their businesses as long-term ventures with a view to making them sustainable. They need to be able to identify opportunities and seize them.

***The farmer-entrepreneur produces a clear picture in his mind of what is possible and future he wants.***

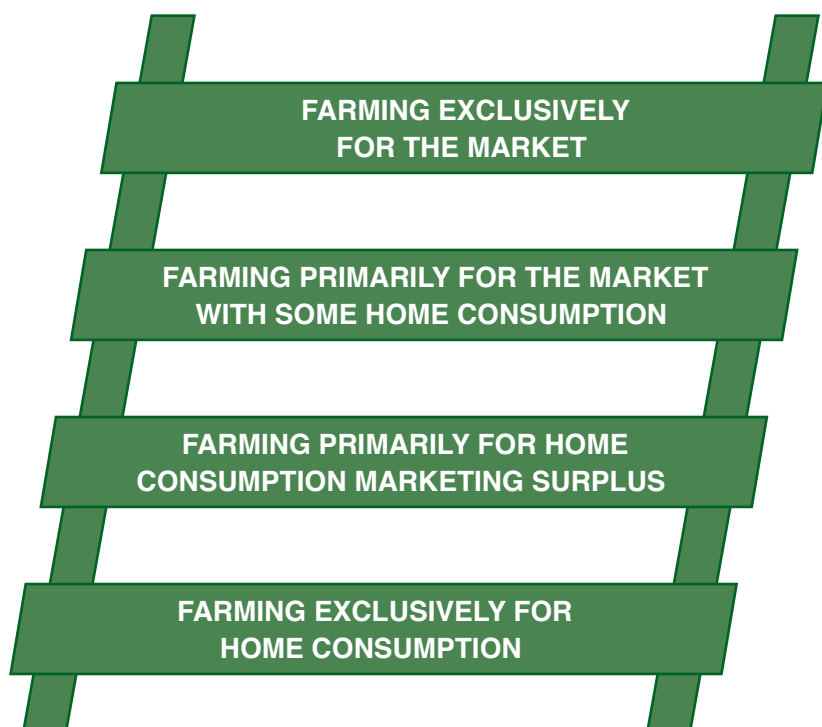
Some small-scale farmers do have these qualities, but they still focus on maintaining their traditional way of life. Their production decisions are based on what they need -- not on what is possible.

The farmer-entrepreneur produces a clear picture in his mind of what is possible and the future he wants. He knows that what is possible is determined by the market. The farmer-entrepreneur is always looking for new opportunities. He knows that new opportunities are found in the market. The farmer-entrepreneur wants to make profits. He knows that profits are made in the market.

An entrepreneurial farmer has the initiative, drive, capacity and ability to take advantage of opportunities.

Smallholder farmers usually farm for one of four reasons:

- Exclusively for home consumption with rarely any surpluses produced;
- Mostly for home consumption, but with the intention of selling surpluses on the market;
- Partly for the market and partly for home consumption; or
- Exclusively for the market.



*Figure 1*  
**Ladder of intentions  
and reasons for  
farming**

On the first rung of the ladder are farmers who farm exclusively for home consumption. If there is a surplus, they will sell it on the market, but this is very rare. Often these farmers are struggling with the basic survival of themselves and their families. They usually lack security in terms of health, water, food and shelter. They are rarely in the position to commit their minds and bodies to entrepreneurial tasks. While they may be entrepreneurial in spirit, they usually lack the opportunity to farm as entrepreneurs.

***Smallholder farmers may be entrepreneurial in spirit but they often lack the security to take risks***

On the second rung are farmers who have greater opportunities that allow them to produce beyond just surviving. These opportunities are still very limited. However, by changing their resource mix and overcoming access and risk issues, opportunities can be expanded. Such farmers are sometimes viewed as 'pre-entrepreneurial', requiring support to move into a more independent position. At this level the farmers are not 'entrepreneurs' in the true sense and neither are they truly market-oriented. They have a greater appreciation of the market and have expanded their survival farming to include some economic activities. They are just starting out on the path towards developing profit-driven farming businesses.

***Entrepreneurial farmers need access to finance, land, labour, information and knowledge to be successful.***

These farmers do yet see their farms as businesses. Long-term investment is not yet a priority. They are hesitant about diversifying to higher value products. They are comfortable selling surpluses of their foodrops. Shifting to cash crops is too extreme and involves risks that they are not willing to take.

The third rung represents farmers who understand the value of farming for the market, but are often limited by access to finance, labour or market information. The elements are all there, but they cannot risk family food requirements without greater certainty of income from cash crops. The choice between producing primarily for the market with some produce utilised for home consumption or primarily for home consumption with some produce sold in the market depends on their circumstances and their willingness to take risks.

Farmers on the fourth rung are fully market-oriented. Their primary reason for farming is to make profits by producing for the market. They are interested in profits, not food production. To be successful at market-oriented farming, the farmer needs greater farm management and entrepreneurial skills.



THE ENTREPRENEURIAL ENVIRONMENT

Being an entrepreneur is a way of life and a way of looking at the world. Entrepreneurs enjoy independence and freedom. They decide for themselves what to do and when to do it. Entrepreneurs also face risks, work under pressure and are immediately accountable for the outcomes – good or bad – of their decisions.

*Being an entrepreneur is a way of life and a way of looking at the world.*

While farmer-entrepreneurs are free and independent, they do not work alone. They operate in a complex and dynamic environment. They are part of a larger collection of people including other farmers, suppliers, traders, transporters and processors, each of whom has a role to play in the value chain.

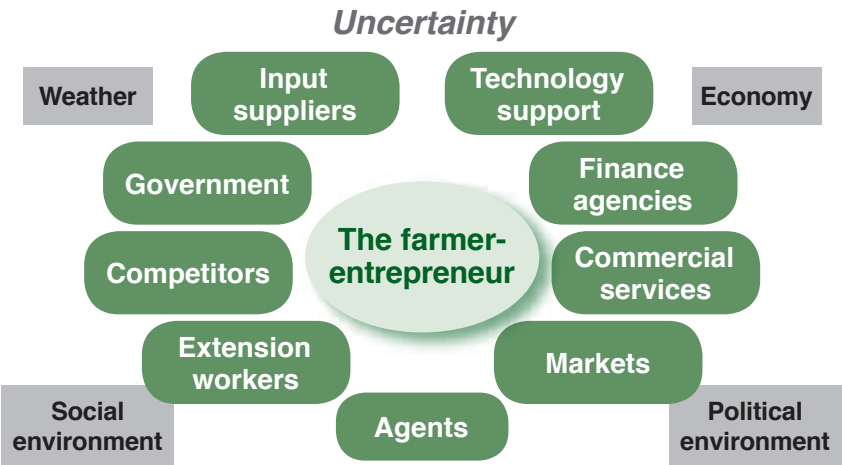


Figure 2  
The world of the farmer-entrepreneur

For farmers to cope with the risks they will face in the complex world in which they compete, they need to develop an entrepreneurial spirit. A farmer with an entrepreneurial spirit energetically, enthusiastically and carefully makes many different decisions about his farm in the context of the value chain that influences the profits of the farm business. This is all happening in a dynamic, ever-changing and uncertain setting.

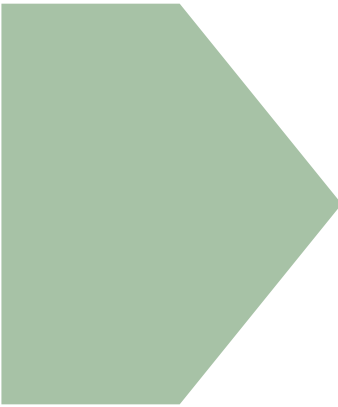
*An entrepreneurial farmer makes farming decisions in a complex competitive and collaborative environment.*

To make sure their farm businesses develop and adapt in response to these changes, farmer-entrepreneurs need to:

- Stay focused on their purpose;
- Do their best to turn every event to their advantage;
- Seize every opportunity and make the best of it;
- Make the whole system work in their favour.

This is living in the spirit of entrepreneurship.

### **THE 'WAY OF LIFE' OF A FARMER-ENTREPRENEUR**

- 
- Freedom in making decisions about the business and the relationship with family
  - Control over what has to be done, when and in what order
  - Working alone often in solitude
  - Coping with a wide range of managerial and 'day to day' tasks
  - Lives with uncertainty; if you can't generate profit you may not survive in the future
  - Risking personal assets and security
  - High level of responsibility and risk of failure
  - Lives with an inability to control the actions of stakeholders upon whom the success of the business depends
  - Develops trust and alliances with other stakeholders where mutual benefits exist
  - Works long and irregular hours to meet demands
  - Closely interwoven family and business life
  - Social status is linked to the success of the business
  - 'Learns by doing' under pressure from stakeholders, by solving problems, experimenting, seizing opportunities, and learning from competitors



## GROUP ENTREPRENEURSHIP

Entrepreneurship can also occur among groups of farmers who want to form a business together. These farmers have similar goals and objectives and a willingness to share the benefits and risks. Ownership and control of the enterprise are divided among the group members. The group is the financial investor, employee and risk-taker.

***Some smallholder farmers are more secure if they work together with others in a group***

Group entrepreneurship is particularly attractive among those farmers who would not be able to start an entrepreneurial business on their own. Often these are the poorest farmers in the community or the farmers with the weakest links to the economy. They seek security through group activities which allow them to pool their resources, share the risks and develop a social 'safety net'.

To be successful, group enterprises must have the same entrepreneurial skills and spirit as individual entrepreneurs. Group members need to have the desire to be self-employed, the motivation to undertake something new, the willingness to take calculated risks and the mind-set of always looking for opportunities. They must be willing to work together in a common productive activity and to take full responsibility for the outcome.

***This is often a first step towards individual entrepreneurship***

There are many advantages to group entrepreneurship. Key among them are:

- Group solidarity
- Greater power from pooled resources
- Drawing on shared life/business experience
- Protection from shared 'enemies' in the form of exploitive traders and markets
- Drawing on the common desire to progress and advance economically

***Group  
entrepreneurship  
needs to ensure  
discipline from the  
beginning***

These form a good foundation on which to build a group enterprise. But despite these advantages there are also pitfalls:

- Instead of only one farmer failing, the whole group could fail with serious financial and livelihood repercussions.
- Given the initial and prolonged need for mentoring, there is a real risk of creating dependency; this risk increases if the extension worker is paternalistic in his approach.
- The generally low economic status of the members there may create pressure to spend whatever money is earned. Saving, which is needed as an investment to grow the business, may prove challenging.
- The collective decision-making process and the unclear roles and responsibilities which are often a cultural standard, may not suit the needs of an entrepreneurial business which needs clearly defined roles and decision-making processes.

To meet these challenges will require developing strong managerial capacity and a system of discipline within the group. When a group is able to apply its rules, even against powerful members of the group, it shows signs of true group entrepreneurship.

★ ★ ★

## ENTREPRENEURSHIP DYNAMICS

The idea of entrepreneurship is complex. When a farmer introduces a new enterprise into his farming system, there are different stages of development that the enterprise goes through. The skills of the farmer must also change and develop to meet the management demands of the enterprise.

The development of a farm enterprise as a business occurs in five phases:

- Establishment
- Survival
- Early growth
- Rapid growth
- Maturity (and possible decline)

**Establishment:** The organisation of the business at this stage is usually quite simple. Challenges relate to market potential, the motivation of the farmer, the availability of resources and basic business skills. Farmers require skills to negotiate with banks and other agencies in order to get the assistance they need to establish their new enterprise. The key questions are:

- *How can this become a profitable business enterprise?*
- *How will it impact on my farm as a whole?*
- *How can I establish a market?*
- *Do I have enough money to cover the cash demands in setting up the enterprise?*

During this stage, the organisation is simple and the farmer has to do most everything himself. The focus is on making sure the product is produced, gets to market and is sold. Since it is the first time he is producing this product, everything is new. Many new enterprises do not survive the first season of production and marketing. Those that do, enter the survival stage.

***Entrepreneurial businesses evolve through five phases:***

***Establishment***



***Survival***



***Early growth***



***Rapid growth***



***Maturity***

***Moving from pre-start to survival is a major milestone for a new farm business***

*The business can grow if efficiently managed with commitment and determination*

**Survival:** Starting a new enterprise shows that the farmer has some entrepreneurial skills. Surviving the first stage shows that the new enterprise has short-term viability. In the survival stage, the focus is on the relationship between the income earned and the costs entailed. The key questions are:

- Can I generate enough income to break-even in the short-run and to replace capital equipment?
- Can I generate enough income to expand or diversify production according to market demands to ensure long-term viability?

Many surviving enterprises stay in the survival stage. The farmer will need to consider if he wants to do the work to keep growing. If he does, he will need to figure out how to build on the success of the enterprise to move to the next stage.

*Rapid growth is fuelled by entrepreneurial capacity and skills*

**Early growth:** If the farmer decides to take his new enterprise beyond survival, the enterprise needs to grow. To achieve this, the farmer needs to develop a broader product and buyer base while ensuring that the farm business remains profitable. He must also ensure that farm operations are efficient, find the information needed for better management and hire more skilled staff to cope with the increased production, marketing and management activities. While the organisation may still be simple, growth requires more managerial skills and qualities to cope with the more complex farm management activities and decisions.

**Rapid growth:** Once the farm enterprise is working as a well-integrated farm business, it is in a position where it can achieve rapid growth. One way to grow is by increasing the amount of land planted and/or raising more livestock. This will give more product to sell. Another way is to add value to the product by processing it and/or packaging it.

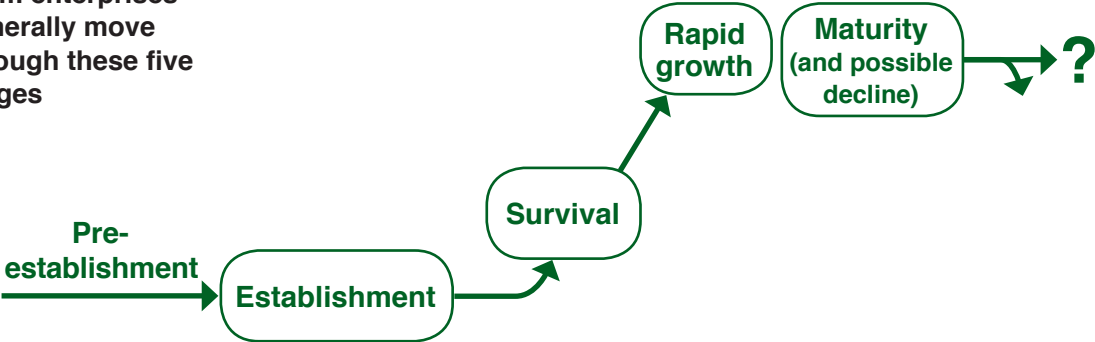
During the rapid growth stage the farmer is likely to have to delegate some managerial responsibilities. He will need to change the way communication is done, and to make some tasks routine. To do this, the farmer will need even broader managerial skills. As the scope of the farm business increases, the entrepreneurial and managerial skills of the farmer must also increase.

*The farm business matures as the farmer's entrepreneurial skills mature*

Sometimes a small-scale farmer may prefer to remain small. When his farm reaches the size that satisfies his requirements and purpose for farming, he may prefer to keep the business at that level. But making this decision must not be because of a lack of knowledge, skill or opportunity.

**Maturity (and possible decline):** Eventually, the farm business reaches maturity. This means that it stops growing or expanding. It reaches a point of balance where land size, market opportunities and the scope of activities are in balance with the skills and vision of the farmer. As long as the farmer and the farm business continue in this balance the farm business will continue. If the enterprises are profitable and the farm is well managed, the business can be sustained.

Figure 3  
Farm enterprises generally move through these five stages



*Five stages of farm enterprise development*

However, a thriving business will still face challenges and threats. There might be many competing farmers selling in the same market. Other farmers may have newer, more efficient methods of production and processing that give them an advantage. The farmer has to be entrepreneurial in adapting to these threats; innovating and developing strategies to ensure the farm business remains profitable and viable.

***Successful farm businesses face challenges from competing farmers***

Inevitably, the farmer will need to decide about the future of his thriving business. Will the business outlive the farmer? Will he sell the business or hand it over to another family member? Should he close the business down?

Understanding these stages helps extension workers provide farmer-entrepreneurs with appropriate support, guidance and advice. It is important to remember that, in most cases, farmers are not starting with a completely new farm. They have working farms that already have one or two enterprises. Aspects of their farms may already be in the post-survival stages -- some even in the maturity stage. Each new enterprise that is introduced, however, will follow these stages.

\* \* \*



## BARRIERS TO ENTREPRENEURSHIP

It cannot be assumed that every enterprise will be successful. It needs the right environment. But often there are barriers outside the control of the farmer that limit success and make the environment hard for new businesses. This environment is affected by government policy and the level of investment in agriculture. The environment is different in every country; it varies greatly—even within countries. To create and maintain an environment that encourages profitable, market-oriented farm businesses, policy makers need to address the following barriers:

*Poor or absent infrastructure:* Often, what is blocking starting and growing profitable farm businesses is basic infrastructure. Simple things, such as poor roads leading to markets, inadequate storage and market facilities, and even irregular supplies of electricity create very real and practical barriers to developing farm businesses.

*Unsupportive laws and regulations:* Governments need to have a positive view of entrepreneurship in farming. Land tenure and ownership, banking laws, trading regulations, business law and tax law are some of the more common barriers that help or limit the development of successful farm businesses. The ability to buy, sell and hire land, the legal status of women, the complexity of business regulations and the extent of bureaucratic procedures, all affect the environment in which new farm businesses must operate. Countries need to look very carefully at laws and regulations to make sure that they make it easier for small-scale farmers to develop their farm businesses.

***A range of barriers must be addressed in order to create and maintain a favourable environment for entrepreneurship***

***Government support is needed to promote entrepreneurship in farming.***

*Lack of financial support:* A major stumbling block for many farmers to expand production or diversify into new high value enterprises is lack of access to finance. Farmers who are starting new enterprises often face difficulty raising investment capital.

*Social barriers:* There are also social barriers to entrepreneurship that farmers face. The concept of entrepreneurship is not common to every culture or society. The fear of failure can be a barrier. Creativity and innovation are not always valued traits. Some countries have social systems that create dependence and hopelessness. Women in business are often not supported or are even discouraged. In some cultures communal enterprises may be more acceptable than individual businesses. Extension workers will need to be aware of these social barriers and help farmers deal with them.

***True entrepreneurs  
turn barriers into  
stepping stones to  
fulfil the goals of  
the farm business***

*Lack of training facilities:* To have a healthy farming sector, training facilities and support must be easily available to farmers. Effective institutions need to be developed to provide education and training at the right time, in the right place, and with the right balance of technical knowledge and practical skills.

***Market access is an  
essential condition to  
ensure the viability  
and sustainability of  
the farm business***

*Lack of support services and trained extension staff:* Farmers advancing through the five stages of development will need information, advice and support. Services are needed to advise, and support farmers in identifying, preparing, designing and implementing efficient farm businesses. Advice and support to farmers must cover areas beyond the traditional production-led services. The support needs of farmers are much wider – covering all aspects of running a profitable, market-oriented farm business.

In many countries, there is a general lack of farm management advisors to deal with the range of issues and questions faced by farmer-entrepreneurs. Further, support services are often inadequate and inefficient,

particularly in remote rural areas. The public sector has an important role to play in servicing these areas and in ensuring that the full range of information, advice and support is available.

*Marketing constraints:* When running a farm business, production must always be linked to a market. Access to markets is often constrained by a number of factors. These include poor communications, infrastructure and marketing facilities, lack of reliable and timely market information, limited purchasing power and even negative attitudes of buyers.

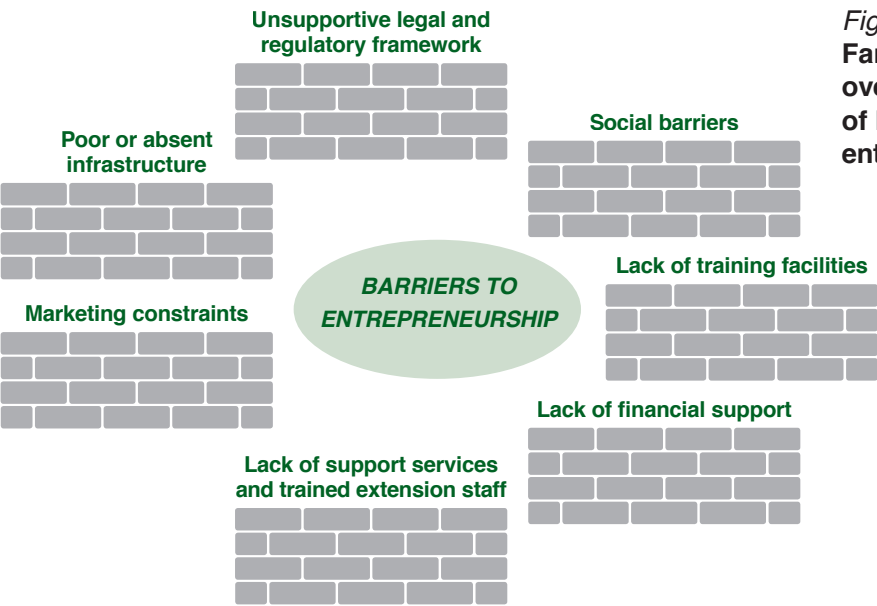


Figure 4  
Farmers must overcome a range of barriers to entrepreneurship

It is the responsibility of government to address these barriers and to provide an environment that supports farm businesses. However, with or without this assistance, farmers can take the lead by recognising the qualities they possess, get training and think and act as entrepreneurs.

★ ★ ★

## CHALLENGES

***Farmer-entrepreneurs face many challenges:***

***Market-related risk***

***Access to finance and credit***

***Access to information***

***Low bargaining power***

***Vulnerability to economic shocks***

***Access to training.***

A few examples of how farmer-entrepreneurs have grown their farm businesses have been discussed. These include increasing the area under production and processing and packaging to add value. They also include handicrafts and agro- eco-tourism.

However farmer-entrepreneurs have developed their farm businesses, they will face many challenges. Farmer-entrepreneurs need to be as ready as they can to meet these challenges. Some of the more significant challenges are:

- Market-related risk
- Access to finance and credit
- Access to information
- Low bargaining power
- Vulnerability to economic shocks
- Access to training and related challenges

### **Market-related risk**

Small-scale farmers live in an environment that is risky. The risks increase when they produce exclusively for the market. These farmers face difficult choices – particularly about which markets they should produce for. Focusing entirely on producing one or two products for the international market can have disastrous results if the world market prices for those products fall.

***Farmers need to assess the risks involved when selecting markets to sell produce.***

For many small-scale farmers, producing for a local market, rather than producing riskier export crops, is a rational, entrepreneurial choice. However, even producing for the local market has risks. Often local markets are over supplied resulting in low prices and, therefore, low profitability. For other small-scale farmers, the most rational decision is to farm first for home consumption and then for the market.

International export markets and local markets represent a range of choices. The farmer may decide to sell all of his produce in local markets or all of it in international export markets. He may also decide to sell some on both markets. The farmer must weigh up the opportunities and risks and decide on the combination of markets to use. This is a key challenge for farmers.



Figure 5

The farmer must weigh up the opportunities and risks and decide on the combination of markets to use

Whichever markets they use, farmers face substantial risks to reach them. Markets do not always function well; they are dynamic and diverse and they are not completely predictable.

But increased market participation does offer many opportunities. The farmer-entrepreneur must weigh up the opportunities and risks and decide on the combination of markets to use. This is a key challenge for farmers.

### **Access to finance and credit**

To change a home consumption farm into a market-oriented farm will require finance. There may be a need to upgrade equipment, hire transport to get to market, expand production or add processing. All of these require finance. The farmer can first check his own resources, but if he does not have sufficient funds of his own, he will need credit.

***Access to credit is a major challenge; moneylenders do not service rural areas where farmers are***



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Progressive farmer diversifying into nursery production - Jordan

*Entrepreneurs  
are innovators  
who take risks  
and respond to  
new opportunities;  
they are  
creative people*



©FAO/ Vasily Maximov/ 24710\_8229

Entrepreneurial farmer examining the quality of honey as part of a marketing strategy - Tajikistan



©FAO/ D. Kahan

There is considerable potential for entrepreneurship among women – a farmer specializing in floriculture growing – Sri Lanka

*But the challenges of modern agriculture often call for collaboration. Farmers are coming together to form groups, associations and organizations and to manage group enterprises*



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A farmer group receiving training on how to cultivate vegetables using micro-garden techniques - Senegal

*Group action provides them with support to better cope with risks and an environment that encourages innovation. Entrepreneurship can also be carried out by groups.*



©IFAD/L. Rosa

Farmers organized into a cooperative to market their produce collectively - Lesotho

Access to credit is another major challenge faced by farmer-entrepreneurs. Reputable moneylenders often do not service rural areas where farmers are. Farmers are often unaware of sources of finance or are trapped into using local moneylenders who may not be honest. If they are aware of reliable credit sources, they often cannot get credit because they lack the required collateral (because they have few assets), they have no credit history and their incomes are too low.

***Farmer-entrepreneurs  
need a clear  
understanding of  
how credit works***

Access to credit alone is not enough. Farmer-entrepreneurs also need a clear understanding of how credit works – particularly repayments and interest. They need to understand the difference between credit for longer-term investments (such as for equipment and machinery) and for operating capital for production inputs and other seasonal production costs.

They also need skill and experience in negotiating fair contracts to ensure that they protect their interests and are not taken advantage of or caught unawares about longer-term implications of using credit.

### **Access to information**

***Farmer-entrepreneurs  
require diverse  
information that is  
organised, packaged  
and communicated  
effectively***

Healthy, profitable businesses need a wide range of information. However, information provided through extension and support services (including NGOs) mainly focuses on production technologies, and not on prices, contacts, market possibilities or business management. Market information systems are emerging in many developing countries; many of these are difficult to access and do not provide the information in time or at affordable costs.

Information needs to be organised, packaged and communicated in ways that are helpful to farmer-entrepreneurs. Information is not always provided this way. Content and the way it is presented and communicated are all important. Radio, posters, leaflets and learning groups can help farmers access the information they need to be successful entrepreneurs.

### **Low bargaining power**

Small-scale entrepreneurial farmers often have low bargaining power. Their individual level of production is usually low and this limits their ability to negotiate with suppliers. Limited bargaining power can force them to buy inputs and equipment at higher prices. The same applies to bargaining power in the market place. Limited bargaining power often forces small-scale farmers to accept lower prices for their produce. If they had greater bargaining power, they would have a better chance to determine market prices for their products.

***Many farmers need assistance to adapt to the changes in the economy and to develop their capacity as successful entrepreneurs***

### **Vulnerability to economic shocks**

Emerging entrepreneurial farmers are often vulnerable to sudden economic changes such as:

- Unexpectedly low yields or crop failure;
- Changes in prices for inputs and products;
- The relocation of markets;
- Changes in interest rates;
- Adding fees for services;
- Additional market requirements (e.g. levies, fees, changes in packaging requirements).

Such changes may make the difference between profit and loss for the farm business. Farmers run a significant risk of not being able to recover from such shocks. A key to meeting such challenges is to strengthen the asset base of the farm business or to reduce its exposure to risk.

***Entrepreneurial farmers need the skills to run their farms as a profit-making business, invest profits back into the business and seek long-term growth***

### **Access to training and related challenges**

Developing capacity as an entrepreneur and as a successful farmer is not a simple task. Many small-scale farmers are not able to develop these capacities without help. Many factors are involved: education, experience, land size, financial situation, interest and distance to markets. Small-scale farmers are also often less able to deal with the additional risks involved in increased market participation. These farmers will need help to develop their capacity as successful entrepreneurs.

***Farmers' who decide  
to run their farm as a  
profitable enterprise  
will benefit from  
specialised training***

Not all farmers can benefit from general programmes designed to develop entrepreneurship. Extension workers need to ask questions to clarify exactly what training the farmers need and what strategy and package of actions will work best. They need to be clear about where the farmers are along the entrepreneurial ladder so they can design programmes that match the farmers' capacity and focus.

Farmers at the lower end of the ladder – who are struggling with basic survival – need a wide system of support just to secure basic needs such as health, nutrition, education and so on. These farmers may also need support with production to enable them to move into a more independent economic position.

Market-oriented farmers selling surplus produce may need help to improve business skills, but at a basic level. This may also need to be accompanied by literacy and numeracy training.

Farmers who have made a conscious decision to run their farms as a profit-making business and to invest profits back into the business to generate long-term growth will benefit from more specialised training in entrepreneurship. Such a training programme focuses entirely on business and entrepreneurial skills.

\* \* \*

*Each of these challenges  
needs to be addressed if new entrepreneurs  
are to be able to survive the first stages  
of growth and beyond.*

Chapter 2

# **Entrepreneurial responses to change**

## MAIN POINTS IN CHAPTER 2

### ***Capturing value within the value chain***

*Producing for the market is the first response of farmer-entrepreneurs to the opportunities found along the value chain. But like entrepreneurs, farmers will want to diversify their livelihoods to make them more sustainable and more profitable. One way to do this is by capturing value within the value chain.*

### ***Enhancing and managing efficiencies in production***

*Farmer-entrepreneurs need to be skilled at finding and using opportunities to expand their businesses. But they also need to be efficient in utilising resources, and in transporting and marketing produce.*

### ***Promoting new technologies and innovation***

*New technologies are needed in order to adapt to a changing economy and a changing market. Farmer-entrepreneurs are not only consumers and users of these technologies but should also be active participants in designing, testing, adapting and introducing them to the farming system.*

### ***Sustaining land management***

*The foundation of most farm-based businesses is land. While it is tempting to produce as much as possible over the short-term, a successful farmer-entrepreneur knows that the value of the land lies in its ability to continue producing profitably for generations. Sustaining land is a key element of the long-term success of the farm business.*

### ***Broadening management skills***

*As the farm business grows, it becomes more and more complex. Farmer-entrepreneurs need to continue increasing their managerial ability to meet the demands of increasing complexity.*

### ***Trustworthiness and respect in business***

*The long-term success of any business depends on it being conducted with trustworthiness and respect. These qualities assure partners along the value chain that farmers are reliable, that their deeds match their words and that they respect everyone with whom they work.*

### ***Promoting group entrepreneurship***

*Group entrepreneurship can occur when a group of like-minded farmers are willing to work together on a joint enterprise. This often requires support from extension workers to organise the group and facilitate linkages along the value chain. The challenge is to know when to stop their support and hand overall management and entrepreneurship functions to the group.*

### ***Managing farm businesses according to a long-term plan***

*Daily pressures on the farm business require farmers to make many immediate decisions. These decisions need to be made within a broader vision that guides the development of the business. Farmers must ensure that they are managing their farm businesses with a long-term plan for the business so that it stays on course and its direction is not determined by day-to-day decisions.*



## CAPTURING VALUE WITHIN THE VALUE CHAIN

***Capturing value  
within the value chain  
requires producing  
for buyers and final  
consumers***

Most of the money in farming is made after farmers sell their product. Entrepreneurial farmers actively look for ways to capture the added value within the value chain. This will increase profits.

Farmer-entrepreneurs realise that capturing value requires producing for buyers and final consumers. But just producing and selling is insufficient. This requires greater understanding and knowledge of value chains and their different elements. It requires a plan for participating further down the value chain.

***...and this requires  
knowledge and  
understanding of  
the chain and its  
bottlenecks and  
opportunities***

How can farmers capture more value? The most common way is by selling their regular fresh produce *directly* to consumers. Another way is to sell high-value products such as organic products. Instead of producing commodities that are undifferentiated, farmers produce commodities that are *differentiated* such as organic fruit, a unique type of meat or other specialised products for a limited “niche” market. A niche market can also be created when produce is produced at a time of the year when few other farmers can compete.

Another way of adding value is to enter into production and marketing contracts. Contracts are increasingly being used between farmers and input suppliers, farmers and processors and between farmers and other buyers for the production and supply of fresh or processed agricultural produce.

## DIFFERENT TYPES OF CONTRACTS

**Market-specification contracts:** the farmer agrees to produce to an agreed quality.

**Production management contracts:** the buyer participates in production management through inspecting production processes and specifying input usage.

**Resource providing contracts:** the buyer supervises production and supplies key inputs. The buyer often owns the product and farmers are paid by volume.

Finally, another way to capture value along the value chain is by integrating with or buying into the value-adding enterprises along the value chain. There are a number of ways – individually and collectively – to do this:

### **Pre-production enterprises**

Start supplying or buy into businesses that supply inputs and other resources such as seed, fertiliser, pesticides, tools and equipment.

### **Post-harvest handling of products**

Start providing or buy into businesses that provide post-harvest operations and processes that add value to products, including cleaning, cooling, packaging labelling, packaging, transport and marketing.

*Value can be captured by introducing value-adding enterprises*

**Post-harvest processing of products**

Start processing or buy into businesses that process agricultural commodities into more refined products including:

- Milling maize and other grains;
- Cooking, curing or drying meat;
- Drying fruits and vegetables;
- Mixing commodities such as nuts and raisins;
- Create handcrafts with commodities such as grasses and flowers.

***Extension workers  
can play a major role  
in helping farmers  
identify, investigate  
and evaluate  
opportunities***

Each of these represents a value-adding possibility in which entrepreneurial farmers can become involved to capture value within the value chain. If they can organise the necessary finances, they can establish a business to provide one or more of these functions.

However, for many newer farmer-entrepreneurs, expanding into these areas may not yet be possible. Still, they will recognise and evaluate these opportunities and use connections and contacts to find ways to create linkages so they can increasingly capture a share of the value being added along the value chain.

Extension workers can play a major role in helping farmers identify, investigate and evaluate opportunities in the value chain. They can also help facilitate access into or linkages with these opportunities in a measured and sustainable way.

\* \* \*



## ENHANCING AND MANAGING EFFICIENCIES IN PRODUCTION

Farmer-entrepreneurs continuously seek ways to improve efficiency, cut costs and increase productivity. It could be by reducing the level of money invested in equipment or looking for inputs that cost less, but give the same or better production results. It could be by changing the production system to one that is less costly. This may mean giving up the way one normally does things – even if it has been done that way for a long time.

*Farmer-entrepreneurs  
continuously  
seek ways to  
improve efficiency,  
cut costs and  
increase productivity...*

There is a trade-off when changing production systems. Farmers have to balance the goal of increasing productivity with the initial costs of the investments required. This requires careful investigation and includes considering such things as purchasing fewer inputs and materials, using more on-farm resources (such as labour and waste products) and making better use of equipment and machinery.

*... and share risks by  
reducing the costs of  
owning and operating  
machinery, equipment  
and implements*

Another option is to share risks and reduce ownership costs. An example is sharing machinery ownership to reduce ownership costs, and benefit from better mechanical technology. Shared ownership agreements work well among farmers who have similar sized farms and produce similar products. Under such agreements farmers agree to pay their own running costs and share repair and maintenance costs in proportion to their land use (regardless of where the machine breaks down). Decreased ownership costs resulting from sharing is usually larger than any yield/income losses caused by delays in mechanical operations caused by sharing.

\* \* \*

***Farmers may need to develop or adopt new technologies and practices in order to cut costs and increase efficiency.***

***Extension workers can facilitate farmer-farmer and farmer-research partnerships to identify, develop and test new technologies***

## **PROMOTING INNOVATION AND NEW TECHNOLOGIES**

One of the ways to change production systems is by developing or adopting new technologies and practices.

New technologies are being developed all the time. Some are developed by government researchers, others by private agricultural companies, and others by farmers. All these ideas and technologies need to be shared so that more farmers can benefit from them.

### **FIVE PRINCIPLES OF INNOVATION**

These five principles can help farmers take advantage of a new innovation:

- Know what the innovation does and how it works.
- Analyse the opportunity to see if people will be interested in using the innovation.
- Effective innovations are simple and focus on a specific need or opportunity.
- Effective innovations start small. Focus on a small, limited market, with a product requiring little money and few people to produce and sell it. As the market grows, fine-tune its processes and stay ahead of the emerging competition.
- Aim at leading the market from the beginning. An innovation that aims at leading the market (e.g. dominating a small specialised market) is more likely to be successful.

*Reference:* Adapted from Drucker (1985), *Innovative and Entrepreneurship, Practice and Principles*. Harper & Row Publishers.

Farmers need to be encouraged to develop and adapt new technologies and share them with other farmers. Extension workers can facilitate partnerships among farmers and between farmers and researchers to work together to identify, develop and test new technologies and practices to improve productivity and profitability.

Where Information Technology is available and accessible, it is a very powerful way for extension workers to educate and inform farmers about new ideas, technologies and other information. Physical distances and the lack of transportation facilities often limit the ability of extension workers to share information with farmers. Mobile phones, tablets, and computer-based systems can be used to overcome these physical barriers. The challenge is how information technology can be harnessed for the benefit of both extension agents and farmers without compromising the importance of human and unique local factors.

***New information and communication technologies are needed to share information with farmers.***



## **SUSTAINING LAND MANAGEMENT**

Whatever path farmers and extension workers follow, a question that remains is whether the path will lead to more or to less sustainable land use. Strong links with the national, regional or international markets, combined with the desire to increase farm income and profit, may encourage farmers to expand the area under production or change production systems without taking steps to maintain the productivity of the land. However, if promoted wisely, increased incomes could be the best guarantee for sustainable land use. Making profits enables farmers to re-invest profits in soil fertility, conserve natural resources, and look for and use appropriate technologies. It can also enable them to diversify production for local or domestic markets. The longer the land is productive, the longer the profits will continue.

***Making profits enables farmers to re-invest in fertility, conserve resources, and use appropriate technologies***

Successful farmer-entrepreneurs focus on securing profits, but they are also aware of the long-term negative effect of unsustainable land use. Appropriate land management in turn ensures that profits are maintained over the long-term and the farm business is sustainable. A true entrepreneurial spirit should lead to natural resource sustainability, because it implies wise use of scarce natural and human resources in order to stay in business for a long time.



## BROADENING MANAGEMENT SKILLS

***Farmer-entrepreneurs  
understand the  
need for:***

***Marketing skills***

***Risk management***

***Financial management***

***Labour management***

Entrepreneurial farmers see the need to more than focus on production alone. They understand the vital need to develop their farm business management skills.

Marketing: is an important skill as it is key to profits.

Risk Management: is critical because entrepreneurial farming involves great risk; therefore, risk management is also critical.

Financial Management: is important because profit can be determined only if income and costs are accurately recorded.

Labour Management: is important especially as the farm business grows because it will have more employees. This is important for production management, as well as for risk management. Hiring the wrong labourer can quickly change profits into losses.

Above all, a rational, integrated approach to management in all these areas is needed to ensure profitability and competitiveness.



## TRUSTWORTHINESS AND RESPECT IN BUSINESS

Sustainability of farm businesses is linked to managing the business with trustworthiness and respect. Trustworthiness and respect implies fair dealing, greater transparency and the building of trust between fellow producers, members of producer organisations, input suppliers, buyers, consumers and other businesses along the value chain. This brings benefits to the business such as greater commitment among labour and staff, better information sharing, greater creativity and an improved reputation. Many of these factors affect the profitability of the individual enterprises and of the whole farm.

Standards can be set by the farmer-entrepreneur within a framework of core values. These standards govern the relationship between the farm business and its stakeholders as well as the relationships within the farm business. Applying these values will help the business to distinguish itself from others and will build confidence among clients.

To maintain and sustain the business, all areas of work in a farm business must be carried out according to the core values. In particular, when selling produce the seller should be honest with respect to weights and measures, ensuring the quality and safety of produce and complying with agreed contracts. Being attracted by the short-term benefits may lead a farmer to make untrustworthy decisions and actions to make a quick gain. But the entrepreneurial farmer realises that following short-term gains with untrustworthy practices will destroy his business in the long-term. The entrepreneurial farmer should try to sustain the business by making sure that all stakeholders benefit. Applying the core values in all business dealings is good business practice.

***The sustainability of the farm business is linked to managing the business with***

***ethics, values***

***and principles***

***Applying values in all business dealings is good business practice***

## CORE VALUES

**Trustworthiness:** Worthy of trust and confidence. Includes such values as integrity, keeping promises, loyalty, dependability and reliability. Actions are consistent with words.

**Truthfulness:** Honest and true in all business dealings.

**Respect:** Regard for the dignity, worth, independence and essential equality of all people. Treating people with courtesy, politeness and kindness. Tolerance of others.

**Responsibility:** Acknowledging and performing duties to others and oneself. Being self-disciplined and accountable for one's actions.

**Fairness:** Making decisions based on appropriate factors. Being impartial; avoiding conflicts of interest. Being reasonable and consistent. Playing fair.

**Caring:** Having regard for the well-being of others. Being kind, compassionate, considerate, unselfish and charitable.

**Social responsibility:** Recognising and living up to community and social obligations. Being law-abiding. Doing one's share. Contributing to the betterment of society.

To run a business with trustworthiness and respect requires patience. Since the business must focus on long-term results, farmer-entrepreneurs know they must be patient. Without patience they could become frustrated and tempted to choose untrustworthy alternatives.

The farmer-entrepreneur also understands the need to maintain perspective. There is rarely enough time to do everything that needs to be done. The successful farmer-entrepreneur understands the value of stopping and reflecting on where the business is headed, why it is headed that way, and how it is going to get there. Such reflection allows farmers to maintain perspective and to make the best decisions in both the short and long-term.



## PROMOTING GROUP ENTREPRENEURSHIP

It is possible to cultivate an entrepreneurial spirit among a group of willing participants. It starts with finding a group of farmers who show interest in being self-employed, taking calculated risks and the willingness to work together on a joint production activity.

Forming group business enterprises often has to be initiated from outside the group, for example by extension workers. Until a group becomes united, its members are likely to put their individual interests first. Group enterprises are often vulnerable in terms of the education, literacy and managerial experience of its members. Such groups need to be supported more deeply over a longer period than would individual farmer-entrepreneurs.

Extension workers are also needed to create linkages with input suppliers and markets while developing the management and entrepreneurial skills of the group and its members.

The relationship between the extension worker and the group is critical. Trustworthy support builds trust. This builds enthusiasm and a greater spirit of unity among group members. The extension worker needs to know when to stop supporting the group. This should

***Farmer groups often  
need more support  
than individual  
farmers***

***The relationship  
between the extension  
worker and the group  
is critical...***

***trustworthy support  
builds trust.***

***A business strategy helps farmers make good choices in the uncertain world within which they operate.***

happen when the group takes full responsibility for the management of its business, but only after training has also been completed. This is a challenge to extension workers and extension organizations. If support is stopped too soon, the group's structure may collapse under the load that is put on it before it is ready. If it carries on too long, it creates greater dependency and the move towards self-reliance is slowed or even stopped.

The process of group entrepreneurship development is successful when it results in a viable venture – a cooperative, a farmer association or other forms of collaboration.



## **STRATEGIC LAND MANAGEMENT**

Successful entrepreneurial farmers are strategic in their planning and implementation. They look at their farm businesses from a broad and long-time view. They make sure the major aspects of their farm businesses support the goals and objectives they have set. They look at ways to strengthen the competitiveness of the farm business through satisfying buyers, achieving performance targets and staying focused on realising the long-term goals of the business.

***Strategic management is necessary for farmers to position their farms for the future.***

Strategic management is necessary in order for farmers to position their farms for the future. It is 'big picture' thinking. Having a strategy helps a farmer make good choices among alternative courses of action in the uncertain world within which they operate. It helps a farmer to make short-term decisions that are consistent with his long-term goals. It requires farmers to keep watching and asking the questions: What do I need to do to compete, progress and meet my goals? How does the decision I am about to make contribute to my goals?

## STRATEGIC MANAGEMENT

A strategy is an overall long-term plan for the farm business. It sets out the goals that the farmer wants to achieve and the main ways to achieve those goals.

Strategic management is the process of planning the strategy, implementing it, monitoring the outcomes and adjusting the strategy over time as conditions change.

Strategic management is also a way of thinking. Strategic farmers are forward thinking, proactive, and focused on where they are going and how they intend to get there in the long-term.

Strategic action is a combination of planned actions and quick but measured reactions to changing circumstances.

### Income increasing strategies

Farmer-entrepreneurs can increase their profits and create value through different strategies, such as:

- Diversify;
- Lower costs;
- Expand the size of the business;
- Add value to the enterprise;
- Specialise;
- Differentiate the product;
- Integrate.

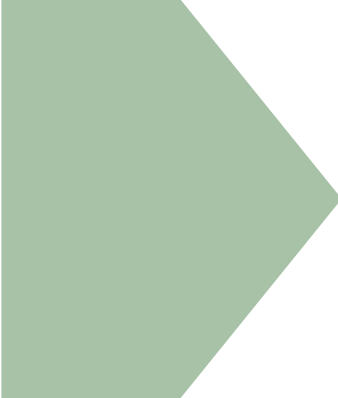
**Diversifying:** means increasing the number of products being produced and sold. This increases the sources of income, which spreads the risk of loss. Successful diversification strategies look at under-utilised resources on the farm, unfilled demand and the knowledge and skills of the farmer to identify what additional produce to produce.

*Diversifying  
farm enterprises  
increases the sources  
of income, and often  
mitigates risks*

**Lowering costs:** focuses on producing products at the lowest possible cost. It is the most commonly used strategy in farming. It involves finding less expensive resources and inputs and using more efficient production systems. It can also involve increasing volume to reduce the per-unit cost. When products cost less to produce, they can be sold at lower, more competitive prices and still make profits.

**Expanding the size of the business:** includes increasing sales, physical and financial assets of the farm. Expanding the size of the farm can take different forms: capacity expansion, replication and modernisation. This strategy works only if the farm is already profitable and competitive.

### GROWTH STRATEGIES



**Capacity Expansion:** the existing farm enterprises are expanded. It means more land under crops or more head of livestock. It is designed to take advantage of economies of scale (i.e. spreading costs over more production). Greater efficiency is also achieved because the farmer focuses only on existing enterprises.

**Replication:** existing successful farm operations are replicated (duplicated) in a different location. The strategy is used when there is no possibility of expanding the enterprise at the current location.

**Modernisation:** the assets of the business are not expanded but are modernised so that production is more efficient.

**Adding value to the enterprise:** is to increase income by adding value to existing or diversified enterprises. Adding value to a product depends on buyer needs. Farmers have to identify what different buyers look for as value.

### VALUE-ADDITION: ADDING VALUE TO A LEMON ENTERPRISE

The lemon is the basic product. It could be sold as fresh fruit or as a value-added product (lemon juice, pickled, flavouring). Lemons sold as fresh fruit usually obtain a lower price than a value-added product, but the costs of producing a value-added product are also higher. The key point in deciding to add value to a product is whether the added cost of production is matched by at least the same value in added income.

*Diversification can also occur along the chain by adding value and developing 'niche' products.*

Value-addition requires careful analysis, seeking ways to improve the existing produce. By adding value farmers can target different buyers with different products of different value to meet changing market demands.

**Specialising:** involves reducing the number of enterprises in the farm business to just a few that receive the full attention of the farmer. When farmers specialise, they develop the product specially to meet market demands. They will also expand the volume of the product through capacity expansion, replication and modernisation.

*Specialization involves developing products to specifically meet market demands*

**Differentiating the product:** farmers make their produce different and better than those of their competitors. The farmer strives to create unique perceptions about his product among buyers and consumers. To achieve this, the production and marketing processes are different from those of competitors so that the product matches what buyers prefer. This enables the farmer to charge a higher price. Organic vegetables are an example of a high-value product with a small but well-defined market niche.

Differentiation is created by:

- The nature of the product;
- The information farmers have about their buyers;
- The way the product is presented;
- The way it is distributed.

***Vertical and horizontal integration are both necessary to link to modern value chains.***

**Integrating:** There are two kinds of integration, horizontal and vertical. Vertical integration is where the farm controls or is involved in one or more 'links' in the value chain. The farm may integrate 'forward' into processing products, or 'backwards' into supplying inputs.

Horizontal integration is where the farm joins with other farms to produce the same product.

### **Business stabilising strategies**

In addition to strategies to increase income, sometimes it is best to stabilise the farm business. Stabilising strategies involves various ways of maintaining the size and organization of the farm business at its current level. These strategies are adopted from the start of an enterprise or after long periods of growth, depending on the goals and aspirations of the farmer. Possible strategies include: no change, full employment, adequate income, profit and 'wait and see'.

***Farmers will need to choose the most appropriate business stabilising strategies***

**No Change:** The current farming business meets the goals of the farmer.

**Full Employment:** The business is expanded until the family members are fully employed. At this point expansion stops and is maintained at this level as long as everyone is fully engaged. Full-time hired labour to expand further is not considered an option.

**Adequate Income:** The business is expanded until it generates adequate income for the farmer. However, if adequate income levels are not maintained over time, the business may expand until the desired level of income is reached.

*Some may decide to wait until the environment has improved before expanding...*

**Profit:** After a period of expansion, the farmer may decide to sacrifice future growth by using the income generated for consumption purposes and not reinvesting profits into the business.

**Wait and See:** A farmer might think the current economic and business environment is too uncertain for expansion at this time and decide to wait until the environment has improved before expanding. If this is not managed correctly, a farmer may run the risk of waiting too long and missing an opportunity for expansion.

*... but if farmers wait too long they run the risk of missing the opportunity.*

\* \* \*



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Farmers investing in new technologies to harvest rice more efficiently and reduce post harvest losses – The Philippines

*Entrepreneurial farmers need to manage their farms in a profitable and sustainable way with the flexibility to adapt to a rapidly changing agricultural environment*



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Farm planning is an important entrepreneurial function: an extension worker guiding a farmer to plan his cropping pattern – Guyana



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There is considerable potential for entrepreneurship among women – a farmer specializing in floriculture growing – India



©FAO/Riccardo Gangale/ 24752\_7324

Longer term management strategies sometimes include adding value to the enterprise – Central African Republic



©FAO/Roberto Faldutti/ 19323

*This calls for better day to day management of farm operations as well as having a broader vision of the future of their farm business*

Diversification into new products often increases income and reduces costs – use of driers in Uganda



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Specialization involves meeting the demands of specific markets – a farmer specializing in house plants – India

## THE STRATEGIC MANAGEMENT PROCESS

Strategic management consists of strategic planning, strategic implementation and strategic control. Strategic management deals with broad issues and opportunities affecting the farm business. It is not the same as day-to-day management of the farm business that deals the immediate operational issues of the business.

**Strategic planning:** This involves:

- Selecting the long-term goals of the farm business and its core values;
- Analysing the external and internal environments;
- Developing the best way the goals can be achieved in its current environment.

Planning a trip is a good example. One can chose a destination – but what's the best way to get there? Walk, take a bus, go by bicycle? This requires planning out the trip based on each possibility and deciding which is the best one. A simple principle to follow when developing strategies is to take advantage of the business's internal strengths. A farm business strategy should be built on what it is good at doing.

**Strategic implementation:** This is concerned with organising the farm in a way that ensures that the strategy can be effectively implemented. It involves designing structures and procedures and obtaining and directing the resources needed to put the strategy into action.

**Strategic control:** This involves designing ways to monitor and control implementing the plan, comparing actual results to the goals set, monitoring the business environment and making changes to the farm structure, implementation plan or even the strategy to meet the goals.

Chapter 3

## **Entrepreneurial qualities**

## MAIN POINTS IN CHAPTER 3

### ***Entrepreneurial Qualities***

*There is a difference between farm business management and entrepreneurship. Farm business management is about better planning, implementation, control and managing risk. Entrepreneurship is about looking forward – identifying opportunities, creating a vision of how the business will grow, innovating and taking risks. A farmer who thinks of the farm as a business that has potential to grow and develop is an entrepreneur. Entrepreneurial farmers look at their farms and see ways to make them more profitable; they develop ideas and then translate them into action. They need self-motivation, perseverance and confidence with an ability to plan and organise the farm business. These qualities enable entrepreneurial farmers to seek-out business opportunities, conceptualise and initiate new business ideas and guide the farm business to accomplish the goals set.*

### ***Knowledge***

*Entrepreneurs need more than just their personality or personal traits. They need ideas, opportunities, and resources. Knowledge allows farmers to make informed choices. It puts them in a better position to compare the current practices being used with alternatives. Farmers obtain knowledge through experience and observation - from listening to and learning from other farmers, observing how things are done and then practicing it themselves. Extension workers are another source of knowledge. Information and its communication is an important aspect of knowledge creation and accumulation.*

*Farmers need knowledge in each of the key areas of farm management: planning, implementing and controlling. They also need information about primary production, harvesting, processing, wholesaling and retailing and about input supply, financial services, transport, packaging, promotion and advisory services.*

### ***Entrepreneurial Competencies***

*There are nine key entrepreneurial competencies for a farmer-entrepreneur: initiative, ambition, focused problem-solving, creative thinking, taking risks, flexibility and adaptability, interpersonal abilities, networking and readiness to learn. With these competencies, farmers will be more able to compete in this new environment and make profits by taking advantage of new market opportunities. These competencies can be acquired through practice, experience and training.*

### ***Technical Competencies***

*In addition to being entrepreneurs, entrepreneurial farmers must also be excellent farmers. This requires technical competencies particularly in three areas: managing inputs, managing production and managing marketing.*

### ***Managerial Competencies***

*Entrepreneurial and technical competencies need to be complemented by managerial competencies in the functions of diagnosis, planning, organising, leading and controlling. The farmer-entrepreneur performs these functions in each of the key areas of the farm business: managing inputs, production and marketing.*

### ***Integrating Competencies***

*Success as a farmer-entrepreneur comes through the ability of the farmer to combine the entrepreneurial, technical and managerial competencies in practice.*

*Market-oriented farming requires not only improved management skills but a more ‘entrepreneurial’ approach to farming*



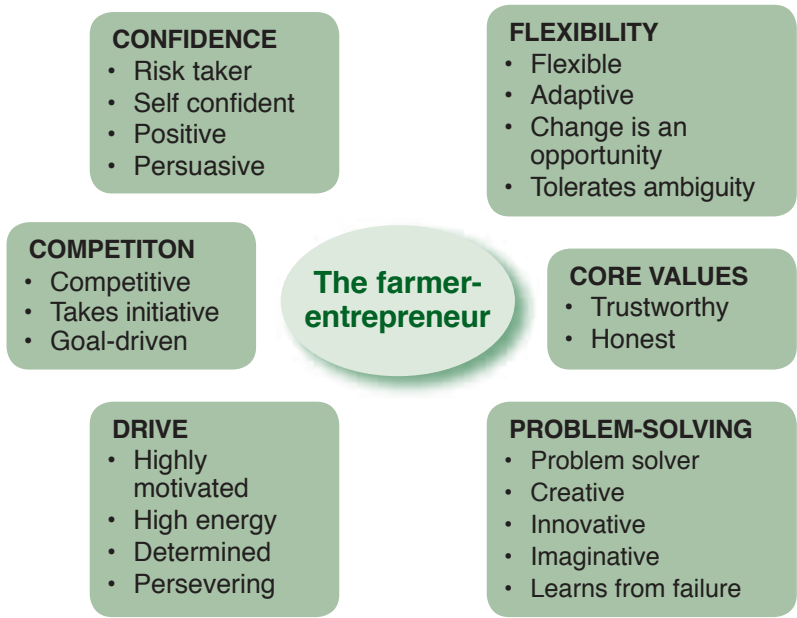
**ENTREPRENEURIAL CHARACTERISTICS**

As the previous two chapters explained, there is a difference between farm business management and entrepreneurship. Farm business management is about better planning, implementation, control and managing risk. Entrepreneurship is about looking forward – identifying opportunities, creating a vision of how the business will grow, innovating and taking risks.

Entrepreneurs have some special qualities or characteristics that set them apart from the average farm manager.

Some ‘typical’ characteristics of a farmer-entrepreneur are shown in the figure below. They can be grouped into six categories: core values, problem-solving, flexibility, drive, competition and confidence. Some of these are very similar to entrepreneurial competencies that will be discussed later in this chapter.

Figure 6  
Some ‘typical’ characteristics of an entrepreneur



It is the characteristics shown in Figure 6 that enables entrepreneurial farmers to seek-out business opportunities, conceptualise and initiate new business ideas, gather the physical, financial, and human resources needed to start the business, set goals and guide the farm and all its resources to accomplish those goals.

Not all farmer-entrepreneurs have all of these traits to the same degree. But they will have all of them to some degree. Without their core values of trustworthiness and honesty, their problem-solving nature, their flexibility, their drive, the sense of competition and their confidence, they would not really be entrepreneurs.

In order for good farm managers to become truly entrepreneurial they will need to develop these characteristics.

***An entrepreneurial farmer has the imagination and determination to build the farm business and produce for the market***



## KNOWLEDGE

Entrepreneurs need more than just their personal characteristics. They also need a range of competencies and abilities that can be learned or developed through training and experience – with the support of extension.

An essential and important part of any competency is knowledge. Knowledge is a key factor in successful farm business management. Knowledge allows farmers to make informed choices. It puts them in a better position to compare the current practices being used with alternatives.

Levels of education (especially literacy and numeracy) may influence developing and using knowledge. Farmers who have less formal education can still be effective learners and acquire and use knowledge to

***Entrepreneurs need more than just their personality or personal traits...***

***...they also need a range of competencies – knowledge, skills and behaviours...***

***...which can be learnt or developed through training, extension and experience***

***Farmers require knowledge in key areas of farm management:***

***planning, implementing and controlling***

make their farms more profitable. They may have to work very closely with extension workers and other sources of information to make sure that information is presented in a way that they can understand. A successful entrepreneurial farmer takes command of his or her own learning.

Farmers obtain knowledge in a number of ways. They learn through experience and observation and from written, verbal or visual information. Some of their knowledge has been handed down from their parents and grandparents. Many farmers also obtain their knowledge from listening to and learning from other farmers, observing how things are done and then practicing it themselves. Extension workers are another source of knowledge. Whatever source they use, farmers, like most people, learn best through experience, by doing.

Information and its communication is an important aspect of knowledge creation and accumulation. The problem is that in many countries information is not widely available and information systems are poorly developed. Where information is available, farmers find it hard to use. For example, market prices are often expressed as average prices for a region or nationally and may be very different from local prices.

Farmers need knowledge in each of the key areas of farm management: planning, implementing and controlling. They need information about their direct functions - primary production, harvesting, processing, wholesaling and retailing. They also need information about their support functions - input supply, financial services, transport, packaging, promoting and advisory services.

Each farmer handles knowledge in a different way. More traditional farmers tend to cling to the knowledge they learned from their fathers. Market-oriented farmer-entrepreneurs actively seek new and reliable information that will help them decide how to make their farms more profitable. How farmers handle knowledge is a good indicator of how serious they are about making profits and being an entrepreneur.



ENTREPRENEURIAL COMPETENCIES

There are nine key entrepreneurial competencies for a farmer-entrepreneur: initiative, ambition, focused problem-solving, creative thinking, taking risks, flexibility and adaptability, interpersonal abilities, networking and readiness to learn.

*Farmers with initiative  
do not wait for others  
to start*

With these competencies, farmers will be more able to compete in the changing environment and better able to make profits by taking advantage of new market opportunities.

These abilities can be developed and refined through practice and experience. They can also be strengthened through training.

**Initiative:** Initiative is a willingness to work. Entrepreneurial farmers are eager to get moving. They do not wait for others to start. Entrepreneurial farmers lead the way and are the first to act when a new opportunity comes along. They know what needs to be done and can create and express their vision for success.

*Entrepreneurial  
farmers lead the way  
and are the  
first to act when  
a new opportunity  
comes along*

| Initiative | Willingness to work                             |
|------------|-------------------------------------------------|
| Knowledge  | Understand what is required to succeed          |
| Skills     | Create and clearly express a vision for success |
|            | Set realistic but challenging goals             |
| Behaviour  | Willing to take the first step                  |
|            | Work well independently (without supervision)   |
|            | Keep working until the job is done              |

*Farmers with ambition  
are focused on  
their goals*

**Ambition:** Ambition is a strong desire and will to achieve goals. Entrepreneurial farmers are very focused on achieving their goals. They are highly motivated and are not discouraged by setbacks.

| Ambition  | Strong desire and will to achieve goals                                                                           |
|-----------|-------------------------------------------------------------------------------------------------------------------|
| Knowledge | Understand the challenges to be faced                                                                             |
| Skills    | Have strategies to cope with setbacks                                                                             |
| Behaviour | Highly motivated to achieve goals<br>Do not easily give up; not put off by setbacks<br>Patient, copes with stress |

*Entrepreneurial  
farmers look actively  
for solutions*

**Focused on problem-solving:** Farmers have to be good decision-makers and problem-solvers to be effective managers. But as entrepreneurs they must be focused and conscientious. Entrepreneurs have a strong desire to solve problems and to seize opportunities. They actively look for solutions.

| Focused on problem solving & decision-making | Strong desire to solve problems and seize opportunities                                                                                                                                        |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Knowledge                                    | Understand the decision-making process<br>Understand the problems the farm business faces<br>Understand the opportunities that arise                                                           |
| Skills                                       | Identify problems and opportunities<br>Locate, gather and organise data relevant to the problems<br>Generate, evaluate and choose alternatives<br>Implement and monitor the chosen alternative |
| Behaviour                                    | Actively look for effective ways of solving problems                                                                                                                                           |

**Creative thinking:** Farmer-entrepreneurs see the big picture. They understand the farm business as a system. They understand the problems and opportunities that exist. They recognise and realise business opportunities. They are always thinking of new and different ways of doing things and come up with creative and innovative ideas and solutions. These are then tried and tested.

*Farmer-entrepreneurs see the big picture and understand the farm business as a system*

| Creative thinking | Come up with creative and innovative ideas and solutions                                                                                                      |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Knowledge         | Understand the farm business as a system<br>Understand the problems facing the farm business<br>Understand the opportunities that arise                       |
| Skills            | Generate new ideas<br>Find relevant information<br>Match information and ideas to opportunities and problems                                                  |
| Behaviour         | Diagnose the farm business and its parts<br>Identify opportunities<br>Assess the options<br>Select the most appropriate<br>Develop actions for implementation |

**Taking risks:** Farmer-entrepreneurs are actively willing to take risks. They understand risks and how to evaluate them. They can weigh up the potential costs and the benefits. They are not afraid of failure and regard it as part of learning; a way to improve the farm business.

*Farmer-entrepreneurs are actively willing to take risks*

| Taking risks | Actively willing to take risks to achieve the goals of the farm business                                                                      |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Knowledge    | Understand the risk for each decision<br>Know how to evaluate risks                                                                           |
| Skills       | Analyse and weigh the risks in terms of costs and benefits<br>Develop risk management strategies                                              |
| Behaviour    | Calculate the risks involved<br>Pursue risk mitigating measures<br>Learn from failures or mistakes<br>Adapt to risks and adopt new strategies |

**Flexibility and adaptability:** Farming is in a constant state of change. Farmer-entrepreneurs readily adapt to these changes. They are aware of the changes and are quick in finding ways to meet them and take immediate action. They are not put off by setbacks.

*Farmer-entrepreneurs  
readily adapt  
to changes*

| Flexibility & adaptability | Readily adapts to new and changing situations                                                                                  |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Knowledge                  | Aware of the changes affecting the farm business                                                                               |
| Skills                     | Generate creative ideas<br>Analyse situations and develop coping strategies<br>Locate new sources of resources and information |
| Behaviour                  | Highly motivated to achieve goals<br>Do not easily give up; not put off by setbacks<br>Patient, cope with stress               |

**Strategic thinking:** Farmer-entrepreneurs have a vision of their business and strategies for achieving its goals in a sustainable way. They are aware of the importance of meeting longer-term objectives – not just address immediate problems.

*Farmer-entrepreneurs have a vision of their long-term objectives*

| Flexibility & adaptability | Readily adapts to new and changing situations                                           |
|----------------------------|-----------------------------------------------------------------------------------------|
| Knowledge                  | Aware of the changes and risk affecting the farm business                               |
| Skills                     | Analyse situations and develop long-term strategies<br>Find ways of realising the goals |
| Behaviour                  | Create a vision of the farm business<br>Set goals<br>Develop strategies to achieve them |

**Interpersonal abilities:** Farmer-entrepreneurs understand that their success often rests in the hands of other people. So they recognise the need to work with others. They are good communicators; they openly share information, and they actively listen to those around them. Above all, they are honest and trustworthy when working with others and in all their business dealings.

*Farmer-entrepreneurs are good communicators and trustworthy*

| Interpersonal abilities | The ability to work with others; especially those who are different.                             |
|-------------------------|--------------------------------------------------------------------------------------------------|
| Knowledge               | Understand people and how they work<br>Understand relationships and when they are strong or weak |
| Skills                  | Open two-way communication<br>Share and encourage others to share                                |
| Behaviour               | Work well with people of all kinds<br>Honest and trustworthy                                     |

*Farmer- entrepreneurs  
establish effective  
partnerships*

**Networking:** Farmer-entrepreneurs are good at establishing effective partnerships and other relationships. They know who the key stakeholders are in their farming business. They are good at maintaining contact with them and can negotiate and make deals.

| Networking | Establish effective partnerships and relationships                                      |
|------------|-----------------------------------------------------------------------------------------|
| Knowledge  | Know who the key stakeholders and partners are                                          |
| Skills     | Negotiate and make deals<br>Maintaining contact with partners, markets, suppliers, etc. |
| Behaviour  | Trustworthy and honest in all dealings                                                  |

*Farmer- entrepreneurs  
actively look for new  
knowledge and skills*

**Readiness to learn:** Farmer-entrepreneurs actively look for new knowledge and skills. They are always ready to learn. They know how to learn. They take command of their learning. They keep themselves informed of learning (and training) opportunities and they learn from mistakes.

| Readiness to learn | Actively looks for new knowledge and skills; learns from mistakes                  |
|--------------------|------------------------------------------------------------------------------------|
| Knowledge          | Know how to learn<br>Keep informed about learning opportunities                    |
| Skills             | Set learning goals<br>Analyse and identify when new knowledge or skills are needed |
| Behaviour          | Take command of learning<br>Curious                                                |

## NEW UNDERSTANDINGS OF ENTREPRENEURIAL SKILLS

**Opportunity skills** include being able to recognise and realise business opportunities. They also include market and customer orientation, a keen awareness of threats, the ability to innovate and risk management skills.

**Strategy skills** include being able to develop and evaluate business strategies. They also include the ability to receive and make use of feedback and to reflect. They include: monitoring and evaluation skills, conceptual skills, strategic planning skills, strategic decision making skills and goal setting skills.

Reflection includes self-knowledge and knowing one's strengths and weaknesses. Strategic planning involves the ability to analyse the business situation and its competitive environment. This, in turn, includes the ability to identify and act on unique selling opportunities.

**Cooperation and networking skills** include the ability to network and utilise contacts, as well as communication, team-work and cooperation skills – particularly with other farmers and companies. Leadership is also an important element of cooperation and networking skills.

It is important to note that these uniquely entrepreneurial skills are not effective in isolation. They need to be integrated in thought and in action. For example, the ability to recognise a new business opportunity is directly linked to the ability to network and communicate with other farmers and role players in the value chain. Similarly the whole purpose of networking is to either identify or develop and implement a new opportunity.

*All good farmers have all the technical skills to produce a good crop or raise livestock.*

*Entrepreneurial farmers seek quality inputs at low cost for greater efficiency*



**TECHNICAL COMPETENCIES**

In addition to being entrepreneurs, entrepreneurial farmers are also excellent farmers. They apply all the competencies of an entrepreneur to their farming activities. Technical competencies are needed particularly in three areas: managing inputs, managing production and managing marketing. What sets entrepreneurial farmers apart from other farmers in these aspects of farming is their behaviour. The farmer-entrepreneur is always on the lookout for better ways to do things and is willing to experiment.

**Managing inputs:** Inputs are a key element in profitable market-oriented farming. The farmer-entrepreneur is good at identifying, sourcing and acquiring inputs for the farm. To manage inputs successfully, the farmer needs to know what inputs are required for each enterprise, where to get them and how to use them. The farmer-entrepreneur has this knowledge and skills, but is also always looking for better quality inputs, lower input prices and more efficient alternatives. The farmer-entrepreneur is ready to experiment and learn.

| Managing Inputs | Identifying, sourcing and acquiring inputs for the farm                                                          |
|-----------------|------------------------------------------------------------------------------------------------------------------|
| Knowledge       | Know what inputs are required for each enterprise and where to obtain them                                       |
| Skills          | Correct application of inputs<br>Keep records of input use and results                                           |
| Behaviour       | Look for better quality inputs, lower prices, more efficient alternatives<br>Ready to experiment with new inputs |

**Managing production:** Production is the heart of any farming business. Every good farmer knows how to produce his chosen enterprise. The entrepreneurial farmer knows the most profitable and sustainable way to produce. Every good farmer will have all the production skills needed to produce a good crop. The entrepreneurial farmer is aware of time – doing things now rather than later. The entrepreneurial farmer is also ready to experiment with alternative production systems.

*Entrepreneurs seek the most profitable and sustainable way to produce*

| Managing Production | Identifying, organising and implementing production on the farm                                                                                                                            |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Knowledge           | Know the most profitable and sustainable way to produce each enterprise                                                                                                                    |
| Skills              | For crops: Ploughing, planting, pest control, weed control, harvesting<br>For livestock: rearing, feeding, watering, disease control<br>Keep correct records for all production activities |
| Behaviour           | Mindful of time; do it now<br>Look for more efficient production systems<br>Ready to experiment and try out new systems                                                                    |

*Entrepreneurial and technical competencies need to be complemented by competence in diagnosis, planning, organising, leading, controlling and evaluating*

*Farmer entrepreneurs  
need to be able to  
adapt to changing  
market signals*

**Managing marketing:** In order to make profits, produce has to be marketed and sold. Farmer-entrepreneurs know where the most profitable market is for each product. They are good at negotiating contracts. They are also always on the lookout for more profitable markets and, when found, adapt quickly to take advantage of new marketing opportunities.

| Managing Marketing | Profitable marketing of farm products                                                        |
|--------------------|----------------------------------------------------------------------------------------------|
| Knowledge          | Know where the most profitable market for each enterprise is                                 |
| Skills             | Negotiate contracts<br>Keep records of transactions                                          |
| Behaviour          | Look for more profitable markets<br>Adapt quickly to market changes and market opportunities |



**MANAGERIAL COMPETENCIES**

The successful farmer-entrepreneur uses farm resources effectively and efficiently. Two farms, with the same physical resources, markets, labour availability and capital base can generate very different levels of profits and income. The difference can usually be attributed to management. Therefore, entrepreneurial and technical competencies need to be complemented by managerial competencies.

Managerial functions are diagnosis, planning, organising, leading, controlling and evaluating. The farmer-entrepreneur performs these functions in each of the key areas of the farm business: managing inputs, production and marketing. The successful farmer-entrepreneur is competent in each of the functions of management.

**Diagnosis:** Entrepreneurial farmers have the analytical skills to understand the farm business and its enterprises very well. They are able to identify the constraints and opportunities that affect profitability. This entails analysing the cause of problems and identifying ways to overcome them.

*Farmer-entrepreneurs  
need to be able  
to diagnose farm  
business performance*

| Diagnosis | Analyse the farm business to identify problems and opportunities that affect profitability         |
|-----------|----------------------------------------------------------------------------------------------------|
| Knowledge | Understand the input, production and marketing requirements of each enterprise                     |
| Skills    | Analyse the farm business to identify problems and opportunities<br>Identify solutions and actions |
| Behaviour | Identify the root causes of a problem<br>Learn from others<br>Identify solutions                   |

**Planning:** Entrepreneurial farmers are effective planners. Effective planning is fundamental to running a profitable farm enterprise. Effective plans are prepared based on resources available and on the farmer’s objectives. The planning process involves choosing a particular course of action from among alternatives with the objective of attaining these objectives.

*Farmer-entrepreneurs  
need to plan  
strategically for  
the future*

| Planning  | Identifying and selecting actions to take to achieve a goal                                                    |
|-----------|----------------------------------------------------------------------------------------------------------------|
| Knowledge | Know the goals and objectives<br>Know the range of alternatives to achieve them                                |
| Skills    | Identify, evaluate and choose alternatives<br>Outline the steps and resources needed to implement alternatives |
| Behaviour | Forward thinking<br>Methodical                                                                                 |

*‘Good management’  
requires that the  
farmers regularly  
check the progress of  
the farm business  
and are ...*

**Organising:** This means preparing to implement the plan; getting everything in order. It includes obtaining the inputs and materials necessary to put the plan into effect. Successful entrepreneurial farmers are good implementers. They are determined and methodical in following their plans.

| Organising | Preparing to implement the plan                                             |
|------------|-----------------------------------------------------------------------------|
| Knowledge  | Know what and when resources and materials are needed and where to get them |
| Skills     | Following sequential steps<br>Finding and securing resources                |
| Behaviour  | Determined<br>Methodical                                                    |

**Leading:** The successful entrepreneurial farmer is a good leader. This involves motivating, enabling and drawing out the talent of people to achieve the goals of the farm business. Motivation is done through good communication; building of trust and confidence, creating a climate that encourages good performance and developing the capabilities, skills and competencies of staff.

*able to make  
adjustments to  
improve performance*

| Leading   | Guiding and supporting staff in achieving the goals |
|-----------|-----------------------------------------------------|
| Knowledge | Understand how to motivate people                   |
| Skills    | Communication<br>Assessing performance              |
| Behaviour | Trustworthy<br>Encouraging<br>Builds trust          |

**Controlling:** Successful entrepreneurial farmers understand the importance of controlling the farm business and making sure that performance goes according to plans and expectations. It is sometimes also called monitoring. Controlling implies checking the progress of the farm business – in part or as a whole over time. It is not just observing progress, but providing regular checks as plans are being implemented, even if it has been implemented successfully. It calls for daily monitoring of what happens and comparing actual performance and results against expectations. This makes it possible to identify and implement adjustments to various aspects of the farm business to improve performance.

*Farmer-entrepreneurs need capacity skills to monitor and evaluate the farm business*

| Controlling | Regular monitoring of activities and comparing performance and results against planned expectations |
|-------------|-----------------------------------------------------------------------------------------------------|
| Knowledge   | Understand the value of control and its influence on profits.                                       |
| Skills      | Monitoring and comparing<br>Keeping accurate records                                                |
| Behaviour   | Attention to detail<br>Methodical                                                                   |

**Evaluating:** Evaluating is assessing the outcomes of the farm business and the impact of decisions. It involves making comparisons of the farm business performance over time and with other farms. The results are used to identify strengths and weaknesses and plan for the future. Successful farmer-entrepreneurs are careful and objective evaluators.

| Evaluating | Assessing the outcomes of the farm business and the impact of decisions |
|------------|-------------------------------------------------------------------------|
| Knowledge  | Understand the impact of each area of the farm business on profits      |
| Skills     | Identify which actions give which outcomes                              |
| Behaviour  | Objective and methodical                                                |



INTEGRATING COMPETENCIES

*It is the combination of competencies that enable the farmer-entrepreneur to take advantage of new business opportunities*

It is easy to talk about the individual competencies of a successful market-oriented, entrepreneurial farmer. But success as a farmer-entrepreneur comes through the ability of the farmer to combine these competencies in practice. It is the interaction between these competencies and the farmer's other resources that enable him to take advantage of changes in the market and production methods to improve the performance of his farm businesses.

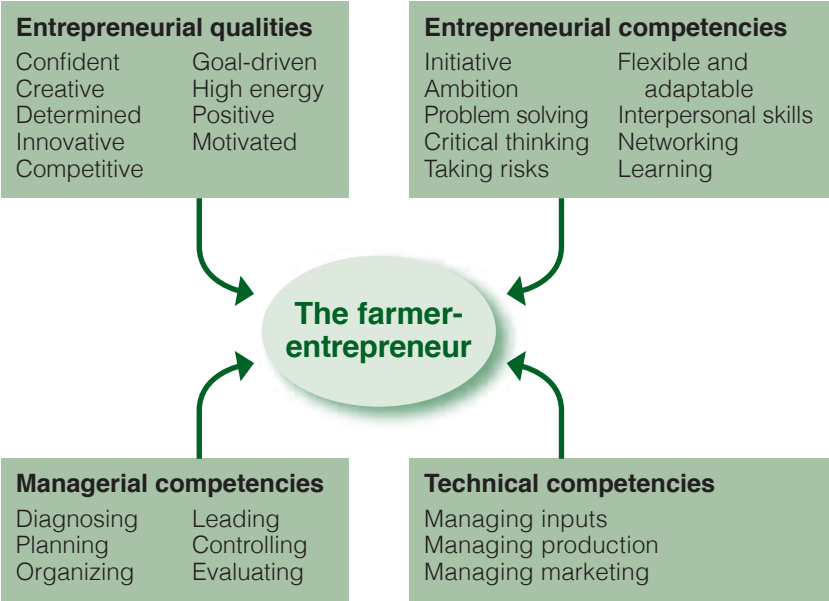


Figure 7  
Integrating qualities and competencies

It is in combining and integrating these qualities and competencies that the farmer-entrepreneur finds and chooses responses to change, leading to greater chances of success and profitability.



AN INTEGRATED RESPONSE

An entrepreneurial farmer responds to the changes affecting the farming environment by combining farming competences and entrepreneurial competencies with the resources available to them. He combines them to develop and implement a new business opportunity – whether it is an improvement to his current programme or entering into a new venture or market.

*Entrepreneurial farmers combines technical skills, entrepreneurial competencies and their resources to develop new business opportunities*

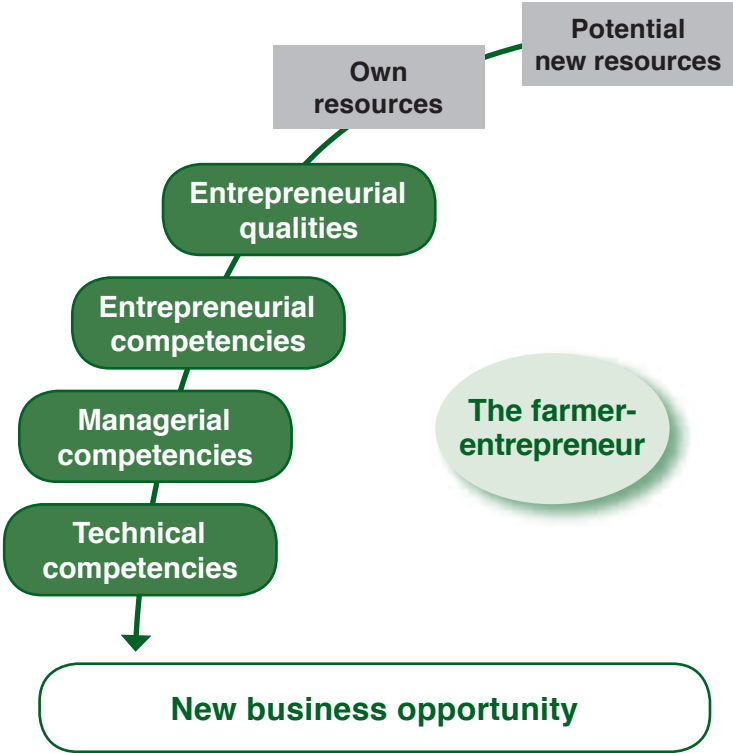


Figure 8  
Entrepreneurs combine competencies with new ideas and resources to develop new business opportunities



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Entrepreneurial creativity: using a low cost irrigation hose as an alternative to constructing canals – Bangladesh

*Entrepreneurship  
combines  
personal qualities  
with knowledge  
and technical  
and management  
competencies.*



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Entrepreneurial initiative: A farmer using his tractor also as a transport service – Myanmar



©IFAD/ Lana Slezic

Technical knowledge and competency are also necessary skills for sustainable crop production – irrigation hoses help transport water from the Waste Water Treatment Plant in Jordan



©FAO/ Giulio Napolitano/ 24691\_0522

A field level extension training. An extension worker facilitating a session on farm planning – Egypt



©FAO/ Sergey Kozmil/ 24754\_0076

An extension worker as facilitator. Farmer to farmer learning - Kyrgyzstan

*While qualities may be inborn, knowledge and competencies can be improved by capacity development programmes*



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Entrepreneurship is the ability to turn ideas into profitable businesses. Farmers testing the functionality of their new investment - Mexico

**CHARACTERISTICS OF AN EFFECTIVE ENTREPRENEUR: A SELF-TEST**

This exercise is intended to help farmers to identify their strengths and weaknesses as entrepreneurs. The extension worker can help farmers to build on their strengths and to strengthen their weaknesses. One strategy to follow is to get those farmers with strength in a particular characteristic to coach and assist farmers who are weaker in the same characteristic. They could meet to discuss the characteristic and ways to strengthen it.

| Entrepreneurial Characteristic |                                                     | Rating                                                                            |                                                                                   |                                                                                    |
|--------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
|                                |                                                     |  |  |  |
| 1                              | Like being your own boss                            |                                                                                   |                                                                                   |                                                                                    |
| 2                              | Self-confidence                                     |                                                                                   |                                                                                   |                                                                                    |
| 3                              | Sense of urgency                                    |                                                                                   |                                                                                   |                                                                                    |
| 4                              | High energy                                         |                                                                                   |                                                                                   |                                                                                    |
| 5                              | A willingness to risk money and security            |                                                                                   |                                                                                   |                                                                                    |
| 6                              | Ability to inspire and energise others              |                                                                                   |                                                                                   |                                                                                    |
| 7                              | Strong will                                         |                                                                                   |                                                                                   |                                                                                    |
| 8                              | Ability to learn from failures                      |                                                                                   |                                                                                   |                                                                                    |
| 9                              | May devote a disproportionate time to your business |                                                                                   |                                                                                   |                                                                                    |
| 10                             | Very competitive                                    |                                                                                   |                                                                                   |                                                                                    |
| 11                             | May lack some business skills                       |                                                                                   |                                                                                   |                                                                                    |
| 12                             | A “never, never, never quit” attitude               |                                                                                   |                                                                                   |                                                                                    |
| 13                             | Honest and trustworthy                              |                                                                                   |                                                                                   |                                                                                    |

Chapter 4

## **Building entrepreneurship skills**

## MAIN POINTS IN CHAPTER 4

### ***Learning entrepreneurship***

*Fostering entrepreneurship among small-scale farmers will not happen without support. While 'learning-by-doing' is the most effective way to develop entrepreneurship, it should not be random or ad hoc, but structured and deliberate. Building capacity for entrepreneurship involves a combination of efforts each of which is discussed in this chapter. The farmer's farm business provides the best context for a farmer to learn and to develop entrepreneurial knowledge, skills and behaviour.*

### ***Farm business life cycle***

*Just as the farm business develops over time, farmers' skills and competencies also develop this development can be planned to follow the same stages of the business' development from start-up to survival to growth to expansion. Each stage has a unique learning focus that builds on the capacity developed during the previous stage.*

### ***Approaches to building capacity***

*There are three main approaches to building entrepreneurial capacity: formal education, formal training programmes and non-formal capacity building programmes. Extension services focus on formal training programmes and non-formal capacity building programmes. Training programmes should be purposefully designed following a formal analysis of training needs. Non-formal capacity building programmes include awareness workshops, action learning workshops, combined extension and training, business clinics, success case replication, study groups, farm field schools, farm business schools, counselling, learning networks and electronic networking.*



## LEARNING ENTREPRENEURSHIP

The farmer's farm business provides the best context for the farmer to learn and develop entrepreneurial knowledge, skills and behaviour. It can be a very effective platform for learning. This is true whether the farmer is already consciously functioning as an entrepreneur or has been identified as a potential farmer-entrepreneur.

Learning in this setting is easier because of the very close relationship between the farmer and his farm. Instead of learning in theory, the farmer learns in practice; learning is real, with real outcomes. This generally fits well with the practical and action orientation of farmer-entrepreneurs. It also fits well with their keen interest in the immediate applicability of techniques learned.

As part of a learning process, farmers' skills and competencies develop gradually. Initially they should be encouraged to examine who they are, clarify their own values, and evaluate their personality, motivations, capabilities and personal resources. From there they should learn to recognise their strengths and weaknesses. They then should go on to set goals and prepare plans. The next stage is direct experience where the emphasis is placed on 'doing' in a real life setting. The final stage is empowerment where the competencies acquired come together into a pattern that matches personal strengths and weaknesses with goals. Figure 9 shows the progressive nature of the stages of entrepreneurial development; each stage builds on the previous stage. The box that follows summarises each stage.

***The farmer's own farm business provides the best context to learn and develop entrepreneurial competencies***

Figure 9  
Stages for effective  
Entrepreneurial  
Development



| Stages for effective entrepreneurship development |                                                                                                                                                                     |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stage of development                              | In this stage, the farmer                                                                                                                                           |
| <b>Awareness:</b>                                 | Examines who he is, clarifies his values, personality, motivations, capabilities and personal resources. He becomes consciously aware of who he is and what he has. |
| <b>Acceptance:</b>                                | Identifies, recognises and accepts his strengths and weaknesses.                                                                                                    |
| <b>Vision building:</b>                           | Sets long-term goals for himself and his farm business                                                                                                              |
| <b>Business planning:</b>                         | Develops a business plan and action plan to achieve his vision                                                                                                      |
| <b>Learn from direct experience:</b>              | Implements the plan, reflects on the results to learn from the direct experience                                                                                    |
| <b>Empowerment:</b>                               | Becomes empowered; the competencies acquired match his personal strengths and weaknesses and his goals                                                              |

By moving through these stages from awareness to empowerment, the farmer is given the opportunity to experience personal growth and to develop a more entrepreneurial approach to farming. It is a reflective learning process. The degree of empowerment that actually takes place is in direct proportion to the commitment the farmer has to learn through a process of planning, action and reflection as applied to identifying and exploiting opportunities for his farm. A key function of the extension worker is to foster the farmer's commitment to the learning process.

***Entrepreneurship  
cannot be taught but  
it can be improved  
through training***

Within this framework for learning, entrepreneurship development has two further contexts: training for people who want to start a business and training for those who are already running them. In farming both situations occur. Many who are already farmers want to make changes to their farming systems by introducing high value enterprises directed to the market. There are also many newcomers (young and old, male and female) entering farming who are starting with their first farming enterprise.

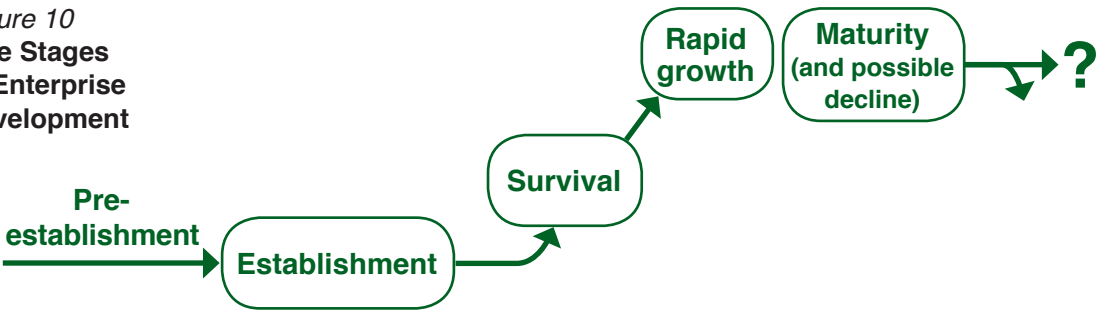
***Training in  
entrepreneurship  
focuses on business  
skills, knowledge and  
behaviour***

Extension workers will find these stages useful milestones for evaluating the progress of the farmers they are helping. They emphasise the progressive nature of learning and build upon one another, resulting in the empowerment of the farmer-entrepreneur.

Training for entrepreneurship should not be confused with technical training or even with farm management training. While a good farmer-entrepreneur will also be a good producer and a good farm manager, training in entrepreneurship focuses on other skills, knowledge and behaviour. Technical and farm management topics may be included in entrepreneurship development but entrepreneurship courses focus on personal development.

Entrepreneurship development can take place at each stage of the development of the farm business – during planning, start-up, survival and growth. Training programmes should be designed in a way that they are related to the competency needs of farmers as they occur.

Figure 10  
Five Stages  
of Enterprise  
Development

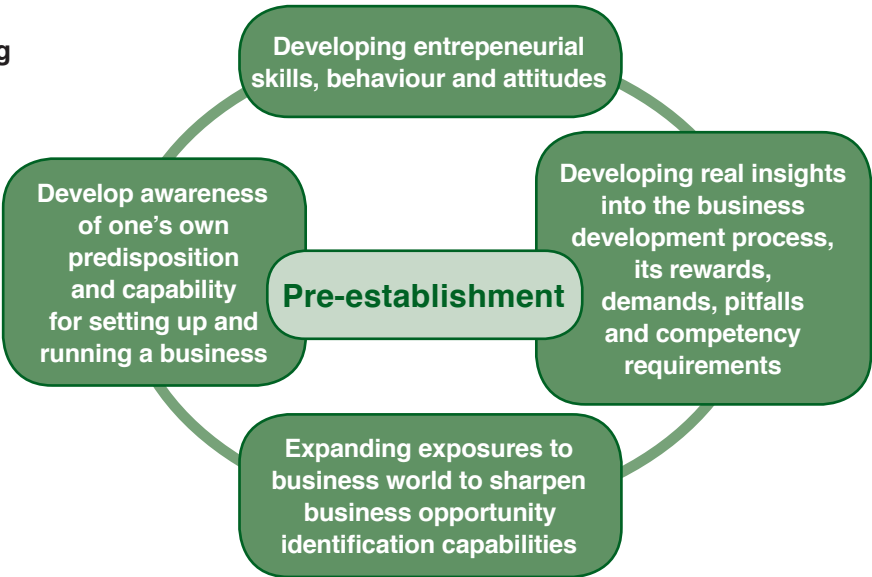


*Five stages of farm enterprise development*

**Pre-establishing:** During this planning phase of the business, training programmes should aim at developing basic entrepreneurial skills such as self-awareness, spotting opportunities, and understanding and insight into the business development process.

An example of such training is one designed for youth. The purpose is not just to have young people begin immediately as entrepreneurs or self-employed people, taking risks and 'diving' in. Rather it is to make them aware of the opportunities, challenges, procedures, characteristics, attitudes and skills needed for entrepreneurship in preparation for looking for and starting a business opportunity.

Figure 11  
Key elements of learning  
in the pre-establishment  
stage



**Establishment**

At this stage, farmers validate their business ideas, and make the decision whether or not to implement the idea. This requires making decisions about products, target markets, and business strategies. Depending on the size and complexity of the idea, the start-up process could either be short or long.

*Training must fit individual learning needs and match the participant's pace of learning*

Once a final decision is made to start the new enterprise or implement the change in current production, resources need to be mobilised and linkages need to be made to establish the business. During this stage in the process, farmers require specific competencies and capabilities. Training and development often involves reinforcing management skills and developing farm business plans. During this stage of the process and at the start of the programme, basic and introductory training in farm business management is given.

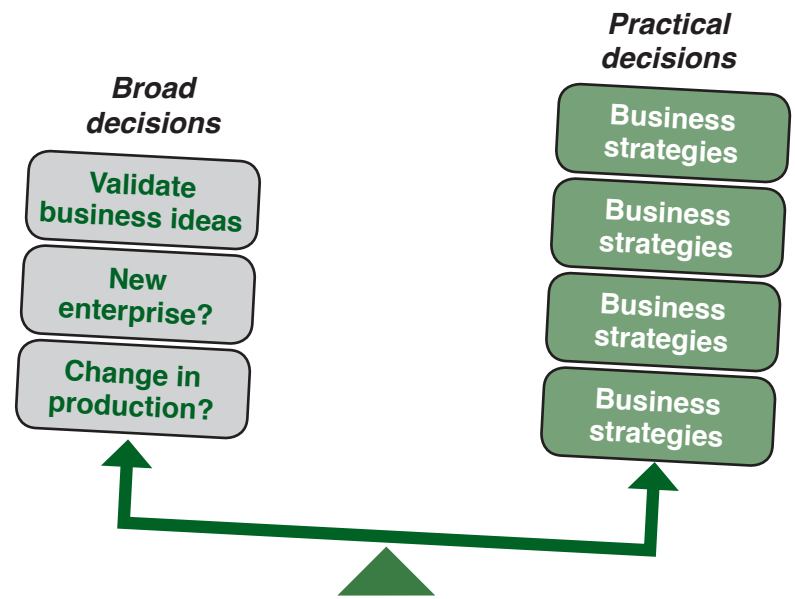


Figure 12  
Weighing up broad and practical decisions

The participants then begin the iterative (do-a-little; learn-little) process involved in starting or diversifying a business. The farmer learns by doing as he goes through the various steps of setting-up the business. This approach makes it possible for the extension worker to identify

***Learning occurs  
through a combination  
of training and practice***

training needs shared in common by all participants which can be met through courses, workshops, group discussions and briefing sessions before and during the formal training programme. It also makes it possible to identify individual training needs which can be met through a combination of special courses, self-study, action learning and counselling. These can be introduced at appropriate points in the business development process. This also supports the effective use of a combination of training and other interventions and assistance to the potential entrepreneur.

Training can be designed to fit individual learning needs and to match the participant's learning pace. Furthermore, training can be focused not only on the profile of a particular individual, but at the same time on needs related to his specific business idea and project.

### **Survival (and growth)**

Making the farm business viable and profitable is critical. Many new ideas fail within a year or two of being implemented. The survival stage demands that the farmer-entrepreneur fully applies his entrepreneurial and managerial competencies to make the business competitive and profitable. It is also the period of maximum learning. The basic skills acquired at the start of the new business idea are not enough to ensure the successful running of the farm business. Existing competencies need to be strengthened and some new competencies will be needed in marketing, production, finance, networking, contracts and personnel management, as well as in quality and productivity.

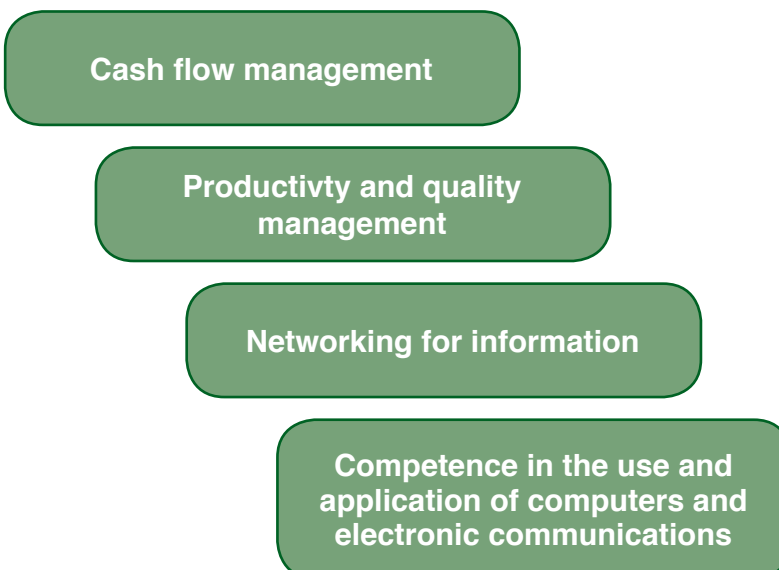
***For a new venture  
to survive, existing  
competencies must  
be strengthened  
and some new  
competencies learned***

The farmer's managerial competencies must be developed and strengthened in the following areas:

- *Cash Flow Management.* This is a very important managerial skill that needs to be acquired and strengthened at the early stages in the life of the business enterprise. Often, even though a farm business may have excellent market opportunities, good and distinctive products and technologies, skilled

and capable workers, the farm businesses – particularly those with limited resources – fail due to lack of available cash caused by poor cash management.

- *Productivity and quality management.* It is more and more the case that competition among farm enterprises is based on product quality and timely delivery performance, therefore, developing this competency is especially important.
- *Networking for information.* Farmers in this stage of their business development need to increase their skills to use their network of family, other farmers, buyers and suppliers to locate and obtain needed information. In particular, learning from the experiences of other farmers must be maximised.
- *Competence in the use and application of computers and electronic communications* is also becoming essential. The cost of computer hardware is continuously decreasing and there is a wealth of business software applications that are very useful in managing farm businesses. Technical and market information is increasingly being provided through electronic and computer-based services.



*Figure 13*  
**Managerial competencies to be developed and strengthened**

As stated earlier, when addressing these training needs, the training and development interventions must be suited to the learning needs and learning capacity of the farmer. In addition to standard short courses on general management, financial management, marketing, and production management, training and other interventions must be provided to address the farmers' need for:

- Solving problems;
- Information on the business environment;
- Communicating;
- Leading;
- Negotiating, and other "soft skills";
- Dealing with problems and concerns specific to particular products.

***The ability to develop***

***good interpersonal relations,***

***mutual respect ,***

***trust,***

***a sense of community and belonging, and***

***cooperation.***

***... are critical for the growth and development of the farm business.***

One way to ensure that training and development interventions are appropriate is to identify particular weaknesses. This can be done by diagnosing the business to uncover the causes of weakness or difficulties. A good, accurate diagnosis paves the way for appropriate interventions. For example, the problem of lack of liquidity could be addressed by training the farmer in cash flow management or credit management, and by linking the farmer with sources of short-term financing.

### **Growth and expansion**

This stage requires additional competencies for the farmer. Business growth often involves increasing size in terms of the volume of business and employment, expanding the diversity of product types and product lines, extending into new markets and adopting new processes and better technology.

The patterns of relationships within the business also change. Communications and interactions that used to be informal and personal become more formal and structured. The ability to form good interpersonal relations, mutual respect and trust, having a sense of community and belonging, cooperation and team spirit become critical for the growth and development of the farm business.

As the business grows, good communication becomes especially important to increase understanding, cooperation and mutual trust. This includes good internal communication among all the elements in the farm business including production, marketing, finance and personnel management. It also includes good external communication with buyers, consumers, suppliers, banks, government agencies and the local community. When the farm business was smaller, the farmer-entrepreneur could devote personal time and attention to relationships with the internal and external stakeholders. But as the size and complexity of the business increases the responsibility for contacting and maintaining good communication and relations must be delegated to others. He will not have enough time to attend to everything, so he must delegate.

Some farmers find the transition from a small informal business into a larger formal business very difficult and painful. Being used to hands-on management of day-to-day operations and to making all the decisions, the farmer-entrepreneur may find it difficult to delegate decision-making and authority to others.

Delegating may make him feel out of touch or out of control. But at the same time, he is attending to strategic matters that demand more and more managerial time.

Programmes that help farmer-entrepreneurs become aware and understand the transformations required (personal transformation and the transformation of their businesses) will go a long way in preparing them emotionally, behaviourally and technically for the change process. Equipping these farmers with skills in analysing the strong and weak points of their enterprises as well as the threats and opportunities in the business environment, and developing competencies related to strategic planning will also be useful. Acquiring, through well-planned interventions, managerial skills such as facilitating, negotiating, team building and networking will help them prepare for the new management role.

***As the business grows, good communication becomes critically important to ensure understanding, cooperation and mutual trust.***



## APPROACHES TO BUILDING CAPACITY

***Building capacity for entrepreneurship involves a combination of efforts including education, training, information dissemination and extension***

Building capacity for entrepreneurship involves a combination of efforts including education, training, information dissemination and extension.

### **Formal Education**

Schools, colleges and universities can contribute significantly to nurturing entrepreneurial knowledge, skills, attitudes and behaviour. Basic and higher education can help young people think in terms of profitability, creating work and creating wealth instead of simply finding a job and living a less dynamic way of life.

Unfortunately, in many countries, educational institutions and programmes do not function well. Programmes are often under-funded, rigid and uninspiring. Many teachers are under-qualified, lack basic resources, lack motivation and use out-dated methods. As a result the education received by children and students does not generally foster entrepreneurial thinking or behaviour.

***Schools, colleges and universities can contribute significantly to fostering entrepreneurship.***

Still, basic education does contribute to the overall skills needed to be successful entrepreneurs. Among these are basic literacy and numeracy skills. The ability to read, write and calculate is extremely useful when dealing with money transactions and financial institutions. Obtaining basic literacy skills as a child through the school education system is an important contribution to the process of helping adults develop their entrepreneurship skills.

In addition to preparing students for higher education, schools could also support those pupils who might instead go into small-scale farming or rural businesses, as is common among a great many pupils from rural areas.

A participatory approach to learning could transform children's school experience. It would shift the emphasis from simple knowledge transfer to the child's personal development and ability to tackle life's challenges. This would contribute to developing the capacity needed by entrepreneurs to discover answers through research and experimentation.

Schools can also contribute to developing other skills essential to successful entrepreneurship such as communication, teamwork, critical thinking and strategic planning. This will lay the foundation for more advanced stages of developing entrepreneurship that will require more advanced skills that deal with the complex tasks of establishing and running a business. While these can only be learned by doing, learning is made possible only when there is a solid foundation of basic skills.

In most developing countries, there is little education in business management and entrepreneurship. There is a critical need to develop suitable programmes that match the culture and context of the country while at the same time fostering the foundation of the knowledge, skills, attitudes and behaviours essential to successful entrepreneurship.

### **Formal Training Programmes**

Specially arranged formal training courses are a useful way to train farmer-entrepreneurs. Such programmes can improve farmers' business and entrepreneurial skills and capacity. An advantage of formal training is the ability to help people practice particular skills (for example, financial recordkeeping, conducting an enterprise budget or cash flow and preparing a farm business plan) in a supervised situation.

Participation in training courses requires considerable motivation on the part of a farmer to consider attending a formal training course. Courses take up valuable time and farmers may need encouragement and incentives to participate. To attract farmers to attend training programmes: the objectives of the training must

***To attract farmers  
to attend training  
programmes***

***the objectives of the  
training must be clear***

***the programme  
must be offered at  
convenient times and  
locations***

***and the benefits must  
be evident to potential  
participants***

***Learning should be a process of discovery involving discussion, practice and reflection.***

be clear; the programme must be offered at convenient times in convenient locations; and the benefits must be evident to potential participants.

Care must be taken not to over-simplify the programmes. Training should combine common standard elements and elements that respond to the unique circumstances and needs of the participants.

While many training programmes have the objective of transferring needed skills and knowledge, often there is little application and what is learned is easily lost shortly after the course ends. Learning should be a process of discovery involving discussion, practice and reflection. Practice (learning by doing) is essential if the programme is to be effective in building skills and capacity.

***Entrepreneurial training needs to work on motivation while strengthening the capabilities of farmers to act***

Learning by doing must be kept real and done in the context of the participants' own experiences and farming system. Entrepreneurial training programmes should also work on the motivation for action while strengthening the capabilities to act. These competencies should be tested as much as possible through real life exercises.

There are a variety of ways to structure and offer training programmes. They can be comprehensive and extend over a long period or they can be comprised of a series of short courses and workshops offered at a time that is convenient to the participants.

Longer-term programmes have the advantage of offering greater continuity of learning between the various elements of the programme. However, it is often difficult for farmers to attend on a full-time basis due to demands on their farms.

Shorter programmes that cover specific issues with the possibility of developing a complete programme offer farmers more flexibility and are often more attractive to them. The disadvantage is loss of learning and continuity between the individual courses.

Programmes should be designed with the intention of covering the curriculum in a way that ensures continuity of learning, builds the desired capacity, is convenient to the participating farmers and is cost effective. Further, training programmes should be practical and application-oriented, highly participative, and include opportunities for the participants to work on real problem areas of their enterprises. The content and methods should be flexible and easily adaptable to the specific training needs of the participants.

***Programmes should be convenient, cost effective***

***ensure continuity of learning and build the desired capacity***

### Examples of training programmes

A number of national and international organisations have developed training approaches that have been very effective in building entrepreneurial capacity. Some well-known examples are the ILO “Start and Improve Your Business” (SIYB) Programme; the GTZ “Competency based Economies for Formation of Enterprise” (CEFE) Programme and the “Entrepreneurship Development Programme” (EDP), originally developed in India and replicated later in a large number of countries. Some countries have made significant adaptations to these training programmes.

### Non-formal capacity building programmes

In addition to formal training programmes, there is often a need for other methods of capacity building that could complement these trainings. The following individual and group-based approaches can be used individually or in combination.

***Non-formal capacity building programmes include:***

- ***Awareness-raising workshops***
- ***Action learning workshops***

**Awareness-raising workshops:** There are usually very short sessions used to give information and to raise awareness among the participants about a particular issue. They are also often motivational sessions designed to inspire participants and to encourage them to think and act in new directions. These are also used to provide opportunities for participants to exchange experiences and learn from one another. For example, a producer

***Non-formal capacity building programmes include:***

- ***Combined training and extension***
- ***Business clinics***
- ***Success case replications***

***Extension support needs to address the critical issues before they become problems***

organisation could organise regular meetings to which speakers are invited to talk on particular developments in the business environment or to which farmers are invited to share their experiences in the use of specific approaches or techniques.

**Action-learning workshops:** These workshops provide participants the opportunity to work collectively and gain from each other's experiences in solving problems faced by their farm businesses. Usually, action-learning workshops focus initially on identifying problems or opportunities that are of common interest to most of the participants, who would benefit from these issues being examined collectively. These problems and opportunities are analysed in greater depth with a view to finding solutions to the problems and strategies to exploit opportunities.

The group could meet on a regular basis or use short meetings periodically. In between meetings, participants commit to gathering information and experimenting and testing some of the ideas discussed by the group. If the group's knowledge and experience are not enough, the facilitator may have the knowledge and experience needed or could identify and invite someone with suitable knowledge and experience to work with the group.

**Combined training and extension:** Combining training and extension can provide specific knowledge and skills that can be used immediately. The programme consists of very short sessions after which participating farmers would apply what they learned to their own farming situations under the guidance of the trainer. Sessions could follow a cycle such as the production season or the farm business planning cycle. The sessions can be fitted exactly to the needs of the participants as they arise in practice. Drawing on the experience of the extension worker and more experienced farm entrepreneurs, the sessions can be designed to address issues before they become problems.

**Business clinics:** This is an arrangement where a group of farmers meet to get advice from trainers and extension

workers and exchange experiences on how to deal with specific business problems that they all faced. It can be a one-off exercise or the problem may require a series of meetings. The group may decide to meet regularly where they would tackle specific problems per meeting. They may also be aware that particular issues are going to arise as they move through the planning cycle and can organise special clinics to address these in advance.

**Success case replication:** This is a method of farmer-to-farmer learning that builds on innovative entrepreneurial farmers who are able to identify new practices and successfully exploit particular market niches. These niches may be untapped or under exploited in local markets. This creates opportunities to promote and support replicating the experience of these farmers for the benefit of other farmers. Successful case replication involves getting the original innovator-entrepreneurs to train aspiring entrepreneurial farmers and to share with them information and experience.

**This is a “horizontal”** extension mechanism where one farmer trains other farmers. In order to avoid over-competition among farmers this method is often oriented towards markets where there is a potential demand for the new product that cannot be supplied by the farmer-entrepreneur sharing his knowledge and experience.

**Study groups:** Study groups are less formal than business clinics and success case replication, but can be used in a similar way. The principle of study groups is farmer-to-farmer learning that is encouraged by learning from successful farmers – inside or outside the group. They may visit each other’s farms to discuss problems or experiences with new methods or technologies. They may invite extension staff to talk to them about particular subjects that interest them.

**Farmer Field Schools:** An example of a study group is the Farmer Field School that takes place at field level in farmers’ fields. Farmer field schools help farmers gain knowledge, critical skills and self-confidence to make

***Non-formal capacity building programmes include:***

- ***Study groups***
- ***Farmer Field Schools***
- ***Farm business schools***

decisions about farm management based on their own observations and experience. The groups usually meet weekly and are encouraged to write up the results of their experiments and discussions to present to other groups in the school. This approach has primarily been used to develop and spread technology but has more recently been applied to farm business management and entrepreneurship through the concept of Farm Business Schools.

**Farm Business Schools:** A farm business school is a programme of learning designed to help smallholder farmers who are just getting involved in producing for the market and need help in making it work profitably.

**Non-formal capacity building programmes include:**

- **Counselling**
- **Learning networks and clusters**
- **Electronic networking**

A Farm Business School is comprised of a group of farmers who want to develop their skills and know more about producing for the market. It is essentially a forum for sharing knowledge between farmers through discussion, practical exercises and self-study.

The farmers meet at a convenient venue where they work together to explore, learn about and address business and marketing problems and opportunities of their farm businesses. (Also see page 95)

**Counselling:** Many service providers give advice to farmers through individual counselling. Business counselling requires one-on-one contact, close communication, trust and confidence. Counselling is usually provided by extension workers or consultants who are specialised in farm business management, enterprise development or entrepreneurial development. When giving advice or information, counselling addresses the unique needs and circumstances of the individual farmer-entrepreneur.

The exchange of ideas that is possible in one-to-one discussions is very beneficial in helping farmers reassess their situation and attitude to problems and possible solutions. When dealing with money issues, these are intensely personal and few like to discuss their

affairs in detail unless they are with someone they trust. Developing this kind of trust is possible with individual counselling.

Some service providers charge a fee for counselling. Others provide counselling as a part of other services they provide to the farmer. Farmers need to be sure they are getting value for money – whether or not they are being charged for counselling.

**Learning groups and connections:** Learning groups and connections form an important part of developing a successful and profitable farm business. They are made up of people the farmer knows and works with in connection with his farm business. They may meet formally or communicate informally to discuss problems and opportunities. These can be encouraged, but need to form naturally from among farmer-entrepreneurs as well as with suppliers and other stakeholders who hold answers to important questions.

Farmers can use these groups and connections to share experiences and to discuss issues as they are happening. This fits in well with the learning-by-doing approach.

Learning groups and connections give the farmer-entrepreneurs and others in the value chain the opportunity to understand one another better and to learn from one another. This will lead to greater efficiency along the whole chain.

**Electronic communicating:** Information can also be shared through the Internet. Many research agencies and extension organisations place useful information on the Internet and make these accessible to farmers. Product and input prices and supply and demand information is also often available on the Internet.

There are also many online study groups, discussion forums and chat rooms where farmers can exchange information, questions, problems and ideas.



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A formal training programme in agro-entrepreneurship for young farmers – Mexico

*Education is  
essential for  
entrepreneurship  
development ...*



©IFAD/ Robert Grossman

Fostering entrepreneurship among adult smallholder farmers – Georgia



©FAO/ Giuseppe Bizzarri

Following a 'learning-by-doing' methodology - Brazil



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Training, mentoring and coaching are part of an extension workers tasks. A farmer field school meeting - Malawi

*...but often needs  
to be reinforced  
by training,  
coaching and  
mentoring support.*



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Coaching in farm planning and management. Post training activities - Uganda



Chapter 5

# **Extension support for developing entrepreneurial capacity**

## MAIN POINTS IN CHAPTER 5

### ***Training and extension support***

*Extension support is required before, during and after training. Training programmes should be balanced and take into account the learning capacity of the farmers, the time available, resource constraints and desired learning outcomes. Extension workers need to follow up formal training with guidance and support in taking actions on what has been learned. Training will be effective only if farmers have access to get the resources and services needed to establish and expand their farm businesses, such as finance and markets. Extension workers may also need to facilitate the establishment of producer organisations that can contribute to stimulating entrepreneurship, and to guide farmers through changes.*

### ***Access to finance and markets***

*Extension workers have a responsibility to support farmers by facilitating links with financial institutions and advising them on the terms and conditions of loans. Similarly they have a role in providing information on market opportunities and facilitating links with buyers.*

### ***Supporting partnerships and networking***

*Extension workers have an important role to support entrepreneurial farmers by facilitating linkages and developing networks and partnerships. Partnerships and networks can be developed among farmers and with other actors in the value chain.*

### ***Creating a culture of entrepreneurship***

*Often a culture of entrepreneurship is needed for farmers to achieve their entrepreneurial vision. Extension workers can play a part by communicating a common vision to both farmers and other stakeholders in the value chain as well as the values needed to conduct business in an ethical way. Extension workers can support these farmers by reducing the risks for innovation*



## TRAINING AND EXTENSION SUPPORT

Specialised training is needed to develop entrepreneurial capacity among farmers. To support learning-by-doing, training needs to create opportunities for farmers to explore new ideas or different ways of doing things and to broaden their perspective. In order to ensure learning from these opportunities, farmers must actively participate and take responsibility for their own learning. Motivating farmers – followed up with encouragement and support – is an important part of facilitating learning

Extension workers have a particularly important role to play in supporting entrepreneurial learning among farmers. Offering appropriate support and encouragement may require a change of extension approach and expanding extension agencies' understanding of the role extension can play in fostering entrepreneurial farming.

Training and extension often overlap. When providing support to a farmer the extension worker may soon realise that the farmer does not have the necessary skills or background knowledge. At this point, extension stops and training begins. Training and extension are part of the continuum of entrepreneurship development.

Facilitating learning processes is an important part of an extension worker's responsibilities. Many farmers may not be aware of the need to develop their entrepreneurial capacity and management skills. Extension workers can help increase farmers' awareness about the importance of these skills.

Extension workers also often play a role as trainer where they are expected to help farmers develop their skills and competencies. Most extension workers are trained in technical areas of agriculture and therefore primarily provide training in agricultural and livestock

*An important part  
of facilitating  
the learning of  
entrepreneurial skills  
is to create suitable  
opportunities to learn*

*Extension workers  
can play an important  
role in supporting  
entrepreneurial  
learning among  
farmers*

production. Therefore extension workers may themselves need specialised training in order to be effective trainers and facilitators of entrepreneurship.

Extension workers who cannot do the actual training can still assist by facilitating relevant training programmes by specialist trainers or organisations. Facilitation would include identifying trainers and helping them design and organise the training. In particular, extension workers can help identify training needs and provide the trainers with information about potential participants.

***Part of an extension worker's work is to facilitate the learning process***

As facilitators, extension workers exchange experiences, share knowledge and information and participate in joint problem-solving. This requires linking farmers with the right support institutions and individuals who have expertise to deal with their specific concerns. Therefore, extension workers need to understand the training needs of the farmers and to identify the best trainers or training institutions to meet those needs.



## **FACILITATING ENTREPRENEURSHIP TRAINING PROGRAMMES**

***Developing entrepreneurship skills among farmers is highly specialised***

In most cases extension workers will facilitate training in entrepreneurship, rather than being actual trainers. Part of this involves creating awareness about the training programme and explaining the objectives and content to potential trainees.

To make sure the training is relevant and effective, they need to be aware of what to look for when advising farmers about training. The following indicators will help when providing advice on training programmes in entrepreneurship.

*Balanced programme:* The “scope” and complexity of the programme is balanced with the learning capacity of the participants, the time available, resource constraints and the desired learning outcomes.

*Learning outcomes:* Learning outcomes are clear and well defined and match the knowledge, skills attitudes and behaviours needed at each of the stages in the development of farm businesses. Each learning outcome has indicators that can be easily measured.

*Participants:* The training programme has been designed with a clear understanding of which farmers are meant to participate in it. Is it aimed at farmers in existing businesses or potential farmers who are considering going into farming? Is it directed at women? At youth?

*Selection:* How are participants selected? What criteria are used? Are they being selected on the basis of:

- Similar backgrounds and/or farming systems
- Similar minimum levels of skills and knowledge
- Common training needs
- Potential learning capacity

*Training needs:* Has an assessment of the training needs of potential participants been conducted? Were training needs measured against the learning outcomes? Was the training programme designed according to the assessment? Does it reflect the participants’ preferences for how their needs should be addressed? Will training needs assessments be conducted at various times during the training programme and at the end of the programme?

*Training programme design:* Was the training programme designed taking the following into account?

- Specific learning outcomes were chosen from the complete set of learning outcomes and based on the training needs assessment.

***Extension workers  
have a role to facilitate  
specialized training***

***... to ensure that a  
training programme  
is balanced,***

***that there are clear  
learning outcomes,***

***selection of the  
participants,***

***identification of  
training needs,***

***design of the  
training programme,***

***and***

***post training  
follow-up***

- Builds on what the participants already know.
- Materials used relate to the real problems and opportunities that the participants face and the knowledge and skills they will need to address them.
- External resources include successful entrepreneurs and experts from banks, technical institutes, business assistance centres, government agencies and trade and business associations.
- Programme matches the farmers' learning style.
- Is gender sensitive and tailored to address their particular needs and constraints.
- Training venue is within easy reach, and close to the trainees' farms.
- Training schedules fit the farmers' commitments (e.g. evenings or weekends).

*Post-training follow-up:* What is the plan for post-training follow-up? How will it be done? Who will do it? Should the trainees be provided with access to finance to implement what they have learned? Can extension workers help with this by forging linkages between the training programme and willing financial institutions?

### **Monitoring and evaluating performance**

Whether facilitating or providing the training, extension workers will need to assess the training programme in terms of programme implementation, participant satisfaction and the learning obtained by participants. This will help ensure that the programmes are relevant and address the real needs and concerns for the farmers. Monitoring should be done while the programme is running so that small changes can be made according to the immediate needs of the specific programme. Evaluation should be done at the end of the programme. The information gained from the monitoring and evaluation processes should be used to improve the programme for the next time it is offered.

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**Programme implementation:** Assessing how efficiently the training programme was implemented in terms of delivering within budget while meeting the required quality.

**Participant satisfaction:** Assessing, at various points in the training programme the participants' reactions and perceptions of the programme.

**Learning obtained:** Assessing participant learning obtained by measuring changes in knowledge, skills and attitudes against the learning outcomes and the ability to apply the learning.

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## Assessing impact

Extension workers should also assess the impact of the training on the behaviour of the participants and on the farm business. Impact refers to how the farmers' behaviour has changed and how their farm businesses have improved as a result of the training received.

Impact assessment is essential because it is the true indicator of the relevance and effectiveness of the training programme. Good content alone does not make a training programme successful. It is usually a combination of content and teaching methods. The content must be relevant to the farmers participating in the programme. What they learn needs to be 'doable' in practice after the programme. The teaching methods should really engage the farmers in learning and maintain their interest throughout the programme. The results of each assessment should be applied to improving the programme the next time it is offered. Impact assessment also helps identify additional training farmers may need.

***Extension workers have a role in assessing the impact of the training of farmers' behaviour and the performance of the farm businesses as a result of the training***

When making an impact assessment three key points should be borne in mind.

1. Behaviour is assessed by action. What is the farmer doing differently as a result of the training?
2. Impact on the farm business is assessed by changes in the farm business systems and in the overall business performance. What business systems or performance have improved as a result of the training?
3. This type of assessment can be done only after sufficient time has elapsed between the completion of the training and the impact evaluation.



## POST-TRAINING EXTENSION SUPPORT

***Training programmes cannot be regarded as one-off activities.***

***Farmers need to be supported after they complete the training.***

After completing entrepreneurship training programmes, farmers will need support that is directly linked to the training programme. This will enhance coherence in training, reinforce learning and increase the overall effectiveness of the programme.

Entrepreneurial skills can best be learnt by doing. Learning happens through a process of planning, acting and reflecting; when farmers are informed of new ideas and different ways of doing things, try them out, and reflect on the outcomes. This learning cycle applies equally if the farmer is trying to solve a problem or exploit an opportunity.

***True learning takes place only when the farmer translates what has been learnt during training into practice***

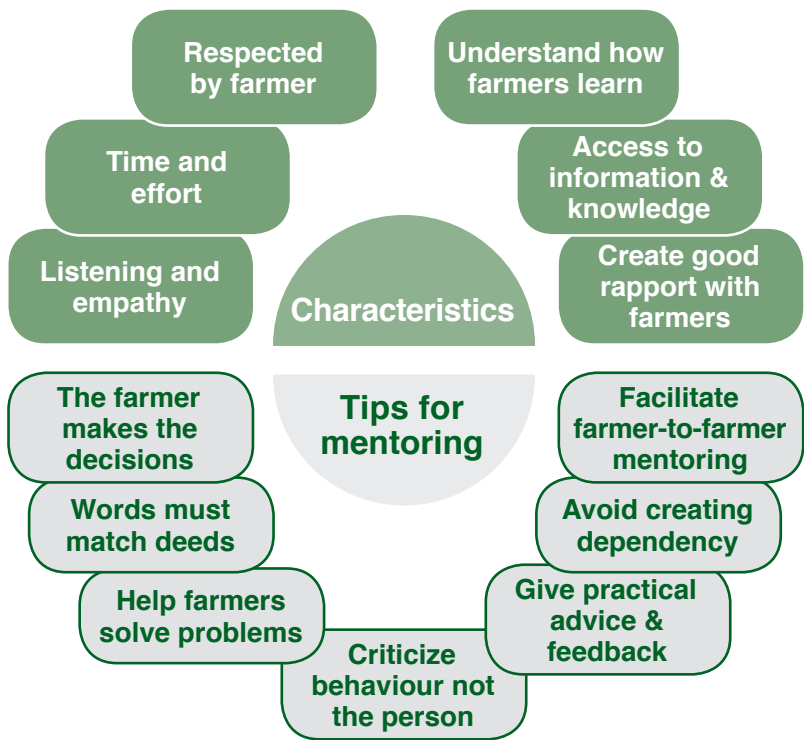
The process is simple, but often difficult. It requires continuous support and guidance. Farmers may need support to correctly apply the concepts and tools learned to the challenges they face. Training provides farmers with the tools to create competencies. At the end of a

training programme, the participants may not have the confidence needed to work independently. In practice, true learning takes place only when the farmer translates what he has learnt into practice. Learning should result in a change in behaviour.

Extension workers play an important role in providing this support and in organising the back-up support of specialised experts. The aim is to improve farmer performance post-training. The key role of the extension worker in this is to assist in getting farmers to reflect on their performance, help them implement their learning and consider the results and improve what they are doing.

An extension worker with sufficient skills and experience could be a mentor who supports farmer-learning through teaching, facilitating knowledge, challenging farmers, steering them towards making informed decisions, supporting them in their actions and encouraging reflection. The farmer, however, remains responsible for his decisions.

***A key role of the extension worker is to assist in getting farmers to reflect on their performance***



*Figure 14*  
**Characteristics of a good mentor and tips for mentoring**

Post-training support is best conducted as a group activity that brings together farmers from similar or related farm businesses. Farmers are encouraged to share experiences. This is effective especially when combined with technical support from experts and when group members share a common problem, similar opportunity or interest and are prepared to work together, are willing to share information on the performance of their farm businesses. This requires confidence and trust among group members; the extension worker may need to cultivate this.

***Study visits and observational study tours are useful ways to expose farmers to 'good practices'***

In addition to specific on-farm post-training support to farmers, extension workers can also provide more general support.

***Study visits and study tours:*** Farmers observe 'good entrepreneurial practices', and learn from the practices of others. Farmers are taken on a tour to see markets first-hand, visit input suppliers and buyers, and make contacts. Farmers also visit farmers in other areas to exchange experiences and see new techniques. Such visits can transform a farmer's view on production and marketing.

***Extension workers need to be creative in demonstrating entrepreneurship***

Visits should be followed up with periodic evaluations to assess the impact of the visit and the use of new practices and techniques.

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### Example study visit

Visits were arranged to three types of farms with the same enterprises: smaller, same and bigger, and better than those of the group members. Discussions with the 'successful farmers' were also arranged for sharing of experiences. After the visits group discussions were held to share observations and lessons learnt.

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**Demonstrations:** Practical on-farm demonstrations of new practices and technologies are an effective way to test and disseminate innovations. This is particularly relevant to production. Extension workers will have to be creative in developing demonstrations for farm business management and entrepreneurship.

**Talks and seminars:** These are sessions where experts are invited to speak to farmers to reinforce learning at training courses. Possible topics include: entrepreneurship, farm business management, market possibilities, successful case studies, new technologies, price assessments and market-oriented production techniques.

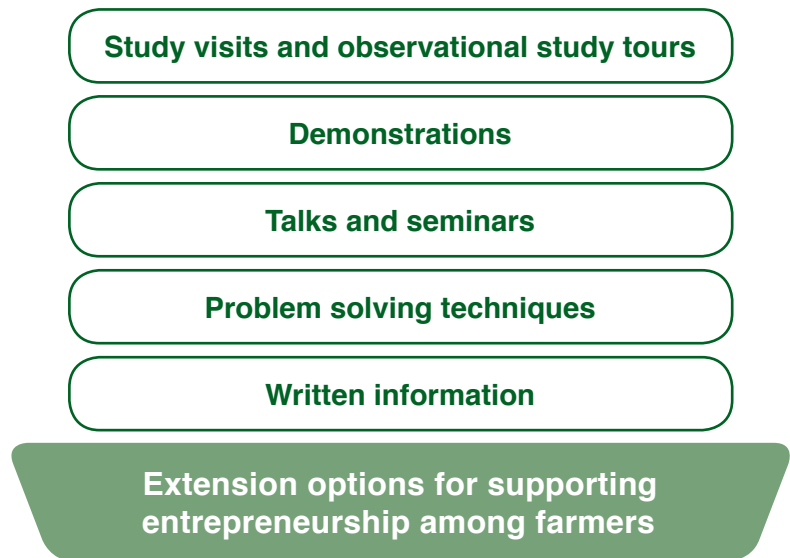
**Problem-solving techniques:** There are several ways to engage extension groups in problem-solving. Whatever method is used, the process starts with the group identifying major problems. Then the extension worker helps the group systematically identify the best or most appropriate method to solve the problem. This could include:

- Calling in a specialist to advise the group;
- Forming a panel of specialists to answer questions;
- Visiting or consulting successful farmers (not part of the group) to seek their advice;
- Encouraging the group to draw on recent training, consult and find their own solutions that they then implement collectively, and then reflect on the outcome.

**Written information:** Fact sheets can be prepared and distributed to farmers. In addition to providing specific technical and marketing information, they can also identify potential stakeholder partners who can provide advice and support.

***Talks and seminars, problem-solving techniques and written information are all useful ways to reinforce learning***

*Figure 15*  
**Extension options  
 for supporting  
 entrepreneurship**



***When developing  
 new farm business  
 enterprises, it is  
 important that  
 extension workers  
 think carefully about  
 what is needed to  
 implement them  
 effectively***

### **Developing extension support**

Extension support for entrepreneurship requires considering a number of points in addition to traditional extension planning. Some of these are:

- Have a list of the knowledge, skills, attitudes and behaviour of effective entrepreneurs;
- Create opportunities to incorporate entrepreneurship issues into farm extension programmes and plans;
- Focus on learning-by-doing approaches;
- Encourage farmer-to-farmer exchanges particularly linking potential farmer-entrepreneurs with successful, established farmer-entrepreneurs;
- Develop an effective and deliberate mentoring system.

When developing new farm business enterprises, it is important that extension workers think carefully about what would be required to implement these enterprises. If the extension services in the area do not have the relevant expertise, extension workers are an important link through which farmers obtain the necessary support including access to finance. This could involve acting as a broker between farmers and linking them to finance programmes or agricultural banks, suppliers, markets and others in the value-chain.

### Other extension support actions

- Encourage farmers to stay focused on achieving goals;
- Encourage and reward direct learning from stakeholders;
- Encourage strategic thinking among farmers as part of their day-to-day tasks;
- Encourage farmers to broaden their linkages and make personal contacts with buyers and suppliers, and to develop trust.

### Farm Business School

The Farm Business School (FBS) is a curriculum-based approach to extension aimed at building farmers' entrepreneurial capacity. Learning takes place in the context of the participants' farming businesses and takes place through schools set up at community level. Farmers work in small groups at their own pace and at an agreed time and duration.

The FBS aim to help farmers learn how to make their farming enterprises and operations profitable and to be able to respond to market demands. It helps farmers learn and increase knowledge, change attitudes and develop the skills needed for profitable farming – while working on their own farms.

The FBS programme is farm-based with practical exercises conducted at different times of the production season. The school is organised around marketable enterprises selected by the participants. The learning programme is designed to match the activities of the farm season and gradually build and reinforce farmers' skills and competencies.

In the FBS programme learning is recognised as a process that requires time for skills to be developed. The knowledge and skills learned are made to match the knowledge and skills actually needed in the various stages of development of the farm business.

***Farm Business School: a curriculum-based approach to extension aimed at building farmers' entrepreneurial capacity.***

***Learning is recognised as a process that requires time for skills to be developed***



## DEVELOPING PRODUCER ORGANIZATIONS

Extension workers can also facilitate farmers working with producer organisations. Producer organisations can make useful contributions to developing entrepreneurship among farmers. On a practical level, they can help by:

- Providing information and other advisory and capacity-building services;
- Strengthening market (bargaining) power through supporting horizontal and vertical integration and facilitating coordination among producers;
- Creating a foundation for profits through collective storage and processing;
- Representing farmers' interests in policy negotiations and dialogue with other agribusiness stakeholders and local, regional and national authorities;
- Providing technical assistance to their members to meet quality standards and possible certification criteria.

In terms of helping foster entrepreneurship, producer organisations can help by:

- Providing a safety net and encouragement to take risks;
- Creating opportunities for farmers to share ideas and test them out among farmers with similar production systems and circumstances;
- Providing opportunities for 'weaker' farmers to learn from 'stronger' farmers in a safe environment;
- Encourage members to reinvest profits into their farm businesses and into new opportunities in the value chain.

Through producer organisations, small-scale farmers can link with other farmers and stakeholders along value chains. To be effective, the process requires dialogue, both amongst the farmers and between their representatives and other stakeholders along the value chain including other producers, processors, marketers, consumers and business associations.

***Producer organizations can make a tremendous contribution to stimulating entrepreneurship and guiding farmers through changes...***

***Organizing producer groups helps smaller-scale producers address a range of constraints***

Transparency and openness in decision-making is also important to facilitating entrepreneurship among farmers through producer organisations. Through open and transparent collective leadership and participatory management newer farmer-entrepreneurs will gain trust and will be able to follow the processes used by the producer organisation to be successful and viable in the long run.

Producer organisations *“create opportunities for economic development, such as training farmers, building new market information systems, identifying new market outlets, creating new financial services for farmers and innovative research.”* – Agri-Hubs in Africa 2011

As groups grow increasingly self-reliant, the extension worker can focus on second level organisations that are formed through the association of two or more of the primary producer groups. They form to create greater bargaining power particularly for purchasing inputs and marketing products. They help ensure long-term sustainability of the primary organisations by increasing the reputation and legitimacy of the primary organisations.

***The need for higher-level cooperation should come as a result of genuine opportunity or need...***

***...a secondary level organisation should be set up only once a strong economic base is secured***

### **ROLE OF EXTENSION WORKERS IN FACILITATING GROUP DEVELOPMENT**

- Assist groups to establish a growth policy and strategy that builds on and protects the high-energy, focused entrepreneurial approach to business;
- Facilitate contacts between groups and other organisations and individuals to draw strength from the collective while retaining individual initiative;
- Train group members in group management and group dynamics to get the most from the collective and individual initiative;
- Assist groups to implement, monitor and evaluate group business plans.

***Second-tier  
organizations should  
emerge once primary  
organisations  
realise the economic  
opportunities and  
social benefits of  
coming together again***

Second-tier organisations should emerge when a number of primary organisations see the opportunity to gain additional economic and social benefits through participating in joint activity. This should not happen prematurely. A good principle is: structure follows activity – that is, the need for higher-level cooperation should come as a result of genuine opportunity or need. A secondary level organisation should be set up only once a strong economic base is secured through the primary organisations and the initiative for institution building comes from the participants themselves. Its eventual establishment, if found desirable, should proceed at a pace that can be managed by its members.

Operating at a higher level, second-tier organisations will require higher-level entrepreneurial and managerial capability. These will develop along with the development of the new organisation.

\* \* \*

## **TIPS FOR SUPPORTING PRODUCER GROUPS FOR DEVELOPING FARMER-ENTREPRENEURS**

- Farmers should lead the forming and strengthening of producer organisations.
- Be sure farmers can see and realise clear social or economic benefits.
- Formation should be voluntary; potential member farmers need to be aware of the pros and cons of being part of the group and then decide for themselves whether or not to join.
- Membership should be small enough for face-to-face contact among members, but large enough to be able to benefit from collective action.
- Members must see that forming local organisations will further their own objectives and respond to their needs.
- Ensure there is no domination by powerful members.
- Encourage groups to evolve at a pace that is comfortable for the members.
- Farmers need to agree on lines of authority and responsibility; leaders must be held accountable to the members.
- Groups should run on democratic principles and function within a set of formal rules and procedures.
- Protect farmer-entrepreneurs' instincts to explore, experiment and reflect.
- Ensure there is good and transparent communication between members.
- Ensure that leaders have the technical and management skills required for effective performance.
- Management training for both leadership and members should be part of group formation.
- The extension worker's plan for the formation and development of a producer group must also have a clear exit strategy so that the group is able to take charge.



## ACCESSING FINANCE

Farmer-entrepreneurs often require access to finance to develop their farm business. This is a common concern of smaller-scale farmers who need money to expand production or engage in value-adding. Increasingly, such farmers find it difficult to raise capital -- especially women, the landless and youth.

When farmers have few financial options, they cannot purchase inputs, or invest in new farm enterprises. This limits their ability to take up new opportunities that arise. In short, it inhibits development of entrepreneurial behaviour.

***As farmers become more entrepreneurial they will need to find more formal credit sources.***

Many farmers rely on informal sources of credit, but as farmers become more entrepreneurial they will need to find more formal credit sources. Extension workers have an important role in facilitating this process.

Access to credit also helps increase the effectiveness of training. A successful training programme should increase entrepreneurial capacity and increase desire to act. But after completing training, some farmers discover they do not have funds to implement their new ideas. When developing training programmes it is important to take this into account and incorporate access to credit into the training programme.

Particular attention should be given to women's access to credit. Women-headed farm businesses often face greater constraints to access finance than male-headed farm businesses.

Women's access to credit is often further constrained by their status in society, limited mobility, illiteracy and, most importantly, lack of assets for collateral; women rarely have legal ownership of land.

Extension workers need to recognise the particular constraints affecting women and help them find viable and practical solutions. For example, if women traditionally have no title to land, then extension workers could consider facilitating their access to credit by developing more flexible collateral requirements that do not include land. If women want to borrow money independently from their husbands, then extension workers can facilitate their access to credit by not requiring the husband's signature (which is common practice in commercial banks). In other words, extension workers can facilitate the linkages and also negotiate for easier and more attractive terms and conditions; they should aim at eliminating many of the traditional obstacles to women receiving credit.

Sometimes, as a prerequisite to receiving training as entrepreneurs, women may require training in basic numeracy and literacy skills. These basic skills may also be needed before they can qualify for a loan.

***Extension workers need to recognise the particular constraints affecting women and help them find viable, practical and workable solutions***



## ACCESSING MARKETS

Successful entrepreneurship requires market access and forming market linkages, which involves making contacts and links along the entire value chain from production to final consumption. Extension can and should facilitate these linkages.

The first step is to identify the type of linkage required and the level of support the farmers may require. Linkages can fail if the support is not appropriate. Simply because a market opportunity exists, it is not necessarily appropriate for all farmers.

For example, market demand for a profitable product may be rapidly increasing, but the product requires specialist production skills that may be beyond the immediate capacity of the farmers. To link farmers

***Extension should facilitate market linkages***

to this opportunity without building capacity would be inappropriate, leading the farmers into certain failure.

Developing market linkages requires ensuring regularity of supplies, good quality and a fair and objective assessment of the risks and worst-case scenarios. For example, produce may be sold on a consignment basis with the risk that farmers may fail to cover costs if the link breaks down. Produce rejected on quality is a common cause of friction in contractual arrangements. This can be lessened if farmers fully understand the situation and the risks involved.

***Developing market linkages requires***

***ensuring  
regularity of supplies,  
good quality and  
an objective  
assessment of the  
risks***

Extension workers need to be conscious of the many possible constraints affecting the capacity of farmers to link to buyers. These include lack of access to production or post-production technology; limited market information on pricing and alternative markets; lack of skills in negotiating and bargaining and lack of sufficient resources to adapt production or management programmes. Extension support is often needed to address these capacities to make it possible for the farmer-entrepreneurs to exploit market opportunities.

Farmer-entrepreneurs may also require advice on investment opportunities to ensure consistency of produce to buyers and reducing risks. Investments can be made in production and post-harvest equipment to introduce new crops or livestock enterprises and new practices and technologies.

***Successful contract negotiations require that farmers have reliable background information.***

Extension workers have a role in initiating agreements. Specifically, they can match market requirements with farmers' products. They can help identify reputable buyers and producer groups that can work together to the advantage both sides. They can also help monitor and enforce agreements.

Once linkages are made, extension support is also needed to assist entrepreneurial farmers prepare and understand the details of contracts, including helping specify the terms and conditions of the contract to make sure they are fair and that the farmer can meet them.

Newer entrepreneurial farmers often face significant difficulties because they do not fully understand the contracts they agree to.

The work involving contracts covers the following:

- Ensuring that a fair and enforceable agreement is established, including that farmers know the details of the contract and that it is seen as fair by both parties;
- Clarifying the position of both sides and building mutual trust between them;
- Clarifying penalties and ways to settle disputes;
- Identifying alternative markets in case of buyer default.

***Extension workers should provide training on how to design records of budgets, market and gross margins.***

Since compliance is a major part of contracts, required activities and delivery dates must be stated clearly in the contract. Under such contractual arrangements, farmers must be able to organise production to ensure the product is available as stated in the contract.

To sustain contract linkages it is necessary to develop the capacity of the entrepreneurial farmers in contract negotiation and compliance. Successful contract negotiations require that farmers have reliable background information, including knowledge of their production costs and break-even prices. To achieve this, farmers should keep records and prepare enterprise budgets, market margins and gross margins. Where these capabilities are lacking, extension workers should provide or organise training.

***Partnerships and networks can be developed among farmer organisations and with other players in the value chain***

Another factor affecting the sustainability of market linkages is risk management. Not all potential risks can be covered in marketing contracts. Therefore, strategies are needed to cope with unexpected events that could undermine the contractual relationship of the contracting parties.

***Care is needed to ensure that group action is owned by its members and the capacity to manage the group exists***

Farmers must appreciate the risks the buyer faces and understand the implication of those risks for themselves. Extension workers can help farmers and buyers identify the risks to both sides, clarify who bears the risk and find ways of limiting them.



## **SUPPORTING PARTNERSHIPS AND NETWORKING**

***Entrepreneurial success is greatly improved when strong partnerships and networking relations are forged with other value chain players***

In the changing agricultural environment, farmers need reliable and economical supplies of raw materials, production inputs and equipment and must ensure they have sufficient products of appropriate quality to capture better markets. Often they cannot easily do these things on their own. Group purchasing and collective marketing are examples of farmers working together to gain advantages not available to individuals. Partnerships and networks can be developed among farmers and with other role-players in the value chain. These role-players can help farmers access information on markets, government policies and technologies, enter outside markets, and obtain training, extension, credit and marketing services. Success in market-oriented farming improves greatly when farmers have strong partnerships with and linkages among role-players in the value chain. Many farmers will need help developing partnerships and networks.

***Local NGOs should be used to the greatest extent possible to organise small-scale farmers into self-help groups and producer organisations.***

These linkages or “networks” might be temporary to achieve a short-term objective, such as marketing the current season’s crop. They might be more permanent to achieve longer-term goals such as ensuring improved access to extension services.

To help form networks, extension workers can draw on experienced farmers with the time and ability to organise the schemes to take the initiative. This will reinforce entrepreneurial capacity by ensuring that the farmers own the cooperative action and that capacity to sustain is built among the participating farmers. This can be further reinforced with training and mentoring entrepreneurial capacity, partnerships and networking by extension workers, private service providers and farmer (producer) organisations.

Local NGOs should be used to the greatest extent possible in organising small-scale farmers into self-help groups and producer organisations. NGOs can work with extension services to provide additional technical and management skills. This is a good form of networking.

Entrepreneurial farmers use networks to help deal with a number of difficult aspects of developing their farm businesses. They use them to accurately identify, target and implement interventions. They use them to improve understanding of the role-players along the value chain, how they work, how the whole chain operates, and the roles of different players in the market. They use networking to build the trust needed to work together to grow and stabilise their farm businesses.

There are some very practical ways extension workers can promote and sustain coordination, collaboration and networking among farmers and other members of value chains to share the responsibilities and risks.

- Encourage frequent communication among potential and existing partners to stay abreast of the partners' changing views regarding objectives and expected benefits.
- Encourage frequent meetings and information exchanges including inter-group exchange visits, meetings, workshops, joint training and local radio.
- Organise special workshops and field trips to maintain interests and collaboration.
- Encourage the formation of partnerships or joint ventures in initiatives such as sharing machinery and farm investments including the following:

**Joint ventures** which can be set up between farmers, cooperatives and agribusiness companies anywhere along the value chain including the input, production, grading and processing, and marketing stages.

***Extension workers  
have a role to  
promote coordination  
collaboration and  
networking***

***by***

***encouraging  
communication and  
information sharing***

***organizing  
workshops and field  
trips and***

***encouraging  
the formation of  
partnerships and joint  
ventures***

Farmer-entrepreneurs will need to consider the form these arrangements will take, depending on the commodities selected, how long it takes to fulfil its purpose and the level of integration. For single commodities a simple production contract is often sufficient. When working with a range of commodities or when the development period is long, a joint venture may be the best option. The joint venture must add value to the farmer's business.

**Vertical coordination** is collaboration up and down the stages of the value chain, including input supply, production, processing, and marketing to serve a strategic objective. When farmer-entrepreneurs see that vertical coordination will strengthen their farm businesses, strategic partnerships will be formalised through contracts between two or more independent businesses.

*Networking encourages farmers to work together to develop a product value chain*

**Platforms and forums** can be used by farmers to meet producers from different areas and other role-players in the value chain to learn from one another. They can use them to learn more about their competitors and as forums for negotiations and planning collective activities. Meetings can be arranged on a product basis and can include government, chambers of commerce, private businesses and NGOs.

Extension workers helping farmers develop partnerships must reflect carefully on the most effective design for these bodies and the surest way to initiate and sustain them and how to encourage the farmers to champion the initiatives – and how to support their evaluation of partnerships in terms of the value they will add to their farm businesses.



## CREATING A CULTURE OF ENTREPRENEURSHIP

Economic growth happens when a society embraces and encourages entrepreneurial behaviour; when it values achievement and when there are a lot of people who are 'competent, resourceful and enterprising'.

A culture of entrepreneurship can be encouraged by working with farmers and the stakeholders with whom they interact. Farmers and stakeholders have their own way of doing things; they have their own culture. A culture of entrepreneurship will evolve when it is mutually beneficial for all; allowing everyone to pursue their own goals.

Extension workers must not try to define the culture according to their values and goals. They should guide farmers while avoiding trying to make farmers conform to their way of working. While extension workers often work in an environment that is formal and orderly with plans and indicators of performance and with a focus on specific functions and control, farmer-entrepreneurs often operate in informal and untidy environments, relying on intuition, trust and judgment rather than hard facts. Farmers are concerned with issues of personal freedom in decision-making with a focus on the market, the client and profits.

While there is value in creating greater order, structure and formality as the farm business grows, the farm business should not lose its edge by being more concerned with order than growing the business as a whole. The entrepreneurial farmer needs to retain his farm business's core energy, flexibility and responsiveness that define its entrepreneurial spirit. Adopting a bureaucratic culture will kill this spirit.

***The challenge is to create an entrepreneurial culture that benefits all stakeholders and allows them to pursue their own goals***

***The farmer-entrepreneur is informal and relies on intuition, trust and judgment rather than hard facts***

To achieve balance between order and untidiness, formality and informality, extension workers need to value and understand the qualities that provide the energy needed to maintain the entrepreneurial nature of farm businesses. Extension workers must also understand that these qualities cannot be created by imposing rules. They are principles demonstrated through doing; where, for example, trustworthiness is shown through delivering crops on time as promised.

***Key role-players  
need to embrace the  
entrepreneurial 'way  
of life'***

The key role-players need to be encouraged to embrace the 'way of life' of an entrepreneur and to adopt its 'value system'. The 'way of life' must be underpinned, not by rules and regulations, but by a 'code of conduct' grounded in increasing mutual trust.

Support to entrepreneurial ventures must move far beyond helping businesses obtain resources – to holistic development. Support must foster an understanding that resources are only one of the factors that lead to successful entrepreneurial businesses.

The role-players surrounding the farmer-entrepreneur need to embrace the entrepreneurial 'way of life' of the farmer, including his holistic approach to farm management, the less formal approach to planning and the less structured organisation of the business.

Training based on 'learning by doing', must be matched with facilitating access to markets, finance and advice – the things that make it possible to successfully run farm businesses as entrepreneurial businesses. Training without access will not cultivate entrepreneurship.

***Above all is the  
need to respect the  
independence of the  
farmer-entrepreneur,  
particularly in making  
decisions***

Above all is the need to respect the independence of the farmer-entrepreneurs, particularly their approach to decision-making. Agencies hoping to foster entrepreneurial culture must be prepared to decentralise their own decision-making so that the farmer-entrepreneur is not trapped by well-intentioned but constraining bureaucratic, centralised decision-making. In short, support agencies should also behave like entrepreneurs.

Creating this shared culture must be matched by a freer economy. Economic and financial policies that support state control of marketing will frustrate efforts to encourage entrepreneurial behaviour.

### **CHARACTERISTICS OF AGENCIES SUPPORTING ENTREPRENEURIAL CULTURE**

- Creates and reinforces a strong sense of ownership among all members of the organisation.
- Encourages staff to take control in exercising tasks.
- Tolerates uncertainty and ambiguity and not too controlling in setting targets and guidelines for behaviour.
- Encourages individuals to be committed to pursuing goals effectively.
- Sees that rewards and evaluations are closely linked to customer feedback and to credibility with stakeholders.
- Allows individuals to make mistakes, but with strong support for learning from them.
- Encourages and rewards direct learning from stakeholders, particularly learning that reduces costs.
- Facilitates action-oriented 'enterprise' learning methods relevant to the business.
- Avoids overly strict demarcations between jobs and systems; allows some overlap as a basis for learning and developing understanding.
- Encourages strategic thinking at all levels as part of daily tasks, over more formal planning methods.
- Encourages staff to make personal contacts with stakeholders and others within the organisation, as a basis for management by trust rather than by position, hierarchy or formal reporting lines.



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*The development  
of farmers' skills  
in business  
management  
although necessary  
is insufficient...*

Quality inputs are often necessary to increase productivity.  
Woman receiving inputs from a rural dealer - Zambia



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Access to finance is often essential to implement a business plan. A farmer being guided on the financial aspects of her business - Uganda

*...It needs to be backed by access to credit, land and markets for farm enterprises to develop and grow.*



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Access to finance often leads to an expanding farm business and opportunities to enter export value chains - Eritrea



©IFAD/Susan Beccio

Better access to land often requires changes to land tenure arrangements. Young farmers extending their cultivable land - Rwanda

*For women access to credit is often constrained by their status in society*



©IFAD/Giacomo Pirozzi

Microcredit is helping women develop their farm enterprises – Kenya



©IFAD/ Fulvio Zanettini/ 10197\_135s

Horizontal networking. A meeting of representatives of farmer organizations - Nepal

*Organization,  
partnerships and  
networks need to  
be formed and  
strengthened*



©FAO/Kai Wiedenhofer/ 24661\_8744

Collaboration sometimes takes the form of partnerships and joint ventures between farmers –Iran

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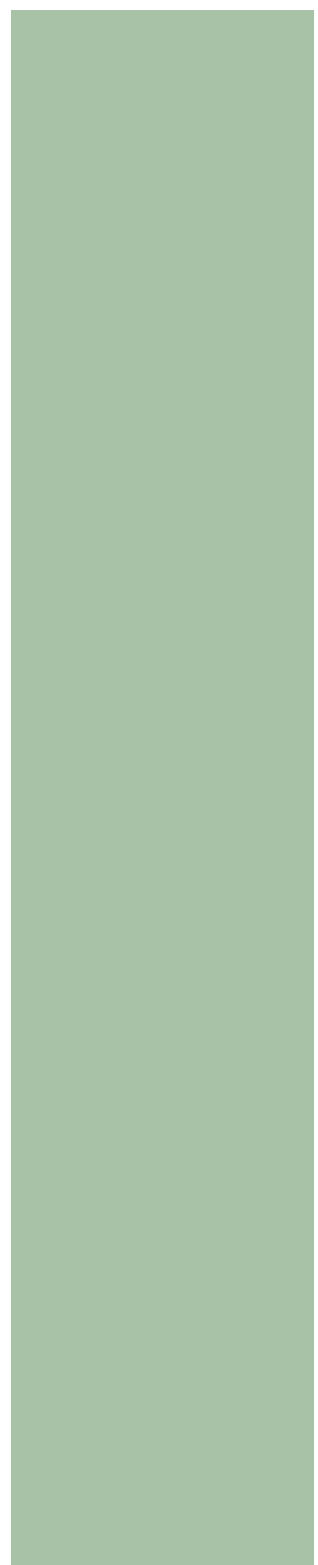
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## Notes

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The following is a list of the publications included in the FARM MANAGEMENT EXTENSION GUIDE series:

**1**

**MARKET ORIENTED FARMING:**

An overview

2013, 90 pp.

**2**

**ECONOMICS for  
farm management extension**  
2008, 90 pp.

**3**

**MANAGING RISK in farming**  
2008, 107 pp.

**4**

**FARM BUSINESS ANALYSIS  
using benchmarking**  
2010, 142 pp.

**5**

**ENREPRENEURSHIP  
in farming**  
2012, 127 pp.

**6**

**The role of the  
FARM MANAGEMENT SPECIALIST  
in extension**  
2013, 127 pp.