

Chapter 1

1. Introduction Entrepreneurship and Agribusiness Management

1.1. Historical Perspectives of Entrepreneurship

With unemployment frightening as the most challenging socio-economic problems of the previous and next century, a renewed focus has been placed on the major part which small business play in employment creation. The dramatic change in the global political economy in the last decade has also sharpened governments' interest in small enterprises and entrepreneurs. Seldom has there been greater agreement among countries on the need to develop or developed nations, everyone recognizes the need to expand the private sector as the major instrument for increasing income. Entrepreneurs are now held up to be role models and one of the fastest growing business has become entrepreneurship education the art of starting and running a business.

1.2. Definition and Concept of Entrepreneur and Entrepreneurship

The term “entrepreneur” is defined in a variety of ways. Yet no consensus has been arrived at on precise skills and abilities that make a person a successful entrepreneur. The concept of entrepreneur varies from country to country as well as from period to period and the level of development thoughts and perceptions.

The word entrepreneur is derived from a French verb *entreprendre*. It means “to undertake”

- **Adam smith** described entrepreneur as a person who only provides capital without taking active part in the leading role in enterprise.
- **Peter F. Drucker** defines an entrepreneur as one, who always searches change, responds to it and exploits it as an opportunity. Innovation is the specific tool of

entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

- **Joseph A. Schumpeter** defines entrepreneur as an innovator who brings economic development through new combinations of factors of production. In other words, a person who introduces innovative changes is an entrepreneur and he/she is an integral part of economic growth.

1.3. Different Views on Entrepreneur

✓ *To an Economist*

An entrepreneur is one who brings resources, labor material and other assets into combinations that make their value greater than before, and one who introduces changes innovations and a new order.

✓ *To Psychologists*

Such a person is typically driven by certain forces like need to obtain or attain something, to experiment, to accomplish, or perhaps to escape authority of others.

✓ *To a Businessman*

An entrepreneur appears as a threat an aggressive competitor, to another business man the same entrepreneur may be an ally, a source of supply, or someone.

After critically studying the above definitions, we can summarize by concluding that entrepreneurship is a function which involves the exploitation of opportunities which exist within a market.

Entrepreneurship

Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labor, arranging the supply of raw materials, finding site, introducing a new technique and commodities, discovering new sources of raw materials and selecting top managers of day to day

operations of the enterprise. And also it can be defined Entrepreneurship as a purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or enlarge profit by production or distribution of economic goods and services.

The concept of entrepreneurship is further refined when principles and terms from a business, managerial and personnel perspectives are considered. In particular, the concept of entrepreneurship has been explored in this century. In almost the definition of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

In almost all the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

- ✓ Initiative taking
- ✓ The organizing or reorganizing of social/economic mechanisms to turn resources and situations to practical account
- ✓ The acceptance of risk or failure.

From the definitions above we can see that while defining the concept ‘entrepreneurship’, laid emphasis on a wide spectrum of activities such as:

- ✚ Self-employment of any sort.
- ✚ Creation of organizations.
- ✚ Innovation applied to a business context.
- ✚ The combination of resources.
- ✚ Identification and exploitation of opportunities within the economic system or market.
- ✚ The bringing together of factors of production under uncertainty.

In general, we conclude from different scholars definition and view points, whatever activity that involves any or all of the above activities can be regarded as entrepreneurship. *Entrepreneurship refers to all the processes and activities involved in establishing, nurturing (promoting), and sustaining a business enterprise.*

Why is entrepreneurship important according to the various scholars? It is generally agreed that entrepreneurship is important because it creates utility, increases society's welfare, promotes economic growth and development.

Entrepreneurship is also an essential element for economic progress as it manifests its fundamental importance in different ways: a) by identifying, assessing and exploiting business opportunities; b) by creating new firms and/or renewing existing ones by making them more dynamic; and c) by driving the economy forward through innovation, competence, job creation—and by generally improving the wellbeing of society.

A quick look at changes in communications—from typewriters to personal computers to the Internet—illustrates these ideas. For instance, Computers, mobile phones, washing machines, ATMs, Credit Cards, Courier Service, and Ready to eat Foods are all examples of entrepreneurial ideas that got converted into products or services. Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development.

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and Venkataraman, 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity.

Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs.

Entrepreneurship is a discipline with a knowledge base theory. It is an outcome of complex socio-economic, psychological, technological, legal and other factors. It is a dynamic and risky process. It involves a fusion of capital, technology and human talent. Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities. Different entrepreneurs might have some common traits but all of them will have some different and unique features.

The difference between entrepreneur and entrepreneurship,

- The term entrepreneur is used to describe men and women who establish and manage their own business. The process involved is called entrepreneurship.
- Entrepreneurship is an abstraction whereas entrepreneurs are tangible people.
- Entrepreneurship is a process and an entrepreneur is a person.
- Entrepreneurship is the outcome of complex socio-economic, psychological and other factors. Entrepreneur is the key individual central to entrepreneurship who makes things happen.
- Entrepreneur is the actor, entrepreneurship is the act.
- Entrepreneurship is the most effective way of bridging the gap between science and the market place by creating new enterprises. An entrepreneur is the catalyst who brings about this change.

Enterprise: Entrepreneur is a person who starts an enterprise. The process of creation is called entrepreneurship. The entrepreneur is the actor and entrepreneurship is the act. The outcome of the actor and the act is called the enterprise. An enterprise is the business organization that is formed and which provides goods and services, creates jobs, contributes to national income, exports and overall economic development.

The relationship among the three above discussed concepts (entrepreneur, entrepreneurship and enterprise) can possibly be depicted in Figure 1.

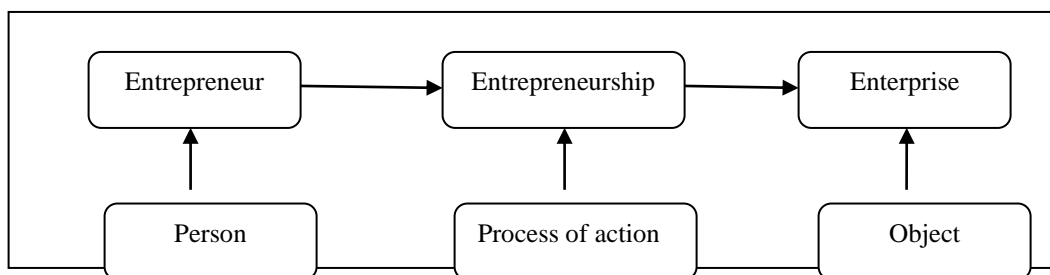


Figure 1. The relationship among entrepreneur, entrepreneurship and enterprise

Intrapreneurs: There are given situations where an entrepreneur is not able to establish his or her own business and as such has to work in an organization. In this case they are referred to as '*Intrapreneurs*' i.e. entrepreneurs within an organization. How is entrepreneur differing from intrapreneur?

An entrepreneur is a person who create a venture or startup a business and nature it, takes risks of bringing together the factors of production to meet the society's need at a profit, while an intrapreneur work within an existing organization to pursue the exploitation of business opportunities

Technopreneur: Individual whose business is in the realm of high technology, who at the same time has the spirit of an entrepreneur. A technopreneur's business involves high technology or to put it more clearly a technopreneur is a technological innovator and a business man all combined in one individual

1.4. Characteristics Agricultural entrepreneurship

Agricultural entrepreneurship

Agricultural entrepreneurs conduct agricultural activities such as cultivating and marketing of crops, fertilizers and other inputs of agriculture. They are motivated to raise the agricultural output through mechanization, irrigation and application of technologies for dry land agriculture. They cover a broad spectrum of the agricultural sector and include agricultural and allied occupations.

1.4 Competencies for Successful Entrepreneurship & Important Entrepreneurial Traits

There are three major competencies for successful entrepreneurship. These may be defined as:

- A body of knowledge
- A set of skills
- A cluster of traits.

A. Knowledge has been defined as a set or body of information stored, which maybe recalled at an appropriate time. Knowledge in the context of business may be manifested by information on, or familiarity with aspects such as:

- ✓ a business opportunity
- ✓ the market
- ✓ customers
- ✓ competitors
- ✓ production processes
- ✓ technical matters
- ✓ business management
- ✓ sources of assistance

Knowledge of business or entrepreneurship, however, is not enough for success in setting up and operating a business – in the same way as, for example, reading or learning about flying, driving or swimming will not on its own enable you to fly a plane, drive a car or swim in a pool.

B. Skill has been defined as the ability to apply knowledge and can be acquired or developed through practice, e.g. flying, driving or swimming. In the context of business, it is possible to distinguish between skills of a technical and managerial nature. Some examples are listed below:

Technical Managerial

- ✓ Engineering
- ✓ Marketing (including selling)
- ✓ Computing
- ✓ Financial management
- ✓ Carpentry
- ✓ Organization
- ✓ Mechanics
- ✓ Planning
- ✓ Catering
- ✓ Leadership

Knowledge and skills are relatively easy to acquire or develop. However, traits take time to develop and are not easily changed or acquired.

C. Traits have been defined as the aggregate of peculiar qualities or characteristics which constitutes personal individuality.

Important Entrepreneurial Traits

1. **Hard Working:** running a business requires a lot of energy and drive. This involves the ability to work for long hours when necessary, to work intensely in spurts and to cope with less than a normal amount of sleep.
2. **Self-Confident:** to succeed, entrepreneurs have to believe in themselves and in their ability to achieve the goals they have set for themselves. This is often shown by a belief that “if you want something badly enough and are prepared to work at it, you’ll usually get it”.
3. **Builds for the Future:** the goal for most successful business people is to build a secure job and income for themselves which is based on their own abilities. This means entrepreneurs understand that it may take several years to build up business income to a reasonable standard.
4. **Profit-Oriented:** interest in generating money is a clear indicator of an entrepreneur’s suitability for being a business owner. This means recognizing that the business comes first. Once profits are generated, the entrepreneur can make decisions about how the profits can be used – to expand the enterprise or for personal use.
5. **Goal-Oriented:** success in business depends upon being able to set realistic goals or targets and to work with determination to achieve them. This ability to set goals (for things the person thinks are worthwhile) and to work to achieve them is fundamental to being an entrepreneur.
6. **Persistent:** all businesses have their problems and disappointments. Being persistent in solving a problem is one of the keys to being a successful entrepreneur.
7. **Copes with Failure:** all business ventures inevitably contain disappointments and failures as well as successes. Coping with failures involves recognizing these failures, learning from them and seeking new opportunities. Without this characteristic, early failures may end a person’s attempt at self-employment.
8. **Responds to Feedback:** entrepreneurs are concerned to know how well they are doing and to keep track of their performance. Obtaining useful feedback and advice from others is another important characteristic of entrepreneurs.

9. **Demonstrates Initiative:** research shows that successful entrepreneurs take the initiative and put themselves in positions where they are personally responsible for success or failure.
10. **Willing to listen:** the successful entrepreneur is not an inward looking person that never uses outside resources. Self-reliance does not exclude the ability to ask for help when needed from such people as bank officials, accountants and business advisers. Being able to listen to the advice of others is a key characteristic of an entrepreneur.
11. **Sets Own Standards:** setting standards of performance and then working to achieve them is another indicator of a successful entrepreneur.
12. **Copes with Uncertainty:** being an entrepreneur is much more uncertain than employment. This uncertainty is about sales and turnover, but it often also exists in other areas such as material delivery and prices, and bank support. An ability to cope with this uncertainty without becoming too stressed is a necessary trait of being an entrepreneur.
13. **Committed:** starting and running an enterprise demands total commitment by the entrepreneur in terms of time, money and lifestyle. It has to be a major priority in the entrepreneur's life.
14. **Builds on Strengths:** successful business people base their work upon the strength(s) they have, such as manual skills, interpersonal skills, selling skills, organizational skills, writing skills, knowledge of a particular product or service, knowledge of people in a trade and ability to make and use a network of contacts.
15. **Reliable and Has Integrity:** the qualities of honesty, fair dealing and reliability in terms of doing what one has promised to do are essential traits of an entrepreneur.
16. **Risk-Taker:** being an entrepreneur involves some risks. Entrepreneurs have the ability to take measured or calculated risks. Such risks involve working out the likely costs and gains, the chance of success and the belief in oneself to make the risk pay off. Entrepreneurs may be considered risk avoiders when they reduce their risks by having others assume part of the risk. Those who assume the entrepreneur's risk may be bankers, suppliers and customers.

☞ **Knowledge and skills only?**

An individual with only knowledge and skills is unlikely to survive for long, even if he/she manages to start at all. For example, without the traits, he/she might exhibit little persistence when faced with major obstacles; or the person may neither see nor act on opportunities; or he/she might simply be unwilling to take the calculated risk of venturing into business in the first place.

☞ **Knowledge and traits only?**

A person with only knowledge and personal traits might find nothing of value to which these might be applied, without technical skills. Or they may find that they are too dependent on outsiders and, therefore, possibly too vulnerable. The solution might be to find a partner or employ people with the requisite skills.

☞ **Skills and traits only?**

A potential entrepreneur with skills and entrepreneurial traits, but lacking in knowledge, might be able to start a business. In a competitive environment, however, the lack of knowledge or familiarity with, for example, customers, or the market (including trends) could lead to failure. Information is essential for any business to succeed.

1.5. Success Factors for Entrepreneurs

How do I become an entrepreneur? How can I set up a successful business? These are questions that people often ask. Unfortunately, however, no foolproof answer or formula has been identified as yet. Notwithstanding this, success – according to the literature, observations and experience – depends on that peculiar ability to spot opportunities in the market and act on them by organizing the necessary resources to offer something attractive to customers and take on the attendant risks. This is the essence of entrepreneurship in a business context.

The crucial ingredient in the whole process is the entrepreneur. He/she takes the initiative and also bears the risk in creating and/or organizing an attractive offer of value to potential customers. The entrepreneur's ability to do this successfully depends on 4 factors, namely:

Motivation, Ability, Idea and Resources. The acronym –MAIR – may help you remember these factors more easily. These are explained in turn.

➤ **Idea and Market**

The important issue to be determined here is the viability of the idea, project, product or service to be offered. In other words, does the idea, product or service meet a need or want for which there are customers who can afford it and are willing to use/purchase it in sufficient quantities to make the whole project worthwhile (i.e. return a profit, in a business context)? How the proposition to be offered is more desirable or better than what is currently available and how will competitors react?

➤ **Motivation and Determination**

It is widely acknowledged that, to be successful, the individual or group needs to be highly motivated and determined to set up the business to make it succeed. This will be reflected, for example, in how persistent they are in overcoming obstacles that might get in the way, how they go about seeking information and how they act on opportunities. Additional indicators might be their commitment and attitude to work (quality, efficiency and long hours), previous attempts to set up a business and the support of family or partners.

Motivation and Determination

- Able to work or operate long hours for 6 or 7 days a week
- Innovative
- Able to use influential strategies
- Problem-solver
- Takes initiative
- Concern for efficiency

Idea and Market

- Viability: number and nature of internet or cyber cafés in the neighborhood or within, say, a 3 kms radius – the fewer the better
- Speed and prices vis-à-vis other cafés in area – should be competitive

- Number of people living and/or working in the area – the more, the better
- Profile of people living or working in the area: low to middle income best – not so rich as to be able to afford their own PCs and internet connection, but not so poor as not to be able to afford the service
- Nice ambiance – with soft drinks and snacks for sale; and background music in a well-ventilated room
- Provision of ancillary services for sale, such as fax, printing, photocopying, sale of diskettes, CD-ROMs, etc.

1.6. Motivation to Start a Business

Entrepreneurs are essential for economic development. They provide the motivation for activating and stimulating economic activity. The most developed economies are the ones that have the most entrepreneurs. A positive economic and legal environment will encourage and motivate people to become entrepreneurs and own and operate their businesses.

Entrepreneurs provide the energy, creativity and motivation to initiate new businesses. Entrepreneurs seek business opportunities that will bring success by satisfying unmet customer needs. Entrepreneurs identify the needs of customers and find ways to fill those needs. Highly motivated entrepreneurs are optimistic and future oriented. They believe that success is possible and are willing to take risks to implement a business. They are flexible and willing to change quickly as they receive new information. Entrepreneurs are persistent and determined to succeed. Motivation gives entrepreneurs advantages over their competitors. They are continually motivated to find unique ways to sell their products and services. Entrepreneurs are motivated to operate their business legally and within government regulations. Entrepreneurs use practical business procedures and they are able to accurately monitor the financial condition of their businesses. They constantly monitor sales, cash flow and revenue of their businesses. Entrepreneurs are the most important people in a market economy because they create all wealth, jobs, and business opportunities. They bring economic prosperity to a nation.

Potential entrepreneurs need to ask themselves the following questions:

- What three business opportunities can I identify today?
- How can I offer new products or services that people want, need and are willing to pay for?
- Where are the best business opportunities?
- How can I bring together people, money and other factors to create new products and services that people want?
- How can I use creativity, rather than money, to find new, better, cheaper ways to sell products or services or to reduce costs of operation?
- How can I avoid or minimize my risks to start a business?

Some of the reasons for the difficulties in classifying those involved in small business management is the wide variety of motives for their involvement in small firms. The reason for small firm formation can be divided between “pull” and “push” influences.

“Pull” influences

Some individuals are attracted towards small business ownership by positive motives such as a specific idea which they are convinced will work. “Pull” motives include:

a) Desire for independence

This features prominently in several research studies as the key motivator. A study of female entrepreneurs in Britain found that women were motivated particularly by the need for autonomy, which had been frustrated by the individual’s prior training and background.

b) Desire to Exploit an opportunity

The identification of a perceived gap in the market place through personal observation or experience is also a common reason for starting a business. For example, a study of new manufacturing firm in south Hampshire reported that 60% of founders quoted their desire to exploit a perceived market. Whilst other studies have shown lower percentages, the wish to satisfy a perceived market gap remains a powerful motive. Entrepreneurs may seek to exploit this opportunity through special knowledge, product development or they may hire the appropriate technology and skills.

c) Turning a Hobby or Previous Work Experience Into a Business

Many new entrepreneurs seek fulfillment by spending more time involved in a cherished hobby, or part of their work that they particularly enjoy. Although research confirms that founders tend to establish business in activities of which they have direct prior experience, this is often precipitated by a 'push' motive, such as redundancy, rather than part of a considered decision process.

d) Financial Incentive

The rewards of starting a business can be high, and are well publicized by those selling 'how to' information to would-be entrepreneurs. The promise of long term financial independence can clearly be a motive in starting a new firm, although it is usually not quoted as frequently as other factors.

“Push” influences

Many people are pushed into founding a new enterprise by a variety of factors including:

a) Redundancy

This has proved a considerable push into entrepreneurship particularly when accompanied by a generous handshake in a locality where other employment possibilities are low.

b) Unemployment

Job insecurity and unemployment varies in significance by region, and by prevailing economic climate. A study reported that 25% of business founders in the late 1970s were pushed in this way, whilst later research showed a figure of 50% when unemployment nationally was much higher.

c) Disagreement with previous employer:

Uncomfortable relations at work have also pushed new entrants into small business. The dividing line between those 'pulled' and those 'pushed' is often blurred. Many people considering an opportunity or having a desire for independence still need some form of push to help make their decision

1.7. Characteristics of Successful Entrepreneurs

They do what they love most: one of the most important qualities associated with successful entrepreneurship is *passion*.

They have self confidence on what they are doing: Every entrepreneur encounters problems, and you have to believe you can overcome them.

Another important characteristic feature of successful entrepreneur is that they are **self-reliant**: When we say entrepreneurs are self-reliant, it implies that they do not wait for others to tell them what to do. They are self-starters and feel confident making decisions.

Entrepreneurs are also risk takers: While most people try to avoid risk, successful entrepreneurs are willing to take risks. Because, entrepreneurs understand that risk is a natural part of trying to achieve goals. Their self-confidence helps them to accept the challenges of the risks they take.

Entrepreneurs tend to **thrive (succeed) on competition**. While they may actively compete with others, they are more likely to compete against themselves. In other words, they are constantly trying to improve their own performance regardless of what others may be doing.

Creative: This does not mean they paint pictures or write poetry (though it can); rather, it means they find innovative ways to solve problems. They always look for new and better ways to do things.

Entrepreneurs are also **willing to learn (are information seekers)**: They may already know a great deal, yet they recognize that no one knows everything, and that they can learn valuable information from others. Entrepreneurs who are not open to learning often compromise the degree of success they will be able to achieve.

Ability to plan: The ability to plan is a key skill for entrepreneurs. They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).

Communication skills: Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team.

Marketing skills: A business's success or failure is very dependent on whether the business reaches the market (its potential customers), interests the market and results in those in the market deciding to buy

Interpersonal skills: Entrepreneurs constantly interact with people, including customers and clients, employees, financial lenders, investors, lawyers and accountants, to name a few. And hence, the ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.

Basic management skills: The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.

Personal effectiveness: In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently.

Team building skills: Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team.

Leadership skills: One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team.

Chapter 2

2. Types and functions of entrepreneurship

2.1 Types and functions of agricultural entrepreneurship

An “agricultural entrepreneur” is an individual or group with the right to use or exploit the land or other related elements required to carry out agricultural, forestry or both mixed activities.

Rurality defines a territorially specific entrepreneurial milieu with distinct physical, social and economic characteristics. Location, natural resources and the landscape, social capital, rural governance, business and social networks, as well as information and communication technologies, exert dynamic and complex influences on entrepreneurial activity in rural areas. Rurality is viewed as a dynamic entrepreneurial resource that shapes both opportunities and constraints.

2.2 Types of Entrepreneurship

The entrepreneur’s central activity is that of business creation, which can be studied at an individual and/or group level –analyzing psychological aspects and social variables of education, background or the family- either at an environmental level using variables that enable business development, or by analyzing aspects of the economic, social and cultural environments.

Researchers who have studied entrepreneurial behaviour suggest that there are different types of entrepreneurs. Classifying entrepreneurs into various categories is a tricky issue. The taxonomy of entrepreneurs can be carried out in various ways and basis. The various types of entrepreneurs are classified on certain parameters. Some important classifications are described below:

1. On the Basis of Economic Development:

On the basis of economic development classified entrepreneurs into four groups. Based on the interaction with the business environment, various types of entrepreneurs can emerge. There are four types of entrepreneurs as Innovative, Imitating, Fabian and Drone.

Innovative: This type of entrepreneur is preoccupied with introducing something new into the market, organization or nation. They are interested in innovations and invest substantially in research and development.

Imitating: These are also referred to as ‘copy cats’. They observe an existing system and replicate it in a better manner. They could improve on an existing product, production process, technology and through their vision create something similar but better. This is the case of the student becoming better than the master!

Fabian: These are entrepreneurs that are very careful and cautious in adopting any changes. Apart from this, they are lazy and shy away from innovations.

Drone: These are entrepreneurs that are resistant to change. They are considered as ‘old school’. They prefer to stick to their traditional or orthodox methods of production and systems.

2. On the Basis of Type of Business:

Under this category we can classify entrepreneurs as described below:

A. Business Entrepreneurs: They are the entrepreneurs who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap the entire factor of production to develop a new business opportunity. They may set up a big enterprise or a small scale business. When they establish small business units they are called small business entrepreneurs. In a majority of cases, entrepreneurs are found in small trading and manufacturing business.

B. Trading Entrepreneur: These entrepreneurs undertake trading activities and are not concerned with the manufacturing work. They identify the potentiality of their product in markets, stimulate demand for their product line among buyers. They may go for both domestic and overseas trade. These entrepreneurs demonstrated their ability in pushing many ideas ahead which promoted their business.

C. Industrial Entrepreneur: Industrial entrepreneur is essentially a manufacturer who identifies the needs of customers and creates products or services to serve them. He is product-oriented who starts through an industrial unit to create a product like electronic industry, textile unit, machine tools.

D. Corporate Entrepreneur: These entrepreneurs used his innovative skill in organizing and managing a corporate undertaking. A corporate undertaking is a form of business organization which is registered under some statute or Act like a trust registered under the Trust Act, or a company registered under the Companies Act. These corporate work as separate legal entity. He is thus an individual who plans, develops and manages a corporate body.

E. Agricultural Entrepreneur: Agricultural entrepreneurs are those who undertake agricultural activities as through mechanization (use of equipments with advanced technology), irrigation and application of technologies to produce the crop. They cover a broad spectrum of the agricultural sector and include agriculture and allied/related occupations.

3. According to the Use of Technology

The application of new technology in various sectors of the national economy is essential for the future growth of business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows:

A. Technical Entrepreneurs: With the decline of joint family business and the rise of scientific and technical institutions, technically qualified persons have entered the field of business. These entrepreneurs may enter business to commercially exploit their inventions and discoveries. Their main asset is technical expertise. They raise the necessary capital and employ experts in financial, legal- marketing and other areas of business. Their success depends upon how they start production and on the acceptance of their products in the market.

B. Non-technical Entrepreneur: Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product or service in which they deal. They are concerned only with developing alternative marketing and promotional strategies for their product or service.

C. Professional Entrepreneur: Professional entrepreneur is an entrepreneur who is interested in establishing a business but does not have interest in managing it after establishment. A professional entrepreneur sells out the existing business on good returns and starts another business with a new idea. Such an entrepreneur is dynamic and conceives new ideas to develop alternative projects.

4. According to Motivation

Motivation is the main force that promotes the efforts of the entrepreneur to achieve his goals. An entrepreneur is motivated to achieve or prove his excellence in their performance. According to motivation we can classify entrepreneur as:

A. Pure Entrepreneur: A pure entrepreneur is the one who is motivated by psychological economical, ethical considerations. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego/ a feeling of pride in yourself or status.

B. Induced Entrepreneur: This type of entrepreneur is one who induced to take up an entrepreneurial task due to the policy reforms of the government that provides assistance, incentives, concessions (a contract granting the right to operate a subsidiary business) and other facilities to start a venture. Most of the small scale entrepreneurs belong to this category and enter business due to financial, technical and several other facilities provided to them by the various agency of Govt. to promote entrepreneurship. Today, import restrictions and allocation of production quotas to small units have induced many people to start a small scale unit.

C. Motivated Entrepreneur: New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new products for the use of consumers. They are motivated through reward like profit.

D) Spontaneous Entrepreneur: is one who is motivated by his/her natural talent to begin a business. This kind of entrepreneurs is very confident in their natural blessings from God and wants to undertake business because they believe their natural gifts will enable them to do so.

5. According to Growth

The industrial units are identified as high growth, medium growth and low growth industries and as such we have 'Growth Entrepreneur' and 'Super Growth Entrepreneur.'

A. Growth Entrepreneur: He necessarily takes up a high growth industry and chooses an industry which has sustained growth prospects. Growth entrepreneurs have both the desire and ability to grow as fast as large as possible.

B. Super-Growth Entrepreneur: This category of entrepreneurs is those who have shown enormous growth of performance in their venture. The growth performance is identified by the high turnover of sales, liquidity of funds, and profitability.

6. According to Entrepreneurial Activity

Based on entrepreneurial activity, entrepreneurs are classified as novice, serial, and portfolio entrepreneur.

A. Novice Entrepreneur: A novice is someone who has started his/her first entrepreneurial venture. A novice entrepreneur is an individual who has no prior business ownership experience as a business founder, inheritor of a business, or a purchaser of a business. It is not similar to early starter; a novice can also be a 50 year old with over 25 years of experience in the industry.

B. A Serial Entrepreneur: A Serial Entrepreneur is someone who is devoted to one venture at a time but ultimately starts many. It is the process of starting that excites the starter. Once the business is established, the serial entrepreneur may lose interest and think of selling and moving on.

C. Portfolio Entrepreneur: A portfolio entrepreneur is an individual who retains an original business and builds a portfolio of additional businesses through inheriting, establishing, or purchasing them. A portfolio entrepreneur starts and runs a number of businesses. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities. Also, the entrepreneur may see some synergies between the ventures.

7. Other Entrepreneurs:

A. First-Generation Entrepreneurs: This category consists of those entrepreneurs whose parents or family had not been into business and was into salaried service. A first-generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

B. Modern Entrepreneur: A modern entrepreneur is one who undertakes those businesses which go well along with the changing scenario in the market and suits the current marketing needs.

C. Women Entrepreneurs: Women as entrepreneurs have been a recent phenomenon. The different social norms in different countries had made it difficult for women to have a professional life. Progressive laws and other incentives boost the presence of women in entrepreneurial activity in diverse fields.

D. Nascent Entrepreneur: A nascent entrepreneur is an individual who is in the process of starting a new business.

E. Habitual Entrepreneur: A habitual entrepreneur is an individual who has prior business ownership experience. The nascent entrepreneur can either be a novice or a habitual entrepreneur.

F. Lifestyle Entrepreneurs: Lifestyle entrepreneurs have developed an enterprise that fits their individual circumstances and style of life. Their basic intention is to earn an income for themselves and their families.

G. Copreneurs: It is related to the married couples working together in a business. When a married couple share ownership, commitment and responsibility for a' business, they are called "copreneurs". As copreneurs, couples struggle in ventures to establish equality in. their relationships. Such couples represent the dynamic interaction of the systems of love and work.

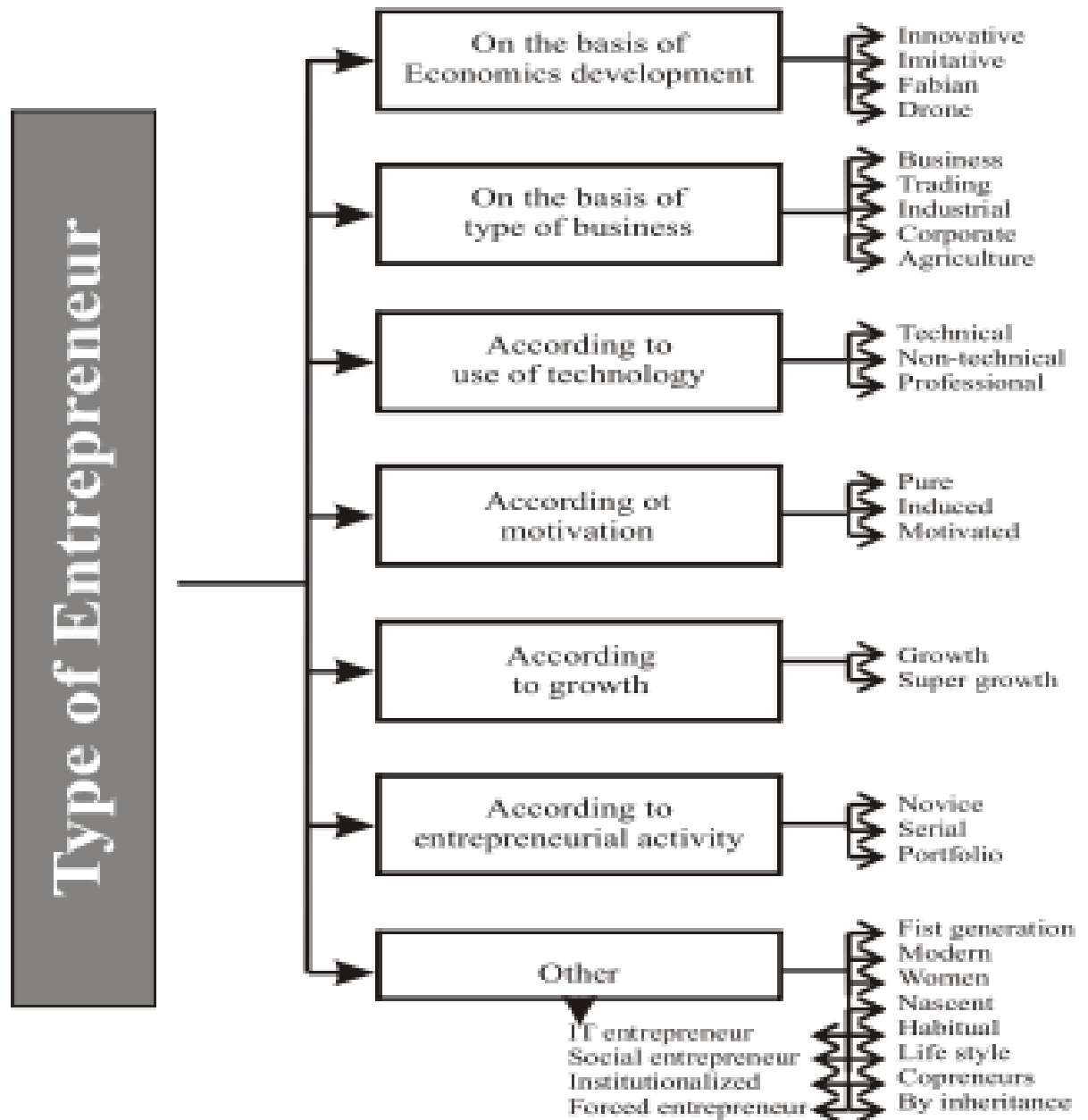
H. IT Entrepreneurs: IT entrepreneurs are creating a new business platform that takes them straight to the top. They are confident, ambitious innovative and acquired creativity in the competitive global environment and created a niche of their self. They are the brave new bunch of entrepreneurs who are raring to take on the world of information technology.

I. Social Entrepreneur: Social entrepreneur is one who recognizes the part of society which is stuck and provides new ways to get it unstuck. Be it dedicated efforts for child upliftment, fighting for the conservation of forests, working for the betterment of the blind or initiatives to empower women, the entrepreneur's passion is very strong. Freedom, wealth, exposure, social mobility and greater individual confidence are driving this huge wave of social innovation and entrepreneurship.

K. Individual and Institutional Entrepreneurs: In the small scale sector individual entrepreneurs are dominant. Small enterprises outnumber the large ones in every country. Such entrepreneurs have the advantage of flexibility, quick decision making. But a single individual can establish, operate and control an organization up to a limit. Thereafter, it becomes necessary to institutionalize entrepreneurship. The business will have to acquire a number of new entrepreneurial skills through a corporate body. A group of entrepreneurs has to be developed to handle the increasingly complex network of decision making. The central function of the entrepreneur remains the same but the basic decisions like the line of business, the amount of capital employed, etc. are taken collectively by the promoters at the helm of affairs. Thus, individual entrepreneur and institutional entrepreneur coexist and support each other. Corporate sector the symbol of institutionalized entrepreneurship.

L. Entrepreneurs by Inheritance: At times, people become entrepreneurs when they inherit the family business. there are a large number of family controlled business houses. Firms in these houses are passed from one generation to another.

Figure 2.Types of entrepreneurs



2.3 Main Functions of Entrepreneurs

Entrepreneur is an opportunity seeker and organizer and coordinator of the factor of production. He not only perceives the business opportunities but also mobilizes the other resources like –

man, money, machine, materials and methods. According to some economists, the functions of an entrepreneur are establishing co-ordination. In business enterprise, risk-taking, controlling the enterprise, innovation for change, motivation and other related activities. In reality, an entrepreneur has to carry out a combination of these functions in keeping with time and environment. Truly, he has to consider new ideas, demands and exploit the opportunities, and thereby contribute to technical progress. A successful entrepreneur recognizes the potential of a product or service, design operating policies in marketing, production, product development and the organizational structure. He carries out the whole set of activities of the business. He has a high capacity for taking calculated risks and has faith in his own capabilities.

2.4 Specific functions of entrepreneurs

Entrepreneurs can be classified based on specific functions of entrepreneurs into four groups. These are: exchange relationship, political administration, management control and technology.

Exchanges relationship: This aspect, among others, mainly constitutes perceiving market opportunity; gaining command over scarce resource; purchasing inputs; marketing of the product and responding to competition.

Political administration: The political administration function of entrepreneurs includes Dealing with the public bureaucracy; managing human relations within the firm and managing customer and supplier relations.

Management control: This aspect of entrepreneurs mainly constitutes managing finance and managing production.

Technology: As far as technology function of entrepreneurs is concerned, following points will be worth to mention. Acquiring and overseeing assembly of the factory; Industrial engineering (minimize inputs with a given production process); Upgrading process and product quality, and Introducing new production techniques and products.

2.5 Role of Entrepreneurs in Economic Development

Entrepreneurs play a significant role in economic development of a country. He promotes the prosperity of a nation by his innovation and dynamic leadership Skills. He creates wealth, opens up employment opportunities and fosters the other segments. Entrepreneurs are prime movers of innovation, growth and as such, entrepreneurship is a dynamic force. The role and significance of an entrepreneur are explained below.

1. Bringing Economic Growth and Prosperity: Entrepreneur bring economic growth and prosperity in the country through generation of employment opportunities, capital and wealth creation, increasing per capita income and GDP, improvement in quality of life by raising the standard of living, growth of infrastructural facilities, forward and backward linkages in society, development of backward regions, economic independence. The heroic/brave creativity of entrepreneur is essential to economic well-being in a global economy. In underdeveloped nations, entrepreneurs often hold the key to economic growth for a whole society. So entrepreneur is not a dirty word or a fast buck opportunist, but, rather the backbone of the capitalist system”.

2. Brining Social Stability and Balanced Regional Development: Entrepreneurs play a crucial and unique role in bringing about social stability and balanced regional development through absorption of workforce in industries, removal of poverty, improving health and education facilities, creating fair competition, equitable distribution of income, creation of social infrastructures, empowering women and weaker sections of the society and supply of qualitative goods and services Although entrepreneurs are criticized as self interested exploiters, Adam Smith, while recognizing that they do some good for society, partly reflected this view when he wrote in *The Wealth of Nations*: “In spite of their natural selfishness and rapacity, though they mean only their convenience, though the sole end which they propose from the labours of all the thousands they employ be the gratification of their own vain and insatiable desires they are led by a hidden hand, and without intending it, without knowing it, advance the interest of society”.

3. Innovator in Economic Growth: by bringing new ideas, combinations, products techniques, organizations, new markets, making full use of technical knowledge, balanced growth, systematic innovation, technological advancement, implementation of mechanical skills, an entrepreneur play very crucial role in encouraging entrepreneurship and economic development. Peter Drucker writes, “Just as management has become the specific organ of all contemporary institutions and the integrating organ of our society of organizations, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organizations, our economy, and our society”. He further says that the emergence of a truly entrepreneurial economy is the most significant and hopeful event that have occurred in recent economic and social history.

4. Creation of Employment Opportunities: Entrepreneurs play a significant role in generation of employment opportunities by establishing new units in manufacturing, trading and service sectors, laying emphasis on small scale industries, utilizing the surplus labour force in varied industrial and/or service activities, upholding self-employment as a core objective. Entrepreneur integrates resources and technologies into profitable business ventures and creates job opportunities.

5. Increase Productivity with Modern Production System: Play an important role in raising productivity. “Higher productivity is chiefly a matter of improving production techniques, and this task is the entrepreneurial function par excellence”. Two keys to higher productivity are research and development and investment in new plant and machinery. But there is a close link between R & D and investment programmes, with a higher entrepreneurial input into both”. George Gilder in *The Spirit of Enterprise* said that: “Entrepreneurs are innovators who evoke demand’. They are makers of markets, creators of capital, and developers of opportunity and producers of new technology. They seek the unique product, the marketing breakthrough, the startling new, feature or the novel design. They change technical frontiers and reshape public desires. They create wealth and employment. They take exception to the received view that companies should be market led. They lead the market”.

6. Export Promotion and Import Substitution: Liberalization, privatization and globalization [LPG] has opened the arena/field of export promotion and import substitution to entrepreneurs by establishing industries producing import substitution goods, establish new industries, especially for export, products, exploration of new global markets, earning foreign exchange reserves, utilizing the available productive resources, achieving self-reliance in production of as many goods as possible, entrepreneur, are playing a pivot role in export promotion and import substitution.

7. Entrepreneur Plays a Role of Catalytic Agent: As Joseph Schumpeter says, entrepreneur’s task is “creative destruction”. He destroys to create new things. He changes and transmutes values. He searches change and responds to it. He is a change creator. “The entrepreneur makes a happening, wants piece of action, is the growth man. Without him there is no happening, no action, and no growth”.

8. Augmenting and Meeting Local Demands: Entrepreneurs also play a significant role in augmenting local demands and meeting them satisfactorily. Towards this entrepreneurs focus their attention to manufacture service through indigenous technology, skill, resources and experiences.

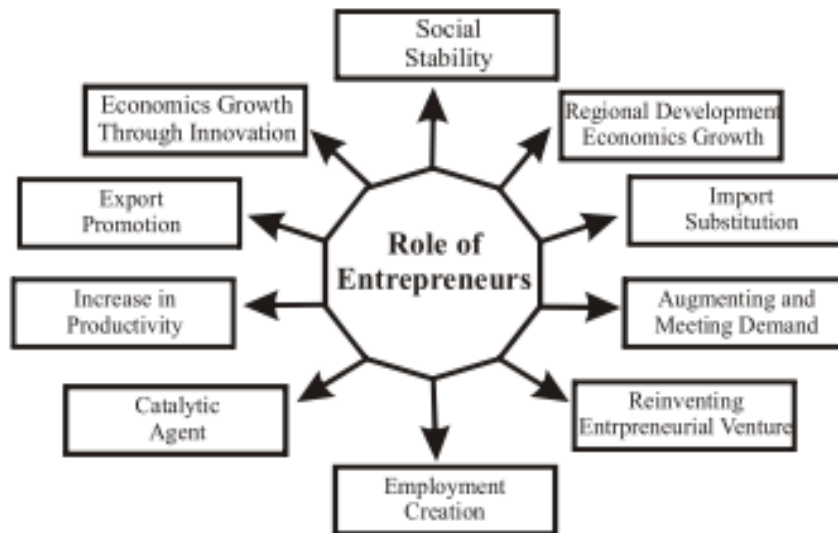


Figure 3. Role of entrepreneurships

9. Reinventing Entrepreneurial Venture: An entrepreneur work to reinvent his entrepreneurial venture. He knows that change and innovation is good for his organization. Paul Wilken observes, “Entrepreneurship is a discontinuous phenomenon, appearing to initiate changes in the production process and then disappearing until it reappears to initiate another change”. Zoltan Acs writes, “Entrepreneurs stir up the waters of competition in the market place. They are ‘agents of change in a market economy’”.

In general, entrepreneurs occupy three roles, namely as agent of (1) economic change (2) social change and (3) technological change. These are referred to as behavioral roles. The types and roles of entrepreneur notwithstanding, all entrepreneurs possess certain characteristics and are motivated to become entrepreneur due to certain factors or circumstances.

Economic Roles of Entrepreneur

- Bearing the ultimate risk of uncertainty.
- Mobilizing savings necessary for the enterprise.
- Providing channel for the disposal of economic activities.

- Utilizing local raw materials and human resources.

Social Roles of Entrepreneur

- Transformation of traditional indigenous industry into a modern enterprise.
- Stimulation of indigenous entrepreneurship.
- Job or employment creation in the community.
- Provision of social welfare service of redistributing wealth and income.

Technological Roles of Entrepreneur

- Stimulation of indigenous technology in the production process.
- Adapting traditional technology to modern system.
- Adapting imported technology to local environment.
- Developing technological competence in self and the workforce through innovation

Chapter 3

3.1 Legal forms of Agribusiness Organizations

A business is an organization that uses economic resources or inputs to provide goods or services to customers in exchange for money or other goods and services. Business organizations come in different types and forms. In simple words, “business means the state of being busy”. Broadly, business involves activities connected with the production of wealth. *It is an organized and systematized human activity involving buying and selling goods, manufacturing goods or providing services in order to earn profit.*

One of the first decisions that you will have to make as a business owner is what type of business you will engage and how the business should be structured. All businesses must adopt some legal configuration that defines the rights and liabilities of participants in the business’s ownership, control, personal liability, life span, and financial structure. This decision will have long-term implications, so you may want to consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

- Your vision regarding the size and nature of your business.
- The level of control you wish to have.
- The level of “structure” you are willing to deal with.
- The business’s vulnerability to lawsuits.
- Tax implications of the different organizational structures.
- Expected profit (or loss) of the business.
- Whether or not you need to re-invest earnings into the business.
- Your need for access to cash out of the business for yourself

There are three major types of businesses:

1. Service Business

A service type of business provides intangible products (products with no physical form). Service type firms offer professional skills, expertise, advice, and other similar products.

Examples of service businesses are: schools, repair shops, hair salons, banks, accounting firms, and law firms.

2. Merchandising Business

This type of business buys products at wholesale price and sells the same at retail price. They are known as "buy and sell" businesses. They make profit by selling the products at prices higher than their purchase costs.

A merchandising business sells a product without changing its form. Examples are: grocery stores, convenience stores, distributors, and other resellers.

3. Manufacturing Business

Unlike a merchandising business, a manufacturing business buys products with the intention of using them as materials in making a new product. Thus, there is a transformation of the products purchased.

A manufacturing business combines raw materials, labor, and factory overhead in its production process. The manufactured goods will then be sold to customers.

Hybrid Business

Hybrid businesses are companies that may be classified in more than one type of business. A restaurant, for example, combines ingredients in making a fine meal (manufacturing), sells a cold bottle of wine (merchandising), and fills customer orders (service).

Agribusiness is a combination of two words agriculture and business. Literally speaking, business means the activity of making, buying, selling, or supplying things for money and it includes service-providing firms like consulting firms. The word agriculture indicates plowing a field, planting seed, harvesting a crop, milking cows, or feeding livestock. Until recently, this was an accurate picture. Nevertheless, today's agriculture is radically different.

Agriculture has evolved into agribusiness and has become a vast and complex system that reaches far beyond the farm to include all those who are involved in providing food and fiber to consumers. Agribusiness includes not only those farms or the land but also the people and firms that provide the inputs (for example seed, chemicals, credit etc.), process the output (e.g. milk, grain, meat etc.), manufacture the food products (for example: ice cream, bread, breakfast cereals etc.), and transport and sell the food products to consumers (for ex. restaurants, supermarkets).

Literally, *Agribusiness* refers to the industry concerned with the production, processing, and distribution of agricultural products or with farm machinery and services.

Davis and Goldberg first introduced the term agribusiness in 1957. It represents three part systems made up of (1) the agricultural input sector (2) the production sector and (3) the processing-manufacturing sector. To capture the full meaning of the term “agribusiness” it is important to visualize these three sectors as interrelated parts of a system in which the success of each part depends heavily on the proper functioning of the other two.

Agribusiness includes the production, processing, and supply of agricultural goods that range from lettuce to corn syrup. Companies may focus on things like cut flowers, fresh vegetables, or byproducts of farming such as fuels derived from farm waste. Agribusiness also encompasses farming equipment, machinery, chemicals, suppliers, and personnel.

The following are very interesting definitions of agribusiness:

- Agribusiness is a big business that is connected to agriculture, either owning or operating large-scale farms, or catering to those who do. Farming engaged in as a large-scale business operation embracing the production, processing, and distribution of agricultural products.
- Agribusiness includes the agricultural input sector, the production sector, and the processing-manufacturing sector: Farmers, providers of farm inputs, processors of farm outputs, manufacturers of food products, and those who transport, sell, and/or prepare food products.
- Agribusiness is everything from farm to fork. It represents all business-related activities involved in the production, finance, marketing and distribution of food and fiber. The academic discipline of agribusiness combines theory and method in finance, marketing and management to address global agricultural issues.

Agribusiness can be broken down into four economically interdependent sectors. These sectors includes the agricultural input sector, the production or the farm sector, the processing or manufacturing sector and the marketing (distribution). The agribusiness sector in today’s

economic environment combines diverse commercial enterprises, using a heterogeneous combination of labor, materials, capital and technology.

3.2 Definition of Micro and Small Enterprises

As the way of defining micro and small enterprises depends upon the scale and structure of business in the economy and varies from country to country, no universally accepted definition of micro and small enterprises is adopted. And as a result, different countries have defined MSEs by using various types of measures that depend on the level of development.

In search of a working definition for MSEs, nations and different organizations have tried to set different standards, and defined accordingly. ILO recommended that countries, in consultation with the most representative organizations of employers and workers and by taking national socio-economic conditions, should define their MSEs. Following this, there are many empirical evidences which have shown those varied definitions. For example, by making general distinction between self-employment, micro, small and medium sized businesses, the European Union followed this convention, as indicated in Malhotra et.al (2006) and defined as follows using number of employees as a basic criterion.

MSEs Definition in the European Union

| Number of Employees | Business type (nomenclature) |
|---------------------|------------------------------|
| 0 | Self-employed |
| 2-9 | Micro business |
| 10-49 | Small business |
| 50-249 | Medium-sized business |

And in the case of African countries there are also varied working definitions of the micro and small businesses. The micro enterprise employs up to five employees with fixed assets (excluding land and building) not exceeding \$10,000; small enterprises are those employing between 6 and 29 employees or having fixed assets (excluding land and building) not exceeding

\$100,000 in Ghana (Agyapong, 2010). And in Tanzania, micro enterprises are those engaging up to four people, in most cases family members or employing capital amounting up to TZS 5.0 million while Small enterprises are mostly formalized businesses engaging between 5 and 49 employees or with capital investment from TZS 5 million to TZS 200 million (CTI, 2009). In the case of Zambia, Richardson et.al, (2004) reported that total capital investment and number of workers, like Tanzania and Ghana, are employed in distinguishing micro from small businesses. Accordingly, Micro business is any business whose total investment excluding land, machinery and buildings does not exceed US\$10,000; where the total turnover does not exceed US\$ 20,000, employs less than 10 people and registered with the ministry of commerce, trade and industry. whereas small business is whose total investment excluding land and buildings does not exceed US\$50,000 for manufacturing and US\$10,000 for trading and services; where the annual turnover does not exceed US\$80, with 30employees and registered with the Ministry of Commerce, Trade and Industry.

In Ethiopia, the ministry of Trade and Industry (1997) adopted official definition of Micro and Small enterprises as follows: Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a total fixed assets of birr 20,000 and lesser, except high-tech consultancy firms and other high-tech establishments. And, Small enterprises are business enterprises with a paid-up capital of more than birr 20,000 but not more than birr 500,000 excluding high-tech consultancy firms and other high-tech establishments. The Ethiopian Central Statistics Agency (2007) has also tried to define micro and small enterprises by only considering the type of sector involved and the manpower requirement.

And currently, The Ethiopian Federal Development Agency for Micro and Small Enterprises (FeMSEDA, 2010), to give more relevant working meanings of the MSEs, has modified the previous definitions as shown in the following table by considering the combination of manpower and total asset bases together.

Definition of MSEs

| Type (level of business involvement) | Sector | Manpower | Total assets (in birr) |
|--------------------------------------|------------|----------|------------------------|
| Micro enterprises | Industrial | ≤ 5 | ≤ 100,000 |
| | Service | ≤ 5 | ≤ 50,000 |
| Small enterprises | Industrial | 6-30 | ≤ 1,500,000 |
| | Service | 6-30 | ≤ 500,000 |

3.3. Basic forms of business organization

In many countries, entrepreneurs must select a form of organization when they start a small business. The basic forms of organization are sole proprietorships, partnerships, cooperatives, and corporations. Each has advantages and disadvantages. Moreover, the laws and regulations that apply to business owners vary from country to country and by local jurisdiction. Entrepreneurs should consult an attorney (A professional person authorized to practice law, conduct lawsuits or give legal advice) or other expert to make sure that they have all the necessary licenses and permits, and are aware of all their legal obligations. In many countries, the local Chamber of Commerce or local business council is also a good source of information.

3.3. 1 Sole Proprietorship

These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

In a sole proprietorship, the individual entrepreneur owns the business and is fully responsible for all its debts and legal liabilities. More than 75 percent of all U.S. businesses are sole proprietorships. Examples include writers and consultants, local restaurants and shops, and home-based businesses. This is the easiest and least expensive form of business to start. In general, an entrepreneur files all required documents and opens a shop. The disadvantage is that there is unlimited personal liability all personal and business assets owned by the entrepreneur

may be at risk if the business goes into debt. Meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them. The sole proprietorship form is usually adopted by small business entities.

Characteristics of Sole proprietorship

- One owner, who retains all profits
- Single level of taxation (Schedule C)
- Unlimited personal liability for all debts and liabilities of business
- Business terminates on owner's death

3.3. 2 Partnership

A partnership consists of two or more people who share the assets, liabilities, and profits of a business. The greatest advantage comes from shared responsibilities. Partnerships also benefit by having more investors and a greater range of knowledge and skills. There are two main kinds of partnerships, general partnerships and limited partnerships.

In a general partnership, all partners are liable for the acts of all other partners. All also have unlimited personal liability for business debts. In contrast, a limited partnership has at least one general partner who is fully liable plus one or more limited partners who are liable only for the amount of money they invest in the partnership.

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed; Yes, it is hard to think about a “break-up” when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc. Therefore two types of partnerships *General* and *Limited* can be summarized as follows.

General Partnership

- Two or more owners (Partners) with voice in management
- Profits not taxed directly - flow through taxation

- Unlimited joint & several personal liability for firm's debts and liabilities
- Any partner can commit the firm to obligations
- Business terminates with death of a partner

Limited Partnership

- One or more General Partners and one or more Limited Partners
- Limited Partner is not involved in management- investor only
- Limited Partner has limited personal liability
- Requires registration with Dept. of Corporation Bureau

3.3. 3 Corporation

A Corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A Corporation can be taxed; it can be sued/take legal action; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The owners (stockholders) enjoy limited liability but have limited involvement in the company's operations. The board of directors, an elected group from the stockholders, controls the activities of the corporation. The corporation has a life of its own and does not dissolve when ownership changes.

The owners (stockholders) enjoy limited liability but have limited involvement in the company's operations. The board of directors, an elected group from the stockholders, controls the activities of the corporation.

3.3. 4 Cooperatives

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called members. Cooperatives may be incorporated or unincorporated.

An incorporated business, or a corporation, is a separate entity from the business owner and has natural rights. Conversely, a business owner and an unincorporated business are the same, and the owner personally bears all results of the business. Unincorporated businesses are usually sole proprietor or partnership companies. The main difference between an incorporated and unincorporated business is the way owners shoulder/take on business activities.

This type of business ownership is formed when many people are get together (not less than 10 in the Ethiopian case) and democratically decide to handle a business primarily for their needs. Some examples of cooperatives are: cooperative banking, credit unions, and housing cooperatives.

The taxation of business organizations generally falls into two basic models-“Corporate” taxation and “Partnership” taxation. Corporate taxation typically imposes a tax on the income of certain types of business organizations and also taxes the profits distributed to the holders of the ownership interests. The partnership taxation model, on the other hand, taxes the income derived by the organization directly to the owners whether or not distributed.

3.4. Business Company Formation in Ethiopia

In Ethiopia business companies are formulated according to the commercial code of 166 of 1960. In the commercial code of article 212 there are six forms of business organizations as follows.

1. Ordinary partnership

A partnership is an ordinary partnership within the meaning of this Title where it does not have characteristics which make it a business organization covered by other Title of the code. (Art.227)

2. Joint venture

A Joint Venture is an agreement between partners on terms mutually agreed and is subject to the general principles of law relating to partnerships. (Art.271)

3. General partnership;

A general partnership consists of partners who are personally, jointly, severally and fully liable as between themselves and to the partnership for the partnership firms undertakings. Any provision to the contrary in the partnership agreement shall be of no effect with regard to third parties. Where the partnership is a commercial partnership, each partner shall have the status of a trader. The partnership shall have a firm name. (Art.280).

4. Limited Partnership;

A limited partnership comprises two types of partners: general partners in full liable personally, jointly and severally and limited partners who are only liable to the extent of their contribution. (Art.296)

5. Share company

A share company is a company whose capital is fixed in advance and divided into share and whose liabilities are met only by the assets of the company.

The members shall be liable only to the extent of their share holding. (Art.304)

6. Private limited company;

A private limited company is a company whose members are liable only to the extent of their contributions. A private limited company shall not have less than two or more than fifty members and is always commercial in form. The company shall not issue transferable securities in any form. The capital of a private limited liability company shall not be less than 15,000 Ethiopia birr. (Art.510,512)

3.5. Entrepreneurial Failure

Getting success in entrepreneurial venture is not the result of a single person's efforts. There is always a team involved in it. The team is made up of other group of people like investors, working partners, employees, vendors, creditors, customers and clients. All play an important part in the success or failure of the enterprise. Although other people are involved, but there is a tendency to believe that they play less important roles and at the end of the day, success or failure of the enterprise will be largely depend on the entrepreneur's vision, skill, achievement level.

Because of limited productive resources, high levels of uncertainty and risk, in experienced management personnel, employees, new ventures suffer fear mortality much higher than the, well established firms. There are a number of reasons for failure of a new venture and these are discussed below:

1. **Inadequate Management of Finance:** Due to a lot of operational issues sometimes, financial management is likely to get neglected. Sometimes entrepreneurs are more concerned about raising the fund, they are less concerned about utilization of funds. Common errors in financial management can be bad receivables management, improper cash management, unproductive investments, and poor budgeting decisions, poor inventory management.

2. **Lack of Professional and Experienced Management Team:** One of the main problems faced by new enterprises is that the management team is usually very new to their role. Due to the lack of professional management the management of process, management of people go in a wrong direction. Even in some rare cases, when the management has some individuals who have led a company in the past, they are now faced with a situation where the company itself has no previous track record. It is a very different kind of situation.

3. **Weak Promotional Efforts:** Entrepreneurial firms are very reluctant to spend on promotional activities. Sometimes entrepreneur thinks that investing in this campaign is not going to give assured returns and the link between the promotional expenditure and the sales is not very easy to establish. This problem is mainly faced by the entrepreneurs who are in manufacturing business and their target segment is the last customer.

4. **Unplanned Rapid Growth:** Unplanned growth is not always a desirable situation. Higher growth will put greater stress on production facilities, manpower, and distribution and working capacity of Venture. These are designed to cater to the rise in volumes up to a limit and to increase the limit and productivity they might need further capital investments. It will lead to a stage of continuous firefighting and ultimately, many things may not keep pace with the growth. Most commonly, the organization may run out of cash.

5. **Shortage Trained or Experienced Manpower:** Shortage of skilled and experienced manpower, shortage of technologist is faced by new ventures. Most people prefer to work with a well-established organization employing hundreds of employees and having a stable track record and experienced manpower has less desire to work with new venture. New ventures are also reluctant to invest in training and development. Lack of experienced and skilled manpower can lead to a general drop in productivity and quality of output. The absence of quality manpower is particularly felt during a crisis.

6. **Lack of Appropriate Information:** Even in this era of free-flowing information, the quality of information available to large corporations is superior than the information available to new

small entrepreneurial ventures. Quality information is always have some cost and small ventures may not be able to invest so much in getting the high-quality information. For example, before entering a new market, the new venture may send some sales persons to interview customers, retailers and wholesalers. On the other hand, the large corporation may here the services of a market research firm and carries out a through investigation of the potentiality of their future product or service and the opportunities of the new market.

7. Improper Price Management: Price of the product /service plays a pivot role is marketing the product /service. There are many sophisticated pricing policies a new venture can adopt, taking into account its cost structure, productivity level, nature of demand, and extent of competition. The entrepreneur can introduce new innovative pricing system also for example, Deccan Airways revolutionized airline pricing in India by introducing low-priced air ways. But improper management of price creates a lot problem to entrepreneur as price is directly associated with the volume of sales.

8. Lack of Strong Business Relationship: Relationships with vendors, creditor, venture capitalist, customers, and others is a huge advantage to established businesses. A new venture will have to establish new relationships and work hard at strengthening them. Such business linkages help in smooth conduct of business and are invaluable at times of distress. Otherwise conflict between these relations may create a lot problem to the establishing venture.

9. Less Concerned about Management: Improper inventory management can lead to tough problems. Production can be halted due to insufficient inventory, whereas excess inventory can lead to wastages and financial loss. In case of perishable goods, high inventory can lead to expiration of stock. Inflated valuation of inventory can give a very wrong picture of the financial position of the firm and this may lead to wrong pricing policy.

10. Narrow Vision: A number of small new firms face huge problems on operational issues and these problems can threaten the very existence of the venture at time of start up. In such circumstances, the management of the venture focus on surviving the immediate crisis and resolving the conflict and soon the long-term vision and strategy of the firm are forgotten. If this continues for long, the danger is that long-term plans and strategies are discarded as impractical or irrelevant. Ultimately, the firm acquires a shape very different from what was originally envisaged by the entrepreneur.

Chapter 4

4.1. Promotion of an agribusiness venture and opportunity analysis

The problems facing developing countries and countries with economies in transition are many and daunting: widespread poverty, low levels of productivity, insufficient infrastructure development, poorly integrated markets, especially in rural areas. These problems are further exacerbated by underdeveloped rural industrial organization characterized by small and medium-size enterprises inadequately linked to world markets, and by a lack of employment and entrepreneurial opportunities for vulnerable segments of society such as women and youth.

The business of agriculture occupies a critical space in most economies. Distinct and special among industries, agriculture is the dominant source of employment for a large share, even a majority, of the population in developing nations.

A legal and regulatory framework that fosters competition, business integrity, and fair practices is critical to create an investment climate that facilitates agricultural development and enhances productivity growth. Policies and reforms aimed at promoting the expansion and transformation of agricultural markets and facilitating agriculture productivity growth should take into account that, in a world increasingly dictated by value chains and the rules of globalization, competitiveness is the condition for survival.

Agricultural policymakers need to be able to identify in what ways their regulations enable beneficial agricultural growth, and where legal and regulatory reforms may be needed to encourage agricultural development. The Doing Business project offers an ideal methodological tool to support decision-making by such agricultural policymakers, with its established methodology for measuring laws and regulations; its informant network and participant convening power; and its effective dissemination strategies and product branding. The entire agricultural system will need to adapt and respond to fundamental changes. Food processing will move from the home to organized factories and later sold in grocery stores.

4.2. Creation and identification of agribusiness project ideas in agriculture center/sectors

Agribusiness is viewed as **a vital sector contributing to economic prosperity**. In most countries, agribusiness remains **crucial in terms of labor absorption and export earnings**, and therefore

government support in promoting agribusiness enterprises is a crucial requirement. The new generation of entrepreneurs is more dynamic and innovative. They are important components of economic systems and contribute to their adaptability, dynamism, and ability to create wealth and prosperity.

Developing countries need a vibrant agribusiness industry, well oriented to produce efficiently and effectively, to meet the growing demand of an affluent consumer class. Investing in the people's talent will provide the industry with the requisite strategic thinkers, business leaders, entrepreneurs, skilled personnel on the continent. Thus, investing in the people's talent today is a common and binding factor across the value chain of food creation and the essential platform for achieving global nutritional security.

Agribusiness Innovation Program (AIP) represents a new approach to advancing agro-processing by enabling innovative, growth-oriented entrepreneurs to scale with the potential to become market leaders. In order to actively build market linkages across the value chain, both forward into the global industry and backward to small-holder farmers, the AIP cultivates partnerships across the agribusiness sector, both locally and internationally.

In a recent special issue of the *International Food and Agribusiness Management Review*, experts presented several case studies of innovative agribusinesses, such as tea, sheaf butter and fruit snacks processing. These examples suggest the need for Agribusiness Innovation centers (AIC) across the African continent, which would offer services to talented agribusiness entrepreneurs including market linkages, finance, technology training, business services, and networks.

As a result of economic globalization and market liberalization, market opportunities for agricultural products are greater for countries having competitive products. However, a more open market creates more competitors and more complex quality standards imposed by trading partners. It is, therefore, important for agribusiness companies to explore possibilities for improving competitiveness. Governments need to devise policies that are conducive to agribusiness development.

Among the common problems faced by agribusiness are:

- (a) International trade barriers;
- (b) Limited access to credit, high interest rates and fluctuating exchange rates;
- (c) Poor trade policy;
- (d) Export and import taxes on raw materials;
- (e) Bureaucratic practices;
- (f) High transportation costs;
- (g) Raw materials of poor quality and unreliable supply;
- (h) The lack of support facilities; and
- (i) The lack of professional managers.

Opportunity analysis for creating agribusiness

The prerequisite for initiating Agribusiness Ventures includes knowing market trends which can be defined by a number of factors including:

- (a) The population, which is growing and getting younger;
- (b) The economy, which is generally exhibiting strong growth in many countries of the region;
- (c) Increasing food imports;
- (d) Westernization of the diet;
- (e) Expansion of fast food outlets;
- (f) The development of retail and distribution systems; and
- (g) The improvement of market access.

In order to further promote agribusiness development, the following strategies have been suggested:

- (a) The identification of competitive advantages;
- (b) The preparation of business proposals;
- (c) Understanding the market;
- (d) The identification of partner relationships; and
- (e) The provision of adequate servicing of customers.

4.3. The relationship between environment and entrepreneurship

The contribution of small and medium-sized enterprises is very important to make the economy, productivity, innovation, employment, the development of the social fabric and prosperity in

general. An entrepreneur is someone who is able to balance the economically desirable with the technologically/operationally feasible, someone who takes a calculated risk to seize an opportunity or meet an a sustainable business. People look to entrepreneurship to provide innovative alternatives that complement development, mainly to increase the concentration and exploitation of business opportunities that should increase income in rural areas. Social incentives that bring entrepreneurs into existence and sustain them in the course of time.

Entrepreneurs often play a vital role in the early evolution of industries by way of introducing new products or processes and, in the long term, enhancing productivity through increasing competition. New entrants in the market may also create knowledge about what is technically viable and what consumers prefer by introducing variations of existing products and services in the market.

Uncertainty of domestic country plays significant role, positively moderating the entrepreneurship–international performance relationship. The relationship between entrepreneurship and unemployment has received increased attention of researchers and policy makers, in particular as a reaction to the relatively high unemployment levels. Because entrepreneurial activity is not only a consequence of a push effect of (the threat of) unemployment but may also be the result of a pull effect produced by a thriving economy full of opportunities. The positive effect of entrepreneurship on economic performance has been referred to as the ‘Schumpeter’ effect (Entrepreneurship and the Business Cycle).

4.4. Rising funds: internal and external

What is the source of finance?

Some sources of finance are short term and must be paid back within a year. Other sources of finance are long term and can be paid back over many years. In financial management, fund rising refers to a systematic approach to financing business activities through a combination of equities and liabilities.

What is the difference between internal and external sources of finance?

Distinguish between 'internal' and 'external' sources of finance. The difference between internal and external finance is that internal finance comes from within the business, such as, personal funds, working capital, retained profits, family and friends and selling of assets.

Internal financing

In the theory of capital structure, internal financing is the name for a firm using its profits as a source of capital for new investment, rather than a) distributing them to firm's owners or other investors and b) obtaining capital elsewhere. Internal sources of finance are funds found inside the business. For example, profits can be kept back to finance expansion.

External financing

In the theory of capital structure, External financing is the phrase used to describe funds that firms obtain from outside of the firm. It is contrasted to internal financing which consists mainly of profits retained by the firm for investment.

Any entrepreneur will tell you that raising money can be the toughest part of starting your own business.

1. Do it yourself.

Most entrepreneurs and small business owners these days have come to the realization that they will have to self-fund (also know as “boot-strapping”) their projects for a significant amount of time until more formal funding opportunities become realistic. There are many ways to accomplish this from savings accounts and zero interest credit cards to leveraging other personal assets. If you believe in your vision and have an absolute refusal to accept failure as an option, you should feel comfortable investing you own money into the business. In turn, this will make potential investors more comfortable knowing you have skin in the game. Just keep your eye on profitability!

2. Friends, and family

Funding from friends and family is a very popular and effective way to round up some initial capital for a business. Those closest to you are more likely than anyone to believe not only in your vision, but your ability to make that vision a reality. One downside of course is that you are potentially risking personal relationships should the business fail and your agreement not be structured properly. To avoid friends and family feeling like “fools” it is recommended structuring this type of funding as a high interest loan for one year. Borrow just enough to launch the business into operations, build your website, or develop some additional pitch material if you

want to go after big money. And as much as you will want to avoid racking up legal fees, it is imperative that all parties get sound legal advice. Not doing so can potentially cost you much more down the road.

3. Small business loans.

Banks are more stringent/ strict than ever about giving out loans and if you don't have any credit, how can you possibly consider this route? Business Loans, "Startups seeking money from banks need a good business plan, profitable projections and some of their own money in the game." Seeking any type of capital can be a full time job in itself which is why companies like All Business Loans can be a great way to take the leg work out of it.

4. Angel investors.

It has to do with timing and leveraging the right contacts. In our experience the "friends and family" route has actually opened the doors to angel investment rounds. A large amount of trust can be built by giving your early stage investor his or her money back plus interest. But just because someone lent you money to launch your business, doesn't make them the right financial partner for the long run. **When raising money from angels you have to keep in mind that they will own a piece of the business and you then have a fiduciary/legal trust responsibility to act in the best interests of the business and its shareholders.** Attracting angel investors is a tricky business, and no matter how exciting and positive the initial conversations may be, the devil is always in the details. Know your business plan, be transparent, back up your valuation with real projections, and build a relationship based on trust.

Chapter 5

5.1. Women and entrepreneurship

Studies suggest that economic development program could automatically increase the economic status of women and thereby their overall status in community and family. They tend to focus on economic development program with the expectation of achieving the goals of empowering women with productive capacities and skills for the future.

Women entrepreneurship is the process where women organize all the factors of production, undertake risks, and provide employment to others. The definition of women entrepreneurship has never been differentiated on the basis of sex and hence could be extended to women entrepreneurs without any restrictions. A feminist entrepreneur is an individual who applies feminist values and approaches through entrepreneurship, with the goal of improving the quality of life and wellbeing of girls and women. Many are doing so by creating ‘for women, by women’ enterprises.’ Feminist entrepreneurs are motivated to enter commercial markets by desire to create wealth and social change, based on the ethics of cooperation, equality, and mutual respect.

5.2. The role of entrepreneurship in empowering women

Central to the concept of women’s empowerment is an understanding of power itself. Women’s empowerment does not imply women taking over control previously held by men, but rather the need to transform the nature of power relations. Power may be understood as ‘power within,’ or self confidence, ‘power with’, or the capacity to organize with others towards a common purpose and the ‘power to’ effect change and take decisions, rather than ‘power over’ others.

Empowerment is sometimes described as being about the ability to make choices, but it must also involve being able to shape what choices are on offer. What is seen as empowering in one context may not be in another.

Empowerment is essentially a bottom-up process rather than something that can be formulated as a top-down strategy. This means that development agencies cannot claim to ‘empower women’, nor can empowerment be defined in terms of specific activities or end results. This is because it involves a process whereby women, individually and collectively, freely analyze, develop and

voice their needs and interests, without them being pre-defined, or imposed from above. Planners working towards an empowerment approach must therefore develop ways of enabling women themselves to critically assess their own situation and shape a transformation in society. The ultimate goal of women's empowerment is for women themselves to be the active agents of change in transforming gender relations.

Whilst empowerment cannot be 'done to' women, appropriate external support can be important to foster and support the process of empowerment. A facilitative rather than directive role is needed, such as funding women's organizations that work locally to address the causes of gender subordination and promoting dialogue between such organizations and those in positions of power.

Female entrepreneurs, also known as women entrepreneurs, encompass approximately 1/3 of all entrepreneurs worldwide. Women entrepreneurial development is one of the important areas, in which, many countries have been focusing upon as a part of over all human resource development. It is well ascertained by policy makers across the countries that strategic development of an economy requires equal participation and opportunities to all sectors and genders. Entrepreneurial development is one of the significant factors for sustainable socio-economic development. Especially, development of women is inviting special significance because many Small and Medium Enterprises (SMEs) are well operated through women and though it is less recognized. In order to ensure better support from various levels, it is necessary to identify the motivational factors which influence women to become entrepreneurs.

Women entrepreneurs play an important role in the entrepreneurial economy, both in their ability to create jobs for themselves as well as for others. Despite this, in most countries women still represent a minority of those that start new firms, are self employed or are small business owner managers. And hence, there is a need for more women entrepreneurs that are expected to create more viable enterprises. **Achieving this objective is not a simple task rather there is a need for immense effort to work against the specific obstacles that women faces in order to give them access to same opportunities as men.**

Before the 20th century, women operated small businesses as a way of supplementing their income. In many cases, they were trying to avoid poverty or were replacing the income from the loss of a spouse. At that time, the ventures that these women undertook were not thought of as

entrepreneurial. Many of them had to focus on their domestic responsibilities. The term entrepreneur is used to describe individuals who have ideas for products and/or services that they turn into a working business. In earlier times, this term was reserved for men.

Even though female entrepreneurship and the formation of women business networks are steadily rising, there are a number of challenges and obstacles that female entrepreneurs face. One major challenge that many women entrepreneurs face is the effect that the traditional gender-roles society may still have on women. Entrepreneurship is still considered as a male-dominated field, and it may be difficult to surpass these conventional views. Other than dealing with the dominant stereotype, women entrepreneurs are facing several obstacles related to their businesses. The following section discusses on factors that trigger women to become successful entrepreneurs.

5.3. Factors Governing Women Entrepreneurship in Agriculture Sector

There are certain barriers that influence people's participation and benefits from being to become entrepreneur. Some of these include access to technologies and capital can influence the extent to which people and especially women, however women often have lower access to capital and technologies can participate at different levels that have most economic returns and that have the most returns or profit. These would include formal parts of the value chains that render women more likely to participate at production or within the informal parts of the chain. Women in most of Africa and south Asia have lower access to technologies and to credit. Access to financial services is especially critical for women in terms of enhancing their ability to participate in different business activities and management level beyond producer roles including ability to own.

Women, due to lack of collateral have a lower access to financial services than men do. For example in Africa, less than 5% of the land is owned by women despite land being the most important and common form of collateral for formal credit. Analysis of this differential access; the extent to which it constrains women from participating in value chains and strategies that can be used to increase women access to financial services including group savings and loan schemes, collective or group guarantee schemes, policy interventions that increase women's ownership of land and other assets can be identified.

In general gender issues within entrepreneurial skill, development enterprise, the value chains and etc should be concerned with intra-household conflicts over labor and income by linking broader cultural and societal processes. Thus, **understanding women position in a value chain, how changes in a value chain might affect gender inequality, and the main constraints for women in terms of gaining from value chain participation, requires one to place gender in the context of intra-household bargaining and of broader social processes dimensions.**

5.4. Barriers on women to become entrepreneurs

The level of women's participation in economic activities has enormously facilitated to improve their economic condition at the household level and ultimately helped them to be economically empowered. However, the available information regarding the participation of women in economic activities and their contribution in the economy are not widely recognized which led to neglect them in policy issues.

According to some research findings, **a number of common factors which present barriers to the successful transition for many women into business, self-employment or a social enterprise are identified. These mainly include, even if not only, lack of appropriated women role models in entrepreneurship; lack of previous experience; lack of relevant networks, and societal positions; lack wealth, and competing demands on time.** They are shortly discussed as follows.

Lack of appropriated women role models in entrepreneurship: Role models are persons that by their attitudes, behaviors and actions establish the desirability and credibility as choice (in this case becoming an entrepreneur) for an individual. In the case of women entrepreneurs, it is difficult to find large number of them who can serve others as role models in entrepreneurship. There is a need to identify women role models **because studies demonstrate that an individual will be more influenced by another individual of the same sex, as one's aspirations and choices tend to be more influenced by persons of the same sex.**

Besides role models, parents also play an important role because they function as carriers of value, emotions and experiences towards self-employment. In line with this, some authors suggests that children of self-employed parents are over-represented among firm owners and those trying to start a business.

Lack of previous experience: The ability to discover and exploit opportunities to create a new business depends largely on previous education and work experience. Some research findings demonstrate that highly educated women seem to choose other career options than self employment and entrepreneurship and that entrepreneurship is more dominated by unskilled women or very skilled or already wealthy women.

Lack of relevant networks and societal positions: Women have, in general, a lower social position than men, which affects the kind of networks they can access. As a result, they have less access to critical resources, support and information needed to successfully start and manage a new enterprise. Moreover; individual's network provides emotional support, social persuasion and vicarious experience, which are central to whether or not a person engages in entrepreneurship and does so successfully. These imply that lack of business contacts and connections to other entrepreneurs may put women at a general disadvantage for recognizing business opportunities.

Besides the network among entrepreneurs, social capital is also considered as an essential resource for conducting business efficiently. This is because social capital contributes to the success and survival of women entrepreneur's venture. Social capital can be defined as the benefits derived from an individual's personal and professional networks. The people in those networks provide essential legal, financial and accounting advice; are often the source of needed financing; and can give specialized counsel crucial to an entrepreneur's particular industry or firm. Many studies suggest, however, that women may have less or different access to social capital than men.

Lack of wealth: Women's position in society has led to a lack of financial assets and relevant knowledge assets. The constraints of family obligations make it harder for women to take on a full time basis and to engage in a career and in many countries women, on average, earn less than men.

Competing demands on time: Because of domestic responsibilities, women do not have enough free time to develop either their entrepreneurial skills to become entrepreneurs or to develop an existing business. Findings of some studies suggest that lack of time is one barrier to most women, in most economies.

In general, women have lower personal financial assets than men. This means that for a given opportunity and equally capable individual, women must secure additional resources compared to men in order to exploit the opportunity; because, they control less capital.

A specific solution for solving women's difficulties for obtaining financing has been micro-financing. Microfinance is a financial institution that has become exceptionally popular, especially in developing economies. Women entrepreneurs have also been especially successful in getting funded through crowd funding platforms like Kick starter.

Besides above listed major obstacles on women, **the external finance and sex discrimination are also as the major obstacle to start a new enterprise. In other words, they have difficulties to enter into informal financial networks or to access finance from financial institutions such as banks or other lending institutions.** And hence, they are not viewed as entrepreneurs due to the attitudes formed by traditional gender roles and their types of enterprises (i.e. as personal services, care, etc) are not usually financed by financial institutions.

Sex discrimination is when a person is treated less favorably than a person of the opposite sex would be treated in the same or similar circumstances. For example, it would be 'direct sex discrimination' if male and female employees are doing exactly the same work, but male employees are being paid more.

5.5. Measures to be taken to improve the role of women as entrepreneurs

For effective promotion of women entrepreneurs, due attention has to be given to tackle the problems of different baselines for women aiming to start up or successfully run a business enterprise. Accordingly, **for to promote entrepreneurship amongst women, the following measures (success factors) are indicated.**

- **Presence of female mentors/counselors, trainers and advisers, to provide role models;**
- **Group-based and individual measures, to give women a chance to network;**
- **Start-up supporting measures on sectors that can provide women an adequate income;**
- **Development training (to foster confidence and belief in women's abilities as entrepreneurs);**
- **Encouraging young women to become entrepreneurs;**
- **Dedicated access to credit.**

Alberta Women Entrepreneurs (AWE) is a not-for-profit organization dedicated to enabling women to build successful businesses. AWE provides unique programs and services to women at all stages of business through advising, financing, mentoring, and skills and network development.

Chapter 6

6.1. Entrepreneurship and agriculture

Rural people becomes grassroots innovators to solve their and community's problems by coming up with solutions for sustainable development.

An “agricultural entrepreneur/**agripreneur**” is an individual or group with the right to use or exploit the land or other related elements required to carry out agricultural, forestry or mixed activities. **The definition includes the creation of new organizations that introduce new products, create new markets, or use new technologies from rural areas**

In the context of a value-added business, an entrepreneur is someone who identifies a market opportunity for agricultural commodities and products and creates a business organization to pursue the opportunity. The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to more productive use create wealth.

“**Agricultural Entrepreneur means one who creates a product on his own account, whoever undertakes on his own an industrial/trading enterprise in which work men are employed**”. If entrepreneurship really encouraged in rural area it would, of course, be instrumental in changing the face of rural areas by solving the problems of unemployment, poverty, economic disparity, poor utilization of rural capacity, low level of standard of living.

Entrepreneurship in rural areas is finding a unique blend of resources, either inside or outside of agriculture. This can be achieved by widening the base of a farm business to include all the non-agricultural uses that available resources can be put to or through any major changes in land use or level of production other than those related solely to agriculture. **Thus, a rural entrepreneur is someone who is prepared to stay in the rural area and contribute to the creation of local wealth.** Moreover the economic goals of an entrepreneur and the social goals of rural development are more strongly interlinked than in urban areas and relatively has large impact on a rural community. **Therefore, rural entrepreneurship implies entrepreneurship emerging in rural areas.** There is a growing need for rural entrepreneurs because industrial units undertaken by rural

entrepreneurs are providing much employment to men than machines. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process

There are several reasons for the increasing interest in entrepreneurship in rural regions and communities. First and foremost, the traditional approaches of recruitment and retention are just not working for most places, and leaders are looking for viable alternatives. Second, there is a growing body of evidence from the Global Entrepreneurship Monitor on the critical role that entrepreneurs and small businesses play in driving local and national economies. Third, the structure of rural economies is essentially composed of small enterprises, which are responsible for most of the job growth and the innovation, and in any event, small businesses represent an appropriate scale of activity for most rural economies.

Agriculture in Ethiopia is the foundation of the country's economy, accounting for half of gross domestic product (GDP), 83.9% of exports, and 80% of total employment.

Despite their production potential, small-scale rural producers (SRPs) confront serious constraints in profiting from their resources due to lack of basic infrastructure, limited access to services for production, finance and business development and limited ability to influence favorable policy. Rural Agro-enterprise Development Project (RAeD) are to address the entrepreneurial development needs of institutions that support rural communities.

These participatory methods focus on realizing new business opportunities for rural communities and can be used for:-

- (i) Developing partnerships, territorial diagnosis and joint planning,
- (ii) Identifying market opportunities for small rural producers,
- (iii) Analyzing market chains and designing new business opportunities,
- (iv) Strengthening Business Development Services (BDS), and
- (v) Advocating for improved marketing and trade policies

6.2. Agribusiness Entrepreneurship Program

Why does Tanzania export raw cashew nuts and import processed cashew nuts? Why do Senegal's retailers stock only a handful of locally manufactured food products, despite Senegal's extensive horticulture industry and rich culinary tradition?

These examples illustrate the lack of a competitive agro-processing sector in many developing countries, despite their comparative advantage in agriculture. Agro-processing refers to the addition of value to raw agricultural material through product transformation; postharvest grading, sorting, washing, and packaging; and storage and distribution.

Why is agro processing so important? The middle segment of value chains¹ including processing, logistics, and wholesale makes up 30 to 40 percent of the total value added. Growth in the agro-processing industry creates opportunities to reduce poverty and transform the economy. Each additional job in agro-processing creates 2.8 more jobs in the wider economy. Each agro-processor purchases from numerous smallholder farmers. Smallholder farmers often lose 50 percent of their harvest to seasonal gluts; therefore, agro-processing creates value from what might have been lost to spoilage.

The World Bank Group's Agribusiness Entrepreneurship Program accelerates the growth of pioneering agribusinesses in developing economies. Since its establishment in 2014, the program has launched Agribusiness Entrepreneurship Centers — business incubators and accelerators for agro-processing entrepreneurs — in Tanzania and Nepal.

6.3. Participatory agro enterprise development

Modern agricultural technology, coupled with better management practices, has helped greatly to improve productivity on farms and to increase the value-adding activities of farmers/farmers groups. Agribusinesses are complex enterprises that integrate agricultural production, value-added processing, packaging, distribution, and marketing activities. They entail greater risk than simple farming and require specific skills and experience.

¹ *The value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.*

Participatory approaches increase the level of participation and enables producers and Service Providers to develop new and more beneficial relationships. This lead the community to feel ownership of the enterprise and creates sustainable development

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland Report, United Nations 1987).

It aims to provide market facilitators with skills in participatory methods that will enable them to help farmers engage with markets. It provides a guide to identifying and evaluating market opportunities and for selecting the most attractive business options a given community may have. It is intended for use by any institution interested in building their staff capacity in market facilitation.



Rapid market changes; small farmers are not prepared to respond and are excluded from market growth. Small farmers are production-focused, not market-oriented; they need additional knowledge, skills, and re-orientation. Challenge was preparing small farmers for profitable market engagement and linking them also with dynamic, modern markets.

Steps in participatory agro-enterprise development

Step 1. Site selection, partnership building and working group formation

Formation of Working Group (farmer leaders, NGO, private sector, local government, microfinance institution, input suppliers, and other key stakeholders); and, Orientation and Planning sessions

Step 2. Product supply assessment and product selection

Building capacity on participatory and rapid action research on local supply-demand situation through interviews, focus group discussions and secondary data review.

Step 3. Market chain study



Understanding the requirements of a Modern Market Chain

- Quality – Differentiation
- Quantity – Economical Volumes
- Competitive Pricing
- Reliability – Production Plans, Postharvest management, Good Communication, Discipline
- For small farmers this means collective and organized action.

Step 4. Cluster formation

What is clustering? What is clustering?

Individual growers who commit to work together for an agreed market and become a product supply unit. It is product-based and the cluster is a “product supply unit”.

Strong emphasis on commitment and organizational discipline to deliver quality volume on the deliver quality, volume on the schedule as promised.

6.4. Key features of participatory agro enterprise development approach

Using a participatory process, in identifying viable market opportunities that are sustainable and can improve the incomes of rural famers, farmer groups and other rural entrepreneurs like processors and traders. The intent is to provide with skills that can be help develop agents within rural communities and farmer groups assess market opportunities and develop new agro enterprises.

- Area based
- Participatory
- Market led
- Thinking “outside the farm”
- Scaleable
- Seeking continuous innovation
- Building on local skills and empowering communities

6.5. Entry points for starting an agro-enterprise development process

Opportunities in the agri-food sector of the country include: (a) priority activities such as seed development, machinery and fertilizer manufacture, and food distribution; (b) trade related businesses such as wheat flour, soybeans, meat, eggs and salt production; (c) investment activities such as dairying, feedlots, flour milling and sugar production; and (d) consultancy services. In order to realize these opportunities, there is a need to enhance the production capabilities of agribusiness enterprises, provide adequate infrastructure, effectively identify markets and develop the required skilled labor. In addition, the efficiency of the distribution system needs to be improved; in that regard, one strategy would be to establish a distribution center.

- ❖ Competence of Service provider
- ❖ Organisation of farmers

- ❖ Wealth of groups
- ❖ Market access and engagement
- ❖ Product types
- ❖ Availability and access to services

In order to make the rural entrepreneurs to start the business venture, the following measures may be adopted:

Creation of finance cells: The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.

Concessional rates if interest: The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basils. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs.

Proper supply of raw materials: Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable. **Offering training facilities:** Training is essential for the development of entrepreneurships. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise.

6.6. The functional role of entrepreneurship in rural economy

The cause of growth and development has long been a subject of debate among experts. The study of the cause of economic growth intensified following Adam Smith's publication of "The Wealth of Nations" in the 18th century; smith affirmed that the effects of the division of labor were the principal cause. Other investigators such as Thomas Malthus and David Ricardo, believed that the natural resources placed certain constraints on the development of opportunities.

Today, no one doubts the contribution that small and medium sized enterprise make to economy, productivity, innovation, employment, the development of the social fabric and prosperity in general. Enterprise development is arguably more sustainable, more cost effective and more attuned to community development than its sister economic development strategies of business attraction and business retention. For that reason, people look to entrepreneurship to provide innovative alternatives that complement development mainly to increase the concentration and exploitation of business opportunities that should increase income in rural areas.

The main role and functions of entrepreneurs in rural area or economy is for the creation of new organizations that introduce new products, create new markets, or use new technologies from rural areas. Entrepreneurship strategies are regarded as tools for developing new forms of society as part of comprehensive establishing a timeframe, creating enterprises, generating wealth and achieving a constant improvement from traditional agriculture to more modern, business-oriented operations undoubtedly includes addressing the factors that hold back rural territories, such as the low incomes and investment in such areas, the migration and aging of the population, limited investment in science and technology, the low levels of education of some of the actors, the levels of linkages/isolation and poor infrastructure.

Individualized work with a small farmers' organization, and that organization's work with sustainable enterprises, calls for a number of activities, including appropriate technical assistance, access to credit, the formation of self-managed working committees and social organization geared to raising awareness of local solutions, the provision of basic education, capacity creation and in situ enterprise training (planning, management, marketing, control and evaluation).

Major global trends are rapidly changing the rural environment and communities need to devise ever more innovative ways of using their labour, resources and skills to take advantage of new business opportunities. In many cases, current trends will continue to marginalize increasing numbers of small-scale rural producers with particularly negative effects on those that are least organized and distant from markets. To address these changes rural communities are adopting various strategies, including agricultural extensification, intensification, diversification, mixed on / off-farm income streams and increasingly, urban migration.

There is growing consensus among development economist that growth is positively linked to export oriented trade and that a robust private sector is the only viable vehicle for long-run prosperity. For many development institutions this has led to the conclusion that even the basic tenets of social support such as food security are not longer considered a supply problem, but the result of underdeveloped markets. As such these market problems should be addressed through

market solutions. The changing socio-economic environment has triggered many trends that offer both new opportunities and threats to market access.

6.7. Problems in Rural Entrepreneurship

Entrepreneurs are playing very important role in the overall development. They face various problems in day to day work. Some of the major problems faced by rural entrepreneurs are as under:

- Limited scale and scope of local market opportunities
- Compared to the urban context, there are fewer opportunities for firms to subcontract out locally.
- Limited access to financing, both for start-ups and expanding enterprises.
- Difficulties for women entrepreneurs to get access to support and financial services.
- Lack of expertise in the area of domestic and external marketing.
- Political and economic instability.
- Excessive regulations and formalities.
- Problems relating to acquisition of inputs.
- Little specialization and training.
- Lack of organization and integration to undertake associative projects.
- Lack of competitiveness of rural firms.
- Poor infrastructural facility and low skill base of many rural areas.
- Lack of knowledge and self-confidence of the rural people due to limited experience and lack of education.

Chapter 7. Developing Agribusiness Plan

7. 1 Introduction: Definition, purpose and importance of Agr-Business plan

A business plan is defined as a written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement. Alternatively, a business plan is also a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. The time you spend making your business plan thorough and accurate, and keeping it up-to-date, is an investment that pays big dividends in the long term.

The business plan covers what entrepreneurs intend to do with their business and how it will be done. The process of writing down what is involved in bringing ideas to reality requires dealing with the why, what, who, how, where, when, and how much of entrepreneurs venture. Writing a business plan forces entrepreneurs to take a deep look at their idea and how they will turn it into a business. Doing so helps entrepreneurs to recognize areas that need rethinking or support. In other words, like every other aspect of business operations, business plans are not cast in concrete, rather they are the snapshot of what current circumstances are and what is considered to be likely in the future. The plan offers a strategic starting point for the business, and it helps a business be proactive as it moves forward.

A business plan also provides a picture of where you currently are, where you want to go and what you need to do to arrive at your destination. Business plans are essential to the effective operation of a business. The exercise of composing a business plan is not necessarily an enjoyable one; it requires considerable thought, a certain amount of research, and good discipline to collect and organize the information it contains. But, just as you would not typically embark on a trip to a totally new location without taking a look at what you need to get there, so, too, does a business plan provide you with the guidance necessary to begin the operation of your business.

The development of a sound business plan is of crucial importance to both entrepreneurs and investors. Investors demand a comprehensive business plan in order to select worthwhile project. In order to convince investors of their winning business idea, entrepreneurs have to put ample

time and energy into the preparation of a business plan. Developing such a plan does not only help the entrepreneur to raise finance, but it also provides a benchmark to monitor the progress of his/her business idea. In this way, a business plan helps entrepreneurs to structure thoughts in a focused way. In other words, a business plan helps entrepreneurs to clarify their strategic thinking at an early stage and provides a road map for the future of their business.

7.2. Business overview

"Business Development isn't just about making more money! It is about doing better business - and doing business better. Doing better business means ensuring that the information you deliver to your potential and existing clients is accurate, useful, persuasive, interesting, valuable, well planned and well presented." (Jock Howson).

Main elements (components) of a business plan

- Executive summary
- Mission/vision statement
- Goals/objectives
- Situation(SWOT) analysis
- Marketing plan
- Human resource plan
- Production plan
- Financial plan,
- Management plan,
- Contingency plan and
- Supporting documents.

7.2.1 Executive summary

The Executive summary, in most cases, is a one-to three pages overview of the entire plan's content. Besides, the executive summary provides the reader a quick look at the goals, plans and purposes of the business. A prospective lender often uses the executive summary to determine whether it is worth the time to read the entire plan. As a result of which, entrepreneurs are expected to be conscious whether their executive summary offers a picture of their proposed operation. In other words, the purpose of the executive summary is to catch the interest of the

investors and to make them read on. Accordingly, this section of the business plan has to provide a comprehensive overview of the entire business opportunity.

Furthermore; under the executive summary of the business plan, the entrepreneur has to take into account whether it made readers to grasp the business logic and organization behind the new venture. It should also indicate some key financials; the amount of external finance needed and exit opportunities for the investors. For this, entrepreneurs are expected to clearly indicate the business idea and model under the executive summary section with in up to three pages.

It is worthwhile to mention about when entrepreneurs have to write the executive summary of their business plan. Accordingly, the executive Summary should be the last section entrepreneurs write after they have worked out all the details of their business plan. This is due to the fact that, once they developed the full detail of the business plan, they will be in a better position to summarize it.

7.2.2 Mission/vision statement

This is part explains the purpose of the business. Clearly stated mission or vision statement helps to communicate the message of the business plan quickly and effectively to those outside the business operation. In other words, the mission statement briefly explains the thrust of your business and hence should be as direct and focused as possible. And it should also leave the reader with a clear picture of what your business is all about. In most cases, the mission statement ranges from 25-50 words.

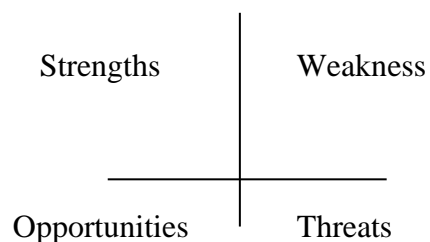
Among others, points that are expected to be indicated in the mission statement section of the business plan include: Date the business began; names of the founders and their functions; number of employees; location of the business and any branches or subsidiaries; description of plant or facilities; products manufactured/services rendered; banking relationships and information regarding current investors; Summary of company growth including financial or market highlights (e.g. you became the first company in your industry to provide a certain service) and Summary of the management's future plans.

As far as starting a new business is concerned, it will be difficult to incorporate all above listed information in the mission statement. In this case, an entrepreneur is expected to focus on his/her experience and background as well as the decisions that led you to start this particular enterprise. Moreover; try to include information about the problems your target market has and what solutions you provide. Show how the expertise you have will allow you to make significant inroads into the market.

7.2.3 Situational analysis

The Situational Analysis considers, both, the internal and external factors that can affect the success of the business. The internal factors review the enterprise's strengths and weaknesses; the external factors evaluate the enterprise's opportunities for success and threats to its potential success.

In order to survive and grow in this competitive environment, it is essential for every business organization to undertake SWOT analysis. The process by which the enterprises monitor their relevant environment to identify their business opportunities and threats affecting their business is known as environment analysis or SWOT analysis. In other words analyzing the surrounding environment before framing policies and taking business decisions is called as SWOT analysis.



SW“ stands for strengths and weaknesses „OT“ stands for opportunities and threats A Strength is something a company is good at doing or a characteristic that gives it an important capability.

Possible strengths are:

- ✓ Name recognition
- ✓ Proprietary technology
- ✓ Cost advantages
- ✓ Skilled employees

- ✓ Loyal customers etc.

Strengths and weaknesses are derived from internal environment. Opportunities and threats arise from external environment. SWOT analysis helps the business unit to know its positive points as well as negative points. Strength is an inherent capacity which an organization can use to gain strategic advantage over its competitors. A Weakness is something a company lacks or does poorly (in comparison to others) or a condition that places it at a disadvantage. Possible weaknesses are:

- ✓ Poor market image
- ✓ Obsolete facilities
- ✓ Internal operating problems
- ✓ Poor marketing skills etc.

Weakness is an inherent limitation, which creates a strategic disadvantage for the organization e.g. limited finance. **Opportunities** – An opportunity is a favorable condition in the organization’s environment which enables it to strengthen its position. **Threats** – A threat is an unfavorable condition in the organization’s environment that creates a rise for or cause damage to the organization.

7.2.4 Marketing plan

The marketing section of the business plan outlines the enterprise’s proposed target market, the “4 P’s” of the strategy (product/service, pricing strategy, promotional strategy and logistics), and the steps that the enterprise expects to follow in order to grow its business.

For example, for vegetable business group, marketing analysis can be done as follows based on information gathered through marketing research.

7.2.5 Human resource plan

Lists all the personnel involved in the operation during the year, including the consultants and business advisors, along with their specific roles. Make a note on their specific skills and contributions can also mention.

Make some general statements that identify some of the strengths that your personnel give your business, note some challenges that may be present related to personnel. You may see some desired changes for the future of the farm.

7.2.6 Production plan

Production planning is the planning of production and manufacturing modules in a company or industry. It utilizes the resource allocation of activities of employees, materials and production capacity, in order to serve different customers. The production schedule is a project plan of how the production budget will be spent over a given timescale, for every phase of filmmaking.

A production plan is that portion of your intermediate-range business plan that your manufacturing / operations department is responsible for developing. The plan states in general terms the total amount of output that the manufacturing department is responsible to produce for each period in the planning horizon.

7.2.7 Financial plan

Financial planning: Financial management helps to determine the financial requirement of the business concern and leads to take financial planning of the concern. The financial plan contains all of the financial statements, budgets and financial analyses that show the projected income and expenses for the enterprise. Most lenders and investors pay very close attention to the information contained in both the marketing and financial sections of a business plan. So, special care should be taken to assure that the analysis is thorough and realistic.

7.2.8 Management Plan

The management section describes the owners and managers of the business, their educational backgrounds and experience. Lenders are concerned about business owners who have an understanding of the nuts and bolts of business operations, and more specifically, experience in the type of business that will be operating on borrowed capital.

7.2.9 Contingency Plan

A contingency plan is a plan devised for an outcome other than in the usual (expected) plan. It is often used for risk management when an exceptional risk that, though unlikely, would have catastrophic consequences. A plan designed to take a possible future event or circumstance into account. Another term for a contingency plan is “exit strategy”. While most new businesses shy away from the idea that their enterprise might not be successful, the basic facts of business existence are that four of every five new ventures do fail. Entrepreneurs should consider carefully the conditions under which they will decide to close the operation. In general, an

ongoing operating loss, without any hope of recovering the capital, is a good measure to use in deciding to close an enterprise.

7.2.10 Supporting Documents

Supporting documents is the last section of a business plan and consists of additional material that will bolster the information contained in the business plan. In other words, it should contain items important to the development of the financial data used in the business plan. These can include, partially, more detailed financial and cash flow statements; copies of lease agreements for land and/or equipment; information from advisors and/or consultants who have assisted (or who will assist) in the operation of the business; copies of market research data; copies of orders on hand; copies of contracts; letters of intent; letters of endorsement; patent information; marketing data not shown in marketing section; maps; floor plans; demographics; license information; purchase and sales agreements; partnership agreements; organization charts; historical financial data if purchasing a business and any pertinent data used in the development of the plan or to be used in the operation of the business.

7.3 Roles of developing business plan

As far as the question of why a business plan is needed, a typical business plan is written for one or more of the following reasons:

First: A business plan helps to provide direction by making entrepreneurs discuss where they want to take their business enterprise and define what they want out of it.

Second: A business plan provides structure to entrepreneurs thinking and helps them to be sure that they have covered all important areas of their business enterprise.

Third: A business plan prompts entrepreneurs to think about the future. For instance, a business plan might help them to consider what they would do when. Besides, once their business enterprise is developed, it attracts several competitors. A good business plan will include ideas for dealing with entrepreneur's new competitors in the market and hence helps them to prepare their business enterprise for this situation (to be competent in the market).

Fourth: A business plan will help entrepreneurs to communicate their idea, not only to financiers, but also to their potential employees, suppliers, and customers. As a communication tool, a carefully developed business plan will provide something that other entrepreneurs can react to. Hence, a given entrepreneur can use their insights to help him/her develop a more successful business enterprise (venture).