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Opinion

Launching a Startup Business in the Agribusiness Market: The Process of becoming a Successful Entrepreneur

Conclusions from the CEIBS (China Europe International Business School) program at Harvard for Business Women in the Agribusiness Market

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Innovation needs entrepreneurship and entrepreneurship needs innovation

Last December 2017, Prof. Marisa del Pozo Lite (Complutense University of Madrid) was invited to give a session as member of the International Advisory Board of CEIBS-Africa to a group of 40 African Business Women in the Agribusiness Market – as part of the Alumni Reunion Agenda of CEIBS-Africa Program held at Harvard University in 2017.

  Getting a venture underway in the agribusiness market is often easier than keeping it going and growing. At each major stage from start-up to sustainable success, entrepreneurs face tough questions about shifting gears, making major changes, and letting go of people, partners, and products. For new businesses, inability or unwillingness to change can land them in the statistics about high failure rates at the five-year mark. For non-profits, clinging to the past can lead to marginality and stagnation. To keep an enterprise on track in the agribusiness market while facing the often-pleasant challenge of growth requires making sometimes-painful adjustments in these five areas:

THE PEOPLE

One of the hardest questions is when to change the people: not just individually, but the whole mix. Founders often start with friends and true believers who work hard because of zeal for the cause or hope for future returns. They occupy multiple overlapping roles. But do the people with single-digit badge numbers or members of the founding generation have the skills the organization needs as it creates routines and requires depth in every specialty? Who can make the cut? A winery I knew from its beginning kept the original group longer than the business could afford, and loyalty got in the way of bringing in experienced people "above" the people who felt they were founders and thus privileged to call the shots. Raise a glass to courageous leaders willing to tell people they must either grow or go.

Finances

Whether the original source of funds is venture capital or venture philanthropy, an investor base or a donor base, each growth phase challenges organizations to shift assumptions and thus change practices. Perhaps investors expect customers to take over as funders of growth by paying more (or paying at all); a challenge that agribusiness companies face now. Non-profits also outgrow friends-and-family angels or local sources and must find sustainable revenue and capital sources. How do you move from being discretionary nice-to-have in a portfolio to essential-to-fund? Where are the new sources appropriate to a new, larger size? A multi-site non-profit went from local businesses close to the

founding city to national funders in government and foundations to a revenue model replicable in every site through ongoing school budgets on a fee-for-service basis.

Partners and allies

The best organizations are attuned to the need for key external relationships that provide resources and support. At the same time, entrepreneurs do not want to be captive to the needs and desires of their first distribution partners, component suppliers, source of talent, or marketing allies. It is tricky to know how to nurture and draw benefits from key partners without being subsumed by them or subject to damage if they stumble and, at the same time, add to a partner set without creating conflicts. Which partners should be downplayed or replaced as the organization grows? How can key relationships be managed to lessen dependence while seeking new, more relevant, allies? And with growth comes the need for entirely new types of relationships

Organizational culture

Are you making explicit what the organization stands for in tangible ways that can be transmitted and endure? Are you on guard against drifting away from the culture? Numerous studies, including my own, show that an emphasis on organizational culture is associated with continuing excellence. Values, stories, artifacts, and rituals provide a source of identity that makes the organization feel the same, in pursuit of the same mission even while everything else changes. Culture provides internal glue. As an organization grows, what was once informal must be documented, codified, memorialized, and passed on to new people. Savvy entrepreneurs ensure that their organizations are built to last by stressing culture. At every stage, they invest in preserving fundamental values and principles while adding new iconic stories that reflect them.

Outcomes and impact

What results are being produced, for whom, and are these sufficient? In the beginning it is enough to show that it can be done at all, to address a good cause or to prove that something works in a handful of markets. In the next phase, you might look at growth indicators; we did more this year than last year: Are you making a difference that makes the venture more essential?

Ventures that go from proof of concept to "permanent" player have become icons, household names, or must-have players because they can show differentiated user, recipient, or national benefits: that they have impact not just on their immediate customers but on the entire industry. We all know that success provokes imitation. As the organization grows, its distinctiveness gets harder to maintain but often, many in and around the organization come to believe that existence is a sufficient sign of importance; a trap particularly for non-profits. Asking the "so what if we were not here?" question about making a difference can provoke soul-searching and strategy change.

The bottom line, in addition to the challenges of innovation to ensure new offerings and new capabilities, is that the entrepreneurs and organization founders in the agribusiness marketplace must also be alert to the ways that the organization itself changes as a result of growth. It is important to anticipate those developments and ask the five big questions at every stage in order to get ahead of change and master it.

HOW DO WE UNDERSTAND THE PROCESS OF ENTREPRENEURSHIP?

The pursuit of opportunity without regard to the resources is currently controlled by:

Entrepreneurial management

1) Strategic orientation
2) Commitment to opportunity
3) Commitment of resources
4) Control of resources
5) Management structure
6) Compensation schemes

Processes of entrepreneurship

1) Pursuit of opportunity
2) Rapid commitment and change
3) Multistage decision making
4) Using other people's resources
5) Managing through networks and relationships
6) Sharing the value created

Skills and traits of successful entrepreneurs

1) Ability to create the illusion of stability
2) Organize great teams amidst chaos
3) Risk management
4) Tolerance for ambiguity
5) Attention to detail
6) Long time perspective
7) Endurance

Risks to successful organizations

1) Inflexibility from successful past practice
2) Bureaucratic processes
3) Isolation
a) From new technology
b) From customers
4) Hubris generation over commitment
5) Short term thinking and greed

Requirements to be a leader

1) Deep industry knowledge
2) Patience
3) Willing to make hard choices
4) Dry powder
5) A little luck

Why management must change

This is shown in the table below:

Old world	New world
Hard to go wrong	Hard to go right
Rules clear	Rules unclear
Local competition	Global competition
Level financing field	Widely varying financing
Customers with personal standards ties and commitment	Customers with NO ties and commitment
Imperfect information	Almost instant data

Entrepreneurial process

1) See patterns as they form
2) Prepare a plan
3) Take action
4) Revise
5) Retrench
6) Recommit

Requirements for an entrepreneurial culture

1) Perceiving opportunity at all levels
2) Wanting to pursue opportunity at all levels
3) Helping people to believe that they can succeed

Increasing perception of opportunity

1) Jobs with real time market connections
2) Responsibility for broadly defined objectives
3) Respect for many talents
4) Valuing change

Making people want to pursue opportunity

1) Pursuit must be in the individual's self-interest
2) Making plan cannot be the goal
3) Changing plans cannot be the same as failure
4) Risk of failure for the individual must be shared with the organization and the culture

Making people believe that they can succeed

1) Short term slack
2) One "no" cannot be fatal
3) Multi-staged resource allocation
4) Sharing of resources

Keys for management in the age of uncertainty

1) Building solid teamwork out of strong individuals
2) Reward functional excellence
3) Emphasis on responsibility not authority
4) Accepting the right kinds of failure
5) Insuring continuous adaptive change
6) No surprises control

What can the boss really do?

1) Select, motivate and reward the right people
2) Ensure resources are available
3) Facilitate coordination
4) Rationalize decision premises

Remove the impediments to performance!

Issues critical to all innovative entrepreneurial cultures

1) Resource mobility
2) Reinvestment in community
3) Joy in the success of others
4) Valuing change

Take home points

1) Entrepreneurship is a process not a person!
2) Pursuing opportunity beyond the resources currently controlled is key
3) Pursuing opportunity is different from managing resources.
4) Culture, systems and management behavior can make or break the entrepreneurial mold

Factors and cultural differences in entrepreneurship

1) Why innovation and entrepreneurship now?
2) Defining entrepreneurship
3) Entrepreneurs and managers
4) Entrepreneurial cultures

Why are innovation and entrepreneurship needed now?

1) Technological change
2) Economic change
3) Political change
4) Social change
5) Psychological change

Traditional definitions of entrepreneurship

1) Risk taker
2) Founder
3) Innovator
4) Capitalist
5) Scoundrel

Innovation and entrepreneurship

1) Not just start-ups
2) Not just something that has never been seen or done before
3) Not just small companies
4) Not just technology based ventures
5) Not the high flying fast living unscrupulous promoters

What is entrepreneurship?

Entrepreneurship is an approach to management that starts with opportunity

What is an opportunity?

1) A desired future state that is different from the present
2) A belief that achievement of that state is possible

Opportunity

1) Depends on the environment
2) Depends on access to required resources
3) Depends on the person
4) Depends on timing

OPPORTUNITY NEVER STANDS STILL

The climate for innovation

1) Higher costs
2) More demand for value
3) Consumers feeling pinched
4) Intense competition
5) Fewer but bigger players in most domains
6) Rapidly evolving regulation

"Build a better mousetrap and the world will beat a path to your door" Ralph Waldo Emerson

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