Innovation and Entrepreneurship in Rural Communities: Early Business Survival Challenges for the Agribusiness Entrepreneur

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Abstract: Barriers and strategies for survival of agribusiness and non-agribusiness entrepreneurs during early business stages are analyzed under case-study approach. Results confirm qualitative differences in start-up conditions, such as skill and execution deficiencies, market structure, and resource endowments. Moreover, agribusiness entrepreneurs tend to adopt different strategies to address similar barriers faced by non-agribusiness entrepreneurs.

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The chronic depopulation of rural communities has led to a growth gap between urban and rural communities throughout the country which in turn challenges academics to undertake research on innovation and entrepreneurship in rural communities. The plight of rural economic development and entrepreneurship has been at the forefront of concern from the Kauffman Foundation, National Commission on Entrepreneurship, and the Corporation for Enterprise Development. In addition, Drabenstott, Novack, and Abraham (2003) summarized a number of presentations at a conference on rural entrepreneurship. Participants concluded that globalization was making rural incentive policies for job and economic growth less effective. Policies and programs dedicated towards rural economic development may need to be overhauled, and the ability of rural entrepreneurs to acquire sufficient equity capital and other forms of financing provides a considerable gap relative to urban centered entrepreneurs. Nonetheless there was a consensus among participants that 'rural policies built around entrepreneurship offer the greatest chance of helping rural regions" (page 74) perhaps within the context of an 'entrepreneurial ecosystem' in which policies towards rural economic development were based on four pillars.

1) Entrepreneurship education and training are critical in economic development strategies
2) Policy needs to foster the creation of business networks that link entrepreneurs to suppliers and capital resources
3) Policy needs to ensure access to capital, and
4) Infrastructure and institutional support are critical in programs based on entrepreneurship.

The global economic trends that have led to the disincentives in rural America have transformed some of the world's advanced economies into enterprise economies (Ibrahim and Goodwin). Factors such as rapid technological change, innovation, and globalization have created a new economic imperative in these economies: a shift in demand from standardized to highly differentiated products and the agricultural and food system is no exception. As discussed above, reliance on entrepreneurship is becoming a matter of public policy to rejuvenate rural economies, but what is not well known and what is desperately understudied is the role that the entrepreneur and innovation will play in this revival. Outside of this rural setting, Burns has analyzed the small firms' competitive advantage over the larger firms under this economic environment. It is argued that the less bureaucratic, more flexible operating structures of small businesses allow them to quickly adapt and respond to innovative advances in production, marketing and other areas of operations. Moreover, larger firms ignore investment areas for highly specialized products whose limited market potential poses a constraint to the attainment of optimal production scale and profits. The small firms then step in to fill in these market gaps. Despite their growing importance, small businesses face a difficult challenge to overcome barriers in their early years of operations to able to survive. Business mortality rates have always been highest among more vulnerable start-up business ventures that are still in the earliest stage of business development (Litvak and Maule).

This paper is dedicated to two facets of the business survival problem. Using a case-study research approach, this study will identify common barriers to growth and survival experienced by entrepreneurs during the early start-up years. Second, it provides profiles of strategies employed to cope with business survival. The case-study research was conducted in Ontario, Canada in the mid 1990s among six entrepreneurs from within the agricultural and food sector and, for comparison, six from outside the industry. The case studies permit an assessment of the barriers and opportunities for entrepreneurial growth in the rural areas while providing storylines for presenting real-world case studies on entrepreneurship in a conference setting. Moreover, this study is designed to determine any distinguishable differences between entrepreneurs in the agricultural and food sector and those from other industries. The logical expectation is that start-up conditions could be different for agribusiness ventures given the industry's exposure to greater uncertainty and volatility of business conditions attributed to weather, technological change, market structures, and financing constraints, among various sources of farm business risks.

The rest of the paper proceeds as follows. The next section discusses a general start-up business paradigm outlining the growth and survival barriers, along with a set of expected strategic decisions corresponding to each area of difficulty. The real-life business experiences of the entrepreneurial cases are then analyzed and agribusiness and non-agribusiness venture situations are compared.

A Hypothetical Entrepreneurial Strategy Model

A prototype of small business start-up cases is developed here by putting together early business survival barriers, along with a hypothetical set of strategies, commonly cited in the literature. The ideas and concepts compiled in this analysis were derived from a wide geographical range of entrepreneurial experiences from Canadian, American, and European sources. The constraints they faced and the strategies they employed are summarized in Table 1 and separately discussed in this section under four functional areas: management, marketing, operations, and finance.

Management Barriers

Survival efforts of small businesses can be impeded by the entrepreneur's execution and skill deficiencies. A study conducted by the Advisory Council for Applied Research and Development (ACARD) in the United Kingdom (UK) explains the execution deficiency barrier as the entrepreneur's shield against potential threats to their personal control and prestige (Bosworth and Jacobs). Kets de Vries views this issue from a psychological perspective whereby the entrepreneur's overwhelming desire for recognition is transformed into an obsession with control. Empirical evidence from Canadian (Litvak and Maule) and U.S. (Alpander, Carter, and Forgren) businesses suggests that entrepreneurs in general are indeed reluctant to delegate tasks within their firms.

Managerial incompetence can also arise from skill deficiencies. Knight developed a hierarchy of entrepreneurial management styles which progressed from the craftsperson level, to the promoter, and ultimately, the general manager level, at which the entrepreneur possesses all qualities of the lower two levels. Incompetence arises when the entrepreneur's skills conform only to either of the two lower skills levels in his hierarchy.

Similar to Knight's management style hierarchy, Lyons introduced the entrepreneurial league system (ELS) that refutes the contention that "successful entrepreneurs possess certain innate traits" (page 4) and recognizes differences in skill levels possessed by entrepreneurs (that include, in their hierarchical order, technical, managerial, entrepreneurial, and personal maturity skills) when they first embark on their business ventures. Lyons' framework emphasizes skill building where entrepreneurs progress through the ELS stages, patterned after the professional baseball league system, as experience and maturity accumulate. It follows from Lyons' model that entrepreneurs categorized in the Rookie League (the lowest level in the ELS) are more challenged with significantly more execution and skill deficiencies that need to be resolved in order for them to catch up with the Single A, Double A, Triple A, and Major Leaguers.

Management Strategies

A study by Hoad and Rosko on Michigan firms suggests that execution and skills deficiencies can be remedied by the formation of management teams within the business. Stevens justify such strategy by emphasizing linkages between increased revenues (and profits) and decisions to adopt job delegation and collegial management strategies. O'Neill and Duker provide empirical evidence from small firms in Connecticut that correlate the use of external advisors and the small firms' successful operations.

Marketing Barriers

Start-up firms often have to deal with market competitors that are relatively larger in size and have already established some reputation in the industry. These large competitors' dominant market presence allows them to enjoy captive markets for their products. Hoad and Rosko, however, clarify that it is not right to claim that a business fails because it was run out by competition. They contend that failure could instead be attributed to the owners' lack of aggressiveness, poor marketing abilities, and substandard workmanship. The following marketing strategies are usually prescribed for owners of new firms that are trying to gain entry into a new market.

Marketing Strategies

Specialist or niche marketing strategies, which could be either market- or product-based, are commonly prescribed to address marketing concerns. A market-based specialist marketing strategy requires a market segmentation approach which entails the division of a market into homogenous consumer groups and tailoring the marketing mix for specific target markets. McGee, in the UK ACARD study, describes market segmentation as the conventional recommendation to small firms, although he warns that conditions within an industry must allow the existence of segmented and protectable markets. A product-based niche marketing strategy requires product differentiation, a strategy where a product is modified and enhanced to differentiate it from the competitors' products to produce a more attractive and unique appeal to potential customers. Among small firms, product differentiation can be usually achieved through good product engineering and development or by emphasizing the "non-price elements of the marketing mix" (McGee; Burns) such as more personalized services that could be customized to suit each individual customers' needs and preferences. However, certain market niches could sometimes offer limited revenue potentials for a start-up firm. In this case, small firms could consider employing product or service diversification strategies to mitigate the market's revenue limitation (Burns; Knight).

In addition to specialist or niche marketing strategies, certain pricing policies (such as offering price discounts) can be made to translate prices into more effective revenue generating tools (Knight; Bruce). Moreover, small firms should not overlook the long-term investment value of promotional campaigns (Karlson). Results of empirical studies indicate a direct correlation between investments in marketing campaigns and the resulting market share of the promoter's products (O'Neill and Duker).

Production Barriers

An entrepreneur usually has to deal with a myriad of production issues related to human and physical resource supply and endowments in the early years of business operations. These concerns often require serious considerations of tradeoffs between what the start-up firm can afford given its financial capability and what the envisioned production plan requires in order to offer high quality, competitive products in the market.

The prevalent labor concerns among small firms are low quality and high turnover of labor. Bosworth, in the ACARD study in UK, confirms that new small firms indeed are drawn to employ unskilled (low quality) workers that can be paid at wage rates affordable to the new business. Barber, Metcalfe, and Porteous, on the other hand, cite high labor turnover as a common phenomenon among start-up firms primarily due to these firms' inability to offer competitive wage rates.

The inadequacy of start-up facilities is also a serious concern among start-up firms. Karlson notes that new firms tend to allocate more of their limited start-up financial resources to money-making activities like marketing and promotions instead of setting up adequate facilities.

The new firm is also constrained to operate under limited in-house technology. El-Namaki identifies a single-track approach among Dutch firms in his study that tend to depend on a single product and technology combination.

Production Strategies

In response to labor quality and turnover concerns, Barber, Metcalfe, and Porteous recommend the latent labor shortage strategy. The strategy entails downgrading of production technology to coincide with the workforce's skills level in order to avoid problems of overcoming actual shortages of skilled labor. Bosworth also recommends the implementation of formal in-house training programs with higher "firm-specific content" as a way of locking the employees within the small firm for a certain period of time.

Davidson prescribes either the purchase of second-hand equipment or the property lease option to address the issue of inadequate start-up facilities. He explains that this strategy will allow the start-up firm to avoid huge capital investment outlays required for setting up the required physical plant for production and operations. Knight suggests that new firms could consider subcontracting a portion of production to other suppliers while the more expensive production facilities are not in place yet.

In the issue of limited in-house technology, Barber, Metcalfe, and Porteous suggest that small firms could access external technology either through production subcontracting arrangements or availing of services of external consultants. Knight also suggests that new small firms should consider buying certain intermediate products needed for the production of their final outputs from suppliers during the early stages of business operations and gradually move into the production of such products over time.

Financial Constraints

The entrepreneur's reluctance to share ownership and the firm's limited access to credit create financial constraints for the new small firm that, in turn, cause operational difficulties. Business control issues preclude equity investors as possible sources of additional funds for the firm. Inadequate credit histories and collateral properties are translated to poor credit risk ratings for the new small firm that influence lenders' decisions to deny most of these entrepreneurs' loan applications. Meanwhile, liquidity conditions during the start-up years could deteriorate due to, among other factors, low initial revenue levels (during the market introduction phase of the firm's new product), slow collection of receivables (since longer collection period could be used as a marketing ploy to generate customer interest in the product), and difficulty in obtaining credit from input suppliers (again for the same reasons that new firms are unable to obtain credit from institutional lenders). As a result, the funding requirements within the start-up firm could increase due to these cash flow-related problems and the firm ends up undercapitalized where funding available from owners' equity investments and limited external debt sources fall short of the actual funding requirements.

Financial Strategies

Given all these considerations, it seems that the problem of undercapitalization in the early years of business operations could only be resolved if the entrepreneur would consider giving up some business control and allow equity investments into the firm. Moreover, the small firm might want to consider starting at a reasonable size/scale and ensure that prudent financial controls (for inventory, receivable, and payable management) are in place to manage cash position at all times.

Agribusiness versus Non-Agribusiness Entrepreneurs

The incidence and relevance of these start-up barriers and business survival strategies, which have been derived from empirical models with general business applications, are expected to vary among entrepreneurs from agribusiness and non-agricultural sectors. Agricultural businesses often are more challenged to deal with highly risky business situations than businesses in other industries. Business risks in agriculture, due to, among others, weather and pest infestations, could cause wide swings in farm production. Moreover, farm producers deal with additional risks caused by fluctuating resource and commodity prices. Lenders are cognizant of the risky nature of farm operations and, hence, are known to be more cautious about lending to farmers. In this research we recognize these structural differences between the agricultural and non-agricultural sectors. Specifically, our analysis validates the hypothesis that the barriers to the survival of new firms in the agribusiness sector are qualitatively different from those experienced by non-agribusiness firms.

Even when agribusiness and non-agribusiness entrepreneurs confront the same set of start-up business barriers, it is hard to expect a set of predictable strategies that would be employed by these two classes of businessmen. In the workshop conducted by Henry A. Wallace Center for Agricultural and Environmental Policy, participants agreed that farmers in general are risk intolerant, resistant to change, and do not consider themselves as business people. In the same workshop, Macke noted that while "(farmers and ranchers) have significant entrepreneurial traits … they lack competencies in marketing, business management, product development, and networking" (page 13). In this research, we investigate on these differences as we validate the hypothesis that the strategies for overcoming barriers to business survival employed by agribusiness entrepreneurs are qualitatively different from those pursued by non-agribusiness entrepreneurs.

Research Methodology

The case study approach is used in this research to develop individual profiles of start-up business barriers and the strategies employed by entrepreneurs in surviving the difficult start-up phase of their business operations. The case study approach has been criticized often for is lack of rigor and statistical base, and has traditionally been relegated as a teaching tool (Kennedy and Luzar). The case study approach, however, provides an alternative method for analyzing research issues that have "more variables of interest than data points … (by using) replication logic, (instead of) sampling logic" (Kennedy and Luzar, p. 584). The approach is ideal for answering more of the "how" and "why" questions than the more objective queries and predictive analysis often employed by statistically-based models (Yin). Howard and MacMillan elaborate this point by arguing that the case study method would be able to clearly identify the research problem and produce generalizations, exploratory problem-solving techniques, and insights/relationships that are not suggested by theory. This method is appropriate for this research given the uniqueness of each entrepreneurial experience and business conditions. Moreover, personality differences among entrepreneurs could define various action plans for coping with challenges which, therefore, reduces the need for general growth or survival paradigms outlining ready-made solutions for the entrepreneurs. Baetz and Beamish aptly describes the entrepreneurial problem as rarely being solved by one right decision, or by implementing just one optimal or approved plan of action.

This study analyzes the experiences of twelve entrepreneurs in Southern Ontario. The sample has an even composition of firms involved in agribusinesses and those that are affiliated with industries outside of agriculture. All these firms were established around the mid-1980s to the early 1990s. The agribusiness cases were engaged in equipment manufacturing, marketing, production, and consultancy services at the time this research was undertaken. The other set of non-agribusiness firms belonged to the glass, human resource, computer, and hardware industries. To maintain anonymity of the respondents, the firms will be identified in this study as "Agribusiness Firms 1 to 6" and "Non Agribusiness Firms 1 to 6."

The interviews for the case studies were conducted with the founding owners of the participating firms. A list of interview questions, formulated to include the barriers presented in the earlier section and summarized in Table 1, focused on the conditions of their business start-up years (approximately the first five years of operations). The respondents were asked to validate the existence of the barriers identified in this study in their own start-up business experiences and discuss the strategies they employed to address such difficulties. Case reports were written for each firm based on the interview transcripts and were reviewed by the interviewees for accuracy and proper representation. The following section provides a summary of the salient information compiled from the case studies.

The Barriers to Business Survival

Table 2 provides a summary of the business start-up conditions related to operating, marketing, production, and financial management that the respondents recognized as barriers to the survival of their businesses during its early years of operations. The list of barriers in this table coincides with the list provided in column 2 of table 1. The following discussions compare and contrast the experiences of the agribusiness and non-agribusiness entrepreneurial cases featured in this study.

In the area of general business management, most of the agribusiness entrepreneurs experienced execution and skill deficiencies. In contrast, these were not the major concerns of majority of their non-agribusiness counterparts. Agribusiness firms tended to start with smaller scale of operations due to the competitive structure of their industry (which shall be corroborated later by marketing-related information). As a result, the entrepreneurs did not feel the need to organize management teams more complex than the one-person start-up teams that they had. The non-agribusiness entrepreneurs, on the other hand, had much more extensive previous work experience which provided them with more training and skills in different areas of management and business operations. Thus, they had less skill deficiency problems than the agribusiness entrepreneurs.

The two groups of entrepreneurs operated under contrasting market structures. In devising their marketing plans, most of the agribusiness entrepreneurs had to deal with relatively smaller firms as competitors while the non-agribusiness firms generally had to compete with larger, more established market rivals.

Among the production issues discussed with the respondents, labor-related problems were not prevalent among both sets of entrepreneurs. A more common concern for both groups was the inadequacy of business start-up facilities. In general, these firms initially operated relatively small businesses and later felt the pressure to expand as new target markets were identified. The pressure to expand was apparently more significant among non-agribusiness firms that had to deal with larger market competitors.

In the area of finance, mostly non-agribusiness firms had concerns about undercapitalization and liquidity. This trend is a result of the structure of the industries they operated under. Again, larger market competitors created the pressure for these start-up firms to consider immediate expansion plans that entailed larger investment cost outlays. Moreover, illiquid conditions arose from more aggressive marketing plans they implemented that involved more sale discounts and favorable collection terms to be able to compete effectively in the market.

Survival Strategies

Faced with these barriers, the entrepreneurs devised strategies to survive through the first few years of operations. The following discussions outline the operating plans implemented by the respondents in each functional area.

Business Management

Table 3 presents a tabulation of management-related difficulties in the start-up years and their corresponding solutions as implemented by the respondents. Execution deficiency, a condition dominant among the agribusiness firms, was usually resolved through higher levels of job delegation among subordinates. One agribusiness entrepreneur, however, still insisted on monopolizing the management tasks and responsibilities.

Letting go of some tasks and relying on employees to perform them have not been easy for most of the respondents. Non-agribusiness entrepreneur 2 articulated this hesitation by explaining that the subordinate would probably just "produce as much as he does." Non-agribusiness entrepreneur 5 worried about product quality and thought about some mechanism to "(double check) what (goes out) of the door." Nonetheless, agribusiness entrepreneur 5 felt "burned out" and realized he "just could not be superman who could do everything." This realization and the goal of expanding operations were the overwhelming motivations for the entrepreneurs that decided to delegate certain tasks, which were mostly backroom operations, so they could freely go around see clients and attend to their managerial responsibilities.

Skill deficiency was resolved through a more democratic style of management that fosters skill complementation and allows for a consultative type of interaction between the entrepreneurs and their employees. For instance, agribusiness entrepreneur 4 practiced empowerment where key employees made daily business decisions, except for key, strategic issues that were deliberated on in formal meetings. Non-agribusiness entrepreneur 1 ensured that the empowerment approach would work by "hiring the best people (that his) company's money can buy." Non-agribusiness entrepreneurs 3 and 5 started out with management teams that consisted only of their business partners, but later expanded these teams to include other key employees. Interestingly, eight of the respondents (four from each business group) adopted this management style, although only five from this group had skill deficiency problems. Notably, the agribusiness firms resorted to more informal consultations with their key employees while the consultation process among the non-agribusiness firms was more formal and structured (e.g. formation of management teams). In contrast, four entrepreneurs (three of which had general manager skills) were more autocratic and remained the sole decision makers of their respective firms.

Marketing

The matrix of marketing problems and strategies is presented in Table 4. All five agribusiness firms that had to compete with businesses that were relatively new in the industry, had no commanding presence yet in the market, and were relatively of the same size as the respondent firms chose to diversify their production in order to be able to offer a wider range of products and services to their target clientele. Agribusiness entrepreneur 1, for instance, immediately went back to the drawing board to design and develop 6 more products after his 1^{st} invention received favorable market attention. Agribusiness entrepreneur 3 ventured into offering financial consultancy services, in addition to his primary line of business. Only one non-agribusiness firm (2) that had larger market competitors employed the product diversification strategy out of necessity. The firm initially worked on contracts from commercial establishments, but problems with receivable collections prompted the owner to diversify into residential projects to resolve cash flow shortfalls.

The remaining agribusiness firm, along with three non-agribusiness firms faced with more established market competitors, opted to sell highly differentiated product/service and implemented a niche marketing strategy. The goal of product differentiation was to offer products, with quality enhanced by technological inputs, the service component, or both, which the market competitors would find difficult to duplicate. Examples of this strategy include agribusiness firm 2 that gave up its illusion to be a "full-line seed company" and instead focused on developing its proprietary variety of soybeans, which, after all was "what (his company) knows best!" Non-agribusiness 3 concentrated on market segments that "were too small for the competition" and maintained a smaller product line to maintain the edge of having "higher knowledge on (their) products." Non-agribusiness entrepreneurs 5 and 6, which had smaller market competitors, also adopted the specialist product – niche marketing strategy by adding "customized, personalized services" for each product sold to every client, which for them was "a conscious attack against (their) mass marketing competitors."

Four of five agribusiness firms with small market competitors implemented pricing policies that probably coincided with their rivals' practices. These firms charged low to moderate prices to attract more new clients. On the other hand, all firms (4 non-agribusiness and 1 agribusiness) dealing with large competitors charged moderate to high prices. Except for non-agribusiness firm 2, these are the same firms that introduced highly differentiated products under a specialist/niche marketing scheme. For instance, agribusiness firm 2 charged a premium price for its high quality seeds, which tested well for vigor and high germination rate. Non-agribusiness entrepreneur 3's pricing depended on the hassle factor where "high hassle accounts" were priced higher than good clients.

Two exceptions to the diversification-competitive pricing combination are agribusiness firm 1 and non-agribusiness firm 2 that implement aggressive pricing policies. Agribusiness entrepreneur 1 revealed that he would usually "test the waters by raising the price anytime" and take signals from the market on whether or not further price increases were warranted. Non-agribusiness entrepreneur 2 claimed that he won contract bids regardless of his 5% mark-up in materials' prices because of his firm's reputation to get projects done in the least possible time frame.

Production

While labor-related concerns such as low labor quality and high turnover rates were not cited as serious concerns by majority of the respondents, the entrepreneurs implemented preventive measures by conducting both formal and informal in-house training programs (Table 5). Most of the interviewees considered formal training programs as a "lock-in mechanism" ensuring that the trained employees would continue working for their businesses for a certain period of time. Informal on-the-job or hands-on training was provided to most workers by the entrepreneurs interviewed.

The popular notion that small firms would start business operations with more affordable second-hand or leased equipment was not supported by the responses obtained in this study, although a total of nine respondents (five agribusiness and 4 non-agribusiness entrepreneurs) acknowledged the inadequacy of their start-up facilities. Among these firms, only one firm (agribusiness firm 1) considered a downgrade in production technology while three other firms (all agribusinesses) resorted to subcontracting a portion of their production while start-up facilities were inadequate to sustain market demand. Interestingly, four of the six agribusiness firms resorted to at least one of the three strategies (used equipment, leasing, and subcontracting) to remedy the inadequacy of start-up facilities compared to only two (firms 3 and 6) out of six non-agribusiness firms (Table 5). Most of the non-agribusiness respondents cited obsolescence and non-familiarity with the used equipment as their primary reasons for purchasing new machineries instead.

Finance

Of the six firms that claimed to have inadequate capital ("undercapitalized") during their start-up years, four (3 non-business and 1 agribusiness) firms have considered inviting business partners to obtain the much needed equity capital investments (Table 6). Two other undercapitalized firms (one for each business group) continued to value highly their independence and control of business power and remained reluctant to raise equity capital from prospective investors. As a result, initial capital cost outlays for these two firms were reduced through adjustments in the original business plans. Specifically, agribusiness firm 1 resorted to downgrading of production technology while non-agribusiness firm 6 subcontracted some production to other suppliers. Those who are reluctant to share ownership of their firms agreed that business partners only complicate decision-making and profit-sharing arrangements as “unequal partnerships could bring frustrations to the hardworking minority owner.” Those that welcomed investors into their businesses cited the advantage of complementary skills that could be offered by the new partners and the need for more capital to be infused in order for their business to grow. As non-agribusiness entrepreneur 1 explained, he would rather own 16% of a $50 Million company than 76% of a bankrupt company.

Table 6 also provides a tabulation of the respondents’ perception of the use of external credit as a possible remedy to the firms’ financing needs. All undercapitalized firms (4 non-agribusiness and 2 agribusiness firms) expressed their intentions to borrow funds from institutional lenders, in case their credit records would allow them to do so. Five our six firms in each group had incurred debts previously, although some of their experiences with their lenders had not been favorable. Non-agribusiness entrepreneur 6 received a call from her banker demanding payment while lying on her hospital bed to undergo some surgery. Non-agribusiness entrepreneur 1 was traumatized as he went from being a millionaire to being bankrupt when his Canadian banker gave him only 30 days to settle his $3.0 million loan. Two other firms (agribusiness firm 5 and non-agribusiness firm 4) refused to consider external debt financing. They disliked the idea of “signing (their) life away (to lenders)” who would lean their heads on (their) shoulders to dictate what they should and should not do with their firms.

Firms that experienced liquidity problems (which were most non-agribusiness firms) had to periodically scrutinize the activities of their expenditure accounts to identify cost items that could be deferred, reduced, or removed. The popular remedy had been for the entrepreneurs themselves to make the biggest sacrifice by receiving reduced or zero pays during critical illiquid periods. The input suppliers were also usually contacted to negotiate for either the postponement or restructuring of their trade payable accounts. The respondents considered these latter two strategies as very effective strategies for avoiding illiquidity.

Summary and Conclusions

Innovation and entrepreneurial activities play a key role in promoting rural economic progress. Promoting these activities should take into account recent structural changes in agriculture and in rural communities. These changes suggest that public or private initiatives aimed at encouraging rural innovation and entrepreneurship should be targeted towards both the farm and non-farm sectors of the rural economy. Policies aimed at providing incentives to promote the growth of entrepreneurial activities should carefully consider the structural differences in the business operating environments of entrepreneurs in the farm and non-farm sectors. These differences and the strategic decisions usually employed by these two classes of entrepreneurs have been analyzed in this study.

Through a case study approach, this study provides a microscopic view of the challenges faced by entrepreneurs from the farm and non-farm sectors. This study's results indicate that start-up conditions tend to be qualitatively different between firms belonging to the two industry groups as well as among firms within these groups. Execution and skill deficiencies tend to be more prevalent among agribusiness entrepreneurs. Non-agribusiness firms, on the other hand, often have to deal with larger, more established market competitors, are more pressured to implement immediate expansion plans, and, hence, are more prone to experiencing liquidity and funding shortfalls.

The agribusiness owners interviewed in this study have shown certain tendencies to adopt specific action plans that did not always coincide with those implemented by their non-agribusiness counterparts. For instance, non-agribusiness owners usually resorted to more formal, consultative decision-making procedures, usually involving the creation of management teams. Agribusiness firms, however, were less structured as they often conducted more informal consultations with their key employees. Their production, marketing and pricing policies were usually dictated by the size and structure of their market competition. For most non-agribusiness firms, product specialization, niche marketing, and aggressive pricing policies were appropriate and effective strategies to deal with large market competitors. Agribusiness firms diversified their production and sold their products at low-to-moderate prices to compete with smaller, less established market players. Moreover, while inadequacy of start-up facilities was an overriding concern for majority of the interviewees, agribusiness firms had shown a greater tendency to resolve the problem through acquisition of used equipment, leasing, and subcontracting options while non-agribusiness firms persisted to use new machinery that will not compromise product quality and production efficiency.

Even while there seems to be a pattern of strategic responses among the firms in these two business groups, there have always been cases that employed strategies that deviate from the identified strategies peculiar to each group. These deviant cases are consistent with popular theories on entrepreneurship (such as Mischel's social learning person variables and Harre's situation act model) that recognize variability in entrepreneurial business decisions due to differences in personality and situations (Chell). After all, as Mintzberg aptly describes, the strategies that entrepreneurs choose to implement are usually reflective of their implicit vision of the world, which in turn, is an "extrapolation of his or her own personality."

Future research efforts could focus on validating these results using a greater variety of qualitative research data, if not by statistical analytical techniques applied to a more extensive database of quantifiable measures of entrepreneurial business situations and strategic plans.

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Table 1. Barriers and Strategies in the Start-Up Phase

Functional Area	Start-Up Barriers	Strategic Action
Management	Execution Deficiency	Substantial Delegation to Subordinates
	Skill Deficiency	Democratic/Consultative Management
		Hiring External Consultants
Marketing	Large, Established Competitors	Specialist/Niche Marketing
		Product Diversification
		Competitive Pricing Strategies
		Product Promotion
Operations	Low Labor Quality	Latent Labor Shortage
		Formal In-House Training
	High Labor Turnover	Formal In-House Training
	Inadequate Facilities	Second-Hand Equipment
		Equipment Leasing
		Subcontracting
	Limited In-House Technology (Single Track Production)	External, Technical Consultancy Services
Financial	Undercapitalization and Liquidity Constraints	Ownership Sharing
		External Credit
		Inventory, Receivable and Payable Management

Table 2. Start-Up Conditions of Respondent Firms

Barriers to Business Survival	Agribusiness Firms						Non-Agribusiness Firms					
	1	2	3	4	5	6	1	2	3	4	5	6
Execution Deficiency	x	x	x		x							
Skill Deficiency	x	x		x		x	x				x	
Large Market Competitors		x					x	x	x	x		
Low Labor Quality	x	x			x				x			x
High Labor Turnover		x			x							x
Inadequate Facilities	x	x	x		x	x			x	x	x	x
Single Track Production												
Undercapitalization	x	x					x		x		x	x
Liquidity Constraint	x	x					x		x	x		x

Table 3. Matrices of the Respondents' Skill and Execution Deficiencies and Their Remedies

	Agribusiness Firms		Non-Agribusiness Firms	
A. Execution Deficiency Matrix				
Strategies	With Execution Deficiency	No Execution Deficiency	With Execution Deficiency	No Execution Deficiency
Substantial delegation of tasks to subordinates	Firm 2 Firm 3 Firm 5	Firm 4 Firm 6		Firm 1 Firm 3 Firm 5 Firm 6
Little or no delegation of tasks to subordinates	Firm 1			Firm 2 Firm 4
B. Skill Deficiency Matrix				
Strategies	With Craftsperson and/ or Promoter Skills Only	With General Manager Skills	With Craftsperson and/ or Promoter Skills Only	With General Manager Skills
Democratic, consultative type of management	Firm 2 Firm 4 Firm 6	Firm 5	Firm 1 Firm 5	Firm 3 Firm 6
Autocratic management style	Firm 1	Firm 3		Firm 2 Firm 4

Table 4. Matrices of Start-up Market Competitive Structures and Strategies Employed by the Respondents

	Agribusiness Firms		Non-Agribusiness Firms	
A. Product and Marketing Matrix				
Strategies	Smaller Market Competitors	Larger, Well Established Competitors	Smaller Market Competitors	Larger, Well Established Competitors
Specialist product – niche marketing		Firm 2	Firm 5 Firm 6	Firm 1 Firm 3 Firm 4
Product diversification	Firm 1 Firm 3 Firm 4 Firm 5 Firm 6			Firm 2
B. Pricing Matrix				
Strategies	Smaller Market Competitors	Larger, Well Established Competitors	Smaller Market Competitors	Larger, Well Established Competitors
Competitive (low to moderate) pricing	Firm 3 Firm 4 Firm 5 Firm 6			
Aggressive (moderate to high) pricing	Firm 1	Firm 2	Firm 5 Firm 6	Firm 1 Firm 2 Firm 3 Firm 4

Table 5. Matrices of Start-up Resource Conditions and Strategies Employed by the Respondents

	Agribusiness Firms		Non-Agribusiness Firms	
A. Labor Quality Matrix				
Strategies	Low Labor Quality	Adequate Labor Quality	Low Labor Quality	Adequate Labor Quality
In-house training	Firm 1 Firm 2 Firm 5	Firm 3 Firm 4 Firm 6	Firm 3 Firm 6	Firm 1 Firm 2 Firm 5
External training	Firm 1 Firm 2	Firm 3 Firm 4 Firm 6		Firm 5
B. Labor Turnover Matrix				
Strategies	High Labor Turnover	No Turnover Issues	High Labor Turnover	No Turnover Issues
In-house training	Firm 2 Firm 5	Firm 1 Firm 3 Firm 4 Firm 6	Firm 6	Firm 1 Firm 2 Firm 3 Firm 5
External training	Firm 2	Firm 1 Firm 3 Firm 4 Firm 6		Firm 5
C. Facilities Matrix				
Strategies	Inadequate Facilities	Adequate Facilities	Inadequate Facilities	Adequate Facilities
Used equipment purchase	Firm 5	Firm 4	Firm 3	
Equipment leasing	Firm 3		Firm 3	
Subcontracting	Firm 1 Firm 2 Firm 5		Firm 6	

Table 6. Matrices of the Respondents' Start-Up Financial Capital Conditions and Attitudes towards Ownership Sharing and Use of External Debt

	Agribusiness Firms		Non-Agribusiness Firms	
A. Ownership Sharing Matrix				
Strategies	Undercapitalized	Adequately Capitalized	Undercapitalized	Adequately Capitalized
Has shared ownership and is willing to share ownership in the future	Firm 2	Firm 5 Firm 6	Firm 1 Firm 3 Firm 5	
Reluctant to share ownership	Firm 1	Firm 3 Firm 4	Firm 6	Firm 2 Firm 4
B. External Debt Use Matrix				
Strategies	Undercapitalized	Adequately Capitalized	Undercapitalized	Adequately Capitalized
Used external debt and is willing to consider external debt in the future	Firm 1 Firm 2	Firm 3 Firm 4 Firm 6	Firm 1 Firm 3 Firm 5 Firm 6	Firm 2
Reluctant to apply for external debt		Firm 5		Firm 4