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AGRIBUSINESS MANAGEMENT

AGRIBUSINESS MANAGERS ARE BORN, NOT MADE?

A short time ago I was reading a paper by H. E. Kieruff of U.S.C.'s School of Business Administration. The author proposed that an increasingly large portion of his profession believe that the entrepreneurial aspects of the managerial functions are not a learned phenomenon. After pondering Kieruff's work for some time, I became somewhat perplexed by the fact that I had no strong feelings in support of, or in opposition to, this rather "heavy" proposition. Quite obviously, it represented an area wherein additional thought and study were needed. After all, as a professional educator, I would be most shocked to discover that much of what I attempt to teach has now been established to be an unlearnable phenomenon.

It doesn't take long, of course, after beginning one's investigation to discover that the "born not made" argument is more delusive than real. Major philosophical differences quickly reduce to minor semantic variations. In fact, much of the debate is used to cloud over that which is really the major issue; i.e., how do we encourage the entrepreneurial aspect of management?

If all the things which I, as an educator, might convey to my students and Industry clientele, encouraging *entrepreneurial activity may be one of*

the least costly, yet most productive. Consider for a moment how such encouragement might contribute towards:

1. Agribusiness firms could expect to operate on more innovative levels, serving markets never before identified.
2. Ideas and procedures developed by research and development efforts in nonagricultural areas (e.g., space exploration) might gain acceptance within the agribusiness industry.
3. The enormous waste of human and capital resources resulting from the failure of new business might be reduced and U.S. Agriculture's competitive position in the world, thereby, further improved.

Unfortunately, to date our agribusiness industry is not realizing its full potential in these areas because: (a) too many persons are convinced that entrepreneurship is not learned, (b) we do not yet fully appreciate the size of the benefits resulting from entrepreneurial innovation, and (c) we do not really understand how to develop entrepreneurs.¹

¹ Many of the ideas expressed are those of Herbert E. Kieruff, "Can Entrepreneur Be Developed?" M.S.U. Business Topics, Winter 1975.

Entrepreneurship Defined

It is interesting to note that it was the French economist, Cantillon, who first introduced the term "entrepreneur" (from the word "entreprendre") and used it to describe a person who combines factors of production to create a product for the market. And almost from the time of its introduction, the word has had a split interpretation by economists. Adam Smith and the classical economists looked upon entrepreneur as a function. This functional definition exists today as is illustrated by the following passage from a standard text in economic theory: "... the entrepreneur (is one) who exercises ultimate and decisive control over the activities of the firm ... (he) brings the firm into existence and takes it out."²

Other economists, however, describe the entrepreneur in the context of his style of behavior. For example, R. I. Robinson describes the entrepreneur as an individual who possesses "... the drive, ambition, energy, and motivation to give the small business the strong thrust it must have to succeed."³

Why is it important to distinguish between the functional and behavior views? Why even bother to consider these long-standing differences between economists? The answer to these questions is that if you subscribe to the behavioral view, there is little in the way of education that will improve your abilities as an entrepreneur. On the other hand, if you agree with the functional view, then we must admit

that the necessary tools and concepts can be learned and applied.

Improving Your Entrepreneurial Capability

Assuming that you agree with the latter view, let's now consider how you, as an agribusiness manager, might improve on your entrepreneurial capabilities. Three possible methods are: (1) the establishment of entrepreneurial teams, (2) attempting to influence personal perceptions, and (3) removing institutional barriers. Each of these methods will be considered in more detail.

Entrepreneurial Teams: The team approach to entrepreneurship involves little more than the intentional assembly of several people, each possessing different but complementary skills and personal qualities, to form an entrepreneurial task force. Such groups (teams) are especially suitable for tackling those projects, which, to your agribusiness firm, represent new or untried ventures, e.g., the adaptation of new technologies or the initiation of substantial expansion programs. Rarely is a successful new invention the end product of a single person's ideas and efforts. Most often, the invention is the result of one person's willingness to secure technical assistance from many others in his search for "the better mousetrap." Hence, in most cases, development of all entrepreneurial qualities in one individual is unnecessary. Rather, the development of the entrepreneurial function within your organization means the thoughtful combining of the qualities of several people whose combined talents comprise the entrepreneurial characteristic.

² Watson, Donald S. Price Theory and Its Uses, 3rd ed. Boston: Houghton Mifflin Co., 1972.

³ Robinson, R. I. Financing the Small Dynamic Firm. Belmont, California, Wadsworth Publishing Company, 1966.

Individual Perceptions: According to H. E. Kieruff, most people have some entrepreneurial qualities. For example, most people are willing to take business risks, but to varying degrees. Similarly, most people possess some degree of self-confidence, competitiveness, ingenuity, etc. Yet a given individual is not born with a specific "bundle" of entrepreneurial characteristics. Nor is the degree of intensity of such traits of hereditary origin. To be sure, many of the traits are fostered in early childhood. One's willingness to take certain actions is affected by his perception of the rewards and penalties associated with those actions. Furthermore, these perceptions can be altered by education -- particularly that education which successfully replaces uncertainty with knowledge. More specifically, perceptions can be altered by: (1) providing information or the methodology for taking advantage of business opportunities when they appear, (2) exposing individuals to so-called "role models," i.e., those persons who have already proven to be successful entrepreneurs.

Removing Institutional Barriers: There are some barriers, which cannot be overcome by influencing perception. For example, a track coach might "psyche" his high jumper into perceiving a surmountable obstacle, but if the horizontal bar rests at 15 feet, the athlete will find his attempts to be very disappointing. In the business world, such things as unfavorable economic conditions, bureaucratic impediments, and government restrictions may become as insurmountable as the 15-foot bar. Yet their apparent impermeability should not be allowed to become so depressive, as to discourage entrepreneurial activity. Some of our

agribusiness concerns have already perceived these institutional blockages and, in an attempt to dissipate these barriers, have intentionally fragmented their large organizations into smaller profit centers or partially owned subsidiaries where the creativity and enthusiasm associated with smaller ventures cannot be so easily suppressed.

Late in 1965, David McClelland published his claims that basic characteristics associated with entrepreneurship could be modestly influenced, at least in the long run.⁴ He suggests that institutional barriers to entrepreneurship are often not viewed as being suppressive by those young men whose parents: (1) set high achievement standards, (2) provided warmth and encouragement in the home, and (3) were non-domineering.

Education and Entrepreneurship

Quite obviously, one way to encourage entrepreneurship (assuming it can be learned) is to encourage expanding enrollment in this nation's business schools. Unfortunately, this has never proven to be a strong source of executive talent for this nation's agribusiness industry, a few exceptions notwithstanding. The reason is that most business schools are "big company" and "analysis" oriented.

For example, managerial competence in many small agribusiness firms is often diluted through their belief that the principles of management are equally applicable in companies of any size or product orientation. When this belief extends beyond generalizations of the

⁴ McClelland, David C. "Achievement Motivation Can Be Developed." *Harvard Business Review*, November-December, 1965, p. 20.

broadest scope, problems often arise. The recent history of the agribusiness industry is filled with illustrations of concerns trying to act "like the big guns," but failing to make the grade (or a profit).

Similarly, the business schools tend to stress the "analysis" process of the managerial function, i.e., the B-school graduates are steeped in "case problem" procedures whereby illustrative firms (and their systems or procedures) are broken down into simplified units for the purpose of problem identification and solution application. Yet in the agribusiness industry, where innovation and technology are playing increasingly important roles, the process of "synthesis" is becoming even more important than "analysis." Synthesis, of course, is the opposite of analysis, and provides the framework wherein the student is encouraged to create new systems, strategies, and practices in search of the problem's solution.

The two deficiencies noted above suggest that agribusiness firms cannot, in the short run, look to the prestigious educational institutions as a major source of new entrepreneurial talent. Moreover, they will have to initiate selected internal training programs designed to enhance or uncover those entrepreneurial attributes already held by their current staff.

In Search of Your Own Entrepreneurs

Now let's suppose that we all agree that entrepreneurship is a learned phenomenon and yet, in the short run, agribusiness cannot depend on most educational institutions to teach it in a way which proves useful to smaller business firms linked irreversibly to the

peculiarities of U.S. Agriculture. How might they establish a program, internal to their organization that might serve as a stimulus to their staff's entrepreneurial activities? In my opinion, such a program should be linked to each firm's attempt to answer each of the questions listed below. In brief, the agribusiness firm could establish a series of informal seminars; each seminar designed to attach, explore, and uncover an answer to one of the questions listed. Participants should be exposed to both teachers and successful practicing entrepreneurs. They should be encouraged to learn by doing, i.e., asked to put together a new venture proposal and be exposed, if possible, to the practical problems experienced when small agribusiness firms attempt innovative programs. The seminars should be multidisciplinary in scope, as the true entrepreneur is likely to be a generalist who can "put it all together." Finally, choose your participants carefully. Staff members attracted to the seminars purely because of the surface glamour of the subject matter area or their desire to accumulate an impressive array of "battle ribbons" for later promotion considerations are to be avoided if possible. Participant interest in entrepreneurial activity should be positive and sincere.

Single-Question Seminars

1. What are the specific social and psychological factors, which encourage or discourage entrepreneurial activity in your firm? This may involve some "bare-your-soul" type expressions, or it may simply involve a listing of grievances or barriers, which serve to suppress entrepreneurship.

2. How might entrepreneurial staff members solicit company support (financial, technical, or operational) for their new ideas? In particular, the participants should consider the existing "delivery system" for new products or services, the type of blockages (institutional, legal, etc.) to their introduction, and means by which the introduction process can be speeded up or made more fluid. Such discussions, however, should not be void of existing or desired "fail-safe" precautions.
3. How do small or medium-sized firms cope with new ventures or new product base? How are such firms unique as it regards the risks and rewards associated with such activity?
4. How does the process of technology-transfer now occur in the agribusiness industry and your firm, in particular? Consider recent examples of where such "transfer" occurred as a result of a perceived need versus a result of its own attributes.
5. What are the root causes for business failures in your industry, and how might this failure rate be reduced?
6. To what extent are potential entrepreneurs suppressed by their own market myopia, i.e., their own inability or unwillingness to look at the big picture and view their firm from a much broader perspective?
7. How does the existing system of rewards and incentives relate to the entrepreneurial actions of individual staff members?

Summary

In the past, semantic differences have clouded the debate over whether or not entrepreneurship is truly a learned phenomenon. This discussion attempts to support the proposition that entrepreneurial activity can be both learned and stimulated. Furthermore, it proposes that the process of teaching and encouraging entrepreneurship within your own firm is both necessary and rewarding. It was shown, however, that the agribusiness industry cannot rely on traditional educational institutions to provide the necessary entrepreneurial infusion attuned to its specific needs. Rather, each firm is encouraged to establish its own internal educational program designed to approach a series of entrepreneurial-related questions.

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