

## “ManiOK-CaÇAVA”

Recherche-action sur leviers pour rendre les chaînes de valeur  
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## COMPETITIVE INTELLIGENCE AND NAVIGATING BUSINESS

Why agribusiness and project management are different and  
consequences for promoting value chain development in Rwanda



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**ABSTRACT : Competitive intelligence and navigating business : Why project and business management are different and consequences for promoting value chain development in Rwanda**

**RÉSUMÉ : Intelligence compétitive et pilotage entrepreneurial : pourquoi la gestion d'entreprises et celle de projets sont différentes et conséquences pour le développement de chaînes de valeur au Rwanda**

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# 1. Introducing competitive intelligence

## 1.1. *Managing a farm in northern Rwanda : the story of Kalisa and Mukesha*

Kalisa, his wife Mukesha and their five children live on a farm in a mountainous part of northern Rwanda. During the year, they mainly produce maize and potatoes. They are eager to improve their living standards. They dream of building a new house in the "Mudugudu" (village) and of sending their eldest son to secondary school (Kabuga high school). They just bought a dairy cow with a bank loan of the Popular Bank that launched a special credit facility. Their ambitions are fuelled by recent improvements of their agricultural production. Kalisa and his wife have started to intensify their farming methods. The family now gets 10 tonnes of potatoes and 2.5 tonnes of maize per season, although their farm does not have 1 hectare. The family still struggles with to find out the best strategy to further improve productivity.



Mukesha



Kalisa

Fertilizer use for maize and wheat is subsidized. It only costs 50% of the normal market price. However, fertilizers seem to be more profitable on potatoes. Should Kalisa use all the subsidized fertilizer on maize or use part of it for potatoes ? To get access to subsidized fertilizer of the Crop Intensification Programme (CIP), Kalisa has to participate in the land consolidation programme that is promoted by the government. Should Kalisa volunteer for land consolidation and join his land with the plots of neighbours? Kalisa hesitates. Like his neighbours, he does not really understand why he should have larger plots and specialize on maize. However, it is a directive of the Ministry of Agriculture and local authorities urge farmers to comply in any case. Many farmers in the valley therefore participate, hoping for a good price for maize. There are uncertainties : last year imported maize from Uganda was even sold for less than 100 FRW/kg.

To prevent low prices at harvest time, the Amizero cooperative, of which Kalisa is a member, has negotiated a supply contract with the nearby Mukamira maize mill (25 km). The contract does however not mention the price a farmer will get and this worries Kalisa. And it is also not clear when the cooperative will pay the farmers. Kalisa there starts questioning the advantages of being a member of the cooperative. Although he paid his dues for three years, he has not got benefits from the cooperative and he does not see how it helps him. Wouldn't it be better to sell his production himself ?

At the start of the current season, farmers received subsidized hybrid maize from the local authorities. Although Kalisa hesitated planting the hybrid maize, he now observes that the crops looks nice and starts giving bigger cobs. However, this maize takes longer in the field, from October to Mai, e.g. well into the second growing season. This implies that he has to forego a second potato crop. This is bad news since potatoes are more profitable than maize.

Would selling fresh maize be an option? It might be profitable. Last year the price of a cob of fresh corn was 80 francs, whereas five cobs were needed for a kilo of dried maize, which was then sold at 150 francs per kg. Selling fresh corn would be new for Kalisa. How and where to sell it? But will last year's prices be maintained if many farmers start selling fresh maize, now that there is bumper harvest coming up? Everybody thinks that the best market for fresh maize is the youth centre of Mutobo and Kigali town (capital city). The problem is that Kalisa does not know these places. How then to go about? Which traders and middlemen can be trusted? Will they pay, when so many promises never materialize?

In trying to find answers to these questions and preparing to sell 1,000 maize ears, Kalisa discovered that the local authorities are forbidding the sale of fresh maize in order to increase the availability of maize flour. They want farmers to sell dried maize to maize mills. The 80,000 francs needed for school fees are now suddenly out of reach. And they need the money before Monday, when the new school year starts.

If they had been informed earlier, Kalisa and Mukesha would have sought alternatives for obtaining the money. Mukesha could have increased her plots of climbing beans, which mature rapidly and easily sell at local markets. Good seeds are reportedly available at the nearby ISAR research centre. Or the family could have decided to concentrate on potatoes, leaving maize cultivation altogether.

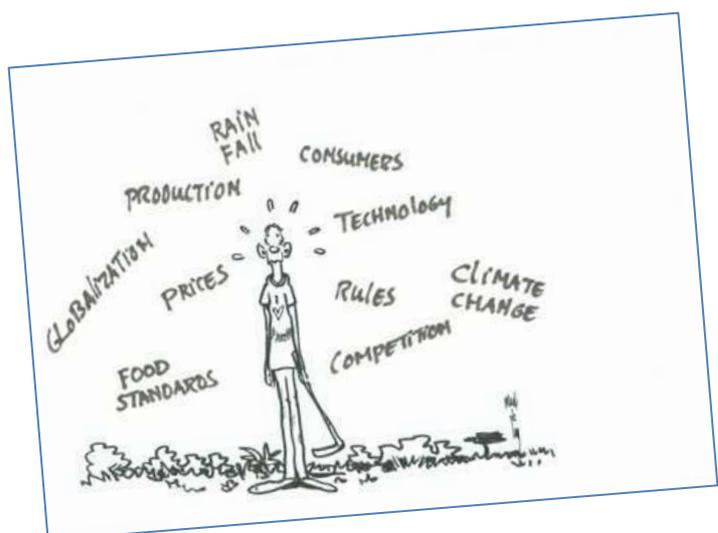
Now, they have to quickly borrow money. But all neighbours have their financial problems and nobody can help them out. The only option is to go to the bank. But banks require collateral and bank procedures take long. And they already have a bank loan for their cow. Would it be an idea to go to the new MFI that is promoted by the government and that just opened its doors, the Umurenge SACCO?

Whatever their strategy, one thing is sure: Kalisa and Mukesha definitely need money to pay the school fees. Other things can wait!

## **1.2. Farmers are entrepreneurs**

The story of Kalisa and Mukesha shows that farmers are exposed to a lot of information that they need to analyze in order to take decisions.

The example of Kalisa and Mukesha shows that these – seemingly – down to earth decisions may have a significant impact on farmer livelihoods and incomes.



### **Farmers are entrepreneurs (or should be ...)**

In today's globalized world, farmers and farms are integrated in markets. For realizing their production, farmers operate on factor markets (seeds, fertilizer, agrochemicals, animal feed, machinery and tools...). After harvest, farmers operate on markets for their products. At different stages, farmers hire labour and at some moments during the year they may sell their own labour. Finally, farmers are clients on markets for support services (credit, insurance, advisory services, transport, ...). Farmers that are not integrated in markets hardly do exist anymore, except maybe for some very isolated areas. Over 85% of the world's 460 million farms are family farms. Family farms thus dominate, also in highly industrialized countries.

In addition to operating in (factor, output, labour and service) markets, farmers take risks. They take risks at the production side (dry spells, floods, pests and diseases, ...). And they take risks at the market side (price fluctuations, transaction risks, default of buyers, ...). Farmers take these production and market risks with the aim to make profits, for the well-being of their families.

Because of their market participation and risks, agricultural producers, even those that are predominantly subsistence-oriented, must therefore be perceived as entrepreneurs. They are part and parcel of the private sector. Whether farmers have an entrepreneurial attitude or have entrepreneurial capacities is however another question.

To improve and maintain the productivity and profitability of their enterprises, farmers should continuously innovate : this is the basis for farmer entrepreneurship. African family farms, like family farms in other parts of the world, are (small) enterprises that operate in dynamic and rapidly changing markets. These markets offer opportunities, but are also full of uncertainties and imperfections. Farmers and their families have to cope with these uncertainties and risks.

### **1.3. Navigating business and competitive intelligence**

#### **Navigating business**

Farmers, and rural agro-enterprises in general, therefore need to constantly gather information to innovate, remain competitive and sustain profits. They need to proactively navigate their business. We define "Navigating business" as steering an enterprise in a dynamic environment.

#### **Competitive intelligence**

To manage his or her business, an entrepreneur needs competitive intelligence. We define "competitive intelligence" as the ability and capacity to know, understand and react on market dynamics, requirements and opportunities, to monitor operational processes and performances and continuously adapt them, to know and relate to other stakeholders to establish collaborative arrangements, and to know and react upon (changes in) the policy and business environment.

This is a long a long definition. The reason is that competitive intelligence has different components :

- Market intelligence: knowing, understanding and reaction on market dynamics, requirements and opportunities.
- Operational intelligence: monitoring operational processes and performances and continuously adapting them.

- Tactical intelligence: knowing and relating to other stakeholders to establish collaborative arrangements
- Strategic intelligence: knowing and reacting upon (changes in) the policy and business environment

#### **1.4. Market, operational, tactical and strategic intelligence**

Entrepreneurs must follow market developments and engage in operational, tactical and strategic monitoring and evaluation. They need to have market, operational, tactical and strategic intelligence to substantiate decisions for strengthening their competitive edge. Below we have a closer look at these forms of competitive intelligence.

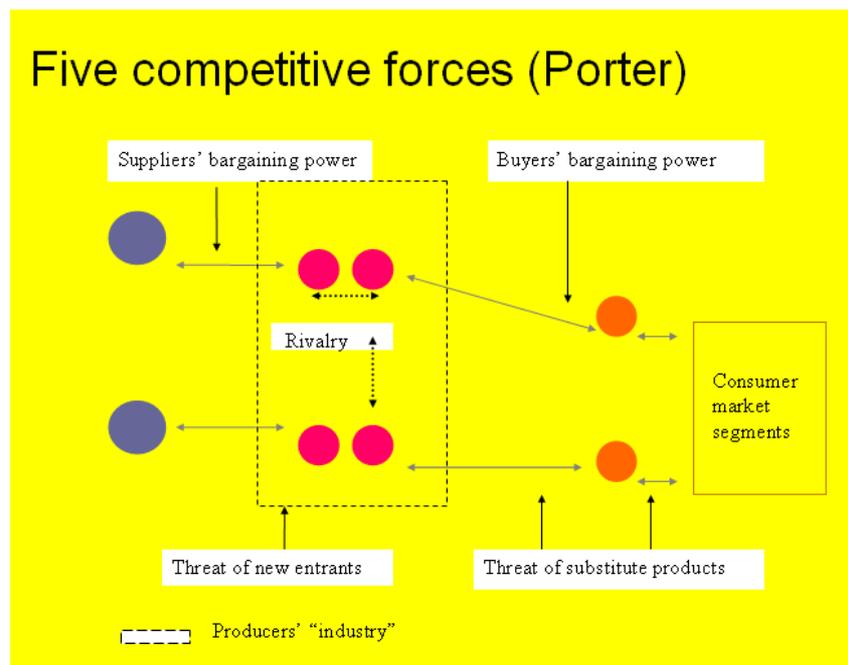
##### **Market intelligence**

Market intelligence refers to awareness and strategizing about market opportunities and risks. Everybody will understand that when you are in business you need to know and follow markets:

- What is the consumer demand and what price or quality do they require ?
- What are the market segments and what are the market channels ?
- Do prices fluctuate ?
- What are the price transmissions along the value chain ?
- Are there other markets than the current one and is there potential for market development ?
- Can the product be adapted to the market demand ?
- Is it possible to acquire production factors better and cheaper through collective procurement ?
- Is it possible to better sell products through collective marketing ?

This long list shows that entrepreneurs should constantly have their eyes cast on what's happening on markets, in order to harness opportunities or to protect their business against risks and threats.

Market intelligence has also a lot to do with competitiveness. Porter distinguishes five competitive forces, entrepreneurs and 'industries' have to deal with. 'Industry' relates to the specific economic activity of the entrepreneur, for instance cassava production or processing. We will shortly describe these forces and provide examples for the cassava production 'industry'



- Rivalry. Within the industry, e.g. the cassava production, there is competition between the cassava producers. Producers have to produce cheaper or have higher quality than others in order to remain competitive.
- Suppliers bargaining power. Cassava producers need production factors. What is the bargaining position of farmers ? Can they influence the price of inputs, for instance through collective procurement ?
- Buyers bargaining position. Cassava producers sell their produce. What is the negotiation power when engaging in different marketing modalities or channels (sale to travelling traders, process yourself and sell chips or flour, sale on local market, ...) Can they influence the price of their produce, for instance through collective marketing ?
- Threat of new entrants. Are other producers, for instance from neighboring zones or countries entering the market ? Is their price lower or quality higher ? What will happen with prices when more produce flows on the market ?
- Threat of substitute products. Consumer eat cassava flour as *fufu*, which can also be made from other crops. Maize flour is for instance a huge competitor for cassava flour ? How to make the cassava flour more attractive for *fufu* consumers and face the competition of substitute products ?

Market opportunities and risks can be discussed within producers' organizations. Farmers can then decide to react together. They can also be discussed among chain operators: how to react together to main the competitiveness of our product in the market? Processors and traders are for instance closer to market dynamics and can provide information to farmers. Also chain supporters and chain enablers can inform chain operators on opportunities and risks.

### **Operational intelligence**

This is about business processes and performance. Entrepreneurs constantly need information about the efficiency of their operations. Can costs be reduced? Are there alternatives to be considered ? An indicator of entrepreneurship is the constant testing new options. In agriculture, entrepreneurial farmers test new varieties, different planting periods, new fertilizer doses, new machinery or new storage methods. And they are eager to participate in farmer field schools, demonstration plots and research trial plots or to read technical leaflets. In the context of operational intelligence, benchmarking is important: how is my enterprise performing in comparison to similar and competing companies (cf. rivalry) ? Operational testing, monitoring and evaluation supports day-to-day management and short-term planning and decision-making. Economic targets, for instance moving from 10 to 15 tons of cassava per hectare, triggers innovation and improved operations. Professional management of operational performance requires the recording of data, for instance costs of production factors and productivity levels. Testing of new options can be done in collaboration with other stakeholders

### **Tactical intelligence**

This is about relations with other stakeholders. Local entrepreneurs operate in dynamic market systems, especially in the agricultural sector. They have many relations with other stakeholders: relations along the value chain (supplier-buyer relations), relations with chain supporters (business-to-business relations with banks, transporters and others) and relations with public sector organizations. In this realm as well, entrepreneurs need to innovate and be proactive. What are potential partners and options for collaboration? How to establish or innovate relations among producers, traders, processors and transporters? Can banks develop more appropriate financial products? How to work together with local authorities? What can development projects

offer? Tactical intelligence thus relates to the positioning of the enterprise in a multi-stakeholder context. It is especially important for maintaining and forming useful alliances and for developing competitive value chains and agribusiness clusters.

To develop profitable alliances and collaboration, it is important to understand the interests and motivations of the 'others'. Especially farmers often have difficulties to understand the functions and realities of traders, processors, financial institutions, local governments (to name but a few).

### **Strategic intelligence**

This is about the policy environment and business climate. Entrepreneurs must constantly be aware of what is happening in the external environment. What are the relevant laws, policies and regulations, and are they changing? What are the tax regulations? What are industry standards and how are these evolving? Are there possibilities for harnessing external support? Answers to these kinds of questions nurture strategic intelligence, which allows enterprises to jump on opportunities and protect their business ventures from threats. Strategic M&E generally has a medium to long-term perspective.

## ***1.5. Analyzing the case of Kalisa and Mukesha***

The case of Kalisa and Mukesha at the beginning of this chapter showed that rural entrepreneurs, in this case a family farm enterprise, constantly face different, and often unexpected, situations. And it comes out clearly that navigating business is highly context-specific and that market, operational, tactical and strategic questions are closely related when making agribusiness management decisions.

Let's therefore have a closer look of the information that Kalisa and Mukesha are using and what they are not using, and how it relates to their entrepreneurial decisions. The table on the next two pages reproduces the results of the analysis that 12 agribusiness coaches from Rwanda, Burundi and DRC made during a training on navigating business in Huye (October 2010).

Looking at the outcomes of the exercise, several issues come out clearly:

- The list of information that is used is long. This means that farmers are already dealing with a lot of information, even if it is in an informal manner.
- There are a lot of decisions to be made. Household composition, family needs, resource endowment and livelihood conditions strongly influence decisions. Small farmers do not take purely economic conditions, but (have to) take social considerations into account (school fees, illness, life cycle ceremonies, ...).
- Policy decisions and developments and uncertainties in the external development have a big impact on household level decision making
- Market, operational, tactical and strategic intelligence must be combined.

The list of missing information (as identified by the participants in the navigating business training) is also long. This means that farmers need to professionalize and collect and analyze data for informed decision making, taking calculated risks, improving efficiency and reduce costs, develop products and markets, collaborate with other stakeholders and, ultimately, have more benefits. In the next chapter, we'll have a closer look to the information needs of cassava farmers and cooperatives.

*Table 1 : Analysis of Kalisa and Mukesha case (Huye, October 2010)*

<b>Information used</b>	<b>Missing information</b>	<b>Entrepreneurial decision</b>	<b>Types of competitive intelligence</b>
<ul style="list-style-type: none"> <li>- Size of household : 7 persons</li> <li>- Size of holding: &lt; 1 ha</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Production and profitability of dairy cow ?</i></li> <li>- <i>Crop-livestock integration ?</i></li> </ul>	<ul style="list-style-type: none"> <li>- Intensify ? Specialize ?</li> <li>- Land consolidation ?</li> <li>- Use of family labour ?</li> <li>- Combining crop and livestock production ?</li> </ul>	Operational
<ul style="list-style-type: none"> <li>- Kalisa is member of cooperative</li> <li>- He paid membership fees for 3 years, but is not satisfied with received services</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Functioning of cooperative ?</i></li> <li>- <i>Service provision and benefits ?</i></li> <li>- <i>Do farmers have to be a member of a cooperative ?</i></li> </ul>	<ul style="list-style-type: none"> <li>- Staying member or not?</li> <li>- Exploring if cooperative can really provide services ?</li> </ul>	Tactical
<ul style="list-style-type: none"> <li>- Production per season</li> <li>- 10 tons of potatoes</li> <li>- 2,5 tons of maize</li> </ul>	<ul style="list-style-type: none"> <li>- <i>No information on milk production, nor on land use for livestock</i></li> </ul>	<ul style="list-style-type: none"> <li>- Combine crop livestock production?</li> <li>- Zero grazing, fodder production, animal feed ?</li> </ul>	Operational
<ul style="list-style-type: none"> <li>- Kalisa family has two major goals: house in Mudugudu and sending eldest son to High School</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Prioritization of goals?</i></li> <li>- <i>Costs and alternatives for investments ?</i></li> </ul>	<ul style="list-style-type: none"> <li>- Do the means of the family allow to realize the (ambitious) goals ?</li> <li>- What are the risks if expenditures are beyond financial capacities ?</li> <li>- Sequencing priority investments ?</li> <li>- Less expensive alternatives for schooling of eldest son ?</li> </ul>	Operational
<ul style="list-style-type: none"> <li>- Kalisa received information on dairy cow loan facility of popular bank</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Size of loan, interest rate, and reimbursement period not known</i></li> </ul>	<ul style="list-style-type: none"> <li>- Kalisa has bought a dairy cow</li> </ul>	Operational and tactical
<ul style="list-style-type: none"> <li>- Conditioned subsidy on fertilizer : to be used on maize and wheat (not on other crops)</li> <li>- Land consolidation</li> </ul>		<ul style="list-style-type: none"> <li>- Participate in land consolidation and grow maize for maize mills with subsidized fertilizer and seeds?</li> <li>- Using (maize) fertilizer on potatoes (not allowed) ?</li> </ul>	Strategic
<ul style="list-style-type: none"> <li>- Fertilizer seems more profitable on potatoes</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Is it still profitable with non-subsidized fertilizer?</i></li> </ul>	<ul style="list-style-type: none"> <li>- Use subsidized fertilizer on potatoes (not allowed) ?</li> <li>- Buy non-subsidized fertilizer for normal market price ?</li> </ul>	Strategic and operational
<ul style="list-style-type: none"> <li>- Hybrid maize takes long in the field (Oct-May)</li> <li>- Extends into next growing season, inhibiting rotation and potato production</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Early maturing maize and its productivity/profitability?</i></li> <li>- <i>Rotation schemes?</i></li> </ul>	<ul style="list-style-type: none"> <li>- Kalisa decided to grow hybrid maize, but now questions it:</li> <li>- Early maturing varieties ?</li> <li>- Lobby-advocacy to grow maize in second season ?</li> <li>- Rotation schemes ?</li> </ul>	Operational and strategic
<ul style="list-style-type: none"> <li>- Price of fresh maize is 80 FRW per ear</li> <li>- One kg of dried maize is 150 Frw; You need 5 cobs for one kg of dried maize, e.g. one ear procures 30 Frw (Directive: forbidden to sell fresh maize)</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Does government fix maize prices, is that part of promotion strategy?</i></li> </ul>	<ul style="list-style-type: none"> <li>- 'Illegal' sale of fresh maize to existing consumer markets ?</li> <li>- Growing maize for maize mill?</li> </ul>	Market, operational and strategic
<ul style="list-style-type: none"> <li>- Kalisa and Mukesha want to improve productivity</li> </ul>		<ul style="list-style-type: none"> <li>- Informing about best agricultural practices</li> <li>- Testing different alternatives</li> </ul>	Operational and tactical

<b>Information used</b>	<b>Missing information</b>	<b>Entrepreneurial decision</b>	<b>Types of competitive intelligence</b>
<ul style="list-style-type: none"> <li>- Supply contract of cooperative with maize mill</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Kalisa does not know the terms of the contract</i></li> </ul>	<ul style="list-style-type: none"> <li>- Getting information on contract contents and conditions</li> <li>- (Through cooperative) negotiate contract terms (price, flexibility, payment conditions...)</li> </ul>	Tactical
<ul style="list-style-type: none"> <li>- Competition from Uganda. Last season, dried maize was sold for less than 100 Frw</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Production costs of Kalisa</i></li> <li>- <i>Production costs Uganda</i></li> </ul>	<ul style="list-style-type: none"> <li>- Reduce production costs in order to face competition from Uganda</li> </ul>	Operational and market
<ul style="list-style-type: none"> <li>- There is a new local MFI (Umurenge SACCO)</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Financial products and conditions are not clear</i></li> </ul>	<ul style="list-style-type: none"> <li>- Look for information on Umurenge SACCO (conditions etc.)</li> </ul>	Tactical
<ul style="list-style-type: none"> <li>- Kalisa has heard that the youth centre and Kigali town are best markets for fresh maize</li> </ul>		<ul style="list-style-type: none"> <li>- Illegal) sale of fresh maize?</li> <li>- Dealing with traders and intermediaries ?</li> </ul>	Market and tactical
<p>Government directives :</p> <ul style="list-style-type: none"> <li>- Sale of dried maize to maize mills (ban on sale of fresh maize)</li> <li>- Subsidized fertilizer is for selected crops</li> <li>- Land consolidation</li> <li>- Participation / membership of cooperatives and Umurenge SACCO encouraged</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Kalisa does not know the risks of non-compliance with government directives</i></li> </ul>	<ul style="list-style-type: none"> <li>- Compliance or non-compliance with directives</li> <li>- Selective choice of interesting elements in set of directives</li> <li>- Non-farm activities ?</li> </ul>	Strategic
<ul style="list-style-type: none"> <li>- Availability of seeds for climbing beans at ISAR research station</li> <li>- Climbing beans easily sell at local market</li> </ul>		<ul style="list-style-type: none"> <li>- Mukesha to grow climbing beans ?</li> <li>- Testing new climbing bean varieties and comparing with other crops ?</li> </ul>	Market, operational and tactical
<ul style="list-style-type: none"> <li>- Potatoes more profitable than maize</li> </ul>		<ul style="list-style-type: none"> <li>- Specialize on potatoes ?</li> <li>- Rotation with beans and other crops ?</li> </ul>	Operational
<ul style="list-style-type: none"> <li>- Financial institutions available to borrow money</li> <li>- Conditions of bank to fulfill (collateral)</li> <li>- Long procedures</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Loan duration and interest rate</i></li> </ul>	<ul style="list-style-type: none"> <li>- Solidarity collateral through cooperative ?</li> </ul>	Tactical
<ul style="list-style-type: none"> <li>- Observations:</li> <li>- Kalisa looks for market opportunities when production is available</li> <li>- Government directives influence marketing options</li> </ul>	<ul style="list-style-type: none"> <li>- <i>Market prospection (partially done)</i></li> </ul>	<ul style="list-style-type: none"> <li>- Reasoning production decisions from market demand (is it possible in the specific context) ?</li> <li>- Explore profitability of selling dried maize: can conditions be reviewed ? Can production cost be reduced ? Can quality be improved ?</li> </ul>	Market and strategic
<ul style="list-style-type: none"> <li>- There is an urgent payment to be done: 80.000 Frw for school fees before next Monday</li> </ul>		<ul style="list-style-type: none"> <li>- Knock on the door of cooperatives, saving and credit association, local authorities ?</li> <li>- « Crédit express » ?</li> <li>- Negotiate payment conditions of school fees ?</li> <li>- Not sending son to secondary school ?</li> </ul>	Tactical

## **2. Information needs of cassava farmers and cooperatives**

### ***2.1. Debriefing workshop on ISAE survey results***

According to a detailed research protocol, students of the Higher Institute for Agriculture and Livestock (ISAE) did a survey among 36 cassava cooperatives and 179 cassava farmers. The sample of 36 cassava cooperatives was spread over three cassava producing provinces (South, East and West). After their field work, the students wrote their research theses successfully defended their thesis at ISAE.

In December 2009, ISAE and WUR-CDI organized a debriefing workshop at ISAE headquarters for all cooperatives that were involved in the survey. More than 80% of the cooperatives responded to the invitation, which is a high score since some had to come from far. The workshop proved to be the first time that so many cassava cooperatives from all over the country met.

The students systematically prepared 4 flipcharts per cooperative for communicating their results. Representatives of the cooperatives could take these sheets with them for debriefing to other members of the cooperatives.

The ISAE survey covered many subjects: basic data on the cooperatives, farmer life histories, access to factor markets, access to produce markets and information management modalities. The article 'Go for information, it won't come to you' presents the survey results on this latter subject (article 5.2). It extensively reports on technical and economic information sources and needs and current information management practices. It strongly comes out that cassava farmers and cooperatives are only very partially 'navigating their business'. This applies for operational and technical issues (cultivated area, use of seeds and fertilizers, ...), and even more so for market and economic issues (productivity, production costs, cost-benefit analysis, ...). It also comes out clearly that farmers and cooperatives are also not very pro-active in the collection of information.

### ***2.2. Identified information needs of cassava farmers and cooperatives***

After the general student debriefing, the workshop continued. It was decided to further explore the use of economic information for navigating cooperative business. The workshop facilitators asked 8 basic questions, of which 5 focused on individual farmers, and 3 on cooperatives. The cooperative representatives worked in groups and exchanged views.

The tables on the next page summarize the findings in key words. Each table has three columns. The first column indicates the basic questions the facilitators asked. The second column summarizes the answers of the working groups and the third column indicates the identified information needs.

## Information needs of cassava farmers

In our view, the condensed overview of workshop results summarize very well the types of information entrepreneurial cassava farmers should have and handle. The identified information needs relate most to operational and market intelligence, but indirectly imply relating with others and operating in the policy and business environment.

Participatory identification of these information needs is a first step for investing in the strengthening of entrepreneurial capacities.

*Table 2 : Identified information needs of cassava farmers*

Questions	Answers	Identified information needs
Why do you farm?	<ul style="list-style-type: none"> <li>- Food</li> <li>- Income/profit</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing production</li> <li>- Planning of production</li> </ul>
When can you sell?	<ul style="list-style-type: none"> <li>- Surplus</li> <li>- Quality</li> <li>- Market</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing what can be sold</li> <li>- Knowing what quality buyers want</li> <li>- Knowing what volume and quality market requires</li> </ul>
When do you produce more?	<ul style="list-style-type: none"> <li>- Produce more per land unit</li> <li>- Good agricultural practices</li> <li>- Quality Seeds</li> <li>- Inputs</li> <li>- Credit</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing productivity per land unit (kg/ha / kg/bee hive)</li> <li>- Having up-to-date technical information on best practices</li> <li>- Knowing and testing varieties</li> <li>- Knowing and testing inputs</li> <li>- Having data for supporting loan request (need to convince banker with reliable data)</li> </ul>
When do you make a profit?	<ul style="list-style-type: none"> <li>- Costs</li> <li>- Price</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing the cost of production</li> <li>- Calculating profit (cost-benefit analysis)</li> </ul>
When do you get a good price?	<ul style="list-style-type: none"> <li>- Timing of production</li> <li>- Quality</li> <li>- Store and sell later</li> <li>- Processing</li> <li>- Bargaining</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing when to produce</li> <li>- Knowing what to produce</li> <li>- Knowing options, costs and risks of storage</li> <li>- Knowing options, costs and risks of processing</li> <li>- Knowing market prices and market fluctuations</li> </ul>

## Information needs of cassava cooperatives

Cassava cooperatives operate at a different level and must focus on service provision to their associated farmer members. The identified information needs are also an agenda for action for strengthening the entrepreneurial capacities of cassava cooperatives. It is remarkable that the identified information needs relate most to tactical intelligence and also to market and strategic intelligence. Operational intelligence in the sense of farming practices does not appear. Cooperative 'operations' relate most to the internal governance and communication.

*Table 3 : Identified information needs of cassava cooperatives*

<b>Questions</b>	<b>Answers</b>	<b>Identified information needs</b>
What can a cooperative do for a farmer?	<ul style="list-style-type: none"> <li>- Access to inputs</li> <li>- Access to credit</li> <li>- Collective marketing</li> <li>- Defending interests</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing the needs for inputs of members and knowing the sellers and prices of inputs</li> <li>- Knowing lending conditions of banks and IMF's</li> <li>- Knowing surplus of members and timely relate it to market demand</li> <li>- Knowing concerns of (different groups of) members</li> </ul>
What makes a cooperative effective?	<ul style="list-style-type: none"> <li>- Member consultation and participation</li> <li>- Good governance</li> <li>- Financial management</li> <li>- Collaboration with others</li> <li>- Good services to members</li> </ul>	<ul style="list-style-type: none"> <li>- Knowing characteristics of members</li> <li>- Assessing governance practices</li> <li>- Registering and analyzing financial data</li> <li>- Knowing opportunities of working together with other organizations</li> <li>- Assessing member satisfaction</li> </ul>
What makes a cooperative smart?	<ul style="list-style-type: none"> <li>- Innovation</li> <li>- Specialization</li> <li>- Competitiveness</li> <li>- Up-to-standard</li> <li>- Harnessing opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Testing new things</li> <li>- Being more performing than others (higher productivity, lower price, better quality)</li> <li>- Knowing competitors and markets</li> <li>- Knowing laws and regulations, standards</li> <li>- Knowing agricultural development initiatives of government, donor programs and NGO projects</li> </ul>

### **2.3. The need to improve capacities to navigate business**

People like Kalisa and Mukesha are farmers – rural entrepreneurs – that try to balance farming for food and farming for markets, in order to get a better standard of living. They try to increase the productivity and efficiency of their agribusiness (the farm) and earn better incomes.

This also applies for the 700.000 cassava farmers of Rwanda. These are also small entrepreneurs operating on different markets and taking production and marketing risks. ISAE survey results make it very clear that the capacities for navigating business and competitive intelligence are rather weakly developed. So the big conclusion is that small farmers are entrepreneurs by definition, but they aren't really in practice. Their entrepreneurial capacities are weak, meaning that farmers' efforts of improving livelihoods through agro-economic activities are not always that successful.

Many Government, donor or NGO-funded development projects and programs aim to support rural farmers to climb out of poverty. According to our analysis, this would imply that these projects and programs should invest in strengthening capacities to navigate business and improving competitive intelligence.

That's why in the next chapter we turn to an analysis of the differences between (agri)business management and project management.

### 3. The differences between project and business management

#### 3.1. Project and business management: fundamentally different

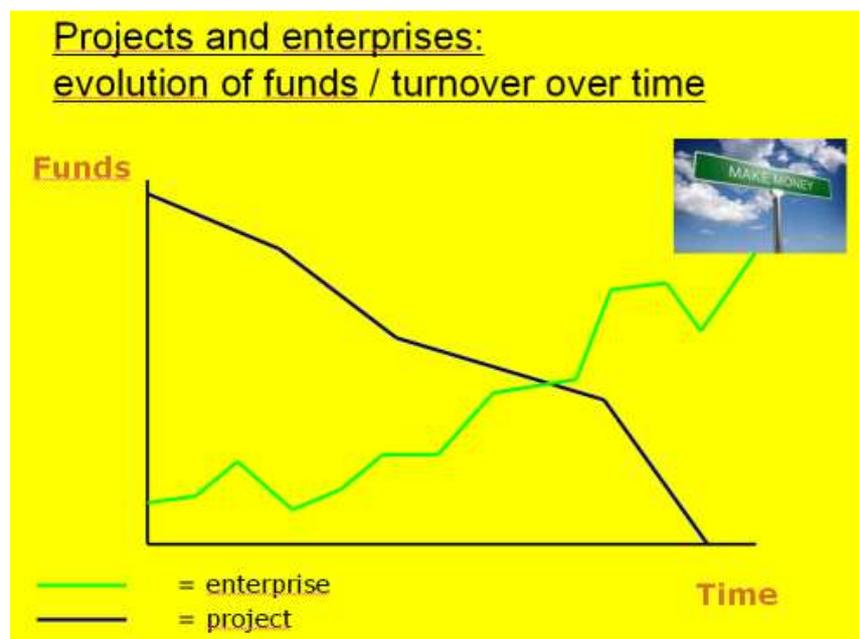
##### Project management

How do development projects operate? Normally, a project document is the starting point. It indicates output, outcomes and impact that are to be obtained, and the activities that lead to them. This generally described according to a logical framework. The budget enumerates planned expenditures. Project managers who are responsible for implementation develop operational plans, define implementation modalities and recruit project staff. Donors expect that by the end of the project the budget is spent and goals are attained. During the implementation process, project management has the obligation to regularly report to the donor. Project teams therefore develop project monitoring and evaluation systems and collect information on the indicators set out in the project document. M&E costs are part of the project budget.

##### Agribusiness management

Managing agribusiness is a different story. Entrepreneurs start off with business ideas and initiatives. They mobilize their own funds or take bank loans to achieve their economic objectives. Over the years, turnover and profits are expected to grow. The information needs of agribusiness enterprises are multiple and evolve as the business unfolds. Monitoring and evaluation is an expenditure that needs to be earned back. This does not mean that entrepreneurs (both large and small) do not invest in M&E - they do, although sometimes with very limited means. Through 'light', flexible and generally informal M&E systems, they keep track of activities, earnings and expenditures, and identify opportunities and risks.

The figure visualizes the fundamental difference between project and agribusiness management: projects start with an approved budget that is spent during the project duration. Agribusiness ventures start small with the initial capital of entrepreneurs, with the aim to make profit and increase turnover.



### Joint objectives, but large differences

Both small farmers and development projects aim at food security, higher incomes and secured and sustainable livelihoods. Although the aims are the same, the process of managing an agribusiness is quite different from managing a development project. Local entrepreneurs have different information needs than project managers. And monitoring and evaluation of development projects (project M&E) fundamentally differ from monitoring and evaluation of agribusiness ventures (entrepreneurial M&E).

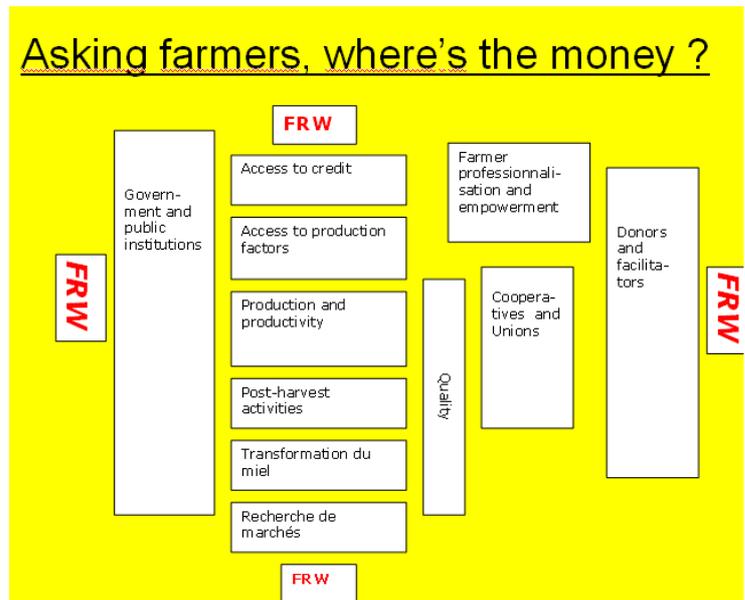
The table below summarizes the major differences between project and entrepreneurial M&E.

*Table 4: Major differences between project and agribusiness management*

<b>Parameters</b>	<b>Project management</b>	<b>Agribusiness management</b>
Sources of funding	- External funds ('cold money').	- Own funds and/or bank loans ('hot money'). -
Goals	- Public good, typically poverty reduction	- Benefits for enterprise: profit, competitiveness
Indicators	- M&E indicators in project document (log-frame)	- M&E mostly informal (small entrepreneurs). - M&E indicators in business plans, to convince banks and inform business partners
Planning and implementation process	- Annual activity plans based on project document, - Time-consuming planning and budgeting process - Implementation of activities quite rigid	- Generally 'light' planning documents (if any) - Incremental investment and adaptive decision-making - Implementation reacts on operational performance, market constraints opportunities and competition, possibilities for collaboration and changes in policy and business environment
Motivation for M&E and learning	- Upward accountability to funding agency - Learning focused on project staff and project implementation	- Accountability to management, shareholders or members, and business partners (including banks) - Learning focused on strengthening performance and competitive position
Monitoring costs	- M&E is part of project budget	- M&E part of operational costs of enterprise, have to be earned back
Reporting	- M&E reports (surveys, data analysis, evaluations) - Extensive progress reports - Project activities, budget use and results extensively reported.	- Regular face-to-face exchange within enterprise and with business partners - Written reports focus on operational and financial performance

### 3.2. Consequences for entrepreneurial outlook

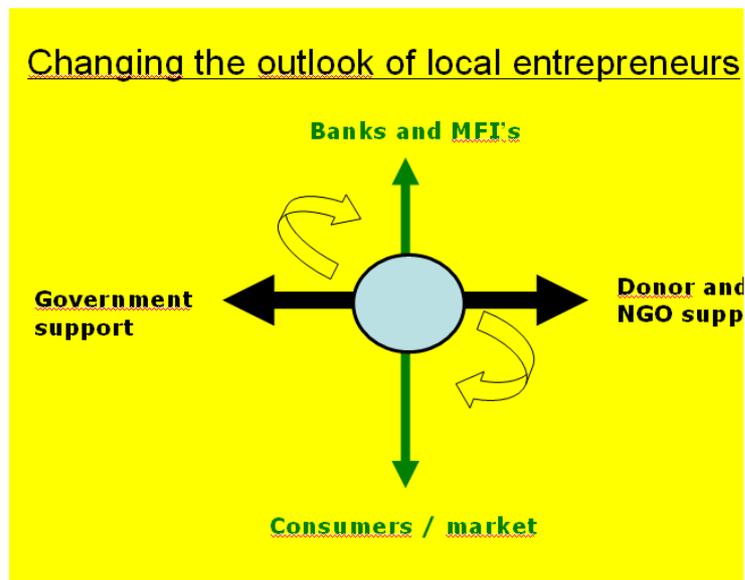
Development projects and programs are the major intervention modes for agricultural development promotion. This has impact on farmers perspectives. At different occasions, after having established the market system with metaplan cards, we asked agribusiness actors (mainly farmers and SME's): 'where is the money ? Having done this now in different settings and for a variety of value chains, both in Rwanda and other African countries, we can assert that the first answers are almost without exception : 'Government' or 'Donors'. This shown with the somewhat larger 'FRW' cards in the figure to the right.



Asking further, the third answer that comes out is : 'Banks'. It then generally takes some more time to get the fourth answer: 'Consumers' or 'Market'. These third and fourth answer are shown with somewhat smaller 'FRW' cards. At some occasions, farmers also mentioned 'Our cooperatives', e.g. member contributions to the cooperative.

We think that the results of these exercises, generally done in training and coaching situations, are very telling. Farmers and other entrepreneurs operating on and around value chains have the reflex to look at Government and donor support. This affects own initiative. Without wanting or knowing it, external support programs, which generally perceive and treat rural populations as beneficiaries or target groups, are hampering agribusiness initiatives and innovation. In our view, this has negative consequences for agricultural development.

African agricultural development is at the crossroads. For moving into the direction of sustainable development and creating agro-economic dynamics that are fuelled by real market engagement, not less than a 180 degree change is necessary. This is visualized in the figure to the right. The big challenge is to change the outlook of local entrepreneurs. Instead of looking at Government and donor support, they would need to look at markets for sustainable income and at financial institutions for investments and activity budgets.



This change will of course take time. Habits, both at donor and receiver side, have been created over the past 50 years. These will not disappear overnight. Nonetheless, we better start changing today, but is it possible ?

A transition period is definitely needed. During this transition period – during which the development aid as we know it today is likely to be phased out – the challenge is to harness public funds for promoting entrepreneurship and agribusiness development.

We may have confidence that change is possible. When discussing the differences between project and entrepreneurial PBME, participants generally agree that “Project money is cold money, your own money is hot money, so you care more about it”. And people are also aware that the logic of projects and the logic of agribusiness are diametrically opposed : “Project funds should be spent by the end of the project period, so you move from a lot of money to zero. In the case of agribusiness, your investment should grow by making profit, so the initial (small) investment should grow into a larger capital”.

## **4. Conclusions and suggestions : making the connect**

### **4.1. Principles for making the connect between publicly funded development programs and agribusiness development**

Project managers operate according to the current rules of game of the 'donor industry'. Farmers and agribusiness managers operate on factor, labour, produce and service markets. The donor industry however distorts these 'real markets'. Is it possible to relate these different worlds? Is it possible to make the connect between development programs and agribusiness development ? And if so, how ? In other words: What can agricultural development projects do to strengthen the competitive intelligence, e.g. the capacities of local entrepreneurs to navigate their business ?

Based on the argumentation in this paper and experiences with bottom-up agribusiness development processes<sup>1</sup>, we suggest five basic principles :

1. Treat private actors in the agricultural sector as entrepreneurs. That's what they are. Projects should not treat them as 'target groups' and 'beneficiaries'. That is what keeps farmers and other local entrepreneurs in a passive role.
2. Take local entrepreneurial initiatives as a starting point and focus on clear economic objectives. Convergence of objectives of entrepreneurs and development projects is possible. An innovative project may cumulate the economic objectives of local entrepreneurs and agribusiness clusters to formulate their impact objectives. It is then possible for both local entrepreneurs and development projects to orient their efforts towards the same clear economic objectives. These objectives can be stated in terms of higher production, improved productivity, better quality, good agricultural practices, more processing activities, product and market development, turnover and benefits. Both the agribusiness and project partners that support them navigate on these economic impact indicators.
3. Recognize that development projects and programs handle public funds and have to be accountable to the fund provider and ultimately to tax payers. This is valid for Government and donor funded projects and programs. The monitoring and evaluation of project activities, budget use, outputs, outcomes and impact is the responsibility of project management.
4. Recognize that entrepreneurs need a lot of information to navigate their business. Gathering, analyzing and acting upon this information is their responsibility.
5. Support the development of 'competitive intelligence' of local entrepreneurs. This requires tool development and harnessing the services of local capacity builders.

### **4.2. Designing innovative programs that support rural entrepreneurship and agribusiness development**

Different projects and experiences in Africa suggest that designing development programs according to these 5 principles makes it possible to take the entrepreneurial mode of operation as the reference, strengthen the competitive intelligence of local entrepreneurs and meet the information needs of public development programs.

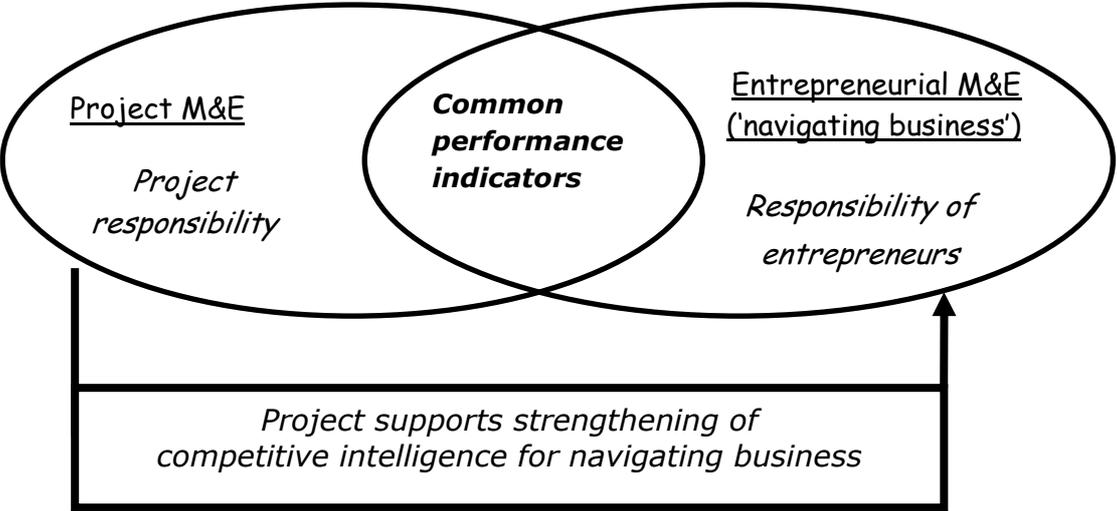
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<sup>1</sup> Experiences of 1000+ project in West-Africa (IFDC), Catalyst project in Great Lakes region (IFDC) and promotion of rural entrepreneurship programs in several African countries (Agri-ProFocus)

These principles have important consequences for donors and development organizations and for project design and implementation modalities. Agricultural development projects need to be flexible and have a limited number of (key) economic impact indicators. This requires a change of attitude among donor organizations. The mentioned projects and experiences in Africa benefited from a flexible and innovative donor that accepted a process-oriented approach.

Another consequence for project design is to anticipate on significant human and financial resources to develop the competitive intelligence of local entrepreneurs. Good business navigation skills and competitive intelligence of local entrepreneurs is essential for achieving the common economic objectives of both the agribusinesses and the agricultural development projects. Investing in navigating business capacities is therefore perfectly justifiable.

The figure below schematically shows how the five principles are integrated in the design of a development program that supports of local entrepreneurs in achieving their economic objectives.



**4.3. Conclusion**

There are fundamental differences between project M&E and entrepreneurial M&E. Acknowledging these differences can contribute to innovation in agricultural development cooperation. The agricultural sector is largely made up of entrepreneurs, both large and small: producers, input dealers, seed multipliers, traders, processors, transporters, banks, business development services (...). To manage a business in dynamic environments (“navigating business”), these entrepreneurs need to have the ability and capacity to analyze and act upon market opportunities and risks, monitor enterprise processes and performance, relate to other stakeholders and read the business environment (“competitive intelligence”).

Five basic principles would make it possible to better relate the information needs of development projects to those of local entrepreneurs that are involved in agribusiness ventures.