



Towards redefining and making relevant the concept of entrepreneurship to smallholder agriculture: evidence from Makhathini and Ndumo B, KwaZulu-Natal, South Africa

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What do we know?

The performance of smallholders is below expectation

INVESTMENT



Establishment of irrigation schemes

Infrastructure development

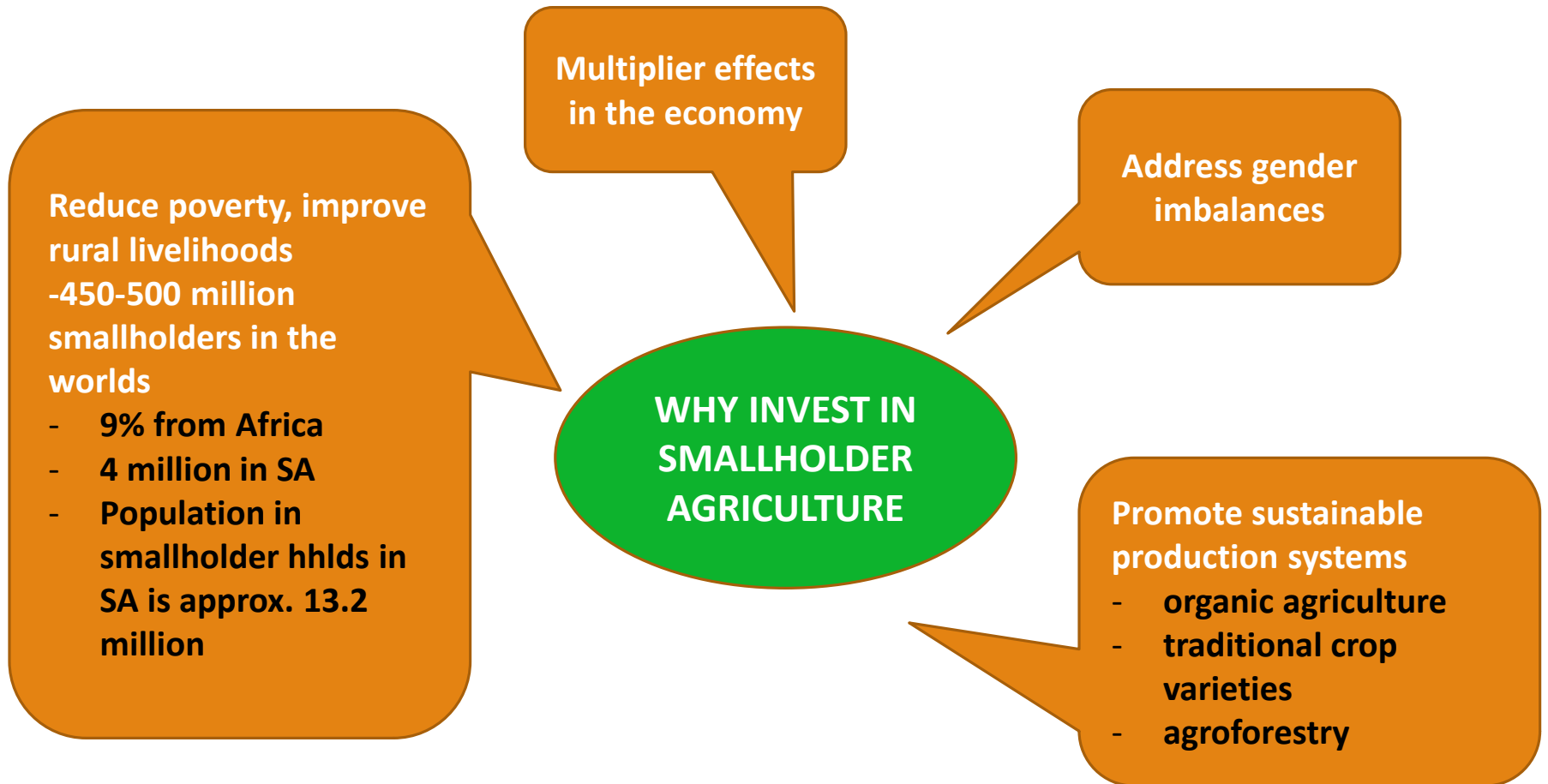
Programmes for improving access markets and finance

Technical support and training



Development of human capital and social capital beyond the technical skills

Background



- Wealth at the bottom of the pyramid (Prahalad, 2005)
- For all these and other reasons, general consensus on public investment in smallholder agriculture (Wiggins et al., 2010; Larson et al., 2016)

Background

Rural development discourse in SSA often place entrepreneurship at the center – also SA. For instance,

- According to Juma and Splieman (2014), the future of farming in Africa is synonymous with the future of rural entrepreneurship & there is proven but untapped potential among smallholders in Africa
- Unlocking entrepreneurship in agriculture is fundamental for poverty reduction, food security, economic growth, unemployment & sustainability (SA National Development Plan 2030; Vesala & Pyysiäinen 2008; Díaz-Pichardo et al. 2012; Kahan 2013; Rukuni, 2011)
- The literature is thin but what does all this really mean to smallholders? How do we conceptualize and apply it in smallholder farm management and policy?



Purpose and data

The purpose:

- Examine and validate the relevance and applicability of the mainstream concept of entrepreneurship for smallholders and assess the implications for policy

The data

In and around the two irrigation schemes: Makhathini and Ndumo-B in Jozini, uMkhanyakhude district

- Questionnaires - 328 smallholder farmers interviewed (scheme irrigators (109), independent homestead gardeners (58), independent irrigators (70), community gardeners (46) and non-irrigators (45); Makhathini (216), Ndumo - (112)
- At least 8 focus group discussions



Entrepreneurship definitions – do they speak to smallholders?

Source	Definition
Businessdictionary.com	The capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit.
Schumpeter (1934) Schumpeter (2005)	Creative destruction, i.e. willingness and ability to convert a new idea into a successful innovation (Schumpeter, 1934) A change agent (Schumpeter, 2005)
Rukuni (2011)	Seeing and exploiting opportunities (unmet market needs or gaps), the courage to act, do new things never tried before, and being innovative and creative.
Herrington (2011, p116)	‘Starting a new business venture using limited resources’
Maluleke (2016)	It is about risk-taking, innovation, seizing opportunities, efficiency, profitability and corporate citizenship
Sinh (2013)	An individual who recognizes an opportunity or unmet need and takes risk to pursue it
Dollinger (2008)	Management and utilization of resources to create innovative economic organization for profit or growth in a risk and uncertain environment
European Commission (2003, p7)	‘A mindset and process to create and develop activity by blending risk-taking, creativity, and innovation with sound management, within a new or existing organization’
Frederick and Kuratko (2010, p11)	‘Dynamic process of vision, change, and creation’
Allen (2015)	A mindset that is opportunity focused, innovative, risk-taking and growth-oriented

Entrepreneurship definitions - do they speak to smallholders?

Salient features of the concept derived from these definitions:

- Innovation or creativity, new ideas & practices,
- Risk-taking & tolerance for potential failure,
- Internal locus of control: self-reliance, independence,
- Motivation, determination & persistence,
- Business mind-set: value addition & profit,
- Seizing an opportunity - unmet need,
- Strong drive to succeed, positive mind-set (Singh, 2013) &
- Embracing and managing change (Singh, 2013)



One has to be **at odds with the *status quo*** to be an entrepreneur.

Then do something about it

Entrepreneurship definitions - do they speak to smallholders?

Are those features applicable to smallholders?

Risk-taking propensity

- Smallholders are boundedly rational (Simon, 1955; Boahene, 1996) and risk averse - limited access to info, limited capacity to absorb potential shock, etc
- Results show a lack of willingness to diversify in high-value crops; a third do not actively seek for credit of fear of getting indebted

External, not internal locus of control and self-reliance

- They must perceive that the outcome of an event is within their personal control (Bradstock, 2006; Vesala *et al.*, 2007)
- Most smallholders in the two areas have an **external locus of control** - someone else, particularly, the govt is responsible for their success or failure (**similar to Preisendörfer *et al.*, 2012**)
 - 37% of the farmers believe that govt has to pay for irrigation water
 - Again field experiences - service plan for scheme
 - Many are not willing to pay for maintenance? cost recovery? *Etc.*



Entrepreneurship definitions – do they speak to smallholders?

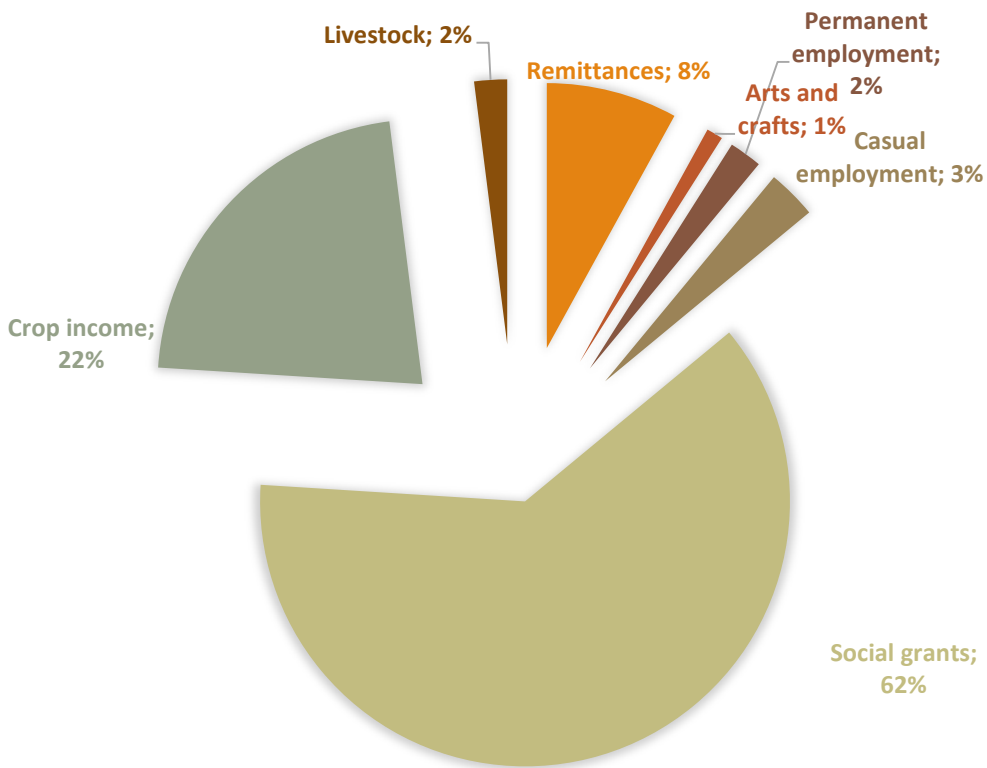
Are those features applicable to smallholders?

Motivation - the driving force for entrepreneurial spirit (Renko *et al.*, 2012; Zimmermen and Chu, 2013) is missing.

- Half (50%) of the sampled farmers revealed that they are into farming not b/c they have chosen to be but b/c they do not have anything else to do – ‘opportunistic farming’
- Unearned income (mainly social grant and remittances) is reducing recipient households’ entrepreneurship drive and incentives to engage in income-generating economic activities



Entrepreneurship definitions – do they speak to smallholders?



- 82% are social grant beneficiaries
 - 52% reported to have earned income
 - Only 10% of the hhlds are earning all their income
 - 28% hhlds are totally dependent on social grant
- (Similar to other studies - Eastwood et al., 2006; Tshuma 2012; Sinyolo *et al.* 2017)

- How can one expect them to be self-confident let alone entrepreneurial?
- How can incentives work? How can one expect them to put effort into a livelihood strategy that is not the source of most of their living?
- How can we expect them to consider themselves as farmers, mobilize resources and exert the necessary effort?
- How can we make them believe that their own destiny is in their own hands? How can one expect them to have internal locus of control?

In sum, smallholder farming is taken by smallholders as a supplement or 'top-up'

Entrepreneurship definitions – do they speak to smallholders?

Are those features applicable to smallholders?

Business mind-set?

- Smallholders in SSA need to be more business-oriented (Conway, 2014)
- Farming as **a way of life, not business**; also in India (Bhardwaj and Singh, 2015)
 - Only 27% farm for income; the rest for food, self-employment and family member employment, leisure (keeping themselves busy; exercise *etc.*);
 - Half of them (50%) do not distinguish farm from family operations;
 - Only 22% keep records albeit inconsistently
- **Satisficing and survival maximizing behaviour**, not profit maximization - action is terminated when that drive is satisfied (Kahan, 2012)
 - Income levels & food requirements - not written but in mind - if they think that they are met, they tend to reduce their effort – like a student aiming for a 50% mark
 - 40% put more weight on short-term instead of long-term benefits

None of this behaviour is in line with
seizing opportunities

Entrepreneurship definitions - do they speak to smallholders?

Are those features applicable to smallholders?

Indigenous knowledge, not mainstream innovation theory

- Of course, smallholders can be innovators (Sanginga, 2009; Lorentzen, 2010)
- However, their innovation is neither motivated by value creation nor profit but by the need to cope with challenges in farming, what Lorentzen (2010) calls ‘**scarcity induced innovation**’
 - Eg. In Makhathini, farmers mix a detergent (sunlight liquid), garlic, chillies and water, and use it to spray their cabbage as a herbicide.
- Such innovations are largely undocumented (Lorentzen, 2010), under-appreciated (QUNO, 2015)
- The Schumpeterian ideas of innovation and creative destruction do not the African smallholders (Juma and Spielman, 2014) - SA included
- Unless its applicability is interrogated, research recommendations and policies will remain irrelevant and out of touch



Entrepreneurship definitions – do they speak to smallholders?

Are those features applicable to smallholders?

Entrepreneurial environment in rural SA

- In addition to poverty of the entrepreneurial spirit (internal), rural devt challenges (external) that have locked the spirit in study areas include:

- access to credit, access to markets, quality of services (training, extension), etc

- In sum, most smallholders are not able to come out of the poverty trap not only because their livelihoods are out of their hands but also because of market failures, institutional/gvt failures and poverty of services they receive.

- **THE CONCLUSION FROM ALL THIS ANALYSIS**

- smallholders' choices and decision making behaviour do not conform to the ideals of mainstream entrepreneurship - applicable to industrial corporate large businesses

- Their responses, decisions and behaviour are by and large in line with the predictions of behaviour economics and not neoclassical ideology.

- However, this does not mean that smallholders cannot be entrepreneurial but it necessitates the need to redefine the concept for application and relevance in their context.

Redefining the entrepreneurial smallholder

- For smallholders, entrepreneurship is a **mindset** referring to the question of taking one's destiny in their hands
 - Although changing smallholder mindset takes time, it is the primary step for unlocking on-farm entrepreneurship.
 - Yes, they can be supported, but in the long-term, smallholders must handle their farming activities in their own hands, collectively or individually
- Entrepreneurship for smallholders “**their willingness and ability to take advantage of available opportunities and resources (including IK), given the prevailing constraints**” - a continuum concept
- An entrepreneurial smallholder - **an individual willing and able to do whatever he/she can and take advantage of available opportunities with what he/she has given the prevailing constraints.**
 - can see a constraint as a challenge rather than a problem,
 - a problem is pessimistic (negative) and permanent while a challenge is optimistic (positive) driven by hope and enthusiasm
 - internalizes challenges / solutions, rather than externalising them.

Conclusions and policy implications

To improve understanding of smallholder farmers and enhance their entrepreneurial potential there is need to:

- **Integrate psychological capital** (goes beyond human capital - “what you know” and social capital - “whom you know” to “who you are”) and **behavioral economics** (the study of how real people make choices) to explain on-farm entrepreneurship
 - The two concepts can be used to improve policies and programmes targeting smallholders
- Policy should **recognize and embrace indigenous knowledge** as a form of innovation important to smallholder farming
 - Nurturing, documentation and sharing to benefit others
 - Some local innovations have potential to grow into business ideas - explore patenting and partnerships with the private sector
 - Government to ensure farmer interest are protected in all these arrangements

Conclusion and implications for policy

- Changing small farmers' mind-set starts with changing their income structure to make them earn most of their living
 - Government and other stakeholders **should encourage and reward effort and hard work** instead of a culture of dependency.
- There is need to **embrace the heterogeneity of smallholders** because this allows the recognition that they are at different levels in terms of their entrepreneurial spirit
- Programmes promoting entrepreneurship should **target the few successful and entrepreneurial farmers** so that their success can influence the rest, get scaled-up and multiplied

Conclusion and implications for policy

- Government and stakeholders should make efforts to **create an environment that cultivates smallholders' positive psychological capital and entrepreneurial spirit**
 - An environment that make farmers more confident, optimistic, resilient and hopeful
 - Policies, institutions and services should be well-prepared to support the entrepreneurial smallholders
 - E.g. transformation is needed in agricultural extension, commercial lending, high-value food markets, infrastructure – roads, electricity, etc

**LET'S HELP CREATE
SMALLHOLDERS WHO SAY 'I
CAN DO IT' and 'I AM READY
TO FACE CHALLENGES'**





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