Entrepreneurial Opportunities and Role of Capability Approach in Agribusiness: Evidence from Sri Lanka

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Author’s contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

ABSTRACT

Development of agribusiness sector entrepreneurship is one of the critical pathways to obtain high economic growth, poverty reduction and environmental protection in developing countries. Gaps remain towards understanding the entrepreneurial behaviour in agribusiness in developing countries. This is driven for research opportunity to underlines the formation of farmers’ entrepreneurial behaviour, with a particular focus on the development of farm entrepreneurship in developing context. Drawing upon the capability approach, the study examines what capabilities influence to explore opportunities and implement them into action and how those identified capabilities influence entrepreneurship growth in agribusiness sector in Sri Lanka. The study adopted an inductive qualitative case study approach to gathering data from the farmers. The analysis produced 17 actions denoted by the selected farmers. These 17 actions were then related to 04 pillars of capabilities conceptualized by literature; organizational learning, communication, sharing and exchanging knowledge and technological capabilities. Drawing upon the capability approach to explore capabilities that require to pursue and develop entrepreneurial opportunities, this study is offered a new perspective on entrepreneurship theory. The study was the cross-sectional and it was only about three cases, signifying a need to include other agribusiness sectors for further contextualizing the results.
Keywords: Entrepreneurial opportunity; capability approach; agribusiness; developing context; qualitative study.

1. INTRODUCTION

Entrepreneurship is one of the active driving forces to combat with the challenges of ongoing market globalisation and uncertainties [1,2]. Entrepreneurship has therefore been recommended as a possible path to move up the socioeconomic ladder [3,4] through the transformational role that entrepreneur plays in creating economic values [5]. Accordingly, entrepreneurialism has become a critical aspect in the agricultural sector since the society as of today owes much to agriculture. As the oldest and the most extended form of economic endeavour of human society, agriculture is not usually viewed as an entrepreneurial sector [6,7].

In developed context, literature offers case studies, circumstantial shreds of evidence and empirical investigations to understand entrepreneurship in agricultural sectors [8,9,10,11]. However, investigations on farmers’ entrepreneurial behaviour are scarce in developing context [12,13,7,14]. This might be occurred due to the negative image of agriculture in developing countries where agriculture is generally viewed as a non-innovative sector [6].

As economic changes, the agriculture farmers have to be focused on innovation, risk taking and the leadership. It is arguable that the development of agriculture sector entrepreneurship is one of the critical pathways to obtain high economic growth, poverty reduction and environmental protection in developing countries [6]. Despite the importance of the emergence of farm entrepreneurs, gaps remain towards understanding the entrepreneurial behaviour of farmers in developing countries. This is driven for research opportunity to underlies the formation of farmers’ entrepreneurial behaviour, with a particular focus on the development of farm entrepreneurship in developing context. As Roscoe [15] indicated, an opportunity has become the central concept in entrepreneurship. Entrepreneurs simply have better ‘eyes’ than the rest of others. The essence of entrepreneurship is to identify and exploit entrepreneurial opportunities which others do not see [16]. This is what Sarasvathy [17,18] specifically mentioned where the entrepreneur is responsive, always alert to the opportunities presented by changing resources, seen regarding human capital and social relationship: who I am; what I know; and whom I know. According to Sarasvathy, the entrepreneur must be reactive to all of these variables, and new ventures/process/product are shaped accordingly. Entrepreneurs build new ventures from the resources available to them [15].

Hence, it is more important to explore opportunities and implement them into action to build up the competitive urge of entrepreneurs in farming. The capability approach focuses on the functioning or living conditions of individuals, which are defined as what people can or cannot do or what they can or cannot be [19]. Further, the approach is more concerned with the ability or capacity of persons to achieve freedom of development [20] in the sense of entrepreneurial development.

Concerning the prior studies in entrepreneurship, majority of studies have examined what entrepreneurs do in the complex economic arenas. However, a small number of studies have examined the potential of the individual to pursue entrepreneurial opportunities [21] and how they pursued those opportunities into the growth of firms. The present study thus attempts to address this research gap by drawing direct attention into capability approach to examine what capabilities influence to explore opportunities and implement them into action and how those identified capabilities influence entrepreneurship growth in agribusiness sector where research is scarce in this sector.

As Roscoe [15] indicated, an opportunity has become the central concept in entrepreneurship. In here, authors argued that entrepreneurship focuses on the centred opportunity which addresses why, when and how opportunities come into existence; why, when and how some people and not others discover and exploit opportunities; and why, when and how different actions are used to exploit opportunities. This is what Sarasvathy [17,18] specifically mentioned where the entrepreneur is responsive, always alert to the opportunities presented by changing resources, seen regarding human capital and social relationship: who I am; what I know; and whom I know. According to Sarasvathy, the entrepreneur must be reactive to all of these variables, and new ventures/process/product are shaped accordingly. Acknowledging that, McElwee [22] identified two categories of farmers
naly farmer as an entrepreneur is innovative and opportunity-driven and individuals are motivated by pull factors (opportunities).

The development of farm entrepreneurship is necessary since entrepreneurial farmers are those who are driven by growth, innovation, profit or the desire to improve the condition of their family's social standing [23]. Hence, it is more important to explore opportunities and implement them into action to build up the competitive urge of entrepreneurs in farming. Thus, this study employs the capability approach [24] to examine what capabilities influence to explore opportunities and implement them into action and how those identified capabilities influence farmer entrepreneurship growth. The capability approach focuses on the functioning or living conditions of individuals, which are defined as what people can or cannot do or what they can or cannot be [19]. Further, the approach is more concerned with the ability or capacity of persons to achieve freedom of development [20] in the sense of entrepreneurial development.

According to Roscoe [15], the prior studies in entrepreneurship examined what entrepreneurs do in the complex economic arenas. However, a small number of studies have examined the potential of the individual to pursue entrepreneurial opportunities [21] and how they pursued those opportunities into the growth of firms. The present study attempts to address this research gap by drawing direct attention into capability approach to examine what capabilities influence to explore opportunities and implement them into action and how those identified capabilities influence entrepreneurship growth in agribusiness sector where research is scarce in this sector. Drawing upon the capability approach to explore capabilities have to pursue and develop entrepreneurial opportunities, this study is offered a new perspective on entrepreneurship theory.

2. LITERATURE REVIEW

2.1 Entrepreneur Farmer

Acknowledging the prior definitions of entrepreneurship and looking at the core features of today’s commercial agriculture, Adhikari [6] bring the agricultural perspective into entrepreneurship research debate. Accordingly, the authors propose an entrepreneur as a change-oriented and value creating entity willing to embrace innovation to capitalise on opportunities. In here, the authors argued that attitudes and behaviour towards change-orientation, value creation, innovation and utilising opportunities are critical characteristics of an entrepreneur farmer. However, this definition ignored the risk-taking feature of an entrepreneur. The authors believed that the farmers are risk averters than risk-takers.

Vesala [25] highlights the three dimensions that can be considered when defining farmers as entrepreneurs, namely risk taking, growth orientation and innovativeness. Risk taking is the willingness to bear the state of uncertainties caused by failures. There are three types of risk involved, such as business risk, financial risk and personal risk [26]. However, entrepreneurs do not accept all risks; rather they choose to accept the related risks relevant to their particular goal(s). Growth orientation refers to the aim to expand the business activities and growth of the firm. Innovativeness is the willingness to search, develop and try new products, markets or methods. Thus, entrepreneurs seek change and innovation concerning creating new and unique processes, transforming raw materials into resources or using more productive ways to combine existing resources [26]. McElwee [22] and Naminse [20] defined entrepreneur farmer as an individual employed either on full time or part-time basis in farm activities (soil cultivation, crop growing, and livestock rearing) and non-farm activities (market seeking, customer handling) undertaken for profitable gains.

Concerning the typical characteristics of entrepreneurship derived from the entrepreneurship researches [6,27,26,22,25], the present study expands the definition of entrepreneur farmer developed as an individual employed either on full time or part-time basis in farm and non-farm activities, whom has change-oriented and value creating entity willing to take risk and embrace innovation, regard on resources, product, process and market, to capitalize opportunities.

2.2 Entrepreneurial Opportunity (EO)

Opportunity identification is a vital concept in entrepreneurship research. Opportunities define as a stream of continuously developed ideas, driven and shaped by one’s social interaction, creative insights, and action at each stage [28,29]. Whereas, opportunity recognition defined as the ability to identify a good idea and transform it into a business concept that adds
value and generates revenue. This implies that the notion of opportunity is devoted from one’s intention to pursue it and that the recognition of an opportunity is conceptually attached from the opportunity itself [30]. This is also consistent with the idea of opportunity emergence as an intention-driven process [31].

Eckhardt [32] indicate that EO is situations in which new goods, services, raw materials, markets, and organisational methods can be introduced through the formation of new means, ends, or means-ends relationships. Entrepreneurial opportunity defines as situations that entail the discovery of new means-ends relationships in which new goods, services, raw materials, and organising methods are introduced to generate economic value [33]. Accordingly, EO provides a competitive advantage to the first firm which can discover and exploit them.

Companies [34] classify the different types of EO as economic, cultural-cognitive, and sociopolitical opportunities. Economic opportunities can be defined as real situations that entail material resources and information in the discovery of new value-creating, means-ends relationships. They include both the technological opportunities that make the creation of new goods and services possible, as well as the market opportunities that enable these new goods and services to be commercialised for wealth creation. Cultural cognitive opportunities are personal situations that require interpretive processes for the enactment of valuable, new means-ends relationships. As entrepreneurs engage in the recombination of existing beliefs and practices, they develop new cultural schemas for interpreting the world. These cultural innovations are then used to enact entrepreneurial opportunities as new social and economic realities. In this sense, one can classify cultural cognitive opportunities according to their source in the value chain such as producer opportunities and consumer opportunities. Sociopolitical opportunities are real situations embedded in existing social structures that actors exploit to create new means-ends relationships. Although they most often manifest themselves as network structures, they may also emerge through the mobilisation and reconfiguration of network resources given a shifting sociopolitical landscape. In this sense, one can distinguish between network opportunities and political opportunities. In brief, economic opportunities encompass technological and market opportunities resulting from material innovation; cultural cognitive opportunities consist of cultural innovations introduced into the marketplace by either producers or consumers, and sociopolitical opportunities include network opportunities resulting from the structural features of social networks and political opportunities attributable to changes in the governance structures of these networks.

It is precisely our argument that an entrepreneurial opportunity is intelligible only within the specific context that it occurs [15]. One of the central questions in entrepreneurship seeks to understand why some individuals and not others recognise specific opportunities [33].

The role of the farmer has been changed since in the last few decades agriculture has experienced significant structural changes [6]. Having said so, a significant challenge for the agricultural sector is to enable farmers to enhance their entrepreneurial role, which in turns will enhance the competitive advantage of farms. Prior studies were not being able to investigate how farmers perceive and exploit EO to adopt entrepreneurship in agriculture; it is essential to understand opportunities within this perspective is how farmers perceive their environment and conceive of future possibilities within it.

2.3 Capability Approach (CA)

The capability approach focuses on the functioning or living conditions of individuals, which are defined as what people can or cannot do or what they can or cannot be [19]. The CA explores the well-being of individuals not from what they already have, but concerning the possibilities for choosing to do or be other than what they already do or are [21]. Sayer [35] further holds that the CA challenges individuals to take a position on where they stand regarding human values. From these aspects, we can integrate the capability approach into entrepreneurship because entrepreneurship definitions share common characteristics such as change-oriented, opportunity seeking, innovative, risk-taking and value creating. The core concepts in this approach are a person’s functioning, which are beings and doings (being well-fed or literate), and person’s capabilities (the genuine opportunities or freedoms to realise this functioning) [36].

Considering the state of the art of competitive capabilities, the study of Derissen [37] are
3. METHODOLOGY

According to the purposes of this study, it is required to investigate individual farmers who defined as entrepreneur farmers. Based on the definition of entrepreneur farmer driven by this study, farmers need to have change-oriented and value creating entity willing to take the risk and embrace innovation, regard on resources, product, process and market, to capitalise opportunities. Therefore, a purposive sample of respondents needs to be selected. To this end, the study relied on the list of Entrepreneur of the Year Award, Agribusiness category in Sri Lanka. Sri Lanka is an agricultural based country where presently, 13.4% of gross domestic product (GDP) is derived from agricultural products which consist of tea, rubber, coconut, paddy and minor export crops. Relative to the GDP, 26.1% of gross export earnings are derived from agricultural export crops. In fact, 32% of the total land area is devoted to agriculture, where 35.6% of the employed population is engaged in the agricultural sector [13,46,47].

The study adopted an inductive qualitative case study approach to gathering data from the farmers. Based on the list of National Entrepreneur Farmers in Sri Lanka, three cases were selected. The participants of the study were range from illiterate farmer to well-educated.

Interviews were open-ended and followed a protocol that involved an initial unstructured narrative section [48] in which the participants were asked to tell life stories and give an account of their farming business. The second section of the interview consisted of a set of specific questions, probing: what motivates them to engage in farm business, ways of identifying opportunities, situations that facilitated to identify opportunities, internal strengths they have, external support they obtained, activities they followed to implement opportunities into action, the difficulties they faced, how those difficulties affected the farm activities and how they overcome those difficulties and future expectations in their agribusiness.

Interviews were conducted in Sinhala, translated into English, and then back-translated into Sinhala and Bengali to check for consistency. Interviews lasted about 60 to 90 minutes to complete, and they were recorded and transcribed. The authors then examined, coded, categorised and synthesised the transcripts per interviews. The transcripts were organised into themes and these themes were used to finalise how these identified capabilities influence entrepreneurship growth in the agribusiness sector.

4. RESULTS AND DISCUSSION

“Entrepreneurs simply have better ‘eyes’ than the rest of us – indeed, the ‘essence of entrepreneurship is to identify and exploit entrepreneurial opportunities – that is, opportunities others do not see’ [16]. Sarasvathy’s entrepreneur is responsive, constantly alert to the opportunities presented by changing resources, seen in terms of human capital and social relationship. Entrepreneurs
build new ventures from the resources available to them [15].

As the scope of the agribusiness increases, the entrepreneurial and managerial capabilities of the farmers must also increase. The stories of our participants provide an empirical description of capabilities needed by farmers to explore entrepreneurial opportunities and how those identified capabilities influence entrepreneurship growth in their agribusiness.

First, the study described the evidence that can be inferred from the activities of entrepreneurs. Entrepreneurial farmers perceive their farms as a business. On the other hand, farms are profit earning element to them. The following stories tell us how farmers got involved in their agribusinesses.

Case 1:

I was grown up on a farm. My entire family members engage with traditional rice farming and I am familiarized with traditional farming techniques. I have practiced farming with my grandfather. I did feel that traditional rice farming cannot be carried out in order to make profit. Rice farming is good for own consumption, but cannot make profit. I had to look for another income-generating opportunity which needs to be unique to my village. Once I searching, I noticed that farmers are suffering from searching quality breeding. Farmers are always blaming that existing breeding are not include higher yielding, disease resistant or regionally adapted to different environments and growing conditions. I heard other farmers’ blames regarding quality plant breed when I attended the meeting held with agricultural officers. This rang alarm to me… I started my own plant breeding business on a small portion of our land. My family members did not like my idea at all (laugh) but now they believe that I am right. Including my wife there are 8 workers work for me now.

Case 2:

None of my family members engage with farming or agribusiness. I worked at government office since I am graduate. I earned very low amount from my job at the government office. I used to blame myself why I studied so far… My parents believed that graduate should work at government office. They said, ‘it’s shame to be a farmer if you have a degree’.

My parents inherit large area of land that was not utilised in proper ways. So, I believed that using lands in proper ways could earn more what I had earned from the job. Three years ago, I started to cultivate Malaysian type papaya and manyokka (Manioc). Malaysian breeds are resisted to diseases and increased yield…… My family members do not like to engage with farming, so I do not get any support from them. I know that now they happy about my agribusiness. But my friend helps me lot to carry out the business.

Case 3:

I am belonging to the family who are doing fishing activity. All of my relatives and neighbors engage with fishing. Other women in our family help their parents or husband to do fishing activities. None of them want to go beyond that. I completed only Ordinary Level education. But I need to do something different and earn more money than others. My village is popular for spice crop cultivation (Cinnamon, pepper and Cardamone). So, I decided to take advantage of spice crops in our land. Without selling raw products, I thought it would be profitable to sell spice mix. I start to pack Cinnamon powder, Pepper and Pepper powder and Cardamone. Since, I didn’t have enough crops, it was very challenging at the beginning because people who grow spice crops did not like to give their product to me. They feared that I could not be able to pay them. I build trust to my customers that I prepare quality spice mix. I try to secure the aroma and taste of spice mix. Now I have my own place to carry out this business, five girls (including 2 of my relatives) now work with me (laugh).

For these participants, the agribusiness is a path that can help them to exploit entrepreneurial opportunities. Even though our participants range from illiterate to well-educated, they were becoming aware of limitations of their traditional business activities. They feel that they need to look for different income generating opportunities to change their family traditions (Case 1 and 3) or believes (Case 2). The participants perceived that challenging disruptive events encouraged the emergence of entrepreneurship in agribusiness.

Stevenson [49] argued that social scientific researches on entrepreneurial activities are too theoretical and entrepreneurship is more than managerialism [50]. Capabilities of farmers are largely ignored and receives little attention in the current debate [51]. Thus, more knowledge is needed about what capabilities influence to
Table 1. Identified actions in relation to capabilities

<table>
<thead>
<tr>
<th>Identified Actions</th>
<th>Capabilities</th>
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<tbody>
<tr>
<td></td>
<td>Organizational learning</td>
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<tr>
<td><strong>Opportunities Recognition</strong></td>
<td></td>
</tr>
<tr>
<td>Negotiates with other farmers about the issues in farming</td>
<td>x</td>
</tr>
<tr>
<td>Keeps a record about market demand patterns</td>
<td>x</td>
</tr>
<tr>
<td>Adapt value addition in response to market demand</td>
<td>x</td>
</tr>
<tr>
<td>Build customer networks</td>
<td>x</td>
</tr>
<tr>
<td>Incorporate new information coming from the media or from the opinions and judgments of others</td>
<td>x</td>
</tr>
<tr>
<td>Understand the interdependence among farmers and seeking new ideas</td>
<td>x</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>03</strong></td>
</tr>
<tr>
<td><strong>Implement Opportunities into Action</strong></td>
<td></td>
</tr>
<tr>
<td>Experiment new cultivation practices comparing with current practices</td>
<td>x</td>
</tr>
<tr>
<td>Adapt customize production</td>
<td>x</td>
</tr>
<tr>
<td>Perform small scale experimentation</td>
<td>x</td>
</tr>
<tr>
<td>Conduct area specification such as weather, soil and wind conditions</td>
<td>x</td>
</tr>
<tr>
<td>Initiates self-problem-solving techniques without waiting for external supports</td>
<td>x</td>
</tr>
<tr>
<td>Establish active relationship with financial institutions</td>
<td>x</td>
</tr>
<tr>
<td>Shares results of own experimentation with Agriculture Officers</td>
<td>x</td>
</tr>
<tr>
<td>Build own carbonic fertilizers</td>
<td>x</td>
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<tr>
<td>Regulatory communicate with customers</td>
<td>x</td>
</tr>
<tr>
<td>Search latest techniques applied by other countries to control crop diseases</td>
<td>x</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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explore opportunities and implement them into action. Drawing our attention on these capabilities provides valuable insights into complexity and demanding nature of entrepreneurship in agribusiness. The following section provides an empirical description of capabilities needed by the farmers for successful engagement in their agribusiness. Accordingly, the interviews were analysed to develop a profile for capabilities. This analysis produced 17 actions denoted by the selected farmers. These actions were then related to 04 pillars of capabilities conceptualized by Derissen [37]: adaptability to organizational learning, communication, sharing and exchanging knowledge and technological capabilities. Table 1 exhibits the actions and their relation to the capabilities.

As shown in Table 1, many actions relate to organizational learning capability (a total of 6 actions), followed by technological capability (a total of 5 actions). With respect to the opportunity recognition, organisational learning and sharing and exchanging knowledge capabilities play a vital role (a total of 3 actions each). Capability to share knowledge in response to new opportunities is built by a commitment to long-term learning [51]. When it comes to the implementation, organisational learning becomes a significant capability. Based on the results, we conclude that the actions identified provide a way of operationalizing a detail picture of four capabilities being formed by entrepreneur farmers.

5. CONCLUSION AND IMPLICATIONS

Market globalisation and uncertainties mean that entrepreneurship has become a need for agribusiness development. This situation requires to understand how farmers perceive and exploit agribusiness opportunities to behave entrepreneurially.

The participants of this study focus on behavioural outcomes of learning. Organisational learning capability, in this sense, consists of the process of exploiting and experimenting externally generated knowledge and transforming them into farm daily routines. In this way, an idea for a business is formed into an opportunity that gains value to the farms. Further, it allows the farms to break through their defensive routines. As one of our responders put it, “I search information from my friend and learn about latest techniques applied by other countries to control crop diseases. Now I apply my own carbonic fertilizer for papaya and Manioc. Further, I distribute my knowledge on carbonic fertilizer to other farmers in this area. My friend now starts carbonic fertilizer production factory” (Case 2).

In this sense, the interviews reveal that farmers tend to learn by doing, forming a gradual change in their orientation towards entrepreneurship. The learning phase is fundamental for performance of the farms. The respondents appeared to believe that their know-how and sharing knowledge are important steps to avoid failure. They tended to see this practice of learning as critical for their own success. For example, here is a story that one of our participants told us about how he got involved in learning.

“When I travel different part of country, I always searches new crop types unique in that area. I take sample of this crop and cultivates it in my own planting place. Making my own experiments (45 to 60 days), I decide whether it suitable for commercial breeding process. Then, I search market opportunity for newly identified crop. Once I received orders, I search the specifications of area where crop breeds are expected to grow. Because, area specifications such as weather, soil condition, wind ... etc cause to success or failure of cultivation” (Case 1).

Improvements in technology and information systems have resulted in an increasingly competitive environment for the agribusiness. On the basis of our findings, technological capability facilitates to implement opportunities into action. Technological capability, in the sense, includes product development, fertiliser development, production process changes according to customer requirements and experimentations based on area specification. This is further relating to the diffusion of technical information effectively through relevant functional areas. As one of our responders put it, “eventhough I don’t know much on new machines and their technology, I used to search on internet about the latest techniques apply for spice grinding, mixing and packing... because I need to prepare spice mix to meet customer specific demand without damaging its aroma and taste” (Case 3).

Given the size of agricultural contribution towards Sri Lankan economy, farm entrepreneurship could become a source of agribusiness
competitiveness. To this end, this paper offers the following implications for agribusiness sector.

Overall, what is essential to promote farm entrepreneurship needs to be communicated to the people who engage in agribusiness. They need to equip themselves with knowledge on the propensity to take risks, methods of handling risks, growth orientation approaches and innovative types and styles of management. Advisory sessions need to be planned for them with regard to rely on knowledge which should be developed through organisational learning mechanism. Learning is critical to the success of firms in this dynamic environment in their quest to adapt and survive. This study articulates the importance of knowledge sharing. The relevant authorities can consider initiating the establishment of relevant networks on behalf of the people engage with agribusiness and encourage their participation in them. To aid this, agribusiness sector could highlight success stories from local areas and provide networking opportunities that would have an impact on developing healthy networks. Together with that, introducing several forms of communication such as meetings, discussions, social events and social media programmes drive to build a platform for exchanging ideas and information. Special training programmes need to be planned with regard to the latest techniques relevant to agribusiness such as cultivation methods, raw materials, utilisation of fertiliser, harvesting techniques, storage and packaging.

Agribusiness sector must seek to enhance organisational learning, knowledge sharing, communication and technological capabilities with the help of Government and other relevant organizations to exploit agribusiness opportunities to behave entrepreneurially. It must be remembered, of course, this study was only about three cases; even these cases may have many aspects that do not uncover; other cases might reveal different kinds of viewpoints on the entrepreneurial opportunities and capability approach.

COMPETING INTERESTS

Author has declared that no competing interests exist.

REFERENCES


