

# Master's Thesis

## MSc in Innovation, Knowledge and Entrepreneurial Dynamics (MIKE-B)

**Title:**

Knowledge intensive international entrepreneurship in agribusiness in Tanzania

**Supervisor**

Professor Olav Jull Sørensen  
Aalborg University

**External Supervisor**

Doctor Anna Temu  
Sokoine University of Agriculture

**Handed in**

1<sup>st</sup> August 2012

**Examination**

10<sup>th</sup> August 2012

---

Camilla Quottrup

01.08.2012

## RESUME

This thesis is based on my personal interest in the entrepreneurial dynamics together with my interest in the developing country issues. The research will be a continuation of my former project on my 3<sup>rd</sup> semester of my master's, where I carried out an internship at Sokoine University of Agriculture (SUA), Tanzania, hosted by a Danida project. The study focused exclusively on agricultural students from university, planning to become entrepreneurs within agribusiness.

This thesis is about Knowledge intensive international entrepreneurship in developing country looking into the question; **“HOW and WHY does knowledge intensive international entrepreneurship in agribusiness in Tanzania evolve and which barriers exist in the start-up/internationalization phase?”**

The student entrepreneurs can be categorized as what is known in theory as **Knowledge intensive entrepreneurship**. **The students has a degree in agriculture** which also leads for an argument for doing research within this area of business - within the **value chain of agriculture** which in the following will be referred to **agribusiness**. It is interesting to look further into this in regards to what has happened in Tanzania for already existing companies with this background. For this thesis multiple case studies will be used. The case studies will be conducted through in-depth interviews with the use of critical incidence technique (CIT) for the best possible gathering of knowledge about these companies. Which is an interesting approach of finding potential new ways of working with and finding knowledge about entrepreneurship in a developing country would be through learning from experienced people within this area - “where it has already been done”, who potentially successfully have been able to contribute to economic growth in Tanzania today, e.g. the international entrepreneurs with a knowledge intensive background.

The research found in relation to “WHY” the Knowledge intensive international entrepreneurs in Tanzania occurred, the research has found evidence saying that post-graduates, after working in “white collared jobs” more than 4-5 years or with a background from an entrepreneurial family, from external stimuli and gets reactively motivated to go into international entrepreneurship due driven by opportunity. Further in the search for the answer to the WHY, the drivers for the entrepreneurship were analysed, to unfold the reason behind

the IE. The former research on Student entrepreneurs uncovered a very high level of necessity driven entrepreneurships, which in theory is known to be not as advantageous and reliable in company lifetime. The analyses of the four cases differed widely from the drivers of the student entrepreneurs, all four cases can be categorized as opportunity driven entrepreneurships, which theoretically is assumed to be more solid and live longer as a firm. Last in the analysis the barrier has been analysed, which also is highly interesting in relation to my former study, where most of the Student entrepreneurs found large amounts of very big berries they had to face in their attempt to become entrepreneurs. The berries found from the start-up of the IE's were very similar, where all had experienced issues with the quality of the products from their suppliers, three out of four had experienced barriers related to bureaucracy, regulation, trust issues and confidence from the market some of the biggest barriers.

## ACKNOWLEDGEMENTS

This thesis is made as my final project of my master's degree in business administration at Aalborg University with a major in Innovation, Knowledge and entrepreneurial dynamics, Cand Merc MIKE-B. My work could not have become what it ended up to be, without the help from and generosity of several people or without the support for traveling to Tanzania from Aalborg University. My sincere thanks goes to all who have helped me doing my work.

I want to give a special thanks to Professor Olav Jull Sørensen, who has been my supervisor; thanks for academic support and for introducing me to the working on the projects in relation to developing country issues and agribusiness in Tanzania. Thanks to PhD Daniel Wilson Ndyetabula for showing me around in Tanzania and teaching me about the Tanzanian way of living, culture and agricultural business and for support and encouragement throughout the whole project. I am also deeply grateful for the support from Dr Anna Temu at Sokoine University for welcoming me and hosting me through this and through my former project. Also thanks to Assistant lecturers, Charles Mgeni and Felix Nandonde at SUA for giving me advice in finding potential companies for my research.

I also want to give a big thanks to the busy business men in Tanzania for taking the time for meetings and for sharing their experiences with me; Mr Haji Dashi at Integrated Management Limited, Mr Mussa Mvungi at Homeveg Tanzania, Mr Goodluck Minja at FICA Seed 2002 Limited and Mr Godfrey H. Mosha at Principal Company Limited. My work could not have been possible without their support and with providing me with information in doing this project.

And last but not least, I would also like to thank my fellow students at the MIKE program at AAU and my family and friends in both Denmark and Tanzania for both academically support motivation and their valuable support and encouragement throughout the whole process.

# TABLE OF CONTEXT

<b>RESUME .....</b>	<b>1</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>3</b>
<b>TABLE OF CONTEXT .....</b>	<b>4</b>
<b>1. INTRODUCTION .....</b>	<b>1</b>
1.1. RESEARCH QUESTION.....	3
<b>2. METHODOLOGY .....</b>	<b>6</b>
2.1. ONTOLOGY AND EPISTEMOLOGY .....	6
2.2. METHOD AND APPROACH.....	7
2.3. OPERATIONAL METHODS .....	8
2.3.1. <i>The scientific theory</i> .....	8
2.3.2. <i>The empirical work</i> .....	9
2.3.3. <i>Structure of the Research</i> .....	19
<b>3. THE THEORETICAL FRAMEWORK .....</b>	<b>21</b>
3.1. ENTREPRENEURSHIP IN DEVELOPING COUNTRY .....	22
3.2. KNOWLEDGE INTENSIVE ENTREPRENEURSHIP .....	25
3.3. INTERNATIONAL ENTREPRENEURSHIP .....	28
3.3.1. <i>Pre-internationalization processes</i> .....	35
3.3.2. <i>The international collaboration</i> .....	39
<b>4. THE EMPIRICAL FRAMEWORK .....</b>	<b>41</b>
<b>5. INTEGRATED MANAGEMENT LTD.....</b>	<b>42</b>
5.1. FROM BEFORE START-UP TO TODAY.....	42
5.2. FUTURE PLANS, EXPECTATIONS AND PREDICTIONS.....	44
5.3. GLOBAL VALUE CHAIN .....	46
5.4. FUTURE GLOBAL VALUE CHAIN .....	46
5.5. TIME-TABLE.....	47
5.6. CRITICAL INCIDENCE TABLE.....	47
<b>6. HOMEVEG TANZANIA LTD.....</b>	<b>49</b>
6.1. FROM BEFORE START-UP TO TODAY.....	49
6.2. FUTURE PLANS, EXPECTATIONS AND PREDICTIONS.....	52
6.3. GLOBAL VALUE CHAIN .....	53

## TABLE OF CONTEXT

6.4. FUTURE GLOBAL VALUE CHAIN .....	53
6.5. TIME-TABLE.....	54
6.6. CRITICAL INCIDENCE TABLE.....	55
<b>7. FICA SEED TANZANIA (2002) LTD.....</b>	<b>56</b>
7.1. FROM BEFORE START-UP TO TODAY.....	56
7.2. FUTURE PLANS, EXPECTATIONS AND PREDICTIONS.....	58
7.3. GLOBAL VALUE CHAIN .....	59
7.4. FUTURE GLOBAL VALUE CHAIN .....	59
7.5. TIME-TABLE.....	61
7.6. CRITICAL INCIDENCE TABLE.....	62
<b>8. PRINCIPAL COMPANY LTD.....</b>	<b>63</b>
8.1. FROM BEFORE START-UP TO TODAY.....	63
8.2. FUTURE PLANS, EXPECTATIONS AND PREDICTIONS.....	66
8.3. GLOBAL VALUE CHAIN .....	67
8.4. FUTURE GLOBAL VALUE CHAIN .....	67
8.5. TIME-TABLE.....	69
8.6. CRITICAL INCIDENCE TABLE.....	69
<b>9. THE ANALYSIS.....</b>	<b>71</b>
9.1. ANALYSING THE “WHY THE ENTREPRENEURSHIP HAS EVOLVED” .....	71
9.1.1. <i>Idea and Start-up</i> .....	72
9.1.2. <i>Pre-internationalization processes – Stimuli and Motivators</i> .....	73
9.1.3. <i>Drivers for the entrepreneurs</i> .....	77
9.2. ANALYSING THE “HOW THE ENTREPRENEURSHIP HAS EVOLVED” .....	78
9.2.1. <i>International entrepreneurship</i> .....	79
9.2.2. <i>The global value chain</i> .....	80
9.2.3. <i>Knowledge intensive entrepreneurship</i> .....	82
9.2.4. <i>Kirznerian or Schumpeterian</i> .....	83
9.3. BARRIERS EXIST IN THE START-UP/ INTERNATIONALIZATION PHASE.....	85
<b>10. CONCLUSION .....</b>	<b>88</b>
10.1. REFLECTION AND CONTRIBUTION.....	92
<b>11. ARTICLES AND BOOKS .....</b>	<b>94</b>
<b>APPENDIX .....</b>	<b>1</b>
FRAMEWORK FOR INTERVIEWS.....	2

## TABLE OF CONTEXT

FACTS ABOUT THE COMPANIES .....	4
NOTES FORM THE INTERVIEWS .....	6
<i>Case 1: Integrated Management Limited</i> .....	6
<i>Case 2: Homeveg Tanzania</i> .....	12
<i>Case 3: FICA Seed 2002 Limited</i> .....	16
<i>Case 4: Principal Company Limited</i> .....	19

**List of abbreviations**

<b>EE</b>	Emerging Economy
<b>CI</b>	Critical Incidents
<b>B2B</b>	Business to Business
<b>B2C</b>	Business to Consumer
<b>DE</b>	Developing Economies
<b>IB</b>	International Business
<b>IE</b>	International Entrepreneurship/Entrepreneurs
<b>IEEE</b>	International Entrepreneurship in Emerging Economies
<b>IFAC</b>	International Federation of accountants
<b>ICT</b>	Information and communication technologies
<b>INV</b>	International New Ventures
<b>IML</b>	Integrated Management Limited
<b>GVS</b>	Global Value Chain
<b>SCF</b>	Small and Medium Enterprise Competitiveness Facility (Tanzania)
<b>SME</b>	Small and Medium size Enterprises
<b>SUA</b>	Sokoine University of Agriculture, Tanzania
<b>Tanzania</b>	Tanzania



## List of tables

- 1 Critical incidence table (own elaboration)
- 2 Illustration of timetable for the case studies
- 3 The Domain of Academic Literature on Organizations adapted from the presentation of Candida Brush in McDougal et al. (1991) (Oviatt & McDougall, 2005)
- 4 Firm behaviour, Hollesen (2011)
- 5 A classification of export motives of Albaum et al, 1994 (Kuada & Sørensen, 2000)
- 6 Internationalization triggers, Hollesen (2011)
- 7 Time-table, Integrated Management Ltd
- 8 CIT, Integrated Management Ltd
- 9 Time-table, Homeveg Tanzania
- 10 CIT, Homeveg Tanzania
- 11 Time-table, FICA Seed Tanzania Ltd
- 12 CIT, FICA Seed Tanzania Ltd
- 13 Time-table, Principal Company Ltd
- 14 CIT, Principal Company Ltd
- 15 Pattern of the Pre-internationalization processes for the four cases
- 16 Cross border activities for the four cases (own elaboration)
- 17 Countries involved in the cases (own elaboration)
- 18 Kirznerian or Schumpeterian, Categorization and Characterization of the four cases

## List of figures

- 1 Knowledge intensive international entrepreneurship in developing country (own elaboration)
- 2 Depth contra Breadth in case study research compared to number of cases (own elaboration)
- 3 Illustration of sample useful for the case study (own elaboration)
- 4 Knowledge intensive international entrepreneurship in developing country (own elaboration)
- 5 1<sup>st</sup> circle - Entrepreneurship in developing country (own elaboration)
- 6 2<sup>nd</sup> circle - Knowledge intensive entrepreneurship (own elaboration)
- 7 3<sup>rd</sup> circle - International entrepreneurship (own elaboration)
- 8 Internationalization theory (Hollesen, 2011)
- 9 Global value chain, Sørensen (2011)
- 10 Global value chain 2012, Integrated Management Ltd
- 11 Future global value chain, Integrated management Ltd
- 12 Global value chain 2012, Homeveg Tanzania Ltd
- 13 Future global value chain, Homeveg Tanzania Ltd
- 14 Global value chain 2012, FICA Seeds Tanzania
- 15 Future global value chain – near future, FICA Seeds Tanzania
- 16 Future global value chain – far future, FICA Seeds Tanzania
- 17 Global value chain 2012, Principal Company Ltd
- 18 Future value chain – near future, Principal Company Ltd
- 19 Future value chain – far future, Principal Company Ltd
- 20 Knowledge intensive international entrepreneurship in developing country (own elaboration)
- 21 When did the idea and the start-up occur? (own elaboration)
- 22 Timeline for defining international entrepreneurship (own elaboration)
- 23 Global value chain, Sørensen (2011)

# 1. INTRODUCTION

This thesis is based on my personal interest in the entrepreneurial dynamics together with my interest in the development issues in developing countries. The research will be a continuation of and with background in knowledge gained from my former project on my 3<sup>rd</sup> semester of my master, where I carried out an internship at Sokoine University of Agriculture (SUA) in Morogoro, Tanzania, hosted by a Danida project. This project entails Sokoine University of Agriculture (SUA) collaborating with Danida on gathering knowledge in order to contribute to scientific knowledge and to create a foundation for educating SUA students in to make them more entrepreneurial and eventually set up businesses themselves.

During my internship I observed an entrepreneurship course and worked closely with a group of students at SUA, who wanted to become entrepreneurs after finishing their masters. The study focused exclusively on agricultural students with a higher education from the university, planning to become entrepreneurs within agribusiness. The research conducted was concerning students wanting to become entrepreneurs, looking into which kind of entrepreneurship they selected, what influenced them to start up business along with which qualifications and barriers these student entrepreneurs encountered.

The project showed some very characteristic patterns of the kind of entrepreneurship the student entrepreneurs chose and what was driving them to become entrepreneurs. None of the business plans generated, were looking into starting up advanced businesses with high technology and almost all the students were planning businesses similar to already existing businesses with only very incremental modifications, creativity and innovation. Their purpose for starting up as entrepreneurs was very much driven by profit orientation and only few had a desire for long term involvement.

The student entrepreneurs were all, what is also often seen in developing countries in general, necessity driven and the student entrepreneurs were all choosing to copy already existing businesses within their close surroundings. This characteristics of entrepreneurship is what in theory is characterised as being from the theoretical understanding of Kirzner

(1999), through finding potential in existing markets with only smaller changes and copying what is already there, opposite to the theoretical understanding know from Schumpeter (1934), who defined entrepreneurship as the ability to break away from former known routine, to destroy the structure that exists and move away from what is well-known (Kirzner, 1999).

Scientific interest in international entrepreneurship has grown rapidly over the past two decades due to the increasing globalization of markets (Hisrich et al. 1996, Keupp & Gassmann, 2009 and McDougall et al 1994, Oviatt & McDougall, 1994-). Though in my former study, I found that almost all the student entrepreneurs associated with the project, were choosing “domestic entrepreneurship” and only a few had stated in their business plan that they sometime in the future will find **international business** interesting. This fact together with the theoretical background knowledge, that businesses going directly into international business from the start-up phase, are “skipping” some of the usual staged in the process of internationalizing (McDougall and Oviatt,2000), argues for the importance of finding knowledge about this area through researching international entrepreneurship in developing country context, in Tanzania.

The student entrepreneurships can be categorized as what is known in theory as **Knowledge intensive entrepreneurship** – all students have an university background within agricultural from SUA, which also leads for an argument for doing research within this area of business, due to a high possibility for these students to start-up agricultural business or within the **value chain of agriculture** which in the following will be referred to **agribusiness**, which will be put as a criteria in the following research.

It will be interesting to look further into this in regards to what has happened in Tanzania for already existing companies with this background. This thesis will be based on multiple case studies on local entrepreneurs having created knowledge intensive enterprises and who has started up their business with the goal of becoming international entrepreneurs as well as who are all doing agribusiness – business within the value chain of agriculture. The case

studies will be conducted through in-depth interviews with the use of critical incidence technique (CIT) for the best possible gathering of knowledge about these companies. An interesting approach of finding potential new ways of working with and finding knowledge about entrepreneurship in a developing country would be through learning from experienced people within this area - "where it has already been done", who potentially successfully have been able to contribute to economic growth in Tanzania today, e.g. the international entrepreneurs with a knowledge intensive background.

## **1.1. Research question**

International Entrepreneurship (IE), Born Global or International new ventures (INV) have been studied from many angles within the last century in the fields of strategic management, international business, technology and innovation management, and entrepreneurship, though it is still considered in desperate need for further theoretical development (Keupp and Gassmann, 2009). Former scientific studies within entrepreneurship in developing countries has often looked at the connection to internationalisation, though the connection to knowledge intensive entrepreneurs has not been found in know scientific theory.

In order to contribute to the university education system at SUA with the purpose of generating both academic and practical knowledge and to be able to make a successful change in curriculum, I will go deeper into the area of International business of knowledge intensive entrepreneurs within agribusiness in order to clarify:

**How and why does knowledge intensive international entrepreneurship in agribusiness in Tanzania evolve and which barriers exist in the start-up/internationalization phase?**

The research will focus on Knowledge intensive international entrepreneurship – finding knowledge on how and why the entrepreneurs start up their business as well as which motives and triggers drives the entrepreneurs into internationalization in their start-up. This thesis will look at where they are positioned in their value chain, which countries they are

involved in business with and look at which cross border activities they are doing. Through critical incidence technique (CIT) I will build a timeline for each case regarding positive and negative incidents they have experienced and look at future goals in order to find occurring patterns within the firm's growth and expansion strategies.

The analysis will be of 4 case studies of companies, which all are knowledge intensive international enterprises. The cases will be analysed by applying known theory within three different fields of study: (1) Entrepreneurship in developing countries, (2) Knowledge intensive entrepreneurship and (3) International entrepreneurship as illustrated in figure 1. The purpose of these three theoretical fields will be to find the place where the theory overlap - finding the area in the middle where the 3 categories have a shared theoretical foundation in order to argue that the three groups combined give a more holistic picture knowledge intensive international entrepreneurship in a developing country.

### **Knowledge intensive international entrepreneurship in developing country**

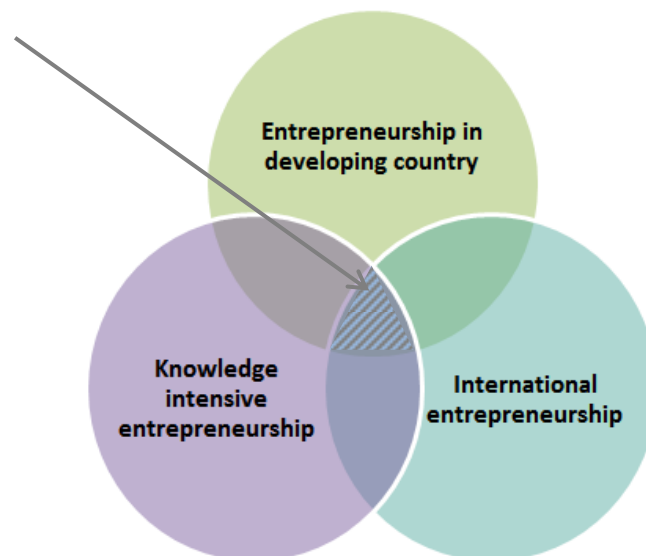


Figure 1: Knowledge intensive international entrepreneurship in developing country (own elaboration)

**Entrepreneurship in developing country (EDC)** is to be understood as businesses started up in a country known as a developing country or emerging economy. In this research the African country Tanzania will be focused on.

**Knowledge-intensive entrepreneurship (KIE)** is to be understood as companies established by entrepreneurs with a scientific background who has a university degree or former valuable experience.

**International entrepreneurship (IE)** is to be understood as what in theory also is known as international new ventures and born global companies, which mean entrepreneur who has started up their company with cross border activities from the first day or within short time after the business started up. There will not be focused on internationalization as a part of development in existing companies.

Each of the three theoretical frameworks will be clarified and expanded upon individually in the theoretical chapter.

## **2. METHODOLOGY**

In this section I will make a distinction of the ontology and epistemology which will be used as a base as foundation for how I can achieve recognition in relation to the question asked. Furthermore this will affect my choice of methodological approach, data collection and analysis form, and thereby also the result I will be able to achieve in the conclusion in the end of this research.

### **2.1. Ontology and epistemology**

This thesis will be working within the subjective understanding of the reality, seeing people as individuals with different experience and basic assumptions, which are the basis for how individuals form their opinions. The research will within the lifeworld paradigm take into account the fact that individuals think and act differently and that it will never be possible to get totally insight into other individuals, which means the context, is taken into consideration. The research will therefore not describe and explain, but go into the understanding of the information gathered (Schultz, 2005).

#### **Social constructivism**

The Social constructivism will be used in this thesis to understand the “reality”, which is subjective, socially constructed and given meaning by people/actors. The understanding of reality is determined by people rather than by objective and external factors (Abnor & Bjerke, 2009). The theory in the subjective worldview assumes that the business world is a social construction formed by actions and interactions of human beings. Each situation is unique and therefore no overall laws of behaviour can be found. The importance is the action and understanding of the individual businesspeople (Kuada & Sørensen, 2000).

This thesis will be built from the pre-understanding of reality through a collection of scientific theoretical understandings, collected and interpreted, afterward an analysis and comparison of the reality of the empirical material that will be collected and analysed into a post-understanding and a reflection, evaluation or refining of existing scientific theory. Interpretivists look for preferences, associations and actions that are not easily described

numerically and are manifestations specific to each case study, whereas, functionalists seek to test propositions that can be identified in other cases. Each seeks a pattern; positivists do so by identifying a general pattern and interpretivists by showing how the general pattern looks in practice (Chin Lin, 1998).

## **2.2. Method and approach**

The method and approach chosen in this thesis is the actors approach. The actors approach is hermeneutics -about understanding knowledge. The reality is being seen as a manifestation of human intentionality, a social construction, full of ambiguity and chaos – as opposed to systems, structured and organized seen as a world of independent individuals and the ethics is about taking individual responsibility for the reality (Abnor and Bjerke, 2009).

Using the actors approach can be more time consuming compared to the two other approaches by Abnor and Bjerke (2009); the system and analytical approaches, due to a larger amount of information generated and gathered. When applying this type of data collection, there are several risks I needed to be aware of and needed to take into consideration. There is a risk of misunderstandings, information being withheld by the person being interviewed and the information being influenced by me as an interviewer and I have to directly and politely interrupt answers which “run off track” from the core issue and be highly aware of potential differences in the understand of the meaning of words due to both cultural and language differences, which will be taking highly into consideration and focused on in the interviews.

Abnor and Bjerke (2009) describe the actors approach as a “finite provinces of meaning” (Abnor & Bjerke, 1997), which has been interpreted by Michael Fast (1996) as “reality images” or “pictures of reality”. In this thesis it will be considered that there can be a different in understanding of the world, among the interviewed and the world view I have as a researcher. Development of new knowledge will, in this approach, be created by mapping the previous knowledge the individual has and thereby develop a common language – way of



communication. The first prerequisite for common understanding, when the common understanding is in place, is the dialogue can begin and thereby give access to the development of deeper understanding. This common language has to develop a common understanding of the actor's everyday language, as you develop the descriptive parts of the language. The fact that different actors have different images of reality is partly due to the actors' experiences that have formed their image of reality, but it is also linked to their attitudes that will affect the way they see reality.

## **2.3. Operational methods**

The purpose of this thesis is to establish a broader knowledge about how and why entrepreneurs chose international business within the agricultural value chain. In general this thesis will be a small part of a wide study about how to make SUA graduates become entrepreneurs and over time to establish a foundation for better education of students to encourage them into entrepreneurship, and through time make a better foundation for growth and development.

### **2.3.1. The scientific theory**

#### **Categorization of internationalization theory and models**

In an analysis of existing literature on theory, concepts, and models on internationalization processes of developed country-based companies Kuada and Sørensen (2000) has made an overview of known theory with categorization models; The stage models, The contingency models and The (inter)action models.

The first categorization, The Stage Models approves the view that companies create resources internally and stays within their domestic markets before going into processes of internalization. The second categorization, the companies go gradually and in sequences into the internationalization, acquiring market knowledge incrementally. The second categorization, The Contingency Models approves a view that gives importance to internal and external conditions that trigger the companies' decisions to go international either

through export or through foreign direct investments. They pressure the understanding that the company are open systems, responding to the external environment in regard to opportunities. The third and last categorization, The (Inter)action Models is related to The Contingency model, though taking it further, approving the company to be open to the external impulses and actively engaged in the surrounding environment and social processes. The term “embeddedness” can be described as the processes of interaction among companies, showing the degree to which an individual company is involved in a social network (Kuada & Sørensen, 2000). These cases all start up in the last of the stages and when expanding they use the first and the second stage.

### **2.3.2. The empirical work**

The research will be based on qualitative methods, collecting primary data through case study research, using in-depth interviews and the critical incident technique (CIT) and the secondary data will be from my previous research, experience and observations and through a scientific data collection.

#### **2.3.2.1. Case Study research**

Case study research has been defined by Robert Yin (2009) as “a way of investigating an empirical topic by following a set of prespecified procedures” and *Yin is recognised as the best known exponent of case method in social science* according to Easterby-Smith et al. (2008). Case study, “as a research method ... is uses in many situation to contribute to our knowledge of individual, group, organizational, social, political and related phenomena” (Yin, 2009). Eisenhardt (1989) argues that “although this type of specification is not common in theory-building ... it is valuable because it permits researchers to measure constructs more accurately” and case study is beneficial for different purposes; provide description, generate theory or test existing theory (Eisenhardt, 1989). Single and multiple-case studies are two variants of the case study designs, though multiple-case designs are by Yin (2009) considered better than single case designs due to single-case designs “*put all eggs in one basket*” where analysing more cases can be beneficial from having two or more sources for substantial knowledge (Yin, 2009).

The choice of research method should clearly depend on the problem under study and its circumstances, that case study method is not always appropriate and relevant as a research method (Flyvbjerg, 2006). In this research the situation of the moment “right now” is in focus, contemporary sets of event will be analysed and the question “how” and “why” will be asked through this research, it does not require control of behavioural events and it has focus on an contemporary events. This makes the case study research an excellent method for gathering knowledge about, and analysing the conditions in international entrepreneurship. The empirical research in this thesis will therefore be planned and executed as case study research with multiple cases (Yin, 2009).

### **Reliability, validity and generalization issues**

Case study research has been questioned and discussed numerous times suggesting weaknesses and with opinions from many different perspectives such as; *“you cannot generalize from a single case study”* and *“Social science is about generalizing”* and that case study *“are giving too much scope for the researcher’s own interpretations”* (Flyvbjerg, 2006). Campbell (1975) was highly critical toward case study research and claimed *“such studies have such a total absence of control as to be of almost no scientific value”*, though he later turned 180-degrees and became one of the strongest advocates of this method (Flyvbjerg, 2006).

Flyvbjerg (2006) argues that case study research is a complex issue and deliberated what he calls; *“the five misunderstandings about case study research”* which he sees as the most common, though incorrect arguments and challenges for case study research. The five misunderstandings covers the concerns about; **valuable knowledge, generalization, generating hypothesis, verification and difficulties when summarizing**, which together stipulate that the largest issues are **theory, reliability and validity**. Likewise Easterby-smith et al. (2008) and Yin (2009) found these concerns highly significant. According to Yin (2009) the validity and reliability can be tested with four categories/design tests; **construct - , internal - , external validity and reliability**, which are all significant to reflect upon in relation to data

collection, data analysis and the research design. The construct validity and the reliability are both relating to the data collection where the use of multiple sources of evidence and establishment of chains of evidence are significant for the construct validity and the use of case study protocol is important for the reliability. The Internal validity relate to the analytical part of the research where pattern matching, building explanation and modelling are important aspects. External validity relate to the research design with theory from single-case study or copying logic in multiple-case studies.

In the following section the weaknesses and misunderstandings about case study research will be discussed in relation to “the five misunderstandings about case study research” with a collection of different theoretical arguments.

Concerning the **valuable knowledge** and **generalization** issues, Ragin and Becker (1992) and Flyvbjerg (2006) claims that is it not true that a case study cannot provide reliable knowledge about the broader class and Flyvbjerg (2006) points out that it is incorrect that one cannot generalize from a single case, depending on the case and how it was chosen. In social science the strategic choice of case may significantly add to the generalizability of a case study (Flyvbjerg, 2006). Yin (2009) argue that *“case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes”* and Lipset et al. (1956) argued that with a case study *“the goal is to do a “generalization” and not a “particularizing” analysis”* (Yin, 2009). Eisenhardt (1989) claimed those in multiple case studies where the cases are within the same category, findings can be replicated, compared and through similar strategy enhance the possibility of generalization. Arguments are also found that generalizability can be increased by the strategic selection of cases according to Ragin and Becker (1992). W. I. B. Beveridge claimed that *“more discoveries have arisen from intensive observant than from statistics applied to large groups”* (Flyvbjerg, 2006). Popper (1959) find case study ideal for generalization if using what he called *“falsification”* which is part of critical reflexivity in social science (Flyvbjerg, 2006).

Case study methods have according to Easterby-Smith et al. (2008) been criticised and suggested to not have the rigour of natural scientific designs. Scientific cases produce large amounts of data and can rarely allow generalization to be made which therefore allows the researcher to make any interpretation they want, which according to Yin (2002) is making case study vulnerable as a method (Easterby-Smith et al. (2008). Yin (2009) argues that some of the most common concerns about the value of case study research are the question of validity, reliability and if there is basis for scientific generalization. Yin (2002) is highly concerned with the critique of the validity and recommend, in respond to the criticism, that all case study should create a clear design produced before collecting data, covering; the main questions or proposals, the component of the analysis, the links between data and proposals, and procedures for interpretation of data (Easterby-Smith et al., 2008).

Regarding the issues on **generating hypotheses**, Eckstein (1975) claimed that case studies are better for testing hypotheses than for producing them, though Flyvbjerg (2006) argues that *“case study is useful for both generating and testing a hypothesis but is not limited to these research activities alone”*.

Concerning the **verification**, Diamond (1996) held the view that case study method maintains a bias toward verification, being influenced by the researcher’s preconceived notions making the research study of doubtful scientific value, Diamond (1996) argued that case study suffers from *“crippling drawback” because of lack of “scientific methods”*.

Case study research has the advantage of testing views directly in relation to phenomenon as they unfold in practice and the benefit of the *“close in”* on real-life situations (Flyvbjerg, 2006). Flyvbjerg (2006) claimed that *“when the objective is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative case or a random sample may not be the most appropriate strategy”* saying that in general the case study is not the richest in information and that *“Campbell (1975) and others have shown that the critique is fallacious, because the case study has its own rigor, different to be sure, but no less strict than the rigor of quantitative methods”*.

**Difficulties when summarizing** - *“case studies often contain a substantial element of narrative”*, according to Benhabib (1990); Michell & Charmaz (1996), Roth (1990) and White (1990) consequently *“such narratives may be difficult or impossible to summarize into neat scientific formulae, general propositions, and theories”* (Flyvbjerg, 2006). However this is not a problem, because a particularly “thick” and hard-to-summarize narrative is not a problem, it will often be a sign of the research has unfolded a particularly rich problematic. The question is whether the summarization or generalization is always desirable and seen as the ideal for a study, which according to Flyvbjerg (2006) always can be discussed.

### **Single- contra multiple cases studies**

Flyvbjerg (2006) discusses the terms and issues for single case study research and put his understanding of this compared to more qualitative studies, saying that qualitative methods; *“the advantage of large samples is breadth, whereas their problem is one of depth”*, and he find both approaches equally important for the development of social science. This argument of Flyvbjerg (2006) can be useful for looking into the differences in single- contra multiple case study research. Rigin (1992) criticized single case studies for being poorer to multiple case studies, which he later found to be a mistake says that *“even single-case studies are multiple in most research efforts because ideas and evidence may be linked in many different ways”* (Flyvbjerg, 2006).

The different scientific arguments, *“the five misunderstandings”*, reliability, validity and generalization issues can be put into a “common” understanding of case study research in relation to single- contra multiple case studies. A measure with “number of cases” contra Depth versus Breadth can be understood as illustrated in the graph below with the number of cases horizontal and the values depth versus breadth horizontal. The graph shows where the cases study if focusing in relation to how deep and how broad it is in relation to scientific knowledge. Single case study is very deep in the knowledge through a single collection of knowledge within a specific areas where a broader collection with for instance 10 or more cases. Related to the size of the whole mass and the size of the sample, at some point the

line will “bend” in different scals, as shown in figure 2 and the breadth will not be possible to make much “wider” due to the sample comes closer to the whole mass in the case study.

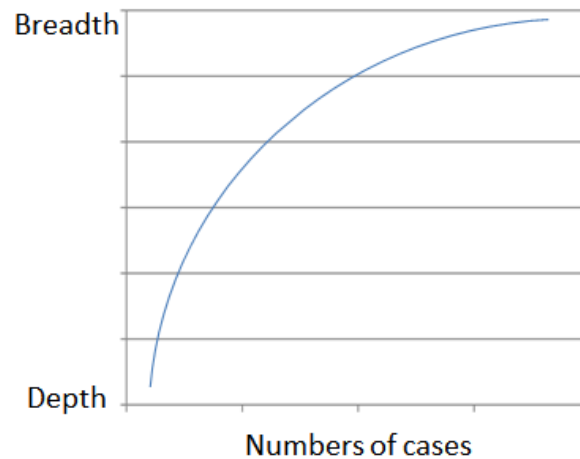


Figure 2: Depth contra Breadth in case study research compared to number of cases (own elaboration)

### **Selection of cases**

The selection of cases for a case study research is important to consider; if a random or a selection of specific cases is best for the research and before starting data collection it is important to well-defined the focus to avoid the possibility of large volume of data which can become overwhelming (Eisenhardt, 1989). In this thesis the sample for the cases will be a selection of specific cases which will be defined and described in the following section.

To find the right companies for the sample used for the case studies is it important to define the understanding of the areas looked upon. The companies for the case study will all have to do agribusiness, which means that they are directly connected to what is formally known as agriculture, saying that in this thesis agribusiness covers agricultural businesses and businesses, that are closely related and in direct connection to agriculture within their value chain.

The distinction if a company can be categorized as an international new venture or as a born global. Hollesen (2011) argues that the international new venture is just another name for the born global. It is in this study important to distinguish when a company can be called International enterprise. I have chosen to distinguish IE from the perspective of, when a company starts up the new Venture in relation to when it goes international. To have a valuable sample of international entrepreneurs, I will focus on entrepreneurs starting up a new business that within the timeline of maximum 3 years has gone into international business as shown in figure 3.

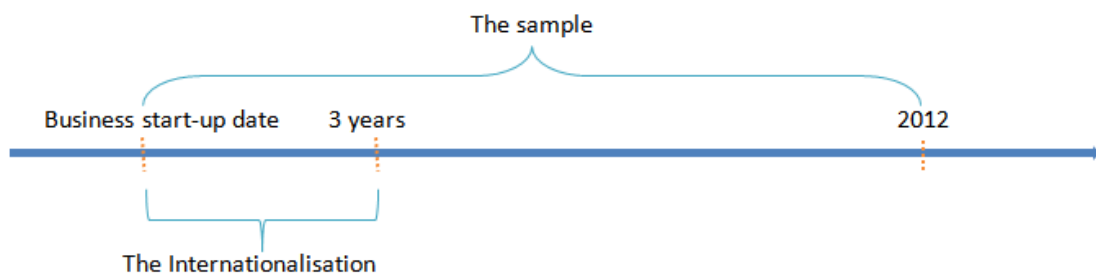


Figure 3: illustration of sample useful for the case study (own elaboration)

### 2.3.2.2. In-depth interviews

Interviews are often said to be “the best” method for collecting data according to Easterby-Smith et al. (2008), though it is important to recognise the complexity. One of the significant factors in using qualitative method is the choice of how structured the interview is planned to be, the interviews can be highly formalized and structured or free-ranging conversations. (Easterby-Smith et al, 2008).

The aim with in-depth interviews is collecting information, to capture the meaning and interpretation of the topic in relation to the interviewee’s worldview, Burgess (1982) summarized the importance this kind of interview as *“the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience”* (Easterby-Smith et al, 2008).



The interviews in this study will not be with highly structured, based on carefully prepared framework, the questions will be of a simple form and more unstructured, called “guided open interview” (Easterby-Smith et al, 2008). The interviews will be planned as semi-structured, where questions are formulated as more than just a checklist as topic guide, but still give the interviewee room to talk and explain further than only answering “yes” and “no” to the questions asked.

Easterby-Smith et al (2008) lists up six general concerns which is important to acknowledge and recognise when planning interviews: Obtaining trust, being aware of social interaction, using the appropriate language, getting access, choosing the location for the interview, and recording interviews (Easterby-Smith et al, 2008).

### **Trust and Social interaction**

To gain trust as an interviewer and thereby gain more qualified and potentially sensitive information, which can be of high value for the project, I will hand out a letter of secrecy to all companies interviewed who are interested in staying anonymous and all companies who want anonymity will be getting pseudonym and only be described by type of business, relations, and regional areas and so on.

### **Language, culture and worldviews**

All interviews will be performed in English, which is the 2<sup>nd</sup> language of both the interviewer and the interviewee. It is important to realise that there can be “2<sup>nd</sup> language interviews difficulties” which can be of significant importance for the outcome of the interviews, such as - it is important to know if the interviewee understand the questions correctly and the answers given is precisely understood and interpreted. Misunderstandings from both sides can occur due to for instance differences in translation of words or sentences between languages or caused by difficulties related to general language skill. From my experience from being in Tanzania and learning to understand the way their language, Swahili, works through experience and language course, together with the experience of how they are using English in the university among students and professors, I will have a better chance of

avoiding bigger misunderstandings, though this issue will be taken into consideration when meeting with the interviewees.

It is important for me, as an interviewer, to consider the possibility and thereby also consequence of the interviewee's understanding of the questions asked, I have to consider this as an important factor, not influencing the answers given in a wrong way. I also, as an interviewer, need to be sensitive and skilled enough to ensure that I understand the interviewee's views and both cultural and personal beliefs on the area. The interviews will be conducted on a one-to-one person basis, where only I as an interviewer and the interviewee are attending the meeting.

### **2.3.2.3. Critical Incident Technique**

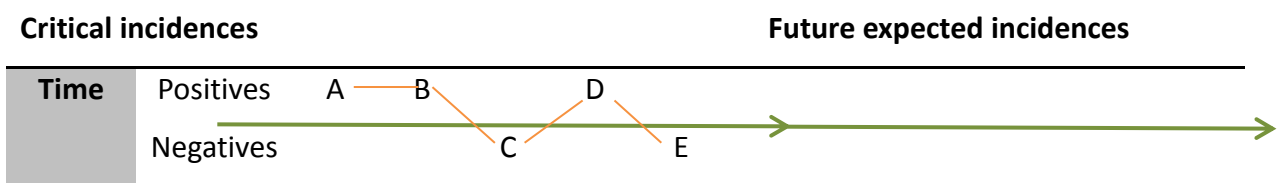
Information about the cases will be collected using Critical Incident Technique (CIT) in in-depth interviews where the interviewee is asked to tell from the perspective of a timeline. Especially in conjunction with in-depth interview, CIT has been used by qualitative researchers to great effect (Easterby-Smith et al, 2008). CIT will be used for obtaining greater insights of the critical events for the entrepreneurs experienced through time of becoming an entrepreneur and later when going into internationalization.

Flanagan (1954) was the first to use the CIT in a scientific study, established the validity and reliability of the method (Chell, 2004). Flanagan (1954) found that *"this technique is offering a possibility to go straight into the heart of a subject and gather information about what is really being searched for, rather than collecting large amounts of data that may or may not be directly relevant to what is wanted to be understood"* (Chell, 2004 & Easterby-Smith et al, 2008). CIT enables the researcher to investigate both the predictable and the unpredictable aspects of growth and development (Chell, 1998). Cope and Watts (2000) used CIT to examine entrepreneurial learning, for examining individual learning and business lifecycles (Chell, 1998).

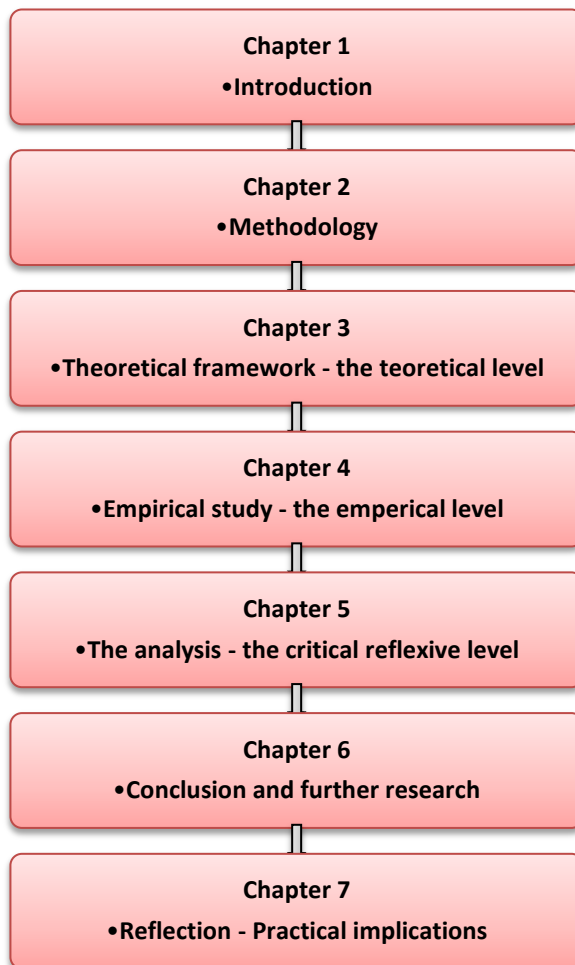
The Framework for the interviews is found in the appendix page 2. This framework will not be used as a questionnaire where the questions will be asked in the interview, but as a way for me as an interviewer to be able to collect the right information and to be able to follow the path throughout the interview. I, as the interviewer start the meetings with a presentation of what I did in my former work in Tanzania (Student entrepreneurship project at SUA) and then what this project is about. Then I say: *“Let me hear about your business, how and why you started doing business and so on...”* and continue the interview with *“what happened then?”* and only asking question for a better understanding of what is said by the interviewee, in this case the entrepreneur.

The incidences since the company started will be identified and reviewed and then facts about each incident will be uncovered in details. The incidence will be both positive and negative issues. In the end a possible pattern will occur and give basic for a result that can be either solved or known about for former IE and for the IE to prepare them for common issues in the future. This critical incidence table (table 1) will show each incidence which has been experienced by the company in the past and will be expected/predicted in the future. The incidences will be categorised into positives and negatives incidences to create an overview and summary for each cases incidences. This will in the analytical part be used for comparison and recognition of which incidences can be seen as common for the four cases.

Table 1: Critical incidence table (own elaboration)



### 2.3.3. Structure of the Research



Chapter one unfolds the purpose of the research, through an introduction of the reasons for how, why and what I am going to do with the work in this these.

Chapter two is devoted to presenting the ontological and epistemological foundation, where you will find a description of witch worldview and general understanding about reality this research will be made from, which methods and selections there will be used for the study and a presentation of the structure of the thesis is here.

The third chapter is the theoretical framework, where you will be present what the theoretical understanding of what will be analysed, focusing on the three main

characteristics; (1) entrepreneurship in a developing country, (2) knowledge intensive entrepreneurship and (3) International entrepreneurship, with are the tree areas making the theoretical foundation for the research and is to be able to analyse the empirical area through “connecting the dots” into the theoretical framework for knowledge intensive international entrepreneurship in a developing country. I will focus on finding the newest possible and as must as possible the most acknowledged theory from the scientific literature.

The empirical study is found in chapter four, where the data from the four case studies will be collected. The data will be presented one case at

the time, first through a description of the entrepreneurs, the entrepreneurship, a table with the timeline for the entrepreneurship will be made, from before starting up and to the future expectations as illustrated in table 3, each case will be presented with illustrations of their global value chains for now and for the future and last the information gathered regarding incidence from the use of CIT of positives and negatives will be presented with an illustration for each case

<b>Timeline for entrepreneur and entrepreneurship</b>		
	2012	
<b>Future plans</b>	Near future	
	Fare future	

Table 2: Illustration of timetable for the case studies

Chapter five will connect the third and fourth chapter through analysing the data collected from the cases with the theory found. I will go through the characteristics of the entrepreneurship, the start-up phase and processes, the global value chain and a comparison of the four cases in relation to critical incidences, if they are found comparable.

Chapter six present the conclusion, answering the research question and arguing potential further research and chapter seven will be a reflection of the research together with arguments for experience and insights in agribusiness in Tanzania, and argumentation for what could be done different and which limitations were experienced during this thesis.

### 3. THE THEORETICAL FRAMEWORK

It has not been possible to find former research or scientific theory which is focusing on **Knowledge intensive international entrepreneurship in developing country**. I have therefore chosen to build the theoretical framework from three different theoretical perspectives, which is all scientifically well-known and analysed from many different angles: (1) Entrepreneurship in a developing country, (2) Knowledge Intensive Entrepreneurship, and (3) International entrepreneurship. These areas are illustrated in figure 4 which shows the three theoretical perspectives combined, which will be able to unfold the theory behind **Knowledge intensive international entrepreneurship in a developing country** which is illustrated by the shared triangle in the middle of the figure. The following section will be structured as figure 4 illustrates. The purpose of the following is to find the theoretical understanding/knowledge behind each area, which later in the analysis of the empirical knowledge collected will be able to find the answers for the research question.

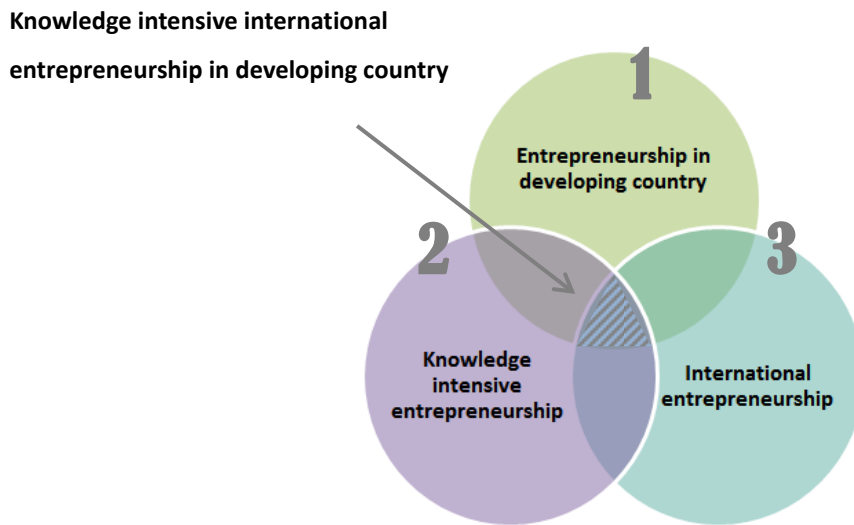
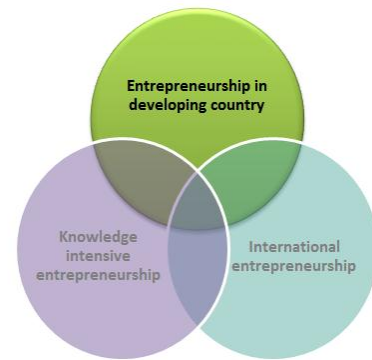


Figure 4: Knowledge intensive international entrepreneurship in a developing country (own elaboration)

### 3.1. Entrepreneurship in Developing country

In this section the first circle of the figure (figure 5), **Entrepreneurship in developing country** will be reviewed in order to argue the need for encouraging entrepreneurship in this area of the world and how the entrepreneurship within this field is in known academic literature.



*Figure 5: 1<sup>st</sup> circle – Entrepreneurship in developing country*

Poverty, unemployment, low education levels and in general the development issues in the African countries

has led to a need for knowledge within and recognition about drivers that contribute to economic growth, to be able to eliminate the high level of poverty and create better conditions in these countries in the future (McMullen, 2011). The recent global economic crisis, increasing food prices and the pressure of the climate change have reinforced the urgency to find more permanent and long lasting solutions for agricultural challenges in Africa according to Juma (2010), who state that Africa is mainly an agricultural economy, where the majority of the population find their income in agricultural business and argues that the creation of agricultural start-ups represents one of the most effective ways to stimulate rural development. The agricultural sector in Tanzania (Tanzania) provides employment for four-fifth of the labour force in 2010 according to official data according to Mfaume et al. (2004)

Entrepreneurship has often and by many been considered as the main mechanism for transforming the world economy (Giacomin et al, 2010), Ireland et al (2003) and McMullen (2011) state that many scientific papers through time have shown that entrepreneurship still is and has been for many years known as one of the significant factors contributing to growth and some even argue that it is the most important in the generating of growth in a country, and that scientific research within entrepreneurship has played an important role.

Schumpeter (1950), Baumol (1990) and Christensen et al. (2002) state that *“Empirical research shows that entrepreneurship has been the driving force behind every nation’s economic development”* (Nafukho & Muyia, 2009) and Nafukho and Muyia (2009) argues, several scholar have confirmed that entrepreneurship is not only helpful but a necessity for a healthy economy. Henry et al. (2003) claims that *“Entrepreneurship is seen to bring benefits to both the macro and the micro levels of economic development”* and Kirby (1983) suggest that there could be more opportunities for entrepreneurship in developing countries than in developed countries which have not been used yet, which therefore also strengthen and encourage for the argument of entrepreneurship education and training in many African countries (Nafukho and Muyia (2011).

“globalization and expanding international markets as well as for fast growing middle- and high-income class in many developing countries offer opportunities for developing-country producers to operate in emerging regional, national and international markets” according to Trienekens (2012). Nafukho (1998) state, that several African governments have developed initiatives within their entrepreneurship policy in order to solve youth unemployment problems and ensure economic growth. The government of Tanzania has for some years taken initiatives to encourage entrepreneurship by encouraging start-ups of SME’s which has been highly successful and led to an increasing number of entrepreneurs (Mfaume et al. 2004). Shane and Venkataraman (2000) argue that entrepreneurship is a vital component to, economic growth, innovation and employment for a country. Though the experience has not led to what was expected; an increasing number of entrepreneurs would be followed by similar economic growth, though this growth has not contributed to a decrease in the unemployment and poverty as it had been expected. The economic growth has been on an average level of 4%, though not improved economic growth enough to reduce the high level of poverty, where 50 % of the population in Tanzania, according to Mfaume et al. (2004) is living below the poverty line set by UNDAF, 2002-2006.

According to Nafukho and Muyia (2009), observations by Gavron et al. (1998) in the USA, found that phases of economic growth tended to relate directly to an increased number of



entrepreneurships within the same period. Though McDougall et al (2002) argues that the drivers of wealth creation is entrepreneurship with focus on newness and novelty in new products, processes and markets (Daily et al. 2002 & Ireland et al. 2003), though Shane and Venkataraman (2000) find the foundation of wealth creation through entrepreneurship, happening through discovering and exploiting profitable opportunities (Ireland et al. 2003). According to Ireland et al. (2003) that wealth creation and firm growth are inseparable factors, saying that *“Indeed growth and wealth creation are entrepreneurship’s defining objectives”* and *“entrepreneurship increasingly is viewed as a stimulus to wealth creation in emerging, developing, and developed economies as a result of the actions of individual firms”*.

Shane (2009) argues that it is obvious that it is better to have a small number of high-growth entrepreneurships than having a larger number of typical start-ups as seen in developing countries and state *“Stop subsidizing the formation of the typical start up and focus on the subset of businesses with growth potential”*.

### 3.2. Knowledge intensive entrepreneurship

In this section the second circle of the figure, **Knowledge intensive entrepreneurship** will be reviewed (figure 6), first uncovering the definition of **entrepreneurship** for a better understanding of the knowledge intensive entrepreneurship, which will be defined and explained in the second half of this section.

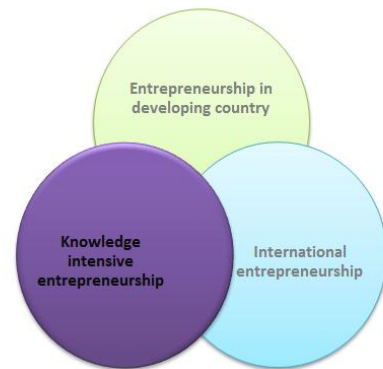


Figure 6: 2<sup>nd</sup> circle - Knowledge intensive entrepreneurship

Before looking further into Knowledge intensive entrepreneurship (KIE) there is a need to establish an understanding of what **Entrepreneurship** is. Weick (1979) defined entrepreneurship as: *“New venture creation (entrepreneurship) is the organizing (in the weickian sense) of new organizations”* – *“to organize is to assemble on going interdependent actions into sensible sequences that generate sensible outcomes”* (Gartner, 1985), though Schumpeter and Kirzner is known for dividing the interpretation of entrepreneurship into two different direction of understanding the term entrepreneurship.

Schumpeter (1934) defined entrepreneurship as the ability to break away from former known routine, to destroy the structure that exists and move away from what is known (Kirzner, 1999), Schumpeter (1964) had a strong believe that innovation is the essential characteristic of the entrepreneurial attempts (Carland et al. 1984) and arguing that entrepreneurship is disruptive and describes it as *“the introduction of new products, the introduction of new modes of production, the opening up of new markets”* (Cuervo et al., 2007). According to Nafukho and Muyia (2009), Schumpeter (1950) underlined that entrepreneurs are individuals who are both innovative and creative, while Beckman (1983) later in 1983 associated entrepreneurs to scientists by observing that *“an entrepreneur should be as sceptical as a scientist”*.

Opposite Schumpeter, Kirzner (1999) claim that entrepreneurship to be interpreted and explained as *“finding potential in an existing market through copying existing products and businesses”*; Kirzner (1999) explains entrepreneurship as a critical ability to recognise and taking profitable advantage of an opportunity which could be an existing market and thereby starting up a copy of an existing business (Baumol, 2005). The function of the entrepreneurs was not to introduce new products or more efficient methods of production, but by noticing earlier errors and potential in existing markets (Kirzner, 1999) which can be understood as copying existing companies.

Shane and Venkataraman (2000) has come with a newer version, defining entrepreneurship as the discovery, assessment and exploitation of opportunities, stating that entrepreneurship is starting new products, services, new ways of production, new strategies and organisational forms and new markets for products and inputs that did not exist previously (Cuervo et al, 2007).

**Knowledge intensive entrepreneurship (KIE)** is not “just” a start-up of a company as by some are assumed, Edquist et al. (2010) argues that KIE are *“innovative and are involved in a process that translate knowledge into innovation”* which refer to the Schumpeterian way of thinking. Malerba (2002) argue that KIE is “entrepreneurship with knowledge intensity in their activities and develop opportunities with innovation” and define KIE as *“a new firms that are Innovative, have a significant knowledge intensity in their activity and develop innovative opportunities in diverse sectors”*, they are of high tech classification and they are innovative, engaged in processes transferring knowledge into innovation (Edquist et al, 2010). Malerba (2002) define KIE close to what can be understood as “Innovative entrepreneurship”, which also can relate to the Schumpeterian understanding of entrepreneurship.

It is difficult to mention KIE without talking about the term “human capital”, Psacharopoulos and Woodhall (1985) argues *“at a national level, it has been theorized that investment in education as a measure of human capital leads to economic growth”* (Madsen, 2003),

Roberts (1991) claims that part of the skills in relation to new venture *establishment* “*has been found to be partly related to the natural capabilities a person is born with and partly to skills internalized through education and experience*”, saying that the type and length of education together with business experience, generally characterized as human capital, is important factors affecting how an entrepreneurs handle the creation and growth of new company (Madsen, 2003). Madsen et al. (2003) found that “*human capital has become a cornerstone of knowledge-intensive societies*”, in their research they found evidence that the dimensions of human capital, experience and previous employment appear to be important in building the networks which help secure both early and continuing finance for the companies.

KIE in this research is related to the educational level and former experience, with focus on the area of scientific knowledge achieved from university and from former experience of the entrepreneur. Measurement of personal qualifications will not be integrated in the research, only knowledge about background and former activities of the entrepreneur.

### 3.3. International Entrepreneurship

In this section the third circle of the figure, **International entrepreneurship** will be reviewed (figure 7), here you will be presented with an introduction to the understanding of international entrepreneurship both in general and in context with developed country, the drivers for entrepreneurship in developing countries, pre-internationalization processes and the global value chain, ending in this chapter with a presentation of the internationalization barriers, also both related to “in general” and to developing country context.

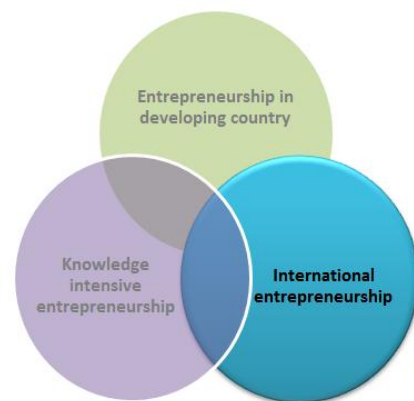


Figure 7: 3<sup>rd</sup> circle - International entrepreneurship

The term **International entrepreneurship** (IE) has in scientific theory also been identified as “international new ventures” (INV) and “born global’s” (BG) (Keupp & Gassmann, 2009; Hollesen, 2011; Oviatt & McDougall, 2005). Closer to the developing country areas, which is interesting for this research in connection to international entrepreneurship, the term “international entrepreneurship in emerging economies” (IEEE) has been identified (Kiss et al., 2012), which basically is leaning agents and steams from the three former theories, due to the fact that the understandings specifically of IEE in theory is quite limited (Kiss et al. 2012).

The popular business press has been reporting since around the late 1980s, as “*a new and growing phenomenon, the establishment of new ventures that are international from inception*” according to Oviatt and McDougall (2005). The starting point of research on INV was in 1994, it started with an article by Oviatt and McDougall (1994), who defined INV as “*a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from the sale of outputs to multiple countries*” (Rasmussen et al, 2010 & Keupp and Gassmann 2009)”. McDougall had earlier made a definition in an article

from 1989 though many scientific articles have chosen to use the 1994 definition on how new ventures internationalize (Aspelund and Moen, 2005, Keupp and Gassmann, 2009). The well-known “1994-definition” had distinguished INV into categories and was focusing mainly on SME and younger companies. A more general overall definition was made in 1997, also by McDougall and Oviatt (2000), which again was redefined in 2000, saying INV is “a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organisations”(Keupp and Gassmann, 2009 & McDougall and Oviatt, 2000). McDougall et al. (1991) divided academic literature by illustrated INV according to which area of organisational age and geographic scope as shown in figure X (Oviatt & McDougall, 2005).

Table 3: The Domain of Academic Literature on Organizations adapted from the presentation of Candida Brush in McDougal et al. (1991) (Oviatt & McDougall, 2005)

		Geographic Scope	
		Domestic	International
Organization Age	New	I	II
	Established	III	IV

Significant amount of literature

Hollesen (2011) argues that BG is the same as what Oviatt and McDougall call International New ventures (INV) and according to Hollesen (2011) a Born Global company was by Oviatt and McDougall (1994) and Gabriellsson and Kirpalani (2004) very simply defined, as “a firm that from its inception pursue a vision of becoming global and globalize rapidly without any preceding long term domestic or internationalization period”.

In 2003, McDougall redefined INV into what is known as one of the most resent definition, saying INV is “the discovery, enactment, evaluation, and exploitation of opportunities-across national borders-to create future goods and services. It follows, therefore, that the scholarly field of international entrepreneurship examines and compares-across national borders-how,

*by whom, and with what effect those opportunities are acted upon” (Keupp and Gassmann, 2009). They explain INV as “Entrepreneurship with the purpose of starting up an international new venture, which is building organisations that from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 2005). “International entrepreneurship (IE) is an important and intriguing research literature at the intersection of international business (IB) and entrepreneurship theory with many important implications for international management, entrepreneurship, and strategic management” according to Keupp and Gassmann (2009).*

More recent scientific research has found that an increasing amount of companies are choosing an untraditional way of internationalising; they do not follow the traditional and well known patterns of internationalisation processes according to Hollesen (2011). These companies are called Born Global and they are aiming at international markets from the day of start-up (Hollesen, 2011). Hollesen (2011) define Internationalization as what *“...occurs when the firm expands its R&D, production, selling and other business activities into international markets”* and argues that a Born Global company is *“a firm that from its birth globalizes rapidly without any preceding long-term internationalization period”*.

INV has *“today”* been defined by Kiss et al. (2012) as *“The discovery, enactment, evaluation, and exploitation of opportunities – across national borders- to create future goods and services”*. In a study with 88 scientific papers, Kiss et al. (2012) found that former studies of IE can be divided into two different perspectives; a study of the behaviour of international entrepreneurs, International actors and a study of comparative character, with comparative analysis of entrepreneurship from different angles, Comparative Entrepreneurship study (Kiss et al., 2012). Even though studying EI in new contexts is valuable for emerging economies, the high portion of human capital and low portion of financial capital which is found in emerging economies will often create a significant difference in setting within entrepreneurial growth strategies which therefore are most likely to be very different from those in the west (Kiss et al., 2012).

Born global is a special and highly interesting group of international entrepreneurs. They work under a “*time-space compression*” phenomenon (Harvey, 1996), where time and space compression situations is allowing them to undertake the international geographic possibility from the moment of their start-ups (Hollesen, 2011). This “time-space compression” reduces international processes into “here and now” trade and information exchange international, if technological advanced equipment and knowledge makes it possible (Hollesen, 2011).

Whether, a company is “international enough” to be called Born Global or not is up for discussion in different scientific papers. Rasmussen et al. (2010) argues from their study, of Danish companies, that international companies can be defined as Born Global when they have sourcing as well as selling activities internationally, and where at least one of the activities amounts to not less than 25% yearly outside Europe (Rasmussen et al., 2010).

Internationalisation of companies in general has become easier in newer time, due to better electronic data interchange, with the significant trends in favour of born global and due to recent advance in communications technology – accelerating the information flow. Information flow in international companies is neither any longer highly expensive nor time consuming. In newer time, also SME’s can manage considerable amount of international communication and operations efficiently across borders (Hollesen, 2011).

According to McDougall and Oviatt (2000) Research within Learning and knowledge theory suggest that companies which internationalize early will have to overcome fewer barriers to organizational learning about the international environment than companies starting up domestically oriented, planning internationalization later. Domestic oriented starting up companies has to overcome domestic orientation, international domestic politician ties, and domestic decision making inertia in order to enter international markets. The he fact that the earlier in the company life an innovative company internationalize, the faster it will be likely to grow overall and in international markets (McDougall and Oviatt, 2000).



According to Kuada and Sørensen (2000) export marketing is generally accepted as the most typical type of international business involvement among companies in both developed and developing countries. According to Cavusgil (1984) that can be explained with this type of international business is less risky and requires fewer resources, compared to foreign direct investment (Kuada & Sørensen, 2000).

### **International entrepreneurship in developing countries**

Before going further into the scientific theory on international entrepreneurship, the developing country matters will here be debated. Evidence has indicated that within the coming decades, significant shifts in trade flows between different economic regions internationally must be expected according to Kuada & Sørensen (2000). These shifts in international trade are influenced by a combination of the external drivers and the country-specific polity measures supporting economic liberalization and foreign direct investment, which is also the case for developing countries (Kuada & Sørensen, 2000). Kuada and Sørensen (2000) state that many developing countries intend to reduce direct state involvement in businesses, which has also been seen in Africa.

Lopez et al. (2009) found patterns showing that there is more variation within internationalization processes and patterns in emerging economies than in advanced economies (Kiss et al. 2012), Though scientific studies reviewed by Kiss et al (2012) revealed that IEEE are less likely to adapt sophisticated strategies, such as technology intensive industries with a low product development cost, in comparison to IE in advanced economies. That is due to the requirement of high initial commitments of resources and they are known to be more likely to focus on geographically proximate markets (Kiss et al. 2012). In both developed and developing countries it is generally accepted that export marketing is the most typical type of international business involvement among companies (Kuada and Sørensen, 2000).

### **Entrepreneurship drivers in developing countries**

Questions concerning drivers for entrepreneurship are interesting to discuss in relation to developing country issues. There is a need for understanding the methods that entrepreneurs use to overcome barriers in developing countries, not just financial, but also within institutional, political and cultural barriers and the understanding of the necessity-based entrepreneurship, together with a deeper understanding of cross-national differences in the entrepreneurial phenomena according to Kiss et al. (2012). Research of Chu et al. (2007) found evidence of that starting up firms in countries with considerably lower level of development, a large number of the start-ups is due to necessity and that they often see their success as a result of hard work and quality of service to customers and less as a result of support from the government (Chu et al. 2007).

The Global Entrepreneurship Monitor (GEM 2001) debates for two types of entrepreneurship; opportunity and necessity entrepreneurship. The opportunity driven is created voluntarily by an opportunity for starting up a business and the Necessity driven is opening up a business due to a push, which is typically for the purpose of generating revenue for survival, often triggered by a high level of unemployment (Block and Sandner, 2007). The necessity driven entrepreneurs are most likely driven by non-monetary reasons and are highly profit oriented. For most opportunity driven entrepreneurs the profit orientation is lower compared to the necessity driven entrepreneurs, the utility from greater autonomy, broader skill utilization and from the possibility of following their own ideas is also of greater value (Block and Sandner, 2007).

Statistics shows that the opportunity entrepreneurs remain in entrepreneurship longer than necessity entrepreneurs (Block and Sandner, 2007). Though it is still discussed how an opportunity or necessity driven entrepreneur has longer survival time for the business; the opportunity driven entrepreneur can be stronger in relation to cope with problems such as economic downturns or customer dissatisfaction, where they might also be more willing to search for a new opportunity than the necessity driven entrepreneur (Block and Sandner, 2007). It is scientifically known that unemployed persons are more likely to start up a new

business than people with a job and that unemployed start-ups perform worse through time with lower company-lifespan than entrepreneurs with a jobs (Shane, 2009).

### **Internationalisation barriers in entrepreneurships in developing country**

It can be argued that theory related to international business barriers can be modified into fitting what will be experienced by the international entrepreneurs , though I would argue that the developing country context would make a slightly difference form what can be generalized as barriers in developed countries. Though Hollesen (2011) state that for the most common critical barriers hindering internationalization initiation are mainly internal barriers and has listed them up as following:

- Insufficient finances
- Insufficient knowledge
- Lack of foreign market connections
- Lack of export commitment
- Lack of capital to finance expansion into foreign markets
- Lack of productive capacity to dedicate to foreign markets
- Lack of foreign channels of distribution
- Management emphasis on developing domestic markets
- Cost escalation due to high export manufacturing, distribution and financial expenditures

looking at these barriers in relation to international entrepreneurship, the theory needs to be modified to fit the IE theory, the internal part of the company does not exist in the imitation phase of internationalization, due to the company is going international from the starting point of the firm and further related to the developing country context the theory on internationalization barriers hard to find in scientific theory. In this research the entrepreneur will be considered to be the internal part of the firm, in relation to berries experienced by the entrepreneur in relation to starting up internationally.

Regarding barriers in internationalization in developing country context, significant barriers for the typical producers in developing countries in international business context are

according to Trienekens (2012) “the lack of an enabling environment offering institutional and infrastructural support, availability of resources and efficient and effective condition in value chains”, who also argue that Small-scale producers, such as local farmers in developing countries are in particular having difficulties and disadvantageous positions due to their low capital to invest, traditional techniques, influenced by family employment and lack of connection with the actors on the international market (Trienekens, 2012).

### **3.3.1. Pre-internationalization processes**

Kuada & Sørensen (2000) claims that “The decision to go abroad is widely considered to be the critical first step in a firm’s internationalization process” and argues that there are two main aspects in the decision process which have had significant attention in the scientific literature; *who within the firm makes the decision to go abroad?, and why is the decision made? Or, what are the principal factors motivating the decision?*(Kuada & Sørensen, 2000). However it has to be reflected upon that the internationalization processes for existing companies in comparison to born global are different, which leads to a need for modification of the know scientific theory.

The born global company are known to “skip” some of the traditional internationalization processes due to they are going straight into international business from the start. Some of the internationalization processes are therefore not of the same relevance for the Born Global companies. The question relation to “Who” within the company makes the decision is not of relevance to discuss in analysing born global companies and therefore it can be argued that the motivation factors, the “Why”, are the most interesting factor to look further into and the motivation factors related to the “Who” question is irrelevant in this context.

**Stimuli and Motivators**

Bilkey (1978) draws a distinction between the factors which are interesting to look further into in relation to born global; **Stimuli** which initiate exporting either from internal or external sources and **Motivators** which sustain an on-going export commitment (Kuada & Sørensen, 2000). According to Hollesen (2011), the first stage of the internationalization process is within the motivation. In the following section I will look further into the theory of these factors.

Figure 9 shows the different functions within the internationalization processes. The figure explains the internationalization process for both entrepreneurs and the processes within already existing companies. Hollesen (2011) and Kuada and Sørensen (2000) divide the motivation into two characteristics; **Proactive** and **Reactive** internationalization motives. According to Hollesen (2011), all companies go through one of these stages as a start of their internationalization process.

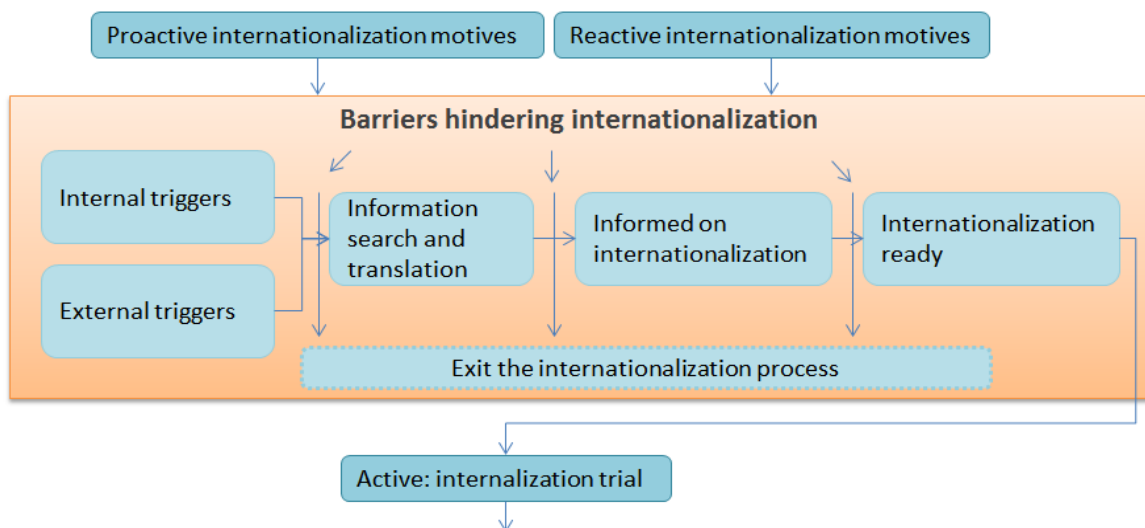


Figure 8: Internationalization theory (Hollesen, 2011)

**Proactive and reactive internationalization motives** - Hollesen (2011) characterize the proactive and reactive motives as seen in table 3 with **The proactive motives** as “*motives represent internal stimuli it attempt strategy chance, based on the firm’s interest in exploiting*

*unique competences or market possibilities” and the reactive motives saying “motives indicate that the firm react to pressures and treats in its home market or in foreign markets and adjust passively to them”.*

Westhead et al (2002) found that the size of the company matters; the bigger the company is, the more likely it would have cited proactive motives (Hollesen, 2011). According to Hollesen (2011), Suárez-Ortega and Alamo-Vera (2005) argues that “it is not the external environment that mainly influence the internationalization activities, but the pool of resources and capabilities within the firm that might be appropriately combined to succeed in international markets”. Research on small UK firms’ motives done by Westhead et al. (2002) found following reasons for exporting: Orders placed by foreign customers, “one-off” order, the availability of foreign market information, part of growth objective of the firm and export markets actively targeted by key founder/owner/manager.

*Table 4: Firm behaviour, Hollesen (2011)*

<b>Firm behaviour</b>	
<b>Reactive</b>	<b>Proactive</b>
○ Profit and growth goals	○ Competitive pressures
○ Managerial urge	○ Domestic market: small and saturated
○ Tech competences/unique products	○ Overproduction/excess capacity
○ Foreign markets opportunities/market info	○ Unsolicited foreign orders
○ Economies of scale	○ Proximity to international
○ Tax benefits	○ Customers/psychological distance

Kuada and Sørensen (2000) furthermore divide proactive and reactive decisions and behaviours of companies into motivational factors; **internal** and **external** motivators, listed in table 4. Hollesen (2011) describe the internal and external motivational factors in similar manner though calling them Internationalization triggers and describe them as triggers inside or outside the company which must initiate it or carry it through, as listed in table 5.

Table 5: A Classification of Export motives of Albaum et al, 1994 (Kuada & Sørensen, 2000)

Firm behaviour	Motivational factors	
	Internal	External
<b>Reactive</b>	<ul style="list-style-type: none"> <li>• Risk diversification</li> <li>• Utilization of excess capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Unsolicited orders</li> <li>• Small home market</li> <li>• Stagnate or declining home market</li> </ul>
<b>Proactive</b>	<ul style="list-style-type: none"> <li>• Managerial urge</li> <li>• Growth and profit goals</li> <li>• Marketing advantages</li> <li>• Economies of scale</li> <li>• Unique product/technology competence</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign market opportunities</li> <li>• Government export promotional efforts</li> </ul>

Table 6: Internationalization triggers, Hollesen (2011)

### Internationalization triggers

Internal	External
<ul style="list-style-type: none"> <li>○ Perceptive management/Personal networks (e.g. from traveling management)</li> <li>○ Specific internal events (a new employee, overproduction or reduced domestic market)</li> <li>○ Importing as inward internationalization</li> </ul>	<ul style="list-style-type: none"> <li>○ Market demand</li> <li>○ Network partners</li> <li>○ Competing firms</li> <li>○ Outside experts                             <ul style="list-style-type: none"> <li>- Export agents</li> <li>- Governments</li> <li>- Chambers of commerce (similar export production organizations)</li> <li>- Banks</li> </ul> </li> </ul>

When looking into the internal and external internationalization triggers or motivational factors the theory needs to be altered to fit international entrepreneurs. As earlier described the IE are not going through the traditional processes and do not have a “internal” part of the firm until after the start-up, which is at the same time as the internationalisation. A modification to the theory will therefore needed and in the following the internal triggers and motivational factors will be couched with the entrepreneur before starting the firm.

### 3.3.2. The international collaboration

Two of the most significant features of the modern economy are the globalization of the production and the trade (Gereffi et al. 2005). This has empowered the growth in wide range of the developing countries and the vertical disintegration of transnational businesses, which are incorporating changes in their core competences to focus on new directions: Innovation, product strategy, marketing, and the highest value-added parts of services and manufacturing (Gereffi et al. 2005).

Value chain theory if fairly new Sturgeon and Lee (2001) presented in 2001 a framework with three types of framework for relations to suppliers, based on the degree of standardization of product and process; the commodity-, the captive- and the turn-key supplier, which later framework emphasized the complexity of the exchange of information between companies and the degree of ability specificity in production equipment (Gereffi et al., 2005). Gereffi et al (2005) proposed the framework that seeks to explain the industry organization with value-chain governance.

The internationalization of companies and their cross border collaboration and value adding activities have many names and through time been described from many angles and in many different ways in scientific papers. According to Dickens (2011), *“A value chain is basically a linked sequence of activities in which each activity, and thus stage in the value chain, adds value to the production process, - a value that the end consumer is willing to pay for”*.

Gereffi and Korzeniewicz (1994) developed in 1994 a framework called *“the global commodity chain”* which focussed on the chains linking, developing and developed countries together (Gereffi et al. 2005), Russell and Taylor (2009) defined their versions of the topic, called *“the supply chain”* and *“the global supply chain”* with a deeper focus on organisation and logistics and latest Dickens (2011) defined *“the global production network”* understood as every product is include and have a value chain. Sørensen defines in 2011 the global value chain as *“a set of consecutive value adding activities performed by a set of autonomous put*



*interdependent actors located across borders in two or more countries” (Sørensen, 2011), which is illustrated in figure 10.*



*Figure 9: (Global) Value Chain, Sørensen (2011)*

Morrison et al. (2008) argue that in developing countries “the GVC approach has shown recently how international linkages can play a crucial role in accessing technological knowledge and enhancing learning and innovation” and that the GVC analysis is contributing to development in developing countries through fostering industrial development and innovation, most often seen through an upgrading or improvement of business activities for the pursuit of higher production efficiency and technological capability development (Morrison et al., 2008).

This research will use the model of the GVC for mapping the activities for each case with actors and locations in the primary level of activities, to create a picture of the basic structure of the companies GVCs and describing the downstream and upstream cross border activities. There will be focused on, and made a comparison at the level of the individual actors in the global value chains which are also called the inter-organisational level. The organisational level, also called intra-organisational level, will not be analysed in this thesis. The analysis will find the pattern of how the international entrepreneurs have their cross borders activities and from with mechanisms within the GVC that has influenced or dominated the international entrepreneurs into international business, for example a pull from the international market.

## 4. THE EMPERICAL FRAMEWORK

In this chapter, you will be presented with an introduction to the four cases with a short presentation of the entrepreneur, the company and its time-table, followed by the an overview of critical incidences that had happened in the past and expected in the future and also with an overview of the global value as it is today and how it is expected and planned to be in the future. The information and notes collected from the interviews can be found in the attached appendix. In following chapter (chapter 5) - the analytical part, the cases will be analysed in relation to presented theory from the former chapter – the theoretical framework (chapter 3).

### **The four cases:**

1. Integrated management
2. Home veg Tanzania
3. FICA Seed 2002 Limited
4. Principal company ltd

## 5. Integrated Management Ltd

### 5.1. From before start-up to today

Haji Dashi, owner and founder of Integrated Management Limited, graduated in 1990 from Institute of financial management. Back then Mr Dashi worked one year as an assistant accountant in a local company and afterwards he got a had a job for five years (1995-2000) in a German organisation as a consultant. Mr Dashi state that *“A lot of change and development has happened in the country within business during that time” and this knowledge, together with his wish to be a consultant, made him chose to become an entrepreneur, saying that it is because “He is good at connection to people and he is interested in connecting people to each other”.*

In 2000 Mr Dashi started as a consultant for different organisations, initially only locally in Tanzania then it grew fast into visiting companies in relation to collaboration in both Asia and Europe and then in 2002 Mr Dashi started Integrated Management Ltd (IML) with trade of potatoes, buying them in the villages and selling them in town, and after a short period of time expanded into doing trade of honey in Dar es Salaam where he found a high demand.

Mr Dashi found exporting interesting and due to his experience in advising companies in Tanzania, he tried to explain to them how to work internationally, but they did not understand how to organize it, he then decided to go into exporting agricultural products. IML became an international company with cross border trade in 2005-2006 with export of Irish potatoes, honey and later also oranges and pineapples to Kenya. The export of honey began after a customer in Nairobi had contacted him. Later in 2008 he went into the market in Uganda too. He also tried export of local spices, though he failed in this area as a result of difficulties with delivery of the different spices from the local farmers, coursed by too low scale farming

Mr Dashi is running the company and today IML has 5 employees, he employs staff and trains them and have them working in groups finding the products at the farmers which the

market demands. He pays them low basic salary and pays them commission for their work. Mr Dashi is now a member of several organisational and professional collaborations e.g. an agricultural Academic group, National import group, The World Trade Organisation and The East African import and export organisation. His company is mainly focusing on the east African area which he find large and with a lot of possibilities.

IML is mainly working within two different fields of agribusiness; export and consultancy. Mr Dashi states that farmers come to him to get connected to the markets. Mr Dashi is doing consulting for farmers both locally in the villages and through organisations within strategy and international trade one of the many things Mr Dashi is working on is helping agricultural companies to connect to the international markets which he makes contracts on with income through commission (5-10%). Mr Dashi argues that “The thing that is difficult in international trade is organising it”. Mr Dashi is the connection between the buyers and the sellers, helping the sellers out of the problems with the payments, which according to Mr Dashi often is a big issue. Mr Dashi calls his concept “double loop” – where he both manages the group in the village and the market side of the business in the village, saving the agribusinesses in the villages from the issues related to; the organizing, the middleman, contract farming and money transferred.

One of Mr Dashi’s newer initiatives is collaboration with the Mobil phone companies, about dealing through M-Peza which is money transfer, making trade and payments through mobile phones which is fast, safer and more reliable than transferring cash and Mr Dashi puts it as a requirement to his customers to use these M-Peza services.

Mr Dashi does not economically found projects, he is finding founders and then he uses his time and his knowledge as a contribution and through his work with the local farms he is also encouraging them not to rely on donors to be able to grow their businesses and instead create organisations within the villages which can support and contribute to the growth of their businesses together.

Beside export and consultancy, Mr Dashi has been working closely with different organisations doing project work e.g. working 2 years making experiments on doing agricultural business in Kenya, Tanzania and Uganda and mobilising Information and communication technologies (ICT) and Fair-trade, together with International Federation of accountants (IFAC) on an agricultural value chain management project, developing and supporting the formal sector of agriculture in the rural areas. In February 2012) Mr Dashi started working together with the start-up of an organisation called Mkuaji in Zanzibar who are supporting sustainable income and development with around 1000 farmers

## **5.2. Future plans, expectations and predictions**

IML's biggest issue right now is working on expansion, he want to go into Juba in South Sudan where the demand is very high, but it is hard to have products crossing two borders and to pay for it.

Mr Dashi is planning to change the structure and expand the company, constructing departments with administration of the different areas of business he is into. He is planning to make a plan for this change soon. Mr Dashi is planning to train his employees to be able to administrate each one of the tasks, which he himself is doing today, and then go into only supervising them and managing the company.

Mr Dashi is also looking into some new ideas with development what is known as the Information boards in the villages, which are attached to the local farmers in each area. Mr Dashi is already active in these with support for the farmers, though he is now interested in contributing to these boards with for instance computer and mobile technology which a majority of them today do not have access to. He want to give the farmers access to laptops for sending and receiving e-mails for faster and more adequate communication for their businesses and using the mobile phone service for sending out short messages to a large amount of farmers at the same time.

A company in Zanzibar inspired Mr Dashi recently asked him to help them with machinery for a production of shampoo, today all products on the market are imported. Mr Dashi is now planning to look further into the opportunities of putting up technology and machinery as a kind of display for the farms to try and use, who then can be encouraged to contact him for buying these kinds of machines, where Mr Dashi will have the connection to the suppliers and will do the sales for them. He has talked to a few companies and banks about what he calls an “investment scheme”, which is about putting the machines out to farmers who can share them. The bank will invests in the machine which earns money through commission, the machine will be there as a demo on the market and over time some farmers will be interested in buying one of these machines and there will be commission again through sales of these machines, where Mr Dashi will have the connection to the suppliers.

Mr Dashi states that there are a lot of ideas about technology among agribusinesses in general and also among Mr Dashi’s suppliers, but there is a giant problem; People go and get a machine, they can produce things but the problem in Tanzania is the packaging. There is no packaging material for the products in the country. Mr Dashi states that “*Packaging is too expensive*”. Another problem is that the farmers are not organized in going into more technological advanced then it is impossible for them. But like the organisation and group in Zanzibar it could be possible to go into making a machine where many farmers bring their products to the machine and then sharing it and the financing of it will have to come from government support.

### 5.3. Global Value chain

Integrated management limited gets all its products from local farmers in Tanzania, they buy the products or they connect the suppliers to the international market. IML are both transporting and through contracts selling products in Tanzanian, Kenya and Uganda which all are sold to businesses, they have no direct salt to the private sector market. Their cross border activity is as shown with the orange line is from IML in Tanzania and to Kenya and Uganda.

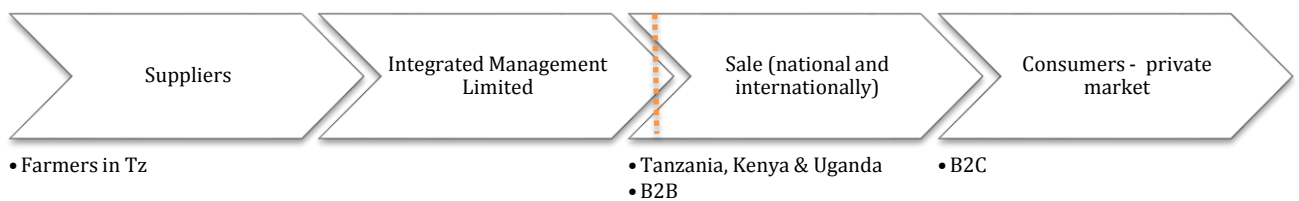


Figure 10: Global value chain 2012, Integrated Management Ltd

### 5.4. Future global value chain

IML are planning in the future to start their own production of e.g. spices, which has failed to be delivered from the suppliers. They are also planning to expand into delivery in South Sudan within short time and later in the future to expand with sale into both India and Mozambique too, beside these changes there are no other plans regarding change in their global value chain. Their cross border activities will not change in the future. This is of cause with the assumption that all will go as planned.

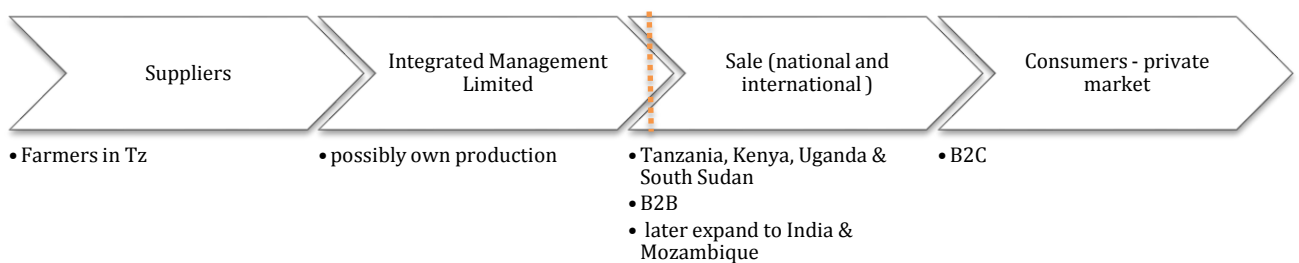


Figure 11: Future global value chain, Integrated Management Ltd

## 5.5. Time-table

Table 7: Time-table, Integrated Management Ltd

<b>Entrepreneur and entrepreneurship</b>	1990	Graduated
	1991	Worked one year as assistant accountant
	1995-2000	Started working in a German organisation as consultant
	2002	Started the company with sales I Dar es Salaam
	2005	Expanded into Kenya (Nairobi)
	2008	Expanded into Uganda
	2012	Working with organisation on Zanzibar
	Date of interview: 21.05.2012	
<b>Future plans</b>	Near future	Expand into Juba, South Sudan
	Far future	Expand into India and Mozambique
		Develop the Information boards with computer and mobile technology
		Start up the "Investment Scheme", placing machines for the small scale farms to use and as display
		Change company structure with different department to administrate different arrears of business and with Mr Dashi as manager with the responsibility of training and supervise internally

## 5.6. Critical incidence table

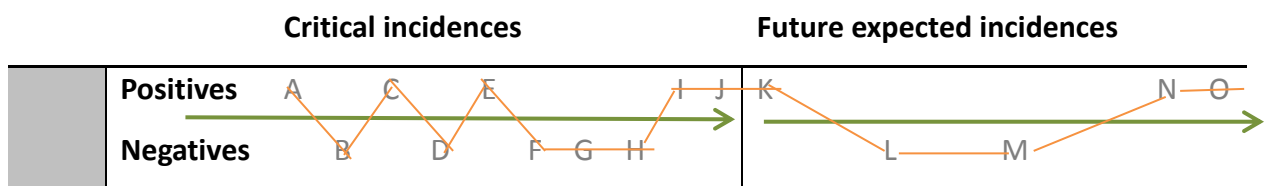
All critical incidences are listed in time order, with the (+) for the positive incidences and with a (-) for illustrating the negative incidences and in the end illustrated in figure X where each incidence is plotted in and connected with a line.

- A. (+) Mr Dashi got the idea of becoming an entrepreneur and started up the business as consultant
- B. (-) As consultant Mr Dashi experienced a general problem in Tanzania - often there are no knowledge about how reach the markets and he found it impossible to explain to them, which lead him into export



- C. (+) Started selling honey in Dar es Salaam, where there were a large demand and the national market was easy to access and supply
- D. (-) Had difficulties, experienced that Local markets is easier than international markets, it takes much more effort from the business to work internationally.
- E. (+) Found a market in Nairobi through contacts
- F. (-) Meet higher requirements for the quality
- G. (-) Problems with a stable and steady supply of products the market, failed exporting of spices – the collection of products was a problem, though he has thought about starting his own farm for it and make it more stable
- H. (-) Hard to cover the large demand due to the markets are large and attractive
- I. (+) Worked with IFAC which contributed to his business growth
- J. (+) Started export to Uganda due to contacts knowing about market possibilities
- K. (+) Expand to markets in South Sudan
- L. (-) Export to South Sudan is problematic due to cross border activities twice in every delivery which means two sets of borders to cross with customs
- M. (-) Getting trust and confidence in new places him and his company
- N. (+) Start-up technological support for villages
- O. (+) Start-up “investment scheme

Table 8: CIT, Integrated Management Ltd



## **6. Homeveg Tanzania Ltd**

### **6.1. From before start-up to today**

In 2009 Mr Mvungi registered the company Homeveg Tanzania Ltd together with two partners, Machel Tarimo, Finance and administration graduate from SUA and Hendry Mziray, Capacity building and production graduate from SUA, all three with equal shares.

Mussa Mvungi graduated in 2000 from SUA with a bachelor in agricultural economy and a master in special science and general management financing. After graduating Mr Mvungi started working in a private flower company in Arusha for 4 years and later changed job into fresh vegetable business where Mr Mvungi and Mr Mziray were colleagues for 2-3 years, working with high value crops for Europe and they knew Mr Tarimo from their student time at SUA. Mr Mziray had beside the vegetable business, worked at a NGO and Mr Tarimo had work as accountant.

None of the three men had planned to become entrepreneurs from the time they graduated. The former company they worked for stopped and they got the chance to take over the market with their own company and that was why they decided to start their own.

Their main challenge when starting their business was market linkage, how they could start exporting, how they got their first external market. Thought short after they meet a guy called Jonathan Parking (White man) who worked for a NGO called Aurora fresh (started by Well pack in UK and Special fruits in Belgium). Mr Parking gave them information about and linked them to external market possibilities in UK and Belgium. They told him about their needs for finding markets and he helped them getting into the market in Belgium (connection to the company called special fruits) and in UK through (world park), which are the companies they started to deliver to and since then they developed their markets themselves. There was no economic collaboration or support only information from Aurora Fresh.

Their company is named Homeveg Tanzania and was registered; they got training and the certificates in place and started in 2009, exporting fresh vegetables which started with the first delivery in September 2009. They are dealing with small growers on contracts and they don't have any farm themselves, they have grading facilities and pack house

Normally there would be challenges when starting up a business, though they had good knowledge for starting up, because they knew about the standards and what needed to be done for exporting vegetables. They used all their savings to hire a small room for the business and then started the business for their own money, "they just had the knowledge about what to do" Mr Mvungi said.

Financially they had problems when starting up, they needed money for certificate and education to qualify for the standards and applied for capital at TAHA, Tanzania Horticulture organisation, who works on promotion, and continued development of the horticulture industry in Tanzania. TAHA know them already and offered them financial support. And they got a building where they put in an office and machines and everything they needed.

The problems they faced when the company wanted to be international and go into local markets was the standards and the second trust, to gain confidence from customers. The customers came to visit them to see their business which helped them. They found it hard to convince the customers.

Mr Mvungi state that donors are now happy to help the company due to they are doing good business, one of their donors just gave them a new generator due to the problems with power cuts and another donor gave them a new, good Cold room next to their rented pack house.

The company's challenges have been addressed and now they are focusing on expanding the company with more supply and more markets. They now have the business started and now they are working mainly on building up a bigger market

According to Mr Mvungi, the agricultural industry in Tanzania is not big as in Kenya so everything is depending on Nairobi in different matters, so it is difficult to start a business in Tanzania because they have to make sure that they can make it.

Homeveg Tanzania had a hard time getting all the certificates in place, such as Global Gap certificate, where they just received the last this January 2012 and they are now exporting from Arusha through Kilimanjaro International Airport (KIA) or Dar es Salaam and sometimes through Nairobi to UK, Belgium and Netherlands.

Their suppliers of fresh fruits are all small scale farmers from Kilimanjaro, Tanzania on contracts. Homeveg Tanzania makes controlling that the villages with the farmers have the right climate, good water, and the right permits and so on before selection and then they make a contract and good agricultural training of the farmers for them to reach the standards. They have organised a model for teaching and educating the farmers into better production. With a very new group of farmers they advance the input and they also has gone into supplying farmers with better seeds or chemicals and such things.

The company follow a strict model, where an agronomist, every week the make agronomic oversight, where they visit all the farmers who are on contracts and help with capacity building.

Homeveg Tanzania have in 2012 around 60 employees, depending on the seasons so it is from 45- 60 people employed. The company has supply from 1200 small farmers on contract, who are organised into 8 groups, with 150 in each and will in short time expand into 2000 farmers. The average sells in low season are 4 tons of fresh fruits, in the end of 2012 the sale is expected to rise to 10 tons per week and further expected in 2013 to be around 15 ton per week. Homeveg Tanzania expect a growth with 5 ton per week per year within the next few years

The company have donors who want to support their suppliers, the small local farmers to building up their farms and they are supporting these local farmers with their planning, writing proposals, building an input store and getting certificates. Which helps the small scale farmers to grow into more technologically advanced businesses. He supports them into go more advanced technology – the quality is getting better and they can grow without supervision and the training makes them improve.

## **6.2. Future plans, expectations and predictions**

Right now they want to build our pack house (in July 2012) their own place and not use the one they use to rent. They want to expand into more countries and gain more market in Netherlands and Homeveg Tanzania is now also planning to expand with suppliers from Lushoto, Tanga and also expanding into having their own pack house now with financial support from an organisation called ADF, working with agricultural development.

Future plans (short term this year) working with support SCF (Small and Medium Enterprise Competitiveness Facility) to study local market, they are now working only within export though they are planning to extend into local markets too – targeting local supermarkets, tourist hotels, mining and so on- this year so at least 30 present will go into local markets. Homeveg Tanzania is though also planning to expand into Germany for baby vegetables, which they have been told from student that there is a good market for there.

Mr Mvungi expect it to be easier for the company to go to the bank, because they will have their own collateral and their own infrastructure, but before that they had to use other partners support and get financing from organisations, which will make everything easier for them.

In more far future they want to have their own farm – now they find it cheaper for them to use the small scale local farmers, due to they do not need to hire all the staff and make sure of security and so on. They are though planning in the future to keep the small scale farmers

and would then like to have 30 % production from own farm and 70% from small scale farmers.

### 6.3. Global value chain

The global value chain as it is today, Homeveg Tanzania buys all their products from local small scale farmers in Tanzania on contracts, the products are sorted and packed in the company pack house. The products are sold and shipped to businesses in UK, Belgium and Netherland, transported by plain from Dar es Salaam or Nairobi, where the products are sold to the private market. Their cross border activity is as shown with the orange line is from IML in Tanzania and to Kenya and Uganda.

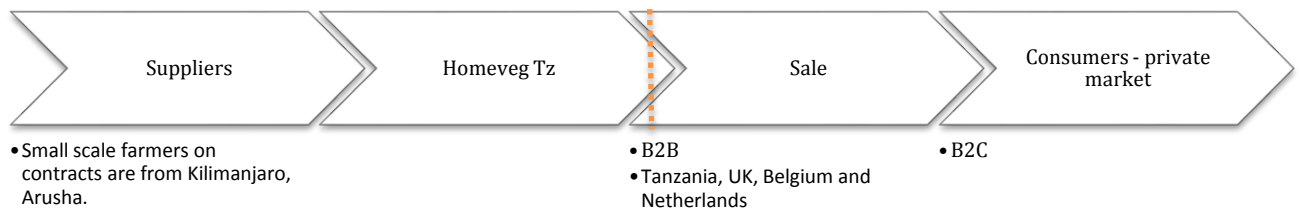


Figure 12: Global value chain 2012, Homeveg Tanzania Ltd

### 6.4. Future global value chain

Homeveg Tanzania is planning to expand with suppliers from the Tanga region in the near future and will within years make a transition into having their own production also, with 30 % of their own supply of vegetables. They are planning to increase their markets first to Germany and then to the local market in Tanzania within short time, supplying nationally with 30 % of their sales and 70 % will continue to be exported. Their plan will continue to be B2B and not into the private market. Homeveg Tanzania is not planning to change their cross border activities in the future. This is of course with the assumption that all will go as planned.

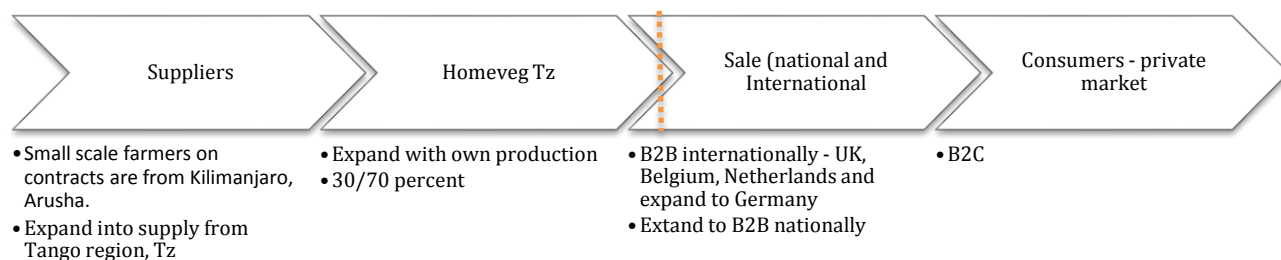


Figure 13: Future global value chain, Homeveg Tanzania Ltd

## 6.5. Time-table

Table 9: Time-table, Homeveg Tanzania Ltd

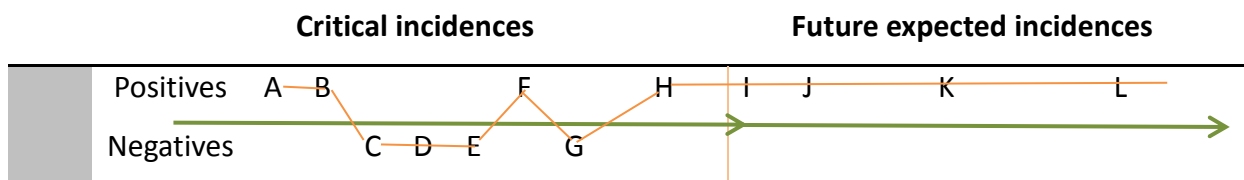
<b>Entrepreneur and entrepreneurship</b>	2000	All three owners graduated
	2000-2004	Mr Mvungi worked four years in the flower business
	2004-2007	Mr Mvungi worked two to three years in the fresh fruit business
	2009	The company got registered and Homeveg Tanzania had started
	Sep. 2009	Started exporting
	Jan. 2012	Final certificates in place allowing them to do international trade
	Day of interview - 28.05.2012	
<b>Future plans</b>	Near future June 2012 End of 2012	Got financing and started building their own pack house Estimate an increase with sale up to 6 ton per week
	2013	Estimate an increase with sale up to 10 ton per week Expand into the German market
		Estimate an increase in sale with 5 ton per week each year to come in the near future
		Start a project together with SCF regarding potential sales in the local market in Tanzania – will go to sales of 30% locally and 70% export
	Far future	Expand the company into having their own production of fresh vegetables with a goal of supply, 30% own production and 70% small scale farmers

## 6.6. Critical incidence table

All critical incidences are listed in time order, with the (+) for the positive incidences and with a (-) for illustrating the negative incidences and in the end illustrated in figure X where each incidence is plotted in and connected with a line.

- A. (+) TAHA Financial support for start-up, normal challenges when starting a business: normal entrepreneurs don't have the capital when they finish studying, they can't go to bank, there is no collateral for loans
- B. (+) meeting an employee from a NGO called Aurora Fresh, who gave them information about and linked them to external market possibilities in UK and Belgium
- C. (-) Problems with too small facilities, such as pack house and cold room
- D. (-) It is hard to live up to the standards and to gain trust in their market
- E. (-) Problems with power cuts were expensive and complicated things for the company
- F. (+) With help from donors, they solved the big issues(problems) concerning the cold room and the electricity
- G. (-) Hard to get Certificates for international trade
- H. (+) Got the last certificates in place January 2012
- I. (+) financing of their own pack house
- J. (+) project with SCF move into local markets
- K. (+) got possibility for loan at the bank
- L. (+) Expand into own production

Table 10: CIT, Homeveg Tanzania Ltd





## 7. FICA Seed Tanzania (2002) Ltd

### 7.1. From before start-up to today

Goodluck Minja graduated from SUA in 1991 with a master in crop science and afterwards he worked at SUA in the crop science department for some years, where he got inspired and decided to become an entrepreneur, though before going into entrepreneurship, Mr Minja started working at the national seed company of Tanzania.

Mr Minja registered **FIKA Seeds Tanzania (2002) Limited** and started in 2002 in Arusha, Tanzania. FICA stands for “Farm input care centre”. The company initially started as a distributor of seeds motivated by **FICA Seeds Uganda**, who the company branched off from and who also financed the start-up together with small savings of Mr Minja. Mr Minja met the manager of FIKA Seed Uganda in TANZANIA at his work at the TANZANIA Seed Company, this inspired to collaboration as Mr Minja stated it “they teamed up and started a company in Tanzania”, and today one of the founders of FICA Seeds Uganda is one of the chairmen of FICA Seed 2002 Tanzania Ltd.

When Mr Minja was waiting to start up he bought local produced material from Tanzania Seed Company and started with mangoes only, when started properly, he imported seeds from FICA Seeds Uganda, which today he is focusing to move more and more away from and become self-supported and also create their own new varieties themselves.

Now in 2012, FICA Seed Tanzania economically independent from FICA Seed Uganda, but they are sharing their markets between them and supporting each other now. Today in 2012 the core business of the company is open pollinated maize seed varieties (80%) and hybrids maize (20%) (and a few other vegetables in lower scale) and the sale is only focused on the Tanzania market, the company is not yet big enough to cover the internal market. FICA Seed Tanzania is planning to go into export in the future when most parts of Tanzania market are covered.

The company are doing the packaging themselves at their processing plant and they are selling to both wholesale agri-dealers and retailing.

In 2002 when the company started, Mr Minja faced major problems within trust and confidence from the market in his products and competition. The private sector in TANZANIA in this area of doing business is fairly new due to former monopoly from the state owned Tanzanian Seed Company, so FICA Seed Tanzania had to find out how to penetrate the market, due to the fact that the farmers have been used to buying from state own company.

The government has recently begun to hand out the vouchers to local small scale farmers who are the customers, so it has gotten easier for FICA Seed Tanzania to operate. In 2002 when the company started the state was not giving out the vouchers which made the competition in the country very hard due to conditions of almost monopoly for the Tanzania state owned seed company | Tanzania together with the issues of trust and confidence from the customers. The vouchers is given to the small scale farmers from the state, for them to be able to buy seeds for their production, Fica Seed Tanzania collect these vouchers as payment and bring them to the bank where they get converted into money. The company are selling the seeds on commission; their buyers are all small scale farmers mainly with vouchers from the state, the Agri dealers get the vouchers and the vouchers are handed in to the bank, get the money from the state and then paying FICA after the sales.

Recently FICA started producing and processing seeds in Tanzania by contracting small scale farmers, though it is not easy, these farmers need training and supplies with samples of new types of seeds and demos and Mr Minja argue that the farmers in the future will need to advance into more technological advanced production methods

## **7.2. Future plans, expectations and predictions**

FICA Seed Tanzania are right now trying to expand with new crops and in the future they are planning to have their own farm for production of seeds, but they are still too small for it – now they still have all their supply from small scale farmers on contracts.

Right now they have a processing plan in place and they are trying to put up another building, for starting to produce fertilizers and other relevant products for farm production, still for small scale farmers, though the big barrier for the company right now is where to get the money to develop the company from.

FICA Seed Tanzania is planning to go international in 2015 with export to countries like Sudan, Ethiopia, Burundi and Rwanda as a start and then later expand to more countries, knowing that the competition will be hard, they already have existing companies within this sector in these countries.

Mr Minja wants to expand into seeds that is not in TANZANIA already and further go international with this supply of special seeds to the other countries also.

They want to go international, first with production in TANZANIA and then later they plan to move further into contracting farmers in other countries as well, but it is important for the company to cover the supply for the TANZANIA customers first. Mr Minja expects problems when expanding into international production due to such things as weather conditions and the climates, which makes the productions more vulnerable in some of the other countries.

The big plan in the far future is to grow into a business like a supermarket, with supply for the market in all they need for farming, Mr Minja call this “putting all under one roof”, where they will supply all kind of seeds, fertilizer and later also equipment first in TANZANIA and then also later expand into export of all their products. This will all be done in collaboration with FICA Uganda in the matter of knowledge and planning it.

Mr Minja will in some years from now want to expand together with new entrepreneurs too. FICA Seed Tanzania are now starting to expand to markets they cannot reach themselves, to which Mr Minja state, that later it could be interesting to go to expand the business with more companies and thereby also give the help to other new entrepreneurs with financing and collaboration.

### 7.3. Global value chain

Until recently FICA Seeds Tanzania has got their products through import from FIKA Seeds Uganda, this delivery is about to go out and to be taken over by supply from small scale farmers in Tanzania. The global value chain made here is the here and now picture, which is why bot the import and the national suppliers are illustrated. The vegetables is picked up or delivered to the company and the delivering to retail is done by renting small trucks. Their cross border activity is as shown with the orange line is from FIKA Uganda to FIKA Tanzania.

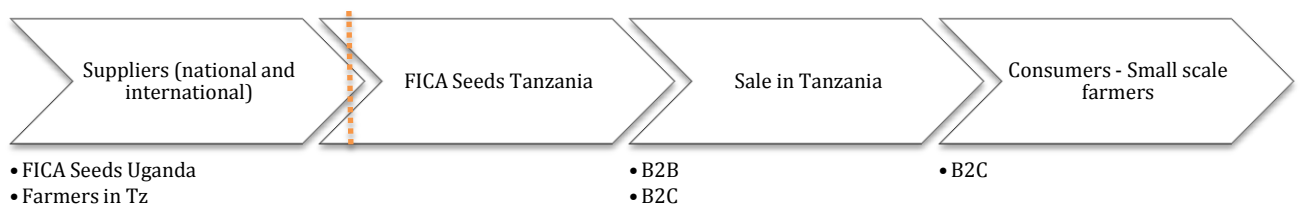


Figure 14: Global value chain 2012, FICA Seed 2002 Tanzania Ltd

### 7.4. Future global value chain

The future global value chain of the company will here be illustrated in two figures, the near future and the more far future.

#### Near future

The changes for the company for now, in near future their import will be stopped and they will get all their products from farmers in Tanzania. A new cross border activity will be started, exporting seeds, first to other countries near Tanzania and later on to more far areas of Africa. The sales are to both B2B and B2C which will also be the way it will be, when going into export Tanzania. This value chain is of course with the assumption that all will go as planned.

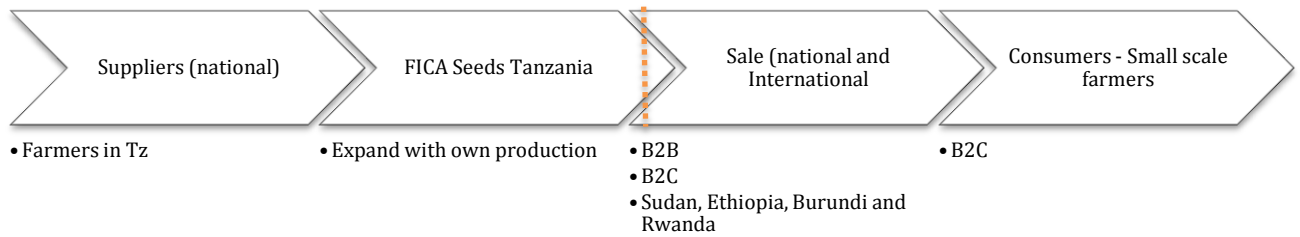


Figure 15: Future global value chain - near future, FICA Seed 2002 Tanzania Ltd

**Far future**

In more far future the company are planning to expand in the supplier area too, finding small scale farmers in the different areas which they are supporting and thereby expanding the different numbers of products, production and also will influence the sales over a longer period of time. As illustrated the company will go into double cross border activities, where some product will be imported and other products will be exported. Over an even longer period of time Mr Minja are arguing for the possibility of starting up external departments or daughter companies with finical support to new entrepreneurs.

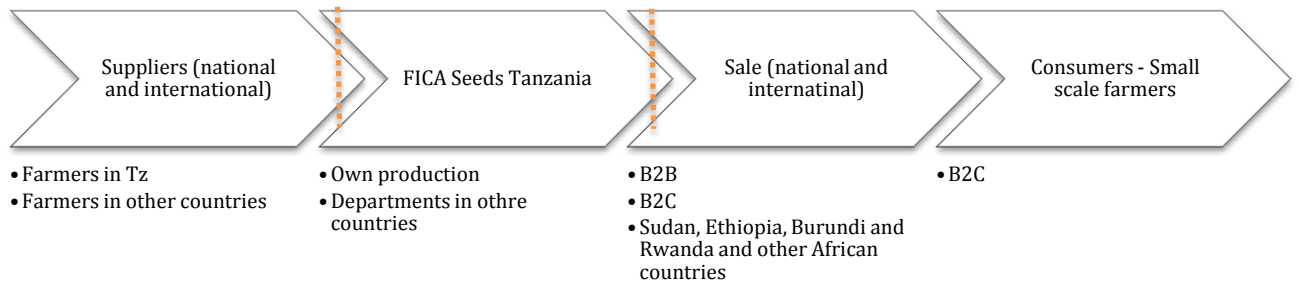


Figure 16: Future global value chain - far future, FICA Seed 2002 Tanzania Ltd

## 7.5. Time-table

Table 11: Time-table, FICA Seed 2002 Tanzania Ltd

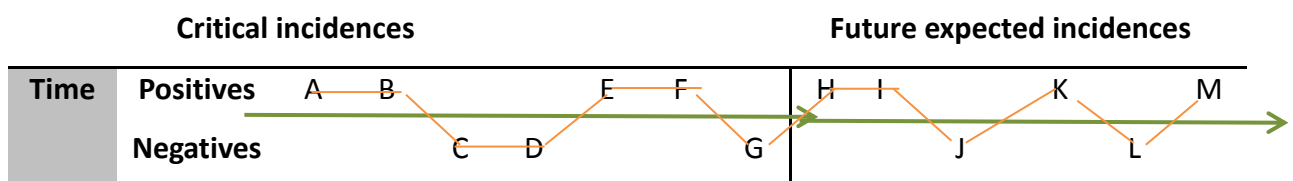
<b>Entrepreneur and entrepreneurship</b>	1991	Graduated – Master in Crop Science
		Worked at SUA
		Worked at Tanzania national seed company where he meet the manager of FICA Seeds Uganda
	2002	Started FICA Seeds 2002 Limited
		The stat started handing out vouchers to small scale farmers
		Started to be supplied from contract farmers
		Date of interview: 29.05.2012
<b>Future plans</b>	Near future	Want to make new variants of crops and seeds
		New building for producing fertilizer and other relevant products for farming
	2015	Plan to go international with export to countries like Sudan, Ethiopia, Burundi and Rwanda
	Fare future	Expand with own production
		Find markets in more African countries
		Move into contract farming in other countries
		Expand business with now entrepreneurs in other countries
	Grow the business into “all under one roof” with everything in farm products	

## 7.6. Critical incidence table

All critical incidences are listed in time order, with the (+) for the positive incidences and with a (-) for illustrating the negative incidences and in the end illustrated in figure X where each incidence is plotted in and connected with a line.

- A. (+) Meets the manager of FICA Seeds Uganda and agreed on starting a distribution of seeds through a company in Tanzania.
- B. (+) Financial support from FICA Seeds Uganda to start-up the company.
- C. (-) Hard to enter the Tanzania market due to competition, Tanzania Seed Company still had most of the market
- D. (-) Trust, confidence from the buyers, who were not use to buy all seeds from a private company before the vouchers were handed out from the state (State had monopoly on seed sales earlier)
- E. (+) The farmers started getting vouchers for buying seeds and also fertilizer, which made it easier for the company to capture market shares from the state owned Tanzania Seed Company
- F. (+) Local production with contracting of small scale local farmers in Tanzania
- G. (-) Training and finding the right farmers for production in Tanzania
- H. (+) Expanding into producing and selling fertilizer, which is expensive for the farmers, but the sale is good with vouchers
- I. (+) Start export
- J. (-) competition will be hard in other countries
- K. (+) Start production in other countries with contracting small scale local farmers outside Tanzania
- L. (-)Difficulties in seed production in other countries with climate and weather conditions
- M. (+) Expanding into producing and selling more new products “having all under one roof”

Table 12: CIT, FICA Seeds Tanzania



## **8. Principal Company Ltd**

### **8.1. From before start-up to today**

Godfree H. Mosha is not a graduate from a university but has the advantage of growing up in a family of entrepreneurs; his dad was a shop owner, he did small scale farming and opened up a butcher and all of his brothers are entrepreneurs. Mr Mosha started, business with his brothers after finishing secondary school form four; farming, filling station and transport business. He learned how to start a business from his brothers.

Mr Mosha started his own very small retail shop in the village and starting farming small scale vegetables in the garden, he started with mais and later expanded into tomatoes and cabbages. Later he started to go into timber business together with one of his brothers, transporting timber from country side to the city and selling it expensive to businesses. Later they moved on to making spare parts company for some years.

In 1990 a friend introduced Mr Mosha to a business idea; import of beer from Kenya to Tanzania, due to a large market potential, with only a few beer on the market at that time. While importing beer another opportunity raised from a business man, who gave him the idea to export pawns to South Africa. Mr Mosha went to get support from Tanzania Food Champers in finding potential buyers in South Africa, who helped him find three big buyers.

In 1993-1995 business was good, but there were many problems with payments, he had to travel to the buyers to push them to pay. This led him to seek other opportunities and in 1995 he started importing hardware from South Africa to Tanzania, mainly locks for doors, which in short time failed.

A friend asked Mr Mosha to seek for some specific products for improving the quality for wheat flour, he used his fax machine and computer which he was use to use for all international communication to find and get in contact with the producer of this material in South Africa and started buying the flour improver called Flour Tex. In 1995 Mr Mosha



registered the company Principal Company Limited and within the same year he achieved the advantage of a contract making him the solo Agent to sell bakery products in Tanzania market from what he state to be “one of the top world bakery products manufacturing company in South Africa called South Bakels (pty) ltd”.

Though the years he started importing more and more different products; Bread related products, emulsified fats for breads and buns, muffin mixer, fillings and toppings, speciality bread and roll mixes, seeds, bread and roll improvers, preservatives and many more. He had not financial support and used his own savings and a family loan for all activity within the company.

In 2001 a South African supermarket chain, which went into the Tanzanian market, contacted the company who supplied the bakery products for their “in house bakery”, they refereed them to contact Mr. Mosha. Later on another South African supermarket chain, “Shop Right”, came to Tanzania and became customers. Principal Company Ltd has since then grown into delivering to; hotels, restaurants, both larger and home barkers and an airline company.

Mr Mosha always tell his buyers; *“with snacks and bakery products - customers don’t plan to buy it. Customers buy it when they see it, it is like candy”*. He is now only in the bakery product business and has closed down all other business activities and is only focusing on Principal Company Ltd. The products are imported from the factory in Johannesburg, South Africa by road transportation. It is too complicated and too expensive by sea due to administration at the dock in Dar es Salaam and time spent on the delivery.

Principal Company Ltd is right now in 2012 making expansion plans, trying to reduce costs and increase earnings. They are going into production of flour mix, arguing that “70-75% of the products are wheat fours – they will buy local wheat flours, soya, soya flour and some other products in Tanzania, import some of the raw material from South Africa and mix and pack it locally in Tanzania. The company has just put up their new production building. They

have the production hall ready now in 2012 with room for machinery and will expand more before the end of the year.

Mr Mosha is right now finishing the registration process with all the products at the government offices. He has a few machines already and has prepared a building with a new office, machinery building and new storage facilities – in June the building is almost finished with electricity ready for machines, he is only waiting for the registration and applying for founding for buying the machines. When production with the local production is running, he is planning to start in Tanzania and then modify the marketing to other countries he will go into. He is planning to expand into Burundi, Ruanda, Kenya, Malawi, Zambia and Congo, one country at the time and with the east African countries first. He will go further away from importing through time and produce as much as possible and go further and further into exporting the products all over Africa, one country at the time.

Mr Mosha is also making different business plans beside the production and exporting plan. He is planning to go into the more small scale local markets in Tanzania. He is starting to target smaller bakeries in supermarkets and local women in markets selling small scale bread for sending their kids to school.

Recently the company hired a professional chef for making demonstration and teaching for free, on how to use the products they sell, for local women in villages who can bake and take bread to the small local market places. The products are imported in bags which are 5 kg, 12,5 kg and 25 kg. bags which are too big portions for the small scale buyers, which the company now will solve through repackaging their products into smaller portions and sell directly to the customers from the company and not from e.g. supermarket.

## **8.2. Future plans, expectations and predictions**

There is a very good relationship between South Bakels Ltd and Principal Company Ltd, who has agreed to supply Principal Company Ltd in the future with raw material and they are supporting the growth and development of Principal company ltd.

In the future Mr Mosha is planning to go further into new products and start selling spices also, they now only have cocoa powder for cake mix. The local small scale farmers cannot produce stabile product and strong wheat flour, all wheat flour is produced from large scale farmers in Tanzania. With the production of spices the company aim for creating more employment for small scale farmers through encouraging them to grow spices and make contracts on the supply.

Principal Company Ltd want to expand into the surrounding countries in East Africa; Kenya, Burundi, Uganda and Ruanda where there are collaboration with common policies and custom tariff and so on, and further out to the rest of Africa through time. The plan is to be the biggest supplier of bakery products with a high quality and therefore he also sees a need for the right knowledge, technology and people, which he will reach for. The largest problems and barriers with exporting are the cultural differences, law and regulation such as permits and health regulations, the way they do business in different countries, trust issues and finding out what the needs are in the markets and to know exactly what people in the different countries want. Mr Mosha is planning to research one country at the time while it progresses.

### 8.3. Global value chain

Principal Company Ltd import bakery products from South Africa where they have only one supplier, the products are transported by road from Johannesburg to Dar es Salaam where it is stored and sold to companies and consumers in Tanzania. The cross border activity is as shown with the orange line between the company in South Africa and Tanzania as the company is today.



Figure 17: Global value chain 2012, Principal Company Ltd

### 8.4. Future global value chain

#### Near future

There will be a lot of changes in the company within the near future; the company is changes their structure slightly into becoming a production company more in the direction of a production company than import and sale. They will though still have the export of some of the products from South Africa though they will move more into the direction of supply form large local farmers in Tanzania.

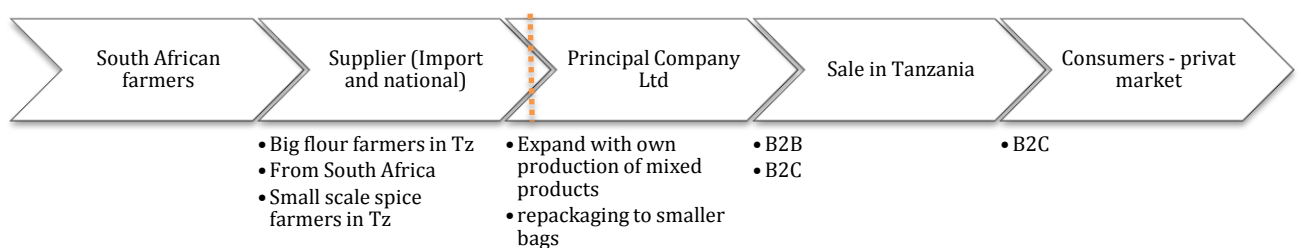


Figure 18: Future global value chain - near future, Principal Company Ltd

**Far Future**

Their cross border activities will in far future change to be both import and export if everything goes as planned-. Principal Company Ltd is planning to go into international sale, B2B and further out in the future also start up with contracts on small scale farming in other African countries.

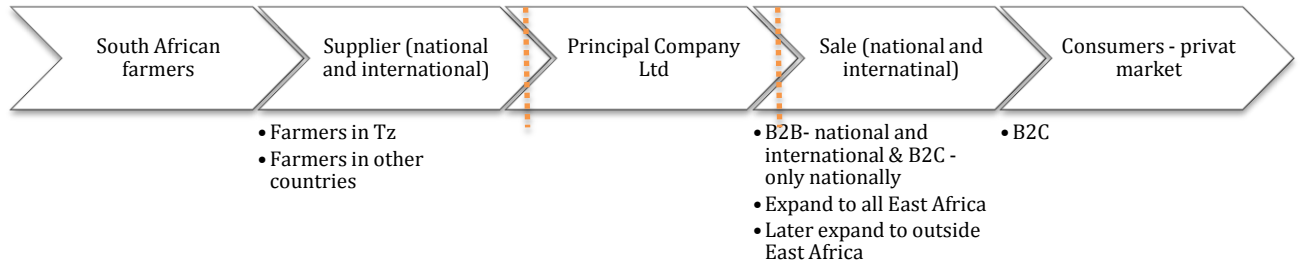


Figure 19: Future global value chain - far future, Principal Company Lt

## 8.5. Time-table

Table 13: Time-table, Principal Company Ltd

<b>Entrepreneur and entrepreneurship</b>		Small scale business with brothers
	1990	Beer import from Kenya
	1993-1995	Prawns export to South Africa
	1995	Door locks import from South Africa which failed Started Principal company limited Got the exclusive distributor agreement from the supplier
	2001	Supplying large supermarket chain from South Africa and later same year another large supermarket chain, "Shop Right"
	2011	Start sale to smaller scale customers
	2012	Hired chef for demonstration and teaching smaller scale customers how to use their products
	2012	Started repackaging of products to smaller bags
	2012	Building machine house and new offices and storage room
	Date of interview: 31.05.2012	
<b>Future plans</b>	Near future	Putting up machines for production and mixing of bakery products
		Rebuilding the old office into showroom and store for small scale buyers
	2012-2013	Production of flour mix, contracting and training of small scale farms, still buying some raw material from South Africa for mixing in
	Far future	Expanding into international markets exporting flour mix and other products to other East African countries
		Expand to markets outside East African countries

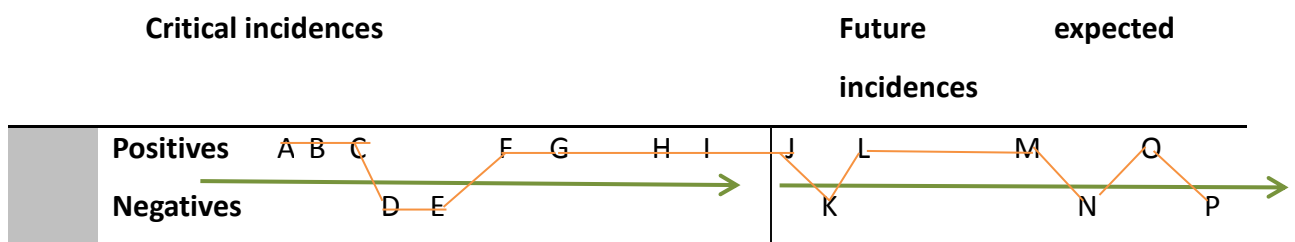
## 8.6. Critical incidence table

The critical incidences are focusing on the company and not directed at the entrepreneur. The incidence are listed in time order, with a (+) for the positive incidences and with a (-) for clarifying the negative incidences and in the end illustrated in figure X where each incidence is plotted in and connected with a line.

A. (+) Mr Mosha found suppliers of additives for flour which his friend asked him to

- B. (+) Started the business – buying and importing the product
- C. (+) Exclusive distributor agreement with the supplier
- D. (-) Import expenses is very high, 30.000 Us dollar pr. truck
- E. (-) The port gives problems caused by biocracy when transportation by sea
- F. (+) Contacted by South African supermarket chain and became main supplier to their “in-house bakery”
- G. (+) Contacted by “Shop Right” and became main supplier
- H. (+) Expanding into repackaging into smaller bags
- I. (+) Start sale from the company to small scale backers (local women)
- J. (+) Hire chef for demonstration and training
- K. (-) Registration process is long
- L. (+) Buy wheat flour from big local farmers and start mixing flours themself
- M. (+) Building new production facility
- N. (-) Financing of the machinery for the production is expensive
- O. (+) Go into adding spices to their products
- P. (-) Encouraging small scale farmers to start spice production on contracts can be difficult

Table 14: CIT, Principal Company Ltd



## 9. THE ANALYSIS

The analytical section will be based on the theoretical framework – (1) The entrepreneurship in developing country theory, (2) the knowledge intensive entrepreneurship theory and the International entrepreneurship theory as seen in figure 11, to be able to make an analysis based on theory these has in common as shown in the striped area in the middle.



Figure 20: Knowledge intensive international entrepreneurship in developing country (own elaboration)

The analysis will be structured after the research question; how and why does knowledge intensive international entrepreneurship in agribusiness in Tanzania evolve and which barriers exist in the start-up/internationalization phase?, which will be divided into three sections for a better understanding; (1) Analysing the “WHY the entrepreneurship has evolved”, (2) Analysing the “HOW the entrepreneurship has evolved” and (3) Analysing the “barriers exist in the start-up/internationalization phase”

### 9.1. Analysing the “WHY the entrepreneurship has evolved”

In this section you will first be presented with the question related to when the idea was discovered and the business was started, looking into when the entrepreneur decided to exploit the opportunity and when the firm was created. Second part will focus on the pre-internationalization processes, looking at which stimuli and motives that were found in the four cases when they decided to started their firm. And last, the drivers for the entrepreneurship will be defined; finding out what has driven the entrepreneur to start - Necessity or opportunity. This is highly interesting due to what was experienced during the former research project, which showed a tendency for all student entrepreneurs to be driven by what theory defines as necessity.



### 9.1.1. Idea and Start-up

The question answered in this section is in relation to when the idea and the company started. Here it



Figure 21: when did the Idea and start-up occur? (Own elaboration)

is interesting to look at where in the personal history of the entrepreneur, the idea and the business originates, in regards to before or after graduating or after working as what in Tanzania is known a “white coloured job”, as illustrated in figure 22. This is interesting to look at in the regards to, if the entrepreneurs recognized an opportunity and decided to exploit prior or post-graduation, which could be an indicator for if the university in some way have had impact on the entrepreneurial process occurring. Arguments in relation to knowledge intensity and university education will be discussed later in the analysis in section 9.2.1 on page 43.

Looking at the four cases in this study, only three of the cases, the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> are valuable in relation to this analysis. These three entrepreneurs are with a background from university and the last of the four entrepreneurs, has a different background with a family of entrepreneurs and a larger number of entrepreneurial activities behind him.

With these three cases it is possible to look into if the entrepreneurs has started planning to become an entrepreneur before graduation or after and it is interesting to find if there is a relation between graduating, opportunity recognition and starting up a business. This can be relevant in regards to indicating if the universities have a significant influence on the entrepreneurs having started their business and also in regards to newer policies at SUA regarding entrepreneurship education and funding from DANIDA in educating and encouraging university students to become entrepreneurs. These initiatives cannot directly be connected due to these initiatives is happening a long time after these entrepreneurs graduated.

The result from the case study showed a pattern, where all three entrepreneurs had graduated without any incentives or ideas of becoming entrepreneurs and they all started

working for some years in one or two jobs, where after they got the idea to become entrepreneur and then later they started up their business.

As such none of these entrepreneurs started their business with the idea from university when graduating and none of them started their business immediately after graduating. This information together with the observation and information gained from talking to a lot of different persons, networking for finding potential company owners for this study, gave a somewhat general image of the entrepreneurs. Those who have started their business immediately after graduating is very few in Tanzania. Arguments such as *“the educational background from a university in Tanzania does not give you practical knowledge but only the scientific knowledge and therefore most graduates go into “white coloured jobs” and do not become entrepreneurs”* (Mr Mvungi, 28.05.2012) and Mr Mvungi (28.05.2012) state that *“it is a new tendency that university graduates want to become entrepreneurs, that is not seen before here in Tanzania, where all students want to go get a “white coloured job” after graduating.”*

All three cases occurred from ideas recognized during their post-graduation jobs, from meeting potential support to inspiration from outside the company and with the experience and knowledge from their work to allow the entrepreneurs to recognize an opportunity and to become entrepreneurs. This will be looked further into in the following section.

### **9.1.2. Pre-internationalization processes – Stimuli and Motivators**

It is important to recognise that it is not possible to put the known scientific theory into this analysis without modifications. The entrepreneur has not started in doing business before the internationalisation process is starting, which gives the opportunity to analyse rather if there is internal influences from the company that has encouraged and initiated the internationalization of the firm. The theory can though be useful if altered by changing the perception of the internal part of the company into the entrepreneur (the person) in the beginning process of the entrepreneurship, which has also been discussed earlier in the

theoretical section. The four entrepreneurs will here be presented one at the time, with a short description, recognition compared to the theory and comparing if potential patterns.

**Integrated management Ltd (IML)** – Mr Dashi worked as assistant accountant after graduating and later became consultant for a NGO. During this last job Mr Dashi started getting the idea of becoming an independent consultant, starting up his own business and from the changes in the country, within business development. Mr Dashi engaged in becoming an entrepreneur and started a consultancy, short time after Mr Dashi started internationally - he experienced difficulties from the local farmers in exporting their products. Mr Dashi got inspired to use his business connections from his former job and his continuing work as consultant, which made the firm go into international business close to the start-up.

The wish about continuing as a consultant is an internal stimulate, though that is not related to the internationalization directly but mainly to the entrepreneurship part of the process. The internationalization is strongly stimulated form the external factors, where the farmers do not know how to reach the international market and Mr Dashi already have connections to the international market, which he state to be what encouraged him into international business.

In relation to the proactive contra reactive motivators, it seems highly stronger on the reactive side with the opportunity occurring and the possibility was already in place more than the quest from the personal side to go into international business, thou it can be discussed if the entrepreneurship is more proactive than reactive.

**Homeveg Tanzania (HVT)** – Mr Mvungi started Homeveg together with two partners, one who were a college and a former study friend from SUA. Mr Mvungi and Mr Mziray worked together and their job gave them knowledge, experience and encouraged them to do similar business. Their friend from SUA, Mr Tarimo had the experience within accountant and from a meeting between the three, Mr Mvungi and Mr Mziray encouraged Mr Tarimo to join them

in entrepreneurship. Mr Mvungi and Mr Mziray was also encouraged by the fact that their workspace was closing down and they were about to find new alternatives and at the same time in their idea phase Mr Mvungi meets Mr Jonathan Parking, who present them with export opportunities and inform them of market possibilities.

These three entrepreneurs is for internal side encourage from each other which stimulate them in their internationalization process, though the fact that the policy is changed and their workspace is closing down is stimulating them strongly to go into entrepreneurship and Mr Jonathan Parking offering the opportunity to get into international markets argues for an external stimuli in their internationalization process.

In relation to the motivators, I would argue that the three entrepreneurs in pushed by the fact that they are losing their jobs together with the opportunity is occurring in relation to becoming entrepreneurs and the opportunity to go international from meeting Mr Jonathan Parking, which is highly reactive and only very little proactive.

**FICA Seeds Ltd (FSL)** – Mr Minja worked at SUA after graduating and started to get the idea about becoming entrepreneur sometime in the future, though he wanted to gather experience from working “white coloured job” before starting a firm. Mr Minja worked for the Tanzanian state owned seed company who had monopoly in the country at that time. He meet the manager of FICA Seeds Uganda through his work who encouraged him to start up an internationally and together with the political initiatives in making the seed industry a private sector in Tanzania and therefore would close the company in the future, it gave Mr Minja stimuli for starting a firm.

It is highly external factors stimulating Mr Minja into international entrepreneurship, though he former had a wish to become an entrepreneur from his time working at SUA.

In relation to motivates will the recognition of business potential together with FICA Seeds Uganda, with financial support for starting up, together with the policy change be on de reactive and very little on the proactive side of the motivators.

**Principal Company Ltd (PCL)** – Mr Mosha was encouraged to become an entrepreneur many years ago and acquired good experience within starting up companies. In the process of starting up internationally with PCL he was encouraged to go find a specific product for a friend which he later on decided to go further into business with. There was no external push for going into importing flour mix beside his failed attempt to import door locks from South Africa which was occurring at similar time.

It is clearly that internal factors is the main stimuli for Mr Mosha to go international, only very little external factors occurred which can be defined as “putting him in the right place at the right time” and not directly stimulation with anything else than the business idea for what to import and which country to import from.

In relation to motivators, Mr Mosha has been highly motivated from many sides through time to become entrepreneur, due to his family background and the former entrepreneurial activities can be distinguished as reactive with a push from family traditions, though the internationalization of PCL was reactive, where Mr Mosha made the research for finding the right supplier and went to South Africa and took home the products as the first reaction. The motivator was highly proactive and only very little reactive from getting the idea from the friend, who asked for a special additive for flour.

It can be discussed rather if all four characteristics have been occurring in the pre-internationalization processes in the cases. In table 15 the characteristics that have the strongest influence on the IE in each case will here are plotted in.

Table 35: Pattern of the Pre-internationalization processes for the four cases

Pre-internationalization processes	Internal	External
Reactive		× IML × HVT × FSL
Proactive	× PCL	

### 9.1.3. Drivers for the entrepreneurships

When scientific theory is talking about driver for entrepreneurship it is related to, what can also be understood as “the reason”, which theoretically is categorized as either necessity driven entrepreneurship or opportunity driven entrepreneurship. These drivers are interesting in relation to theory as they argue that the opportunity driven entrepreneur remains in entrepreneurship longer than necessity driven entrepreneurs (Block and Sandner, 2007). Another reason for finding these drivers interesting is related to the findings from my former study; where 60 students who attended an entrepreneurship course, were interviewed about their business idea and close to all of them were planning necessity driven entrepreneurship which from theory is known to be unstable and very common in developing countries due to the high level of unemployment and massive consequences for taking risks.

The necessity driven entrepreneurship is argued to be most likely driven by non-monetary reasons and high profit oriented where the more opportunity driven ones, the profit orientation is minor and utility from greater autonomy, broader skill utilization and possibilities to follow their self-generated ideas are valuable too. Would argue that the profit orientation is still high if compared to developed countries, where there is a safety net if potentially failing the attempt to start a business. Though the profit orientation does not seem to be one of the leading drivers for their entrepreneurs in the cases compared to what was found among the SUA students who were highly profit oriented and scored very low in relation to interest for long term involvement, which was part of the argumentation for them

being driven by necessity, where these cases all strive for planning the future and the time is not a factor with the same attitude towards as the SUA students had. Which also argues for these entrepreneurship can be categorized as opportunity driven with the less weakness compared to the necessity driven.

All four cases showed signs of recognizing opportunities from their work experience. The entrepreneurs were all working, earning money and had no initiative to start up their business with the purpose of surviving or in order to avoid unemployment when looking at the surface, though digging deeper into the companies reasons for starting up, two of the cases - FICA Seed Ltd and Homeveg Tanzania, the entrepreneurs were in risk of losing their jobs within short time and the unemployment argument in relation to necessity driven entrepreneurship can be argued, though these entrepreneurs are both highly educated and their chance of get a new job would minimize the risk of unemployment.

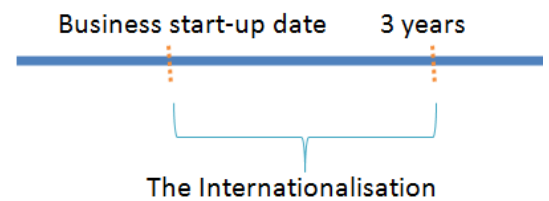
The four cases can all be categorised as driven by opportunity, which theoretically is assumed to survive longer and being more solid, due to arguments such as ownership and initiatives / plans for future development in case the current business does not pan out – thus making the company more agile.

## **9.2. Analysing the “HOW the entrepreneurship has evolved”**

In this section the internationalisation of the entrepreneurship will be described, finding relation to what makes them international entrepreneurs, second section will be mapping the activities for each case with actors and cross border activities with the theory of the global value chains, the third part will define if the cases are kirznian or Schumpeterian and in the last section the cases will be analysed in relation to what makes them knowledge intensive entrepreneurship, will be defined for each case, finding which side of belong to.

### 9.2.1. International entrepreneurship

The four cases will here be analysed in relation to what makes them international entrepreneurs. To be able to define a company as international



entrepreneurship it has to go international in the start-up phase of the company, which here, with background in

Figure 22: Timeline for defining international entrepreneurship (own elaboration)

scientific theory is defined as doing cross border activities – internationalize, within the first three years and with more than 25% of the company's products per year, as illustrated in figure 22.

	<b>Registered</b>	<b>International</b>
<b>1 Integrated management Ltd</b>	2002	2005
<b>2 Homeveg Tanzania</b>	2009	2009
<b>3 FICA Seed Ltd</b>	2002	2002
<b>4 Principal Company Ltd</b>	1995	1995

All four cases are collected to be international entrepreneurs, which they therefore also are, though in relation to the continuing analysis the differences can be interesting, due to one of the cases, integrated management Ltd went international short time after registering as firm and the three other companies were international from their first year.



### 9.2.2. The global value chain

The global value chain (GVC) model as illustrated in figure 23 will here be used for illustrating the activities for each case, which has been done in the



Figure 23: Global value chain, Sørensen (2011)

empirical chapter under each case, both in “still picture” for right now and for the future planned in the companies. The GVC’s will here be analysed for looking into patterns for if the IE are homogeneous in their cross border activities – where in the process they occur and to which locations, and a comparison regarding the actors in each GVC in the primary level of activities. The “still picture” of the GVC’s of each case will be analysed first and second the future GVC’s will be analysed

The four cases are homogeneous in their GVC’s regarding their number of value adding actors and their position in the chain; PCL has one extra value adding activity compared to the three other cases, IML, HTL and FST who are very similar in their GVC’s. The three first cases get the raw material - agricultural products from the farmers who potentially has bought seeds and fertilizer from someone, who are not put into the GVC’s, before their value adding activities of growing, harvesting and then selling to the case firms. PCL has a similar pattern, however with an extra value adding activity of the production company in South Africa. All four companies are homogenies in selling B2B which is retail companies, and with the last activity in the GVC being the consumers where FST and PCL are also selling B2C.

#### Cross border activities

Theory argues for that most international companies are doing business within export, the four companies show as seen in table 16 a pattern of all going into export in the future though only two in 2012 are exporting their products. This normality can be argued to be applicable in these cases also.

Table 46: Cross border activities for the four cases (own elaboration)

Cross border activities		Future plan		
		2012	(near future)	(Far future)
1	Integrated management Ltd	Export	Export	Export
2	Homeveg Tanzania	Export	Export	Export
3	FICA Seed Ltd	Import	Export	Import and Export
4	Principal Company Ltd	Import	Import	Import and Export

In the comparison of which countries the case companies are doing business today and are planning to go into in the future (the future countries involved are written in grey), there are no particularly pattern found of the companies starting locally and going further out of the area they are doing business in what could be seen as a natural order, starting internationally in closest sounding countries in East Africa where there are political and economic collaboration regarding cross border trade and the companies then would move further to other African countries in the future and then later even further out to the more problematic countries, where the markets becomes more and more difficult to penetrate, e.g. Europe and the use. Though table 17 do not illustrate what had been expected with a “natural order” in the international business.

Table 57: Countries involved in the cases (own elaboration)

Countries involved		East African countries	Other African countries	Outside Africa
1	Integrated management Ltd	Tanzania, Kenya, Uganda	South Sudan, Mozambique	India
2	Homeveg Tanzania	Tanzania		UK, Belgium, Netherlands, Germany
3	FICA Seed Ltd	Tanzania, Uganda Burundi, Rwanda		Sudan, Ethiopia,
4	Principal Company Ltd	Tanzania, Burundi, Kenya, Uganda	South Africa	

### 9.2.3. Knowledge intensive entrepreneurship

Knowledge intensive entrepreneurship (KIE) is related to human capital, as Roberts (1991) state; the natural capabilities a person is born with and partly skills internalized through education and experience and according to Madsen (2003) human capital, experience and previous employment are important in relation to the strength in a company start-up. Roberts (1991) argue that the creation and growth of a new company is related to the length of the education together with business experience, saying that KIE will perform better in business start-up and continuing development of their business.

The four cases can be put into two different categories of KIE, where the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> case can be defined as KIE in regards to the education where the entrepreneurs all have a scientific education the university. These three entrepreneurs also have experience from their former jobs, which they all were aware of had a large impact on their entrepreneurships and the development of their businesses.

The 4<sup>th</sup> Case is based on from the perspective of KIE through former experience, where the entrepreneur is raised in an entrepreneurial family; the father had started up a shop, done farming and later had his own butcher shop and where the brothers also were engaged in several entrepreneurial activities, where he later had been included and gained from their knowledge and experience within doing business.

Arguably the connection between having a university degree and becoming an entrepreneur is limited at best. None of the cases became entrepreneurs during the studies or closely following graduation. On the contrary the opportunity seemed to stem from having “real world experience” from working in “white collared jobs” as discussed previously. One might argue that having a university degree allowed them to be better at recognizing the opportunities and/or exploiting them better. In addition having the university degree allowed them to obtain white collar jobs in the first place – granting them the opportunity to actually locate a market need in the first place.

From the theoretical perspective have all four entrepreneurs a very good background for becoming entrepreneurs, they can all be categorised as KIE and has therefore good condition in relation to their business start-up and the continuation of development in their existing companies.

#### **9.2.4. Kirznerian or Schumpeterian**

When finding the answer to HOW the entrepreneurs has evolved it is exciting categorize and characterize the entrepreneurs and to look into how these in relation to theory of Kirzner and Schumpeter, who are highly acknowledged in scientific theory within entrepreneurship. In this section the four cases will be categorised and characterised with the use of Kirznerian contra Schumpeterian entrepreneurship theory. The characterization is also highly interesting for comparison to what was observed in my former research with the SUA student entrepreneurs; close to all business plans was relying on the kirznerian entrepreneurship theory and this pattern was argued to be related to the evaluation of risk and the high profit orientation contra low interest in long term involvement.

kirznerian entrepreneurship theory argues for what can be understood as; copying what is already there with smaller modifications and the Schumpeterian entrepreneurship theory can shortly be understood as; disruptive and innovative entrepreneurship. Each case will in the following table (table 18) be categorised, kirznerian or Schumpeterian and for each company there will be made a characterisation.

Table 68: Kirznerian or Schumpeterian, Categorization and Characterization of the four cases

Cases	Categorization		
	Kirznerian	Schumpeterian	
<b>Integrated management Ltd</b>	There is very little amount of “copying” what has already been done by other companies in IML.	The firm is work within many fields of business, where consultancy and export are the main ones. Though the involvement with new activities all the time and the mixing of many business forms into one business, can be argued to be highly innovative in a developed country.	X
<b>Homeveg Tanzania</b>	The firm started up with a high level of knowledge from former experience in a similar company. The entrepreneur has only made smaller changes.	XThe firm has been very little innovative and kept close to what is already know, which is far for the categorization as Schumpeterian.  Though the company will is everything will go as planned go further into innovative processes in the future.	
<b>FICA Seed Ltd</b>	The firm can be characterized as a direct copy of already existing company in Uganda, though the Tanzanian “department” is now close to independent, it has still only smaller modification compared to FICA Seed Uganda	XThe seed company has only been very little innovative in the ears of starting up, though they are in collaboration with FICA seeds Uganda now going into more innovative business ideas.	
<b>Principal Company Ltd</b>	A similar company in Tanzanian was not existing at the day of start-up of this firm, which also lead to transporting products all the way from South Africa, due to no other company could supply similar products at the time of the firm started.	The firm is started up similar to other companies in relation to dong business though with smaller innovative initiatives. The product was not on the market in the country which has innovative character. Through recently the company has moved into showing highly innovative business ideas, with teaching for customers and they will move into becoming production company with their own product in the future	X

The categorization and characterization of the four cases differ to some extent from what was experienced in the former study on student entrepreneurs. Two of these cases are Kirznerian and two are Schumpeterian which does not argue for a distinct homogeneity in

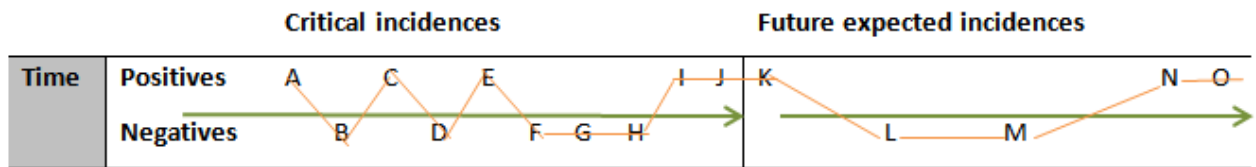
relation to categorization. Though when looking at the companies and their future plans, all four cases are moving towards what can be characterised as “innovative entrepreneurship” which can be debated to differ from what was seen in the former study with SUA student entrepreneurs.

### **9.3. Barriers exist in the start-up/ internationalization phase**

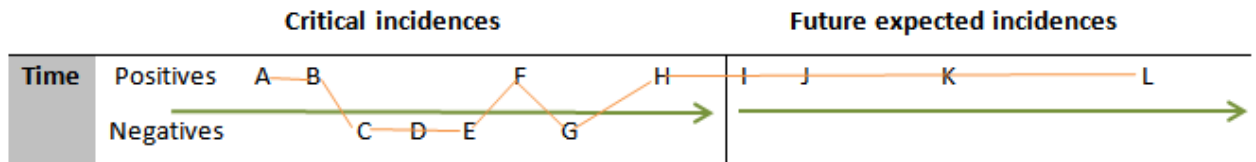
This chapter is focusing on the barriers experienced by the entrepreneurs while starting up their business internationally and future expected barriers. The CIT timelines will be compared for potential patterns and second an analysis of potential homogeneity in the negative incidences of each case, indicating barriers.

The CIT timelines are all very different, there were found few similarities in the beginning phase of the company where they all started positively, though comparing these lines of incidences is close to impossible, due to the number of incidences is different and the “value” of each incidence is not integrated in this analysis. Each case has both highly significant and also smaller incidences which makes the comparing hard to evaluate.

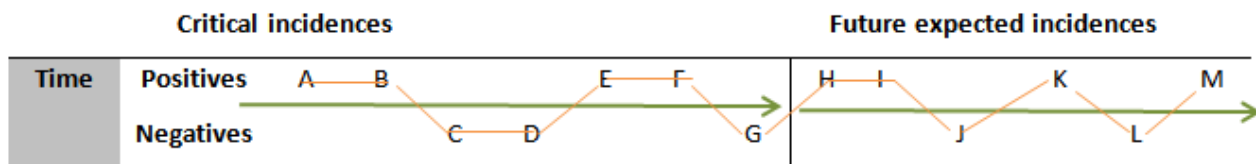
Integrated Management Ltd



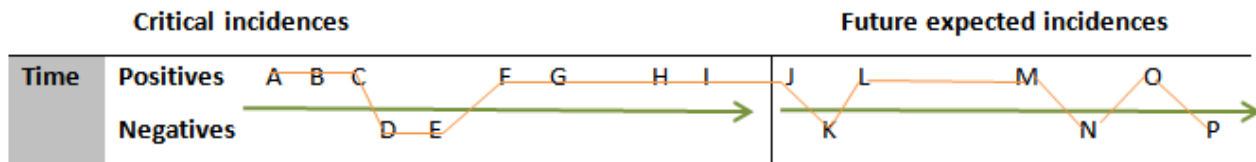
Homeveg Tanzania Ltd



FICA Seeds Tz



Principal Company Ltd



There will here be listed up, with background in the incidences, both the former experienced and the future expected barriers of each case and an comparison of potential similarity will be made.

**Integrated Management Ltd**

- Knowledge/education level among small scale farmers
- Penetrating international markets
- High requirements for quality internationally
- Quality issues - suppliers
- Bureaucracy (Export barriers – two borders to cross)
- Trust and confidence from the market

**Homeveg Tanzania Ltd**

- Financing for buildings
- Quality and standard requirements
- Trust from market
- Power cuts in Tanzania, expensive and complicating production
- Bureaucracy (hard to get certificates for international trade)

**FICA Seeds Tanzania**

- Trust and confidence from the market
- Training and quality of supply (small scale farmers in Tanzania)
- Penetrating international markets
- Difficulties in production (weather conditions and climate change)

**Principal Company Ltd**

- Import/transport expenses
- Bureaucracy (transport by sea and registration of company activities)
- Financing of machinery
- Supply difficulties – Quality (small scale farmers in TANZANIA)

There is one of the barriers which are in common between all four cases; Quality issues from their suppliers which they all see as a major problem for them to deliver what is required from the market.

There are also strong similarities in several other barriers, three of the cases have mentioned; Bureaucracy – Long delays on certificates, registration and cross border expeditions, trust issues and confidence from the market and two of the cases have mentioned; Financial difficulties for big enough facilities and machinery, standards and quality requirements from the market and penetrating external markets and competition internationally.



## 10. CONCLUSION

In this chapter the concluding remarks will be presented. The chapter will be divided into three sections; the concluding answers to the research question, the reflection and contribution to practice, and lastly suggestions to further research.

### 10.1. Concluding Answers to the Research Question

With this thesis I found it interesting to strive for deeper understanding of different areas of international entrepreneurship, motivated by findings from my former research project on student entrepreneurship with students Sokoine University of Agriculture who were interested in becoming entrepreneurs. These findings also encouraged me to go back to Tanzania for a second search to strengthen my knowledge of entrepreneurship in a developing country. In general, the initial research encouraged me to search for cases of successful international ventures and establish how they have succeeded, in contrast to the less successful student entrepreneurs from Sokoine University.

To start from the beginning, this thesis is about Knowledge intensive international entrepreneurship in developing countries. In this respect, there has not been any former scientific research within this specific area of entrepreneurship. This thesis provides an effort to reconcile different areas of scientific theory, putting together; (1) Entrepreneurship in developing country, (2) Knowledge intensive entrepreneurship and (3) International entrepreneurship. This enables building a fitting framework, thought with minor modifications, to make the theory fit when all three theoretical parts were connected.

I wanted to find out why international ventures evolved, how they evolved and which difficulties/barriers they experienced, which can all be related to what was studied with the student entrepreneurs in the former project.

In relation to the question of *why* the international entrepreneurs started, it is was first interesting to find out when they did so, to uncover potential relations between the start- up and the entrepreneurs education and work experience, from when they got their idea and

when they started up the firm. I assumed that knowledge intensive entrepreneurs would start up their business relatively close to graduation and their business idea would be before graduating, though the study showed that the entrepreneur all got the idea to start a firm much later, when they had been working in what in Tanzania is known as “white coloured jobs” for a minimum of 5-6 years.

With the question *why*, I needed to find out which stimuli and motivators in the pre-internationalization processes would trigger these entrepreneurs into international entrepreneurship when they started. Going through the history of the pre-internationalization processes of the four cases, a pattern occurred, where three of the IE had been stimulated from external sources and that the motivator for starting was reactive - which can be interpreted as a push or a pressure from the outside to start entrepreneurial activities-, and only one case was standing out, being to opposite the three other, with internal stimuli and proactive motivators.

Further in the search for the answer to the *why*, the drivers for the entrepreneurship were analysed to unfold the reason behind the IE. The former research on student entrepreneurs uncovered a very high level of necessity driven entrepreneurship, which in theory is known to be not as advantageous and reliable in company lifetime. The analyses of the four cases differed widely from the drivers of the student entrepreneurs, all four cases can be categorized as opportunity driven entrepreneurships, which theoretically is assumed to be more solid and live longer as a firm.

Summing up on why the Knowledge intensive international entrepreneurs in Tanzania occurred, the research has found evidence saying that post-graduates, after working in “white collared jobs” more than 4-5 years or with a background from an entrepreneurial family, from external stimuli and gets reactively motivated to go into international entrepreneurship driven by opportunity.

In relation to the question *how* the IE evolve it is interesting to look into what makes the start-up to be international entrepreneurship. Three of the four cases started up internationally within the same year as they registered their company and the fourth company evolved into international business after 3 years, which is short enough to still be considered as international entrepreneurship. The cross border activities of the IE are interesting to analyse in relation to the knowledge from theory, stating that a majority of IE's are into export. The analysis showed that two of the four companies are exporting and two are importing, though as theory predicts, all four companies are planning in the future to become export companies. Their cross border activities has been analysed in relation to what was predicted, that the international business would be starting in the nearby surrounding areas -i.e. East Africa-, where it would be arguably easier in relation to regulation and transport. The companies then through time would evolve first into other African countries and then later into e.g. Europe or the U.S.. The pattern for the four entrepreneurs showed no tendency as assumed, however: there is even evidence that the opposite is happening, where Homeveg Tanzania is exporting to 3 European countries and planning to start operating in the local market in Tanzania also.

Further in the research the knowledge intensive entrepreneurship was analysed, which also can be related to the results from when the idea occurred and then the company started. The four entrepreneurs are all what theoretically is defined as knowledge intensive entrepreneurs; they have high human capital from their knowledge level and advanced experience.

Another area which was also found to be highly concentrated to one side in the research on student entrepreneur were their categorization in either Kirznerian or Schumpeterian entrepreneurs. Here the result was clear: close to all student entrepreneurs were choosing the Kirznerian angle to entrepreneurship, copying existing business in surrounding areas and finding potential in the existing market, which is known to be very common in developing countries, where the risk is high and the profit orientation is high and with focus on profit in short time. The IE was found to be categorized with two Kirznerian

entrepreneurs, who had chosen to start up a firm which is similar to other businesses and two of the cases had started what is known as Schumpeterian entrepreneurs, where the entrepreneurship is innovative and disruptive, finding new ways of doing business. These two Schumpeterian differ highly from what was planned by the student entrepreneurs, and the two Kirznerian cases were both close to develop the company out of this categorization, with many innovative and developing plans in both the near and the far future.

Summing up on the *how* question, the entrepreneurships were IE's since their development into international business happened very short after the business registered and started. Their global value chains shows a interesting point regarding cross border activities, which is that only two companies today are exporting, though all four companies are planning in the future to be in export business, which theory predicts should be "normal" for IE's in that area. Though the cross border activities of the IE's do not evolve from country to country as assumed, from closest to far country: there is no specific pattern to find in this area. The four cases are all started by what in theory is known as knowledge intensive entrepreneurs: three of the entrepreneurs have graduated from university and later they have all archived experience within the field of business they have later started. The fourth IE is started with a background of many years' of experience as entrepreneur in many different areas of business and with experience from an entrepreneurial family. When categorizing the IE's, there are two Kirznerian and two Schumpeterian: however, future development will change the two Kirznerian into Schumpeterian way of doing business.

Last in the analysis the barrier have been analysed, which also is highly interesting in relation to my former study, where most of the Student entrepreneurs found large amounts of very large barriers in their attempt to become entrepreneurs. This discouraged them to become entrepreneurs until after achieving work experience. Barriers found from the start-up of the IE's were very similar, where all had experienced issues with the quality of the products from their suppliers. Three, out of four had experienced barriers related to bureaucracy, regulation, trust issues and confidence from the market some of the biggest barriers.

## 10.1. Reflection and Contribution

When I started the research for this thesis, I was highly optimistic and was not aware of how hard it would be to find the right companies in Tanzania to interview. I used the Internet, called organisations and networked my way through many people in my 7 weeks stay, running into arguments such as: “More than 90% of entrepreneurs in Tanzania has no education from university” (Professor Mpenda, SUA), “it is a new tendency that university graduates want to become entrepreneurs, that is not seen before here in Tanzania, where all students want to go get a “white collared job” after graduating” (Mr Mvungi, Homevegtz) and “there are very few graduated students who has started up business and gone international here in Tanzania” (Dr Anna Temu, SUA). I decided to get as many cases in place as possible in the amount of time I had, which lead to this case study. Initially I had hoped for making a case study with 10-12 entrepreneurs and was prepared for traveling wherever possible to complete these interviews, thought the companies were very hard to find and the entrepreneurs were often out of the country or not to be reached.

I changed my case study after arriving back to Aalborg University and looking back at what the case study has given me compared to a larger amount of cases. I am very satisfied to have had the chance for going so much deeper into understanding each case than what had been possible to reach in the amount of time I have for this thesis, if I had gotten the amount of cases I had strived for.

In the use of in-depth interviews with CIT, I found that it is relevant to consider the risk/potential in the person interviewed, rather if the person is very positive of mind, which can have an influence on which incidences the interview will uncover. A person who opposite is in a difficult period with their business could have a tendency to point out the more negative sides of the company history. I would consider if doing interview with CIT another time with a company as the case, talk to different individuals from each company, for the possibility to get a more correct picture of the incidences of each company.

The theory found for the theoretical framework was in some areas needed to alter into fitting the main topic, e.g. Pre-internationalization processes for Born global firms – are not found in scientific theory now, but is interesting to modify and look further.

Related to the discussion in section 9.1.1 about when the entrepreneur got the idea and started their business, the relation between having a university education and becoming an entrepreneur cannot be judged as being without any connection even though the entrepreneurs did not get their idea to start up their business when still studying or immediately after graduating, but later when they had “real world experience” form working in “white coloured jobs”.

In the analysis it was planned to compare the CIT timelines, which was found very difficult to compare, due to differences in value and strength of each incidence which had not been taken into account earlier when the models were put together. Also the future of the companies with the time-table and the GVC would be very interesting to analyse, e.g. in relation to looking further into these cases future plans compared to history of the company, they seem to be highly ambitious, though that must be in another project and the future expected opportunities and difficulties has only been used for a better understanding of which kind of entrepreneurship each case.

This research can be a contribution to SUA in their work with Danida, to achieve knowledge that has relevance for their development of the curriculum, - putting entrepreneurship into the education of the university students. If the students can achieve valuable knowledge directly from this thesis is hard to argue for, though the knowledge gather in this thesis can be useful for future student for gaining knowledge about how IE evolves and which barriers they can expect. And I will hope the four entrepreneurs who attended meetings for this research in some way will get useful knowledge from reading this thesis.

## 11. ARTICLES AND BOOKS

### A

- Abnor, I. and Bjerke, B. (2009); Methodology for creating business knowledge, 3<sup>rd</sup> edition, Saga publications Inc. ISBN 978-1-84787-058-2
- Aidis, R. (2005); Institutional Barriers to Small- and Medium-Sized Enterprise Operations in Transition Countries, *Small Business Economics*, 25: 305-318
- Aspelund, A and Moen, O (2005); Small international firms: Typology, performance and implications. *Management international review*, 45: 37-57

### B

- Baumol, William J. (2005): Return of the Invisible Men: The Microeconomic Value Theory of Inventors and Entrepreneurs; November 15, 2005
- Block, J. & Sandner, P. (2007): Necessity and Opportunity Entrepreneurs and their duration in self-employment: evidence from german micro data, Discussion paper 2007-10. Ludwig-Maximilians-Universität München

- 

### C

- Carland, James W., Hoy, Frank, Boulton, William R. and Carland, Jo Ann C. (1984): Differentiating entrepreneurs from small business owners: A conceptualization. *Academy of management review*, 1984, Vol. 9, no. 2, 254-359
- Chell, E, 2004; Critical incident technique – Book: Cassell, C. and Symon, G., 2004; Essential Guide to Qualitative Methods in Organizational Research, SAGA Publications Ltd, ISBN 0 7619 4887 2 p. 45-60
- Chell, E. and Allman, K. 2003; Mapping the motivations and intentions of technology oriented entrepreneurs, *R&D Management* 33, 2.
- Chu, H. M., Benzing, C. and McGee, C., 2007; Ghanaian and Kenyan entrepreneurs: a comparative analysis of their motivations, success characteristics and problems, *Journal of Development Entrepreneurship* 12 (3), 295-322.
- Cuervo, Álvaro; Ribeiro, Domingo & Roig, Salvador (2007): *Entrepreneurship, Concepts, theory and perspectives*, with 17 figures, 1st edition, Springer-vorlag, Berlin Heidenberg. ISBN 978-3-540-48542-1 (introduction)

## D

- Daily, C. M., McDougall, P. P., Covin J. G. & Dalton, D. R., 2002; Governance and Strategic leadership in entrepreneurial firms, *Journal of management* 28: 387-412
- Diamond, C., 1996; The roots of radicalism. *The New York Review of Books*, pp. 4-6
- Dicken, P., 2003; *Global Shift: Reshaping the Global Economic Map in the 21th century*, 4<sup>th</sup> edition, London: Sage

## E

- Easterby-Smith, M., Thorpe, R. and Jacobson, P. R., 2008; *Management Research*, third edition, Sage Publications Ltd, ISBN 978-1-84787-176-3
- Eckstein, H., 1975; Case study and theory in political science, In F. J. Greenstein and N. W. Polsby (Eds.), *Handbook of political science*, Vol 7, pp. 79-137, reading, MA: Addison-Wesley
- Eisenhardt, K. M., 1989; Building Theories from Case Study Research, *Academy of Management Review*, Vol. 14, No. 4, 532-550

## F

- Fast, Michael, 1996; *Videnskabsteori og metodologi i studier af livsverden*, Aalborg Universitet, April 1996, p. 254
- Flyvbjerg, Bent, 2006; Five misunderstandings about case-study research, *Qualitative Inquiry*, volume 12, number 2, April 2006 219-245

## G

- Gartner, William B. (1985): A conceptual framework for describing the phenomenon of new venture creation, *Academy of management review*, 1985, Vol. 10, no. 4, 696-706
- Gereffi, G., Humphrey, J. and Sturgeon, T., 2005; The Governance of global value chains, *Review of International Political Economy* 12:1, 78-104
- Giacomini, Olivier; Janssen, Frank; Pruett, Mark; Shinnar, Rachel S.; Llopis, Francisco and Toney, Bryan (2010), Entrepreneurial intentions, motivations and barriers: Differences among American, Asian and European students. *International entrepreneurship management journal* (2011) 7:219-218

## H

- Harvey, D., 1996; *Justice, Nature and the geography of Difference*, Basil Blackwell, Oxford



- Hollesen, S., 2011; Global Marketing, A decision-oriented approach, Fifth edition, Pearson Education Limited, ISBN 978-0-273-72622-7
- Henry, C., Hill, F. and Leith, C, 2003; Developing a coherent enterprise support policy: a new challenge for governments, Environment and planning C: Government and Policy, Vol. 21 No. 1, pp. 3-19

I

- Ireland, R. D., Hitt, M. A & Sirmon, D. G, 2003; Model of Strategic Entrepreneurship: The Construct and its Dimensions, Journal of Management 29(6): 963-989

J

- Juma, C., 2011: The new harvest, Agricultural innovation in Africa. Oxford university Press, ISBN 978-0-19-978319-9

K

- Keupp, M. M. and Gassmann, O., 2009; the Past and the Future of International Entrepreneurship: A Review and Suggestions for Developing the Field. Journal of management 35: 600
- Kirzner, Israel M., 1999; Creativity and/or Alertness: A Reconsideration of the Schumpeterian Entrepreneur. Review of Austrian Economics, 11: 5-17. Kluwer Academic Publishers.
- Kiss, A. N., Danis, W. M. and Tamer Cavusgil, S., 2012; International entrepreneurship research in emerging economies: A critical review and research agenda, Journal of Business Venturing 27, 266-290.
- Kuada, J. and Sørensen, O. J. 2000; Internationalization of Companies from Developing Countries, International business press, ISBN 0-7890-0721-5

L

M

- Mfaume, Rishid M. & Leonard, Wilhelm (2004): Small Business Entrepreneurship in Dar es Salaam – Tanzania: Exploring problems and prospects for future development. African development and poverty reduction: The macro-micro linkage, Entrepreneurship, small businesses and crime, Dar es Salaam

N

- Nafukho, F. M. and Muyia, M. A. H (2009); Entrepreneurship and socioeconomic development in Africa: A reality or myth? Journal of European Industrial Training Vol. 34, No. 2, 2010 pp. 96-109

## O

- Oviatt, B. & McDougall, P. P. (2005); Towards a Theory of International New Ventures, *Journal of International Business Studies*, Vol. 36, No.1 pp. 29-41

## P

## Q

## R

- Ragin, C. C and Becker, H. S. (Eds.) (1992); *what is a case? Exploring the foundations of social inquiry*, Cambridge, UK: Cambridge University Press
- Rasmussen, E. S, Madsen, T. K. and Servais, P., 2010; On the foundation and early development of domestic and international new venture, *Journal of Management Governance*, DOI 10.1007/s10997-010-9162-1

## S

- SchulTanzania, A., Boel, Ulff-Møller, B. and Bech-Jørgensen, B, 2005; *Hverdagslivets sociologi: en tekstsamling*, Hans ReiTanzaniael. ESN ISBN: 9788741224275
- Shane, S. (2009): Why encouraging more people to become entrepreneurs is bad public policy; *Research Institute of Industrial Economics 2009, Small Business Economics* 33:141-149, DOI 10.1007/s11187-009-9215-5
- Shane & Venkataraman, (2000); *The Promise of entrepreneurship as a field of research*. Cuervo, Álvaro; Ribeiro, Domingo & Roig, Salvador (2007): *Entrepreneurship, Concepts, theory and perspectives*, with 17 figures, 1st edition, Springer-vorlag, Berlin Heidenberg. ISBN 978-3-540-48542-1 pp. 171-185
- Sobel, R. S., Clark, J. R. & Dwight, R. L (2007); Freedom, barriers to entry, entrepreneurship and economic progress, *Rev Austrian Econ*, 20:221-236

## T

## U

## V

## W

X

Y

- Yin, R. K., 2009; Case Study Research, Design and Methods, Applied social research methods series, volume 5, Fourth Edition, SAGA publications. ISBN 978-1-4129-6099-1

Z

# Appendix

---

KNOWLEDGE INTENSIVE INTERNATIONAL ENTREPRENEURSHIP IN AGRIBUSINESS IN TANZANIA

**Camilla Quottrup**

**01-08-2012**

## FRAMEWORK FOR INTERVIEWS

Prepare before interview					
Date	/ -2012	Was the interview recorded?	YES/NO	Anonymous	YES/NO
Company name					
Address					
Who is interviewed (name and title)					
Contact information					
When was company started?					
What does the company do?					
"Interview"				Theory	
Educational background/former experience				Knowledge intensive entrepreneur	
When did you get the idea/plan for starting up the business? Before ending university, just when finishing or after				Lifecycle (student to entrepreneur)	
When did you start up the business?				Lifecycle (student to entrepreneur)	
How did you get financing to start up the business? And when?				Lifecycle (student to entrepreneur)	
What made you chose to become and entrepreneur?				Stimuli and motivators	
Were there any ventures/partners from abroad involved in starting up the business?				Stimuli and motivators	

Was it planned to go international from before starting up the business? Idea in university or after graduating/Starting up in university or after graduating	Timeline
When did the company become international? After starting up or from day one	Born global
How is the company international? Supply/Company collaboration/market	Global value chain
Where is the company doing business? - Countries	Global value chain
Critical incidence these will be collected through the whole interview when “taking me through time”, which “positives” and “negatives” has there been through the years and will be expected in the future	CIT
<b>The question that will be asked if not covered through CIT</b>	
How do you see the future?	Extended timeline
How is your company in relation to technology? Evolved through time or the same as the beginning	Low tech to high tech
Has the internationalization made a difference in relation to technology?	Low tech to high tech

Timeline for entrepreneur and entrepreneurship					Future plans				
Year				2012 (today)	2012- to	Near future		Far future	
Activity									

## FACTS ABOUT THE COMPANIES

Company	Integrated Management Limited
Interview	21.05.2012
Anonymity	Chose not to be anonymous
Entrepreneurs	Haji Dashi
Phone number	
E-mail	<a href="mailto:Hajdashi@yahoo.com">Hajdashi@yahoo.com</a>
Webpage	No webpage
Location	Dar es salaam
Company profile	Export and consultant for local farmers in strategy and export
Products	Potatoes and honey

Company	Homeveg Tanzania
Interview	28.05.2012
Anonymity	Chose not to be anonymous
Entrepreneurs	Mussa Mvungi
Phone number	+255 784 326 206 and +255 767 326 206
E-mail	<a href="mailto:Mussamvungi.homevegTanzania@gmail.com">Mussamvungi.homevegTanzania@gmail.com</a>
Webpage	<a href="http://homevegTanzania.com/index.html">http://homevegTanzania.com/index.html</a>
Location	Arusha
Company profile	Export and consultant
Products	

Company	Fica Seed 2002 Limited
Interview	29.05.2012
Anonymity	Chose not to be anonymous
Entrepreneurs	Goodluck Minja

Phone number	
E-mail	<a href="mailto:fica@habari.co.Tanzania">fica@habari.co.Tanzania</a> and <a href="mailto:fica@aal.co.ke">fica@aal.co.ke</a>
Webpage	<a href="http://www.ficaseeds.com">www.ficaseeds.com</a> (FICA seeds Uganda)
Location	Arusha
Company profile	Seed production and sale (retail and wholesale)
Products	Mais, beans and vegetables

Company	Principal Company Limited
Interview	31.05.2012
Anonymity	Chose not to be anonymous
Entrepreneurs	Godfrey H. Mosh
Phone number	+255 222 460 564 & +255 754 284 486
E-mail	<a href="mailto:Principal@ud.co.Tanzania">Principal@ud.co.Tanzania</a>
Webpage	<a href="http://www.PclTanzania.com">www.PclTanzania.com</a>
Location	Dar es salaam
Company profile	Import and sale
Products	Bakery products



## NOTES FORM THE INTERVIEWS

### Case 1: Integrated Management Limited

Mr Haji Dashi is Founder of Integrated management limited

Working within Knowledge economy and doing export

Worked for 5 years in German projects 1995-2000

A lot of change and development has happened in the country within business during that time

2002 he started consultancy

Only locally in Tanzania

And it grew into going to Asia and Europe to visit companies

Graduated 1990

From Dar - institute of financial management

Did courses in accounting

He started to work as an assistant accounting for 1 year and then he went into consultancy.

First locally and then later into international consultant work

He is good at connection to people and he is interested in connecting people to each other.

He sees no limitations, he can go everywhere.

He is member of import and export organisations who send him information about what is going on.

He wants to expand into different areas with administration of the different areas of business he is into. He needs to sit down and make a strategy for the different areas.

He wants to train people to administrate what he is doing now and then go into just supervising them and running the administration.

He is a member of World Wide trade organisation

The thing that is difficult in international trade is organising it.

Until now he is only focusing in east Africa which is large with a lot of possibilities.

Through his advising companies in Tanzania he tried to explain them to go international, but they did not understand what he was trying to make them do.

He then decided to go into exporting himself of agricultural products

The local business people he trained wished to do what he explains to them to develop their country to make a larger profit. He decided to try to make a connection to them professionally through exporting their products together with them, connecting them to the international market.

Worked together with IFAC - Agricultural organisation doing value chain management

They want to develop and support the formal sector from the agricultural in the rural area

They want someone one who are interested in business, they were willing to give seed money to start a business.

The worked for two years together and started doing experiments on doing business in Kenya, Tanzania and Uganda

The condition was to do business in agriculture

They wanted an Idea for doing that and they wanted to do ICT and fair-trade, no exploitation of farmers.

They needed to find prove that it could be done.

Mr Dashi did an experiment in exporting Irish potatoes, organising it from the village and also in town.

He called the concept “double loop” – he was managing both the group in the village and managed the market side in the village.

Normally there is a middleman, taking the products to town and selling it to shops and sellers at the market. Mr Dashi took the farmers in the villages and connected them directly to the shops and sellers at the market and jumped the middleman costs.

For that he get commission in between them.

He wants them not to think about donors for them to grow as businesses.

In the villages they have something called the Information board that are attached to the farmers where he meet with the people helping them with their business.

Mr Dashi found out that the market with honey in Dar is very big; he took contact with some people from Bagamoya.

A friend contacted him to do business with him, producing honey.

He is doing training for small scale farmers and give them his time for advising him, he don't support them financially and then he buy their honey and take it to the market.

Mr Dashi doesn't found projects, he is finding founders and then he uses his time and his knowledge as contribution.

e.g. Money Peza – Mr Dashi is building up a connection together with mobile phone for trade and payments through mobile phone.

Mr Dashi then put it to his customers that he only wants to go into business with people who will use Money Peza.

Mr Dashi was contacted from markets in Nairobi about honey

Oranges form from Tanga he exports to Nairobi – he is right now doing a demo to organise the exporting of oranges to Nairobi from Tanga.

Tanzanian farmers are not organised, Mr Dashi support the farmers with his knowledge and connect them to the Nairobi businesses. And everything is going through M-Peza.

All this export is controlled of Mr Dashi

There are 5 employees in the company – He is employing people and teaching them to earn their own money to the company.

The employees are thought to be scouts, they get a little basic pay every month and then the pay them commission.

They are working in groups finding the products at the farmers which the market demands.

He is working against the system of buying on credit which give him the advantages of trust

His biggest challenges are expansion right now.

In 2005-2006 he started export to Nairobi

2008 he went into Uganda

He wanted to go into Juba in South Sudan, the demand there is very high, but it is hard to get products over the borders and pay for it. And there are two borders to pass to export there. From Nairobi, to Uganda and then to Juba

Planned to go international from the start

Honey is very good in the market in Tanzania

Internationally there are higher requirements for the quality

Both with honey and oranges

It is easier to cover the local market

He tried earlier to sell spices to India; the collection of products was a problem,

Spices are bought by the weight.

The supply was not stable enough for collecting it.

He can start his own farm for it and then it would be possible.

The market is good and attractive

There is though a lot of work in going international. The local market is very much easier.

It requires more work to earn the money and to see results

Mr Dashi doesn't believe in contract farming

If you put a lot of incentive and people are organized, then you in some way are creating a punishment system when making contracts on products for those who are not in the group.

He doesn't want to make contracts.

Contracting makes groups of farmers.

Farmers come to Dashi to get connected to the market

He goes to the company and explains that he can connect them to a company who he is working with. He puts in a condition for him to get a benefit from it.

Commission 5-10%

He trains them and they can do business with him then.

Transport problems with the customs at borders

Most of Kenya is very proactive, when he goes there are already people there, who are really good to know to

He is a member of agricultural academic and member of national import group

Where he gets to know many people

Kenya buys many products in Tanzania

Dashi sold pineapples to Kenya from some local farmers who he connected to the market.

Where he puts in something called "transaction security"

The buyer pay Dashi the commission and not the farmer them self

Instead of middleman come to the farmers and buy the product and then sell it on the market, he buy it a little more expensive from the farmers and then connect to the buyer with low commission.

Earning small but with solid connection through time

Dashi connect the market to the farmers through organized farmer groups who can help the farmers to finance their business

Bagamoya, Zanzibar - Dashi don't put money into the organization, he is only supporting them with his service of connection them to the market.

Contracts between Farmers and Dashi are only in relation to commission and Dashi always pay cash and right away for products he buy himself for export.

There are only order contracts with a deal flow.

Dashi is close to working like a freelance export company, connecting with commission and exporting honey, oranges and pineapples.

He is mainly selling them knowledge giving them advice on technology, sponsors, donors and where he contacts the company who have the right technology.

4 month ago he started working together with the start-up of an organisation called Mkuaji

1000 farmers, who are in an organisation who are supporting sustainable income and development.

Right now there is a project now where there are a lot of lemons and no one to buy them when Dashi meet them he found potential for them in a market.

He don't connect them, he go there and then he is making the connection to himself and he make a bridge between the seller and the buyer.

There were a company in Zanzibar who wants a machine to make stuff like shampoo.

He helped them finding the machines for it and there is only imported stuff in the market today

He is now trying to make collaboration with India and Mozambique.

The general problems experienced in Tanzania is often that there are no knowledge about how reach the markets.

Dashi is helping the farmers to connect to the market with him getting commission for it.

If a farmer can convince Dashi then he buys it and find a market for it or connect to the market and get commission.

He is working on getting trust and confidence in him

In the group organisations, he put in models, systems and conditions on how they can operate and the guidelines is given to everybody in the group and then they can contact him if they want more information.

Then they come to him for a opportunity in the market.

The group is inside the group, he only work for the group who are paying him for being a consultant.

Small scale farmers and technology grow

There are a lot of ideas about technology, but the problem is.

If you take the machine the finishing

People go and get a machine. They can produce things but the problem in Tanzania is the Packaging.

There is no Packaging material for the products in the country.

Packaging is too expensive

Another problem is that farmers are not organized in going into more technological advanced then it is impossible for them.

But like the organisation and group in Zanzibar it could be possible to go into making a machine where many farmers bring their products to the machine and then sharing it and the financing of it will have to come from government support.

Dashi will start to make something he call "Investment" talking to companies and banks about putting the machines out to farmers who can share it.

He call it "investment scheme" the machine will work there and when someone see the machine working, then he talk to the supplier who will give him commission for selling one of his machines.

He will in that way have a demo on the market and earning commission on each sale.

The bank invests in the machine which earns money and over time will be sold from being on display.

Woman in Honduras mad a company with organising information form supply side and market side.

Centre for ICT with access to computers for villages to be able to send e-mails

ICT project - The laptop can't get virus, it don't safe anything.

It is only able to write a letter and sent a receive an e-mail

The users get a constant reply and don't have to wait for receiving a paper letter and it is limited what you can put on a phone of details.

The phone is useful for group sms to send out information to many at the same time, and then use e-mails to send out more detailed information

## Case 2: Homeveg Tanzania

Started talking about knowledge intensive entrepreneurship:

Started talking about educational background, he think there are not many knowledge intensive entrepreneurs because the educational background from university in Tanzania does not give you practical knowledge but only the scientific knowledge and therefore most graduates go into “white coloured jobs” and don’t become entrepreneurs. They are failing in becoming entrepreneurs.

I say: Let me hear about your business...

He ask me what I know about his company – I tell him I don’t know much, only from what is online on his webpage and I got his contact information through SUA.

When did you start your company?

Mr Mvungi started the company together with 2 friends. (2<sup>nd</sup> guy: Henry – bachelor agronomy master crop science and the 3<sup>rd</sup> guy has a master in Accounting) (2 was Colleagues and the last guy they meet at a meeting)

Company name is HomevegTanzania and was registered and started in 2009. They are doing fresh vegetables export and started the export in September 2009.

Mr Mvungi studied at SUA, bachelor in agricultural economics and master in social science general management finishing in 2000.

Started working in private company (Flower Company) in Arusha for 4 years and changed job into fresh vegetables business and working together with the two other guys (other guy started working for NGO and the 3<sup>rd</sup> worked as accountant)

In 2009 they started their own company together

He/they had not planned to become entrepreneurs before graduating it was an idea that came later.

The worked together in fresh vegetables and high value crops for Europe for 2-3 years when they got the idea to start up their own business.

We are dealing with small growers, we don’t have a farm and we are grading facilities, pack house,

Contract farming with small growers

Challenges when they started

Normal entrepreneurs when finished studying don't have the capital, can't go to bank, no collateral for loans

They had good knowledge for starting up, because they knew about the standards and what needed to be done for exporting vegetables

They used their service to hire a small room for the business and then started the business for their own money, they just had the knowledge about what to do.

The former company stopped – they took over the market. – that was why they decided to start their own in 2009

Got training and the certificate

They trained the farmers

They did not have capital themselves for starting up, they applied for help from Tanzania agricultural organisation TAHA

They needed money for certificate and education to qualify for the standards

TAHA knew them already and offered them help with financing

They got a building where they put in an office and machines and everything they needed

Their main challenge when starting their business was market linkage, how they could start exporting

How they got their first external market:

They met a guy called Jonathan Parking (White man) who had a company called Aurora fresh. (NGO – started by Well pack UK and special fruits Belgium. – only knowledge support no financing from them.

They told him about their needs for finding markets and he helped them getting into the market in Belgium (connection to the company called special fruits) and in UK through (world park).

Which are the companies they started to deliver to.

Since then they developed their markets themselves.

There was no financial support from Aurora fresh.

A lot of donors saw they did good business and helped them. One donor gave them a good Cold room at their packhouse

Their office and packing house, CCP helped them with financing to put up a generator, because it was a problem with power cuts.



They solved the big issues about the cold room and the electricity that was important

Challenges have been addressed and now they are focusing on expanding the company with more supply and more markets.

That was how the business was started and now they are working mainly on building up a bigger market

The agricultural industry in Tanzania is not big as in Kenya so everything is depending on Nairobi in different matters (in this and that) so it is difficult to start a business here in Tanzania because we have to make sure that we can make it.

The problems we faced when the company wanted to be international and go into local markets is the standards and the second trust, to gain confidence from customers. The customers came to visit them to see their business.

It is hard to convince the customers

And it is hard to get all the certificates eg. Global gab certificate (just received the last one this January 2012)

We are now exporting from Arusha through Kilimanjaro International Airport (KIA) or Dar es Salaam and sometimes through Nairobi to UK, Belgium and Netherlands.

Value chain - Suppliers from abroad?

All the small scale farmers on contracts are from Kilimanjaro, Arusha.

Is expanding with suppliers from Lushoto, Tanga and also expanding into having their own pack house now with financial support from an organisation called ADF, working with agricultural development.

And now it will be easy to go to the bank, because we will have our own collateral and our own infrastructure, but before that we had to use other partners support and get financing from organisations.

For the contracted farmers they have organised a model for teaching and educating the farmers into better production through,

The go controlling that the villages with the farmers have the right climate, good water, the right permits and so on.

Then they make a contract and good agricultural training of the farmers for them to reach the standards

And with a very new group of farmers they advance the input and they has gone into supplying farmers with better seeds or chemicals and such things.

The company follow a strict model, where an agronomist, every week the make agronomic oversight, where they visit all the farmers who are on contracts and help with capacity building.

The company have donors who want to support their suppliers, the small local farmers to building up their farms and they are supporting these local farmers with their planning, writing proposals, building an input store and getting certificates.

Which helps the small scale farmers to grow into more technologically advanced businesses.

He supports them into go more advanced technology – the quality is getting better and they can grow without supervision and the training makes them improve.

The company has about 60 employees – it is low season so not many people right now – so it is from 45- 60 people

Small farmers on contract 1200 organised into 8 groups (150 in each) – will expand into 2000 farmers

Average selling 4 (low season)- 6 tons per week right now – in the end of 2012 – 10 ton per year end then 2013 – 15 ton

And 20 and so on

Future plans:

Right now they want to build our pack house (in July) their own place and not use the one they use to rent.

They want to expand into more countries – more market in Netherlands

Want to expand into Germany for baby vegetables (they have been told from student that there are a good market there)

And over time in the future they want to have their own farm – now it is cheap to use the small farmers, then they don't need to hire all the staff.

So they will keep the small scale farmers, he would like to have 30 % own production from own farm and 70% from small scale farmers.

Mainly export market now

Future plans (short term this year) working with support SCF to study local market – targeting local supermarkets, tourist hotels, mining and so on- this year so at least 30 present will go into local markets.

Delay into local markets

### Case 3: FICA Seed 2002 Limited

FICA SEEDS (2002) Ltd is a Tanzanian seed company established in 2002 and located in Arusha. It initially started as a distributor of FICA SEEDS Uganda until recently when it started producing and processing seeds in Tanzania. The core business of the company is open pollinated maize seed varieties (80%) and hybrids maize (20%).

Our investment is enabling the business to embark on a major capital expansion program with a view to establishing a plant for processing its own seeds, purchasing seeds from its out growers and expanding its out grower scheme.

Reference: [http://pearlcapital.net/our\\_investments.html](http://pearlcapital.net/our_investments.html)

I say: Let me hear about your business...

FICA seeds 2002 limited

FICA stands for “Farm input care centre”

There is another FICA seeds company in Uganda

We have another seed companies in Uganda

That is where this started from, branched off from

Started in 2002 – where the company was registered

We started with the mangoes only

Founders of FICA in Uganda, one of the founders is now one of the now chairman of the Fica seed 2002 limited TANZANIA

Teamed up and started a company in Tanzania

Started with local produced material from TANZANIA in Tanzania seed company and when wanting to start up

They wanted to change the name to fit Tanzania and called it FICA TANZANIA

FICA Uganda invested in starting up in TANZANIA

Selling in only TANZANIA today

They are not big enough to cover the internal market yet

They plan to go into export later

They import seeds from Uganda – they are gradually moving away from it and support them self and also make their own variety self

SUA Crop science masters

Graduated in 1981

Decided to become an entrepreneur after working for the university for a while (in crop science)

Worked then at the national seed company of Tanzania Seed Company

Went into entrepreneurship after teaming up with FIKA Uganda

How did you get in contact?

Meet manager of FIKA in TANZANIA when he visited TANZANIA Seed Company

Then they came up with the idea of teaming up and starting in TANZANIA too with a daughter company

Also he put some small savings into the company

In the future they want to have their own farms but they are still too small for it – now they have small farmers on contracts

Problems while starting up...

Private sector in TANZANIA in this area is fairly new so they had to find out how to penetrate the market (the farmers were use to go to the state own company) – the state give out the vouchers now, so it got easier, but when started the state was not giving out the vouchers. – The competition was very hard because the existing company on the market was very big.

They only deliver to TANZANIA – they are not in position to satisfy the internal market yet.

The market in TANZANIA is very big

They want to go into export over time

2015 they plan to look for going international into export to countries like Sudan, Ethiopia, Burundi, Rwanda to start with

And later expanding to more countries

Problems facing already predict now about exporting

They will be new in the market – competition will be hard, existing international companies is already there.

Technological advanced

The contracting farmers need training and supply with samples of new types of seeds and demoes

And in the future they need to advance into more technological advanced productions

International business

They want to go international through production in TANZANIA and then exporting, but in the longer run they plan to move further into contracting farmers in other countries, but it is important for them to cover the TANZANIA farmers first. – The weather conditions and the climates make the productions more vulnerable in some of the other countries

The company are doing packaging them self (at processing plant)

They are doing it through both wholesale to agri-dealers and retailing

FIKA TANZANIA is independent, but they are sharing markets supporting each other now, but they are financial independent now

PRODUCE – white maize, because yellow corn is not attractive in TANZANIA – beans and vegetables

They are trying to expand into new crops too.

The markets are all small scale farmers mainly with vouchers from the state.

The Agri dealers get the vouchers and the vouchers are handed in to the bank and the company get money from the state.

The Agri dealers are paying FIKA after selling the seeds and getting the money from the bank (so the seeds are in commission)

They have a processing plant in place and trying to put up another building, starting to produce fertilizers and other relevant products for farm production (still for small scale farmers). – Barrier is money to expand...

The big plan in the future is to make like a supermarket with supply for the market in all they need for farming – all under one roof.

They want to supply all kind of seeds, fertilizer and later also equipment first in TANZANIA and later export also.

Barriers is though that fertilizing is very expensive for the small farmer

This is being done in collaboration with FICA Uganda in the matter of knowledge and planning it

Delivering to retail by renting small trucks

Expanding into seeds that is not in TANZANIA already – go into supply special seeds

In the future they want to expand through new entrepreneurs too, they are now starting to expand to markets they can reach themselves, but in the longer run, but later it could be interesting to go to expand with more companies. – would give help to new entrepreneurs with financing.

## Case 4: Principal Company Limited

Born in business family

Father owned a shop, butcher and farming – father was entrepreneur

Business family

Form 4 secondary school

When he finished

Opened a number of businesses with brothers

Run a number of businesses with brothers, filling station, farming and transport business.

Joined the brothers and learned from them

He started a small shop in the village (retail) – very small

Farming mais and vegetables – just small garden,

Expanding into Tomatoes and cabbages

Then he started timber business in another region tougher with a brother.

Taking from the county side and taking it to the city to the businesses there.

Then he started a spare part company with his brother for some years.

A friend introduced a business idea to him, importing beer to Tanzania from Kenya 1990 – the market in Tanzania was not big at that time, there were not many beers at that time like there is now.

Then he got another opportunity from a business man giving him the idea, exporting prawns to South Africa from Tanzania. Go to food champers and they helped him to find 3 big buyers in SA

In 1993-95 – it went well, problems with payment (he had to travel there to get payment) – had to push them to pay

They he decided together with his employees to see if they could start to import something when they were going to South Africa all the time anyway

1995 – Wanted to import hardware – locks for doors.

The business did not go well

A friend asked if he could look for a product in South Africa – a product of wheat flour improver- Improving the quality of the flour

He used his stuff at home for international communication – he contacted a company in SA

They made a contract on him being the only importer to Tanzania of this product right away.

He started with only one product – Flower tex, flour improver

He went with his own money there and bough a larger amount of this flower improver and imported it into Tanzania

The company he is importing from is a worldwide company - selling to backers companies all over the world

He started adding more and more products to him import – 1-2-3-4-5—10 products

In 2001 – A South African Super market chain went to Tanzania to open op supermarkets

They got to know they needed to go to him for delivery of their products

And later another South African supermarket chain opened up in Tanzania called Shop Right, who also was introduced to him as their supplier in Tanzania – they have their own “in house bakery”

He went to them and started to supply to them too

Since then he has expanded into hotels, restaurants, home bakers and airline companies.

He is now only into Bakery ingredients and all the rest of the business are closed down – all imported

Products today 2012: Bread related products, Emulsified Fats for breads and buns, Speciality breads and roll mixes, Seeds, Bread and roll improvers, Preservatives, Tin greasing Emulsions, Cake and Sponge Emulsifiers, Sponge-cake-scone-donut mixer, Muffin mixer, Non-Tempering chocolate, Custards, Fillings and Toppings, Colors and Flavours, Pastry Fats and Margarines, Leavening Agents, Dessert mixes and Other Specialty Mixes and Various Mixes

## 2012

He is now planning to start a production in Tanzania now

70-75% of the products are wheat fours – he will buy local wheat flours, soya, soya flour and some other

He will make it here and sell it after mixing it, to reduce costs

He is in the registration process

- where all the products will be registered to the government

He has a few machines already and prepared a building with a new office, machinery building and new storage facilities – Building with electricity is ready, waiting for the registration and potential founding for buying the machines.

When production is started he wants to expand with export to Burundi, Ruanda, Gerassi, Malawi, Zambia, Congo

When he start local production he is planning to jus modify the marketing to each other country.

He will go further away from importing and further into exporting

He is also starting to go into another part of the local market.

He is starting to target smaller bakeries in supermarkets and local women in markets selling small scale bread for sending their kids to school

He just hired a well chef and backer who make demonstration for free for local women who are willing to start a business

They are starting to train them to use their products.

The training is for free.

The “teacher” go to the customers and show them how to use the products.

He is importing 5 kg, 12,5 kg and 25 kg. bags.

They will go into smaller picketing for the small scale, who buy directly from the company and not from the supermarkets

They will go further into selling spices also.

Now they only have cocoa powder for cake mix

Will create employment for small scale farmers

Later they will encourage small scale farmers to grow

To buy from them on contracting

Wheat flour is produced from large scale farmers

The local small scale farmers can't produce stabile product, with strong wheat

And in the future the same with spices.

Import problems?



Transport problems – import by road by trucks from south Africa up to 30.000 dollar pr. Truck

The port gives problems caused by bureaucracy – the container can end up standing there for a month because of getting papers sorted out. The sea transportation is too expensive caused by time and administration of the transportation by sea

Another thing is, they import from Johannesburg, which is not near the sea, so it would give them too many different transportation administration expenses.

There is very good relationship between the company delivering and this company

He will have the company in the future to supply him with raw material, but they are supporting this company to grow and support expansion.

The supplier did not give any financial support – he started with his own money

The relationship is good between the two companies

Is technology expanding?

Do you expect to go more advanced?

Sure – he want to be the biggest supplier and therefor he needs the right knowledge, technology and the people.

His intention is to supply high quality products

And he will keep on giving demonstration and training to customers for free – even expanding in that area.

He always tell his customer

“Snacks and bakery products, customers don’t plan to buy it. Customers buy it when they see it, it is like candy”.

They market create itself.

Future problems in exporting to other countries in the future

Culture

The way they do business

Trust issues

How the needs are –the market

What the people want

He will make market research

Law and regulations in other countries – health regulations and so on, is very hard and different – he need to have permits

Eg in Tanzania, He needs to go to have a radiation permit – Tanzania bureau of standards – they require samples of the product to test.

It is important to know about the political situation

Though the east African community, Tanzania, Kenya, Burundi, Uganda and Ruanda, these countries have common policies and custom tariff and so on, which is important to know. Other countries outside east Africa he will have to treat separately.

Expect to go into other markets? – He is now working on making a business plan for this.

Now looking for founding form external places for building the production

Bit network – Dutch company and NGO's which can give you money or a grant – It works as a loan (maybe)

**Try contacting for more information:**

TIC

Tanzania champers of industries

Ministry of industry

Ministry of agriculture