

SEED BUSINESS

SEMIS - UoN

- By Aline O'Connor

SEMIIS - UNION

Contents

1. Critical Thinking
2. Key Success Factors in the Seed Business
3. Managerial Skills
4. Performance Management and Team Building

Critical Thinking Skills

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Quiz: What is Critical Thinking?

What does the phrase “critical thinking” mean?

- a. Thinking about important things in business
- b. Criticizing a bad situation when there are problems
- c. Using your brain to creatively anticipate, identify, and solve potential problems
- d. Implementing answers other people have given you

Critical Thinking ...

- ✓ Your most important job
- ✓ The most important skill to look for in your senior managers

Simple Truth: In some cases,
to engage in critical thinking,
you must have some solid facts
to think about!

Simple Truth: In some cases, to engage in critical thinking, you must have some solid facts to think about!

Numbers, records, analysis

Otherwise you are just guessing, not engaging in critical thinking

How to recognize critical thinkers

They:

- Think beyond “what’s in front of them”
- Think cross-functionally (e.g., how does production impact finance? Or marketing?)
- Look at opportunity costs
- Seek all pertinent information to solve a problem
- Learn from their mistakes
- Get excited about sharing what they have learned
- Think “what is the best thing to do here”









How to recognize critical thinkers: Are YOU one?

- Think beyond “what’s in front of you”
- Think cross-functionally (e.g., how does production impact finance? Or marketing?)
- Look at your opportunity costs
- Seek all pertinent information to solve a problem
- Learn from your, and your company’s, mistakes
- Get excited about sharing what you have learned
- Think “what is the best thing to do here”

Three Critical Thinking Exercises

1. Human resources problem
2. Production problem
3. Input supply problem (getting parent seed)

“No expert knows everything about every place, not even everything about any place. If one’s knowledge of one’s whereabouts is insufficient, if one’s judgment is unsound, then expert advice is of little use.”

Wendell Berry

Key Success Factors in the Seed Business

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Financial Dictionary

Definition: **entrepreneur**

A risk-taker who has the skills and initiative to establish a business.

Financial Dictionary

Definition: **entrepreneur**

A risk-taker who has the skills and initiative to establish a business.

In our cases, a SEED business!

No single element of running a seed company is extremely difficult.

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No single element of running a seed company is extremely difficult.

The difficult part is that you need to do so many things at the same time!

*Do you know how to
produce high quality,
cost-effective seed?*

SEMINAR



*Can you attract and keep
customers?*

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*Do you know how to keep
score?*

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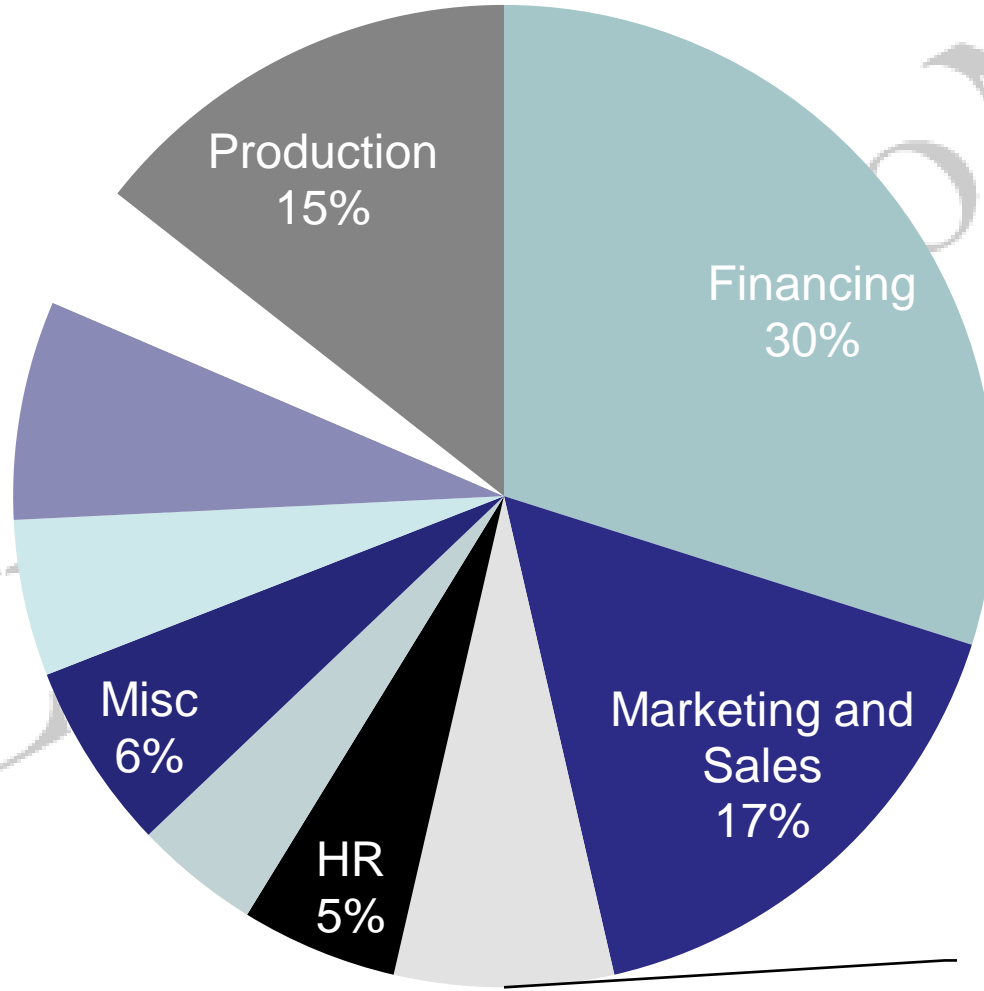
Three Key Capabilities

Production

Marketing

Financing

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Key Success Factors

In the seed business, key success factors relate to these three functions – production, marketing, and financing – and how to accomplish them.

Accomplishing them well involves your team, your ability to plan, and your ability to execute.

#1: High Quality Production

You have to produce something in order to sell it!

It has to be very good for people to believe in you

Tool #2: The Enemies of Seed Quality

#2: Cost Effective Production

Anybody can spend a fortune to produce high quality seed – but not everyone can produce high quality seed cost-effectively

Tool #7: 10 Major Production Bleeders

#3: Good Marketing

Customers must understand the benefits of your product in order to decide if it is worth buying (or, in the case of seed, investing in.)



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Farmers buy seed two ways:

Rational

Price

Performance

Convenience

Packaging

Data

'Academic'

recommendation

Emotional

Value

Trust

Person selling

Visual appeal

Choice of peers

"How I'm treated as

a customer"

Trust

- Doing what you say you are going to do
- Putting your customer first



Cannot over-emphasize

trust

in the seed industry

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#4: Financial Resources

Profits / Retained Earnings

Investors

Good banking relationship

Why are these so important?

#4: Financial Resources

1. Access to capital for FS, equipment, other
2. Climactic conditions
3. Technical skills – each person has different skills
4. Marketing seeds given low buying culture
5. Balancing financial constraints with seed production requirements
6. High competition
7. Low availability of BS
8. Lack of modern equipment
9. Planning and coordination
10. Executing plans
11. Cash flow/staying afloat

#4: Financial Resources

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#4: Financial Resources

Know how to keep score!

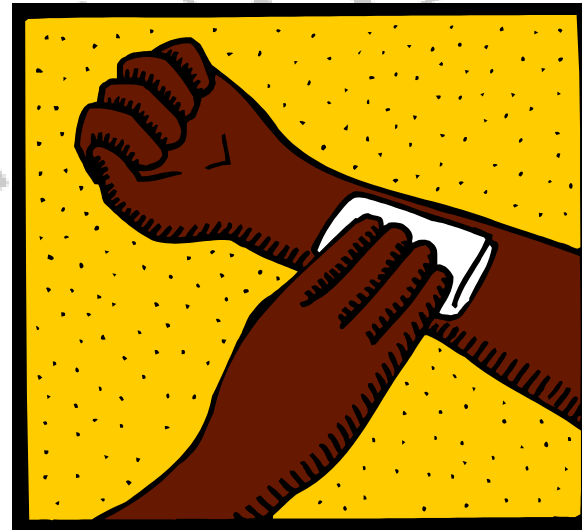
Honesty before the numbers

Profit is like blood; without it
you will die

Cash Flow



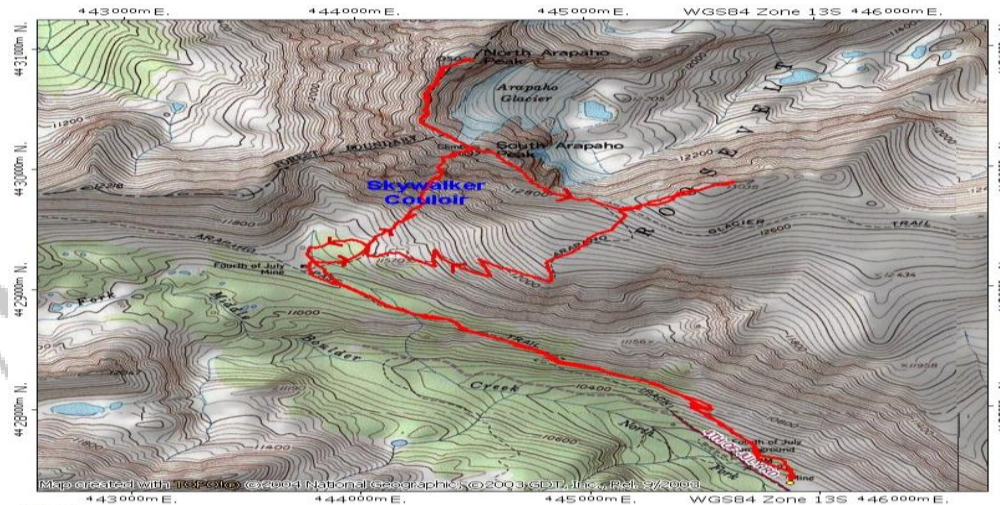
Feeders and Bleeders



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#5: *Good planning skills*

Have a plan for your safari.



Then make a new plan.

#4: Good Planning Skills

- ✓ Foundation seed planning
- ✓ Outgrower recruitment and training
- ✓ Production planning
- ✓ Input acquisition
- ✓ Demos
- ✓ Agrodealer recruitment
- ✓ Distribution
- ✓ Processing “bottleneck”
- ✓ Packaging decisions
- ✓ On and on...!

WHEN PLANNING, CLEAR
WRITING IS A SIGN OF
CLEAR THINKING

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KEEP IT SIMPLE

#6: Execution

Product execution

&

Business execution

Product... The Simple Rule

*It's not good enough if
you wouldn't plant it
on your own farm*

Business Execution...

Fortune magazine survey

Why CEOs Fail

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Fortune magazine survey:

What is the primary reason American CEOs get fired?

- a. Lack of strategy
- b. Poor financial results
- c. Incorrect vision
- d. Poor team-building
- e. Lack of execution

Why CEOs Fail

“It's rarely for lack of smarts or vision. Most unsuccessful CEOs stumble because of one simple, fatal shortcoming.”

Fortune magazine

Why CEOs Fail

“It's bad execution. As simple as that: not getting things done, being indecisive, not delivering on commitments.”

“So how do CEOs blow it? More than any other way, by failure to put the right people in the right jobs—and the related failure to fix people problems in time”

#6: Execution

How much time do you spend on it?

Distractions –

too much travel and entertainment,
too much ‘advocacy/PR work’,
too much ‘acting like a CEO’ instead of
‘being a CEO’

Keep it real. Stay grounded, stay focused.



“There are no shortcuts to
anywhere worth going.”

Anonymous

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#7: Ability to build and keep a good team

Simple truth: YOU CANNOT DO THIS ALONE!!!

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Survey question:

What's most important in a job?

People responded they wanted to:

1. *Be on a good team*
2. *Have a voice in the decision-making*
3. *Know their efforts are appreciated*

Hire slow, fire fast

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In summary,
you are an *owner* who must
be able to implement these
7 Key Factors for Success

What Do Owners Do?

- ⇒ Transcend functional boundaries
- ⇒ Don't have the answers - find them
- ⇒ Deal in a 360° realm
- ⇒ Think long term
- ⇒ Know that their team drives success
- ⇒ Take personal risk
- ⇒ Are responsible for the “business score”

“Opportunities are usually disguised as hard work, so most people don’t recognize them.”

Ann Landers





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"Some people regard private enterprise as if it were a predatory tiger to be shot. Others look upon it as a cow that they can milk. Only a handful see it for what it really is -- the strong horse that pulls the whole cart."

Winston Churchill

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Managerial Skills

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Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

Running a good seed company does not depend on doing a few things well – ***it depends on doing a lot of things well!***

Occasionally reviewing this checklist will help you focus on the most important things you need to be doing as a senior manager.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

- 1. *Always* pay attention to seed quality!** No exceptions, no shortcuts. Poor-quality seed will cost you money and will cause your customers to make lower yield.

Seed Quality

- Seed is not grain!!!!
- I have seen:
 - Trucks driving on seed
 - Harsh threshing methods
 - Shelling that kills 20% of the seed
 - Seed being cooked
 - Seed being ruined in storage – moisture, weevils, heat, age
 - Seed is a fragile, living thing! Grain is not.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

2. **Constantly look at your business through the eyes of your customers—the farmers.** This should include looking at purchasing convenience, pricing, packaging, and your educational approach, from their perspective.



Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

3. **Set clear, attainable goals for your team.**

Goals are important for your team to understand and accept. Make sure that each member of the team understands how their actions will contribute to accomplishing the goal.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

4. Plan ahead! Do not run your business day to day, week to week, or month to month.

Despite the many small crises that will inevitably arise each week, good managers plan ahead and keep the team focused on accomplishing the plan.

Planning Exercise

You are making a decision about 20 ha of outgrower hybrid maize seed production. You do not have enough money to help the outgrower purchase fertilizer. So the outgrower uses only half the recommended amount. Instead of making 3 t/ha, the outgrower makes only 2.3 t/ha. What is your opportunity cost of not making sure that all of the fertilizer is applied?

Opportunity Cost

The cost of the opportunity that you are missing!

In this case, how much revenue are you missing?

What is your opportunity cost here?

- 20 ha with 2.3 t/ha yield instead of 3 t/ha yield
- Hybrid maize sells for \$2 USD/kg

This is due to lack of ***planning!***

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

5. Communicate regularly with your team about successes, challenges, and changes.

The importance of communicating with your team cannot be overstated. Regular team meetings are excellent communication vehicles and provide good opportunities for all team members to exchange views and information and ask questions.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

- 6. Stay calm, especially when there are problems.** Leadership is an important responsibility, and clear thinking in the midst of a challenge is critical.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

- 7. Create an atmosphere of open debate; do not discourage your team from voicing independent opinions about what is best for the company and your customers. You will miss out on excellent ideas and creative thinking if you create an atmosphere where your team is afraid to voice their own opinions.**

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

8. Show extra appreciation to your team members when they do a good job. Recognition is a powerful motivator. Regularly look for opportunities to recognize your employees for doing things *right*! Often, it is the small, unexpected rewards that are the most meaningful.



Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

- 9. Hire people based on skills and merit, not based on connections.** Your entire team will work harder and be more confident about the future of the company if they recognize that you are building the company around strong performers, not around personal connections and preferences.

Tool #32 – HABITS OF STRONG SEED COMPANY MANAGERS

10. “Manage by walking around,” often referred to as **MBWA**. The best managers are close to the activities of the company, observe work personally, and understand first-hand the challenges and successes of the company. It is very hard to build this knowledge from your office or your car. You need to interact informally with your team—observing and coaching them—as they are working.

Good MBWA – 6 steps

1. Identify what people are doing RIGHT!
2. Identify areas for improvement
3. Ask them for their ideas for improvement
4. Explain WHY the improvement is good for the company and good for them
5. Thank them for their good ideas, and for the work you know they will be doing
6. Ask them to communicate back to you about the improvement

Thank you
Asante Sana
Merci Beaucoup
Obrigado

Performance Management and Team Building

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What, exactly, do we mean by

“Performance”?

“Management”?

What, exactly, do we mean by

“Performance”

Against what? By when? How?

Costing what?

What, exactly, do we mean by

“Management”

Define, Ask, Monitor, Coach, Insp
ire, Correct, Reinforce

Performance Management

1. Explain the “big picture”, the vision
2. Define the job, and the person’s role
3. Define the expectations
4. Provide the required support/tools
5. Backstop as necessary (initially), coach
6. Measure performance
7. Provide feedback

Performance Evaluation

- Must start with goals and expectations!
- When possible, make *specific*
- Should also include “soft goals”, for example:
 - Mentoring less experienced colleagues
 - Improving customer focus
 - Doing completed work
- At end of period, both employee and employer evaluate separately, then compare

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Low

Medium

High

SKILL

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High

7. "Test" and Train

8. Train and Advance

9. Treat like a star!

Medium

4. Coach and Train

5. Coach and Train

6. Coach

Low

1. Fire

2. Fire

3. Warn

Low

Medium

High

SKILL

Team Building

- As a group, set team goals, and identify timeframe
- Discuss how each person plays a role
- Keep team up to date on progress
- Meet to discuss challenges and successes!
- Talk about outcome, identify what worked, didn't work
- Give positive reinforcement, but also be honest about problems
- Reward performance
- Have fun together!

- By Dr. Vincent Machuki

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Contents

1. Business Growth
2. Corporate Governance

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UNIVERSITY OF NAIROBI
Seed Enterprise Management Institute
(SEMI)
Seed Business Management Course

BUSINESS GROWTH

Dr. Vincent Machuki

School of Business

A. Introduction

- ❖ Business failure rates are alarming with incredibly consistent statistics globally.
- ❖ Failure rates in the 95% range in the first five years
- ❖ Why?

❖ What is business failure?

❖ Closing shop?

❖ Switching business?

❖ Slowed growth?

B. Failure Points

- ❖ Start Up – entry and survival challenges
- ❖ Growth – growth challenges

1. Start Up Challenges

- ❖ New ventures have two critical liabilities:
 - Liability of Size and
 - Liability of newness.
- ❖ The "liability of newness" concept includes small size as one reason for the high risk of failure of new businesses.

❖ Largely due to:

- Resource constraints
- Lack of economies of scale
- Image problems
- Lack of learning/experience

Consider this:

There are assets of newness and size:

- Innovation
- No unlearning
- Focus and energy
- No liabilities of history

B. Understanding Growth

- ❖ The transition from a small company to a growing company is often characterized by a transition *from* owner-managed *to* owner-directed by moving:

From

- being managed and run by the founder(s),

To

- one which has begun to contract-in specialist expertise from outside and to obtain finance from outside sources.

- ❖ Good businesses have the potential for growth.
- ❖ While startups cannot do much in terms of their age, they can avoid the liability of smallness through fast growth.
- ❖ Past growth enables a firm to increase the likelihood of future survival.
- ❖ Firms benefit from a sustained growth pattern.

- ❖ Growth may be gradual, or fast, depending on several factors; markets growth rate, environment and management capability.
- ❖ Business growth can be measured in terms of employment, assets value, sales turnover, or market share.

C. Achieving Business Growth

❖ Business growth can be achieved through increasing the existing production capacity to meet increasing demand e.g.

- Opening new branches
- New lines of business
- Merging with another firm
- Buying other business

- ❖ Growth requires careful thought and research.
- ❖ If not properly managed it can lead to demise of the business.
- ❖ Growth leads to strain on the resources; staff, finances, supplies, equipment etc.
- ❖ Growth can also lead to emergence of competition and changes in the market conditions.

❖ If growth is well managed it can be very rewarding to an entrepreneur, leading to:

➤ More finances

➤ More staff

➤ More recognition

➤ Better living standards

➤ Achievement

D. Growth Model: S-Curve

Stage 1: Conception/Existence

- Business not in existence
- Owner and business are same
- No formal systems

Stage 2: Survival

- Business is a workable entity
- Major goal is survival
- Ltd staff
- Formal planning is ltd.

Stage 3: Profitability and Stabilization

- Business grown and profitable
- Engaged business managers
- Developed systems
- Emerging entity status for the business

Stage 4: Profitability and Growth

- Growth is the focus
- Recruits growth staff
- Strategic focus is clearer

Stage 5: Take-off

- Delegation is full
- Owner weaknesses clearer
- Delegation a must

Stage 6: Maturity

- Management decentralized
- Necessary resources in place
- Need for Intrapreneurship

2. Challenges During Growth

1. Existence

❖ **Concerns:** Obtaining customers and delivering the product or service contracted for.

❖ **Key Questions:**

i. Can you get enough customers, deliver your products, and provide services well enough to become a viable business?

ii. Can you expand from that one key customer or pilot production process to a much broader sales base?

iii. Do you have enough money to cover the considerable cash demands of the start-up phase?

□ ***How did we confront these questions?***

2. Survival

- ❖ Business is workable entity
- ❖ Has enough customers and satisfies them sufficiently with its products or services to keep them
- ❖ **Key problem:** Relationship between revenues and expenses.
- ❖ **Key Questions:**
 - i. In the short run, can you generate enough cash to break even and to cover the repair or replacement of your capital assets as they wear out?
 - ii. Can you, at a minimum, generate enough cash flow to stay in business and to finance growth to a size that is sufficiently large, given your industry and market niche, to earn an economic return on your assets and labor?

3. Success

❖ **Decision facing the owner(s):** whether to exploit the company's accomplishments and expand or keep the company stable and profitable, providing a base for alternative owner activities.

❖ **Key Concern:** Whether to use the company as a platform for growth, or as a means of support for the owners as they completely or partially disengage from the company.

❑ *Are we in this stage?*

❑ *What decision have we made??*

- ❖ Company has attained true economic health, has sufficient size and product-market penetration to ensure economic success, and earns average or above average profits.
- ❖ Grown large enough to require functional managers to take over certain duties performed by the owner.
- ❖ Cash is plentiful and the main concern is to avoid a cash drain in prosperous periods to the detriment of the company's ability to withstand the inevitable rough times.
- ***Does these characterize our companies?***

- ❖ First professional staff members should come on board.
- ❖ Basic financial, marketing, and production systems should be in place.
- ❖ Planning in the form of operational budgets should support functional delegation.
- ❖ Owner, and managers, to a lesser extent, should be monitoring a strategy to essentially maintain the status quo.

❖ Owner can take the cash and the established borrowing power of the company and risk it all in financing growth.

❖ **Important:** make sure the basic business stays profitable so that it will not outrun its source of cash and to develop managers to meet the needs of the growing business.

➤ Requires hiring managers with an eye to the company's future rather than its current condition.

➤ Install systems with attention to the forthcoming needs.

➤ Deeper involvement of strategic planning by the owner

❑ *What have we done or are we doing?*

4. Take-off

❖ **Key problems:** how to grow rapidly and how to finance that growth.

❖ Most important questions are in:

i. **Delegation:**

- Can the owner delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex enterprise?;
- Will the action be true delegation with controls on performance and a willingness to see mistakes made, or will it be abdication, as is often the case?

❑ *Are your companies in this stage?*

❑ *How could you respond to the above questions?*

ii. Cash: Has there been enough cash to satisfy the great demands growth brings (tolerating a high debt-equity ratio) and a cash flow that is not eroded by inadequate expense controls or ill-advised investments brought about by owner impatience?

❖ Characterized by decentralization and divisionalization usually in either sales or production.

❖ Key managers must be very competent to handle a growing and complex business environment.

- ❖ A pivotal period in a company's life:
 - If the owner rises to the challenges of a growing company both financially and managerially, it can become a big business;
 - If not, it can usually be sold-at a profit-provided the owner recognizes his or her limitations soon enough.

5. Resource Maturity:

❖ Greatest concerns:

- to consolidate and control the financial gains brought on by rapid growth, and
- to retain the advantages of small size including flexibility of response and the entrepreneurial spirit.

❖ Important:

- Expand the management force fast enough to eliminate the inefficiencies that growth can produce and professionalize the company by use of such tools as strategic planning, BPR, EPR, balance score card, and standard cost systems without stifling its entrepreneurial qualities.

❖ If it can preserve its entrepreneurial spirit, it can and will be a formidable force in the market.

❑ *Are our companies at this stage?*

❑ *How are we addressing the key concerns raised above?*

❖ Take care not to enter the sixth stage: **Ossification**, i.e. a lack of innovative decision making and the avoidance of risks.

- ❖ There should be staff and financial resources to engage in detailed operational and strategic planning.
- ❖ Management should be decentralized, adequately staffed, and experienced.
- ❖ Systems should be extensive and well developed.
- ❖ Owner and the business should be separate, both financially and operationally.
- ❖ Company has arrived; exploit the advantages of size, financial resources and managerial talent.

E. Why Entrepreneurs Fail in Managing Growth

- ❖ The very traits that lead people to start the business i.e. ambition, creativity, self-confidence, obsession, etc. can lead to problems for the business at the growth stage.
- ❖ Growth requires a radical shift in management style.
- ❖ Growth pushes most entrepreneurs to areas that they are not good at.

F. Challenges of Transition

- ❖ Overwhelming entrepreneurial characteristics of ambitions and control leading to obsession.
- ❖ Underdeveloped human resources to be delegated to. Normally caused by:
 - Inability to pay costs of staff development.
 - Inability to recruit and hand over management to professionals
 - Inability to recognize the need for change

- ❖ Tendency of the market to recognize individuals in a business and not the firm.
 - Trusting individuals to deliver
 - Nature of marketing tactics by small enterprises

- ❖ Inability of entrepreneurs to trust others to see their vision as well as they do.

❖ To ensure the successful transition, the company will need to respond to a number of changes in the internal and external operating environment, including:

❖ Overcoming and managing risk

❖ Developing and recruiting skilled people

❖ Managing finances

❖ Dealing with ownership structure

❖ Managing growth and competition

❖ Accessing external sources of finance and expertise

❖ General economic conditions.

G. Signs of Business Failure

- ❖ Customer complaints – inability to meet customer deadlines, lengthening queues
- ❖ Falling quality of products or services
- ❖ Declining sales and profits
- ❖ Increasing costs
- ❖ Liquidity crisis
- ❖ Low staff morale

H. Avoiding Failure

- ❖ You must have a strategy
- ❖ You must have controls
- ❖ The Board must participate
- ❖ You must avoid one-man-rule
- ❖ There must be management in-depth
- ❖ Keep informed of, and react to, change
- ❖ The customer is king
- ❖ Organize to meet employees' needs

Note:

- ❖ Products and services are becoming increasingly commoditized, and one of the only remaining ways to distinguish yourself is in the relationship you have with your customer.
- ❖ It takes effective Strategic Management for a company to become successful and grow.

THANK

YOU