

The role of education in the SME's development in Tanzania:

Opportunities and challenges in the Agribusiness.

An Address to the 21st Convocation Luncheon of SUA

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Mr. President
Vice chancellor
Invited Guests
Colleagues alumni
Ladies and gentlemen,



Dr. J.D. Mwashha

First and foremost, allow me to register my sincere gratitude to Executive Committee of SUA Convocation for inviting me as alumnus of this University from the private sector as Guest Speaker to this Convocation Luncheon.

My assumption is that, the decision to invite a speaker from the private sector was taken in considering the role it plays in poverty alleviation and the development of our national economy. The premise underlying my assumption is that:

- In the last two decades there has been a major economic policy change where private sector is considered more efficient in organizing business resources than public sector.
- Furthermore, planners and academicians in Sub-Saharan Africa (SSA) have now acknowledged that, the future of their countries competitiveness and economic growth will heavily depend on the private sector, in which the Small and Medium Enterprises (SMEs) play a major role.
- It is against this background I have chosen to share my experience with you on “*the role of the education in the SME's development with emphasis on agribusiness*”

Tanzania economy is characterized by a relatively small large firm segment, a very large number of micro enterprises, and in between lie small and medium enterprise. The unique feature of most of SME's is that, they can be easily established since their requirement in terms of capital, technology; management and even utilities are not as demanding as it is the case of large enterprises. Consequently, small enterprise sector is one of the leading employers (next only

to peasant agriculture) in Tanzania and has been recognized as significant sector in employment creation, income generation, poverty alleviation and a base for industrial development. The sector is estimated to generate about one third of the GDP, employ about 20% of the Tanzania labor force and has further employment generation potential. It is estimated that there are over two million enterprises in the sector employing between 3 to 4 million.

Despite the enormous potential the private sector has in steering the development of the national economy, the full potential of SME's sector has yet to be tapped due to existence of a number of the constraints hampering its development. Some of the factors are related to the SMEs themselves; these include: poor record keeping, limited managerial capacity, lack of governance capacity (family ownership) and lack of focus by the owner manager who run many businesses.

It is urged that, human capital of the owner managers play an important role in growth and survival of the business. Human capital represents the knowledge, attitudes, skills, habits (KASH) as well health. The success of a business depends on the owner's ability (of which education plays an important role) to obtain the necessary resources, including finance which may be obtained from the bank, or other sources.

Anecdotal evidence shows that, world wide there are some successful business people who do not have much education. This phenomenon has led some people to believe that education has no role in success of a business.

When we are talking about education, we mean development of different kinds of attributes which enhance our capacity to face the challenges of survival, prosperity and development:

- **General education:** reflected in the level of education attained. This enhances one's analytical ability, scope and provides general frames of reference for thinking and addressing problems
- **Technical knowledge and skills in a specific area:** This provides expertise in a specific field

These attributes are complementary, rather than being independent of each other. The purpose of education is to equip man to address challenging problems. In other words, education is about learning. Learning however takes place in many ways and not only through formal education. Indeed, those who succeed in business without much education are very effective learners. They learn informally but actively from experience. Indeed, it can be argued that those who succeed in business without formal education and training do so because they have superior capacity to learn informally.

This brings us to the role of education in enterprise development. If only a minority of the population has an in-born ability to learn effectively and succeed in business, the rest of us need some interventions to do so. That is not all. Even those who are apparently successful in business without much formal training could be far more successful if they were more exposed, through formal education.

Generally speaking, education is a human capital needed for business development and survival. Many studies have reported that, in a study of Kenyan business operators, it was reported that the larger and more profitable the business, the more likely that the owner manager would have been to school for several years at least.

Many studies report a significant positive relationship between level of education of the owner-manager and growth of the enterprise founded by him/her. It is for this reasons I would like you to share my experience with me in this luncheon on the role of the education in the development of the SME's dealing with agribusiness in Tanzania.

Sokoine University of Agriculture (SUA) is endowed with enormous human resource expertise in Agriculture, Veterinary Medicines, Animal husbandry, forestry, human Nutrition and other related skill that are taught in this University. Furthermore, SUA is the major supplier of hundred of graduates per year, joining different sectors of economy from services to production. It is therefore important to examine the role of the University and entrepreneurship behavior among the graduates in the agribusiness.

In any economy, Universities are expected to provide leadership in innovation by producing dynamic graduates and translating knowledge into more usable forms. The agriculture sector is extremely under-developed in Tanzania. I am not trying to blame the University for this state of affairs. However, we have very few serious agri-based enterprises in this country. In addition to crop farming, our dairy, poultry and beef sub-sectors are severely under-developed. Not only are we unable to export, but there is a growing demand of these products from quality conscious customers, which are being imported from abroad. Do we have graduates who are enterprising in farming, veterinary medicine/practice (Dog breeding for example), poultry keeping, dairying, beef production and related production lines as their full time job? I know few who are practicing, but are tempted to be employed every time they see an advertised job position. I know a successful poultry keeper, who has had neither veterinary nor agriculture training, yet there are handful veterinarians and animal scientists who are not employed actively looking for jobs.

The core activity of the University is teaching, research and public service. However, there are few teaching staff who are running business on part time elsewhere. Therefore, there is a need to examine how and why the graduates and teaching staff opt to operate businesses which are unrelated to their area of specialization.

The Problem can be explained using theoretical lens on organization and individual behavior. It is urged that, people join the organization driven by urge to meet their personal objectives. Organizations exist for specific purpose and they aim to achieve specific objectives. Organizations retain their employee by studying their individual behavior for the purpose trying to study their personal objective. It is not the intention of this paper to explore on the human resource management issues.

However, It is upon the organization to congruent the objectives of the employee and its objectives. This is because the tendency is that, if the employee cannot achieve his/her personal objectives in the university, he will find somewhere else to work to achieve it. The teaching staff decides to operate a business in order to achieve part of their personal objective that he/she can not achieve through teaching and researching. The decision on what business to engage on depends on the number of reasons; glaring opportunity, some business demand less attention and for some businesses the owner manager can easily delegate etc.

However, some time a prospective owner manager; rethink about investing to the business which is related to his area of specialization, simply because conventional wisdom would suggest to him/her that the same skill that has failed to help him to meet the personal objectives inside formal employment cannot do so outside the employment.

The same reasons apply to the graduates. They imagine if their degrees have failed to offer them formal employment, the natural extension is that, the same has little to offer to help them meet their personal objectives in the business related to the degree acquired. This could be one of the reasons that most of the unemployed graduates tend to go for quite unrelated business like fumigation, convenient stores, bars and the likes as if trying not to repeat the mistakes that led them to pursue the training that could not offer them what they were aiming at achieving. I have been a private practitioner in the animal health industry for years. I can assure you that there are so many opportunities for agri-business, which our graduates don't see or are afraid at exploiting them. These opportunities are relatively easy to exploit and do not necessarily require more capital that the unrelated businesses which people tend to prefer.

Why do they not exploit them? There are two related explanations. First, there are not enough visible role models who are successful in agri-business who can inspire our students and graduates. If anything, an average Tanzanian will associate agriculture and animal husbandry with peasantry and misery, which are avoided by all enlightened people. Few of us are able to tread where there is no path. We don't start something where we do not see others already operating successfully. The second reason is that our students are not prepared for self employment. The traditional University curricula prepare students in terms of specialized knowledge and skills in a particular area. The underlying assumption traditionally has been that this person will work as a specialist in a department. The education does not consciously prepare one psychologically and skill-wise to use the skills to exploit opportunities around him as an entrepreneur. Sure enough, when they graduate and if they cannot find jobs, they go for what they see others doing.

I do not expect every graduates and lecturer to be in business. I want to urge those few who are engaged in some form of business to rethink carefully about investing to the business that is related to special skill they posses. There are several advantage of engaging in business that is related to ones education background; One obvious example is the unquestionable believe that business run by educated owner manager have a higher chance of surviving and growing.

The graduates and teaching staff should realize that, they posses Intellectual Capital, which is stock of knowledge, skill and expertise in their area of specialization. In realizing the over whelming significance intellectual capital as human resource , corporate all over the world are taking stock of intangibles, like skills and knowledge and report in their balance sheet. Commenting on the rationale behind this valuation exercise in India Balrampur China Mills state in it's one of the balance sheet "The competitive edge comes more from insights, experience and superior solutions than machines and gross stock".

In today's business world, the competitiveness of the organization in the market revolve on the basis of how the enterprise can differentiate their services from the competitor. In every business we engage on, there are several others vying for the same market share. The competitors will scan whatever you are doing and soon will take your market share. Education can help the owner manager to differentiate their services from competitors because they can adopt innovation faster than those who have never had same level of education. Opportunities like organic farming, food processing, and differentiation of the market could easily be captured by graduates.

In almost every study on the factors affecting the development of the SME's, financing is cited as number one problem. There are number of sources of financing available, like bank borrowing, family money, venture capital, trade credit and many others. The traditional bank lending terms, where collateral is critical condition, makes this kind of financing inaccessible by most loan seekers. Trade credit is considered as alternative source of financing .There are a number of advantages associated with trade credits, namely: they are normally free of interest rates, convenient and informal, and flexible. In the case of suppliers, trade credit can increase sales and growth. The problem with trade credit is lack of universal method of evaluating the credit quality of the borrowers. However, most suppliers are relying on the information from credit bureaus on the credit rate of the customers. It is important to note that, education in business management and special skill related to the type of the business the owner manager is engaged on attract high credit rating. In simple terms, education can be collateral to financing of business, which would take the recipient a lot of effort to get in the traditional lending mechanisms.

I have taken most of the time to address the agribusiness opportunities that exist for graduates and others with special skill. In order for these opportunities to be translated into business endeavors, may I draw your attention to several challenges that must be addressed by this university.

In the light of current development thinking, entrepreneurs are considered as catalyst for development every economy. At the level of the local government, entrepreneurship training to the executive has started in some district and others are likely to follow when their financial position allows. The aim of such training is to understand the major techniques used in attracting the foreign and local investors in their areas. This is important because the current policy framework requires the local government to be the facilitators of the private sector. Unfortunately most of the local governments are not prepared. Hence the local government will be competing for few investors available and only those who have conducive environment will get investment projects.

To that effect, the university is not exceptional in that it is operating in the competitive environment. The University must therefore seek to develop entrepreneurship behavior among all the University stake holders from top management to graduates.

In most cases, there is a pre conceived notion that entrepreneurship education is considered exclusively for profit oriented people aspiring to run business. However, we must appreciate the fact that enterprise education is directed

toward achieving a learning culture which will result in greater numbers of students equipped and inspired to identify, create, initiate and successfully manage personal, business, work and community opportunities. Enterprise education should equip our students to be more competitive job seekers, job creators in established organizations as well entrepreneurs.

Business systems and methods operate in all kinds of organizations. Most higher learning institutions operate with constrained budgets and fairly represent complex organizations in which all activities associated with business may be identified. For example, there are few colleges that do not market their courses, graduates, or have to operate in highly dynamic and competitive markets both at home and overseas.

In this background, there is a need for the university to train the top management on aspects of entrepreneurship so that they can act as agents of change not only in the ever-changing higher learning organization, but also supply the products that can compete both locally and globally.

Of late the university has introduced an entrepreneurship crash program for the final year. I would like to congratulate the University for this decision. However, the university should consider introducing entrepreneurship as a full-fledged examinable course for all degree programs. The aim is not to turn every graduate into a business operator, but to develop entrepreneurship behavior in all walks of life. It should be remembered that the graduates of this university join different sectors after their graduation, where they are expected to bring changes within the organization (Intrapreneurship).

I am told the university is planning to start an MBA (Agribusiness) program soon. I strongly welcome the idea as this will produce competent managers in the Agribusiness. The problem of most applicants of the MBA program is that they become job seekers instead of job creators after graduation. It would be extremely useful if the university would be careful during selection to admit a high proportion of the applicants with already established businesses the development of which would be examined as a part of the course. I recommend that the program should be structured and positioned such that it is for agri-business entrepreneurs and managers, rather than being general. In other countries, such as the Babson College in the United States of America, they have introduced postgraduate programs targeted at those who want to start and develop their own businesses. The whole program is designed around the needs of a start-up and one requirement for graduation is a fledgling business. The University could

learn from such experiences and consider the possibility of introducing such kind of programmed, even in collaboration with more experienced institutions.

To the fresh graduates, I would like to congratulate you for your achievement today. It is common for the colleges to invite owner managers of the organization and asked to give account of their career in business management. However, I must caution you on the pre conceived notion that, if you listen to a success business owner manager and emulate, you will be able to develop equally success businesses. A success story in business is rather snapshot information that needed to be carefully studied and emulated. The reason is that, some of the successful people in business became so by crisis. An enterprise which may today be taught as model of running a success business and told to emulate, might be a failure which you would be advised to avoid. The most important thing is to learn that business operate in ever changing environment with opportunities and threats. In order to survive, a sharp eye sight is needed to spot opportunities and make use of them, at the same time turn the threats into opportunities.

History is full of people who lost golden opportunities, which if it was not for mistake they made unknowingly, the lost opportunities could change not only their life, but in the extreme it could change that of others and their community at large. However, as an alumnus from the private sector, I would wish those aspiring to become entrepreneurs to develop competitive enterprises by following the rules of the game of the modern business practice. In order not to fall into trap of squandering the available opportunities, allow me to point out few mistakes that according to my experience you should avoid in business:

- **Lack of focus:** Business opportunities are not easily discernible. Those who are able to spot business opportunities reap the early benefit before others come in. In this environment with full of competition, survival and development of the business are great challenges you will meet. This will require you to pursue the business persistently and with great serious determination by focusing your thinking and activities. One of the mistakes you should avoid is to try to hang in between seeking employment and operating a business, or running too many unrelated businesses at the time when your core business demand your full attention.
- **Not investing in record keeping:** One of challenging task for an entrepreneur is financing the business development. The business start up could be by own money. However in order to survive and develop your enterprise, external financing is of crucial important. Most of financial institution demands the track record of one's business history in order to

evaluate the applicant's credit quality. The absence of such record lead to application rejection Failure to recognize the importance and not investing in record keeping is another mistake you should avoid at any cost.

- **Considering expert opinion as both waste of money and time:** Most of SME's are organized as family companies where father as a head of the family is automatically the chairman of the board of directors in which most legal decision are made. In such organization, most of the decision is influenced by strong member of the board who is father. In order to have cross pollination of ideas, the independent expert opinion is important especially when sensitive decision like investment is considered. I consider it as a business mistakes for not appreciating the importance of the expert opinion.
- **Over confidence with family human resource:** In the vibrant organization, employees are considered as internal customers. No organization exists without people. In starting a business, one is faced with the task of staffing the enterprise. In most cases, and under our extended family relationship, we recruit from within our social organization-the family. One of our selection criteria is the behavior of the employee in our family as an organization. Those who are known to be trustworthy are considered and offered a job.

One thing I have to caution you is that family is social organization different from work organization and people are likely to behave differently. Any family member should be subjected to rigorous recruitment process during recruitment, and managed after employment. One should learn to establish contractual employment arrange with family member, where remuneration must be established. The same should be managed, and should not be considered a life member of the organization. Transferability of the characters from family organization to work organization and lack of sound human resource management to family member in the business is a business mistake

- **Pursuing further studies that do not add value to you business:** It is urged that education increases knowledge depth. Knowledge increases cumulatively. Bearing this in mind, and owing growing business complexity, we can conclude that, never before has so much knowledge existed. If you decide to start your own business you should realize that you are an employee number one in your enterprise. Your job description

will be very broad i.e. ensure business survival and development'. Owing to changing job requirements, as the owner manager, one of the challenging tasks you face is human resource training including yourself. This is because when you start an enterprise, the job position that arises need the personnel to fit in the job position like a key and lock. Training needs arises when the job demand more than the skill for which the employees was selected and placed during the recruitment process.

The owner manager is the founder with no specific qualification to fill his job position. The business challenges are the ones that will dictate the training needs. This brings us to the issue of the quality of the education/training the owner manager requires to address the training needs of his/her job position. Entrepreneurs must be extremely careful on how they select their further training to ensure that the further training addresses his /her immediate training needs in his enterprise and hence add value. Deciding to follow the training that does not add value to you business is a mistake that you should avoid.

Thank you for your attention.