CIRCUMVENTING THE ENVIRONMENTAL CONSTRAINTS: A CASE STUDY OF ROSEMARY’S POULTRY FARM

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ACADEMIC ABSTRACT

This case presents a real-life example of issues facing women entrepreneurs in developing nations. It provides fertile ground for courses that cover opportunity recognition, social and human capital, cultural diversity of entrepreneurship, family business/small business management, cultural issues in international business, the dynamics of evolving external environment and the inevitable realignment of the internal structures and strategies of a firm. It can be used for both undergraduates and introductory courses at the graduate level.

EXECUTIVE SUMMARY

This case outlines an entrepreneur’s journey from opportunity recognition to a successful business launch. The entrepreneur details how she acquired her seed capital and initial marketing through a women’s group. She has a lot to be proud of including a lifestyle she sought. However, a large scale commercial farmer just moved into town and her business model is severely threatened by the new player’s low price strategy. The entrepreneur invites a local Small Business Consultant to her farm to help her redefine her business model. According to the entrepreneur there are just two options: either increase her operation to a much larger scale or find a way to drastically cut her costs in order to breakeven at the competition’s prices. The case stops shy of the consultant’s recommendation(s). The students will have to assume the role of the consultant and come up with recommendations. Hopefully the students will be able to generate more alternatives beyond those identified by the entrepreneur. This case is particularly important in terms of illustrating the enormous impact of the dynamics external environment on business models. This case clearly depicts the inevitable realignment of the internal structures and strategies of a firm in hypercompetitive environment.

ROSEMARY’S POULTRY FARM

The Victory Women’s Group

The cool breeze gently blew through the gigantic mango trees on a warm Saturday morning. Two ladies sat under the mango tree enjoying some fresh homemade lemonade. Achieng, a small business consultant visited with one of the local women entrepreneurs, Ms Rosemary. Achieng marveled at the development at Rosemary’s rural homestead. She wondered what Ms. Rosemary could possibly want to talk about. The details of her request for a personal visit were rather vague. According to ancient tradition younger people always waited for the elder persons to call a meeting to order. But times have changed, even in Africa life has taken on a faster pace.
As they say cultures evolve with time. After a respectful pause, Achieng ventured to inquire indirectly of the purpose for the visit. “Ms. Rosemary, tell me your story. What I mean is how did it all begin? How did you, a professional woman, turn into a successful farmer after retirement? How did you make the change from an eight to five high power personal secretary to a successful poultry farmer?” Rosemary was a little surprised that Ms. Achieng was interested in the genesis of her business. Most consultants are always on the clock. They want to quickly identify the problem(s), throw in some so called professional advice and be on their way with their hefty fee safely tucked in their briefcase. Ms. Rosemary smiled and asked the house help to refresh their drinks, a clear indication that they were in for a long journey to the beginning of time. “It all began with the Victory Women’s Group” Rosemary calmly began her tale.

The Networking

You know my dear, there is nothing quite like good friends. I mean friends who have a sense of direction and purpose in life. I am one of the founding members of Victory Women’s Group. This is not the first group I have participated in but this group is very different I can assure you. First and foremost all the members are professional women. Most of the founding members are retirees now. We have lawyers, bankers, secretaries, administrators, teachers, businesswomen, etc. From this group we have members who are or were holding regular eight to five jobs while engaged in commercial farming or some other part-time business. I was one of those women during my career days. I learnt about commercial sugarcane farming from my father. My father loaned me the seed capital plus a lease of his land. (Rosemary pauses and smiles.) My father was too radical for his time. You know back in those days women were not allowed to inherit property from their parents. My father made sure that he gave me property while he was still living so nobody could dare take it away when he was gone. Anyway, I introduced two members of our women’s group to commercial sugarcane farming. This paid great dividend years later when I decided to quit sugarcane farming and move into something less strenuous after retirement. I wanted to engage in something I could monitor without leaving my compound and yet make some sensible or worthwhile return. Whereas I was the teacher to members who wanted to invest in commercial sugarcane farming years back, it was now my turn to be a student of poultry farming.

Members of Victory Women’s Group are each other’s keeper, mentor and cheerleader. For instance, the lawyer in the group is entrusted with the legal issues of the group. She counsels the group on corporate issues as well as personal issues. And if necessary she gives members referrals. The banker advises the group about the various financial instruments as well as the best interest rates offered by various banks on CDs and money market. So each member brings something to the table. But let us get back to my story and how I arrived to this place in my business. You see, most of my friends from the Victory Women’s Group retired a couple of years or so before me. Most of them started businesses within their profession. For instance, Mrs. Otieno, a retired school principal, established a private preschool and elementary academy. Mrs. Odhiambo, a retired administrator, continued with her late husband’s retail business, etc… Inevitably, I toyed with the idea of opening a business center. But the idea of keeping regular office hours defeats the purpose of retirement. I knew for a fact that sugarcane farming was way too
strenuous for a retiree. The bright idea came to me during a friend’s retirement party. I inquired from an old friend who owns a chain of hotels and restaurants in town who supplied him with poultry and other details about poultry business. I then told the Victory Women’s Group that I wanted to get into the poultry business. The support was overwhelming. Some offered to teach me about bookkeeping, some taught me about delegating responsibilities to the employees and holding them accountable. Some gave me contracts to supply their businesses or referrals to friends and family. I do not advertise yet; my poultry is always sold out even before maturity. Of course, it took a while to build my clientele but once that was established, I relied solely on word of mouth.

**The Funding**

You see my dear, as you may already know most African women are hard working but they lack seed capital. That is the greatest hindrance to most women entrepreneurs. Traditionally, women are disadvantaged among our people. For instance, until 1978, women in Kenya were not paid a house allowance by the government. The assumption was that the women either lived with their fathers or their husbands. In fact, the current law requires married women to prove that they are the sole or primary bread earner in order to be awarded a house allowance. Even to date women in many communities still do not inherit property from their parents. Not to mention that not all family are willing or able to educate their daughters. Given the limited access to both proper education and property rights, most women end up with no means to acquire collateral for possible bank financing. That’s where a group such as ours can be instrumental in financing a business. For most of our members, the group has been a source for affordable financing. Our country’s financial market is still underdeveloped and the interest rates charged by the commercial banks are not supportive of small businesses to say the least. When I decided to start the poultry business I had some personal savings and my retirement package. After building the structures for the poultry and placing the first order, I quickly realized that I would need more capital. Since I had not established the business and I had no clientele to speak of, approaching a commercial bank was out of the question. I turned to Victory women’s group for a loan. I was able to borrow a substantial amount at a fraction of the prevailing commercial rates. More importantly, the women’s group ensured that my business took off. You see if the business fails chances are the loan will go unpaid. Therefore, whenever the group advances a loan to a member, every member of the group has an interest in the success of the business. They will root for you not only as a sister but they will also root for you as your investors. Borrowing funds from the women’s group did not only give me a source of affordable capital, it also gave me clients and business advisors. Most of our rural or even urban women do not have access to such funding. True, there are many women’s groups all over the country. But very few of them have the kind of financial capital that Victory Women’s Group has accumulated over the years.

Achieng felt that it was important to understand a little more on how this women’s group accumulated its capital. In any event most consultancy sessions always concluded with the questions of possible sources of additional funding or how best to pay back a loan during hard
economic times. She politely interrupted Ms. Rosemary. “Ms. Rosemary, how did Victory Women’s Group accumulate such capital?”

Good question my dear. You see we wanted to leave a legacy for our children. So we realized that while having chai and madazi (tea and cake) is an important part of socializing we needed to have bigger dreams. We are fairly well educated women and in most cases we either had a second source of income or a husband. We all paid our monthly dues as well as our membership dues. The money was then invested in bonds, CDs and real estate. Members were also loaned money at a rate lower than the prevailing market rate. We ploughed back into the group the interest earned from all of our investments.

Achieng marveled at the discipline exercised by the team. She knew it could not have been easy. So after a thoughtful pause she interjected, “Ms. Rosemary, do you mean you never received any dividend or cash bonus during all those years?” Rosemary chuckled, “Of course, we each got a check once a year at Christmas time. But that was it. We focused on long term investment”.

The Business Model

‘Rosemary, so through the Victory Women’s Group you garnered your initial clientele and seed capital, but how about the actual operation of your business?’ Rosemary reflected for awhile and then took a deep breath before continuing with her narration.

This is a tough business. The pricing of poultry is more or less fixed by the prevailing market prices. One has to manage the cost of operation if she/he intends to make any profit from the business. Poultry is a commodity product. The hotels and restaurants can differentiate their offer because they sell more than just chicken or eggs. They sell entertainment, ambience, convenience, etc… The suppliers of the poultry on the other hand have very little room to differentiate their offer.
I keep my costs down by employing only two workers who care for the chickens. I use my personal driver to deliver the orders to the various hotels and restaurants as well as get whatever supplies we need from town. I have also learnt to delegate most of the responsibilities to the workers, that way I am left to tend to other issues besides supervising the routine activities at the farm. I pride myself in the quality of my chickens and therefore I price my chickens and eggs at the upper range of the narrow predetermined market price.

Achieng seized this opportunity to explore Ms. Rosemary’s business model. Without getting into the specifics she inquired if business was good. If Rosemary was able to make normal profits then she would certainly rank this business as a resounding success. Within this first session, Ms. Achieng had quickly classified Rosemary as a lifestyle entrepreneur. Earlier studies defined lifestyle entrepreneurs as individuals who start business ventures to fulfill a lifelong dream or simply to follow a particular lifestyle. Lifestyle ventures were described as ventures unlikely to generate economic returns robust enough to attract outside investors. Ms. Achieng was more in favor of more recent studies which defined Lifestyle ventures as ventures that are run by people who not only like being their own bosses, but are also in it for the income.
I would term the business as fair. I get what I intended to get from it…a supplementary income. Plus it keeps me busy and engaged during my retirement years. What I like about it most is the fact that it is not strenuous as long as I can afford the help.

This response was music to Achieng’s ears. Being a consultant with small businesses in this region she knew that such a statement was rare. There are two explanations for that. First and foremost, most small businesses were not doing well period. However, the second and more interesting reason most entrepreneurs did not want to be identified as medium sized business owners was due to tax and other legal implications. If margin was not the problem, maybe Rosemary has issues with operations and general administration. Achieng knew very little about farming of any sort. Her expertise was in looking at business models and proposing possible alternative strategies to areas that seem problematic. This was certainly going to be an interesting case. After a brief reflection on these facts, she sought to understand the routine operation of Rosemary’s business. ‘Ms. Rosemary, could you please walk me through the process of how you run your farm?’ Achieng implored.

The Operations

I buy chicks from a hatchery in town. I normally buy about 200 chicks at a time. When the chicks arrive, they are tiny and they need to be kept warm. During the first five weeks we keep them in a special heated shed, known as a brooder. I keep the brooder warm using heat lamps. Besides a warm brooder we also equip the brooder with a water trough and a feeder. I start them out on Chick Starter Medicated Feed. I try to go easy on the medicated feeds. However, as a small scale farmer I cannot afford to raise my chickens on pure organic. If they fall sick the loss would be devastating to say the least. I normally switch over to an unmedicated growing feed at the end of the first bag. We also vaccinate the chicks upon arrival at the farm. I also make sure that their beaks are trimmed when they are one or two days. We repeat this again when they are about six to eight weeks. The reason for clipping the beaks is to stop the chicks from pecking each other. The brooder is always kept lined with mulch. Chicks are messy. They leave droppings everywhere. At times we use newspaper as lining in order to make it easier to change the liner every few days. It is crucial that the lining remain clean and dry in order to keep out diseases. After about five weeks the chicks are moved from the brooder to the chicken coops. The key at this stage is to keep their coops meticulously clean and give them adequate nutrition.

“Wow! Achieng exclaimed, so that is the journey from chicks to chickens? But when do you decide that a chicken has laid enough eggs and now it is time to sell it?” Rosemary laughs at Achieng’s naive question but is rather impressed by her interest in her business. She quickly recovers from the hearty laughter and soberly responds to the question.

There are two types of chicken farms, those that raise chickens used for meat production also known as broiler farms and others that raise chickens used for egg production also known as layer farms. As a small scale farmer I keep both broilers and layers. You may find it interesting to learn that among the layers the older layers tend to lay larger eggs while the youngest layers will lay smaller eggs. After about 12-18 months the layers are
normally transformed into broilers and sent to the slaughterhouse. Broilers take only 10-12 weeks to reach their full slaughtering weight of about 2 kilograms (about 4.41 pounds).

The Crossroad

Ms. Rosemary took a long reflective pause then in a very somber tone she continued her narration in almost a besieging tone.

I am afraid my simple business model may not be sustainable in the long run. In fact we may be talking about five or so years. Now, Ms. Achieng this is my reason for seeking your counsel. I need to find a way to make this business self sustaining. I recently lost two very lucrative accounts to a large scale commercial farmer. I cannot afford to compete at their prices. My current clients know about the new supplier and I know they are still keeping my account for old times’ sake. But I am not sure that they will continue giving me business when there is a much cheaper alternative in town. The way I see it, I must either increase my operation to a much larger scale or find a way to drastically cut my costs in order to breakeven at my competitor’s prices. If I decide to increase my scale of operation, where will I get the additional funding? I have already borrowed to my limit in the women’s group. I cannot possibly afford the high interest rates charged by the commercial banks. Remember, this business is meant to generate a modest source of income during my retirement years. I really do not want to deal with a partnership at this stage in my life. Please, help me save this business.

TEACHING NOTES

Introduction

Ms. Rosemary is a retired professional woman turned entrepreneur. This case outlines her journey from opportunity recognition to a successful business launch. She details how she acquired her seed capital and initial marketing through a women’s group. She has a lot to be proud of including a lifestyle she sought. However, a large scale commercial farmer just moved into town and Rosemary’s business model is severely threatened by their low price strategy. Ms. Rosemary invites a local Small Business Consultant, Ms. Achieng, to her farm to help her redefine her business model. According to Rosemary she has just two options: either increase her operation to a much larger scale or find a way to drastically cut her costs in order to breakeven at the competition’s prices. The case stops shy of the consultant’s recommendation(s). The students will have to assume the role of the consultant and come up with recommendations. Most of the case is written in first person account as told by the entrepreneur.

Key Issues and Discussion Points

The learning goals related to this case include the identification of the resourcefulness of women entrepreneurs in the developing nations as well as recognition of the significance of social capital
and human capital. The central theme and challenge posed to the readers is a chance to analyze an existing strategy which proved successful for a number of years but is now threatened by new competition.

**Potential Audience**

The case is intended for both undergraduate and beginning level graduate students in Entrepreneurship, International Business and Strategic Management courses. It is a fertile ground for courses that cover cultural diversity of entrepreneurship, family business/small business management, cultural issues in international business, the dynamics of evolving external environment and the inevitable realignment of the internal structures and strategies of a firm. The purpose of the case study is to provide the students with a real-life example of issues facing women entrepreneurs in developing nations.

**Suggested Teaching Approach**

The case can be taught using either of these approaches.

1. The instructor can begin the discussion by asking students to identify the sources of Rosemary’s success. Some of the likely responses may be centered on her social capital or network (she was able to obtain affordable seed capital through the women’s group, she obtained a substantial amount of support on marketing of her outputs through group members’ referrals, etc…) as well as human capital (the management expertise, legal advice, etc…). The instructor can then divide up the class into teams of four to five students each and ask each team to brainstorm on the possible solutions to Ms. Rosemary’s predicament. The instructor should monitor the groups to answer questions, but not to determine the direction of the discussion. The instructor can encourage the teams to identify as many potential courses of action as they can and the consequences of each action. The instructor can then have the class decide on one recommendation.

2. Alternatively, the instructor may ask students to address these specific questions either in groups or as individuals depending on class size. Questions addressing specific aspects of the case can also be used to facilitate a class discussion. Some of these include:

**Social Capital**

i. Given the socio-economic challenges faced by women in Kenya, why has Victory Women’s Group done so well?

ii. How did Rosemary tap into the social capital of Victory Women’s Group?

**Financial Capital**

i. What general lessons about venture financing can one draw from this case? Be specific in your answer.

ii. List viable sources of funding for Ms. Rosemary should she choose to expand her business. List the pros and cons for every source suggested.
iii. Is Ms. Rosemary in a good position to raise external investment? What questions would an investor ask Ms. Rosemary?

**Decision Points: Future Direction**

i. Evaluate the options that Ms. Rosemary is considering at this time (at the end of the case).

ii. What advice would you give Ms. Rosemary for positioning her business for the future?

**Role of the Authors**

Jennifer Sequeira is an assistant professor of Entrepreneurship and Small Business Management at the University of Southern Mississippi. Her research interests are in entrepreneurial self-efficacy, women and minority entrepreneurs, and family business.

Norma Juma is an assistant professor of Strategic Management and Entrepreneurship at Washburn University. She teaches courses in Strategic Management, International Business and Entrepreneurship. Norma Juma is the protagonist in the case. Her search for answers to issues inspired by her experience as a small business consultant for Natrack Network Consultancy in Kenya led her to pursue a PhD in Strategic Management and Entrepreneurship at University of Texas at Arlington. One of the greatest insights she gained while working with women entrepreneurs was a greater understanding of the ways women circumvented the environmental constraints caused by gender biased traditions and laws. This experience has also taught her that financial capital is not as crucial as human capital and social capital.

The authors met while pursuing PhD degrees at the University of Texas at Arlington. Norma told Jennifer that she would like to write a case study based on her experience as a consultant for women entrepreneurs in Kenya but found it difficult to be objective. They decided to work together. Jennifer pieced together documented conversations and experiences Norma had with the entrepreneur featured in the case study.

**Outside or Supplementary Readings**


