



## Small and Medium-sized Business Growth in Agricultural Sector (Case Study: Guilan Province)

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### Abstract

Agriculture is one of the pillars of economics whose development requires a particular attention to all production factors. This paper aims to provide a systematic and conceptual model that is based on a conceptualization of the field. For this purpose, the theory and methodology were extracted on the basis of data derived from field observations and interviews drawn from a systematic conceptual model of key informants. The current model shows that original category of the agriculture business, i.e. business growth, is originated from causal conditions including personal features, supportive roles, and production factors and, based on evaluation strategies and the exploitation of opportunities, leads to a new value based on business growth as a result of the process. Underlying conditions, such as individual factors, and geographical conditions, as well as environmental conditions, including the government, the legislature, and banks, are effective in this process. Understanding the aspects of business growth is effective in developing policies to support and promote entrepreneurship. Moreover, it is essential to design a growth model to help business owners select a definition for firm growth. It is noteworthy that so far, the majority of the proposed models have been ineffective in some aspects and more attention should be paid to future growth modeling in the research context.

**Keywords:**  
agricultural sector, Entrepreneurship, SME

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## INTRODUCTION

Small and medium-sized enterprises (SMEs) includes all sector such as industries, services, commerce, and agriculture (Khoshnodifar et al., 2016).

Agricultural Entrepreneurship is an individual or group that has the right to use or exploit land or other related elements needed for agricultural activities. Developing an entrepreneurial culture and supporting entrepreneurship and job creation are the essentials of recovery in the agricultural sector and must be considered in the context of development (Rajaei et al., 2011).

Agriculture accounts for 20% of employment and 12% of Gross Domestic Production (GDP) of Iran. In addition, in the first six months of 2014, GDP at the agriculture sector has been 3.2%, whilst, in the first half of 2015, GDP growth of this sector was 6.9%. In fact, agriculture is ranked the third among different economic groups. Also, agriculture has the lowest share of economic activity in GDP growth. Agriculture's share in GDP and its role in employment are different in various countries. However, international reports have given a special attention to agricultural business and job creation (Khoshnodifar et al., 2016). This research is in the scope of management science and a business-oriented entrepreneurship branch that provides a conceptual model for the growth of SMEs in the agricultural sector. It focuses on active entrepreneurs of Guilan Province, who are active in the agricultural sector such as in the production and cultivation of mushrooms, greenhouse crops, gardening, etc., and are running SMEs in the agricultural sector.

Entrepreneurship in agriculture is considered an important topic in Europe. Politicians, researchers, agriculture associations and service consultants, all work on the development of this section (De Wolf & Schoorlemmer, 2007).

As the basis and a strategic part of the economy, agriculture supplies other sectors with food and raw materials. Although the share of agriculture in the national economy and food security of the country is high, only 5% of all of the county's investments have been allocated to this sector. One of the problems in the agricultural sector is the low level of technology in this sec-

tor. New technologies have not been used adequately in the agriculture sector and therefore, the available resources of the country have not been exploited well with respect to their productivity and this has led to a low growth rate (Almus, 2005).

The Gibrat law, also known as the Law of Proportionate Growth, holds that company size is primarily determined by the combined growth of the firm in which the growth rates are independent and have random variables with the same distribution; thus, a company's size in logarithm form is equal to its initial size plus total growth rate since establishment. This tends towards normality in some ranges. Hence, the size distribution of the industry has an inevitable trend towards the log-normal distribution. Preliminary research on firm size distribution has empirically supported this finding. In many cases, the law of Gibrat has been rejected; nonetheless, this law has reasonable basis according to empirical principles. Using both empirical analysis and simulation, it can be found that the basic theory of Gibrat model is incompatible with genuine patterns. There is an assumption that the possibility of advantage acquisition among competitors relates to firms' inner structures. Moreover, some refer to the particular capabilities of the firm in order to obtain this advantage. Other studies have considered different methods for a firm's growth. They have processed growth rate over time, stating that the distribution of a growth curve is sensitive to major economic shocks. (Reichstein & Jensen, 2005).

These contradictions might be related to different conceptualizations that have been used for growth definition in each of these studies. Given the consequences of the disproportionate definitions of a firm's growth process, it is essential to explore this process and provide a new theory of firm growth, which will be effective in helping researchers and businessmen select a suitable definition according to their respective firm's growth.

Therefore, it can be concluded that the majority of these models have been inefficient in some aspects and more attention should be paid to model the growth process in future studies (Harrison, 2004).

The literature has used a wide variety of terms to distinguish different types of entrepreneurship: innovators versus imitators and unproductive entrepreneurship; entrepreneurs with growth aspirations or without them; entrepreneurship directed toward high-growth activities; and formal and informal entrepreneurship (Dau & Cuerdo-Cazurra, 2014).

The role of entrepreneurship in improving production and economic growth of a country is undeniable Reichstein & Jensen (2005), who believe that there is a positive relationship between entrepreneurial activities and economic growth. Some researchers have concluded that not only does entrepreneurship lead to employment, income generation, and poverty alleviation, but it also is a driving factor for creativity, income redistribution, and technology development. According to the Malaysia statistics department's work on labor in 2009, the contribution of entrepreneurship in Malaysia is still low compared to the working population of the country. According to this report, entrepreneurship share has fallen to 20.9% in 2008 compared to 25.1% in 1982. The study shows that most people in this country exhibit willingness for salary-paid jobs in the public or private sectors, jobs that provide them with fixed revenue and are low risk. Although entrepreneurs of agriculture, hunting and forest industry in this country had an increasing trend so that it had an 11% increase in 2008 versus 2001. To create successful entrepreneurship, it is important to have an accurate understanding of the factors affecting entrepreneurs' viability. Some researchers have considered success as an achievement that has been planned desirably and completely in line with personality traits such as hard-working entrepreneurs. The closer the people to the personality characteristics and values, the more certain their success. Aside from the internal and personal factors that include personality characteristics and individual personality and have been the focus of most previous studies, the features such as goal-oriented, risk-taking, energetic and great ability to deal with uncertainty have to be considered (Reichstein & Jensen, 2005).

According to Markman and Baron (2003), val-

ues and personality traits of entrepreneurs have a direct relationship with their success. The external factors perceived as the factors responsible for the success of entrepreneurs have been studied by researchers. For example, education and experience have a positive impact on business activities. This idea emphasizes that the entrepreneurs of the agricultural sector in small and medium industries who are planning to start a business should have previous work experience, have an acceptable level of academic knowledge, and attend in related training courses, so they can manage a commercial activity effectively. Furthermore, there are some aspects of commercial management that effectively contribute to the success of commercial activities. Studied 70 entrepreneurs and found that management experience plays a significant role in the success of entrepreneurship. Also, that most large and small-sized organizations, especially in the financial aspects, fail because of weakness in business management. These findings are confirmed by Monibo and Kibli (1998) who attributed the failure of the entrepreneurs due to inefficient management of financial difficulties. Moreover, government support also has a significant impact on entrepreneurs and businesses. In a study on the Malaysian entrepreneurs, understood that government support plays a decisive role in the success of commercial activities. In a review of studies in Norway, authors found that entrepreneurship programs executed by the government have assisted entrepreneurs' economic activity (Riduwan Mohd Hussin et al., 2012).

Agriculture industry is a potential opportunity for entrepreneurs if they are actively supported by the government. However, the approach and the public image of agriculture is negative, but still many people believe that the agricultural sector can acquire significant incomes if correct methods are applied. The latest statistics from the Ninth Malaysia Plan show that in 2005, the income of the agricultural sector was equivalent to 39 million Malaysian Ringgits and it is expected that more than 50 million Malaysian Ringgits be obtained from this sector within five years. In order to provoke interests in the youth

Table 1  
Summary of the Literature Review

Researcher/s	Year	Subject	Results
Monibo & Kibli	1998	Succession-related mortality among small firms in Nigeria	Entrepreneurs fail due to inefficient management of financial difficulties. Moreover, government support also has a significant impact on entrepreneurs and businesses.
Reichstein & Jensen	2005	Firm size and firm growth rate distributions	The closer the people to the personality characteristics and values are, the more certain their success is. Aside from internal and personal factors that include personality characteristics and individual personality and have been the focus of most previous studies, the features such as goal-oriented, risk-taking, energetic and great ability to deal with uncertainty have to be considered
Riduwan Mohd et al.	2012	Small farmers and factors that motivate them towards agricultural entrepreneurship activities.	In a study on the Malaysian entrepreneurs, it was understood that government support played a decisive role in the success of commercial activities. In a review of studies in Norway, found that entrepreneurship programs executed by the government have assisted entrepreneurs' economic activity.
Abdullah & Naem Sulaiman	2013	Factors that influence the interest of youths in agricultural entrepreneurship.	The agriculture industry is a potential opportunity to flourish trade, which could provide significant opportunities for entrepreneurs if actively supported by the government. However, the approach and the public image of agriculture is negative, but still many people believe that the agricultural sector can acquire significant incomes if correct methods are applied. The latest statistics from the Ninth Malaysia Plan show that in 2005, the income of the agricultural sector was equivalent to 39 million Malaysian Ringgits and it is expected that more than 50 million Malaysian Ringgits be obtained from this sector within five years.
Dorosh & Thurlow	2014	Beyond agriculture versus non-agricultural (decomposing sectoral growth–poverty linkages in five African countries.	Although these elastic ties are higher for agriculture, the extent to which this holds true varies across countries. This mainly reflects heterogeneity across nonagricultural subsectors. The composition of the non-agricultural growth is, therefore, an important determinant of its overall effect on poverty and so is the nature of agro-processing linkages to farmers, which is a key determinant of the growth-poverty relationship of manufacturing. This underscores the synergies between the agricultural and non-agricultural growth and their effects on poverty
Ligon & Sadoulet	2016	Estimating the relative benefits of agricultural growth on the distribution of expenditures.	Average GDP growth from agriculture has a great effect on the expenditures of poorer households than from other sectors. There is heterogeneity across countries; the poorest households in the poorest countries benefit most from the growth in agriculture
Khoshnodifar et al.	2016	Effect of communication channels on the success rate of entrepreneurial SMEs in the agricultural sector	The research results revealed that the information seeking facilities of most of the entrepreneurs were seen at a good level and acquiring information from other businesses and consulting contacts with the neighbors and relatives, product sellers and promoting factors were listed as the highest priorities of the respondents, respectively. It seems that the resources for acquiring information was mostly inter-group and they were outward to a lesser extent.

to participate in agricultural entrepreneurship, the Malaysian government has provided a wide range of programs and activities to strengthen their skills. Training, such as introduction to production processes, marketing, advertising, and branding, is offered by the Department of Agriculture. Promotion of agricultural products conducted by the agricultural sector, gardening and agricultural tourism provides opportunities for young people to gain ideas for creating new products (Abdullah & Naem Sulaiman, 2013). Average GDP growth from agriculture has a great effect on the expenditures of poorer households than from other sectors. There is heterogeneity across countries; the poorest households in the poorest countries benefit most from the growth in agriculture (Ligon & Sadoulet, 2016). Although these elastic ties are higher for agriculture, the extent to which this holds true varies across countries. This mainly reflects heterogeneity across nonagricultural subsectors. The composition of the non-agricultural growth is, therefore, an important determinant of its overall effect on poverty and so is the nature of agro-processing linkages to farmers, which is a key determinant of the growth-poverty relationship of manufacturing. This underscores the synergies between the agricultural and non-agricultural growth and their effects on poverty (Dorosh & Thurlow, 2014).

A summary of the literature review is presented in Table 1.

## METHODOLOGY

Given the fact that previous studies do not provide an acceptable framework to measure the growth of a firm, it is necessary to obtain the required understanding of the underlying phenomenon. This is attempted by conducting a qualitative study. Most previous studies have considered only certain aspects of the phenomenon to measure the growth of a firm and less attention has been paid to indicators to assess entrepreneurial growth. Therefore, we can say that there is not yet a comprehensive research on all aspects of the development process and its evaluation as a concept mode.

In this study, to address the shortcomings in

previous research, a qualitative approach has used the Grounded Theory to deal with the development of firm growth theory (which includes casual conditions, main strategies, fields, environmental conditions, and its results). To develop this paradigm, the grounded theory methodology was used. In fact, this study aims to assess the phenomenon of growth in small businesses in the agricultural sector and achieve a deep and comprehensive explanation of the phenomenon by constructing a theory on the basis of experiences and attitudes of experts.

In general, data collection methods are divided into two categories: library research and field study. In this study, data are collected by library research and field study. In order to collect the required information, research was carried out by studying the documents and resources, information gathered from libraries, websites and online sources, books, and articles. Theoretical literature review and studying previous researches were done based on books, articles, and related websites as well.

Since carrying out interviews is the best way to collect data from participants' experiences directly (Barbosa & Vasco, 2011), this research has used depth interviewing as the main instrument for data collection.

In depth interviews, a list of the issues is offered that is referred to as the "protocol". The interviewer generally memorizes the protocol, but there is no particular order to ask the questions (Burke et al., 2014).

Using this method of data collection provides direct contact with the interviewee and allowing an assessment of the deeper perceptions, attitudes, interests, and aspirations of the participants. On the other hand, an interview is a tool that allows studying complex issues, inquiring the responses, finding the causes and making sure that the participant understands the questions. Without a doubt, interviewing is the most widely used technique to conduct a systematic investigation of social issues.

In this research, based on theoretical sampling procedure, the entrepreneurs will be interviewed who are active in agriculture such as mushroom production and greenhouse crops and have small and medium-sized businesses in the agricultural sector.

In this paper, we follow the Statistical Center of Iran that considers businesses with labor size of fewer than 10 people as small and medium-sized businesses and others as “large industrial factories”, and in order to conduct the interviews, we refer to such businesses (Ghanbarinejad Esfaghansary & Rahemi, 2014).

Interviews are organized into three categories: structured, semi-structured and unstructured interviews (Barbosa & Vasco, 2011). In this study, in order to collect data, unstructured and semi-structured interviews will be used in the first phase of the research. In fact, interviews will be used to determine the model and dimensions of the phenomenon and evaluate business growth model. Due to the nature of the study, the structure of the interview should be narrative-driven so that the goals of the study will be achieved. The sampling method is based on theoretical sampling procedure and has been purposeful and interviewees were selected based on research objectives. Sampling and interviews will continue until the process of analysis and exploration will reach theoretical saturation.

In this study, the entrepreneurs will be inter-

viewed who have been active in the business agricultural sector, including the production of mushrooms, greenhouse crops etc. and with regards to provided definition in this study, their business has shown growth during the studied course.

According to the review of the literature, growth indicators include increased sales, size of business, innovation, and so on. In addition, documents, records, reports, and papers in the field of small businesses will also be used.

This study uses qualitative data analysis and modeling paradigm (regular or systematic scheme) based on the grounded theory. Regular plan grounded theory emphasizes on the use of the stages of data analysis through open coding, axial coding and selective coding which have been discussed in the findings section of the paper in accordance with the process of this study.

### RESULT AND DISCUSSION

The first phase, open coding: through detailed data, the forming of categories of information about the growth of small businesses in the agricultural sector was discussed and were identified based on data gathered from interviews, observa-

Table 2  
Data Coding at Three Stages

Code	Open Coding	Axial Coding	Selective Coding
A <sub>11</sub>	Appropriate thought	Personal features	
A <sub>12</sub>	Strong will and determination		
A <sub>13</sub>	Perseverance		
A <sub>14</sub>	Persistency		
A <sub>21</sub>	Family support	Supportive roles	Casual conditions
A <sub>22</sub>	Friends and acquaintances support		
A <sub>31</sub>	Suitable land	Production factors	
A <sub>32</sub>	Suitable location		
A <sub>33</sub>	Suitable capital		
A <sub>34</sub>	Human resources		
C <sub>c</sub>	Expert human resources	The main category of business growth	
B <sub>11</sub>	On time entrance to the market	Evaluation and exploitation of business opportunities	
C <sub>11</sub>	Good behavior with costumers	Individual factors	
C <sub>12</sub>	Effort and work		
C <sub>21</sub>	Suitable weather conditions		Main category
D <sub>11</sub>	Programs supported by the Ministry of Agriculture	Geographical conditions	Strategy
D <sub>21</sub>	Supportive legislation of the agricultural sector	Legislature	Backgrounds
D <sub>31</sub>	Providing low-interest loans to farmers	Bank	
E <sub>11</sub>	Development of business climate	New value based on business growth	Environmental conditions
E <sub>12</sub>	More investment		
E <sub>13</sub>	More production		Results

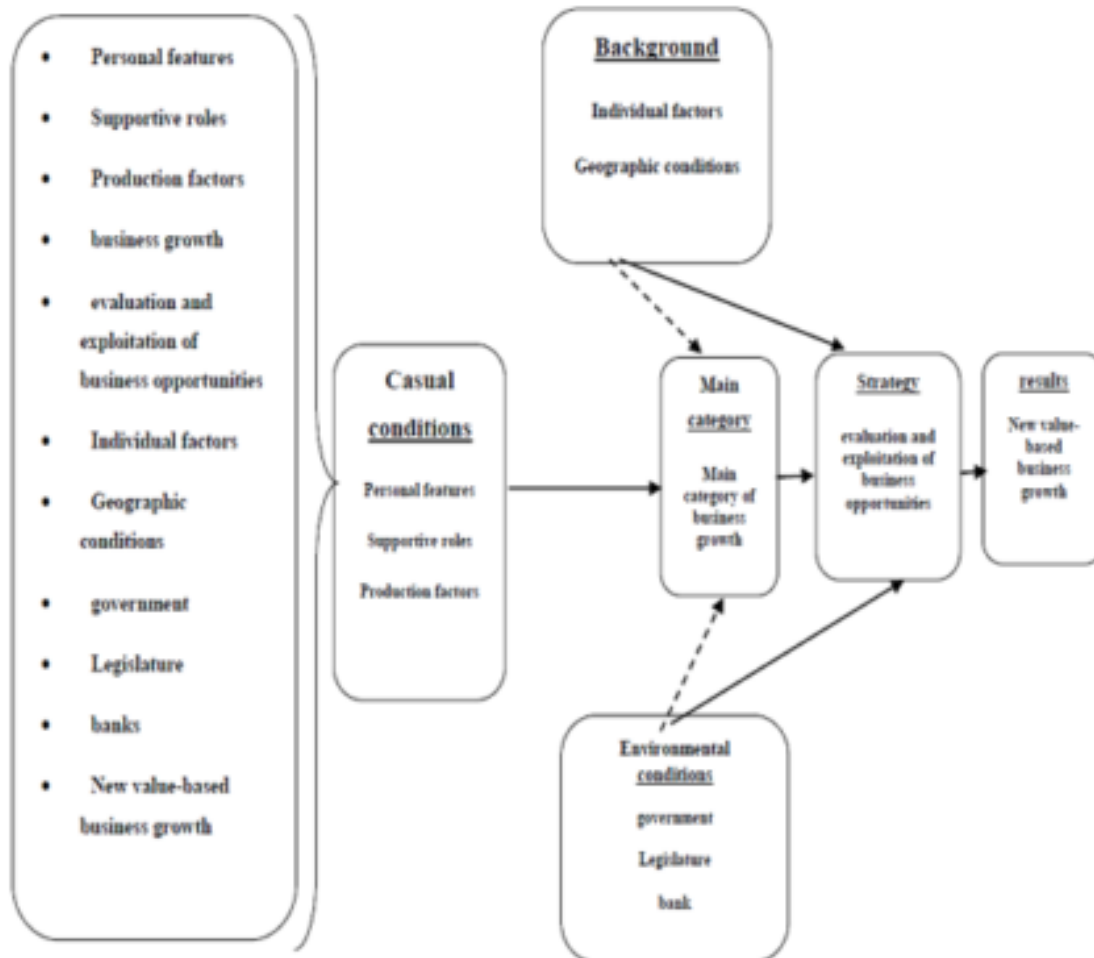


Figure 1: Conceptual model for balanced growth of small and medium businesses of Iran's agricultural sector

tions and daily and technical notes (of the field).

The second phase used axial coding to determine the main issue, as well as other categories clustered in five other categories including causal conditions, main categories, strategies, backgrounds, environmental conditions, and the results.

The third phase used selective coding and continued continuing interviews and observations. As such, various categories were clustered in different formats so that some categories were accounted as causal conditions for the realization of the specific main category, some as backgrounds and environmental conditions, and some as strategy and results. In this way, the initial overall model of the grounded theory became apparent for the researcher in which the category of business growth as the main category was taken into account. In subsequent interviews and with the emergence of the first

general model, the researcher tried to gather further information to fill in conceptual gaps in the model and revealed the relationship between main category and subcategories to achieve theoretical saturation so that a conceptual model derived from real data will be obtained. In this model, causal conditions including personality traits, supportive roles, and factors of production have a direct effect on the main category. At the same time, the main category is affected by the backgrounds (including individual factors and geographical conditions) as well as environmental conditions (including the government, the legislature, and the bank).

The results of the three phases of open, axial, and selective coding have been categorized in Table 2.

According to the identification of variables, a conceptual model for growth of small and

medium businesses in the agricultural sector will be formed as follows Figure 2.

### CONCLUSIONS

This study derived a conceptual model of the business growth process in agriculture originated from field observations and systematic interviews with knowledgeable people in the field of agriculture. Overall, among all interviews, 21 basic conceptual propositions in the stage of open coding and 11 category propositions in axial coding were obtained and finally, in selective coding stage, the relationships between concepts became an apparent and conceptual model of the study was determined. The resulting model shows that the main category, i.e. agriculture business growth, is affected by casual conditions including personal features, supportive roles, and production factors and according to evaluation strategies and exploitation of opportunities, it leads to a new value based on business growth as the result of the process. On the other hand, underlying conditions such as individual factors and geographical conditions as well as environmental conditions including the government, the legislature and banks are effective in this process.

The followings are a few policy recommendations and suggestions for each resulting category according to the relevant subject area and its location.

**Personality features:** An important approach in the development of entrepreneurship in different societies is the personality traits approach. The approach was based on training and increasing the number of entrepreneurs by strengthening certain entrepreneurial personality traits. Given the importance of the role of personality traits in businesses growth of the agricultural industry, it is recommended that training programs should be developed to foster entrepreneurial personality traits in schools and universities.

**Supporting roles:** Entrepreneurship is an acquisition process and family plays a fundamental role in this process because it can internalize the element of dynamism deeply within a household so that an "individual" and "society" can interact in a consistent environment, and innovative social formats are shaped. The role and

importance of the family as the origin of the idea of modernity is undeniable in creating the spirit of innovation in people, expanding entrepreneurial spirit and developing a new business in society in a way that in the field of economic activity, family can influence people's thoughts into finding solutions for forthcoming problems such as unemployment and poverty, guiding them to new career paths and investment opportunities. In addition to the role of regeneration as well as emotional and moral education of children, family as a center for the development of the idea of self-esteem, self-confidence, and self-actualization has a very effective role in establishing economic business and developing new career activities in society.

Parents' attitudes to the world around them and how they embody social values to their children in shaping the future of their jobs could pave the way for achieving a healthy economy. For example, if achieving success in order to create wealth and establishing new employment opportunities as a part of parents' values are internalized for children, they will prepare themselves to achieve that purpose.

Following such a mental process, a person will be looking for ways to achieve such a purpose. He/ she will, therefore, compare various circumstances, will perform mental simulation, will inquire, and will seek answers to his/her questions in books, periodicals, school environment, and even meetings. Then, such a person with knowledge of the value of work and effort is prepared to experience a large part of the demands, aspirations and family values.

**Factors of production:** Since the production is a process and human activities and changes in the resources cause what is referred to as production, it is necessary to consider two essential elements in the production. Elements that can be included for the production are human resources and capital. If these two are not provided, production will never be realized. So, production is known as the natural outcome of work and capital, i.e. human resources and financial investment since humans who take advantage of elements such as creativity, work, and thought seize possession of material re-



sources and create positive changes which lead to the product or services and provide people with grounds to take benefit from them in the best possible way. Therefore, the major elements of production are labor and capital that should be provided. Disruption or lack of any of those will lead to the loss of production.

It is recommended that economic sectors begin the first phase with investing in human resources. Investment in human resources and improving the quality of the labor force is one of the basic contexts and ways to increase productivity and accelerate economic growth in society. In economic studies, it can be said that human capital is a clear "economic" concept. In fact, human qualities count as a type of capital since these qualities could lead to more productivity, production, income, and welfare.

Strategies: In fact, entrepreneurship is the process of identifying market needs, creating ideas, identifying opportunities, and exploiting these opportunities. Without the opportunity, entrepreneurship does not occur. The roots of the concept of opportunity have been found in the Austrian School of Economics. Followers of the Austrian School assume that markets have been created by people with different information. The most successful entrepreneurs start with what customers and markets need and hold this opportunity-centered look in the entire process of creating new business. This is the reason for the continued success in today's fierce market competition.

Individual factors: It is recommended that if some entrepreneurial characteristics in people are poor, the problems can be overcome through education and counseling and preparing individuals to enter the world of entrepreneurship, and this should be done considering the priority of each characteristic and the individuals' capabilities of holding those characteristics.

Geographical conditions: One of the major problems of increasing agricultural products is adapting the technology to specific climate parameters in areas of cultivation. It is highly important to figure out what products should be produced and where. It is recommended that prior to the beginning of an agricultural busi-

ness, a comprehensive review of climatic conditions, the annual and perennial cyclical changes in meteorological phenomena and their deviation from normal value should be carried out as this is one of the major needs in modern agriculture.

Government: In order to develop entrepreneurship in Iran and reduce the failure rate of businesses, long-term policies should be targeted by government officials in the field of regulatory clearance of entrepreneurship and reducing the impact of external factors on the entrepreneurs' failure. In addition, governmental organizations should offer more resources to be put at the disposal of entrepreneurs in order for economic development.

One of the important measures to create the necessary environmental conditions is the fund that is allocated to entrepreneurial activities in the field of agriculture, holding expert meetings with policymaking bodies of the government, such as city councils, as well as exhibitions, workshops and conferences with the goal of creating an approach to the establishment of entrepreneurship in agricultural business.

Legislature: This entity is responsible for the provision and legislation of general rules of the country and should pay special attention to the agricultural sector, provide supportive legislation and put utmost effort into relieving the problems faced by this sector.

Bank: In order to support farmers and manufacturers, banks and financial and credit funds can provide low-interest loans with long payback terms, as well as supporting people and qualified applicants by receiving confirmation letters from the body responsible for the management of agriculture. Moreover, by creating business opportunities and entrepreneurship, they can provide opportunities to promote production.

Results: the Business environment is a collection of environmental factors that affect the efficiency of production and investment, but cannot be directly controlled by the firms.

International studies show that environmental factors in some countries increase the production costs by about 30%, but in countries where the business climate is more suitable, environ-

mental costs are reduced to about 5%. Infrastructure reform is considered essential in creating a business environment since the lack of resources in this regard will lead to reduced investor activity and therefore, the decrease in economic development.

Since the development of agriculture business environment has a key role in economic growth, it is recommended that the laws that hinder the improvement of the business environment be reviewed and reformed quickly. In this regard, the relationship and interaction between government and the private sector have to be developed so that government decisions regarding the business environment and economic issues are made with the active participation and cooperation of this sector. It is also recommended that the government concede the authority of these matters to the private sector so that this sector can take steps in economic areas quickly and in a shorter time and at lower cost and have an influence on the promotion of business environment.

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