

AgroNegocio Asistencia¹

RURAL PANAMA

Case Description

This case follows Tom and his work with AgroNegocio Asistencia. It begins with Tom's introduction to rural Panama, and continues on as Tom and the Business Development Team work to assist rural small-scale agricultural businesses. Together they work on two studies to help identify opportunities for developing agricultural businesses in rural Panama.

The work was completed in a changing organizational environment. AgroNegocio Asistencia changed their strategic mission from providing agricultural technical assistance to the rural poor of Panama, usually to providing assistance to the poorest of the poor, to improving the economic and social well being of low-income people in Panama through a process of enterprise development, designed to increase jobs, productivity, and income. This involved providing management assistance, technical assistance, and business training to groups and enterprises related to the agricultural sector.

Under the new strategic plan, assistance was to be provided to people who had the best chance of showing measurable success. The shift in focus from agricultural assistance to business assistance, but still within the agricultural context, meant that the poorest of the poor would no longer receive assistance because they did not possess the basic resources needed to use these funding to their fullest potential. This change upset many staff at AgroNegocio Asistencia since they now deliberately overlooked the needs of the poorest communities of Panama. Dissension grew between the AgroForestry Team and the Business Development Team. The AgroForestry Team viewed AgroNegocio as a social assistance organization, while the Business Development Team viewed it as a vehicle to include rural farmers in the global economy.

Position in the Courses

This case is recommended primarily for courses in organizational behavior, business and society, business strategy, and international development.

Teaching Purpose and Objectives

The objectives of this case are to expose students to business issues in the developing world in the context of agricultural business development. AgroNegocio Asistencia was run like an American company but its business environment was unlike a U.S. business. Its clients-rural farmers-did not have basic business knowledge, and its employees had conflicting visions of business and society. The case generates discussion on the issues of globalization in developing countries, and whether AgroNegocio's new strategy is appropriate for both the organization and its clients. Furthermore, the students are exposed to an organization in transition and are asked to help resolve the situation.

Teaching Plan and Session Overview

The case takes place on two levels. On one level, Tom, the consultant, meets the challenges of doing business in the developing world. He sees the situation in Panama first hand where problems that seem simple in the classroom/textbook environment are now very complicated and frustrating to deal with. The issues of working in the developing world have become a reality.

Some of the issues that make this project in Panama so frustrating are the following: rural farmers lack access to financial credit, they lack technical skills and business knowledge, they work marginal lands with little to no infrastructure, and rural farmers have a limited voice in Agro business policy at the national level. In addition, the teams must do business with the environment in mind, and within the social and econom-

ic context of a developing nation with a lack of current or reliable data.

On the other level, Tom's work is taking place in a changing organizational environment where the past is clashing with the future. The staff are at odds over the new direction of the company and the impact of globalization on community. The usual issues of working in the developing world are still present, but staff now feel the effects of changes in the global economy.

Suggested Assignment

Have students prepare a memo (two to three pages) from Tom to Juan Carlos. The memo should explain the dissension between the teams, its effects on the projects, why the new plan does or does not make sense for AgroNegocio and its clients, and make recommendations on how Juan Carlos can better tie his teams together.

Case Discussion

- **Globalization and the poor.** The effects of globalization was a big issue within AgroNegocio. The office was divided over several concerns: Was globalization good for rural farmers or bad for them? Was it a way to improve them economically or further impoverish them? Should AgroNegocio continue old strategies or change to take better advantage of the opportunities offered by a global market.
- **Infrastructure issues.** The primary infrastructure issue the farmer is facing is the lack of adequate transportation to distribute their goods. Yet, there is a three to four month dry season from December to March. This time frame corresponds with the planting and harvesting of many of the products grown in the area. Still, the road situation seriously limits access to both markets and supplies. What solution could be proposed to solve this? How would the farmer's marginal status with the national policy offer solution?
- **Food crops versus cash crops.** Food crops normally refer to the basic grains that make up a large part of the human diet. It also implies production for domestic consumption instead of foreign consumption. Cash crops normally refer to the production of marginally nutritious crops grown for export, such as coffee, although any crop that is grown in a quantity above subsistence level and sold could be considered a cash crop. Which crop makes sense for rural farmers in PCW; given the lack of business skills and knowledge of the farmers? What would you recommend as a business development plan?
- **Basic business skills.** Basic business skills are needed by small business to succeed as much as they are needed by large business. Without knowledge of planning, administration, marketing and management, the small agricultural business will not survive.
- **Unavailability of current or reliable data.** The reliable sources of information in Panama are limited and the available data is hard to obtain. Therefore doing research took time and considerable effort. Under the circumstances, what solution would you propose to overcome this problem?
- **Small business development issues.** Small business development is an important issue for the developing world. It offers the business owner the opportunity to generate income to raise his or her family out of poverty. Reliance on subsistence farming and day labor is not the way to improve one's standard of living.
- **Doing business in the developing world.** Doing business in the developing world is a challenge. A person needs to be patient, flexible and tolerant of the way things are done. One can usually still do what is necessary, but often a new and/or creative path needs to be forged.
- **Doing business with the environment in mind.** For generations, conservation of the environment has not played a major role in the minds of the rural farmers within the Panama Canal Watershed. Historically, they have used slash-and-burn farming techniques and when the land was no longer fertile, they moved on to new land. The average rural farmer of Panama has no concept of a watershed, erosion, sedimentation or how the Canal operates and what connection former practice might play in these issues. Now, through a process of environmental, agricultural and business education, the rural farmers that AgroNegocio works with are learning to make a living without destroying the environment.
- **Corruption and its effect on the business environment.** AgroNegocio Asistencia was very proud of the fact that they had an excellent reputation with regard to their accounting procedures. This reputation gave them a competitive advantage when seeking new and repeat business. Running an official company in a country that has problems with transportation corruption has played a major role in AgroNegocio's successful endeavors.

Case Questions:

1. **Why does AgroNegocio Asistencia concentrate on agricultural businesses?**

Development of the agricultural sector is vitally important to most developing countries, because agriculture can be developed with minimal dependence on external resources. Agriculture only makes up 11% of the GDP, but it employs 27% of the working population of Panama. Neglect of rural areas has stifled agricultural output and income, which keeps these areas impoverished. Most farmers operate their land at a subsistence level and sell their labor to earn cash income when the opportunity is available. This situation has encouraged massive migration to the cities and contributed to more social and economic problems.

2. **Why does the company focus on the Panama Canal Watershed's rural areas?**

Explain both the environmental and business reasons.

By addressing the economic and environmental issues of the people living in the PCW, the effectiveness of AgroNegocio Asistencia protection efforts will be improved. Fundamental changes in people's attitudes and traditional practices can only happen when there is sufficient economic incentive for the small-scale farmers to make those changes. The implementation of pro-environmental practices has a much better chance of success when they are linked to commercial activity.

3. **Why did AgroNegocio choose to do the subsector analysis on coffee? Explain the factors that led to this decision.**

The Business Development Team chose to do the subsector analysis on coffee because of two main factors. The first was that coffee was already grown in the Panama Canal Watershed region so it was a product that the rural farmers were already familiar with and in many cases already growing. The second is that there was an in-house expert on coffee. This meant that only minimal information needed to be obtained from other sources because Luis already knew much of the data. In addition, he had contacts throughout Panama who could provide any additional information that was needed about coffee. This saved a lot of time and expense when doing the research even though coffee was not the best choice according to the High Value Agricultural Opportunity Study. However, it was the best choice given the resources available for AgroNegocio.

4. **What are the key issues dividing the Agro-Forestry Team and the Business Development Team?**

AgroNegocio Asistencia was changing their strategic mission. Their old mission was to provide only agricultural technical assistance to the rural poor of Panama, usually to provide assistance to the most needy. Under the new strategic plan, this assistance would be provided to people who had the best chance of putting it to productive use. AgroNegocio was to move from agricultural assistance to business assistance, but still within the agricultural context. So, the neediest of farmers would no longer receive assistance because they did not possess the basic resources needed to productively use the assistance they might receive. This change caused the Agroforestry Team to be very concerned that the needs of the Panama's poorest farmers would go unmet. Besides, there was tension between them and the Business Development Team. The Agroforestry Team viewed AgroNegocio as social assistance organization, while the Business Development Team viewed it as a vehicle to include rural farmers in the global economy.

5. **Does the new strategic plan and the subsequent change in the mission make sense for AgroNegocio and the rural farmers it works with in Panama?**

This question is intended to generate a discussion on globalization. A good answer will be well supported by the information the student provides in defense of globalization or in a critique of globalization.

Subsequent Events

The divide between the Agroforestry Team and the Business Development team continued and was not resolved. The main office in the United States was committed to the new strategic plan and would not accept deviation from it. There were subtle and direct attempts to not fully cooperate with the implementation of the new strategic plan by staff. Members of the Agroforestry Team also targeted other projects of the Business Development Team for subtle attempts at disruption or non-assistance. In addition, although the program director worked to implement the new strategy, it was widely believed he did not fully agree with it. After several months of incomplete implementation of the new strategic plan, the main office decided to close the Panama office. The main office felt its limited resources could be better spent at its other locations in Latin America since the Panama office did not fully accept the new strategy.

1. This note was written by Todd Tickler of Wright State University.

