



B- LAND

Promote and Strengthen Business Development Skills in Rural Communities

Module 1

General knowledge on how to start a business

Developed by Valencia InnoHub, Spain



Co-funded by the
Erasmus+ Programme
of the European Union



Content of this module:

- **Unit 1: Introduction to a rural business**
 - What is a business?
 - Rural business environment
 - Most common conditions for a business in the rural area
- **Unit 2: Starting a rural business - preparatory measures**
 - Importance of motivation for opening a business
 - Starting questions before starting a business
- **Unit 3: Starting a rural business - Business Models**
 - Use and importance of a Business Model
 - Business Model Canvas
- **Unit 4: Establishment of a business plan**
 - Difference with business model
 - Structure of a business plan



Co-funded by the
Erasmus+ Programme
of the European Union



Learning Outcomes

At the end of this learning module, you will be able to:

Level according to the Competence Framework (IO1): Basic

- ✓ Understand the concept of business
- ✓ Understand the most demanding business in the rural area
- ✓ Understand the steps for starting a business
 - ✓ Preparatory questions
 - ✓ Production of business model
 - ✓ Production of business plan
- ✓ Be aware of the importance of motivation when starting a business



Co-funded by the
Erasmus+ Programme
of the European Union



Unit 1: Introduction to rural business

What is a business? The definition of a business

Stephenson defines business as "The regular production or purchase and sale of goods undertaken for the purpose of making profit and acquiring wealth through the satisfaction of human needs".

According to Dicksee, Business refers to a form of activity conducted toward the goal of making profit or gain for those on whose behalf the activity is undertaken".

Lewis Henry defines business as, "A human activity directed toward producing or acquiring wealth through the buying and selling of goods".

So, the term business means the production and distribution of goods and services on a continuous basis, with the objective of profit under uncertain market conditions.

Businesses have evolved over time and modernised with the advent of new technologies. Businesses can be opened in any area, both in cities and in rural areas, and even more so now with social networks and the internet, tools that allow our products and services to reach anywhere in the world.



Unit 1: Introduction to rural business





Co-funded by the
Erasmus+ Programme
of the European Union



Unit 1: Introduction to rural business

Objective and purpose of the business

The main objective of the business is to make a profit. If an organisation has similar characteristics but does not seek to profit from them, it is not a business. For example, NGOs are not considered businesses because they carry out activities that do not generate a profit.

The means to make a profit in a business is to generate some added value or surplus value. Thus, for example, in the case of trade, the business is the resale of goods. The value added by the trader is his intermediation, i.e. acting as a channel of communication between buyers and manufacturers. The trader charges for this added value by adding a margin between the cost and the selling price of his products.

Businesses are created because people have needs, and those who know how to see them can turn them into an activity that generates money. Then, the means are sought to be able to offer these goods or services in a profitable way.

For a business to work, it is essential to have an opportunity, resources to start the activities and the work and creativity of the founders.



Unit 1: Introduction to rural business

Types of business

Businesses can be of different types:

- **National or international:** The business can develop its activity within the borders of one country (national) or expand its activities to several countries (international).
- **Physical or online:** Businesses include not only those with a physical or local sales structure, but also online transactions and exchanges. There are even services such as distance learning that can be offered to the customer with virtually no infrastructure of their own.
- **According to economic activity:** Businesses can be grouped according to the economic activity they carry out. Generally, three main types of sectors or activities are considered:
 - **Primary:** This refers to the extraction of raw materials. Thus, for example, we have mining, fishing, cattle raising, etc.
 - **Secondary:** Includes all activities that transform inputs into goods and services. Thus, for example, textiles, wine, food, etc. are manufactured.
 - **Tertiary:** Includes activities related to services. Thus, for example, we have traders, transport, hairdressing, etc.
- **According to their legal form:** The most common ones are described below:
 - **Sole proprietorship:** Self-employed entrepreneur.
 - **Individual company:** Formed by one or more partners who contribute capital and work.
 - **Limited company:** Made up of several partners who have a stake in the company.
 - **Worker-owned company:** When the workers own a large part of the company.



Unit 1: Introduction to rural business

Rural business environment: most common business in rural areas.

Territorial depopulation is a social and economic challenge facing most European regions. Among the 19 least populated regions in Europe, according to Eurostat data, are regions belonging to four Spanish autonomous communities, a country that is seriously suffering from this problem. **Despite this problem, many are venturing into rural areas.**

The EU has also realised the need to invest in the development of these areas, which is **why rural development is the "second pillar" of the Common Agricultural Policy (CAP)**, reinforcing the "first pillar" of income support and market measures by improving the social, environmental and economic sustainability of rural areas.

Obviously, the needs of rural areas are not the same as those of urban areas, so business will not be the same either. The problems faced by rural communities are unique and they need markets tailored to the problems they face.

McElwee and Smith (2014) defines a rural enterprise as it follows: "A rural enterprise is an enterprise that has the following characteristics:

- Whose main location is in a rural environment;
- Which employs people within a specific commuting area; - Which contributes to gross value added;
- It employs people within a specific commuting area;
- It contributes to gross value added.



Unit 1: Introduction to rural business

Rural business environment: most common business in rural areas.

An Organisation for Economic Co-operation and Development (OECD) article discusses the special features of enterprise creation in rural areas around the world that are not found in urban areas.

- **The first is that most of the growth in rural economies comes from existing firms rather than new ones, especially in the industrial sector.** This is not to say that new firms cannot develop, but rather that existing firms tend to be established. This is often due to the existence of a higher percentage of family businesses in smaller villages, better competition in local markets and what Illouz-Winicki and Paillard described as "more determination when businesses are struggling, because of a genuine or perceived lack of alternatives".
- **Another characteristic is the type of activities they carry out.** Personal service companies (propane delivery, rubbish collection, etc.) are common, due to the constant demand for these services. Manufacturing establishments are more scarce due to transport and labour issues.



Unit 1: Introduction to rural business

Most common conditions for a business in the rural area

The characteristics of rural enterprises and the rural business environment, combined with the constraints they have, are:

1. Agriculture/Land based Enterprises & Rural Labour
2. Small and Micro Businesses & Less Growth Oriented
3. Small Size of Local Market & Competition
4. Access to Finance
5. Transportation and Communication
6. Availability of Business Premises
7. Informality & Attitudes
8. Lack of Innovativeness, Poor Networking Opportunities & Lack of Technology
9. The Regulatory Environment & Poor Status of Local Institutions
10. Poor Quality Products
11. Lack of Role Models
12. Limited Business Management Skills
13. Business Support Awareness and Access



1. Agriculture/Land based Enterprises & Rural Labour

Since agriculture is the main economic activity in rural areas, most rural businesses are based in agriculture. This is followed by the wholesale and retail sector, which accounts for 33% of all enterprises. This underlines the importance of the agricultural sector in the rural economy.

Due to low levels of education and the unavailability of local rural labour market training centres, rural enterprises often face a constraint in accessing skilled labour. This constraint is also due to the low wages offered by most rural enterprises and the out-migration of the young population. As labour is cheaper, enterprises tend to be more labour intensive.

2. Small and Micro Businesses & Less Growth Oriented

Rural enterprises are mostly micro-enterprises, employing less than 10 people. The limited size might partly explain why rural enterprises are said to have difficulties in accessing external business support as most financiers are comfortable financing larger enterprises with higher returns on investment.

Due to the limited rural market characteristic as a result of low population density, rural firms are less growth-oriented than urban firms. Therefore, rural enterprises face limited growth due to the numerous challenges they face. In addition to being less growth-oriented, they are also likely to be less profitable for the same reasons and have a higher risk of closure compared to urban ones.

3. Small Size of Local Market & Competition

Rural enterprises have limited markets due to the low population densities and low disposable incomes that characterise the rural population and the seasonality of those incomes. This results in low aggregate demand and reduced profits for the rural enterprise. Consequently, there have been calls to help rural enterprises improve access to market information and market access in general.

Because of the limited market, competition becomes an important issue in rural areas. This comes in the form of large urban enterprises serving the rural market and other rural enterprises that, in most cases, sell the same types of products in the same area, i.e. a lack of differentiation. The competitiveness of these rural enterprises is also compromised by a number of other factors such as lack of finance and access to technology.



4. Access to Finance

This has been found to be a major problem due to the lack of collateral that characterises most rural enterprises, as most rural assets are not eligible as collateral due to the lack of title deeds. Moreover, investors are most likely to be attracted to growing and profitable businesses, so rural businesses miss out on such investment opportunities.

5. Transportation and Communication

Due to the remoteness of rural areas and the sparse population, transport becomes another constraint for firms located in rural areas. The distances to be travelled to place orders or to commute to work are considerably longer compared to urban businesses, which translates into higher travel and shipping costs. The poor state of infrastructure further accentuates the transport problem. Moreover, the communication infrastructure in rural areas is also not well developed compared to urban areas, which becomes a barrier to the development of rural enterprises.

6. Availability of Business Premises

The lack of adequate premises also limits the growth potential of the enterprise, as others also lack space to expand. On the other hand, despite the limited availability of premises, other studies, especially from the western world, have indicated that they (premises) are cheaper in rural areas than in urban areas. Furthermore, of those rural businesses that operate their own business premises, in the North East of England (Atterton and Affleck, 2009) 60% are said to own their operational premises, implying that it is perhaps somewhat easier for rural business operators to own their business premises than for those that are urban.



7. Informality

This is a constraint characteristic not only of rural enterprises, but even of their urban counterparts, but is reportedly more pronounced for the rural sector, where more than half of the enterprises are said to be in the informal sector of the economy. While operators may see informality as an advantage, as it allows them to avoid legal obligations such as paying taxes, there are further disadvantages that weigh on the growth of enterprises, such as the inability to access formal business support, finance from financial institutions, equipment and inputs. Thus, there is a price to pay for informality, although for business operators there seems to be more to gain from their informal status.

8. Lack of Innovativeness, Poor Networking Opportunities & Lack of Technology

The lack of adequate technology and workspace influences the innovativeness of rural enterprises. The lack of technical skills that characterises most rural business operators and their workers also affects the level of innovation displayed by these enterprises. Their lack of innovation has a negative impact on their ability to access export markets, where products must meet strict quality standards.

Networking is beneficial for rural businesses, as it allows firms to gain various benefits, including business advice, information sharing and word-of-mouth referrals. However, rural firms have few networking opportunities compared to urban firms, which prevents them from reaping the full benefits of networking. Moreover, due to the poor development of networks, this has resulted in rural enterprises not being able to access business advice and other business opportunities.

Rural enterprises are characteristically constrained by poor access to technology. Lack of technology is seen as a constraint on rural enterprises. This is compounded by low levels of education of the rural labour force coupled with lack of access to finance for capitalisation.



9. The Regulatory Environment & Poor Status of Local Institutions

High levies and taxes on businesses have created an unsustainable environment for businesses, along with price regulation of some commodities. Business registration and licensing requirements are said to be tedious, resulting in operators not formalising their businesses.

The rural business environment suffers from a poor institutional environment for business support. There are fewer local institutions, such as banks, tertiary education institutions and others, found in rural regions. The lack of financial institutions in rural areas has led to a serious case of financial exclusion. The state of local institutions has a strong influence on the business environment and also cites that key institutions in the areas of training provision, banking systems and market institutions are critical.

10. Poor Quality Products

The issue of quality is another characteristic constraint faced not only by rural enterprises, but by small-scale enterprises in general. However, in the case of rural enterprises, this becomes a further constraint, given the combined effects of the other constraints discussed in this paper. For example, the lack of technology will have an effect on the quality and cost competitiveness of products produced by these rural enterprises, at least for those engaged in manufacturing.

11. Lack of Role Models

This is said to be a serious problem facing rural entrepreneurs given the importance of the ability of business operators to be able to learn from each other, especially from those who have proven to be successful in running their businesses. This ability to learn from others also underlines the importance of networking, as one would naturally use one's network as a first point of contact for experiential learning.



12. Limited Business Management Skills & Attitudes

Previous research has shown that small business operators lack the necessary entrepreneurial skills and that their performance is even linked to their levels of education, with businesses run by operators with higher levels of education performing better than those with lower levels. This apparent lack of entrepreneurial skills has led to the need for management training being one of the frequently mentioned areas for business assistance/support by both rural and urban small enterprises. Already in the case of rural enterprises, the lack of training facilities in rural areas was cited as a constraint. This lack of management skills has also resulted in poor record keeping and failure to develop business plans. This, in turn, has led to firms not accessing finance from banks because of poor record keeping, as bankers want to be convinced of the firm's performance first before risking their money.

Operators of rural enterprises are said to have a poor entrepreneurial attitude or a lack of entrepreneurial culture. The issue is that most rural business ventures are undertaken as a way of supplementing household income, so entrepreneurial acumen tends to be low, necessitating the need for entrepreneurial and business management training and a general change in mindset.

13. Business Support Awareness and Access

One of the main problems faced by SMEs is the lack of awareness of the support services available to them leading to poor access and low utilisation of support services by the enterprises concerned, as they cannot demand services they do not know about. In the context of rural enterprises, the problem of lack of awareness of and access to business support services is apparently worse, as the business environment is more limited than in urban environments. Research on rural entrepreneurship has often cited this problem of lack of awareness. This situation is attributed to the location disadvantage, as business support service providers have to travel long distances to provide support.



Co-funded by the
Erasmus+ Programme
of the European Union



Unit 2: Starting a rural business - preparatory measures

Importance of motivation for opening a rural business

Starting a new business is no easy task. You need to be clear about the idea you want to develop and the target audience you want to reach with your product or service. It is a step in which the entrepreneur will encounter great difficulties and bumps in the road that will make it very difficult to continue with a positive mentality.

That is why motivation is one of the most important factors that an entrepreneur must develop in order not to abandon the project in the middle because he/she starts to wonder if he/she can really be an entrepreneur or if he/she has a vocation, especially in complex situations.

An entrepreneur must understand that from the moment he/she starts the company, he/she is going to generate a series of responsibilities such as investing economic resources, dedicating many hours a day, using and organising human resources such as employing new people, coordinating all these resources so that they are destined to fulfil the objectives of the company, and so that they can be used to achieve the company's objectives. to achieve the previously established objectives and, of course, the latent fear of not achieving success in the of not succeeding in achieving our objective.

Therefore, it is important to keep a positive mind and try not to lose motivation when problems or adversities arise. Having the plan in your head and the goal that was set is necessary in order not to fall into negativity.



Unit 2: Starting a rural business - preparatory measures

Starting questions before starting a business

Launching a business without having thought through the consequences, without having asked questions or without having analysed the target group, can lead to total failure. That is why, here are the **most important questions you should ask yourself before starting a business.**

1. Why do I want to start a business?
2. Can this business idea make me money now and in the future?
3. Who is my target group for my business?
4. Who are my competitors?
5. What is your USP?
6. How will I market my business?
7. How will I price my products?
8. Do I have the funds to start this business?
9. Am I extremely motivated and passionate?
10. Can I do this alone?
11. How many employees will I need?
12. What resources do I already have?
13. Are you ready to invest your time into this business?
14. How will I set up the legal structure of my business?
15. What kind of taxes do I have to pay?
16. What will I be ready to start?
17. When will I be ready to start?

Ask yourself these questions and if any of them are not positive or you have doubts, rethink the business and the initial idea so that it fits with the proposed questions.

Don't worry if the answers are not as expected, it is normal when starting a business to have doubts or forget to manage some part of it. Take some time to reflect.



Unit 3: Starting a rural business - Business Models

Use and importance of a Business Model

A business model is a company's plan for making a profit. It is a tool that **identifies the products or services the company plans to sell, its identified target market and any planned expenditure.** Business models are important for both new and established companies, as they help new and developing companies attract investment, recruit talent and motivate management and staff; and established companies will be able to anticipate future trends and challenges. Business plans help investors assess the companies they are interested in.

A major component of the business model is the value proposition, a description of the goods or services a company offers and the reasons why they are desirable to customers, ideally stated in a way that differentiates the product or service from its competitors.

A new venture's business model should also cover expected start-up costs and sources of funding, the target customer base, marketing strategy, a review of competition, and revenue and expenditure forecasts. The plan may also define opportunities where the company can partner with other established companies.

Successful companies have business models that allow them to meet customer needs at a competitive price and sustainable cost. Over time, many companies revise their business models from time to time to reflect changes in the business environment and market demands.

When evaluating a company as a potential investment, **the investor must find out exactly how it makes its money.** This means examining the company's business model. True, the business model may not tell you everything about a company's prospects. But the investor who understands the business model can better understand the financial data.



Unit 3: Starting a rural business - Business Models

Business Model Canvas

Business Model Canvas is a **strategic management template for developing new business models or documenting existing ones**. It is a visual chart with elements describing product or value propositions of the company, infrastructure, customers and finances. **It helps companies align their activities by illustrating possible trade-offs.**

The Business Model Canvas was first **proposed by Alexander Osterwalder in 2009**, building on his earlier work on the ontology of business models.

The structure is a **big box with nine divisions** that, **grouped** in different ways, simplify the **four main areas of any business: customers, supply, infrastructure and economic viability.**



Click on the image to enlarge



Unit 3: Starting a rural business - Business Models

Structure of the business model canvas

1. **Market segments.** Define the company's audience, because depending on the target you are addressing, your business should be one way or another.
2. **Value proposition.** Define the differential value that makes your business unique. What does your business have that your most direct competitors do not have?
3. **Channel.** Establish the channel or channels through which your customers will be able to acquire your products or services. This implies, fundamentally, defining your distribution channels.
4. **Customer relationship.** Establish certain parameters such as depth and immediacy, always bearing in mind that all these parameters must be in line with your company's message.
5. **Sources of income.** The balance between what the consumer demands and what your company offers results in the price at which you have to sell your products or services... Since this price will be the main source of income for the business.
6. **Key resources.** Define all the resources that will be key to the development of your business model: physical, intellectual, human, financial resources...



Co-funded by the
Erasmus+ Programme
of the European Union



Unit 3: Starting a rural business - Business Models

Structure of the business model canvas

7. **Key activities.** Define some key activities without which your business could not continue to operate: production, problem solving...
8. **Key partners.** Establish alliances with a range of key partners to help raise your company's game.
9. **Cost structures.** When setting your cost structure, you can choose between two options: on the one hand, you can try to reduce the cost of the product by using tools such as automation of the production process; or, on the other hand, you can create added value that is valuable to the consumer.



Unit 4: Establishment of a business plan

Difference with Business Model

The **business model is the basis of a company**, while the **business plan is the structure**. Thus, a business model is the main idea of the enterprise together with the description of its functioning.

The **business plan explains in detail how the idea would work**, it is the mechanism for a company to generate profits, as mentioned above.

It is **important to compare how business models and business plans work in order to differentiate between them**. A **business model helps to identify the services that customers value**. It also shows the reciprocity of funds for the activity a company provides to its customers.

A **business plan is a document that shows the strategy of an organisation along with details of expected performance**. We can find the details of a company when we check its business plan. What it does is provide more information about the business model. It does this by explaining the equipment needed to meet the demand of the business model. It explains the equipment needed, as well as the resources that need to be obtained to start creating. Explaining the marketing steps, and how the business will attract and retain more customers over the competition, will be part of a model.

Another interesting thing when it comes to comparing business models and business plans is that they cannot work without each other. Just remember this, the business model is going to be the core of the business plan.



Unit 4 - Brief overview of the establishment of a Business Plan

Structure of a Business Plan

Every business plan has a common structure that serves to understand each and every aspect of the business. The structure of a business plan is as follows:

1. Summary
2. Product/service description
3. Market and competitors' analysis
4. Business Model
5. Human Resources description
6. Business development stage
7. Marketing strategies
8. Main risk and contingency plan

The information on the business plan is further developed in Module 2 - Management of micro or SMEs.



Co-funded by the
Erasmus+ Programme
of the European Union



References

https://www.accioncontraelhambre.org/sites/default/files/documents/u.d.1_la_persona_emprendedora.pdf

<https://www.bilib.es/actualidad/blog/noticia/articulo/10-tipos-de-negocios-de-exito-para-el-entorno-rural/>

<https://www.businessideainsight.com/blog/rural-small-town-business-ideas/>

<https://www.cose.org/en/Mind-Your-Business/Operations/Why-Employee-Motivation-Matters-More-in-a-Small-Business>

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/rural-development_es#ruraldevelopmentprogrammes

<https://eship.ox.ac.uk/business-model-canvas-explained/>

<https://www.referenceforbusiness.com/small/Qu-Sm/Rural-Businesses.html>

<https://www.forbes.com/sites/biancamillercole/2020/07/29/17-questions-you-should-ask-yourself-before-starting-a-business/?sh=2f23e1472c7a>

<https://www.investopedia.com/terms/b/businessmodel.asp>

https://www.researchgate.net/publication/343889825_The_Characteristics_and_Constraints_of_Rural_Enterprises

<https://tms-ousource.com/blog/posts/business-model-vs-business-plan/>

https://www.worcestershire.gov.uk/info/20279/leading_rural_business_programme_leader/1188/case_studies/2



Co-funded by the
Erasmus+ Programme
of the European Union



WHAT IS NEXT?

- ✓ 3 case studies.
- ✓ Evaluation in the B-LAND Multilingual APP.





Co-funded by the
Erasmus+ Programme
of the European Union



THANK YOU FOR YOUR ATTENTION!