

# Module 2

## Different Models of rural business strategy and How to recognize a potential of your region

# Learning objectives of Module 2

By completing Module 2, learners will acquire an overall understanding of the different models of rural business strategy and they will know how to recognize a potential of their region

# Learning objectives of Module 2

This module has two key sections:

- Different Models of rural business strategy
- How to recognize a potential of your region

# What is a business strategy?

Effective adaptation to the constantly changing rural situation involves answering the following questions: **What? How? For who? and where?** must be changed so that the reduction in our standard of living and sustainability, formulated as a goal, does not occur. In order to adapt effectively, we set a **goal**, assign a **tool** to it, use the tool, and act to achieve the goal. In other words and in short, we create a **strategy** and implement it.e

# Rural Business Strategy

It should be treated as a fact that there is currently no textbook available that discusses the known characteristics of agricultural production, as well as the strategic knowledge material to be dealt with as a determining factor of agriculture as a rural economy and the related characteristics in a systemic approach and an integrated approach.

# Rural Business Strategy Goals

- be able to renew based on the new innovations about the rural sector
- keep the company and rural area sustainability
- cost-effective organization of burial processes
- promoting effective sales

# Scope

The scope of the rural company's operations is therefore determined by the following factors:

- the company's site/territorial location,
- Consumers and their needs,
- procedures (production processes).

The business strategy's goal therefore states that the rural company's What? For who? How? and where? wants to achieve its basic goal.

# Strategic Business Units

Rural companies organize their production in such a way that they try to satisfy the needs of several consumer groups and diversify their activities. The extent and method of this is an important, central element of the strategy, as a result of which the so-called strategic business units are created.



# Strategic Business Units

Strategic business units are distinguishable business areas within the company that represent well-defined product-market combinations, and their competitive position and effectiveness can be evaluated on their own.

# Rural Business Strategy Model

- Industrial agriculture
- Multifunctional agriculture
- Local initiative and cooperation based agriculture
- Alternative agriculture

# Rural Business Strategy Model

## Industrial agriculture

- aimed at increasing product mass  
industrial farming
- the logic of industry appeared in the sector

# Rural Business Strategy Model

## Multifunctional agriculture

- In addition to production tasks, agriculture also takes on environmental, social, regional and employment tasks.
- These environmental and social, community services locally generated, cannot be imported

# Rural Business Strategy Model

Local initiative and cooperation based agriculture

- the most desirable model of rural development
- aims to create and consolidate a "project area" with a unified identity in the long term, as well as highlight the importance of complexity, dynamize local resources and actors, strengthen cooperation between stakeholders and create organizational frameworks important for successful cooperation.

# Rural Business Strategy Model

In the European model of agriculture, multifunctional agriculture and the surrounding countryside perform ecological and environmental as well as social, economic, social and cultural functions in addition to food production.

# Rural Business Strategy Model

These include, among others

- creation of conditions for recreation and tourism;
- support for small and medium-sized enterprises;
- caring for rural communities;
- maintenance of landscape and folk cultural heritage;
- nurturing traditions;
- agri-environmental protection

# Rural Business Strategy Model

The comprehensive approach is too broad, does not effectively separate individual policies and areas, individual instruments and actors, does not distinguish between them, so its effectiveness is questionable.



# Rural Business Strategy Model

The other approach is the so-called niche model, when rural policy - without more organic connection and integration - only targets specific rural areas. In this case, it does not take into account other regional or territorial policies (e.g. settlement development) or sectors outside the agricultural sector. All this results in a modest economic and social impact.

# Alternative Rural Business Strategy Models

- Circular economy
- Rainbow farm
- Localization
- The sufficiency economy

# Alternative Rural Business Strategy Models

## Circular economy

Its goal is the planned and conscious elimination of waste. Waste is virtually non-existent - products are designed and optimized for repairability, disassembly and recycling cycles.

These tight component and product cycles define the essence of the circular economy and distinguish it from disposal or even recycling, in which case a large amount of energy and work embodied in the product is wasted.

# Alternative Rural Business Strategy Models

## Circular economy's advantages

- minimization of specific material use
- consecutive cycles can be maximized
- diversified use within the value chain is possible
- contamination-free material flows increase the collection and distribution efficiency and maintain the quality of the materials

# Alternative Rural Business Strategy Models

## Rainbow farm

A model of local, sustainable growth that is formed as an initiative of local groups.

According to the colors of the rainbow, it has seven motifs

# Alternative Rural Business Strategy Models

## Rainbow farm colors

- magenta: Spiritual values
- dark blue: Global values
- light blue: Economic values
- green: Ecological values
- yellow: The value of individual creativity and self-realization
- orange: Local community values
- red: Social values

# Alternative Rural Business Strategy Models

Localization, „Think Globally, Act Locally! “

The economics of localization is based on the statistically proven fact that the majority of human needs can be economically satisfied locally.

Localization does not mean the destruction of today's global economic system, but rather its gradual but radical transformation.

# Alternative Rural Business Strategy Models

Localization, „Think Globally, Act Locally! “

It means a sharp change of direction, a new way of economic organization in which social and ecological aspects are more important than market expansion and profit. The current "efficiency" of the global economy largely does not bring additional benefits at the corporate level, but at the social level: it is primarily the savings in social and environmental costs (the postponement of costs) that make spatially "spread" production and long-distance transports worthwhile.



# Alternative Rural Business Strategy Models

## The sufficiency economy

In a sufficient economy, food production takes place predominantly in local organic farms, based on permaculture or "biointensive" principles.

Ideally, this transformation is taking place on a voluntary basis and simultaneously, but it is more likely that due to pressure from dwindling oil reserves and rising prices, it will gradually gain more and more ground.

# How to recognize a potential of your region?

Analyze the  
following  
aspects



# Natural endowments

**The country's potentials for the rural economy must first be explored by examining the natural endowments, since the primary aspect of rural production is the natural endowment of the given country.**

# Natural endowments to analyze

- Climate properties
- Hydraulic properties
- Topography properties
- Geology and soil properties
- Vegetation

# Climate properties

- What kind of production does the country's climate allow?
- What can I do if the climate does not suit my business strategy? How can I influence the climate in the area?
- What are the cost-effective solutions for creating the right climate?
- How much has the country's climate changed in the past 5-10-15 years, and what effect does climate change have on the country?

# Hydraulic properties

- Do I need a constant supply of water to reach my potential?
- If so, is the amount of water available on the site sufficient for me?
- What is the water yield of the area?
- Is there a river or stream in the area?
- What is the number of rainy days?
- Has the amount of precipitation changed significantly in the past 5-10-15 years?

# Topography properties

- Is the topography of the area suitable for exploiting the potential?
- Do you need a more hilly area to reach the plan?
- Do you need a flatter area to achieve the plan?
- If the topography is not suitable, how much investment is required to achieve the appropriate topography?

# Geology and soil properties

- **How much farmland is available in the area?  
What quality of farmland is needed to achieve the plan?**
- **What is the quality of the arable land in the area?**
- **If the quality of the soil is not adequate, how and with how much investment can I improve it?**



# Vegetation

- **What kind of vegetation is needed to achieve the plan?**
- **Is the vegetation of the area suitable for me?**
- **Is it necessary to plant new vegetation?**
- **If so, how much investment does the installation involve?**

# Rare/needed products/services

- As an opportunity, find rare or needed products or services in your area or country.
- There is always room for development in your area, look after products/services, what you can improve!

# Strongest growth potential

- If you find the needed product or service for your area, the chance is high to it will be one of the strongest growth potential, but it's not guaranteed.
- Look for the good practices about your product or service area, to find their best selling points, and build it to your own business strategy.

# Your abilities

- Try new things and push your limits to find out if you are suitable for the planned product production or service delivery and if you have all the necessary skills to be able to work with it in the long term.
- In any case, you need to do a practice test in this new area, because a production or service that looks good on paper may require significantly different work in practice.

# SWOT analysis

- **Create your own swot analysis about your plan or potentials:**
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

# SWOT analysis

- **Strengths**
  - What are your country / area competitive advantages?
  - What resources do your area have?
  - What products are performing well in your area or country?

# SWOT analysis

- **Weaknesses**
  - Where can the area improve based on rural company aspects?
  - What products or services are underperforming?
  - Where are the area lacking resources?

# SWOT analysis

- **Opportunities**
  - What new and innovative technology can we use?
  - Can we expand our operations?
  - What new segments can we test?
  - What renewable energy sources are available for my area?



# SWOT analysis

- **Threats**
  - What regulations are changing?
  - How much the environment and the climate is changing?
  - What are competitors doing well?
  - How are consumer trends and shopping habits changing?

# When you found the potentials

- Create your own business strategy based on your own SWOT analysis
- When preparing your business strategy, pay special attention to sustainability and profit.

# When you found the potentials

- Sustainability
  - We can use the resources of our natural environment to achieve and operate our plan to the extent that we do not damage the environment's ability to renew itself, i.e. its carrying capacity. We must use this tool wisely, for the benefit of society, without harming the environment.
  - We cannot allow the economy to become self-serving to such an extent that it harms our social and environmental interests with its operation!

# When you found the potentials

- Profitability
  - In any case, we must strive to make the plan profitable, even in the short term. A part of the profit must be used for the expenses necessary for continuous development, thus we can also guarantee development and sustainability.

# When you found the potentials

- Consider using renewable energy sources:
  - to be independent as much as you can from the national energy sources
  - in terms of long-term cost reduction

# Additional reading

- [https://  
journals.openedition.org/economierur  
ale/406](https://journals.openedition.org/economierurale/406)
- [https://  
iopscience.iop.org/article/10.1088/17  
55-1315/341/1/012017](https://iopscience.iop.org/article/10.1088/1755-1315/341/1/012017)