

Professional paper

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**BUSINESS NETWORKING - CONDITION TO INCREASE INNOVATION IN
AGROSECTOR OF SERBIA**

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Abstract

The paper emphasizes the importance of business networking agricultural enterprises, whereby creating favorable conditions for their business and achieve a positive operating result. By combining can create new resources which are difficult to copy, and so pooled funds contributions and creating greater value of the final product. The paper points to some forms of business networks (business incubators, cooperatives, clusters), noting and their characteristics. In Serbia, the largest number of clusters are formed in the area of agriculture and food industry. The paper analyzes the definition of business networks, the types of business networks and how they manifest in the agricultural sector, or whether the population is willing to accept changes or continue to believe that the problem is unsolvable nature. Then, provided definitions of forms of business networks of the respective authors and have been isolated associations that are important for agrosector of Serbia. The aim is to determine the degree of crosslinking of agriculture in theory and practice, a willingness distrustful population and businesses to come together to bring about change in agriculture, so that in the future time will improve better image of national agriculture and complete economy. Research methods are based on search literature and web sites that highlight the importance of innovation and business networking in agriculture.

Keywords: *business networking, clusters, innovations, agrosector.*

Introduction

Association of producers and their joint appearance in the market encourages innovations in the agricultural sector, because only joint forces could create a favorable business environment for the production, processing and marketing of agricultural products, with constant innovation of the whole production and manufacturing process.

Stefanović et al. (2012) point out that it is important to make a distinction between the concept of invention (scientific or technical discovery, and always are linked with creation) and innovation (a new way of putting old and new ideas to realization). You should then approach the planning opportunities to some innovative ideas are realized by pooling agricultural producers, because the formation of business networks can lead to financial support of the Government of Serbia. More specifically, the Ministry of Commerce in December 2006 has done the program for the development of business incubators and clusters in the Republic of Serbia 2007-2010 in order to allow all producers in Serbia stimulate the association.

Studies in developed countries show that for small and medium enterprises a key factor in improving innovative capacity of involvement in different types of networks, especially clusters. The efficiency of activities and processes that are implemented in the network increases the chance that the company successfully used the opportunity to acquire new knowledge and its transfer through the network. Business incubators, cooperatives and clusters are some forms of business networking companies and agricultural producers. The common characteristic of these business networks is cooperation and connection of all member states. The largest number of formed clusters is in agriculture and the food industry.

Materials and methods

Research paper analyzes the possibilities of increasing innovation of the agricultural sector in Serbia, which, among other things, can realize business networking and association of farmers. This paper consists three parts. The first part discusses the definition of business networks by many important authors, as well as possible reasons association of farmers in the group. The second section discusses the types of business networks of agricultural sector in Serbia, where appropriate: business incubators, cooperatives and clusters. The third part gives concrete examples of business networks in the agricultural sector in Serbia from all the above forms of association. In the study data were taken from the works of local authors, from the report of United States Agency for International Development (USAID), but also with sites of individual associations and organizations.

Forming of business networking

Changes in the market position of individual participants lead to substantial changes in the operations of many companies. For companies it is important connection (association), not only with consumers but also with the other participants. Accordingly, emphasizes the significance of networking companies in order to increase their own innovation. Networking should not be only within the company but also with participants from the region. Such networking contributes to achieving the common goal of all participants - making a profit.

Studies in developed countries show that for small and medium enterprises a key factor in improving innovative capacity of involvement in different types of networks, especially cluster. Innovations in all areas efficient use and transfer of knowledge are key to the successful development of innovation networks. The success of the connection is conditioned by: the efficiency of the process in the network, structure of the network, reputation and ability of companies to take advantage of networking (*Stanković et al., 2011*).

The efficiency of activities and processes that are implemented in the network increases the chance that the company successfully used the opportunity to acquire new knowledge and its transfer through the network. In this way, create new resources that are difficult to copy. Continuous integration of resources of various actors involved in the network, on the one hand, increases their value and on the other hand, makes it difficult to use the resources of entities that are outside the network. The degree of their interdependence determines the density of the network. Benefits arising from the density of the network based on the exchange of valuable information and knowledge that is difficult to obtain outside the network. However, it is necessary to point to certain restrictions imposed by the network density (*Stanković et al., 2011*):

sharing information and knowledge involved subjects and groups can sometimes reduce the ability of rational response the company and its strategic adjustment;

if some of the information and knowledge not been use in the right way, can affect the competitive advantage of enterprises.

Koprivica et al. (2009) defines an association as a group of individuals who voluntarily unite in the organization in order to achieve common objectives and programs in creating agrarian policy of certain areas sharing the risks and the benefits. The voice of farmers, regardless of the length and nature of the membership, are equally valid and all have the same rights. In most cases, members of the group are also, and neighbors, friends, relatives, people who have built a relationship of mutual trust and respect, and have collaborated on business without the need for legal and statutory regulations.

Stanković et al. (2011) state that in modern economic *reputation* of the network is a significant source of competitive advantage. Her positive image contributes to the successful positioning of all participants in the network. *The ability* of the parties involved depends on

whether the benefit arising from connection, to be used in the right way. *Adjustment of goals* is a very important activity in the development of relations and networks.

Last few years significant research efforts are focused on studying the role and importance of innovation networks. According to *Stanković et al. (2011)* some of the benefits of innovation networks are: *the mobility of resources, creating conditions for the establishment of new businesses, stimulate innovation, efficient development and transfer of technology and knowledge, developing new business models and access to markets, the globalization of business, better strategic and operational adjustment of goals.*

Forms of business networks of agrarian sector in Serbia

Enterprises of agrarian sector problems production and placement of its products faster and more efficiently be overcome with business networking. Implementation of programs to support the development of business networks is realized in 2007 (*Programme for the development of business incubators and clusters in the Republic of Serbia 2007-2010*).

The goal of business networks is to join forces which networked actors bring greater benefits than individual performance in the market. *Mihailović et al. (2009)* point out some forms of business networks: business incubators, cooperatives and clusters.

Business incubators enable the provision of direct support to companies that are just starting business, because in this period the most exposed to failure. Services that provide business incubators are offered at subsidized prices, which provides a convenient location to companies in the incubator as compared to those outside it (*USAID report*). Business incubators in agrosector of Serbia are not so represented and are still in the development stage.

Cooperatives of agricultural producers are based on the principles of modern cooperative movement. This concept can be applied to forming of a whole production chain. Cooperatives of agricultural producers, built on the principles of modern cooperatives movement, can be seen as a business system - company, with all of its business functions which would be implemented through a service or employment of appropriate specialities. For example, the organizational model of cooperatives of agricultural producers should be designed so that the fruit producers are not transported to the buying centers, but it submitted directly from the plot. The final destination may be refrigerator, some processing facilities or shopping centers (*Mihailović et al., 2009*).

Paraušić, Cvijanović (2014) agricultural clusters defined as a geographic concentration of small and medium sized enterprises, specialized suppliers, related services companies, research institutions and government agencies in the agriculture and rural development. *Džanković-Jerebičanin, A. (2014)* points out that the strategy of clusters in Serbia must begin with mapping, to identify local and regional competitive advantages. In Serbia, the clusters in the agricultural sector formed more in the form of associations, at the initiative of the enterprise, much more because of better positioning in the market, and less for obtaining state incentives.

However, *Radojević (2007)* states that there are so-called **quasi clusters (associations)** which have the perspective in the future to become clusters. For Serbia and the agricultural sector is important to associate in any form, which leads to non-compliance of laws, programs, systems illogical and high capital costs.

Examples of business networks in the agrarian sector of Serbia

In this section are discussed concrete examples of agricultural business incubators, cooperatives and clusters which function on the territory of Serbia.

As an example of the **agricultural incubators** in Serbia is Municipality of Novi Bečej, which all registered farms and young farmers under 35 years of making available land, greenhouses, buildings, equipment, training and mentoring. Greenhouses are provided in cooperation with USAID. Farmers themselves are realizing their production, and the incubator helps them to find a buyer, placement and charging product. After an incubation period, farmers will have to

continue to work on an agricultural holding by starting their own businesses and investments in raising of greenhouse (<http://www.dnevnik.rs/ekonomija/poljoprivredni-inkubator-sansa-za-biznis>). According to the USAID report, business incubators that have started or are only registered in Serbia are: Incubator of Technical Faculties – Belgrade, Business incubator - Knjaževac, Incubator center – Niš, Business incubator center – Prokuplje, Business incubator center Bor – Bor, Incubator center or the development of entrepreneurship Rača – Rača, Business incubator Subotica – Subotica, Business incubator Zrenjanin – Zrenjanin, Business incubator – Senta, Business incubator Beočin – Beočin, Business incubator – Pančevo, Business incubator – Kruševac, Business incubator – Užice (<http://www.skgo.org/bz/data/8%20LER%20Koncept%20Brosure/SER/Business%20incubators.pdf>).

Given that small farmers can not enter into competition with large agricultural producers, for them is the solution to collaborate with other producers to make **cooperatives** to be very innovative and thus add value to their products. As forms of cooperatives in the agricultural sector occur in association of raspberry and cherry fruit cooperatives in Arilje, apple producers of Vojvodina. Thus, for example, the national association of fruit and vegetable producers *Plodovi Srbije* established in order to improve the production, processing, placement and joint appearance on the domestic and foreign market (<http://www.naslovi.net/2008-03-05/emportal/prva-nacionalna-asocijacija-vocara-i-povrtara/593940>).

Mišić (2007) considers that the term cluster is still unknown to the territory of the countries in transition. Our business people are more aware of other terms of association in agriculture: cooperative society, cooperative association, farmers' association or the chamber. Accordingly, the previously mentioned forms of association (baking industry, meat industry) are distinguished by the fact that the cluster approach, only those who know their business interests through a clear objective. Some of the goals of association in clusters may be (*Mišić, 2007*):

increase the competitiveness of domestic products in the domestic and international markets with an increase in exports;

efficient use of resources (natural, productive and human);

cooperation between businesses, educational and development institutions;

connecting with funds to finance innovative projects;

training and education, which are in the interest of the region and the government.

Bošković and Kostadinović (2011) point out that the largest number of formed clusters is in agriculture and the food industry. These authors distinguish the following clusters: Cluster *BIPOM* - Balkan-Black Sea agricultural machinery industry; *Šumadijski cvet* - cluster of flowers; *POLUKS* - Cluster of Serbia food industry. Clusters zero phase, who have organized themselves and work without the support of the Government is *cluster for revitalization of old crafts* in Serbia and Cluster *Somborski salaši*. *Džanković-Jerebičanin, A. (2014)* stated some clusters in the field of agricultural production and processing: Cluster *Agroindustrija* - combines a network of agricultural producers and processors of primary agricultural products Northern Backa; Cluster *AGRO START UP* - a network of companies for production and processing of agricultural products and health food; Cluster *PEKOS* - networks of enterprises for the production of bakery products and educational institutions responsible for supporting the work and development of clusters (raw materials, transport, marketing, education).

In order to improve current practices and find solutions to specific problems farmers can voluntarily and independently to decide for different forms of organization. Some associations are specialized for solving only one kind of problem, such as associations of fruit producers, beekeepers, vegetable producers or associate in mechanical engineering community that achieves significantly better technical equipment and the rational use of mechanization (*Koprivica et al., 2009*).

Conclusion

In modern business conditions, innovation is one of the main sources of competitive advantage. In the long run the only reliable basis for the development of the agricultural enterprises to innovate faster, better and more in relation to its competitors. This applies not only to the product/service innovation, but also increasingly on innovation processes.

Agricultural population of Serbia is old and difficult to accept change. They have difficulties in making the aging population convince that the introduction of innovations in their pursuit of agricultural activities give positive results. Even harder to convince them that their inclusion in the network will bring better business conditions, better living standards and a better picture of the future. Also, innovations in agriculture could partially retain or recover a young population which migrates to the cities in the demand for a better life.

The development of business incubators, cooperatives and clusters in agriculture of Serbia would create the possibility of increasing the competitiveness of not only this sector but also the whole Serbian economy. Note also provide financial support to farmers with undeveloped and marginalized regions of Serbia.

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