

**CONNECTING AS A FACTOR OF SUCCESS FOR SME's FROM THE
AGRICOMPLEX IN THE REPUBLIC OF MACEDONIA**

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Abstract

Entrepreneurial connecting is an efficient means for achieving a number of development opportunities for enterprises, and it can be motivated by market penetration, connection for market development, facilitation of purchase, sale, research/development, distribution, international trade and export, etc. The aim of this work is to indicate the need for entrepreneurial activities depending on current conditions of SMEs in the field of agri-complex that are the subject of this work. A survey research was conducted followed by data processing and analyses of data. The results obtained indicate that SMEs in the field of agri-complex mainly collaborate with one or a few enterprises, mainly based upon contracts, and they are not involved in a network of enterprises that collaborate; something that leads to weaker competence abilities of SMEs in the agri-complex on the domestic and foreign markets.

Key words: entrepreneurial connection, small and medium-sized enterprises, confidence, communication

Introduction

Small and medium-sized enterprises from the agri-complex should join their entrepreneurial strengths by connections, primarily in view of (Kostadinov, 2007): achievement of economies of scale, increased competitiveness in domestic and international markets, encouraging the possibility of innovation and commercialization of new products and services, increased pace of innovation, appearance on new markets, increased export, creation of new share capital or reduction of costs. Connecting enables enterprises to reduce uncertainties and risks, use of geographical differences and complementary expertise and efficient coordination and ability to meet the needs of major customers or simpler supplier structure. It also affects the efficiency and effectiveness of the enterprise and with it the decisions for joint ventures as well as the exchange of information between enterprises. Basically, the reasons for connecting could be defined aiming at (Rigsbee, 1999):

- Achievement of economies of scale and economy of related products,
- Achievement of the knowledge economy,
- Reducing of transaction costs,
- Internationalization.

Companies that intend to achieve economies of scale, economies of related products and knowledge economy expand their horizontal boundaries and connect horizontally. Those enterprises that want to lower the transaction costs and replace vertical integration would expand their vertical boundaries and would be linked vertically, while enterprises that want to connect in view of expanding their activities across the borders of their country (to internationalize) would search connecting both horizontally and vertically.

Entrepreneurial connecting is an effective tool for reaching numerous developmental opportunities for small and medium-sized enterprises from the agri-complex (Besanko et al., 2004):

- *Connecting in view of market penetration.* With this strategy, enterprises strive to strengthen and improve existing activities. Connecting helps participants to lower transaction costs (by rationalization and coordination, utilizing economies of scale and multiple strengthening of the market share),
- *Connecting in view of market development.* Cooperation in the area of market development often occurs when companies identify enterprises with complementary skills or products. Connecting is a means for entering new markets through existing distribution channels and exchange of resources,
- *Connecting in view of diversification.* The strategy of cooperation for accessing new markets with new products is closely related to connecting. Sometimes connecting with enterprises is a precondition for the accomplishment of certain activities. Often, companies must seek partners in foreign markets to meet certain governmental trade regulations or to form a consortium (multinational) in order to run in the public sector tenders.

It is possible to identify numerous areas of cooperation (Kreps, 1990):

- Procurement,
- Sale,
- Research and development,
- Marketing,
- Development of human resources,
- Production,
- Logistics,
- Distribution,
- Administration and management of development and training,
- International trade and development, etc.

Given the intensity of the connecting between the two extremities - unrelated market participation and formal association in a joint company – there are different types of connections (Deakins and Freel, 2010):

- Implicit contracts and long-term relationships,
- Agreement on teamwork,
- License agreement,
- Entrepreneurial business network,
- Strategic alliance,
- Joint venture.

The following key factors for success in entrepreneurial connecting can be indicated (Kostadinov, 2011):

- Mutual trust,
- Tolerance,
- Willingness to cooperate,
- Commitment,
- Mutuality (reciprocity),
- Communication,

- etc.

Material and methods

Since a complete survey of the matter which is the aim of this research (the level of connecting/network of SMEs from the agri-complex) is practically impossible (a large number of SMEs in the agribusiness combined with the feelings of reluctance among some of them to take part in this survey) a partial survey was conducted. It is characteristic for this method of research that instead of the statistical body only a portion of it is examined, and the results of that study are expanded and are considered to be valid for the whole phenomenon. This method is also called the *method of selective* or *representative study*. In this research a random sample was applied, which is basically a sample containing randomly selected units of the statistical body lacking considerable representativeness. In this case a sample of 50 SMEs in the agri-complex was randomly selected whose owners were willing to participate in the survey. The assumption is that - despite the low level of representativeness - this sample can allow getting a proper picture of the current state of entrepreneurial connecting of SMEs from the agri-complex.

During the work several methods commonly used in economic analysis were applied, especially the method of generalization and specialization, the method of induction and deduction, the statistical method and the comparative method.

Results and Discussion

In this survey respondents were offered a set of statements that are important for understanding the network of SMEs from the agri-complexes in the Republic of Macedonia valued at five-level scale, from 1 - *Strongly disagree* to 5 - *Strongly agree* (Table 1).

Table 1. Evaluation of the statements regarding the company networking.

Statement	Strongly disagree (%)	Partly disagree (%)	Neutral position (%)	Partly agree (%)	Strongly agree (%)
The company is associated with one or more companies through contracts	2.0	4.0	4.0	26.0	64.0
The company cooperates with one or several other businesses	4.0	0.0	0.0	38.0	58.0
The company is involved in a business network of enterprises that cooperate in areas such as purchasing, sales, distribution, research, etc.	84.0	6.0	4.0	0.0	6.0
The company operates completely alone and is not substantially related to other enterprises	2.0	2.0	2.0	8.0	86.0

Source: own calculations based on the results of the survey.

In order to get a focused picture of the networking of the enterprises in the agri-complex the

claims shown above were analyzed and synthesized in the following categories: *disagreement* (strongly disagree and partly disagree) and *agreement* (agree and strongly agree) (Table 2)

Table 2. Agreement/Disagreement among respondents regarding offered statements about company networking.

Statement	Agreement %	Disagreement %
The company is associated with one or more companies through contracts	6.0	90.0
The company cooperates with one or several other businesses	4.0	96.0
The company is involved in a business network of enterprises that cooperate in areas such as purchasing, sales, distribution, research, etc.	90.0	6.0
The company operates completely alone and is not substantially related to other enterprises	4.0	92.0

Source: own calculations based on the results of the survey.

Connection of enterprises with other enterprises from the agribusiness and other formal and informal actors and networks is one of the key factors for successful growth and development of the company. This research has shown that generally enterprises from the agri-complex in the Republic of Macedonia are not willing to form networks and cooperate with a number of partners. Cooperation between enterprises develops trust, reciprocity and related soft factors affecting the growth and development of the company. Enterprises from the agri-complex mainly work with one or several companies predominantly based on contracts, they are not involved in networks of enterprises that cooperate and entrepreneurs/owners mainly work alone and are not significantly associated with other companies. This situation not only is infertile field for the development of trust for long-term cooperation between enterprises, but decreases the efficiency and effectiveness of the development of existing clusters in the agri-complex and adversely affects the formation and development of new clusters. It leads to reduced competitive ability of enterprises both at home and at international level.

As a recommendation in this regard more intensive and long-term support of the government and social partners should be considered regarding connecting of enterprises in networks, participation in international agribusiness fairs, assistance in organizing various types of presentations and happenings regarding opportunities and products from the agribusiness mainly connected with innovative design offers and different types of activities. Measures for support should mainly be directed towards strengthening of the competitive abilities of agribusinesses in the Republic of Macedonia rather than obsolete types of protection of agribusinesses.

Conclusion

Small and medium-sized enterprises from the agri-complex should associate their power in entrepreneurial connecting, primarily in view of: achievement of economies of scale, increased competitiveness in the domestic and international markets, encouraging the possibility of innovation and commercialization of new products and services, increasing the speed of innovation, appearance on new markets, increasing export, creation of new share capital or reducing costs. Linking enables enterprises to reduce uncertainties and risks, make use of the geographical differences and complementary skills as well as more efficient

coordination and ability to meet the needs of major customers or simpler structure of suppliers.

Research has shown that enterprises from the agribusiness in the country generally are not willing to network and cooperate with a number of partners. Cooperation between enterprises develops trust, reciprocity and related soft factors affecting the growth and development of the company. Enterprises from the agribusiness mainly work with one or several companies on the basis of contracts, they are not involved in networks of enterprises that cooperate and entrepreneurs/owners mainly work individually, not significantly associated with other companies. This situation is not only infertile ground for the development of trust for long-term cooperation among enterprises but also reduces the efficiency and effectiveness of the development of existing clusters in the agribusiness and adversely affects the formation and development of new clusters in the agribusiness. It finally leads to reduced competitive ability of enterprises both at home and at international level.

In this regard consideration about measures to support various forms of connectivity between enterprises should be recommended; something that should particularly be aimed at strengthening of competitive abilities of agribusinesses avoiding obsolete types of protection of agribusinesses in the Republic of Macedonia.

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