

VALUE CHAIN SYNERGY AND AGRIBUSINESS ENTREPRENEURSHIP FOR A SUSTAINABLE DEVELOPMENT IN ALBANIA

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Abstract:

Agribusiness as a concept became popular in the early 1960s where was defined as a sector including all operations in the production and distribution of agricultural inputs; farm production operations; as well as the collection, processing and distribution of farm products and by-products. But including its development as an agenda of the international forums will start only after the global crisis in 2010. Coordination and cooperation among the value chain actors is extremely important for the development of this sector. Now, agribusiness is perceived as a product industry and promoter of social and economic health, and for the Albanian economy, it is a very important sector which employs about half of the labor force.

This research addresses the necessity of a triple helix collaboration among industry-government-research institutions for the sector entrepreneurship developments to take place. The value of agribusiness lies in the synergy produced in its shell through the links in the supply chain, involved in the production and distribution of food and fiber to the needs of the economy. Study results show that the existence of a synergy among agribusiness value chain actors are the factors that characterize the sector's entrepreneurial development and sustainability.

Keywords: *Agribusiness, value chain synergy, entrepreneurship, sustainability, Albania*

JEL classification: *L26, L25, Q13*

Introduction

Agribusiness as a concept became popular in the early 1960s, and Davis and Goldberg were the first to define it as a sector that encompasses the totality of all operations in: the production and distribution of agricultural inputs; farm production operations; as well as the collection, processing and distribution of farm products and by-products (Davis & Goldberg, 1957).

The global crisis of 2010 was one of the main factors in the inclusion of the development of the agribusiness sector in the agendas of international forums. Agribusiness is already seen as a product industry and promoter of social and economic health. It plays an important role in the development of a country's agricultural sector as suppliers of farming requisites, marketers of agricultural commodities and providing services such as storage and transport (Ortmann & King, 2007). Agribusiness refers to the collection global systems involved in the production, distribution, and consumption of food and fiber (Gill, 2013, p. 203)

Davis & Goldberg (1957) in their view of agribusiness, they divide into structural components of production processes, into sub-structures that can be administered in an integrated way. Concerning this point of view, the four main sub-structures of agribusiness are: (1) Agricultural Inputs / Seeds / Pesticides; (2) Agriculture / Primary production; (3) In processing plants; (4) Marketing and Marketing of Products.

Coordination and cooperation between these four sub-structures of the supply chain is extremely important for the development of the sector. A typical supply chain is presented in the figure 1 below.

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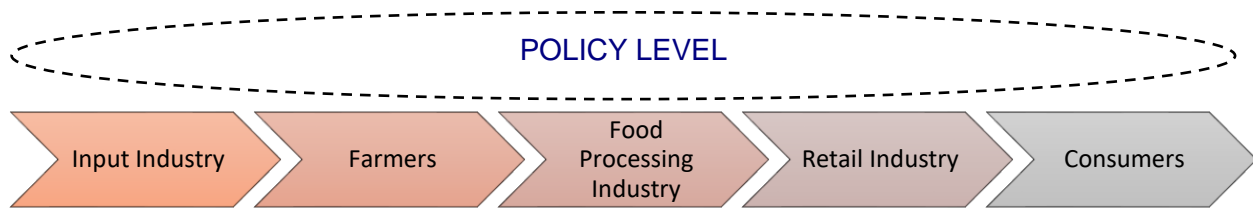


Figure 1. Supply Chain in Agribusiness

Source: Adapted from World Bank, 2005, p. 155.

Since agribusiness is measured in terms of functions performed on its system, this system itself is a natural system depending on the cycle of harvest and cycle of plant and animal reproduction. Agribusinesses tend to be interdependent (Mhlanga, 2010). High actual and perceived risks stem from coordination failures along the agriculture supply chain (CEPA, 2005). The final produce quality is dependent on any player in the supply chain.

Mhlanga (2010) argues that investment in improved storage and distribution services for agricultural inputs and produce will often only be more profitable if agricultural production increases. Similarly, investments in processing facilities will only be profitable if an expanded supply of high quality and competitively priced produce is available.

The existence of a synergy in agribusiness, rural development through input, processing, and distribution, are the key factors that characterize its development. On the other side, agribusiness offers a lot of employment and food for rural labor force expands the market, increases the incomes of those involved in the supply components with the processing and distribution of agro-industrial products. The value of agribusiness lies in the synergy produced in its shell through links in the supply chain involved in the production and distribution of food and fiber to the needs of the economy (Kruja, 2020a).

Challenges faced by agribusinesses not only in Albania but also in other developed countries include reform policies, increased global competition, the ever-changing social environment and complex customer requirements. These challenges demand that decision-makers effectively manage uncertainty and their business' resources to position their business in ways that will allow it to adapt to these changes and challenges (Van der Merwe & Lotz, 2013).

According to Baran & Velickaite (2008) entrepreneurial orientation can provide a mean to increase revenues and profits, develop products, services, and new processes to bring a competitive sustainable edge and develop the sector. To be competitive in today's "high tech environment" world, organizations need to offer specialized services and develop an innovative strategy that employs new technologies (Ahmeti & Kruja, 2020; Hysa, et al., 202; Kruja, 2020a). Knowledge is the key element of the innovation systems and the institutions which have an important role in its development include: universities and other academic institutions that develop and transfer knowledge; government organizations; and innovative businesses (Kruja, 2013a). Empirical studies show a positive relation among entrepreneurial orientation and performance, demonstrating that firms adopting a more entrepreneurial orientation perform better (Madsen, 2007). As Fitz-Koch, et al. (2018) suggest, a focus on the context of the sector can improve the "appreciation of the interaction between the various micro-foundations of new ventures and the ways they create value for their founders and owners".

An Overview of Agribusiness Sector Developments in Albania

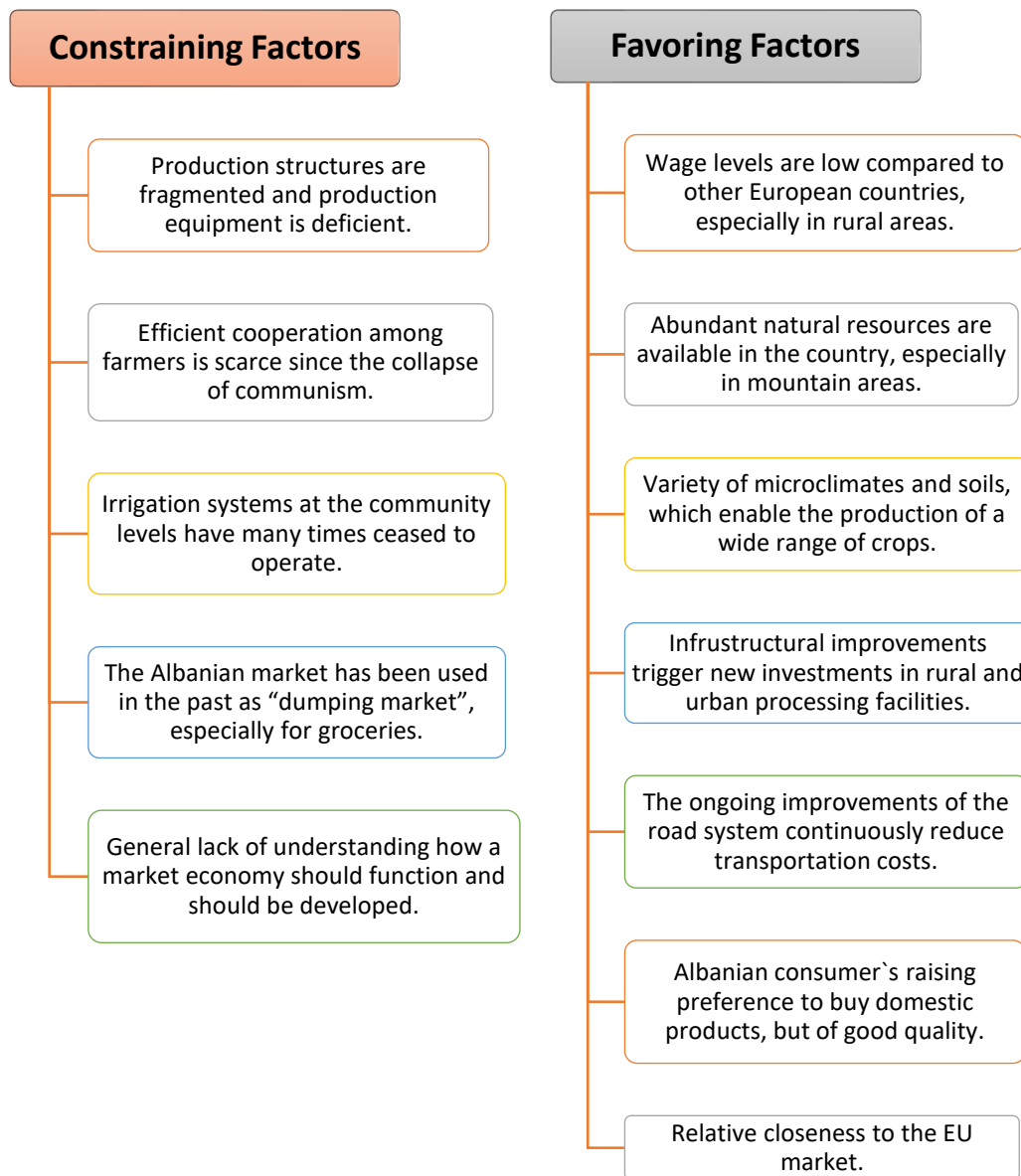
During the last quarter of the century, Albania has experienced many transformations, coming up from an isolated form of communism in the early 1990s to face the substantial challenges of forming a responsive, democratic governance and developing a modern economy (O'Brien, et al., 2017). Albania is characterized by a promising geographic positioning providing abundance of

natural resources. One third is wet by the Adriatic and Ionian seas, enabling cultivation of agricultural products, the concentration of vegetables production, and the cultivation of fruit trees (Kruja, 2020b). For the Albanian economy, it is a very important sector which employs more than half of the labor force and contributes to one fifth of the country's GDP (Gecaj et al., 2018). Due to the fact that the profits of this sector are very low, the number of employees from year to year comes to a deep decline, while the continuity, growth and development of this key sector of the economy is a necessity (Kruja, 2020c). Lack of profitable opportunities as well as high risk both current and perceived business, are also some of the main reasons for low investment in the sector. Sustainability is critical in this sector as domestic food producers need a balance of supply (from producers) with demand (from consumers) in the face of volatile wealthier and prices (Flora & Bregendahl, 2012). To satisfy the sustainability perspective, the best possible use of all available economic resources should be studied for the production of the maximum possible output of goods and services that are needed for the community now and in the future, as well as the just distribution of this output (Kruja, 2013b).

The level of infrastructural development in an economy affects the cost and efficiency of business operations (Mhlanga, 2010). Limited access to finance, low degree of professionalism, difficulties in recruiting qualified personnel, and the absence of economies of scale are among the challenges SMEs in Albania face (Kruja, 2013c). Improving infrastructural problems in rural areas such as roads (which are a major handicap to effectively transport products from one area to the market), electricity and water will have a positive impact on increasing investment in these areas. Furthermore, specific agricultural infrastructure such as product testing laboratories and certification purposes is a must if the sector is to be competitive, especially in line with sanitary and Phyto-sanitary standards for world food trade (Mhlanga, 2010). Meanwhile financial constraints for agribusinesses remain inevitable, especially for small businesses that do not own assets to serve as collateral. Agricultural subsidies in developed countries have contributed years of underinvestment to the agribusiness sector in developing countries (World Bank, 2007). These subsidies granted to producers of industrialized countries make the competitiveness of products of Albanian producers' unequal in world markets as well as imported products in the country.

Over the years, this sector has faced difficulties because of the introduction of imported products into the market. Imported products are one of the main challenges for producers and processors of agricultural products. Challenges facing agribusiness include reform policies, increasing global competition, the ever-changing social environment, and complex consumer demands. As with other sectors of the economy, the same critical components of a supportive development environment are needed for the agribusiness sector as well. Some of the factors that limit or favor the growth of this sector in Albania are summarized in the table 1 below.

Table 1. Factors Influencing Albanian Agriculture Sector



Source: Adapted from Bernet & Kazazi, 2012, p. 9.

Methodology and Data

To analyze the agribusiness entrepreneurial orientation, challenges and performance implications, a survey was distributed to the sector stakeholders. Exploratory and interpretive research is more likely to rely on primary data such as interviews, field notes, videotapes, and open-ended questions to surveys (Duriau, et al., 2007). Semi-structured interviews were conducted with 3 specialists from the Agricultural Technology Transfer Centre in Tirana; 3 specialists from the Directorates of Agriculture Food and Consumer Protection; 1 specialist from Ministry of Agriculture and Rural Development; 3 academics; 4 managers from agribusiness associations. Providing perspectives from different participants ensures the validity of the research. These techniques offer researchers an opportunity to gain richer descriptions of the specific social phenomenon in the study (Miles, et al., 1994).

To enhance the understanding of the collected responses, content analysis was implemented. This is a widely used qualitative research technique (Hsieh & Shannon, 2005). Compared to other

analysis techniques, it provides advantages allowing the investigator to investigate theoretical issues to develop a better understanding of the data.

Respondents were asked first to evaluate the agribusiness entrepreneurial orientation and on how to improve innovativeness, proactiveness, risk-taking, and competitiveness, to further improve performance. Next, they were asked on the barriers and challenges the sector is facing and on how to overcome these challenges through different means of value chain collaborations.

Results

Agribusiness sector is considered as innovator by 46% of respondents, who are entirely of the opinion that the application of innovations has a direct link with increasing the performance of agribusinesses. Only 23% of respondents think agribusinesses are proactive, while fully agree that its implementation would have a positive impact on performance. 85% of respondents think that agribusinesses take risks in their operations, while only 72% think that risk-taking would have a positive impact on performance, because of market uncertainty and collaboration issues. 69% of respondents think that agribusinesses are competitive while 100% of them think that being competitive will have a positive impact on performance.

Respondents think that the industry-government-academy collaboration is very important in developing entrepreneurship and the entrepreneurial skills of the agribusiness sector. Only 15.4% of them think that this impact is minimal or are neutral to it, while the rest believe this collaboration has an impact and in some cases this impact is very high. Even more important is the impact of "industry-government-academy" collaboration in the performance of agribusinesses, where 69% of respondents think that they have an impact and 31% of them that this impact is very high.

Related to the collaboration type, respondents give more importance to collaboration with government institutions (62%) and domestic firms (61%), followed by foreign firms (54%), universities (52%), agribusiness associations (46%), and innovation NGOs (16%).

Sector challenges identified in this study by the interviewed respondents are identified as:

- Lack of collaboration in the sector and financial opportunities were ranked as the most problematic challenges by 85% of respondents.
- Need of collaboration with research institutions and the need of trained personnel has been identified as a sectoral problem by 69%.
- While the lack of technological innovation applications by 46% and the lack of collaboration with government institutions and the lack of application of innovations in products by 31%.

Meanwhile, for the solution of the problems, 69% of respondents suggest as most important provision of financial opportunities; 62% application of technological innovations and staff training; 54% increase of collaboration with research institutions; 46% increased collaboration with government institutions; 39% application of product innovations and 23% increased sector collaboration.

Conclusions

The global crisis of 2010 was one of the main factors in the inclusion of the development of the agribusiness sector in the agendas of international forums. Agribusiness is already seen as a product industry and promoter of social and economic health. For the Albanian economy, it is a very important sector which employs more than half of the labor force. Since the profits of this sector are very low, the number of employees from year to year comes to a deep decline, while the continuity, growth, and development of this key sector of the economy is a necessity. Challenges facing agribusiness include reform policies, increasing global competition, the ever-changing social environment, and complex consumer demands. The year 2011 marked the beginning of declines in the Albanian economy because of the impact of the global economic crisis. These negative developments have been reflected in increasing uncertainty and have affected both the reduction of private consumption, investment in the sector and its competitiveness capabilities in world markets. Albania's economy is an efficiency-driven economy that needs to become more

competitive by increasing productivity (improving the production and quality process) and employee wages. According to the World Economic Forum to increase competition, it should focus on higher education and employee training, ensuring a market efficiency of goods and a well-functioning in the labor market, financial market development and efficient use of existing technologies for market expansion. Increasing competitiveness with new and unique products is accompanied by an increase in living standards.

The environment where agribusinesses operate is extremely risky. Lack of funds, skilled labor, and various collaborations with both governmental and research institutions and within the sector are the main reasons for the lack of application of technological innovations that are crucial to the sector development.

Because of capital needs, lack of market research and possible collaborations, most of agribusinesses are not proactive. They try to differentiate their products by applying different strategies related to the presentation of products or their improvement. Even though proactive behaviors emerged in large businesses, which have market research and investment opportunities.

This research addresses the necessity of a triple helix collaboration among industry-government-research institutions for the sector entrepreneurship developments to take place. The value of agribusiness lies in the synergy produced in its shell through the links in the supply chain, involved in the production and distribution of food and fiber to the needs of the economy. Study results show that the existence of a synergy among agribusiness value chain actors are the factors that characterize the sector's entrepreneurial development and sustainability. Increased collaboration between government institutions - research institutions and the sector would increase opportunities and facilitate entrepreneurs in implementing innovations, taking risk, and enhancing their performance.

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