

DEVELOPMENT OF SMALL AND MEDIUM SIZED ENTERPRISES IN AGRICULTURAL SECTOR OF RURAL AREA USING ORGANIZATIONAL INNOVATION

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Abstract: *This paper aims to highlight the importance of organizational innovation in the development of small and medium sized enterprises in the rural area. In this paper, I review the existing literature on organizational innovation and will present its importance in the process of sustainable development of enterprises in the SME sector. Throughout this study I intend to present the issues that the SMEs are facing in the agricultural sector of the rural area and to present to the entrepreneur his role in the economy and the importance of his actions in the economic crisis.*

Key words: *SME, agriculture, organizational innovation, rural area*

INTRODUCTION

Romanian agriculture is a branch of economy, which requires special attention because it has the power to give to this country all necessary resources in order to cross as fine as it gets the economic crisis, that surrounds the entire planet. Dynamic environment in which we live obliges the entrepreneur to continuously invest in his business, and agriculture presents no exception. Romanian agriculture in the last quarter of century has gone through major changes from state to private property, and was influenced in every area by the local traditions and customs, ranging from farm size and shape to the existence of Land Register statement. However one thing is certain, investment and innovation are required in order to have a competitive agriculture and for us to align with EU requirements.

MATERIALS AND METHODS

In order to prepare the present paper the following materials and methods of research have been used: bibliographic documentation, direct observation, interviews and analysis. Bibliographic documentation was performed by using both primary as well as secondary and tertiary documents from national and international databases. Bibliographic documentation serves presenting of existing knowledge in the field and forms the starting point of this research paper. Direct observation of the phenomenon occurs in agricultural holdings from Arad and Timis county, and it took place along a period of five years both in sowing campaigns and harvesting campaigns of SME's in rural area. To establish causal linkages between existing theoretical studies and their practical application, as well as drawing the conclusions, data analysis was used. In order to understand the decisions made by SMEs entrepreneurs in agricultural holdings in the rural areas, 20 entrepreneurs from these two counties have been interviewed. Based on the discussions held with these we proceeded to elaborate a picture about the level of organization in the enterprise, about organizational gaps, about the potential situation in which entrepreneurs would invest in organizational innovation.

The main objectives of the study

- Highlighting the need for organizational innovation of small and medium sized enterprises in agricultural sector of rural area
- Establishing the link between an enterprise that uses organizational innovation and its sustainable development

RESULTS AND DISCUSSIONS

Theoretical aspects regarding the organizational innovation

Camisón and López (2012) states that the organizational innovation is the introduction of new organizational methods for business management at work and/or the relationship between business and the external environment. Based on the existing studies, these two researchers argue that the organizational innovation represents the most important and sustainable source of competitive advantage of enterprises due to its nature namely its specific content. Most theories relating to organizational learning emphasizes the importance of collective knowledge as a source of organizational capabilities (Lam, 2004). Singh (2011) claims that the organizational innovation depends on the strength of skills in organizational learning and on the knowledge management practices that take place in an enterprise. Organizational innovation is characterized by a relatively high persistence over time, and such persistence leads to high performance in the enterprise (Fagerberg, Mowery, Nightingale, 2012), and innovating organizational methods associated to the external relations involves implementation of new methods of organizing relations with other enterprises or public institutions such as collaborations with research organizations or customers, methods of integration with suppliers or outsourcing (Camisón, López, 2012). Organizational innovation in business practices involve implementing new methods for organizing routines and procedures as well as establish databases for best practices, introduction of employee retention or introduction of management system (Camisón, López, 2012).

Romania is currently receiving grants to support the development, in order to get competitive with other European countries. In agriculture, organizational innovation process is achieved by adapting agricultural holdings to EU standards by introducing quality management system and are financed investments needed to carry out in order to achieve European standards.

Quality management system is a management system used by an organization when it needs to demonstrate the ability to provide products that meet both customer demands and applicable regulations demands (Toma, 2006).

According to the definition given by the European Commission standards represents documents that are "established by consensus and approved by a recognized organism that provides rules for common and repeated use, frames or characteristics of the activities or their results, in order to achieve the optimum degree of order in the given context" (ISO/EC Guide 2:1996, definiion 3.2). The European Commission states that standards are a necessary element in a company because they provide order. Due to low participation of SMEs in the standardization process, the risk that existing standards (published) would not fully meet their needs is high. Since the standardization process is a process that affects internal actions of the enterprise the issue represents not only financial resources but also represents entrepreneurs habits and ideas. The role of implementing a standard in business activities is to streamline internal processes and may therefore introduce organizational or marketing innovation, or can bring significant improvements in the production process. Standards support the competitiveness of the business sector by ensuring with codification and dissemination of new knowledge and innovations helping to

improve products and services, ensuring interoperability and enabling commerce. Standards helps businesses to show regulatory authorities and customers that their products and services meet standards of safety, quality and environment.

Analysis and evaluation of organizational innovation process in small and medium sized enterprises in agricultural sector of rural area

Article 2 of the Annex from Recommendation 361/2003/CE offers a new definition for small and medium sized enterprises: “Category of Micro, Small and Medium Enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual net turnover up to 50 million euro and/or have total assets of up to 43 million euro”. Agricultural activity in our country is one of contrasts specific to regions. Therefore in the west and north of the country are specific farms whose size is between 50 and 400 hectares and in the south and east of the country specific are farms of thousands of hectares, this is because of various influences throughout history. To accurately analyze small and medium sized enterprises in agricultural sector and to properly evaluate the phenomena I chose Arad and Timis county because agricultural holdings presents many common aspects.

Organizational innovation of small and medium sized enterprises in the agricultural sector represents the implementation of new ways of organizing business practices of companies, job organization and their external relations. In presenting organizational innovation process of small and medium sized enterprises in the agricultural sector I will refer only to rural enterprises because these, compared to those from urban areas presents difficult to reach in certain points. Organizing activities and business practices in an agricultural enterprise has in view the activities carried out at the headquarters or at the working points of it and activities that take place during travel to the field and activities carried out in the field. Organizational innovation of the activities which take place at the headquarters or at the work point of the company requires the introduction of new or significantly improved organizational processes regarding warehouse management, grain storage management, production activity management without incorporating technological elements as such and also involves coordination of human resources. Organizational innovation on the field represents both coordinating personnel during drilling, spraying / fertilization, harvesting activities as well as the organization of cultures and cereal plots according with their locations and mellow time. These organizational changes are often the requirements for a successful process innovation. Currently is not given great importance to the organizational innovations and are very poorly mentioned in most existing literature but organizational innovations will become a topic of interest for the future because in all business processes people are the key element, and the profit of an enterprise has as the main goal satisfaction of human needs and all that has led to the generation of profit comes from human organization (Edquist, Hommen, Mckelvey, 2001).

Organizational innovation held in warehouses and grain storage areas within enterprises from agricultural sector

Organizational innovation performed in warehouses and storage areas within companies in the agricultural sector requires not only the existence of trained personnel in agriculture but requires that employees to be responsible and motivated to carry out specific activities correctly and completely, without wasting resources. The main crisis faced by enterprises from agricultural sector in rural areas is the deficiency of specialized personnel. Unlike them, urban area enterprises do not feel specialized personnel crisis so strong, because most specialists prefer urban areas after graduation due to the variety of jobs. In order that agricultural activities flow as most operatively, the staff dealing with warehouse should act as a good manager and should be one step ahead of the problem

appearance. Therefore any storeman's defective gesture or action could result in large loss in agriculture but also its correct calculation and every act of thinking "one step ahead" can lead to additional benefits. Warehouse organization requires investment in storeman knowledges, investment that can be caused either by accident trough previous damage or loss, or through learning by "doing" accumulated along time. For example, during the wheat harvesting campaign, the combine breaks down, due to the storeman fault in company's warehouse is not the required spare part and because of combines technical engine characteristics aquisition of other spare part requires large resources of time, and meanwhile the weather changes, rains come and the wheat crop can not be harvested at optimal parameters. Due to high humidity and reduced wheat hectoliter weight, the company will achieve substantial profit reductions or even loss. Supplying with spare parts, consumables and other resources according to the enterprise needs can be achieved only by man, because currently, only it has the ability to think and acknowledge the actions of past, present and future. However, storeman's actions must be based on certain economic reasoning to avoid dispersion of financial resources through over-supplying the warehouse with spare parts and materials purchased just "to be".

Organizational innovation of grain storage requires also a conscious human activity, which manages and organizes all entries and exits from the grain storage. Manner of organizing the storage activity can bring benefits or losses to the enterprise. From discussions held with entrepreneurs and from analyzing observed phenomena in enterprises, storage manager must "feel" the grain. In the first instance the correct storage organization requires an analysis of entering grain. An important role is played by humidity determination, hectoliter weight, and if the organization provides storage services for third parties also is very important grain grading according to the standards. Grain storage by its humidity represents the first factor that must be considered, because an improper storage can lead to wheat "ignition" and to its illness. In this case investment in organizational innovation through educating personnel dealing with storing grain, and by introducing of new methods and practices and respecting the rules in order to store correctly represents the vital element of the enterprise and the difference between profit and bankruptcy.

From discussions held with entrepreneurs of small and medium sized enterprises in agricultural sector of rural area shows that they have trouble organizing their warehouse. 65 % of respondents use at organizing the warehouse management a notebook based on which the accounting department prepare legal documents in order to exit materials from warehouse and they do not have employed an manager. In this case the task of warehouse organization and management lies on the entrepreneur. According to the discussions held with them, one of the causes of notebook-based warehouse management without an employed manager is the insufficient financial resources, another reason is due to lack of trust in staff.

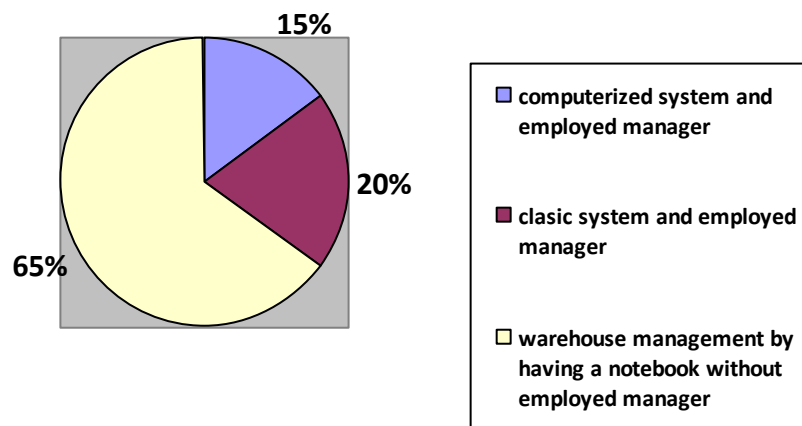


Fig. 1 Organizing warehouse management

Organizational innovation on the field and on the road to / from field

A very important aspect is represented by the organization of practices and people during sowing and harvesting campaigns and also while performing herbicidations and fertilization operations. A first step in an efficient activity organization is represented by culture planing on the plots, and in all analyzed cases, plots are not in one boundary area, but are scattered. Efficient organizations of the wheat crop represents a specific human action on rationality, awareness based on past mistakes that ensures future revenue growth. Because organizational innovation is not a tangible process, its result is reflected in increased revenue or in the reduction of costs, and by the proper organization and correct management of plots the first experienced factor is the cost reduction through reduction of fuel consumption used for travel to/from the field and reduction of expenditures with staff salaries due to time saving. Organizing work carried out in the field, can also be innovated, only in this case in order that organizational innovation is producing maximum effect when if is combined with the process innovation. Organizing the enterprise practices on the field during planting campaigns, harvesting campaigns or during the herbicidation or fertilization is another direct proportional factor with the cognitive processes performed by the entrepreneur or its employees. Avoiding unnecessary stationing of the combines or tractors, efficient work organization, so that, for example at combine's full hopper the tractor would be in an optimal time at the correct end of the plot represents is an important requirement of organizational innovation process due to an optimum management

CONCLUSIONS

As a result of conducted research, it was found that the organizational innovation by by introducing a management system using quality standards in small and medium sized enterprises in agricultural sector of rural area can significantly improve their organizational activities and can lead to increased revenue. From discussions held with entrepreneurs it shows that most of them have problems in efficient organizations of warehouse, and main organizational activities that receive maximum attention and are constantly improved are: traveling to/from the field with tractors and conducting field operations and most entrepreneurs claim that these are made organized, preventing waste of fuel and avoiding unnecessary machine stationary. According to the interviewed entrepreneurs, organizing these activities was the first thing that occurred after the fall of communism. Also, all interviewed entrepreneurs consider important collective knowledge, and collaboration with research organizations, associations, suppliers, customers, due to

possible accumulation of new knowledge in the field and to strengthen relations with the external environment of the enterprise. From the analyzed, results that organizational innovation is the key to sustainable development of small and medium sized enterprises in agricultural sector of rural area because a good organization of business activities lead to increased profits increases interest in the contractor's descendants to continue in agriculture.

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