

## Social Networks: Opportunities for Sustainable Agribusiness Organizations Development

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### Abstract

*The need to research social networks that operate through interactions between business organizations is influenced by current realities, where the business environment is rapidly changing, which is one of the main challenges facing agribusiness organizations in modern conditions. The purpose of this paper is to justify the social networks importance for sustainable development of agribusiness organizations, based on a review existing interpretation in the specialized literature on the nature of the concept of "social networks" and given examples of networks that are actually operating at national level. The topic of research is based on the network's characteristics noted in specialized literature as a key tool to supporting and promoting the sustainable agribusiness organizations development.*

*Keywords: network, social network, agribusiness, business organizations, interaction, opportunities, sustainable development*

*JEL Code: Q01; Q10; Q13*

### Introduction

The concept of „networks” in the 21<sup>st</sup> century is increasingly used in social, economic and political fields. Today, the term is commonly used in academic research, press, government policies, corporate strategies, blogs and daily routine. When researching „social networks”, first we need to define of their scope and application in this study. It should be noted that a subject of study does not concern understanding of virtual social networks such as LinkedIn, Facebook, Twitter, Instagram, etc., which are focused on easier social contacts between people related to professional development, friendships, interests, hobbies, etc. In this paper we analyze social networks as social structure that exist between business organizations, related in network-specific types of relationships.

In recent years, social networks have gone beyond the personal relationships between individuals in a social community and conquered the world of social networks in business communities. Social networks bringing together participants (business organizations) and what they share, namely knowledge. Networks are specially designed to facilitate communication and intended for professional purposes. They are built to help business managers connect with other managers to pursue each other interests by creating mutually beneficial business relationships. Communication presupposes mutual understanding, interconnectedness, mutual influence, mutual empathy, manifested in exchange of information. Only the constant communication within the network maintaining mutual trust between participants, as it depends on it.

This paper aims to present opportunities of social networks for sustainable development of agribusiness organizations and to provide guidelines for further research. Some main theoretical aspects about social networks are considered, on the basis of which potential opportunities of positively impact sustainable agribusiness development are identified. Based on the reviewed scientific literature, examples of social networks in Bulgaria are given.

### 1. Thesis statement

The term „social network“ has gained popularity in recent years when it comes to „network society“. Forms of compatibility that are defined as „social networks“ arise voluntarily. Participants in networks connect with each other through relationships that are characterized by mutual expectations of „giving“. There are many definitions of term „social networks“ in the specialized

literature, but basically, their essence consists in uniting a group of people or organizations with mutual interests such as innovative, technological, sharing and exchanging experience and knowledge, funding methods, etc. For example, social networks in agricultural sector are different in nature, as goals and interests of business organizations within the network are focused on a particular area and factors affecting their economic condition are specific. Usually in this type of network business organizations expected economic benefit, which is one of the reasons for existence of networks that aim to perform activities to protect interests of organizations in a particular industry (crop production, animal husbandry and non-traditional agriculture). This limit the range of members goals within social network and increases possibility for an organization to receive many positive benefits from network activities.

Social network could provide participants with valuable resources. This, in turn, would allow achieving the economic objectives that would be difficult to achieve without membership in a network. A number of authors found that social network can provide resources that have a different form, depending on the specific network. First, resources can be *tangible* (physical capital, financial resources, etc.). For example, the resources provided by an agricultural cooperative to its members are more tangible than those provided by a community organized in Internet. Another type of resource that can be provided in a social network can be *intangible*. For example, resources could be information about the availability of vacancies that members exchange in a social network. This information can be not just information about the availability of something, but also about its reliability. The third type of resource, which can be both *tangible* and *intangible*, is protection. When participants know that safeguards mechanism exist, they take a number of actions that would otherwise avoid. Informal rules provide protection for organizations in a network. In case someone breaks the rules, reputation is destroyed and desire of others to do business is drastically reduced. This is an intangible form of protection in business organizations.

It is increasingly common for successful organizations not to rely only on traditional routine and established business practices, which are characterized by stable and slow rates of adaptation to business environment changes. The dynamically changing environment and new realities for business give rise to the need to apply principles of inter-organizational interaction. Through partnerships arise the idea of implementation a strategy for establishing social networks in business communities. Social business networks could be a modern organizational form that is adapted to market requirements. Participants in such networks (manufacturers, suppliers, traders, customers and potential business participants) can enter and leave the network, especially when their goals change. This determines one of the main advantages of networks, which comes down to be open. Thus, in addition to expanding the network, it will also be able to renew, providing the opportunity for business organizations to adapt relatively quickly to changing market conditions. The inclusion of new members could lead to realization goals of each agribusiness organization within the network, as experience of each member can lead to improve development of organizations throughout the network.

When studying the impact of social networks, it should be noted that they are built on principle of „interactions“, consisting of „nodes“ and „linkages“ where the „nodes“ are the participants and stakeholders (individuals/organizations) that form the membership of the network, and the „linkages“ are the connections/relationships that exist between them. Some linkages will be strong, other will be weak. The specialized literature mentions that there are two-way (with mutual influence of organizations) and one-way (in cases where one participant supports another within the network) connections between participants who interact with each other. When establishing the connections within the social network, it would be good to indicate the strength of interaction between organizations, as there could be connections that have different degrees of influence (for example, knowledge sharing and experience may have a more impact on the organizations development than redirect funds to different branches opportunities). The main purpose of

relationships is to obtain resources for the business growth of each organization without need to build a complex management structure.

In the process of researching social networks, it is good to analyze the relations, changes, responsibilities, information and benefits that result by network connections. As a result of relationships study, we could determine how networks help to tackle issues and challenges facing agribusiness organizations in today's business environment. For example, under the influence of social networks, some business organizations manage to implement their business development strategies, applying various methods that are a consequence of relationships within the network such as: diversify activities (market penetration, product line extension, capital transfer to more profitable industries, etc.), access to information that is necessary to entering foreign markets, assistance in applying with project proposals for various programs, etc. In order to define a network as effective, it has to include such relationships between agribusiness organizations that form the basis of the system in a way that each member's competitive advantage leads to economic condition improvement of the entire network.

In determining the impact of social networks on agribusiness, we have to keep in mind that advantage of such networks is not limited to positive impact they have on the business organizations competitiveness. In case the membership has led to positive results for agribusiness organizations, we could point out the following main advantages that the networks provide:

- to have competitive advantages based on network activity;
- to improve strategic planning, taking into account the information access they have;
- to make better use of all growth opportunities;
- to direct financial resources to other strategic lines of the future activity;
- to use accumulated experience more rationally.

In the specialized literature, networks are accepted as key tools to supporting and promoting the sustainable agribusiness development. However, given the difficulties in measuring the real effects of network membership, especially in terms of „intangible“ benefits, questions about trust could arise. If we assume the exchange of information is the main goal of a participant to join a network, then trust is one of the main factors making network optimally functioning. Thus, the issue arises to what extent an organization can trust others within the network when needs their support in case of any problem. Other issues can be related to circumstances regarding network membership. This may include, for example, composition of the networks, requirements for membership, voluntary nature, ways of managing network, rights of members, etc.

## 2. Typology of networks

Economists and experts in empirical research on network characterization focus on the concept that most social networks participants determine the network in which to join based on their own experience. In this context, we should mention that in order for an agribusiness organization to determine benefits of membership in a network, it should first determine which network is likely to lead to protection of interests and realization of its strategic goals. Different types of networks in the agricultural sector are known in the scientific literature, guided by a wide variety of goals and objectives that improve the well-being, capacity and sustainability of business organizations. There is no single definition of what a „network“ means in the context of agribusiness development. Social networks in agricultural sector commonly vary in terms of:

- their **focus** (i.e., geographical reach, specific rural focus and specialist areas of expertise);
- the **nature of the work** that they engage in (i.e., practical advice, support and lobbying functions);
- the **nature of their members** (i.e., individuals, communities, practitioners, organizations etc.);
- their **membership structure** (i.e., formal or informal membership), and;
- their reliance on **private/public funding** to cover operational costs.

Social network characteristics need to be noted, as the interpretation of term „networks” often refers to „virtual social networks“. Occasionally networks are also described as „webs“, „partnerships“, „chains“ or „clusters“. As noted earlier, there is no widespread definition of „networks“ it may be helpful to look at their typologies. They relate to specific arenas, forms, functions or issues which occupy network members. In some cases, a type of network is defined by contrast with its opposite form (e.g., vertical vs. horizontal). Various classification criteria are known in the specialized literature, by which we can distinguish the types of social networks. Here we will turn our attention to the classification given in report of the European Network for Rural Development. The table below shows main types of networks.

Table 1. Typology of networks based on the literature

<b>Types of networks</b>	<b>Description</b>	<b>Source</b>
<b>Informal (organic) networks</b> vs. <b>Formal (engineered) networks</b>	Networks resulting from natural interactions between members and a process of self-organization vs. Networks established by an external agency on the basis of an explicit agreement	Frost (2011), Cannarella & Piccioni (2006), Marquardt et al. (2011)
<b>Vertical networks</b> vs. <b>Horizontal networks (networks of innovation and learning)</b>	Networks built on relations of power and dependencies in the food chain vs. Networks relying upon relations of flexibility, trust and diversity, where mutual knowledge and cooperation is fostered and determined spatially	Murdoch (2000)
<b>Networks of practice (NoP) / Communities of practice (CoP)</b>	Networks where members share the same concerns and participate in mutual exchange of their practices and know-how	Oreszczyn et al. (2010)
<b>Hierarchical networks</b>	Networks created, developed, supported and finances by public institutions	Cannarella & Piccioni (2006)
<b>Peer-to-peer networks</b>	Networks which are not linked to a dominant agent`s behaviour	Cannarella & Piccioni (2006)
<b>Knowledge / learning networks</b>	Networks involving expertise, leading to know-how transfer and innovation	Cannarella & Piccioni (2006), Ward et. al. (2005)
<b>Territorial networks</b>	Networks acting with regard to certain territory	Cannarella & Piccioni (2006)
<b>Communities of identity</b>	Networks focusing on creating a shared identity among members around certain territory (esp. in LEADER)	Lee al. (2005)
<b>Administrative networks</b>	Networks that facilitate effective program implementation	Marquardt et. al. (2011)
<b>Policy networks</b>	Networks that include actors involved in the formulation and implementation of a policy in a given sector	Clarotti (2001), Henning (2009)

*Note.* Adapted from „Mind the network gaps“, by Ramalingam, B., 2011, Overseas Development Institute. London: ODI, April 2011

With specific regard to networking within the European Commission four types of „policy networks“ can be distinguished:

- networks for information and assistance to citizens and organizations on Commission policies or programs;
- networks for consultation when defining or reviewing a policy or program;
- networks for implementing and adapting EU policies such as programs or legislation;
- networks for developing policies/policy making (including regulation).

In order to give examples of social networks in Bulgaria, it would be useful to point out other classification criteria by which we can group them. The following classification is also used in this paper:

- 1) Depending on the objectives pursued – policy networks; innovation networks; business networks;
- 2) Depending on the legal and organizational form: business associations; networks without an establishment of a representative and/or a servicing association; non-profit organization; cooperatives; companies according to the Commercial Law.
- 3) Depending on the type of production: networks in the field of crop production; animal husbandry; fisheries and aquaculture.
- 4) Depending on the territorial scope: at local level; at regional level; at national level; at international level.

Social networks classification is necessary to have an idea of how an organization could determine choice of network to join, based on its interests. Distinguishing and realizing the benefits of membership in such a network could lead to sustainable development of agricultural enterprise and increase competitiveness, which are the main economic challenges facing modern business organizations. Often lack of interest in social networks membership on the part of agribusiness organizations in Bulgaria is due to need to pay a membership fee and fact they do not receive a direct benefit.

All types of networks should be studied in a detailed analysis in order to identify the positive effects of their activities on agribusiness organizations. Deriving of the results of such an analysis would be useful for promoting networks and they could find wider practical application at national level. Empirical evidence of positive contribution could greatly influence the decision of potential participants to join a network.

### **3. Form of social networks in Bulgaria**

The terminology of networks, as we have already mentioned, is diverse. In most studies, networks are described as „forms of cooperation that allow organizations belonging to different regions, with different production capacities or working in different but complementary sectors, to work towards common goals“. The scientific literature outlines two main forms of social networks in business communities - business associations and company aggregations, which help small and medium-sized enterprises to become more competitive and innovative.

The social networks as *business associations* provide a platform and conditions for cooperation. The actual decision to cooperate or not to achieve certain objectives is left to the association members. Networks as *company aggregations* are formed by companies, which decided to cooperate and aggregate. They have already taken the decision that they will work together on a basis of a concrete jointly set objective. Each of the aggregation companies has a value added that needs to be realized in order to achieve the joint cooperation objective.

The majority of the identified networks have a character of *business associations*, which are servicing their members (SMEs, large firms, universities, research institutes) and satisfying their ambitions and actual needs. The ambitions and actual needs cover a wide range of topics, including

networking, training, joint purchase, export/internationalization support, lobbying, etc. The members of these associations pay a certain membership fee to cover the centrally provided services. The associations have established a stable and well-functioning governance structure. *Aggregations of companies* have been formed by companies collaborating directly with each other, without an establishment of a representative and/or a servicing association. An illustration could be an aggregation of companies along the value chain of the sector in which they operate. The aggregations of companies are networks of companies that cooperate together to achieve a certain, joint objective. It is a spontaneous aggregation of companies, cooperation of which can be intensified by its formalization through a business contract.

Both forms of social networks in business communities are important for the development of cooperation among different types of companies, as they both help them to increase their potential to innovate, access finance and at the end become more competitive. A key difference between business associations and aggregations of companies is that the associations provide a platform and conditions for cooperation. The actual decision to cooperate or not to achieve certain objectives is left to the association members. The companies, which decided to cooperate and aggregate, have already taken the decision that they will work together on a basis of concrete jointly set objective.

In this paper we focus on some social networks that could have a potential positive impact on agribusiness organizations in Bulgaria, indicating the benefits they bring to business organizations as a result of membership. The figure below shows the main forms of social networks which are applicable in Bulgaria.

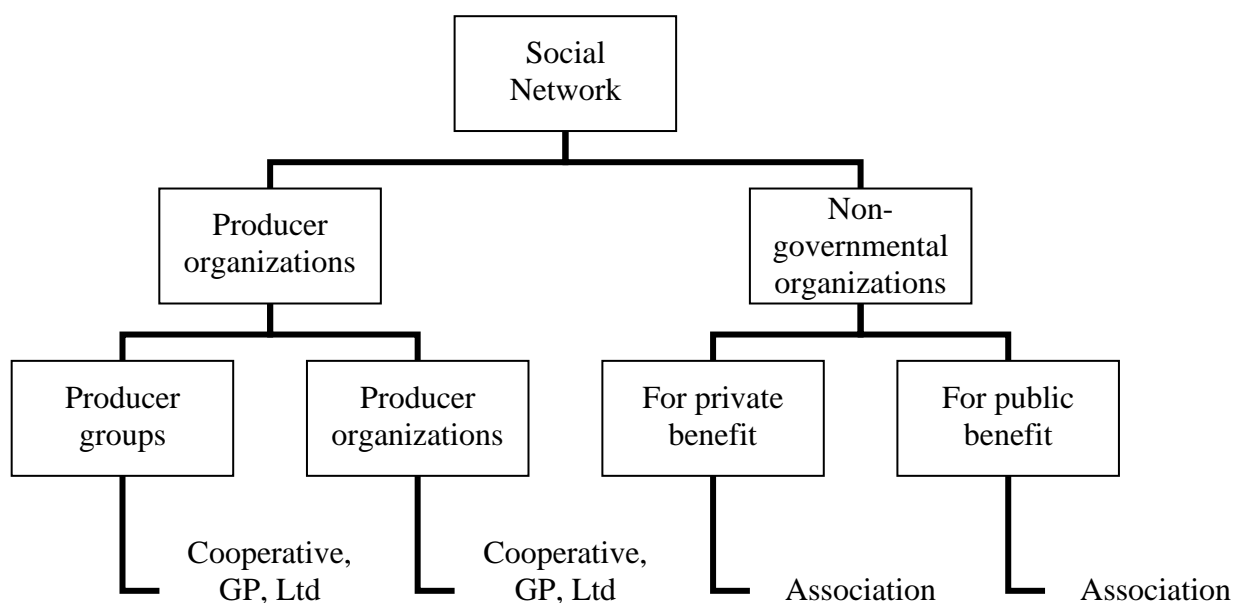


Figure 1. Basic forms of social networks in agribusiness in Bulgaria

The figure shows that social networks in agribusiness in Bulgaria are in the form of producer organizations (POs) and non-governmental organizations (NGOs). One of the main differences between them is the nature of the operations performed. Producer organizations shall operate on an economic activity, while non-governmental organizations shall operate on a non-economic basis. Social networks carry out their activities in accordance with the applicable legislation in Bulgaria. Producer organizations are „producer groups“ and „producer organizations“, as a condition for carrying out their activity is to be registered as a Cooperative, General Partnership or Limited Liability Company (Ltd) within the meaning of the Cooperative Law or the Bulgarian Commercial

Law. Non-governmental organizations, on the other hand, are registered as non-profit organizations within the meaning of the Law on Non-Profit Legal Entities and carrying out their activities for private and public benefit. Examples of networks that are actually operating at national level are given in the table below.

Table 2. Social networks operated in agribusiness in Bulgaria

<b>Producer organizations</b>		<b>Non-governmental organizations</b>	
<b>Producer groups</b>	<b>Producer organizations</b>	<b>Associations for private benefit</b>	<b>Associations for public benefit</b>
- Fructaline Ltd; - Karnobat Milk Ltd; - Sheep Group - 2016 Ltd; - Bulgarian Wheat Ltd; - ...	- Farm Milk Ltd; - Fruit Logistic Ltd; - Organic Bee Products Ltd; - Agro 6 Ltd; - ...	- Bulgarian Association of Agricultural Producers; - National Grain Producers Association; - Bulgarian Association of Traders of Agromachinery; - National vine and wine chamber; - ...	- Danube wine Cluster; - Local Action Groups; - Bulgarian Association of Organic Products Producers; - Bulgarian Association for Biodynamic Agriculture; - ...

The examples of social networks in agribusiness mentioned in the table are only a part of all operating in Bulgaria. At this stage of economic development, such type of network is increasingly used at the national level. In Bulgaria, there are currently a total of forty-four producer groups and organizations recognized by the Minister of Agriculture, Food and Forestry. The list is public and available on the website of the Ministry of Agriculture, Food and Forestry ([www.mzh.government.bg](http://www.mzh.government.bg)). As far as NGOs are concerned, we should mention there is no list recognized by state institutions. Each of the social networks in the table has a different subject of activity, but the goals they have in general could be as follows:

- represent and protect the interests of members to all state and municipal authorities and the institutions of the EU;
- members have access to the latest information on sector development, legislative and market development, good practices and trends;
- examine and adapt the European social and economic standards and best practices to the industry;
- research and analyze economic issues and offer solutions to deal with specific situations related to business relations in relevant industries;
- encourage organizations development and help increase the sustainability and competitiveness on markets;
- facilitate contact between organizations within the network;
- help to expand memberships business towards Europe.

The main priority of social networks in agribusiness is to combine the interests of members to achieve greater competitiveness and greater efficiency. This could lead to benefits for agribusiness organizations on the entire network. Organizations can benefit mainly through:

- exchange of experience between organizations;
- increase the competitiveness of business organizations within the network as a result of their unification;
- use of opportunities for diversification;
- adaptability to changing business environment;

- access to successfully implemented business development strategies of each business organization;

- access to information that is necessary or useful for entering new markets;

- assistance in applying with project proposals for various programs.

With those benefits in mind, we should mention that in a more detailed analysis of different types of social networks, we can observe how they operate more or less effectively. In order to determine the impact of social networks on agribusiness, it is important to determine under the influence of which factors we observe a change in the economic condition of business organizations. It is well known that in today`s conditions determining factors in the agribusiness development are market access, financial access, implementation of information technologies in business, innovation, etc. Under the influence of competitive conditions, they change rapidly and require the flexibility of organizations to adapt to the business environment.

According to research (Georgieva, 2012) „there is a lot of empirical evidence in the specialized literature for existing positive effects of well-established social networks on rural development. For example, in a study of agricultural trade in an analysis, Fafchamps and Minten (1999) show that social networks allow traders to reduce transaction costs in a situation of imperfect competition. In a study of scientific services in the agricultural sector, Red and Salmen (2002) explain the scientific services success in agriculture as dependent mainly on the degree of rural population interaction in networks.”.

### **Conclusion**

As a result of research, this study identifies the potential positive contribution of networks, which can be in terms of knowledge sharing and experience exchange amongst participants, pursuit of innovation, implementation of development strategies, opportunities for diversification, increasing business organizations competitiveness, as well as a higher degree of adaptability in dynamically changing business environment due to active participation and relationships between participants within the network. In order to establish the real contribution of social networks, it would be good to study economic effects on agribusiness and on this basis to present opportunities for influencing these effects. As a result of such study, we could increase the transparency of networks and business organizations access to information about their typology and the membership benefits. It would also be useful to evaluate and promote the contribution of social networks when they operate internationally.

In general, the functioning of networks and their future strategic goals could play an important role in the sustainable development of business organizations in agricultural sector. The opportunity for networks to become the main organizational form of business in the 21<sup>st</sup> century could provide potential for the development of agribusiness organizations by answering questions about the impacts of a highly dynamic and changing economic environment. In this way, business organizations in social network could prevent potential losses.

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