

THE EXPORT CAPACITY OF SMALL AND MEDIUM AGRO-ENTERPRISES

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Abstract: World markets are opening up, borders are collapsing, so the free flow of goods and services, capital, ideas and people are integrating their economies like never before. Better, faster, more sophisticated communications and travel have reduced the impact and distance of international trade. All these factors make the export of the new century easier to do for companies of all sizes. Exports mean new entrepreneurial opportunities and increased sales. With careful planning, even the smallest Macedonian company can succeed internationally. The results obtained from the research indicate a slight increase in the export capacity of agro-enterprises, compared to the same research in 2007. However, companies with lower export capacity still dominate.

Key words: export; export capacity; agro-enterprises; competitiveness; market

ИЗВОЗНА СПОСОБНОСТ НА МАЛИ И СРЕДНИ АГРОПРЕТПРИЈАТИЈА

Abstract: Светските пазари се отвораат, границите се рушат, така што слободниот проток на стоки и услуги, капитал, идеи и луѓе ги интегрираат своите стопанства како никогаш порано. Подобрите, побрзите, посовршените комуникации и патувања го намалија влијанието и оддалеченоста на меѓународната трговија. Сите тие фактори го прават извозот во новиот век полесно изводлив за претпријатијата од сите големини. Извозот значи нови претприемачки можности и зголемена продажба. Со внимателно планирање, дури и најмалото македонско претпријатие може да успее на меѓународна сцена. Добиените резултати од истражувањето укажуваат на благо зголемување на извозната способност на агропретпријатијата, споредено со истоветно истражување спроведено во 2007 година. Сепак, сè уште доминираат претпријатија со пониска извозна способност.

Клучни зборови: извоз; извозна способност; агропретпријатија; конкурентска способност; пазар

INTRODUCTION

There are different types of export channels, which, in general, we can classify as: indirect, direct and cooperative export. In more detail, the different forms of international work can be divided into (Bradley, F., 1991):

- export,
- export assistance,
- agents,
- distributors,
- agreed export,
- franchising,
- licensing,
- direct investments,

- takeover of an enterprise,
- joint investments (investments),
- strategic relationships and partnerships.

Export is the simplest way to penetrate the foreign market. Usually export is a passive system, in which the company exports anywhere, based on a spontaneous order from abroad. Active exports occur when a company commits to export products to a particular market. In both cases, the company produces in its own country.

The products usually adapt to the foreign market. Small businesses are often unaware of consumer habits and competition activities in foreign markets, so sometimes cooperation is inter-

rupted. If the company wants longer-term export cooperation in a certain market, it must decide on a more active policy for participation and knowledge of the market in which it exports.

We are talking about indirect export when the production company uses independent organizations based in the country of production for export. There are several ways to export indirectly (Batlet and Gloschal, 2000):

- export agent,
- broker (intermediary),
- export house,
- trade company,
- export assistance.

The export agent is a representative of the foreign buyer, who lives in the country of the exporter and acts on the basis of their orders. A broker is a form of agent who lives in the country of the exporter. His task is to unite the buyer and the seller. Export companies are specialized companies, established as "export department" in various companies. The company has a key influence in areas such as distribution, storage, technology transfer, construction and regional development.

Export assistance is a form of export, where the company uses another company's existing international distribution network to support its own distribution.

Agents are independent individuals or companies that work amicably for the benefit of the exporter, based on a calculated commission from the transactions made. As part of the contractual obligations that are expected from them are: to know the local market, to help in the development and shaping of sales strategies and tactics and to forecast sales.

Distributors differ from agent in that agents work for a commission, while distributors buy the product from the manufacturer. Distributors, or most of them, negotiate and seek exclusive sales rights in a particular geographical area. Exclusivity is a reward for the capital invested in the sale and distribution of the manufacturer's products.

Contractual export is a form of export where two or more companies jointly create a more attractive production concept for the customer. This is one of the most important motives for the association of small and medium enterprises. Generally, when companies cannot explore their own competitive advantages, they go to bargaining agreements. A typical example is the agreed export, which allows the company access to foreign resources (production). The company must be able to monitor the quality of the products, which must comply with appropriate standards.

Because we are primarily interested in small and medium-sized enterprises, we argue that their advantage lies in greater flexibility and smaller product lines. Therefore, the strategy of adapting the product to the consumer is desirable for them, as well as better quality satisfaction of the needs and desires of foreign consumers.

Franchising is a business concept by which one person develops a complete system of business activities based on the use of a protected name and gives permission (franchise) to other persons to use the established system. It offers a unique organizational approach and solutions for production and distribution, while ensuring that some of the negative features of full integration are avoided. The basic preconditions for establishing a franchising relationship are (Nonaka and Takeuchi, 1995):

- existence of ownership by one person of a trade or service mark, patent, know-how, specific equipment, etc.,
- giving permission by the owner to another person for their exploitation,
- control of the business activities of the franchisee by the franchisor,
- the payment of an appropriate fee for their use.

Granting a license to a manufacturer means a simple start to international operations. Licensing is a form of management agreement in which the licensee grants the lessee the right to use one or more of the following (Krebs, 1990):

- patent rights,
- right to trademarks,
- copyrights,
- know-how process or product (business secret).

The highest form of appearance on a foreign market is foreign direct investment, which has the task of establishing lasting business relations and building effective influence and supervision over the management of a foreign economy. This type of appearance on foreign markets has both positive and negative sides for the host country of foreign direct investment.

When the speed of entering a foreign market is an important category for the company, taking over the company is the most appropriate way to enter a foreign market. Acquisition is the only solution in case another way of bidding is disabled (e.g. lack of locations in the retail market). The takeover also provides access to educated staff, existing buyers and suppliers, recognized trademarks, the existing

distribution network as well as the revenue that the company being acquired is already generating.

At a certain point of growth the company accepts the decision that the divided ownership of the newly established company for trade or production is the right decision to enter the foreign market. The decision is based on the assumption that two or more companies contribute to the complementary competitive advantages that the new company enjoys.

Most joint ventures are made between a transnational enterprise and a local partner, where the former contributes to the specific advantage of the enterprise (knowledge, technology, capital), and the local partner with knowledge of the local environment.

MATERIAL AND METHODS

The purpose of this research is based on literature, documents and especially on the analysis of the Questionnaire on a random sample of 64 agro-entrepreneurs from the Republic of North Macedonia. The research uses several methods used in social and economic analysis such as: generalization and specialization, induction and deduction, statistical and comparative method.

RESULTS AND DISCUSSION

For the research of the export capacity of the agribusiness we used the Questionnaire created by Kostadinov and Pendev in 2007 with the following questions addressed to agro-entrepreneurs:

1. Is your product or service available?
 - A. Currently in production, respectively development procedure.
 - B. In stadium on prototype.
 - C. Only in one stadium.
2. Do you sell your products or services in the Macedonian market?
 - A. It is being sold, and the market is increasing.
 - B. It is being sold, but the market is small.
 - C. It is being sold only in one city (region) in Macedonia.
3. Do you have a high production capacity or structure of the distribution as it satisfies the increased demand for its product or service?
 - A. Yes.
 - B. No.

4. What are the funds needed to adjust your products and services, how to satisfy and promote the full market?

- A. The funds exist.
- B. The funds are in preparation.
- C. The funds are not available.

5. Is there inside the company, among the management, a consensus about your export efforts?

- A. Yes.
- B. No.

6. Does your company fulfills the responsibilities in the right time so far?

- A. Yes.
- B. No.

7. Is there experience in the export market?

- A. Yes.
- B. No.

8. Does your product produce external competitive advantage (quality, price, uniqueness, innovation in relation to competition)?

- A. Yes.
- B. No.

9. Have you adjusted the packaging (labeling and / or promotional materials) at the aim market?

- A. Yes.
- B. No.

10. Do you have the ability and means to provide post-sales support and service to the entire market?

- A. Yes.
- B. No.

11. Do you have a price list of your product or service?

- A. Yes.
- B. No.

12. Have you done any research on the foreign market?

A. We have done the primary and secondary research of the market, including visit to the aim market.

B. We have finished the primary and secondary research of the market.

C. We have not finished the research.

13. Is your promotional material available in the language of the aim market (brochure, WEB)?

- A. Yes.
- B. No.

14. Have you started promoting your product or service in the aim market?

A. Yes.

B. No.

15. Have you hired a sales representative, distributor, agent or joint venture with some local company?

A. Yes,

B. No.

16. Have you contracted a freight forwarder or customs intermediary?

A. Yes.

B. No.

The processed data based on the answers given in this Questionnaire in 2007 by Kostadinov and Pendev, are given in the Table 1.

Our research in 2019 gave the following results given in Table 2.

Table 1

Level of "export capacity" of the enterprise

High "export capacity" – having an understanding of the obligations, strategy and resources needed to be a successful exporter (respondents in %)	Medium "export capacity" – there are still areas of weakness in the export strategy and it is necessary to seek expert advice (respondents in %)	Low "export capacity" – the need for the company to prepare first on the domestic "field" before starting to export (respondents in %)	Total respondents (in %)
26.0	34.0	40.0	100.0

Table 2

Level of "export capacity" of the enterprise

High "export capacity" – having an understanding of the obligations, strategy and resources needed to be a successful exporter (respondents in %)	Medium "export capacity" – there are still areas of weakness in the export strategy and it is necessary to seek expert advice (respondents in %)	Low "export capacity" – the need for the company to prepare first on the domestic "field" before starting to export (respondents in %)	Total respondents (in %)
35.0	28.0	37.0	100.0

Source: Personal calculations

Our analysis of the export capacity of agro-enterprises, which is also in the context of their internationalization, showed that the largest number of enterprises have low export capacity (37%). The low export capacity means that such companies mostly have their products and services in a prototype status, are sold in a city or region in the Republic of North Macedonia, do not have funds to promote their products and services, do not have managers with experience in export markets, do not have a clear competitive advantage (quality, prices, uniqueness, innovation in relation to the competition), do not do research in domestic and foreign markets, do not have sales representatives, distributors and the like. These companies should initially develop competitive supply capabilities in the domestic market before embarking on export activities. The companies with medium export capacity

(28%) are in a phase at which there are still weak areas for them in the export strategy and, of course, they need to seek advice from appropriate experts. Namely, these companies – in the first phase – need to identify weaknesses in their strategies (if any). This means that they need to make a strategy paper or upgrade and/or revise their strategic plan. 35% of the surveyed companies show high export capacity. This means that their entrepreneurs and managers have an understanding of the strategy, commitments and resources needed to be competitive exporters. In this context as well, successful entrepreneurs showed high export capability, while other categories (entrepreneurs and potential entrepreneurs) showed mostly low export capability. What is interesting is that non-entrepreneurs demonstrated medium export capability.

CONCLUSION AND RECOMMENDATIONS

As a conclusion and recommendation regarding this research, it can be pointed out that the Macedonian agro-enterprises have slightly improved in the past ten years.

The recommendation also remains that it is necessary to conduct research in this segment on a larger scale. Funding for such research should be undertaken by government institutions and European funds. Of course, such activities should be initiated by the agribusiness sector and the various types of associations active in the area. We should emphasize that without the active participation of businesses in the agro-sector, research will not yield

sufficiently useful data. It is necessary to prepare a strategy for internationalization of agro-enterprises.

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