ENTREPRENEURSHIP IN ORGANIC PRODUCTION – AN INCENTIVE FOR SUSTAINABLE RURAL DEVELOPMENT

The implementation of the strategic goals of economic, social and ecological development should start by entrepreneurship encouragement in rural areas for development of agrarian and related activities. The significance of protection of environmental components (soil, water, air, biodiversity, landscape) in global aspect directs the development towards sustainable agriculture, and organic production in particular, and its integration to other activities as tourism development.

Current paper discusses entrepreneurship in organic production and trade as one of the main drivers of economic growth, productiveness and innovations in rural regions. Organic production is economically effective, ecologically compatible and socially responsible and it occurs to be an effective entrepreneurial strategy for rural development starting from urban areas demand and embracing not only food or other products but also places for rest, tourism, landscape preservation, protection of nature, culture, infrastructure development, etc., aiming at increase in competitiveness by applying an ecological technology using a new approach – planning, management and control over the production process.

Key words: organic farming, sustainable development, entrepreneur, entrepreneurship.

Introduction and review of literature. In contemporary globalizing world one of the most prominent and mutually connected goals, governments and international institutions have, are those of sustainable development, knowledge-based economy and transfer of innovation. The main characteristics of the changing world in XXI century is the knowledge and knowledge-based economy – favorable economic and institutional environment, entrepreneurship development and management, information infrastructure, human resources and innovation systems [7].

The main goal in agriculture’s development in the EU is the achievement of high levels of food safety, economic, ecological and social sustainability. Agriculture in the process of its development reflects historical, cultural and social values of human kind. Sustainable agriculture integrates three main objectives – healthy environment, economic effectiveness and social justice [3].

The choice of consumers in the EU is directed towards healthier and tastier food with high nutritional values produced by environmentally friendly methods - organic farming in particular [4]. The leading principle in this development is the quality. Consumers now search not only for the ‘rude’ quality first – easily determined facts in relation to safety and hygiene but for the ‘soft’ one too where traditions, heritage and sustainable production give added value to the products. A market-oriented farmer / producer should respond to consumers’ demands in order to sell the produce,
especially in respect to quality and safety. The motivation for organic farming varies from own health anxiety to planet ecological balance concern [27]. So it can be examined at different levels starting from the separate farm till global level’s policies [32].

The purpose of the article is to analyze current studies on entrepreneurship development in the organic sector as an instrument for sustainable rural development through the example of Bulgaria. It is based on investigations of the links of organic production to sustainability pillars of economic, social and ecological effectiveness that provide implications on the potentials that could be used considering the notion of accountability and active involvement of key stakeholders.

Results and discussion. In Bulgaria there are 20 rural areas, 7 intermediate and 1 urban (the capital). Rural and intermediate areas cover 98.8% of the territory of the country and 84.3% of its population [17]. Thus sustainable rural development is one of the priorities for future development. The question how this can be achieved is one of the most pressing in the last few years bearing in mind the processes of globalization and urbanization which have great negative impacts on rural areas development [28]. The hard competition on global markets for agricultural produce on one hand and the unattractiveness of rural areas for young people on the other impose the need of seeking for new ways, approaches, technology, products, services, etc. to foster rural development [33]. The process is influenced both by the EU, state and other policies and support and by people’s motivation too [30].

Europe 2020 Strategy of intelligent, sustainable and inclusive growth aims at encouragement of the competitive economy effectively using the resources in environmentally friendly ways. EU policies have an accent on organic production as a way of achieving sustainable development.

Organic production follows the same principles in their essence in the whole world but in accordance to local social, economic, cultural and other characteristics. The aims of organic farming are to protect: (a) the environment, by using organic management practices that do not have adverse effects of conventional practices, and (b) the health of consumers, by the provision of organic products [9].

One of the most accepted definitions is that of International federation of organic agriculture movements (IFOAM) along with its principles of health, ecology, fairness and care: “Organic Agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic Agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved” [15].

According to Codex Alimentarius’ definitions: “Organic agriculture is a holistic production management system which promotes and enhances agroecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasizes the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is
accomplished by using, where possible, cultural, biological and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system” [13].

Organic production is a production method which in the greatest extent puts the accent on environmental protection, health and safety. That way it appears to be the right and the most direct way for a farm/plant to respond to all legislative requirements in those fields [3]. On the other hand, the organic sector proves to be one with the biggest potentials for achievement of sustainable economic and social growth, as well as for supporting rural areas development [5]. The key difference between intensive agriculture and organic farming turns to be that the first one is oriented towards world market while the second one towards ecosystems. A commonly accepted notion is that one of the indicators of society viability and sustainability is the food system’s long term health impact in which sustainable agriculture is of particular importance. Thus, from its advent as a way of thinking and agricultural practice at the beginning of 20th century organic farming has been expanding and embracing more and more countries and areas. Last years’ sector growth is assessed as permanent and stable.

The organic production method as a multifunctional system integrating economic and social issues with those of environmental protection, is an appropriate alternative for the operators (producers, processors and traders) to find the best solution for organization, management and development of agricultural holdings, processing or trade companies and to find markets for their produce. In that connection, encouragement and development of organic production and its integration with other economic branches is one of the alternatives for future sustainable development [7].

Organic production is economically effective, ecologically compatible and socially responsible and it occurs to be “an innovative solution for creating entrepreneurial initiatives in rural regions” [20] aiming at increase in competitiveness by applying an ecological technology using a new approach – planning, management and control over the production process [7].

Current paper presents a desktop study and analyses of previous research on organic production development in Bulgaria as an instrument of sustainable development. It examines entrepreneurs’ qualities and the significance of entrepreneurship encouragement from the point of view of organic sector management and development.

“Organic” entrepreneurs and “organic” entrepreneurship

Entrepreneurship is considered a central force of economic development, as it generates growth and serves as a vehicle for innovation and change [18]. Entrepreneurship has been recognized as a major conduit for sustainable products and processes, and new ventures are being held up as a panacea for many social and environmental concerns. However, there remains considerable uncertainty regarding the nature of entrepreneurship's role and how it may unfold [14]. It can be assumed that sustainable entrepreneurship, in its essence, is not different from other types of
entrepreneurship, but it takes into consideration the social and environmental issues together with economic ones; thereby sustainable entrepreneurs are more responsible [18]. There is growing recognition that firms’ long-term success depends on strategic entrepreneurship – simultaneously exploiting current domains while exploring for new domains [35].

When discussing business, management and economics, some of the most used words are ‘entrepreuner’ and ‘entrepreunership’. However, very often different meanings are implied in them. From the etymological point of view that is an intermediary between two parties. Historically viewed this is one of the most inherent characteristics – bigger profit because of the undertaken risk. And the risk is determined as one of the most important and essential characteristics of the entrepreuernership. Later, entrepreuernship is assigned to those who need capital (the production factors – land, capital or labor) differentiating them of those who possess it [1]. Thus, the peculiarities in entrepreuernership are determined to be discovery and innovations when following plans in conditions of risk [7]. Innovations could embrace something that was unknown till the moment – raw materials, products or services, transfer of new technology, entering new market, organizational innovations, etc.

Human history evidences show that in entrepreuernership theory and practice there are many tricky questions impeding general conclusions and common recommendations. It is necessary to make analyses in the concrete sector of study or economic activity in order to summarize the necessary characteristics of the entrepreneur, generation of ideas, entreprenerial strategies, ways of encouragement of entrepreuernerial activities, etc.

Discussing in general qualities needed of young organic entrepreuerners could be pointed as follows: knowledge on production technology, economics and management, environmental protection, skills in making analyses of inner and outer environment, strategy making, communicative skills, decision taking, risk assessment and management, organizational skills, etc. The learned from practice is very valuable but sometimes it is not enough. More specifically the following could be determined: initiative and decisiveness, foresight and flexibility, broad point of view, steady work, life-long learning and improvement, honesty and loyalty to suppliers, customers, competitors, team work ability, etc.

In the process of discovering innovations the importance is put on the personal factor, sources and favourable opportunities. Some group of factors could be formulated:

- basic – genetic factors, family environment, knowledge, skills and competences, experience, situation, motivation, possible collaborators, financing opportunities, access to advisory services, etc.

- unlocking – economic compulsion (need of higher incomes, unemployment), jealousy (success of others), examples from media, wish to put into practice own ideas instead to give them to someone other, favourable factors (for example contacts), unwillingness to continue current job, etc.
- detaining – uncertainty, prejudices, etc.

In organic sector the bigger part is of innovative and intuitive types of entrepreneurs – full of energy innovators, taking decisions according to the real resources as well as of the analytical types (good organizers, full of ideas, amenable to new information, using integrated approaches). In agricultural sector, and organic farming in particular, the most important decision, is what to produce and in what way. The ideas could be borne by analyses of market niches – a method that is intuitively used in many cases although theoretically complex. Analyses of life styles are applicable too at some extent because of the point of healthy and safe food and living environment. One of the most negative characteristics us the absence of planning in both short and long-term periods. Main mistakes are connected to non-estimated high expenses, lack of managerial and marketing knowledge and skills, lack of integrated knowledge, etc. All above stated as personal qualities, ideas generation, strategies and planning are part of entrepreneurial activities and there should be found ways of improving knowledge, skills and competences in those fields in order to push organic sector development. Starting from the business idea through decision to start organic conversion till extended analyses and planning activities embracing all resources should precede the ‘real start’ and running. On the other hand, a part of the entrepreneurial potential is the intuitive development of small and medium size business in rural areas based on traditions, culture, experience, etc. [7].

Considering entrepreneurial economy as an innovative knowledge-based economy, another important point deserving special attention when discussing entrepreneurship is innovation / novelty / reform. In contemporary societies entrepreneurs are accepted as ‘bearer’ of innovations developing societies. An entrepreneur searches for new knowledge, initiates, organizes and implements new activities. Innovations are connected to the optimal use of resources and hence sustainable development. The relation price – cost (‘the formula of success’) is about economic power of the producer and competitiveness of goods or services. Lowering production and distribution expenditures is one of the main tasks in organic production subject to innovations search. In that relation it is important to notice the opportunities of networking, making associations, cooperations, cooperatives etc. The decision of ‘uniting’ is viewed as part of the entrepreneurial activities and as a result of good entrepreneurial culture / behavior, especially regarding marketing cooperatives in organic production sector and associations of lobbying ‘defending their members’ rights’. The last one as part of the civil society development is very important in the processes of making policies, strategies and plans on different levels in connection to the creation of organizational, financial and law prerequisites for support of small and medium sized enterprises in rural regions for sustainable growth and fair trade.

Not the least is the significance of the so-called virtual entrepreneurship and using the Internet opportunities as a channel of reaching suitable categories of consumers – educated and with good incomes, using every day Internet for
communications, information, work or purchase [1]. Of course, the main threats are the Internet deceptions that are growing and sometimes becoming even more innovative.

So, the significance of the requirements to entrepreneurial ethics is growing – responsibilities: clients: safety, quality and quantity in correspondence to price; suppliers: correct payments; competitors: fair trade; employers: salary, training, social activities, etc. Contemporary entrepreneurs should be more wise and flexible than ever before, but also honest to customers and socially responsible. Organic production concept and methods fully corresponds to the needs of entrepreneurial, knowledge-based and sustainable behavior.

Competitiveness raising through innovations

The economic development of a country or a region is strictly linked to the innovation process. Four types of innovation are considered[22]: product innovation (which involves a good or service that is new or significantly improved); process innovation (which involves a new or improved production or delivery method); marketing innovation (which involves a new marketing method, including significant changes in product design or packaging, product placement, product promotion or pricing); and organisational innovation (introducing a new method in the firm’s business practices, workplace organisation or external relations).

Raising competitiveness could be reached not only through huge investments but also through creation and distribution of knowledge among stakeholders and networking [7]. Those questions are of extreme importance for agricultural sector reflecting historical and cultural characteristics of a region and influencing the production structure, and especially of organic production combining traditions and innovations and ‘engulfing’ high production expenditures. In the process of its development agriculture has been forced to provide produce in enough quantities and at affordable prices which has imposed many unsustainable methods and many debates about ecological and social impacts of agricultural systems. The whole development leads to enormous growth in yields and decrease in production costs. On the other hand, agriculture uses resources that are accepted as enough – water and energy. World population growth and the processes of urbanization presume that the demands towards agriculture will increase. The need of establishment of a new connection between urban and rural areas in implemented in the concept of sustainable development [25].

Successful entrepreneurial strategies in agriculture, applying innovative approaches, add value in new activities and contribute to sustainable development [23, 24]. They include new connections of agriculture with other sectors and mutual use of ‘waste’ products. The need of sharing responsibilities between the stakeholders imposes the establishment of new innovation systems. ‘Non-financial’ goals have started to be put in the strategies on the level of organizations. The eco-marketing includes all activities involved in obtaining social acceptance of environmental ideas, the public and private conduct appropriate environmental requirements [12]. There is a need of establishing a technology development system that incorporates three
elements (measurement of inputs in space and time, market-focused technology development and a self-teaching information system for farmers) and that could be used in rural development, primarily in the area of agricultural production [11]. Knowledge and innovation are keywords in a context of resource scarcity and sustainable intensification of agriculture. But in order to fully use the knowledge potential and to transform research results into innovative practices, there is a need for an adequate configuration of the agricultural knowledge and innovation system (AKIS). This configuration should be considered in relation to its own specific context and history [34]. Agricultural knowledge and information system (AKIS) aims at knowledge exchange between producers, researchers and scientists, institutions and organizations, which create and distribute knowledge and information in support of production, marketing and processing of agricultural products, as well as natural resources management [29]. AKIS is the framework embracing all the actors and their interactions in creation and transfer of knowledge in new and effective ways (Fig. 1).

**Fig. 1. A model of production with the market-focused technology development system [11, with modifications]**

The agricultural and food sectors face a huge challenge to boost production without exceeding the world’s ecological boundaries. Research and innovation are hereby of crucial importance as sustainable intensification will largely depend upon the increase of productivity (instead of farming more land) [34]. Farmers must continuously adapt production and management systems in order to maintain and
enhance the competitiveness and sustainability of their businesses [26]. The
development and implementation of innovations require both information and the
farmers’ willingness to change daily work routines. Learning and knowledge transfer
among farmers, technology developers, experts and university teams ensure the
development and application of innovative ideas which are crucial for a sustainable
growth in food (and non-food) production [19]. Recently, the transition from
traditional scientific approaches of creation and transfer of innovations by linear
approaches (scientists create innovations, consultants transfer innovations to farmers)
towards systematic approaches lead to the understanding that “innovation emerges
from networks of actors as a social (and institutional) as well as a technical, nonlinear
and interactive learning process [16]. The use of group processes to encourage
innovation and to transfer best practice is relatively novel in the agricultural sector.
The establishment of small, close knit groups with a dedicated experienced facilitator
and utilising Action Learning methodology can result in extremely effective and
sustainable innovation and knowledge transfer [21].

The need to recognize individual peculiarities in agricultural production,
previous knowledge and experience, social and economic development, etc., along
with the notion that training is a social process, effective interactive communications,
combination of new technological decisions with management activities, lead to the
integrated approach – interdisciplinary forms of training and scientific research and
creation of knowledge for practice. As already pointed out, systems of innovations
approaches build on networks as social processes encouraging the sharing of
knowledge and, notably, as preconditions for innovation. Such approaches, therefore,
focus on processes (instead of the emphasis on structures) with knowledge conceived
as being constructed through social interaction – i.e. not unproblematically
transferred but instead continuously created and recreated. Thus particular attention is
given to (social) coordination and networking [16]. Crucial factors for the application
of innovations could be different: interactions on the macrolevel; entrepreneurship;
innovation capacity; management. Social innovation is a complex and
multidimensional concept that is used to indicate the social mechanisms, social
objectives and/or societal scope of innovation. The social mechanisms of innovation
refer to the fact that the development, diffusion and use of innovations always occur
within the context of society and in interaction with social relations, practices and
norms and values. Social innovation is often appointed as an essential part of
agricultural and rural innovation [10].

Entrepreneurship and innovation networks are the main elements of innovations
systems. Networking in educational projects for innovations in organic farming and
entrepreneurship encouragement - experience in training, motivation, knowledge
transfer, entrepreneurship and networking, is a subject of many projects working on
experiences and knowledge in the field of ecologic farm production, specifically in
the relation and interaction with and between farmers in the training process using
innovative methods and practices [2].

In addition, the connection science-business is a subject of many discussions and
financing schemes in international and national programs, and especially the building of innovation infrastructure. In all these processes the user-centered approach in innovation research is the leading one but the organization and implementation of activities is a tricky task [31]. In modern time the shift from a product-based economy to a user-centered one brought to many challenges before companies concerning innovativeness and flexibility issues in market positioning [6]. The importance of technological factors and users’ feedback in innovation processes leads to the development of the living labs concept in recent years as open innovation intermediaries. Among the number of the approaches and types of proinnovation structures the living lab concept gathering momentum in last years is one of the most promising in the processes of developing goods and services fulfilling consumer demands [8]. The active involvement of end-users in research and innovation life-cycle is a prerequisite for raising competitiveness and improving business environment. It is a way of entrepreneurship encouragement and meeting challenges of assuring safety, quality and sustainability in all the spheres of economical life.

**Conclusion.** Organic production is a specific production method preserving environment and providing healthy food of high quality having the following advantages: production of healthy food with high technological characteristics; increasing demand; new markets; higher prices; less intensive use of land; lower energy consumption; environmental protection; rural development, etc. Organic farming is an overall systematic approach based on a number of processes leading to sustainable development. Increasing employment and decreasing unemployment, reducing the risk of poverty, increasing the attractiveness of some regions or destinations as a result of improvement of ecological conditions of life, attracting direct foreign investments, increasing incomes and employment in rural regions.

The strategic goals of raising competitiveness, human resources development, employment, incomes and social integration along with strategic priorities as infrastructure, entrepreneurship encouragement, favorable business environment, balanced territorial development, etc. consider knowledge and transfer of innovations weaving environmental protection, rational use, conservation and sustainable management of natural resources.

Organic production examined by the traditional pillars of sustainable development provides: economic sustainability – competitiveness increase, strong market orientation and increase in incomes; social sustainability – bigger responsibility towards consumers’ needs, improving quality and safety of food, regional development; ecologic sustainability – a common frame, effective application, control, development of standards of environmental protection, health and welfare.

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