

Elaboration of The Human Resource Management as a Development Strategy for Bulgarian Agricultural Firms

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Abstract: The qualitative and quantitative changes experienced by agriculture in recent decades require the implementation of new strategies for maintenance of rural areas and especially for agricultural entrepreneurs. The paper presents a number of strategies (such as technological innovation, multifunctionality, associations and diversification), which could help the entrepreneurs to constantly adapt to the changing environment. Special attention is given to the elaboration of the HRM strategy as one of the possible solutions for development of Bulgarian agricultural firms.

Keywords: agriculture, human resource management, strategy

1. Introduction

In the contemporary more and more globalizing world, the agricultural entrepreneur's role is going through a big change - from a farmer to an entrepreneur. This is due to the evolution of the Common Agricultural Policy, agricultural modernization, globalization and interdependence of the economy. This change leads to a structural adjustment of the whole agricultural sector, especially with regard to the size and number of the farms. The agricultural entrepreneur has always been a social and economic entity, resulting from a combination of interrelated factors (human, technical and financial), trying to achieve certain goals. Unfortunately, it turns out that he/she is still not able to effectively implement modern business management techniques.

2. Development Strategies

Obviously different strategies are needed to guide the entrepreneurs in their actions and help them to adapt to the changing environment.

Associativism. The agricultural employers must create associative entities, which articulate their interests and also those of the rural areas. These corporate and cooperative formulas will have a growing role in the future development of the sector and more particularly in the agricultural restructuring and maintenance of rural areas.

The cooperative is one of the oldest formulas and most traditional in agriculture integration. It gives to the agricultural entrepreneurs an opportunity to cope with the limitations of their companies and to

manage the uncertainty and risk. The formulas of associativism that have an enhanced role in the agricultural sector, are agricultural cooperatives and agricultural processing companies that increase efficiency in business management. These forms of cooperation and collaboration will allow to increase production, reduce production costs, improve the utilization of resources and diversify the production.

We can highlight three business formulas of agricultural restructuring: the associative way, the corporate way and the services way. *The associative way* is based on the association of a common crop, on the grouping of common culture, and it can take many forms: cooperatives, working society, agrarian society of transformation. It is important that these farmer groups are managed by professionals with training and management skills. *The corporate way* is based on the establishment of agricultural enterprises based on groups of partners that could provide capital and land. The company will be managed according to the profitability criteria. *The services way* is based on owners who have inherited land and have no interest in cultivating it directly, because neither are farmers nor live in rural areas. They contract with a service company, performing some or all of the work, or even the complete management of the farm.

Technological innovation. It is one of the most important forces guiding the structural change of the agriculture. Promoting technical progress has always been one of the objectives of the Common Agricultural Policy, because of its great benefits to

the society. The agricultural sector follows the technological revolution, succeeding rapidly technological innovations that will affect the entire production process, helping to improve productivity, and also to achieve optimum conditions of safety in the development of work, stimulating the disappearance and concentration of farms. Specifically, the agriculture farms try to introduce new information technologies, which have a major impact on agricultural development, as they reduce production costs, increase competitiveness and efficiency. They also allow the agricultural entrepreneurs to be better informed on prices, assistance, agricultural policy, market trends, etc. - information useful for the decision-making process. The problem associated with the adoption of new technology is that it requires a certain degree of training, which the agricultural entrepreneurs do not usually have. Therefore, this becomes an obstacle to the development of the agricultural sector. Besides this, although the expenditures on technological innovation have increased, there is still a corporate culture with little tradition of innovation and resistance to change in the management of the agricultural company.

Multifunctionality. The Common Agricultural Policy (CAP) is no longer a sectorial policy, but it has entered multifunctionality. The term "multifunctionality" includes the addition to the traditional role of producing food and raw materials, consideration of other functions performed by agriculture that go beyond it and for which the farmer does not obtain exchangeable goods on the market. In the last years, there has been conceived the idea of agriculture as a multifunctional activity that generates multiple benefits not only individually, but overall.

Agriculture has always played a number of basic functions, but these functions are fulfilled in a deficit way, such as food production. At present, to be competitive in a world full of uncertainties, the agricultural businessmen will have to ensure that agriculture achieves a number of key functions for maintenance and development of rural areas, developing a medium-term strategy. The agricultural sector is obliged to assume a greater number of functions, because the deep transformations of the society needs them. Not only it will produce food, which has been the function that it has always entrusted, but it demands new public goods and services (leisure, landscape, etc.). The agricultural entrepreneur is

not only a unit dedicated to the production, but also a decision unit, planning and controlling, pursuing goals and taking risks.

Production functions. Producing food is the most basic, traditional and conventional function that the agriculture has always performed. The market and particularly consumers demand products of high quality and security, low prices, as well as wide variety.

Non-production functions. Preserving the environment and maintaining biodiversity. Agriculture must refocus its activity according to the demand of new markets and the incentives of multifunctional agricultural policy. The agricultural activity should contribute to the economic viability and social balance, keeping the population in rural areas, improving the quality of life (by increasing the employment and incomes), preserving the environment, culture, landscape and identity, and maintaining the territorial balance.

Diversification. It is a central strategy of rural development models that contribute to the socio-economic revitalization of the rural areas. The agricultural entrepreneurs must be innovative, with initiative, creativity, motivation, commitment, looking for the future, taking risks, having courage to expose their goods, reliability, ability to manage their operations and to choose partners, ethical behaviour (honesty, fairness, respect), and contributing to the diversification of economic activities.

The diversification of agricultural farms is understood in a broad sense, including not only the evolution towards unconventional production (marketing processes or development of agro-industrial products), but also towards the supply of tourist services or leisure activities. This is an opportunity for those farms that have not been modernized yet. The rural world is going through a process of industrialization, where the rural population could not live exclusively or mainly through agriculture. The agricultural entrepreneur performs other alternative or complementary activities. This diversification requires the creation and development of new communications and transportation infrastructure. It happens that due to low population levels in rural areas, both agricultural and non-agricultural alternative economic activities can be unfeasible.

3. Elaboration of The Human Resource Management as a Development Strategy

The agricultural sector is traditional for Bulgaria and forms a great part of our gross domestic product. Unfortunately the unfavorable social-economical environment in Bulgaria exerted a tangible negative influence on the state and development of the agricultural sector during the last years. According to many investigations currently it functions far under its potentialities. This affects the personnel management in the particular farms as well. On the background of the scientific achievements in the field of human resource management the backwardness of the practice in our country is impressing. In contrast to most European countries, that really apply the so called "best practices" and thereby provide their sustainable competitive advantage, the main part of Bulgarian farms are very far away from the concept and requirements of the contemporary human resource management [1]. This is the main reason for the observed strong negative tendency with respect to the number of employed in the sector, as well as in connection with their productivity.

The most widespread form of organization in Bulgarian agriculture is the sole property, combining the characteristics of the family business and the peculiarities of the agricultural production. Unfortunately it gives more unfavorable perspectives for changes, development, restructuring, modernization and elaboration of management (including human resource management), compared to the collective form. The main "problem areas" of human resource management in Bulgarian agriculture are:

- *aging of human resources* – the lack of balance between the age groups in such a production with strong seasonal character and periods of very intensive work load, has a direct negative impact on the economic state of the farms;
- *low level of payment* – the salaries are relatively low even in the profitable farms [2]. The workers receive additional material stimuli in the form of social extra payments, but they are minimal and in most cases compensate only the inflation for the period. In some farms bonuses on implementation of the production plan

are paid, which are determined casually by the owner and for this reason do not have a certain character. Generally the system for payment and material stimulation is too old and ineffective;

- *high percentage of seasonal personnel* – the great number of the temporary personnel has a negative impact on the financial results of the farms;
- *unsatisfactory level of personnel education and qualification* – the bad preparation of the managers and the workers is one of the main reasons for the worsened labor productivity, and hence the low economical results;
- *unsatisfactory management skills* – the ineffective management leads to low productivity, which directly reflects on the results of the farms [3].
- The basic recommendation is connected with the development and application of effective human resource management system. To a great extent this will guarantee the increase of the production-economical results of the farms and the sector as a whole. Basic accents in the elaboration of the human resource management system:
 - *optimizing the number and structure of the human resources in accordance with the present and future needs and goals of the agricultural farms and obligatory rejuvenating the staff (managers and workers)* – the long professional experience is a significant factor only if it is combined with innovative thinking and application of new production techniques and technologies. The competencies and skills of the young specialists are better perspective for economic vitality and development of our agricultural farms. This will increase the capacity for introducing new sorts, techniques and innovative technologies, which is prerequisite for gaining better economical results;
 - *binding payment with the individual work results and with the economic results of the farm* – the higher productivity should reflect in higher work payment, which will motivate and retain the qualified

specialists. A crucial factor for retaining and developing the human resources in the sector is the stabilization of the incomes, especially in the conditions of economic crisis;

- *hiring permanent personnel* – despite the strong seasonality in this sector, there should be searched opportunities for switching off to permanent forms of employment, which will improve the micro-climate in the farms, increase the motivation of the workers, the productivity and the achieved economic results;
- *increasing the qualification and elaborating the knowledge and experience of personnel (managers and workers)* – highly educated and trained work force is able to produce output of higher quantity and quality, and besides this learns and applies innovative techniques and technologies much easier. The specializations in the country and abroad, the usage of foreign languages, etc. give opportunities for easy access to national and international scientific-practical achievements in the field of agriculture.
- The active communication between the specialists contributes to continuous actualization of knowledge and professional development of managers;
- *completely changing the philosophy/approach towards human resources* – binding the main human resource management activities with the goals and strategy of the business organization; perceiving the key role of the direct supervisors; perceiving the human resources as a source of sustainable competitive advantage.

4. Conclusion

The economic crisis in Bulgaria reflected exceptionally negatively on the agricultural sector. Despite this there should be searched ways for overcoming the situation having in mind that because of the exceptionally favorable natural and climate conditions this sector is traditional for Bulgaria and forms a great part of our gross domestic product (GDP). Both qualitative and quantitative changes experienced by agriculture in

recent decades require the implementation of new strategies for maintenance of rural areas and especially for agricultural entrepreneurs. The agricultural employer must have a behaviour, open to innovation and enough flexibility to achieve the proposed objectives, to survive, develop the business and be competitive. This needs a number of strategies such as technological innovation, multifunctionality, associations and diversification. They will guide the entrepreneurs in the actions which have to be carried out, and will help them to constantly adapt to the changing environment.

The elaboration of the human resource management system is one of the most important factors for rehabilitation and stabilization of the sector. This requires a fundamental change in the approach towards the human resources and the practices for their management. The practical application of the “best” production practices, the introduction of European standards, as well as the work with contemporary techniques and technologies, are possible only with appropriately selected personnel, having the necessary education, qualification and professional experience. The adequate payment system is a key factor for attracting and retaining qualified specialists and hence – for the development of economically viable agrarian farms. In this connection it is advisable the owners and managers of the farms to raise their knowledge about the opportunities and conditions for applying on European programmes, financing activities and projects connected with the development of human resources (training and qualification). Exceptionally useful will be the creation of stable partner relationships with educational and scientific institutions, for elaborating and application of joint activities, connected with the development and elaboration of human resource management.

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