

Transformation management of economic at rural areas

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Poltava State Agrarian Academy

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TRANSFORMATION MANAGEMENT OF ECONOMIC AT RURAL AREAS

Collective monograph

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The results of investigating the transformation management of economic in the context of developing rural areas have been presented in the collective monograph, based on the positions of inter-subject approach. The peculiarities of financing and state supporting of agriculture under the conditions of modern market economy have been considered. Management, ecological, economic, and social paradigms of developing rural areas have been elucidated. Considerable attention has been paid to the questions of logistic management of agricultural production. The prerequisites for stable management, ecological, social, and economic development of rural areas have been defined. The question of transforming management of economic in the context of providing stable development of rural areas has been investigated.

The collective monograph is a part of research theme "To work out scientific directions of organizational, management, economic, financial and social development, and regulation in agro-industrial complex, on the branch level and in the organization-legal forms of market economy" (the number of state registration 0111U002780)

The monograph is aimed for scientists, teachers, executives and specialists of state administration bodies, specialists of agrofornations, post-graduate students, and everybody interested in the questions of developing agro-industrial complex on the basis of rational nature usage.

The authors express their own opinion which does not always coincide with the position of the editorial board. The authors bear the responsibility for the content of the materials.

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Chapter 1

DIFFUSION OF MANAGEMENT OF KNOWLEDGE AND INFORMATION TRANSFER IN RURAL AREAS

Brzozowska Anna, Galych Oleksandr

Introduction

Effective management of agricultural holdings can lead to profitability of agricultural activity. This refers in particular to such behaviour as: breaking patterns, shaping adequate attitudes, acquiring information, modernisation, creating groups of agricultural producers, and production innovation. In the agricultural and rural sector, EU support is particularly important, as it provides a unique chance for modernising agriculture and making a civilizational breakthrough in rural areas on an unprecedented scale.

The concept of management in rural areas and in agricultural holdings should be considered from the perspective of integration of management and assignment of an agricultural holding. This approach means a full integration of managerial principles and processes occurring in rural areas and agricultural holdings at every level of operational, strategic and normative management. A farmer managing an agricultural enterprise is a person who not only wants to gain financial benefits from his/her work, but also has large motivation and feels satisfaction from daily life, which can be related with behavioural school of management.

Characterising the problems of management of agricultural holdings in the light of academic literature, it has been stressed that effective use of funds leads to economic growth in rural areas. Observing diversification of the development of rural areas, the chapter highlights possibilities of entrepreneurs-farmers using offered assistance through strategic management, logistic support or modernisation of logistic infrastructure. It makes an attempt to indicate rationale and conditions and to identify possibilities of activating logistic support in rural areas. It points out that the modern dynamics of rural development caused by a range of integration processes and continuous assumption of new functions by rural areas results in a noticeable infrastructure development and is conducive to the development of other spheres of life in rural areas.

When undertaking activities that use management processes, it is necessary to take into account the integration of knowledge and information transfer among agricultural entrepreneurs, which enables further modernisation and development of investments in the area of:

- flood preventive measures, dams and weirs, small water retention, land reclamation and irrigation,

- repair and maintenance of the existing and new irrigation systems based on corporate governance of re-established and new water companies,
- sewage system, purification plants, landfill sites and other facilities connected with sanitation of rural areas,
- reconstruction of factory, agricultural and gmina roads that ensure easy access to fields and farm areas as well as hamlets and villages,
- development of enterprises providing supply and sales services as well as processing and trading enterprises, including a separate network for trade in organic raw materials and food products,
- development of neighbourly, team, cooperative and private technical services in the area of mechanisation, transport, repairs, assembly and construction,
- improvement of veterinary and zootechnical services and the development of other agricultural services, including consulting, accounting, designing, banking, information as well as scientific and technical services.

The analysis presented by the Authors allows for formulation of a paradigm showing that knowledge and information transfer has an effective impact on a more effective process of managing agricultural holdings in rural areas.

Due to expected benefits of using the transfer of knowledge and information management, it becomes an attractive link of the economy, characterised by integration and coordination of economic entities operating in its area.

Factors impacting transfer of the use of knowledge and information in managing agricultural holdings in rural areas

With the development of the market, new schools and directions emerge in management, bringing constantly new elements into the theory and practice. Both these spheres have an impact on each other, with practice being usually the more active element. As theoreticians show [Grudzewski, Hejduk, 2006, pp. 176-178], the theory of management rarely preceded practice and imposed various innovative solutions. Most often, theory comments, analyses, generalises and popularises the best practical solutions in a given period and in a specific set of conditions. These solutions are more and more widely used in practice, as we can observe constant learning and improvement of knowledge among theoreticians, who present new solutions to practitioners. Knowledge on management becomes increasingly extensive and varied, allowing for practical use of tools that are adequate to plans and conditions of their implementation. Study of management is still evolving, and new theories are added to it. Analysis of the sphere of management should take into account its different aspects connected with changes of the evolution of orientation. As evolutionary theory shows, orientation in management follows two paths [Drucker, 1992, pp. 75-76]. On the one hand, there is transformation in the collective activity of people leading to a situation where the systems of relationships and dependencies between economic activity

participants become increasingly complex. This leads to the expansion of the subject of the theory. The second path refers to the development of methods and instruments for acquiring knowledge and processing it into rules that are useful in practice. Both the subject of the study and the cognitive and creative activities of the study itself are subject to evolution. With reference to management of agricultural holdings and rural areas, we can clearly indicate the evolutionary character of these changes. This is connected with the market on which entities of this type are functioning.

Management solutions should be used to support the transformation of rural areas and raise awareness of their inhabitants through adaptation of the transfer of knowledge and information allowing for change of agricultural holdings. Effective use of the management of knowledge and transformation transfer may significantly accelerate economic growth in a given rural area as well as overcoming structural barriers to the development [See more in: Rudnicki 2008, p. 7; Sobków 2004a, p. 29; Sobków 2004b]. This also involves payments to farmers, which are becoming a stimulator for transformation and development of rural areas, e.g. when payments are used for modernisation of agricultural holdings, specialisation of production [Wielewska 2004, p. 229].

In countries that were candidate members of the European Union until 1 May 2004, difficult and expensive adjustment processes were carried out. The European Union supported candidate members, both in technical and financial terms. Poland, which was among the candidate members at that time, was a beneficiary of this support as part of PHARE, ISPA and SAPARD programmes [Wielewska 2004, p. 229].

Both structural and regional policies are focused on spatial development. This increases their synergistic effect which integrally covers rural areas [See: Kot, Brzozowska 2001, pp. 78-81; Wiatrak 2005, pp. 611-622; Łapińska 2009, p. 182; Duczkowska-Małysz 2009, pp. 19-47], with the main function being agricultural production and taking into account the requirements of environmental protection. These objectives are pursued through the EU's Common Agricultural Policy [Wigier, 2007, p. 22; Wilkin 2010, pp. 264-268], which has been subject to historical evolution since the period 2007-2013, increasing the process of integration based on the assumptions of Mansholt and Mc Sharhy's plan [Hadyńska, Łuczka-Bakuła 2003, pp. 95-100; Wilkin, 2003, p. 241]. Agenda 2000 and taking into account Fishler's reforms. The above-mentioned reforms refer to instruments for a structural policy and put particular pressure on multifunctional development of agriculture and rural areas, with management as one of their main objectives [Nowicka-Skowron, Stachowicz 2009, pp. 60-61].

Rationale for managing agricultural holdings in the aspect of logistics of rural areas

Skills possessed by persons implementing the process of management in rural areas should be an integral part of knowledge transfer, forming three basic groups:

conceptual ones (they help managers to understand how different parts of an entity impact each other and the whole); interpersonal ones (connected with the need for understanding and capability of establishing proper relations with people, holding joint interviews, forming partnership-based relationships with other entities and ability to solve problems); technical ones (specific skills that are used by people when doing their work) [Ghillyer, 2009, pp. 10-11].

Due to the symbiotic relationship between management and knowledge transfer in rural areas, an increasing number of managers in agricultural enterprises appreciated not only the commercial values of this correlation, but also contributed to development in a number of areas of daily life [Bruska 2012, pp. 43].

Factors in the development of enterprises include efficient management and professionalism of the managerial staff, i.e. farmers and their nearest environment [Sudoł., Matuszak 2002, pp. 213-219]. Both business and non-business activity require the use of knowledge on management.

With the development of rural areas and modernisation of agricultural holdings, there are concerns about gradual modernisation of agricultural equipment and optimisation of methods of acting. The imbalance between the two above-mentioned areas of activity refers to factors that are in principle advantageous for the development of agricultural production, such as the functioning of producer groups. Lack of real competition, caused by a limited number of such organisations in rural areas (with their development so far rather not being too dynamic), determines the occurrence of quasi-monopolist phenomena as part of the activity of a given producer group, especially one that is focused on resources or joint production activities, which may have a negative impact on economic effects of its activity. The phenomenon of intermediation¹ (development of services for agricultural holdings) in the area of management is thus becoming one of the factors in reversal of the negative phenomena of pushing rural areas into peripheries in order to increase non-agricultural activities. Of importance is also the development of sustainable economy in rural areas, which due to concentration of environmental pollution in areas of high urbanisation is usually associated with urban areas, but from the above-presented perspective it seems to be one of significant elements of potential multifunctional development of agriculture [Wilkin 2010, pp. 269-272]. Agricultural production provides key components determining the development of sustainable energetics (biomass), determines effective management of potable water tanks (often localised in areas of intensive farming). The consequence of the use of the concept of sustainable development in rural areas manifests itself in optimisation of the structure of movements on the local scale, as cost-effectiveness of e.g. transport of biomass, which is the key element of the system of sustainable

¹ Intermediation means emergence of new agents in the structures of market channels, in particular distribution channels.

energetics, is limited by the radius of around 50 kilometres [Markowski 2006; Bruska 2012, p. 50].

While urban systems require additional measures connected with the implementation of the principles of sustainable development, the implementation of "green economy" in rural areas does not pose bigger difficulties due to available land and labour resources. Due to the past backwardness and marginalisation of significant part of rural areas, potential transformations in this direction may radically reduce the differences between the city and the country, increasing the territorial cohesion of the country. "Without a reasonable vision, the process of transformation is very easily split into a not very ordered set of undertakings, which are often not harmonised with each other, leading to nowhere or in the wrong direction" [Bratnicki 1998, p. 47]. A positive consequence of the implementation of managerial processes aimed at sustainable development of rural areas is the local character of solutions popularised in this approach. In the theory of sustainable development, the concept of ownership is replaced by access to and disposition of resources, which is in compliance with the tendencies of the development of le-agile supply chains.

In the conditions of rural areas, the practical implementation of this postulate materialises e.g. in sharing of agricultural machines and equipment, which allows for reduction of the costs of using equipment and facilities. Processing of agricultural products, which includes recycling of detritus or goods which are not fully fit for consumption, is implemented in the light of activities aimed at increasing the share of biomass in the structure of sources of renewable energy. Apart from that, they may naturally become an element of production cycle of sustainable agricultural production as part of the option of recycling or re-entry into use. It is also possible to reduce or eliminate the use of a lot of materials in agricultural activity, which, contrary to urban areas, is connected in rural areas with a little autarkic approach to the use of biofuels by agricultural producers. The extension of similar possibilities to include alternative sources of energy will not only ensure the creation of a favourable structure of movements in rural areas (reduced demand for goods transported from "outside"), but it will also contribute to the improvement of profitability of agricultural holdings, and thus the development of the whole sphere of services connected with their sustainable functioning [Bratnicki 1998, p. 47].

Development dynamics is a term ascribed not only to urban areas. The pace of changes taking place in the modern world also has a strong impact on agriculture. As a result, in the present conditions not only gmina but also farmers have to adapt to changing conditions of functioning in a highly competitive environment [Doh 2000, pp. 555- 571]. Nowadays, a farmer cannot focus exclusively on agriculture. In order to ensure development of his/her enterprise [Malara 2008, pp. 31-32] and a resilient functioning of his/her farm, he/she has to become an entrepreneur reaching for solutions from the area of management or marketing - marketing effectiveness may also be achieved thanks to the scale of benefits, promotion of the global image and

reputation, as well as global customer loyalty, which is the key [Żmija, Matysik-Pejas, Szafrńska 2010, pp. 43-64], to be able to manage it consciously. As a result of the process of implementation of these principles in the sphere of agribusiness, agricultural holdings are currently perceived as enterprises and it is necessary to look for optimal solutions in the sphere of management (fig. 1) using four functions for that purpose [See more in: Griffin 2004, p. 8; Machaczka 2008, pp. 40-41; Pabian 2013, p. 197]:

- planning,
- decision-making,
- organising,
- leading (motivating and controlling agricultural enterprises in rural areas).

Authors do not fully agree on the number and names of these functions. For instance, L.W. Rue and L.L. Byars complement this set by an additional function: personal [Rue, Byars 2009, pp. 5-6]. The basic definitions of these functions and their mutual relationships have been presented in figure 1.

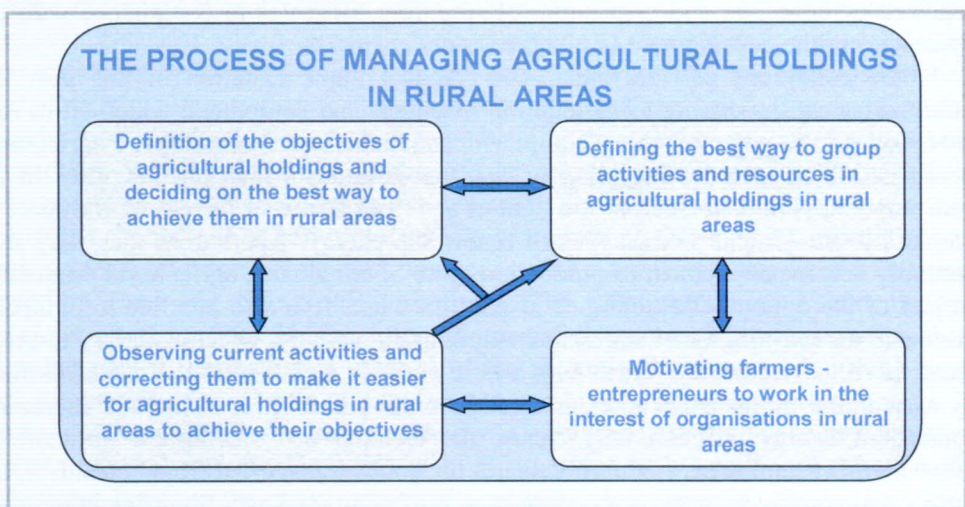


Figure 1. The process of managing agricultural holdings in rural areas

Source: Own work based on: [Griffin 2004, p. 8].

The multi-task character of the problem of economic cooperation in the face of globalisation processes dictates stringent requirements for managerial functions supporting this cooperation. An integrated environment for management of economic activity will arguably be eventually built [Chaberek 2002, p. 47] Thus, management takes place in conditions of close relationship with the environment, which comprises all the elements of the economic, political and social world. Until recently, economic entities perceived their environment as static one, and events taking place in it as easy

to predict. However, the last twenty years of the 20th century saw processes in the political, social and economic world that completely changed the view of farming conditions. This current also includes the issues of agribusiness as a sphere of implementation of principles and solutions for management of knowledge and information transfer aimed at shaping the system of the flow of goods and information on agricultural and food markets. This activity, aimed in particular at the development of agricultural holdings, is reflected in issues connected with agricultural logistics.

Analysis of problems connected with the conditions of management in agribusiness shows that this problem has not been fully examined or addressed by theoreticians. This means that both decision-makers and managers of agricultural holdings and rural areas may have a problem with appropriate application of principles and solutions necessary for achievement of the assumed effects of their activities. The sphere of knowledge and information transfer, which has been ignored so far, does not provide the possibility of achieving an expected effect of synergy and added value in agribusiness.

Infrastructure in the development of agricultural holdings and rural areas

Dynamics of the development of a given rural area strongly depends on its accessibility, therefore much emphasis should be placed on the development on rural infrastructure. Appropriate land use by laying utility lines, i.e. electricity, water and sewage system, not only increases the value of a given land, but also decreases costs of new investments, being thus a driver for increased attractiveness of a given area. Such activities require significant financial outlays and are often a break on further development of infrastructure of such a region. The priorities of the authorities should be to ensure the development of other than agricultural forms of activity in conditions of sustainable development of agricultural market as well as revival of rural areas and space. Such activities are aimed at increased competitiveness of rural areas and care for environmental protection as well as raising ecological awareness of residents. Activity of the authorities may significantly speed up the pace of infrastructure development and development of rural areas inhabitants' awareness of benefits of investment into infrastructure. [Pięcek 2001; Gładysz 2009, pp. 110-101]. However, in some cases incomplete knowledge of entities operating in rural areas on the development of infrastructure constitutes a kind of barrier to the economic development of gmina and agricultural entities. Thus, what is necessary is increased involvement in education on economic and financial issues, as well as knowledge of programmes, in order to more precisely formulate the strategy [Kaplan, Norton 2010, pp. 52-65; Krupski, 2010, pp. 4-10] of the development of a given region.

In literature research, infrastructure is often understood as a development factor which initiates the element of development and impacts how this process is carried out. According to the semantic interpretation of the term infrastructure, it is the basis for

a certain system or construction, foundation for a higher system [Kuciński 1994, p. 155; Dźbik 1995, p. 82]. One of the definitions states that infrastructure is a set of equipment and institutions that provide services without which the functioning and development of a certain system or its fragment would not be possible [Ratajczak 1999, p. 11]. Infrastructure is especially important for the economy and for ensuring appropriate living conditions for population.²

Classical division of infrastructure distinguishes two sub-systems: economic and social ones. The aim of economic infrastructure, which is also called technical infrastructure, is to ensure proper functioning of the economic sectors (which include: equipment and institutions from the field of communication, energetics, water management and environmental protection) and integration of spatial layouts. The second aspect of infrastructure (social infrastructure) comprises selected public institutions and equipment that allow individual communities and the whole society to exist and function properly providing services in the area of trade, education, culture and public order, among other things.

Further divisions of infrastructure present its further types: information infrastructure, which involves devices designed to send information along with telecommunication institutions, and business infrastructure, which comprises institutions that cover enterprises, facilitating investment and conducting of economic activity.

Based on academic literature publications, we can distinguish characteristics of infrastructure: ancillary character, general accessibility, durability, high capital intensity, long period of capital freezing and an abrupt way of costs generation.

Infrastructure fulfils a transfer function, creating appropriate conditions for reliable flow of information, services, people, capital or spatial flow of goods [Nowakowska-Grunt 2008, p. 71]. At the same time, infrastructure meets demand for services generated by consumers as well as enterprises, thus fulfilling the service function [Ficoń 2009, p. 45]. Another function of infrastructure refers to integration, i.e. it creates necessary spatial connections, contributing also to the coherence of the territory, which is significant in relations between peripheries and the centre. Nowadays, infrastructure is often an important element when choosing a place of work or residence, fulfilling at the same time a localisation function, which manifests itself also in the decision-making process [See more in: Bednarczyk 2001, p. 28] in the location of economic activity [Leśniewski 2011, nr 7-8, pp. 44-47; Grzybowska 2009, pp. 99-104] – impact on costs of conducting business activity. The acceleration

² In academic literature, apart from the term infrastructure the concepts of public capital, network and public amenities are functioning. This is connected with different definitions of infrastructure and with research conducted in different periods of the development of infrastructure studies [See: Ratajczak 1999, pp. 11-17].

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function is the most important function of infrastructure. Its aim is to activate an area economically through an appropriate level of its use.

Infrastructure can also mean equipment, roads and institutions necessary for proper functioning of the economy, including agriculture in a given area, with appropriate facilities which allow agricultural holdings to properly function in terms of production and distribution [Mendyk 2009, pp. 72-73].

The development of infrastructure, and infrastructure itself, has a significant impact on mobilisation of rural inhabitants and areas, and thus on eliminating civilizational backwardness in terms of broadly understood external and internal infrastructure, which includes:

- buildings and equipment,
- stocks, raw materials and finished goods,
- network of roads and transport routes, stopping points, trans-shipment of goods, auxiliary devices in the services of transport routes and transfers of people [Nowosielski 2008, p. 153; Ciesielski, Szudrowicz 2001, p. 14].

Mobilisation of rural areas and modernisation of agriculture depends on how dynamically and in what direction infrastructure is developing.

Extent of infrastructure development. It includes: level of wealth of gminas, activity of local authorities in the area of obtaining structural funds, activity of inhabitants of rural areas, density of human settlements determined by historic, environmental, economic and social factors.

The basic characteristics of infrastructure include technical and material integration that enables long-term planning. Thus, infrastructure determines effectiveness of business activity, in particular technical infrastructure [Kwapisz 2003, p. 334], i.e. technical measures used in the process of the flow of products and in information processes. They include:

- means of transport and equipment designed for internal movement and transportation of production means and agricultural crops between production and warehousing buildings, as well as for external transportation [Skowronek, Sarjusz-Wolski 2008, p. 82],
- gmina roads, waterworks, sewage system, gas pipelines, sewage treatment plants, electricity, landfills, treatment of municipal waste and heating network [Cyplik, Fechner, Janiak, Kołakowska, Langer, Mendyk, Nowak, Olejniczak, Piechociński, Przybycin, Rydzkowski, Stajniak, Szyszka, 2008, pp. 22-69],
- buildings designed for production and storage of agricultural products, including livestock buildings, cold stores, warehouses, silos, tanks, etc., which are necessary during agricultural production [Basiewicz, Gołaszewski, Rudziński 2007 pp. 157-160],
- packaging designed to protect agricultural products and specialist loading units [Harrison, van Hoek 2010, p. 33],

- means for collection, flow and processing of information designed for controlling logistic processes; they include devices and their systems as well as software applications [Abt 2001, pp. 130-132].

The level of infrastructure development has a significant impact on investors' interest or lack of interest in particular rural areas, which has a large influence on the development of non-agricultural activity. A good level of infrastructure has also a significant impact on social and economic progress and improvement of living conditions of inhabitants of rural areas. It is accompanied by the improvement of health status of inhabitants of rural areas, their hygiene, ecological awareness [Gładysz, 2009, pp. 110].

Infrastructure, especially the IT area, has a significant impact on management of agricultural holdings and on social and economic development of rural areas. The implementation of knowledge transfer depends to a large extent on the availability of the individual IT elements of infrastructure. Information systems are designed to ensure proper information [Morawski, Kobyłko, 2006, pp. 11-17; Goban-Klas 2006, p. 289] to organisations and economic entities, creating thereby a regional network of necessary information about the state of an economic entity and its environment. Other characteristics of an information system include: processing, storage and transmission of information between an enterprise's units and between business partners - consumers and competitors. Proper transmission of information between different levels of an enterprise serves a coherent operation of individual units at every stage of the supported economic process. Information flow and computerisation of a given region lead to increased interest of inhabitants of rural areas in non-agricultural activity, and thus reduction of the number of young people who move to cities.

A rural area with extensive infrastructure not only makes young people stay in a given region, but also attracts new people who previously lived in an urban area. However, it is not the number of available facilities in a region but the quality of services and attractions they offer that increases the region's attractiveness. Young people more and more often choose facilities where they can meet a lot of their consumption needs at the same time. Examples include supermarkets and shopping malls, which offer entertainment, cultural, services, commercial and gastronomic sections and may include banking and public services facilities [Wojewódzka-Król, Rolbiecki, 2010, p. 26]. Areas with such a well-developed infrastructure become an attractive alternative to urban areas, combining the peace of the countryside and entertainment offered by urban agglomerations.

Agricultural holdings function based on infrastructure, as effects of their activity will to a large extent depend on efficiency in management, especially in the case of dynamics of changes in agriculture. A well managed infrastructure facilitates fast but efficient distribution of goods and services expected by the customer.

Summary

Currently, there are not extensive studies of the process of management in agricultural holdings and rural areas. The reason for this lies in self-determination of farmers as entrepreneurs, specific agricultural activity and separate legal regulations. One of more important rationale for increased interest in issues of management of agricultural holdings and rural areas are possibilities of using knowledge and information transfer. A range of new challenges arising from changes and increasing globalisation of markets, transformations of common and agricultural policy, increasing costs connected with the infrastructure of agricultural holdings and rural areas and effective management should cause diversification of economic activity in agriculture. Management and development of the infrastructure of rural areas concentrate around the use of knowledge and information transfer. An efficient process of management is an effect of an increase and development of agricultural activity.

Logistic infrastructure has a significant impact on the social development of inhabitants of rural areas and is conducive to the improvement of their living conditions through modernising and equipping flats and livestock building with waterworks, sewage system, gasification, and power infrastructure, which effectively increases the living standards, improves the effectiveness of agricultural production, facilitates work in agricultural holdings, and supports interpersonal contacts through cultural and social facilities and better communication with cities.

The development of agricultural holdings and rural areas should result from adaptation of knowledge and information transfer and assumption of increasingly new functions by rural areas, and it will have a significant impact on the increase in effectiveness and competitiveness of agricultural holdings and rural areas.

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