An embeddedness perspective on family farm development in the Carpathian Mountains

Julian Schwabe, Moritz von Oppenkowski, Tim Roesler and Markus Hassler

Department of Geography, Philipps-University Marburg, Marburg, Germany

ABSTRACT
Romanian farming is characterized by fragmented land, high age of operating farmers and low productivity that raises the question of barriers and necessities for consolidation, development and succession. This study explores the development trajectories of smallholder farming in the Romanian counties of Cluj and Maramureş using the concepts of embeddedness (as outlined in the framework of global production networks) and the resource-based view. It aims to understand the interplay of framework conditions with the way how smallholders mobilize different types of resources. Conceptually, the study shows that the resource-based view should be applied within wider contexts: Aspects of societal and network embeddedness (including prevalent mistrust, informality in governing land and misaligned regulative incentives) favour high reliance on family for resource mobilization and hinder consolidation, succession and innovation. While commonalities with post-socialist countries exist, several structural factors are unique to Romania.

1. Introduction
Smallholder agriculture is an important sector in Romania with regard to employment and landscape preservation (Feher et al., 2017; Hartel et al., 2016) but it suffers from persisting low productivity and uncertain development prospects. As a post-socialist country, the transition from traditional to industrial agriculture is impacted by specificities stemming from the former political system (Griffiths et al., 2013). Representing 33.49% of the European agricultural holdings and 7.47% of the European Union’s agricultural area (Eurostat, 2021a), the current farming landscape in Romania is highly scattered and compartmentalized. Similar to other post-socialist European countries, there has been a high degree of informality in land management as the system of collectivization dissolved, while former land registries have not yet been fully established. This led to polarized structures of informally operating smallholders and larger, formalized market-oriented farms (Varga, 2017). As a result, over 97% of Romanian farming business are subsistence and semi-subsistence family farms (Hartel et al., 2016).

As the existing body of literature on Romanian smallholder businesses shows, multiple studies have already been performed on land-use change, using geographical information systems, spatial analysis of land cover and official statistical data (e.g. Munteanu et al., 2013; Kuemmerle et al., 2009). Additionally, multiple-case studies are dealing with the determinants of farm strategies and succession, as illustrated by a literature review by Suess-Reyes and Fuetsch (2016), who pointed out that such studies often use the resource-based view (RBV) which very much focusses on explaining...
economic success by analysing resources within an enterprise, while putting less emphasis on external factors affecting the business. This points to a research gap, as only very few studies analyse the significance of context, such as the role of institutional, social, spatial or historical framework conditions (Suess-Reyes & Fuetsch, 2016; Welter, 2011). A reason for this neglected perspective might be rooted in the theoretical approaches that have been used to analyse farm development.

This study addresses this gap by focusing on the contextual factors that influence the development trajectories of smallholders on a regional level. This is done in a case study of the remote rural area of the Carpathians in Transylvania, Romania. To do so, we put the RBV in the context of embeddedness categories, following Henderson et al. (2002) on the discussion of global production networks (GPN), to analyse the contextual factors which shape the way how family smallholder businesses organize their value creation. The conceptual aim of this paper is to combine theoretical aspects of the resource-based view with the notion of embeddedness from the framework of global production networks in order to analyse the place-specific interplay of firm-centric and contextual aspects that influence the way how smallholders mobilize their resources and organize succession. This is meant to contribute to the existing body of literature on smallholder farming in Europe by putting a stronger emphasis on the region-specific factors and development outcomes.

The study follows the broad research question of how region-specific patterns of embeddedness shape the way how family smallholder businesses obtain and utilize resources. In this regard, a particular focus lies on contextual aspects of embeddedness which condition the ‘familiness’ of a business, the importance of and barriers to farm succession and the way how conceptual aspects of embeddedness can meaningfully complement the resource-based view. The empirical data is based on 26 semi-structured expert interviews with different stakeholders in smallholder farming. The paper is structured as follows: First, a literature review on the resource-based view and dimensions of embeddedness is outlined to provide the conceptual framework of the article. Afterwards the smallholder structure in Romania is introduced based on available statistics. The results are presented and discussed in sections five and six.

2. Conceptual frame: The resource-based view and the concept of embeddedness

According to Suess-Reyes and Fuetsch (2016), who screened scientific publications on future strategies of family farming published between 2000 and 2015, there is no continuity of used theoretical frameworks. In fact, Suess-Reyes and Fuetsch (2016, p. 117) ‘… notice a lack of theoretical references in the majority of articles reviewed’. However, one of the more frequently used approaches to study and explain the processes around farm succession is the resource-based view (RBV). This approach is centred around the question as to ‘why […] some firms [perform] better than others?’ (Barnett et al., 1994, p. 11) and focuses on different types of resources available to a firm to explain this. It is argued that competitiveness of a firm is determined by its ability to valorise resources available to them. As Mahoney and Pandian (1992) pointed out, valuable, rare, inimitable and non-substitutable (VRIN) resources help strengthening competitiveness against similar firms, while Allee (2008) emphasized the intangibility of resources to be particularly important for a firm’s competitiveness as they are highly complex, non-codifiable, bound to persons and therefore unique and hard to replicate.

Regarding family businesses (and family farms), Sirmon and Hitt (2003) categorize actor-centred types of resources that include social capital, human capital, survivability capital, patient capital and governance structure (Table 1) and define a sequence of interdependent steps for business development, which include the evaluation, adding, shedding and leveraging of resources (Sirmon & Hitt, 2003). In the context of family farms, the question of whether or not a successor could be identified to transfer farm management from the older to the younger generation is a highly relevant one. Specific attributes of family businesses compared to non-family businesses include stronger relational ties among family members and employees, higher reliance on social capital (such as relational ties to extended informal networks; Sutherland & Burton, 2011) to obtain information and access
resources in the market. Business decisions are commonly based on long-term (inter-generational) aspirations of retaining and developing the business and governance of the business is trust-based and costs associated with control measures, are low (Sirmon & Hitt, 2003).

Such characteristics provide advantages to family businesses in evaluating their resources because of lower turnover of personnel and more deeply embedded tacit knowledge about the business. Higher social, patient and survivability capital, or, in other words, stronger access of a family business to informal (family-) networks and longer time horizons for planning provide advantages for obtaining resources. Tacit knowledge about the history, available resources and processes of the firm, which is situated in its human capital, may put family businesses in a better position of increasing their wealth than comparable non-family firms that typically act on shorter time-horizons and are less capable of building tacit knowledge about their business (due to higher turnover in human capital). Potential risks of family businesses include overreliance of family members in management, which can lead to lower management competence, low openness to new ideas and path-dependencies in the development of capabilities (Sirmon & Hitt, 2003).

Overall, it can be argued that the combination of the business and the family, also called ‘familiness’, fulfils the criteria of offering competitive advantages from perspective of the RBV as it is valuable, non-substitutable and inimitable. From this view, it is generally desirable for businesses to retain their ‘familiness’ by finding a successor (Habbershon & Williams, 1999; Suess-Reyes & Fuetsch, 2016; Weismeier-Sammer et al., 2013). Consequently, studies have found that farm performance is higher if the question of succession is addressed from early on because operators are more likely to take an active interest in the long-term prosperity of the business and are more likely to pursue growth strategies and invest accordingly (Suess-Reyes & Fuetsch, 2016). In the context of management studies, the approach of the RBV has been the subject of manifold critiques (e.g. Barney, 2001; Kraijenbrink et al., 2010). Priem and Butler (2001) have criticized an overall inclusiveness of the concept, which could lead to random application and weaken its explanatory power. They also criticized the difficulty to determine the value of different resource categories as they are highly context-specific. Kraijenbrink et al. (2010) summarized the main points of critique that included lack of managerial implications, limited applicability, unsuitable definition of criteria for achieving sustainable competitive advantages and insufficient definition of resources.

From the geographical perspective, one important limitation of applying the RBV for analyzing family smallholder development is its overemphasis of farm- and family-centric resources, while broader, region-specific contextual factors, in particular spatial attributes, cultural norms, and the surrounding institutional environment, as well as the mutual dependencies of these factors, are neglected. In order to develop a more holistic (region-specific) understanding of the ways how family smallholder businesses organize their resources, the barriers to farm succession as well as the broader implications of these patterns for regional development, we propose to combine theoretical aspects of the RBV with the concept of embeddedness as outlined in the framework of global production networks (Coe & Yeung, 2015; Henderson et al., 2002).

The concept of embeddedness helps categorizing the place- and sector-specific contextual factors that influence the strategic priorities and constraints of a firm and the way how it organizes its value creation. Henderson et al. formulated the relevance of embeddedness in a way which appears to be particularly suitable in the context of this study. It is worth quoting at length here: ‘Firms (…) arise from, and continue to be influenced by, the institutional fabrics and social and cultural contexts of particular forms of capitalism (or in the case of Eastern Europe, China etc. prior to the 1980s,
particular forms of state socialism) in their countries of origin. (…) Local companies that have emerged from particular social and institutional contexts evolve over time on the bases of trajectories that are in part a reflection of these contexts. As many scholars have pointed out with regard to the former state socialist societies of Eastern Europe, these trajectories are “path dependent” and thus to some extent historically constrained’ (Henderson et al., 2002, p. 451).

In this regard, embeddedness may be defined as the different types of (historically shaped) interactions between economic and non-economic actors, including individuals and organizations, as well as the physical attributes which, in combination, shape value creation activities at a particular place (see also, Henderson et al., 2002; Hess, 2004). The concept of GPN has identified three dimensions of embeddedness which are briefly introduced:

Territorial embeddedness signifies the place-specific aspects (such as land or capital investment) which lead to the anchoring of an actor in a specific territory. It is particularly important in agriculture, as the potential of the worked land is shaped by its physical attributes. The farming family have typically been rooted in their land over generations (Der Ploeg Jd, 2014; Von Oppenkowksi et al., 2019). Thus, agricultural territorial embeddedness evolves over a long time period and leads to incumbent actors, fixed informal land rights, steadily repeating (sometimes informal) actions between stakeholders and certain products and qualities and, with regard to the RBV is in particular constitutive to the availability of patient capital (Bowen, 2010; Roger, 2014).

Network embeddedness describes the relational and structural attributes of the relationships between actors (Hess, 2004). For family farms, this includes, for example, organized lobbying of farmers towards policymakers as well as their formal and informal relationships to business partners, dayworkers, land lesers, potential land buyers, customers, local authorities and family members. These network relationships are often locally anchored, but not necessarily spatially bound. They can, in principle, be local, regional and global in scale. This type of embeddedness is closely related to the notion of social capital as outlined by the RBV and the resources (such as information, machinery, capital or labour) which can be accessed through it (Sutherland & Burton, 2011). In post-socialist countries, such as Romania, the characteristics of network embeddedness are particularly relevant as resentments from farmers towards politics and towards each other are still in place, due to denunciation and compulsory charges in the times of the Ceausescu-regime (Bowen, 2010; Roger, 2014). Also, as a legacy of socialist political systems, post-socialist countries, including Romania, are shaped by largely informal practices of land management because (after dismantling the system of collectivization), formal land registries have not yet been fully established, leading to informal land transactions through trust-based agreements, which are matter of continuous negotiation (Varga, 2017).

Societal embeddedness consists of the historically shaped cultural norms, social practices (in some cases entrenched habits) and perceptions of stakeholders (Hess, 2004). In the context of smallholder farming and farm succession, it involves the emotional attachment to rural livelihoods, practices of production and consumption, perceived value of collaborating with other farmers, the perceived status of agriculture, policymakers and other status groups as well as norms, which shape social practices (e.g. importance of informality, traditions, religious practices, perceptions of labor; Hughes-Wrigley and Buttle, 2008). Social and patient capital, as well as governance structures of a firm are strongly shaped by the cultural norms of its place of origin (Henderson et al., 2002; Men, 2014).

Resources of family farms are either embedded or disembedded in territory, society or networks. The concept of embeddedness is inherently dynamic and involves processes of disembedding (Hess, 2004). These can be understood as a detachment of an actor or group of actors from incumbent societal structures, network relationships, or territorial anchoring, which leads to a reconfiguration of the way how value creation at a particular place is organized (or how actors are re-embedded) and how sociospatial patterns of value capture materialize.
Examples of territorial disembedding in smallholder agriculture include the detachment of potential successors from the family business by pursuing other professions which can arguably lead to an erosion of the survivability and patient capital of the family business. Often it is driven by unclear rights to land and political ambitions of land consolidation, which simplify the market entry for agro-industrial actors with high financial capital (Van der Ploeg, 2014). Societal disembedding of a family-led smallholder business happens, for example, when the perception of smallholder farming by other societal actors deteriorates. Network embedding can be enforced through the building of cooperatives, which might improve the possibility for certain farmers to take over the land when there is no intra-family successor. Network disembedding in smallholder farming takes place, for example, when existing, informal distribution channels are no longer accessible due to political change, while new distribution channels stay closed due to insufficient compliance with food standards (Von Oppenkowski et al., 2019). As can be seen above, there is overlapped between the concepts of embeddedness and the RBV. Going forward, figure 1 outlines the theoretical schema of this article in which aspects of both concepts are integrated to analyse the development of family smallholder businesses in northern Romania. This scheme may be understood as a broad causal sequence on which the different types of embeddedness affect different types of resources of a family business. The aggregated effects of alterations in the resource inventories of family businesses then affect regional patterns of value creation.

3. Methodology and research design

The research was conducted in various villages located in the Romanian Carpathians, in the counties (‘judets’) of Cluj and Maramureș. This mountainous area is characterized by low population density and highly scattered small holdings, which produce for subsistence as well as for local and regional markets (figure 2).

26 semi-structured interviews were led with various actors including farming households, national and regional politicians, representatives of banks and NGOs, processors, and veterinarians. The interviews lasted between 40 and 120 minutes. The interview partners are introduced in Table 2.

The interviews were led, respectively, at their premise in Romania with the aid of a Romanian native speaker who translated between English and Romanian. The interviews were recorded with explicit permission of the interview partners and transcribed. The English translation of the transcript provided the basis of this analysis. The semi-structured interview was the method of choice because it allowed for the interviews to be comparable (as they
were structured along guiding questions) while keeping the possibility of individual customization of the interview guidelines in order to gain additional information relevant for the research.

The interview guidelines are derived from the research question outlined in section 1. These were customized depending on which type of actor an interview partner represented and are outlined in Table 2.

Table 2. Overview of interview partners and contents.

| Stakeholder perspective | Stakeholder | Number of interviews | Main aspects discussed during interviews |
|-------------------------|-------------|----------------------|------------------------------------------|
| Individual agricultural business | Farmer (incl. one wood producer and one pellet producer) | 15 | • Business model (products, sales channels, self consumption) • Role of subsidies, regulations • Land use and acquisition • Coordination with other farmers • Organization of work force • Organization of financing • Role of younger family members, succession |
| Region-level view | NGO representative, researchers, activist | 4 | • Role/implications of international investment |
| | Local and regional politician, representative of national park | 3 | • Role of subsidies, regulations, informal structures |
| | Banks | 3 | • Barriers of financing from banks |
| | Industrial wood processor | 1 | • Barriers to farm succession |

Figure 2. Map of the research area (data source: EuroGeographics. Edited by Christiane Enderle, Philipps- University of Marburg)
In addition to the interview, available statistical data has been used to support and contextualize the primary data from the interviews. The farming structure of Romania is outlined in the following section based on statistical data.

4. Farm structure in Romania

The Romanian agricultural structure is by several measures unique compared to other European countries. Romanian farming is generally characterized by highly scattered holdings of small area which largely produce for self-consumption and generate low revenue per holding and farm area. In these measures, Romania stands out as it features the third smallest area size per holding in the EU (only surpassed by the Island states of Cyprus and Malta). The country features by far the lowest average revenue per farm in the EU and the highest share of subsistence farming (share of farms which self-consume at least 50% of their produce). Also, the productivity per area unit is low, with an average of 968 EUR per hectare, which is at similar levels of Bulgaria and the Baltic states. Formerly socialist countries with similar historical legacy, such as Poland, Czechia, Bulgaria and Hungary generally show heterogeneous agricultural structures; however, all of them are significantly more consolidated and feature a much lower share of subsistence farming compared to Romania (whereas Hungary has a high share of subsistence farming as well, with 60% of holdings, which self-consume over 50% of their produce; Eurostat, 2021a). According to statistics, permanent farm workers are almost exclusively recruited from family members. The share of non-family workers on a permanent basis in Romania was only at 1.3% in 2016, the lowest share of all European countries in the dataset, even though the majority of countries had a very high ‘familiness’ of 80% and above in this regard (Table 3; Eurostat, 2021C).

Table 3. Farming structures of European Union (EU) countries in 2016. Source: Eurostat, 2021a).

| Country  | Average area per farm (hectares) | Average output per farm (EUR/year) | Average output per of utilized agricultural area (EUR/year/hec) | Share of subsistence farms* |
|----------|---------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------------|
| Czechia  | 130                             | NV**                              |                                                               | 16%                         |
| Denmark  | 75                              | 287,088                           | 3,849                                                        | 0%                          |
| Slovakia | 74                              | 75,270                            | 1,022                                                        | 62%                         |
| Luxembourg | 66                          | 185,283                           | 2,794                                                        | NV                          |
| France   | 61                              | 134,371                           | 2,205                                                        | 2%                          |
| Germany  | 61                              | 178,361                           | 2,946                                                        | 0%                          |
| Estonia  | 60                              | 47,997                            | 805                                                          | 29%                         |
| Sweden   | 48                              | 81,962                            | 1,712                                                        | 0%                          |
| Finland  | 45                              | 70,702                            | 1,574                                                        | 0%                          |
| Belgium  | 37                              | 217,891                           | 5,935                                                        | NV                          |
| Ireland  | 36                              | 45,979                            | 1,295                                                        | NV                          |
| Netherlands | 32                  | 414,638                           | 12,853                                                       | 0%                          |
| Latvia   | 28                              | 17,465                            | 633                                                          | 39%                         |
| Spain    | 25                              | 40,598                            | 1,652                                                        | 4%                          |
| Bulgaria | 22                              | 18,957                            | 860                                                          | 0%                          |
| Austria  | 20                              | 46,351                            | 2,300                                                        | 0%                          |
| Lithuania | 19                             | 14,810                            | 761                                                          | 45%                         |
| Portugal | 14                              | 19,863                            | 1,413                                                        | 42%                         |
| Croatia  | 12                              | 15,134                            | 1,302                                                        | 52%                         |
| Italy    | 11                              | 45,115                            | 4,103                                                        | 25%                         |
| Hungary  | 11                              | 15,192                            | 1,399                                                        | 60%                         |
| Poland   | 10                              | 17,726                            | 1,736                                                        | 18%                         |
| Slovenia | 7                               | 16,578                            | 2,373                                                        | 57%                         |
| Greece   | 7                               | 11,059                            | 1,663                                                        | 16%                         |
| Romania  | 4                               | 3,538                             | 968                                                          | 86%                         |
| Cyprus   | 3                               | 17,650                            | 5,510                                                        | 56%                         |
| Malta    | 1                               | 10,528                            | 8,767                                                        | 29%                         |
| EU average | 34                           | 64,090                            | 2,507                                                        | 27%                         |

*Subsistence farm = at least 50% of produce for self consumption
**NV = No Value
Farms in the NUTS3-Region of North West Romania (which includes the study areas) are characterized by a bipolar structure: 96% of holdings have 10 ha or less of utilized agricultural area (UAA), covering 52% of all UAA in North West Romania, while 0.3% of holdings are larger than 100 hectares each and manage 30.5% of the UAA (Eurostat, 2021a). The average farm size of 3.73 hectares in North West Romania is very close to the country’s overall average. Most of the land consists of arable land, permanent grass lands much of which are used for dairy farming as well as wooded areas (Eurostat, 2021B). The smallholders in the Carpathian Mountains, who are the object of this study, usually own between 0.5 and 5 hectares, rent another 2–15 hectares, and use the communal pasture that is still an important part of the rural life in Romania and one of the main survivability assets of smallholders. When using it, they can produce a surplus of 30%–70% on top of their subsistence produce (Sutcliffe et al., 2013).

Age-related statistics show that North Western Romania (as well as the country as a whole) has a consistently high age of farm managers. As of 2016, a share of 65% of farm managers in North Western Romania were aged 55 and above, while only 3.7% of farms were managed by younger operators of up to 35 years. In the near future, 49% of the UAA in North West Romania will need succession (Eurostat, 2021a). As multiple studies report, the decline of family farms goes along with an ageing farming population, ongoing urbanization, and consolidation of land. Thus, more and more farmlands get vertically integrated into global value chains, while the overall UAA is shrinking due to land abandonment and missing successors (Feher et al., 2017; Hartel et al., 2016). The decline in farm area is also visible in North West Romania, which shrank by 8% between 2005 and 2016, slightly below the overall loss of UAA in Romania, which was at 10% during the same period. Average farm size of younger managers in North West Romania remains small, even though at 5 hectares it is above nationwide average. Consequently, younger farmers generated revenues of 5,381 EUR in average, which is almost twice as high compared to their older counterparts (whose farms generated 2,701 EUR in average as of 2016), albeit still very low compared to other European countries (Eurostat, 2021a).

Low farming area per holding, a very high share of subsistence farming, low productivity of farm land, shrinking utilized farm area and a high dependence of smallholders from communal pastures highlight development trajectories of smallholder farming, which are arguably partly unique to Romania and the result of framework conditions that are conceptually expressed as different kinds of embeddedness. In the following section, the types of territorial, network and societal embeddedness of smallholders in the counties Cluj and Maramureș are outlined in an attempt to explain their patterns of resource utilization, which then explains the farming structures outlined above. This is done based on interviews conducted for this article.

5. Smallholders in Cluj and Maramureș – Embeddedness, resource utilization and barriers to succession

As per the statistics presented before, the degree of consolidation of land is increasing while the number of smallholders is decreasing in Romania. In addition, the interviews with Romanian smallholders of whom ‘90% do not have a succession plan’ (representative of a local NGO), illustrates that the problem of having no intra-family successor is already present. Based on the interviews conducted for this study and the conceptual frame outlined above, the manner of embeddedness, processes of disembedding and affected resources for family farm businesses are presented in the following.

5.1. Territorial embeddedness

In the context of smallholder farming in the study area, territorial embeddedness refers in particular to the spatial configuration of smallholdings and their productive capacity that results from geographical attributes of the area as well as the highly informal structures of land management. This type of embeddedness relates to the availability of patient capital as outlined in the RBV, namely the workable land owned by a family business as well as the prospects of expanding it.
The geographic attributes of the study area are characterized by mountainous terrain with frequent steep slopes, forests, pastures and a relatively low share of land, which would be arable for products such as wheats or potatoes. As a result, farmers interviewed for this study mainly produced milk or processed dairy products such as cheese, goat cheese, or cream but also meat. Some farmers produced plums and jam from the trees and due to the natural scenery of the area, tourism has been a significant source of income for several of the interviewed farmers.

Due to highly informal structures of land management and transfer and the land inheritance law, which divides inherited territory over the number of heirs, we find many small-scale and scattered agricultural parcels that result in a very fragmented agricultural structure that is similar to other parts of the country, as Varga (2016) has shown in a study on smallholder development in the region of Suceava in North East Romania. Farmers interviewed for this study tended to have slightly more farming area available than average as it ranged in most cases between 5 and 50 hectares and, in one case, 1,700 hectares (highlighting the bipolar structure which is typical for post-socialist countries). Various farmers were renting a significant share or their worked land, which is also a result of high costs of formalising land ownership and current subsidy schemes (these aspects are explained further in section 5.2). If possible, smallholders tend to prefer selling their land to farmers who successfully formalized land ownership. On the one hand, smallholder farms have in some cases been embedded within their territories for generations which creates implicit pressure for potential successors to take over family farm operations eventually, on the other hand, inadequate regulations of land inheritance subsidies and difficulties to formalize land ownership are barriers to farm succession. Land stewardship that is provided by the smallholders is consequently endangered.

5.2. Network embeddedness

Network embeddedness describes the structural and relational framework in which an actor is situated. Particularly relevant structural aspects of network embeddedness for interviewed smallholders in Cluj and Maramureș are access (or lack thereof) to subsidies and land rights. Important relational aspects of embeddedness are the lack of self-organization among farmers, informal relations to public authorities and mistrust of banks to access capital. Aspects of network embeddedness, including sales channels, regulatory framework conditions, and the informality of relationships are outlined in the following.

Sales channels: Most interviewed farmers self-consume a significant share of their products and, in addition, sell them in local markets. Products such as jam or cheese are in some cases sold directly on the farm and several farms also sell (mostly milk) to international wholesalers at prices of 1–2 RON per litre. These prices are generally considered as too low by farmers but for lack of a better option and lack of bargaining power they accept nevertheless. Most interviewed farmers did not bother to invest in having their products formally certified as the perceived value in return of the high costs of certification is low.

Regulatory framework conditions: Policy frameworks in Romania and the EU set incentives for farm consolidation. National law 247/2005 established a lifetime annuity system in which older smallholders (aged 62 and above) receive lifelong payments for selling or renting land to larger holdings (respectively, 100 EUR and 50 EUR; Ghib, 2008). Subsidies under the EU Common Agricultural Policy (CAP) are only available to farms with a revenue of at least 2,000 EUR per year. Smallholders below that level are treated as a part of the ‘Non-Observed/Non-Registered Economy’ and thus, are perceived as undeclared workers (Redman, 2010). Intrafamily farm succession is fostered within the CAP as young farmers are eligible to receive direct subsidies for investments on a farm of up to 40,000 EUR if farm succession is guaranteed and the farm is registered as a business.

Such policies favour processes for formalization and consolidation but only for those farms that already meet the predefined thresholds of revenue. At the same time, they favour the preservation of ‘familiness’ by making farm succession a condition for accessing specific subsidies. The implications of the farm succession programme under the CAP have been described by an interviewee as follows:
We had to become a juridical persona, and a company. So, we are officially not peasants anymore. […] Now, we can access another project for young farmers worth € 40,000 because of our daughter Maria. She is fitting the project. Because it is a project on farm succession. You must have a young farmer in the family plus a fixed contract for 3 – 5 years. You must be able to give receipts if you sell your main product, milk. So basically, we went to the funding agency and guaranteed, that Maria will take over the whole farm, we will leave it all to our daughter. And afterwards, we could enter the program. Basically, it is the contract plus secured succession and that’s it. (interviewed farmer)

In this particular case, the subsidy was to be used for investments in farm equipment. The structure of the farm of this interview partner, which is solely selling milk to a wholesaler for a low price and continues to rely on family for labour and capital is not going to be adapted as a result of the programme. Several of the interviewed farmers rely on different sorts of subsidies which often become a major source of income and more important than product sales.

In contrast to the priority of the CAP, consolidation of farm land is often inhibited by prevalent informal practices of land-management, high cost of formalizing land rights and an inadequate land inheritance law (which divides the land among the number of heirs); Due to high fees of formalizing land rights (which several interviewees viewed as illegitimate bribes to local authorities), land keeps on being rented based on informal contracts (or gentlemen agreements) which are matter of regular negotiation. When trying to formalise an enterprise or to acquire land one must make sure that the one who is selling it also has the right to transfer land rights, which means the seller must be captured in the land registry. With only about 30% of smallholder-owned land in Romania being in the cadastre, farmers attempting to grow their area are confronted with high barriers as the following quote exemplifies:

The 20 hectares are rented from roundabout 30 people and I want to consolidate it all. For the future, I want to buy it, but it turns out to be quite difficult because people don’t want to sell it or it is way too expensive. But I want to grow bigger and bigger and this is the biggest hurdle, mainly because of missing papers. (interviewed farmer)

Also the land inheritance law is a barrier to consolidation and farm succession. Any successor of a farm business needs to first come to terms with their siblings in order to pay them out for taking over the land. The law contributes to a down-sizing of holdings as every heir receives the same amount of land and, in turn, this results in a highly fragmented farm structure, scattered plots, a multitude of plots that are not used, unclear land rights and, finally, low productivity per land. In consequence, heirs are forced to work the land as small family cooperations or to sell the land, either to others, or within the family. This goes along with bureaucratic burdens as well as expensive fees for papers and permissions, or with continued trusting in traditional land rights. A representative of an interviewed NGO summarized the situation as follows:

When my grandfather with 10 hectares of land died, my mother and uncle both inherited 5 ha of him, if I am now among 10 children, everything will split up evenly among us. Exactly, it is always, like this, not like in France, where the firstborn gets the land and has to compensate the rest. […] It does not make sense. I mean, this is why you see the small strips. Super good looking and good ecology, but nobody can do something with it. (NGO representative)

Informality and trust: Relational aspects of embeddedness show a picture of highly informal structures when dealing with authorities, mistrust of banks and low self-organization among smallholders. The legacy of state socialism in Romania under the Ceausescu-regime and the (at times disruptive) transitions of the economic and political system during the 1990s have led to high mistrust of farmers among each other, towards authorities and towards banks (see also, Varga, 2017; Von Oppenkowski et al., 2019). Most interviewed farmers emphasized their high distrust of banks, which hinders them to apply for loans for capital investments. Fear of interest rates up to 25% are widespread, even though banks interviewed for this study have denied such allegations, calling them ‘fairytale’ (interview with a representative of a bank). Lack of smallholder access to bank credits in former socialist countries is well documented in literature (e.g. Ciian et al., 2012; Swinnen & Gow, 1999; Varga, 2016); however, as the results of this study highlight, lacking financing schemes as outlined in those studies, are only part of the picture as trust among smallholders in banks appears to be fundamentally lacking as well. As a consequence, capital, if available at all, is sourced from subsidies and, most importantly, from family members. Lack of available
capital can hinder investments in the farm business leading to a vicious circle of inability to develop the farm and, in consequence, unwillingness of potential successors to take over farm business. The general sentiment among farmers against banks is exemplified in the quote below:

No banks. We will not collaborate with banks, because we are afraid of the high interests. We heard about 18-25%. So, we are just borrowing money from the family. Because there is no interest. Last time, we brought money to a bank to get some interest. And when we wanted to get it back, it was a little bit less than it used to be before because of a managing fee. (interviewed farmer)

In dealing with authorities, farmers described cases of corruption as well as slow, tedious and expensive bureaucratic processes that prevents many of them from formalizing their businesses and land ownership and cements informal structures. An instance of illegal wood-chopping through bribing authorities has been described as well. Local authorities have been described by various farmers as being non-proactive in sharing official information and supporting farm development. Personal relationships of farmers with local government representatives can provide competitive advantages regarding access to information about current and upcoming policies as well as obtaining their support for example, when applying for subsidies. The prevailing mistrust in public authorities and banks has been recognized in previous studies on land development in former socialist economies, as uncertainty about transactions, underdeveloped legal procedures and distribution of assets (such as land) based on personal relationships (as shown by Allina-Pisano, 2004 in a study about land development in Ukraine and Russia) have favoured informal structures and high reliance on family networks for exchanging products, labour inputs and information (Wallace & Latcheva, 2006).

Horizontal organization among farmers is generally weak even though there are initiatives to organize cooperatives for negotiating prices with wholesalers. Various interviewees described prevailing mistrust among farmers, which can date back to times of state socialism when mutual denunciation occurred. An interviewed farmer reflected this sentiment as follows:

They are very conspicuous about the relation to each other, because people do not really trust each other. Some forms of associations are beginning to emerge, and this is a good idea, but at this point, it is all about trust. And trust is missing. We are having a small farm and I can manage it myself and I am not dependent on anyone. (interviewed farmer)

Joining an association at the partial cost of autonomy with regard to prices and production yields unclear benefits also because of low confidence in the ability of an association to negotiate better prices with wholesalers. This leads to high isolation among smallholders and oftentimes low openness towards new ideas in developing their product portfolio for higher revenue. This state of relational disembeddedness is also relevant for finding farm workers. Most interviewed farmers relied on family for seasonal farm work. Some of the larger farms have employed workers but they prefer to do so on an informal, daily basis. Finding qualified workers has been described as a problem due to high labour mobility and higher payment of farm workers in other EU countries.

5.3. Societal embeddedness

Societal embeddedness refers to the cultural background and behaviour based on traditions, normative values, and social practices. With regard to the study area, the heritage of state socialism, emotional attachment to the family as well as the emergence of new lifestyles have been found to be relevant in shaping development paths of a family business.

The heritage of state socialism continues to influence social interactions among farmers (or, in this case, lack thereof). It still hinders farmers in socially interacting and organizing each other such as establishing cooperatives, which would strengthen their bargaining power towards industrial farmers and wholesalers and strengthen their economic prosperity. The succeeding generation is also affected by mistrust among older farmers, even though an interviewed NGO-representative pointed out that it may be easier for the younger generation to establish connections among each other. This stage of partly societal disembedded smallholders arguably cripples their social capital as horizontal
organization for strengthening their bargaining power, exchanging information and ideas as well as facilitating labour are largely absent or have just recently been established (as described under the point of network embeddedness).

Emotional bond to family and farm continue to be important as implicit pressure of the offspring to take over the family business. The strong bond with family and ‘home’ was mentioned in almost every interview, either when young farmers took over the farm, or when older farmers explained why they hope that their children would come back to the farm, at some point, to take it over. This social and human capital of young successors is often fostered through them helping to run the business from early childhood. ‘Help’ extends from fieldwork to accessing new distribution channels through showing their parents web-based possibilities or helping them with accessing subsidies because their adaptability to digital media is higher than that of their parents. This exemplifies the usage of patient capital to try new, innovative business practices. However, such practices are only possible when financial investments are comparably low and long working hours to pursue them are accepted by the family members.

We started five years ago [selling via facebook and our own website]. There was a family event and our daughters had some friends over and then they talked to each other and they started a business from that. Since then, we also started to join an agro-tourism association and have this business in the old farmhouse. (interviewed farmer)

Another reason for farm succession is emotional pressure, which is felt by the younger generation. The concerned interviewees often had an attitude of, ‘What else could I do?’.

It is not about the prize, why I want to work the land and cannot sell it. It is more about the principle. You do not sell the land you got from your family. I lived here almost my entire life. [...] I lived in Cluj [-Napoca] for my agronomy studies but I realized I have to get back here. (interviewed farmer)

At the same time, the availability of information on the quality of life matters. Younger farmers staying in the rural areas of the Carpathians want to improve their quality of life through a ‘western’ style of living and consuming, which is informed by access to global information via the internet and television and characterized by pursuit of high income, consumption of diverse products and access to manifold offerings for leisure. This further results in potential successors choosing to earn money rather than remaining in relative poverty on the subsistence farms of their parents.

The patterns described above explain a very high reliance on family members for sourcing human capital. While reliance on family members is generally important in smallholder farming in former socialist countries, this appears to be particularly prevalent in Romania. These findings concur with Wallace and Latcheva (2006), who pointed out an exceptionally high importance of the semi-legal ‘household economy’ (as opposed to illegal black economy and legal formal economy) for Romanian households, indicating high degree of subsistence and reliance on family members for work and business transactions (Wallace & Latcheva, 2006).

6. Discussion: Embedding the RBV in notions of ‘embeddedness’

The development and path dependencies of family businesses and the role of family-related resources for obtaining different kinds of capital are, as shown above, shaped by the contextual factors which are expressed as different kinds of embeddedness in which a family business is situated. Summing up the results presented above, different kinds of embeddedness (or disembodiedness) correspond to the manner of how specific kinds of resources are obtained (figure 3). In this sense, the manner of how a farm is territorially embedded shapes the patterns of land (patient capital) available for production, or renting out. The notions of network embeddedness of a business closely correspond to the manner of social capital available to a farm business. The relative lack of horizontal organization among farmers, their high isolation and existing mistrust towards banks, local authorities as well as other farmers exemplify lack of social capital, which could be utilized for obtaining information, capital and labour. Instead, they largely rely on family-related resources for labour and loans, or in other words, human and
survivability capital. The question of succession then in many cases becomes a question of survival for the family business and the involvement of younger (potential) successors in the farm business from early on can give important impulses for development that is, for example, exemplified by a younger family member of a farm who manages their facebook account to attract tourists.

Incorporating notions of embeddedness to explain how smallholder businesses obtain their resources highlights that these patterns are highly path dependent, place specific and, due to long-term societal and territorial arrangements, unlikely to change in a short-term manner. Hence, changing contexts, such as the emergence of alternative lifestyles, international competition, as well as contradictions between EU policy and local administration can hinder farm succession and lead to disruption of the family business. The results of lacking succession, as described by a representative of an NGO are a fragmentation of farmland due to the land inheritance law. Fragments of land then are either leased to other farmers or lay idle due to high cost of formalization and no access to subsidies. Negligence of farmland by lack of succession has been a concern raised by several interviewed farmers. Prevailing mistrust of banks limits individual farmer’s ability to raise capital (outside of the limited capacities of the family) which reduces their capacity for much needed investments in production equipment.

An important conceptual point is that aspects from the different dimensions of embeddedness are mutually dependent. Societal embeddedness of smallholder farmers, and in particular deeply entrenched mistrust, corruption and informal practices shape the structural and relational (network-) embeddedness of farmers, which, in combination with physical attributes of the area, determines the territorial arrangements in which a smallholding farm is embedded. The aggregation of how individual farmers in a region combine the different types of capital available to them (in other words: how they organize their value creation) then exemplifies the socioeconomic development of a region, as well as the manner of how it interacts with extra-regional firms such as international wholesalers. Figure 3 summarizes the results of this study based on the scheme outlined in section 2.

The policy implications of the research findings point to a pressing need of establishing trust in administrative structures and, in the case of the land inheritance law, to adjust some of the existing regulations. Dividing the land over the number of heirs to a smallholding appears to be a significant barrier towards succession and developing the farmland. Administrative processes for formalizing businesses and land transfer are in urgent need of being streamlined and made less costly for smallholders. This aspect is closely connected with establishing more effective mechanisms to prevent corruption. Also, the horizontal organization and trust-building processes of smallholders might be facilitated by local administrations in order to improve their bargaining position against international
wholesalers and processors. More proactive sharing of information by local authorities as well as amongst farmers is needed to decrease competitive imbalances and provide impulses for innovation in smallholder businesses. Some of these adjustments require subsequent cultural change and can only take place in the long term, as succeeding generations, who have a higher cognitive distance to the socialist legacy of the country, subsequently take charge of farming and administration.

7. Conclusion

The aim of this study was to combine conceptual aspects of embeddedness with the resource-based view in order to outline a more comprehensive framework to explain the way how smallholder businesses organize their resources. The empirical study of family smallholder businesses in the regions of Cluj and Maramureș has shown that aspects of embeddedness are an important explanatory factor of why smallholders mainly rely on family resources for managing their businesses and which barriers exist to consolidation, innovation and farm succession. Combining concepts of embeddedness and the resource-based view provides a framework in which the details of individual cases can be taken into account and be analysed with respect to their meso- and macro-level environments.

The empirical study of this article relied mainly on qualitative interviews, which inevitably leads to a relatively small number of incorporated cases. Therefore, this article does not claim to be representative or conclusive of the whole study region even though the diversity of interviewed actors (in which individual cases as well as general overviews were represented) allows for a relatively holistic picture of the dynamics of smallholder businesses in the study region. There are important commonalities with post-socialist countries such as Poland or Czechia such as the emergence of highly bipolar farm structures of high shares of land being managed by large, market-oriented farms, while the majority of farming businesses possess relatively small land area (Dudek, 2016; Kuemmerle et al., 2009; Varga, 2017). At the same time, this study points towards a combination of aspects that may be more unique to Romania, in particular the difficulty of formalizing processes and persisting mistrust among farmers and towards institutions which hinders innovation and farm succession. Arguably, transitioning processes in Poland were less disruptive because of more established formalization of processes before entry of the country to the EU as well as lower disruption of family farming (and succession circles) during the period of socialism because of lower collectivization of land (Dudek, 2016).

Further regional case examples combining concepts of embeddedness and the RBV could complement the results of this study. In particular, the way how the interdependence of different dimensions of embeddedness shape the utilization of resources at different places appears to be a viable area of further research and a meaningful opportunity to combine discussions of global production networks and resource-based view.

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ORCID

Julian Schwabe http://orcid.org/0000-0001-5999-0588
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