

Competitiveness of Networks

The Case of Brazilian Halal Poultry Exporters

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Abstract

This study identified the influence of social relationships on the competitiveness of inter-organizational networks of Brazilian halal poultry exporters. The exploratory-descriptive research method was utilized, focusing on a case study of the network of Brazilian halal poultry exporters. Data was collected through semi-structured interviews, and as a secondary source of evidence, we analyzed articles published on news portals, such as those published by the Brazilian Poultry Union and Islamic centers. Content analysis was used to empirically study the collected evidence. It was found that trust is based on shared characteristics such as family lessons, religious identity, and common ethnicity. Moreover, it was observed that the presence of trust, commitment, and cooperation supports the network of halal poultry exporters, as proposed by Granovetter. Therefore, trust, commitment, and cooperation can be regarded as aspects of social relationships that influence the competitive performance of the studied networks.

Keywords: Islamic precepts, Competitiveness of networks, Trust, Commitment, Cooperation.

Introduction

Inter-organizational networks are defined as a group of organizations with common interests that unite to improve the competitiveness of a particular sector. Examples of these networks include joint ventures, strategic alliances, and cooperation networks among businesses (BRAGA, 2010). The configuration of interorganizational networks, which prevails in the relations of cooperation, goes beyond traditional settings outlined by the hierarchy or market, prevailing power relations and economic exchanges (TURETA and LIMA, 2011).

When grouped into networks, organizations, as per Zaccarelli et al. (2008), are empowered with benefits regarding the skills necessary for their businesses, have their risks reduced because they share experiences, require lower investments than do isolated businesses, readily adapt to the market, and are more flexible when dealing with suppliers and clients. As opposed to a micro vision of competition between organizations, networks provide a collective sense of competition (VERSCHOORE and BALESTRIN, 2008).

In addition to the economic aspects, the competitiveness of inter-organizational networks can also be influenced by social relationships among its members, because formal agreements do not detail all contingencies and rewriting an agreement at every complex event is unfeasible (CULLEN, JOHNSON and SAKANO, 2000).

The study identifies the influence of social relationships on the competitiveness of inter-organizational networks of Brazilian halal poultry exporters by addressing the following research question: To what extent does trust influence the competitive performance of inter-organizational networks of Brazilian halal poultry exporters?

The relevance of this study is associated with the results derived from the integration of this network. Between January and July 2013, 2.23 million tons of poultry was exported, generating revenue of US\$ 4.77 billion. Brazil is the largest exporter of halal poultry, with 870 thousand tons exported to the Middle East (the largest destination for Brazilian poultry) between January and July 2013, with a growth of 9.8% over the same period in 2012 (UBABEF, 2011). The studied case also indicates the importance of poultry exports to the national economic activity, given that Brazilian participation in global poultry exports during 2009–2012 was 37% (UBABEF, 2011).

The research is justified because of the lack of studies that address the interface between the competitive performance of interorganizational networks and social variables such as trust and commitment or even cooperation. At the end of this article we hope to contribute to the emerging literature on networks, presenting the constituent elements of social variables that underpin the competitive performance of inter-organizational networks.

Literature Review

Competitiveness of networks

Organizations are primarily motivated to form networks by economic factors, followed by social aspects such as direct inter-organizational transactions among participants who share information, friendships, and skills. In addition, networks grant credibility regarding external legitimacy for simply being associated with the network. Being part of an inter-organizational network also enables access to resources, markets, technology, and supplies as well as improves short-term financial performance (HUMAN and PROVAN, 2007). According to Zaccarelli et al. (2008), organizations that are indifferent to relationships with other organizations miss out on opportunities resulting from these relationships.

One of the economic motivations for entering business networks is the competitive advantage, which is defined as the creation of superior value, comprising the scope between willingness to pay and opportunity cost of the company (DE BRITO BRITO, 2012). Competitive advantage is determined in the first instance identified by the value of use, created and delivered, and, in a second moment, the exchange value between the parties (ITO et al., 2012).

On the competitiveness of networks, this article is adopted model Zaccarelli et al. (2008) for empirical research, in which the authors proposed ten attributes for analyzing the competitive performance of interorganizational networks.

As the description of the fundamentals of competitive performance of networks Zaccarelli et al. (2008, p.19- 18), have been that: 1) progressive loyalty between suppliers, customers refers to the movement of approach between customer and supplier, 2) Direct purchase of inputs (user - producers) indicates the relationship between users and producers of a given product, encouraging exchanges of information and access to shared gains, 3) Scope of business in the network refers to the level of incorporation of business processes and operations, responsible for the availability of products and flows in the network and 4) Specialization of the companies in the network indicates the degree of mastery of skills in production, development and product innovation; 5) Agility in replacement of network companies indicates the measure of speed or movement in readiness expulsion of a given

business and the restoration of the network; 6) Uniformity of intensity flows indicates the level of balancing movements established in the network between the actors that compose it ; 7) Innovation for business alignment refers to the ability of the network to incorporate innovative processes to improve their competitiveness ; 8) improvement by introducing new technologies is on capacity development , identification and adoption of new technologies by network members ; 9) Sharing of investments , risks and profits refers to an indicator of the intensity of collaboration between organizations network ; 10) group strategy to compete as network indicates the existence of effective and purposeful integrated guideline for action and decision of the participants of the network companies .

Besides these economic aspects of inter-organizational networks, social relationships are of equal importance to the study of the networks due to the social context in which they are inserted, which influence their behavior and performance (GULATI, NOHRIA and ZAHEER, 2000).

Trust

Trust involves relationships among members of the network, indicating a greater possibility of positive results for the participants. Organizations that cooperate tend to acquire trust (GULATI,1995) , which improves competitive performance and promotes continuous learning through the exchange of information. Trust also increases motivation toward seeking solutions to common problems and reduces transactional costs owing to a lower control over safety and incentive mechanisms (SAKO, 1998) .

Commitment

Commitment is linked with trust; it can be regarded as providing assurance to one party (such as the importer of halal poultry) that the other party (such as the producer of halal poultry) will act in accordance with the rules (explicit or tacit) regulating (formally or informally) the operation of the network. Commitment refers to the belief held by one or more participants that the existing relationships with the other participants are important enough to maintain, thus ensuring maximum effort to sustain them (MORGAN and HUNT, 1994) .

Cooperation

Organizations capable of cooperating with each other tend to acquire trust (GULATI, 1995). Inter-organizational cooperation exists when two or more organizations act together to pursue mutual benefits (COMBS and KETCHEN JR, 1999) . It is characterized by coordinated actions among organizations with common goals, with the implementation of collective mechanisms to achieve them efficiently (VERSCHOORE and BALESTRIN, 2008) .

Methodology

Creswell (2010) believes that conducting research involves the intersection of research methods and research strategies. Methodology refers to a set of choices made by a researcher to perform a study. This study utilizes the qualitative method, which involves “obtaining descriptive data about people, places and interactive processes by direct contact by the researcher with the studied situation, trying to understand the phenomena from the perspective of the subject” (GODOY, 1995) .

Upon considering the types of studies suitable to investigate inter-organizational networks, the exploratory-descriptive method was selected for this study.

Creswell (2010) states that a study case is a research strategy in which “the researcher explores in depth a program, an event, an activity, a process, or one or more individuals.” Therefore, the research strategy most suitable for this research question is the single integrated case study, because investigating a single case enables the testing of the theory, the study of a peculiar case, and the study of a representative case. The study of a single integrated case focuses on the sub-units of analysis of a case (YIN, 2010). Thus, the unit of analysis is the inter-organizational network of Brazilian halal poultry, and the sub-units are the nodes and links within this network. The members of the network of halal poultry exporters include associations of producers and exporters, refrigerators, the government, chambers of commerce, the Brazilian Poultry Union (UBABEF), and Islamic centers.

Semi-structured interviews are used for data collection, and secondary evidence is derived from sources such as articles published on news portals and in magazines as well as material disseminated by UBABEF and Islamic centers.

Data analysis is the process of linking the obtained data with theory and research. Content analysis is performed for this purpose, and it consists of “the manipulation of messages (content as well as expression of the content) to highlight the indicators which could be inferred in a different context than that expressed in the message” (BARDIN, 2004)

Presentation and Analysis of Results

This section presents the analysis of the data collected from interviews and documents of institutions that belong to the network of poultry exporters to the Middle East.

Network of Brazilian halal poultry exporters

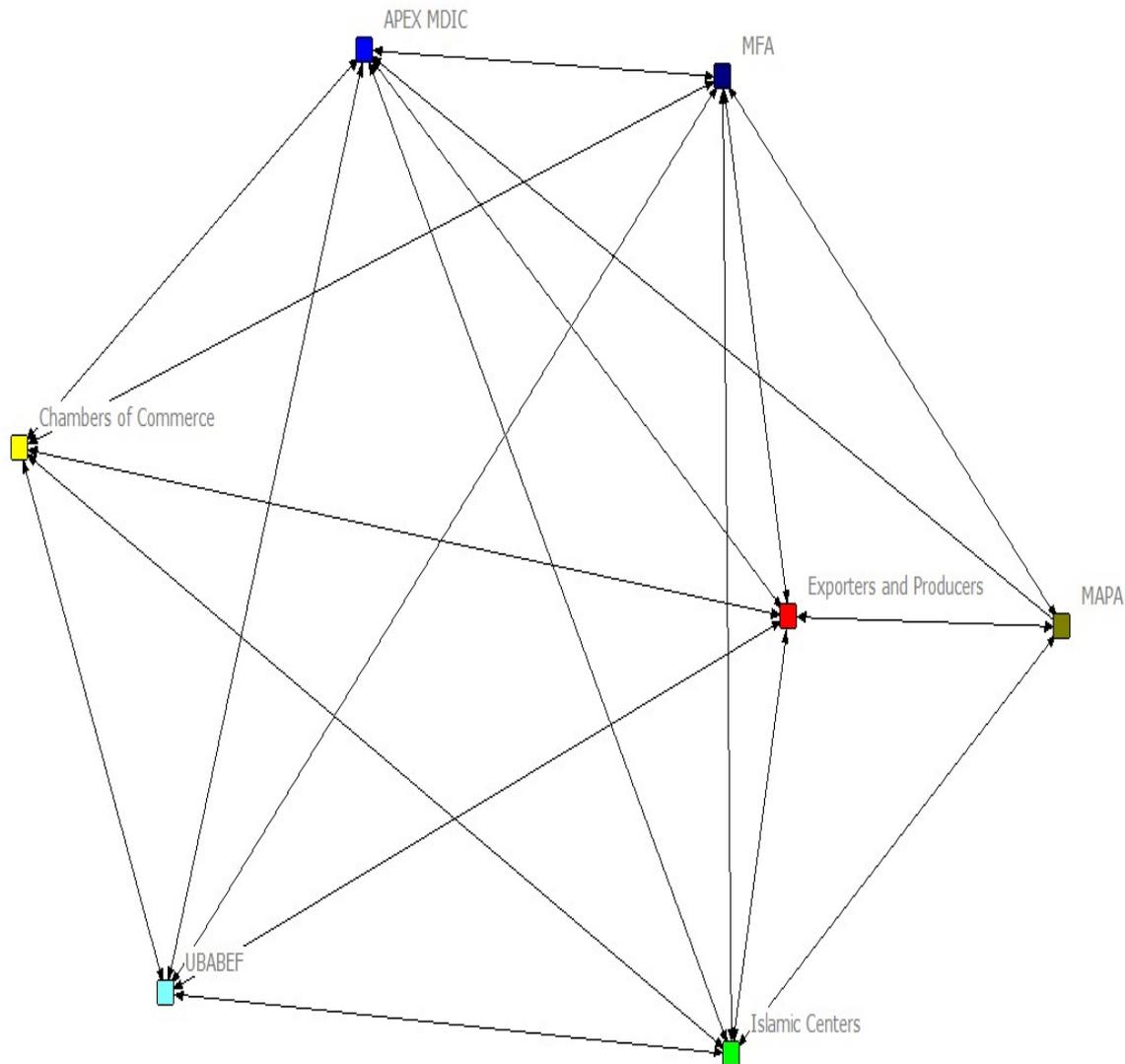
The actions of the Brazilian network of poultry exporters to the Middle East are based on collaborative relationships between producers (refrigerators) and other organizations (associations of producers, the government, and Islamic centers). These relationships lead to a typical organizational network, which emerged in response to changes in the global business environment, which is marked by strong and increasing competitiveness since the 1990s—defined by Nohria [12] as the *new competition*. The network of Brazilian halal poultry exporters comprises exporters and producers; Islamic centers; the Ministry of Agriculture, Livestock and Supply (MAPA); the Ministry of Foreign Affairs (MFA); the National Agency for the Promotion of Exports and Investments (APEX); Brazilian Poultry Union (UBABEF); and chambers of commerce (Figure 1). The following map was generated on the Ucinet 6.0 software, which analyzes social networking data.

Due to the obligation of exporting Brazilian poultry industry in the chicken slaughter under the precepts of the Islamic religion, to export chicken to the Middle East, there was the formation of a network level in the last decade, and informal horizontal nature, since no organization holds the unrestricted control. The member organizations choose to cooperate to a certain domain, because according to Balestrin and Vargas (2004, p.34) this type of arrangement favors the concentration of efforts, without depriving the freedom of strategic action of its members.

To be a halal chicken is imperative that the bird be killed under the rules of the method of slaughter of broilers receiving the designation of halal (lawful in Portuguese), which is the allowance of the animal by means of a quick, deep incision in neck, the hooks of the production line are geared toward Mecca, the capital of the province of Al Hejaz in Saudi Arabia, it is the bleeder with the aid of a compass to measure the direction of the hooks of the production line and the breast of the bird; beyond the slaughter of the bird being held by a bleeder, accompanied by a supervisor, both practicing Muslims, linked to Islamic

centers , halal certifiers in refrigerators (Brazilian Center For Islamic Halal Food Stuff , 2013.)

Figure 1. Map of the Network of Brazilian Halal Poultry Exporters



Source: Created by the authors using the Ucinet 6.0 software.

Islamic centers

With regard to trust, it is based on shared characteristics such as family lessons, religious identity, and common ethnicity; in other words, it is created and maintained on the basis of its members' identity. In this case, it is the religious identity that ensures the implementation of the procedures that organize the process of poultry export to the Middle East. With regard to cooperation, it contributes to the development of new methods of organization, as it increases the efficacy of participants. Finally, with regard to commitment, it is legitimized by the accreditation granted to organizations that constitute the network of halal poultry exporters.

Brazilian Poultry Union (UBABEF)

With regard to trust, it is based on integrity, dependent upon the joint adherence to accepted principles, which in this case are based on religious premises. Such procedures contribute to the increase of poultry export. With regard to cooperation, the union focuses on new ways of organization to promote an increase in the number of participants. In addition, it considers increasing the range of actions for the development of the sector, which is one of the variables that constitutes a business network, as it could facilitate trust relationships. With regard to commitment, respect for religious foundations guides the process, from slaughter through to the export of the poultry.

Final Considerations

This study identified the influence of social relationships on the competitiveness of inter-organizational networks of Brazilian halal poultry exporters. The emergence and inclusion of Muslim countries in the international food market sparked a perception on the part of producers, companies, governments and associations, on the possibilities of economic gain to the production of products with halal certification. Representing a significant portion of the world population, the Muslim market has increasingly received attention from food producers, particularly the farmers, who realized the earning opportunities to develop trade relations with Muslim countries, which represent an important market in importing food because it does not have, in most cases, sufficient food production to meet domestic demand.

Was based on the understanding of the emergence of these markets that the various actors that make up the segment of Brazilian exports of halal chicken to the Middle East built a network of exporting that product. It was precisely this network, the result of cooperation, anchored on trust and commitment of its members, which enabled the achievement of competitiveness in foreign markets.

A network level, such as the Brazilian chicken exporters to the Middle East, is formed by a complex set of factors, which include the relationships between its members as critical to their development part, based on trust, commitment and cooperation among its members. Trust and commitment were crucial to the structuring of the network as well as to sustain its competitive performance. Therefore it can be said that social factors were necessary for network formation and sustaining their competitive performance, and led the network to a competitive position in foreign markets.

The presence of trust and commitment on the net exporters of halal chicken gives support to the competitive performance of the network. Muslims and non-Muslim actors network members internalize and externalize religious rules and procedures as well as their meaning and importance to the Muslim community, which is made possible by constant personal interaction between them, because all member actors (Producers Exporters; Centers Islamists, Ministry of Agriculture, Livestock and Supply (MAPA), Ministry of Foreign Affairs (MFA), National Agency for the Promotion of Exports and Investments (APEX), Brazilian Poultry Union (UBABEF) and Chamber of Commerce) participate in the production process and marketing of halal chicken to the middle east.

It was noted that trust is based on shared characteristics such as family lessons, religious identity, and common ethnicity; in other words, it is created and maintained on the basis of the identity of the network's members. In this case, it is the religious identity that ensures the implementation of the procedures that organize the process of poultry export to the Middle East.

The presence of trust, commitment, and cooperation supports the network of poultry exporters, as proposed by Granovetter (1985). Therefore, trust, commitment, and cooperation

can be regarded as aspects of social relationships that influence the competitive performance of the studied network. Thus, it is observed that within the studied network, an atmosphere based on social relationships involving trust, commitment, and cooperation leads the network to a competitive position in the external market.

It is seen that the network of Brazilian exports of halal chicken has signs of cooperation between actors members . Cooperation does not only between producers exporters, but ranges from producer associations , government agencies , Islamic Centers and Chambers of Commerce . Given this scenario , cooperation has emerged from two elements : a common goal , in this case the introduction of Brazilian production in the chicken market in the Middle East and the existence of an environment that motivates trust and commitment among the actors involved .

It was found that the studied network is horizontal, without effective control of one of the actors crowded by all its members act in the same country ; informal , for not having a contractual basis between the network actors , and involves different actors with freedom of strategic action and influence over other actors in the network .

Future studies may focus on the analysis of the centrality of the actors in the interorganizational network of Brazilian exporters of halal chicken , testing the hypothesis of the existence of relations between actors in the network to be guided by an influential actor with more connections , and thus changing the current frame trust , commitment and cooperation among stakeholders . Another hypothesis to be tested is for the type of connection that the gatekeeper (more influential or more connections actor) performs as the external domain of the network , and to what extent there is an impact on the competitive performance of the network connections with other levels of gifts .

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