FINANCIAL MANAGEMENT AND CONTROL OF THE AGRIBUSINESS

ISSN 1857-9973 338.43:658.14/.17

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Abstract

Economics involves the allocation of scarce resources, that is land, labor, capital and management, to meet the needs of people. The profit motive is used as an incentive that guides businesses in fulfilling consumer wants as consumer express these wants in the marketplace with their money. Agribusiness are in integral part of this system. Busines in the organization that private property owners create in oder too coordinate and manage their property to generate a profit. In a larger sense business is the vehicle of the free enterprise system. Agribusiness managers use a great many economic principles ti make important business decisions. A completely free market capitalistic system is ceared to react only to economic pressures and so can cause individuals a great deel of pain while it is in the process of making its adjustments. A completely free market capitalistic system is ceared to react only to economic pressures and so can cause individuals a great deel of pain while it is in the process of making its adjustments. Opponents of the free enterprise system also point to ,,unnecessary duplication,, of facilities in competitive situations.

Key words: economic, profit, agribusiness, agribusiness managers, qualitative approaches, control program

1. Introduction

Every society must develop a system for making production and distribution decisions. In some countries the decisions are made centrally by the government. In a free market system, consumer wants are expressed in the marketplace and become tha basis for the allocation of scarce resources.
Financial management requires thehighest degree of specialized knowhow in interpreting financial information from a firm`s record. Without this know- how, agribusiness managers at any level find it difficult to implement the goals and objectives of the organization. Each agribusiness enterprise therefote must accumulate the records, knowledge and information that are vital for its success.
The responsibility for actual control of quality during the operation of the transformation process, whether that be the production of artefacts, delivery of a service or the passing of information internally, rests squarely on the shoulders of the operators of the process. They must ensure that all the appropriate concepts and techniques are applied to this task.

Organizationally, this means that staff carrying out the work must be given the tools to enable the requirements to be met.

Figure 1. Economic system

In a perfectly competitive free market system profits should not exist. The organization of many companies reflects their concentration on the relatively narrow area of inspection or checking oriented quality assurance. The very title quality manger is a misnomer when it is associated solely with the management of product or service quality. There is no way one person or one department can manage quality but one person, the chief executive must take on the overall responsibility.

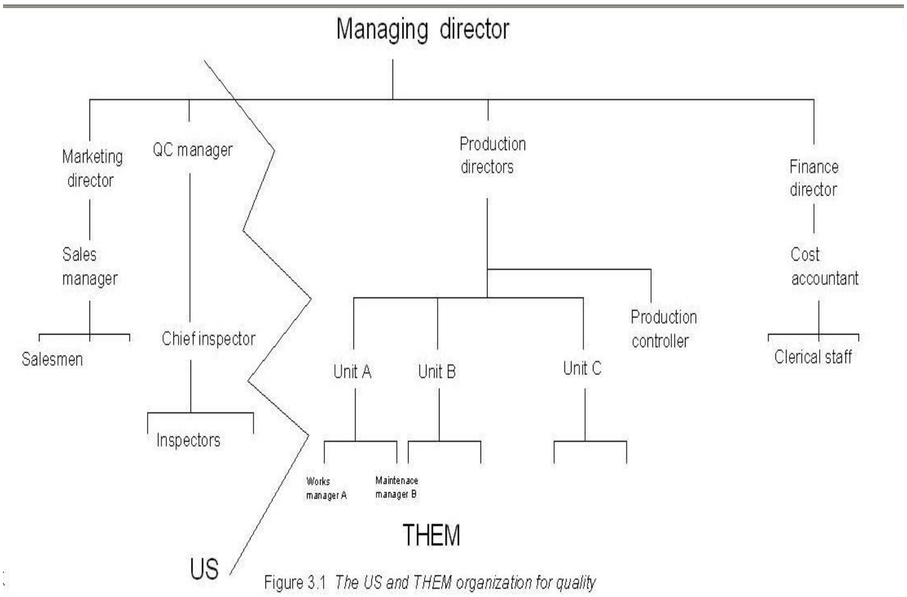

Figure 3.1 *The US and THEM organization for quality*

2. Profits in a mixed economy

The theory goes that many firms will be attracted into any market that is potentially profitable: once this happens production will increase, prices will drop as a result and profits will eventually fall back to zero. Even in cases in which there are fewer firms involved. If the firms produce too much product thay will lose money because of the cost of storing the surplus combinet with the low market price. Once this happenest some firms will exit from the market thereby reducing the supply and driving the price upward until losses are reversed and profits are again at zero or higher.

But in the real world profits do exist. And the possibility of earning profit is the motivating force behind most business decisions. While it is true that some business also have nonprofit objectives, the profit goal remains the primary objective of essentially all businesses.

Agribusinesses are greatly affected by macroeconomics because world-wide consumer demand for various food and fiber products is constantly changing. Economic conditions are influenced dramatically by such factors as weather conditions, government policies and international developments. Agribusiness is an integral part of the macroeconomic system. This is because the role it plays – allocating scarce natural and financial resources to meet the critical food and fiber needs of the world`s population – is a key one. Agribusiness is in direct competition with other sectors of the economy for limited resources and so is greatly affected by wider economic pressures and trends.

Qualitative approaches must always be part of budget development. Qualitative approaches are only as good as the information on which they are based and must still be interpreted and implemented by human beings. One qualitative technique that is currently being used successfully is consensus. In consensus knowledgeable people who are associated with the business are asked separately for their opinions about a particular factor. Second qualitative technique depends on the intuition and experience of the leader, and last qualitative technique is logic or the combination of fact, induction, and deduction with or whitour the aid of collegues.

To transform quality into a strategic business planning and management dimension, a new role must be created for the quality function, a role which is similar to that of a navigator on a ship. After preparing a course and the chef executive, the captain, the navigator manages the route and the progress. When the ship is off course, he does not stride onto the bridge, elbow the helmsman in the ribs and start turning the ship wheel.

The establishment of positive quality policy objectives within an organization must be accompanied by the clear allocation of responsibilities within the management structure. It is generally accepted that the primary operational responsibility for ensuring that quality ckain does not break must rest with line management, and in particular there are two key areas which require attention :

1. Senior executive level. Direct responsibility for the general management of quality should be included in the duties of one of the senior executives in the same way that a director may be allocated overall responsibility for production, marketing, or safety. Undivided line management responsibility for quality often stops at some point in the middle – management ladder., further up the responsibility tends to become diffused and uncertain. Quality must be treated like any other major managerial function, with a clear line of responsibility and command running up to an accountable individual at the top of the organization.

2. First-line supervision level. The other critical level is the supervisor who is on the spot and in a position to know whether the supplier/ customer interfaces are working satisfactorily in practice, and his/ her influence can be dramatic.

The first level supervision has a responsibility to:

- Instruct subordinates in the appropriate methods and procedures;
- Inform them of likely causes of errors of defects and the preventive methods necessary;
- Supervise the arrangement of such methods and instructions in the quality system;
- Initiate any steps necessary to improve methods, equipment, materials, conditions, in the work area for which he / she is responsible.

3. Purpose of control

In it`s simplest form, control means checking that plans are on target and on schedule and taking remedial action as needed to ensure success. The basic control program involves three steps:

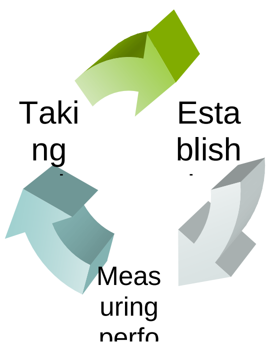

Figure 2. Three steps in basic control program

4.Material and methods

The following research methods or technique for data collecting are used:

1. Method of evaluation and judging,
2. Method of preliminary analysis,
3. Method of continuing following, an interview with the general, top managers

Our research analysis used economic structure which is intricately interrelated. Standardized interview was done with top managers in 40 companies in the meat industry. Whan government policy directly affects interest rates, agribusinesses which depend heavily on borrowed money to finance production, inventory and accounts receivable are greatly affected. Understanding and interpreting macroeconomic pressures are indeed crucial responsibilities for agribusiness managers.

The feeling of responsibility must be engendered in ll employees to:

- Follow the agreed written procedures;
- Use materials and equipment correctly and as instructed;
- Draw attention to existing or potential quality problems and report all errors, defects and waste
- Suggest way in which risks of errors of quality problems could be reduced
- Assist in the training of new entrants and young people, particularly by setting a good example.

5. Results and discussion

Every agribusiness must keep track of sales, purchases, expenses and profit or loss. Records that demonstrate these factors are necessary to meet the the requirements of governmental units, financial lending institutions, investors, employees, and suppliers of the business. Even more importantly the records of the company should furnish the fuel for all financial planning and management decisions.

The records system should provide knowledge that meets the following criteria:

- ✓ It should be simle and easy to understand
- ✓ It should be reliable accurate, consistent and timely
- ✓ It should be based on the uniqueness of the particular business

What is difference between a budget and a forecast? Though it is true that some budgets are forecast and some forecast are budgets, in management a forecast generally referts to the output of the business, as with sales forecasts.

The budget refers to input into the business, or the cash budget. It is important to recognize that budget determine organizational direction.

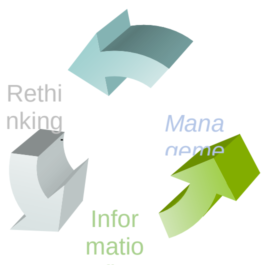

Figure 3. Control programs are predictive tools

Agribusiness managers are in control only when they have created a system and climate in which their subordinates can exericise self control. Mechanisams may then be created to provide clear performance standards in all areas, backed by appropriatie job descriptions and training,to ensure those standards are achieved. The process of performance management consists then of:

1. Clarifying responsibilities
2. Deveioping performance indicators and objectives
3. Preparing action plans

Although the responsibilities clarify what is to be performed,they do not define how well the tasks are expected to be performed. Performance indicators, therefore,are the means by which performance will be evaluated.To be meaningful they must be:

- ✓ *Measurable* - Indicators must lead to performance objectives which are quantifiable and tangible.Achievements in thease areas must be recordable,verifiable,and observable. Areas such as quantity or quality of output,time schedules,costs,ratios,or percentages,would be examples of measurable indicators.
- ✓ *Relevant* - Indicators must serve as a linkage between specific areas of responsibilities and the individual performance objectives to monitor achievement. They must describe what is the expected role of the position-the critical areas of performance.
- ✓ *Important* - Indicators need not be defined for every area of responsibility.They should be developed for those activities which have a significant impact on the results for the individual, department, and the organization.

The establishment of performance objectives provides clear direction and communication of expected levels of achievement.The process is a joint one-an interaction between the manager and his/her subordinates. If full commitment on the part of both parties is to be realized,the targets should be negotiated in the form of performance ‘contract’.Once the indicators have been agreed, the specific results desired need to be decided.The greater the participation, the greater the motivation to achieve. Agreed performance objectives schould,therefore,contain the following ingredients:

- Participatively developed
- Challenging but attainable
- Clear statements of performance expectations
- Within the individual’s scope of control.

6. Conclusion

Central to the successful management of any agribusiness firm is the ability of both managers and employees to monitor and predict their acomplishments. From a practical point of view, the general objective of the organization to ,,maximize profits,, does not provide the kind of guidance necessary for checking progress. No one knows what maximum profits are or can be. Progress must therefore be measured against more specific goals. Cost and revenue implications cannot be ignored, because ultimately the very existence of the businessdepends on its ability to make a profit. But control programs are designed to provide the agribusiness manager with the tools for monitoring and predicting accomplishment within these cost and revenue constraints.

This “total involvement” approach stresses the need for the participation of every individual employee.

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- Assist in the training of new entrants and young people, particularly by setting a good example.

An effective method of achieving general cooperation, interest and involvement in quality should be established bu formal arrangements for quality improvement teams. This will vary from organization to organization and depend on particular circumstances on the site, e.g. its size and location, the composition of the workforce, and processes operated.

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