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## **4 Environmental consulting as a factor of agricultural development in Serbia<sup>3</sup>**

### **Introduction**

In agro-business sector, the consulting represents one of the most important factors of business modernization. In support of this statement we should state a confirmed fact that investments in the consulting (and agricultural researches) bring around 40% of an average rate of earnings, which is “much more than other investments in agricultural development” [Van den Ban and Hawkins et al. 1996]. The consulting services market research in Serbia has determined that there is significant demand for the consulting services in agro-complex, in the field of production standardization [Mihailović 2007]. In accordance with the companies’ needs in agro-complex of Serbia, it is useful to formulate some directives for a consultant’s selection in this field, and especially for realization of quality management system in the organic food production.

In implementation of the quality management system, some of the companies in agro-complex of Serbia decide to depend on their own personnel, but some of them use the external consultants’ services. Selecting consultants is very important for an organization as they should ensure that a resulting system of the quality management be capable to fulfil all goals, which the organization had planned in the best and the most efficient way. Even when we use the consultants’ services for the quality management system, inclusion and devotion of the organization’s top management are key factors for realization of the quality management system.

This international standard was dedicated to providing instructions regarding the factors that should be considered, when choosing a consultant for the quality management system. This standard can be used by the organizations for the quality management system in selecting a consultant capable to fulfil their special needs, expectations and goals, while realizing the quality management

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system. It could be also used by: a) consultants for the quality management system, as the instructions for consulting on the quality management system, and b) consulting organizations, for a consultant's selection for the quality management system [Directives for a consultant's selection for the quality management system and his services use 2005].

#### **4.1 Ecological consulting and modern agriculture**

Ecological factor gets its significance, which creates a demand for special consulting services regarding projection and installing of equipment for reduction/elimination of pollution. The investments value on the global ecological market has increased from USD 379 milliard in 1995, to USD 518 milliard in 2000 [Janković 2006]. At the same time, it is important to emphasize also the existence of increasing specialization of consultants for specific fields. Aiming to fulfil the organic production standards, it is necessary that consultants have new highly-specialized knowledge. The consultants' specialization (so-called SMS – Subject Matter Specialist) means knowing well the specific fields, like socio-economic consulting, ecological consulting, as well as getting to know with new regulations and standards in the EU.

The research results [Socially responsible business in Serbia 2005] point out to underdeveloped consciousness on socially-responsible business, although some positive moves are noticeable, in sense of compatibility development with up-to-date business concepts in developed market economies. For mass application of the previous concept it is necessary to apply a triple bottom line principle, which appreciates economic, social and ecological criteria [Djuričin 2006].

The consulting organizations offer depends on needs, i.e. demand on the consulting services market [Mihailović 2007]. At the same time, the offer is influenced also by human resources potential of the consulting organization. The most important are experience and expertise of the consultants to be used to comply with the clients requirements regarding the ecological management. The most significant support of consulting services is noticeable also in the field of ecological clusters' formation.

In Serbia, the initiatives for clusters forming are also present in the ecology field. Companies – members of the Serbian Ecological Cluster are authorized for taking over and recycling of specific types of hazardous and non-hazardous wastes. It is important to point out that all the companies – members of the cluster fulfill every technical condition to operate without other members.

The experience has shown that the most chance for success have those clusters (initiatives), which have a consensus on mutual goals and activities, which have a clear frame for cooperation and are based on own initiative.

In Serbian economy, during the Pilot Clusterization Program, these are, at the same time, the biggest problems. Successful work of a cluster is limited by high level of the members' distrust, lack of understanding of cluster concept, a desire for horizontal association without readiness for deeper cooperation, insisting on individual problems and fear of losing the autonomy in business decision-making. At the same time, absence and underdevelopment of institutional and infrastructural support largely hinder these processes in Serbian economy. The cooperation between universities, scientific-research organizations and economy sectors, is not sufficiently developed [Program for development of business incubators and clusters in the Republic of Serbia 2006].

#### **4.2 Consultants for a quality management system**

The standards give the production a common language. In this way communication is easier, and marketing more successful. The standardization helps producers to insure a product which is required and can be sold, while helps buyers to get the quality they want. Big supermarket associations introduce the quality standards, which the production has to fulfil. Those standards refer to bio-chemical characteristics, external look (mass, colour and size of fruits) and presence of harmful matters (nitrates and heavy metals, pesticides' residuals, phyto-hormones). There are primarily EUREGAP 13 for agricultural production and HACCP in processing industry [Presna et al. 2006]. Those standards appeared as consumers reaction to a phenomenon of unsafe food during the livestock diseases epidemic (mad cow disease, foot-and-mouth disease), as well as of fear from introducing the genetically modified food. The EUREGAP is the standard which covers all main aspects of production, like managing land, crops growing and gathering. It also deals with pollution issues, labour treatment and environment protection. It follows the production from sowing (analyzes origin of seeds and soil history), through growing (follows the use of herbicides, pesticides and fertilizers – quantity, type, quality, place and method of application), irrigation and gathering (hygiene level and a way of storing), to packing, transport and placing a product on a store shelves.

The standard HACCP represents a system which identifies, assesses and controls risks important to food safety. The risk includes biological, chemical or physical agents in food, with potential to have unfavourable impact on human health. The needs for applying HACCP are related to the following factors: increasing number of polluters, increasing care for health due to hygienic food contamination, increasing risk of diseases caused by chemical problems in food production, new technologies and life styles. Moreover, the world trade requires the international harmonization. The HACCP provides numerous advantages.

The most important are the following: providing a preventive system for food production, more effective and more efficient supervision by the government with less inspection, responsibility for food safety transfers to industry, helping food producers to be more competitive on the global market. In Serbia small and medium companies in the field of fruit processing are a stimulus for higher organic production. The HACCP standard (hazard analysis of critical control points in production) in Serbia has introduced 12 companies in the field of fruits and vegetables processing (Malina Produkt, Mondy Food, Sirogojno, Hibrid, Libertas, Flora, Vulić Vulić, Jevremovac ABD, Zadrugar), while the firm Libertas from Sabac, which deals, except processing, with growing fruits and vegetables, has got the first EUREGAP certificate in Serbia. However, still high percentage of Serbian producers and processors of food have introduced the food safety standards poorly or not at all.

In accordance with the professional integrity criteria, the companies in agro-complex should consider the following moral principles, when choosing a consultant for the quality management system. The consultant should [Directives for selection of a consultant for the quality management system and its services use 2005]:

- avoid or report any conflict of interests, which can have an impact to a business;
- keep safety of information, got or taken from companies;
- keep its independence from certification body/registration of the quality management system or accreditation bodies;
- keep impartiality during the certification/registering body by the organization;
- provide a real assessment of costs for provided consulting services;
- not make unnecessary dependence on its services;
- not offer services if he does not have necessary competence.

Taking into consideration that in Serbia there is a great demand for consulting services in the field of introduction and implementation of standards in production and quality management, we have to access the necessary professional competence of the consulting organization for this type of consulting projects. The factors determining professional competence are to some extent modified compared to previously stated determinants of a consultant's competence. When choosing a consultant for the quality management system, the organization should evaluate if the consultant has the competence which suits to the size and specificity of the services to be provided. The competence is defined in ISO 9000, as a demonstrated ability for application of knowledge and skills. As such, it comprises: personal characteristics, education, general knowledge and skills, knowledge and skills specific for the quality management and the organization,

work experience, keeping and improving the competence [Directives for selection of a consultant for the quality management system and its services use 2005]. The personal characteristics contribute to a success in the consultant's activity related to the quality management system. Generally, the consultants for the quality management system should have numerous personal characteristics, which will help them during their work in a given company. The consultants for the quality management system should have adequate education, necessary for implementation of knowledge and skills in regard to the consulting services being provided. Besides, the consultants for the quality management system are expected to understand and apply the relevant international standards (ISO 9000, Systems for quality management – Groundwork and dictionary; ISO 9001, Systems for the quality management – Requirements; ISO 9004, Systems for the quality management – Guideline for performances' improvement; ISO 19011, Guideline for checking the quality management system and/or a system for the environment management), as well as other relevant international standards. Also, the consultants must know other standards necessary for their services.

The consultants for the quality management system should have a general knowledge on: a) standardization, systems for certification and accrediting on the national and international level, b) processes and procedures for the national certification of products, systems and personnel. The consultants for the quality management system must know some appropriate principles, methodologies and procedures and be capable to apply them. The next list points out to such fields where the consultant's experience and ability can be useful: principles of quality management; tools and techniques for permanent improvement; adequate statistical techniques; methodologies and techniques for checking; principles of the quality economy; team work techniques; PDCA (Plan-Do-Check-Act) methodology; methodology of policy development; techniques of a process mapping; techniques for problems solving; techniques for tracking satisfaction of users/employees; brainstorming methods. Being familiar with legal requirements and other regulations, which refer to the organization activities and the consultant's workload, are important for the consulting in regard to the quality management system. However, it cannot be expected from the consultants for the quality management system to have the experience in application of this knowledge before starting their services. The relevant knowledge in this field considers typical requirements from the law and other regulations for the organization's products (for example, from ISO 9001).

The companies in Serbian agro-complex agree on one thing: the consulting services price issue cannot be more important than professional integrity and professional competence of the consultant [Mihailović 2011]. On a scale of

1 to 5 (1 – the least important criteria of a consultant’s selection, 5 – the most important criteria of a consultant’s selection) of a consulting service price has the lowest average grade (3.8), opposite to the professional competence with the highest grade (4.66). The results of the empirical research coincide with recommendation of some international consultants association. For example, the International Federation of Consulting Engineers – FIDIC, suggests the clients to choose a consultant, according to his ability, not the price. A consultant, as a rule, forms a price and collects the service in accordance to a common practice in the profession, by which the consulting services’ payment is negotiated before the business starts. If the price departs (it is higher or lower) from the usual market price, than it is necessary to inform the client about the deviation reasons. The analysis of the required price often opens a question of a project task form and personnel necessary for its realization, so it should also be considered and determined at the beginning of negotiations. In that way at the start we can eliminate unfavourable occurrences. Otherwise, such occurrences can seriously disrupt setting good relations between a consultant and a client. The tiniest misunderstandings can jeopardize implementation of contracted business.

During the analysis of a consultant’s offer, before it is accepted, a company’s management/client pays special attention to its correctness, i.e. if it includes some unnecessary and unfavourable items:

- Consultants suggest too expensive approach (e.g. broad data collection, using more samples than necessary, elaboration of oversized number of alternatives, supply of expensive patent systems or equipment – hardware, etc.).
- Proposal of the project anticipates engagement of highly-professional and more expensive experts (more senior consultants) than necessary in that case.
- Consultants suggest their people for jobs the client can do by himself or with some training and directing [Kubr 1995].

The consulting services, connected to ecology and the environment requirements, are relatively new, but in the future this segment of the consulting services market will have more significance. This conclusion is based on the fact that this sector strengthens in many countries, which have joined the EU. What is sure, is that those services are interdisciplinary. The consulting organizations, whose basic activity is accounting, managerial and engineering consulting are present also in this market segment.

The manager’s task is to change production, marketing, as well as the use of products or services, or to perform the activities in accordance with scientific and technical acknowledgements, in order to prevent a serious or irreversible degradation of the environment. At the same time, it is necessary to measure the effect of environmental protection, to perform regularly the environment protection check-

ing and assessment of adjustment with the internal requirements of a company, legal requirements and other regulations. In this way providing contribution to preserve the favourable conditions for the organic production development in Serbia.

### **4.3 Organic production and rural development**

The organic agriculture is based on application of specific methods of the organic production. It gets its significance by bringing a man closer to nature, from which he had departed; it makes almost complete harmony with the environment preservation requirements and finally, it provides the population with food products made by natural processes, using organic and mineral matter [Katić et al. 2008].

Accordingly, the organic production goals are the following: production of sufficient amounts of high-quality food; keeping up and increasing long-term fertility and biological activity of land by using biological and mechanical methods adjusted to local conditions; protection and keeping up biodiversity in nature and agriculture, on a farm and its vicinity, by using sustainable production systems; maintaining and preserving the genetic biodiversity by paying attention to genetic resources management on the farm, recognizing domestic knowledge and traditional producing system significance, their protection and application in education [Mihailović et al. 2007].

The Republic of Serbia has very favourable conditions for setting up this type of production. The environment is preserved, especially in mountain regions, which occupy 71.5% of central part of the Republic of Serbia, or 51.7% of the entire republic territory [Katić et al. 2008]. Most of these areas have high-quality water, clean air and are remote from highways and other sources of the environment pollution. Accordingly, the organic production is realized under very high criteria and it is regulated by special decisions. These regulatory rules exist in Serbia, too, and are well coordinated with the EU legislation. In 2009 the area of collecting wild plant species from natural habitats, by the organic production method amounted to around 1,000,000 hectares, while arable land cultivated using the organic production methods amounted to around 1,200 hectares. The organic production is based on an essential connection between agriculture and nature, with a focus on respecting the natural balance. The organic production and supply of health-safety food creates pre-conditions for motivating export and improvement of socially-economic position of rural environment and the national economy.

The reformed policy of rural development had set up the LEADER initiative, as a leading approach in distribution of support and had significantly simplified procedures. A new policy of rural development is harmonized with the declaration of Sustainable Development Leading Principles (those principles



require a balance and complementarity between the economy, the environment and the society. Basic “axes” of the rural development policy in the period up to 2013 were [Bogdanov 2007]:

- Measures of improvement i.e. increase of the agrarian sector competitiveness. It comprises: human resources (training and informing, young farmers, early retirement, using consulting services); physical capital (investments in farms, processing/marketing, agricultural infrastructure); quality of agricultural production and products (temporary assistance for adoption of the standards, improvement of food quality, promotion of food quality improvement). Within this axis, as special measures for new member-countries are anticipated the special transitional measures: support to semi-natural husbandries, in the process of reform (husbandries which produce for their own use and some of the production they sell); support to establishment of producers associations; support to consulting development.
- Improvement of the environment and rural environment through support to land management. Payments within this axis aim to encircle the measures linked to the environment protection and sustainable land use. These payments are made within the EU struggle against the climatic changes, struggles for biodiversity improvement and water quality, decrease of risks from natural disasters, etc. Some of the measures comprise: mountain regions with developmental constraints, care for animals, support to non-productive investments, afforestation, etc.
- Economic diversification and improvement of life quality in rural areas. A basic purpose of the third axis is to improve life conditions and to encourage population in remote rural areas to stay there, which is a challenge as these areas struggle with depopulation. In order to make rural areas a more attractive place for living, it is necessary to generate new opportunities for employment, especially for young women, as well as for improvement of physical and social infrastructure. The life quality measures comprise: organizing and infrastructure, renewal and development of village, education. The economic diversification comprises directing husbandries to non-agricultural activities and services, along with concurrently strengthening of relations between agriculture and other sectors of rural economy, support for small enterprises and tourism development.
- So called “horizontal” component or the fourth axis of financing and implementation of the rural development policy – LEADER approach represents a specific methodology of the rural development support realization. An idea, on which the LEADER is based, is that development plans and the local development strategies (which should be innovative, integrated and participatory) should be a result of the local actors’ agreement.



The programs of rural development support can have more significant effects if they are focused on competitiveness, innovations and employment in rural areas. Implementing the local strategies (LEADER approach), through stimulation of the local population interests by their active participation and by creating the local action groups (LAG), a social capital in these areas can be significantly increased. The integrative approaches in the local development have shown useful in the previous period, especially in sense of the local capacities building and assistance to the government agencies and the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia. A positive impact is reflected, first of all, in creating the adequate measures of support and more quality assessment of the local development specific measures and their results.

#### **4.4 Conclusion**

Liberalization of domestic economy means not just the international competition, but also stricter business conditions. New terms of business competition imply understanding and implementation of regulations in the field of the environment protection, health care, product safety, protection of producers and adequacy of products. The managers in Serbia have no sufficient business experience in market conditions, so they need support in knowledge, skills and introduction to the organic production standards. Consulting appears to be a good form of supporting our companies characterised by insufficient managerial abilities and skills. Consulting helps the companies to understand and accept the standards referring the organic production. Accordingly, this paper pointed out to the significance of the consulting services in the organic production affirmation in Serbia and identification of its development limit. The contribution of consulting to the organic production development was also analysed in the context of compatibility with socially-responsible business and a concept of sustainable development in Serbia.

In Serbian companies has dominated the production orientation which has not accepted the market requirements. Domestic companies have lost a brand and the traditional markets. Coming out from the crisis requires a constitution of market-oriented companies, which implies a series of structural changes, directed to improvement of business efficiency and adjustment to the market requirements. Development of companies in the transition conditions requires much expertise, abilities and skills in comparison with developed market economies, where great knowledge and experience are accumulated. Modern production implies modern technologies. In that sense, aiming to fulfill the EU standards, it is necessary for the consultants to have new, highly-specialized knowledge.

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