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Analysis of the management of economic entities that perform the activity of agricultural production

Ljiljana Rajnović¹ · Jelica Eremić-Đođić² · Ljiljana Dimitrijević³

¹Institute of Agricultural Economics, Belgrade, Serbia

²Educons University, Sremska Kamenica, Serbia

³State Auditing Institution of the Republic of Serbia, Belgrade, Serbia

*Corresponding author: rajnoviclj@gmail.com

Summary: In this paper, the authors present the specifics of the management of economic entities in the field of agricultural production in the Republic of Serbia. In addition to the goals that all business entities are faced with, which are economic goals that are reflected in the realization of profits for the sake of business security for a long period of time and safe survival in a constantly turbulent environment, and legal goals that oblige first-class entities to operate in accordance with legal regulations, limiting conditions of freedom of management, in the form of respect for high ethical principles, are set before economic entities engaged in agricultural production due to the use of agricultural land that represents a good of general interest and a natural resource. This activity has a significant impact on human health and the environment. The authors used a survey of the owners of 40 agricultural farms and small businesses in the territory of the municipality of Ruma and other stakeholders, first of all buyers of goods of the surveyed economic entities, then extensive literature review and the method of comparative analysis. The results of the research show that for those economic subjects whose business requires the trust of citizens and protection of the environment, respect for high ethical principles in business, could be the tip of the scales that will determine their survival on the market. It has been shown that compliance with the rules of business ethics, in the long term, brings the business entity more profit, so compliance with those rules is becoming more and more universal. That is why agricultural producers follow the ethical principles of responsible business. The role of the Government of the Republic of Serbia could be crucial here with certain types of assistance, which would further improve the sustainable development of agricultural entities.

Keywords: management, agricultural production, business entities, ethical principles, natural resources.

Introduction

Generally speaking, all economic entities (companies, economic societies, agricultural holdings), perform an important function for each state and society as a whole, have a great influence on the social community, so they have an obligation to act in the general social interest and to respect known good practices socially responsible business (CSR).

The Republic of Serbia (RS) is a rural country. An essential part of the economy in the last century and more, was agriculture, which is why it has a special role within the important concept of sustainable rural development in the country. Agricultural land is a natural resource and at the same time a good of general interest.

In general, resources depend on the importance attributed to them. Something becomes a resource when it can be used to achieve a goal. The term resource refers to a function that a thing or substance can perform, which achieves a certain goal and thus satisfies a certain need. The resource satisfies individual human needs and/or achieves social goals. Agriculture meets the demands of people and society for food and a healthy environment. Man is the most important and integral part of resource creation, because he is at the top of the resource consumption hierarchy. The value of resources emerges when people assess their importance and develop technical and scientific knowledge to transform them into useful things.

This means that the importance of resources depends on the cultural values and values of their distribution and use. Resources have three main characteristics:

- usefulness,
- limited availability,
- possibility of consumption.

Agriculture has accompanied people since the beginning of the human race. It is the oldest, and according to certain indicators, such as the number of people whose occupation is related to agriculture, it is the most widespread area of production in the world. It took place on a regional-geographic basis, but also on the basis of the volume of available factors of production. It can be said that agriculture preceded other activities and they followed on from it logically and historically, which proves the undoubted importance of agricultural land as a resource for people and society (Đurić & Njegovan, 2016).

The establishment and existence of business entities implies the existence of certain responsibilities and goals. Responsibility arises from relationships and phenomena that mean a set of rights and obligations of individuals and organizations in which they perform their functions, as well as their relationship to other subjects and to society as a whole (Gill, 2008). Thus, the concept of socially responsible business (CSR) entered the group of European priorities, as an invitation to business elites to take their share of responsibility in solving the problems of the social community (Davidsson, 2002). Thereby, in addition to the two basic goals of business entities, economic - gaining profit and legal - compliance with regulations, another goal was imposed, ethical - CSR (Begović et al., 2003).

Since economic entities are surrounded by the interests of various stakeholders, they look like one compact entity in which only one person has an interest - the owner. However, economic entities are internally full of conflicts and different interests (Tabaroši, 2005), and also towards the outside world. A company is characterized by a number of different interests and risks that exist in every form of business and between all persons who are interested in the business of the business entity (constituents or stakeholders) (Corbett, 2008). In addition to the above, the company itself has its own interest, so one can talk about the interest of the company as well as the interest of the state in the sociological sense of the word (Herrmann, 2004).

In this way, we can talk about multiple interests:

- the interest of the owner of the business entity,
- interest of creditors and customers,
- interest of employees,
- interest of the director (management),
- own interest of the business entity,
- the interest of the state (Cheffins, 2004).

The interests of the mentioned persons are often contradictory to each other and always dynamic, which makes the company a conflicting entity (Tabaroši, 2005). Due to the existence of different interests, the legislator has a special, not at all easy, role to maximally harmonize and harmonize these interests with regulations (Dragneva & Simons, 2000), and then the management, with its knowledge and skills, to organize the business entity in order to achieve the set goals and that, according generally accepted opinion, while respecting the interests of all stakeholders (Bukvić & Rajnović, 2019).

The question arises - where is the position of the state and society in the sociological sense of the word? The state is also interestingly integrated into the operations of the company as well as other stakeholders, which presupposes its duties, but also the duties of the management of that company, such as state affiliation of the company, environmental protection, property and capital registers, tax aspects, financial reports, criminal liability, business transparency and the like (Vasiljević, 2013).

The system of social responsibility of companies in the European Union (EU) today includes several segments:

- environmental protection and sustainable development,
- protection of consumer interests,
- social issues,
- protection of workers' rights, human rights policy (Vasiljević, 2011),
- external relations and company policy towards internal and external stakeholders (Corporate Governance Code of the Republic of Serbia, 2012).

Within the responsibility of business entities, environmental responsibility occupies a special place. Its basis is the ethical responsibility of business entities. It stems from the obligation to preserve a healthy natural environment and human environment. This responsibility primarily includes responsibility for illegal emissions of toxic and other substances for human life and health, but also for the preservation of the flora, fauna and the environment.

Today, there are more and more advocates who critically review the activities of companies and their real impact on the world around us. From this phenomenon of increased environmental awareness of society, the pressure on the business sector grows and thus, now the concept of CSR is slowly evolving into the so-called Environmental, Social, Governance concept (ESG concept). ESG enables users, customers, and potential investors to evaluate a company based on measurable and comparable environmental, social, and governance performance.

Company ethics is implemented in business entities, through business entities and for business entities, through acts of business management bodies. Ethics in economic relations is the morality of people or bodies that are the bearers of certain economic activities. Moral actions arise from duty, and duty is the necessity of performing an action due to compliance with the moral law, it is a free choice for persons and not for things (Savković, 2009). In this sense, certain actions are performed not because they are good and useful for us, bring us certain sensory pleasures, but because that action is good in itself, because it belongs to the moral good (Velimirović, 2006). Moral personality traits include

the ideals of good and justice, truth, self-control, attitude towards rights and obligations. Due to the aforementioned tasks of agriculture, ethical principles in the management of economic entities engaged in agricultural production should become absolute leadership.

Management of economic entities in agricultural production is the skill of coordinating the factors of production in order to realize the goals of performing the activity, namely economic: making a profit and legal, compliance with the law and ethical that society imposes on them. What will be the amount of profit today largely depends on the ability of the business entity to organize, depending on the information at his disposal, the knowledge and skills he possesses, but also on other factors that he cannot influence but must be counted on, such as external conditions, the weather, the market, but also the ethical principles that society sets for them.

In an agricultural farm, the farmer is the main and responsible for the business of his farm, because he makes decisions: what to sow and on which areas, which hybrids and varieties to choose, what quantities and types of fertilizers to purchase, in what terms certain agrotechnical measures will be carried out, from whom will they acquire raw materials and under what conditions, when will they take a loan, at what price will they bid on state land, to whom and when will they sell their products, will they acquire new machinery or buy more land, etc. In order to make the best possible decisions, today's farmer must first of all be well informed about developments in the market of agricultural products, new technologies, legal regulations, and of course he must know the field he deals with, depending on the type of production he deals with.

A record of the farm's operations - accounting - would provide him with great help and a good basis for decision-making. Agricultural farms that are in the VAT system are obliged by law to keep accounting records, and they generally keep them according to a simple accounting system, which does not provide data for better analysis, nor data on results by production lines. A small number of farms are referred to some alternative record keeping systems that certainly provide more information and better analysis of business, while the majority of farms do not keep any records.

The majority of farms in Serbia equate the inflow of money with making a profit, and vice versa, loss with a lack of funds, which is not necessarily the rule. In any case, it is very useful to know: if there is money, why it is there and where that money comes from, or which production lines brought the most, and if there are none - why there are none and where they were spent.

In this paper, the application of specific management rules for economic entities engaged in plant agricultural production was investigated. The reason for analysing the operations of these entities is multiple: the Republic of Serbia is an agricultural country, agriculture significantly affects people's health and the environment, agricultural land is a good of general interest and a natural resource, and the effects of product quality can be assessed in a very short time, and only the operations of these entities depend on customer satisfaction.

Therefore, agriculture has twofold requirements:

- to produce healthy food for people,
- to protect the environment, so compliance with the high ethical requirements of the observed persons is indispensable.

Material and method

The authors conducted research by interviewing 40 owners of economic entities, small businesses and agricultural farms, who are engaged in plant production in the municipality of Ruma, as well as the same number of customers of their products. All manufacturers have been engaged in this business for more than a decade. Respondents were regularly informed about news in the field of agricultural production. Everyone's first priority is the satisfaction of service users, because their business depends on them.

The research was conducted over a period of three years, from 2020 to 2022. In order to research the mentioned topic, it was necessary to determine the basic attributes of management - whether the interests of all stakeholders are respected, if they have quality products, whether customers are satisfied, whether they have regular customers and acquire new ones, if they respect ethical principles, and if they make a satisfactory profit.

In the observed period, all business entities regularly paid their obligations to all persons, the state, employees, benefactors, gained the trust of customers and operate transparently. When it comes to profit, the assessment was performed descriptively: good profit, medium, low: Out of the total, 40% of respondents stated that they were satisfied with profit; 30% that the profit is medium and 30% that the profit is low.

The questions addressed to the users of the product were: if they are satisfied with the quality of the product and if the producers interested. The answers of the service users were that they are satisfied with the quality of the product and that they consider the manufacturer to be reliable.

In addition to this, an extensive literature review was conducted and method of comparative analyses was implemented. The paper presents two research hypotheses:

- Hypothesis 1: The primary goal of organizing and operating a company is to make a profit, in order to protect the interests of the majority owner.
- Hypothesis 2: Business entities engaged in agricultural production should satisfy the interests of users in order to achieve their goal - making a profit.

Results and discussion

Bearing in mind that the motive of the capital owner is to invest in order to return the funds and obtain a return on the invested funds, as well as the fact that he bears the greatest risk of the company's business, based on the results of the study the authors concluded that the regulations and business practices should be set in such a way as to prioritize protection interests of capital owners. By applying good corporate social responsibility, it is possible to organize the company in such a way that, with mutual respect for the interests of all constituents, the goal of the company's operations can be achieved - profit, which is a condition for satisfying the interests of all persons interested in the company's operations.

Entrepreneurs whose activity was the subject of this study have voluntarily been applying ethical principles in business practice for years, with the reason that their business and profits directly depend on the customers of their products. Therefore, production must meet the basic criteria: quality product and environmental protection. Due to these reasons, the ethical goal of business is above the other two goals of the observed private entities: profit and legal. However, setting an ethical goal as a priority has a direct positive effect on their working conditions, employees, the local community and the environment, and in this way, they form reliable and responsible business entities that make a profit and operate properly on the market.

When it comes to profit, the assessment was performed descriptively: good profit, medium, low: 40% of respondents stated that they were satisfied with profit; 30% that the profit is medium and 30% that the profit is low. The reasons for partial dissatisfaction with the realized profit were insufficient state aid, delay in the payment of subsidies, and as a result, the inability to invest in acquiring new knowledge and investing in environmental protection. The answers of the service users were that they are satisfied with the quality of the product and that they consider the manufacturer to be reliable.

Theory and practice have shown that the main interest of a business entity is the provision of profit, which in most of the world in the last few decades has been limited by moral principles. Therefore, it can be concluded that the interest of the company is the totality of all individual interests of all constituents. In this totality, the primary interest is the interest of the investor, that is, the founder

of the business entity, but in any case, it is not the only interest. In addition, the management of the company is the bearer of a special interest of its own, because it brings its specific organizational human capital and great responsibility to the company (Koevski, 2005). Bearing in mind the management's duty to work in the best interest of the private entity, the management is obliged to be loyal to the company it manages, even at the expense of their own interest. Likewise, the management and the business entity are obliged to be loyal to ethical principles.

Table 1. Presentation of the application of CSR principles and business effects

No.	Elements of business	Business			Are the effects of CSR/ESG positive?		
		2020	2021	2022	2020.	2021	2022
1.	Making a profit	Yes	Yes	Yes	Yes	Yes	Yes
2.	Compliance with regulations	Yes	Yes	Yes	Yes	Yes	Yes
3.	Respecting the interests of stakeholders	Yes	Yes	Yes	Yes	Yes	Yes
4.	Customer satisfaction	Yes	Yes	Yes	Yes	Yes	Yes
5.	Respect for ethical principles	Yes	Yes	Yes	Yes	Yes	Yes
	Are they satisfied with the profit?	Good-40% Medium:30% Low:30%	Good-40% Medium:30% Low:30%	Good-40% Medium:30% Low:30%	Yes	Yes	Yes

The question arises - if the primary interest of business is the acquisition of profit, why must economic entities engaged in agricultural production place ethical interest in the hierarchy of the above-mentioned interests?

It is clear that owners of capital invest their money in a company only when such investments enable them to increase their wealth. The capital owner participates in all the results of the company - he receives the realized profit or, unlike all other constituents, bears losses. The fact that the economic results of a company's operations are reflected directly in the owner's assets is one of the key reasons for entrepreneurship and the motivation for investing capital in companies: there is no socialization of losses and participation in profits. Both success and failure affect only the capital owner and not the other constituents (Rajnović et al., 2019). Therefore, the owner will appropriate the positive business results of the company (profit), but only he, unlike all other stakeholders, will bear the loss if the business results are negative. The owner of the capital is the last to be settled from the achieved results, after all other stakeholders have been settled and is always under the threat of loss (Caroll, 1996).

The idea of CSR by business entities first of all appeared as a voluntary application of ethical principles, so that over time, with the acceptance of a larger number of business entities, it would become mandatory in the legal sense (Rajnović et al., 2019). At the same time, there are understandings that being socially responsible does not mean only fulfilling legal orders, but also going beyond that (Vives, 2008) to oblige companies, for example to greater investments in goods of general interest and people.

The specificity of companies engaged in agricultural production is, respect for ethical principles, and in return should receive constant support from the state, in order for agricultural entities to survive and develop for a longer period, thus contributing to the development of society and individuals.

If we were to compare the goals and responsibilities of companies, according to their importance for the company and society, the gradation would be as follows:

- the greatest importance is attached to economic power, then
- compliance with regulations, and then
- respect for moral principles (Nehme et al., 2008).

Due to all of the above, the question arises as to where the position of the state is in the activity of agricultural production, especially small and medium-sized economic entities. Due to the importance of the activity and the responsibility of the state to regulate the activity with its regulations, an activity that has a great impact on human health and the environment, and bearing in mind that the largest part, about 90% of agricultural land is privately owned, the state has an interest in having a safe shareholder, i.e. the owner of a business entity engaged in agricultural production and who will perform that activity in a high-quality manner and for a long period of time.

That is why the state should help in various ways economic entities engaged in agricultural production. The role of the state could be crucial here because the introduction of tax breaks and other benefits for responsible companies further improved the sustainable development of our country. Such a move would also help the citizens because it would ensure another mechanism for the protection of their rights. The non-governmental sector could also be included, especially environmental and consumer organizations, which through reports on sustainable business could get a tool for additional protection of the rights of citizens and the environment.

Conclusion

The successful operation of business entities is based on three foundations: to operate successfully, long and profitably, to be ethical and socially responsible. There is no doubt that the main interest of the economic entity's business is for the owner to make a profit, because otherwise he would not invest his property in the business. In most parts of the world, that interest is limited by moral principles that bind the business entity and the owner. Respecting moral principles also satisfies the interests of all other constituents.

The authors concluded that the social responsibility of business entities is an ethical demand that society places on them, a correlation with two demands that they are already faced with: economic - gaining profit and legal compliance with regulations.

For companies engaged in agricultural production, whose business depends on the trust of citizens, the ethical goal of business must be above the economic one. In this way, it gains the trust of users and the state. Since it is in the interest of the state that the said activity is carried out continuously and safely, it is necessary to materially and immaterially help the business of the said sector.

Owners of small businesses are more motivated to work and achieve good results compared to managers of large companies. They use resources better and more efficiently, have a better possibility of producing products in small batches and thus meet the demands of users for special products. This is why they are important market participants.

Small economic entities engaged in agricultural production in the Republic of Serbia have certain resources for the successful implementation of the concept of sustainable development. However, there are also numerous limiting factors of development, in the sense of insufficient resources for investments in the protection of the core of life, improving the knowledge of owners

and managers, so they are necessary and major structural changes and investments by the state and non-governmental organizations in this very important area.

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Analiza upravljanja privrednim subjektima koji obavljaju delatnost poljoprivredne proizvodnje

Ljiljana Rajnović · Jelica Eremić-Đođić · Ljiljana Dimitrijević

Sažetak: U ovom radu autori prikazuju specifičnosti upravljanja privrednim subjektima u oblasti poljoprivredne proizvodnje u Republici Srbiji. Pored ciljeva koji sa kojima su suočeni svi privredni subjekti, a to su ekonomski ciljevi koji se ogledaju u ostvarivanju profita radi obezbeđivanja održivog poslovanja u dužem vremenskom periodu i sigurnog opstanka u stalnom turbulentnom okruženju i pravni ciljevi, koji obavezuju privredne subjekte na poslovanje u skladu sa zakonskim propisima, pred privredne subjekte koji se bave poljoprivrednom proizvodnjom usled korišćenja poljoprivrednog zemljišta koje predstavlja dobro od opšteg interesa i prirodni resurs, postavljaju se limitirajući uslovi slobode upravljanja, u vidu poštovanja visokih etičkih principa. Ta delatnost ima značajan uticaj na zdravlje ljudi i životnu sredinu. Autori su za potrebe istraživanja upravljanja u privrednim subjektima koja se bave poljoprivrednom proizvodnjom koristili anketu vlasnika 40 poljoprivrednih gazdinstava i manjih preduzeća na teritoriji opštine Ruma i drugih zainteresovanih strana, pre svega kupaca robe anketiranih privrednih subjekata, zatim detaljan pregled literature i metod komparativne analize. Rezultati istraživanja pokazuju da za one privredne subjekte za čije poslovanje je nužno poverenje građana i zaštita okoline, poštovanje visokih etičkih principa u poslovanju, mogli bi biti tas na vagi koji će odrediti njihov opstanak na tržištu. Pokazalo se da poštovanje pravila poslovne etike, na duži rok, donosi privrednom subjektu više profita, tako da poštovanje tih pravila postaje sve univerzalnije. Zbog toga poljoprivredni proizvođači poštuju pravila društveno odgovornog poslovanja. Uloga Vlade Republike Srbije bi ovde mogla biti ključna uz određene vidove pomoći što bi dodatno unapredilo održivi razvoj poljoprivrednih subjekata.

Ključne reči: upravljanje, poljoprivredna proizvodnja, privredni subjekti, etički principi, prirodni resursi