

## SUMMARY

The paper deals with one of the most current and important issues facing the Romanian agriculture, whose study is absolutely necessary for the performance of different types of companies, namely the **risk**. It is known that any financial or economic activity is accompanied by risk, notion generated by the existence of uncertainty. The business environment in Romania and elsewhere, is dominated by change and uncertainty. Achievement motivation thesis is emphasizing the importance of a scientific and pragmatic, the role that a formalized process of risk management occupies in the work of agricultural companies, both from the organizational perspective and society in general.

Particularly important for the management of agricultural companies are assessing damage and probability analysis because, by the peculiarities of their activities, areas where risk can occur, mainly, as well as the risk of influencing the economic indicators on the farm. Thus, it becomes necessary to implement the concept of risk management, whose role is management and evaluation of the phenomenon mentioned above. From this point of view, risk management can be defined as a set of rigorously established and organized activities that, based on existing conditions and objectives of the farm, analyze risk factors in a security concept in order to minimize risk and cost required .

By choosing the theme „Contribution to the study of risk strategies in agricultural companies in Iasi County”, we aim to highlight a problem that by understanding it can explain the causes of economic success or failure. The choice of research topic on the study of risk strategies in agricultural companies, can be justified by the increasing interest shown by the higher theoretical studies of emerging applications over time. The basic principle of the thesis, is to provide a conceptual framework for analyzing and identifying ways of minimizing the risks that may disrupt the development process, which form the base of companies, organizations, enterprises, companies in general and those in the agriculture in particular. Benchmarking management firm, in designing a strategy for risk manager, orients towards correct identification and assessment of risk and appropriate measures to mitigate and prevent adverse effects of its materialisation.

Decision-making processes of a firm future activities, which is an objective, subject to uncertainty. The risk derives from the inability of people to know the future and is

charged when the degree of uncertainty and possible outcomes associated with a decision are quite significant. Thus, decision makers may face risks associated with the development and launch of a new product on the market due to problems on the achievement of product quality and technical parameters, the possibility of early market a similar product made by a competitor, legislation, supply case materials and suppliers, the impact of product promotion campaign on sales volume, the cost of production, price adjustment depending on demand, etc.

*The keywords* of the paper cover: *risk, uncertainty, strategy, probability, strategic planning, strategic approach, strategic segmentation, industry strategy, strategic center, offensive strategies, defensive strategies, decision making, competitive advantage, performance, attractiveness, profitability, horizontal integration (vertical), risk management, process risk management, physical risk, risk of chemical, biological hazard, the HACCP system.*

#### **Summary of main parts of the thesis**

Part I of the paper „*BIBLIOGRAPHIC STUDY OF RISK IN AGRICULTURE COMPANIES*” consists of two chapters that capture the generic theoretical risk, uncertainty, strategies and risk management.

Part II „*RESEARCH*” is composed of four chapters that highlights the researches carried out with results and related interpretations.

*The first chapter* of the thesis „*STUDIES ON THE CONCEPT OF RISK AND ITS RELATED STRATEGIES*”, is introductory, explanatory, providing a comprehensive overview of basic concepts, specific to the process of strategic approach, absolutely necessary to thorough completion of this process. In evolution, Chapter I presents some theoretical aspects of risk and uncertainty, the concept of strategy and specific elements of strategy to company. Lack of a clear strategy leads to uncertainties. The immediate occurrence of risks questions the „survival of the company”. Michael Porter declares that „strategy is the art of building competitive advantages that can be defended for a long time. Starting from the possibilities of strategic formulation, competitive strategies and specific business strategies have been developed, that targets the size of competitive advantage .

Also, the first chapter refers to the evolution and state of knowledge on the issue of risk and uncertainty. Analysis of stage and progress of knowledge on risk and uncertainty

leads to the conclusion that in social sciences and in the economy, it has not been crystallized, in the current stage of knowledge, a consistent approach to risk and uncertainty, on the contrary, there is a plurality of approaches. Even if the distinction between risk and uncertainty was achieved in 1921, the concepts have been used long before the works of economists such as Cantillon, Smith, Say, Bastiat, Marshall, Bohm-Bawerk. In the present stage of knowledge, in economy, risk has both a positive and negative sense, characterized by probability and impact and the uncertainty is associated to the inability to predict the likelihood and impact on certain events.

In *CHAPTER II - RISK MANAGEMENT: INSIDE AND OUTSIDE OF COMPANIES*, idea is outlined that the business environment raises issues to managers of company related to ensuring the necessary financial resources, material resources, human resources, identify business opportunities, competitive advantage, company position on the market. The settlement of these shortcomings requires decisions of high responsibility. Investigation of risk in the company management is essential, because the identification and evaluation support managers in adopting a strategy of risk, warns them about the degradation of the business climate and is an indispensable guide in the adoption and implementation of intervention strategies in critical situations.

The importance of this chapter derives from the fact that *risk management* as an essential tool in the strategic leadership of company, aims to reduce vulnerability to adverse changes in environment that activates, to achieve targets with maximum efficiency. Risk management involves establishing by the manager the limits between the which is willing to assume risk and its impact on company profitability, actual level of risk to which is subject the business activities and adopting measures to eliminate or reduction to optimization results.

Quantification of the of risk's size and its effect is based on probability theory, defined as the degree to which it is possible the production of a particular event under specified conditions. Control and monitoring of risk, as the last stage of the risk management process, has as main concern, detecting all known risks and identification of ones new appeared. It has also been defined agro-food chain, have been identified the operators on the pathway, focusing on individual producers and their risk.

*Chapter III, „STATUS OF RESEARCH AND METHODS USED FOR RISK AND UNCERTAINTY IN AGRICULTURE COMPANIES”* reveals the main scientific purpose of thesis. *Approaching risk strategies that respond better to difficulties in achieving consistency between the management of agricultural companies, available resources, threats and risk control is the main **scientific purpose** of the paper. **The overall objective** of this thesis is to identify and evaluate risks through active management, and embracing appropriate mitigation measures and prevent the negative effects of risks releases. The specific objective of the work lies in the application of risk strategies in Group Companies ”Kosarom”, Iasi, in terms of three components: the strategical approach, risk management and management based on Hazard Analysis and Critical Control Points (HACCP).*

In the section *„Research material and method”* have been studied various ways of risk assessment, risk aversion of farmers, the substantiation of decisions in conditions of risk and ways have been proposed to quantify the influence of risks through methods and indicators taken from mathematics, statistics, probability theory, accompanied by various examples. In the field of risk, research methods took into account the quantification of its impact on agricultural societies. For risk assessment have been used various methods, some taken from mathematics such as probability analysis, others specific to economy and also a series of indicators that best capture the effects of risk: the expected value, mathematical expectation, the size of risk, risk factor. Thus, we tried to find solutions in reducing the manifestation of risk, raising the economic performance of agricultural societies.

Overcoming difficulties in formulating responses to risk involves adopting decisions regarding the allocation of resources, optimization of production structure and production technology. In this respect, we have used linear programming models, for whose solution were used to analyze computer systems (Quantitative Management software package). Also were used methods taken from statistics and operational research, with broad applicability in management, that production functions for analyzing the correlation between factors and products, that method variants.

*Chapter IV, entitled „RISKS AND PERFORMANCE ANALYSIS OF THE AGRICULTURE AND ORGANISATION OF AGRICULTURAL HOLDINGS AT NATIONAL LEVEL AND IASI COUNTY ”*, sketches some issues on defining the rural areas in county of Iasi, natural resources, human resources, economic resources, local economy,

performance, risk and recent achievements in agriculture and agricultural market in the county of Iasi. In this chapter has been defined the area of research, analysis is oriented towards studying how the management in agriculture is made, the main issues of reform, namely ownership, state land, workforce, fixed and circulating capital, level of investments.

Decisions of great responsibility for determining the structure of cultivated areas, have an important role in establishing rapport risk / performance. Even if Iasi has a high agricultural potential, this resource can not be effectively used, especially because of shredding land and the high degree of poverty, which leads to small producers to practice a subsistence agriculture. Risks associated with this situation, to be reduced and controlled, effect of regulations on consolidation of agricultural land policy, which is required to respond to targets contained in the strategy for completing the reform of land tenure and to stimulate the transformation of individual households in agricultural farms (associations) with commercial character and middle-class formation in rural areas. Iasi County agricultural, is the main sector that provides the market with agricultural products and foodstuffs. Communes where agriculture is carried out in organized system, have a much higher productivity. Where companies are missing, manufacturers are limited to small areas, which is why production is low. Among the factors that generate low productivity and losses in agricultural production, we differentiate: the impossibility of applying the best technology, the lack of mechanical means, the impossibility of using certified seed fund and the maintenance of cultures only by manual work. Romanian agrarian economy is characterized by a dual structure of operating agricultural area, missing the group farms that have in exploitation between 10 and 100 hectares, meaning medium farm group, the basic structure of agriculture in Western Europe countries. First there is a huge number of subsistence and semi-subsistence peasant farms that own and operate small areas of land, scattered in several parcels, which produce primarily for consumption and which don't have enough investment opportunities. On the other hand, there is a relatively small number of holdings with more than 10 hectares in size and operates 50.2% of the country agricultural area. In this respect the idea of excessive fragmentation of Romanian agriculture is only half true.

*CHAPTER V – „STRATEGIES FOR RISK ANALYSIS IN AGRICULTURAL TRADE COMPANIES IN IASI COUNTY”*, is devoted to case studies at S.C., **KOSAROM** S.A.

Pascani, component unit of the group of companies „**KOSAROM**” - Iasi. Profile of the Group Companies „**KOSAROM**” meets the requirements for starting complex and rigorous scientific approach as it is paper. This paper provides the theoretical and methodological framework necessary to scientific and operational substantiation of risk management at company level. The reasoning which has founded this achieved approach required, first, conceptual identification of factors generating risks , threats, risks categories and their characteristics and, on the other hand, the definition and implementation of methods, indicators, market mechanisms (food pathways, stock exchange, insurance systems).

Group Companies „**KOSAROM**”, specialized in producing and marketing pork, poultry, sheep and cattle was founded in december 1990, having the legal status of joint stock company with romanian private capital. Main activity domain of S.C.„**KOSAROM**”S.A. Pascani is processing pork. The principle underlying the entire business of S.C. „**KOSAROM**” S.A. Pascani is continuous improvement of quality. **KOSAROM** reached that stage of development, where the management at the highest level tries to give the organization customers confidence in what happens inside it. The mission S.C.”**KOSAROM**”S.A. has been formulated as follows:”All we want is to be the best business in Romania in the production and processing of meat. We know that to be the best means ensuring exceptional quality and hygiene of the manufactured products, satisfying the most demanding needs and the consumer is satisfied”

„**KOSAROM**” medium term aims to have a qualified staff, oriented towards cooperation, communication, motivation and results. For this, the company is willing to dedicate 3% of gross income as an investment in qualification and staff development. **KOSAROM** aspire to achieve a minimum 8% annual profit. Among the most important medium-term objectives of the company are held, professionalizing the sales force, introducing new products, innovative and increase their share in turnover, the most important objective is strengthening its leadership position in the middle eastern of Romania. Long-term main objective is the desire to become european market leader, aiming to introduce new products into manufacturing and the allocation of research and development expenses of at least 5% of gross income.

This chapter is dedicated to strategies and methods for responding to risk agricultural companies. Generic strategies for responding to risk agricultural companies

depend on the criteria used. Depending on frequency and impact of risks can choose as measures of response: prevention, avoidance, assumption and risk transfer. If in addition to frequency and impact, the acceptability of risk is used as criterion, the adaptation options are: prevention, precaution, prevention, protection and transfer through insurance. Risk response can be improved by using the experience and knowledge of past economic performance. This requires the organization to shape a memory of relevant events occurred in previous economic results of which retain the most appropriate measures and response actions. A risk management process of agricultural companies should constitute a major component of any management decision, with an important role in fulfilling the objectives set at its inception.

The moment of achieve breakeven is called deadlock and expresses the time after which revenues reached the amount of costs. In the period analyzed in group S.C. „KOSAROM” S.A., this indicator is stabilized in the second half of the year more precise in the 4th quarter of 2008 and in the end 3rd quarter of 2009. This indicates an average risk of exploitation in 2009, but a higher risk for 2008. A risk management process of agricultural companies should constitute a major component of any management decision, an important role in fulfilling the objectives set at its inception. Coefficient of elasticity shows the increase in operating profit (OP) to an increase by one unit of operating income (OI). The coefficient of elasticity indicator called ratio of operating leverage has an oscillating trend in the period under review, in 2009 recording values greater than 2, indicating a low risk operation. The indicators have a relatively common trend of evolution, specific issue to companies or companies under a holding company, parts of an integrated system.

*CHAPTER VI – „CONCLUSIONS AND RECOMMENDATIONS”*, resumes the hypothesis from which we started, stressing our own interpretations and their importance in competitive business environment. Paper’s final is a set of conclusions on the impact of risk on agricultural activities, evolution of macroeconomic indicators, as result of its action in agriculture, manifestating its various components (ownership structure, types of holdings, investments, and production and economical results, etc.) to influence risk. Conclusions is targeting our contribution to solving the problems generated by risk, using the reduction

and its coverage. Proposed ways circumscribe to a probabilistic reality, applicability and modernism in the sphere of research on risk management.

**BIBLIOGRAPHY** - is composed of a total of 177 titles from national, international literature and documentary on the internet.