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RISK MANAGEMENT OF AGRIBUSINESS ENTERPRISES IN THE CONDITIONS OF ESG-INTEGRATION

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УПРАВЛІННЯ РИЗИКАМИ ПІДПРИЄМСТВ АГРОБІЗНЕСУ В УМОВАХ ESG-ІНТЕГРАЦІЇ

The article is devoted to the study of risk management processes of agribusiness enterprises, taking into account the integration of the ESG concept into management activities. The main directions of risk formation are disclosed: production, market, financial and economic, information, social, personnel. The principles which allow to group risks for definition of ways and measures of their management are allocated. It is specified that introducing the ESG concept into strategic goals, agribusiness enterprises are forced to change not only tactical operational actions, but also the process of making managerial decisions that allow to improve production activities, as well as to interest potential investors in long-term cooperation. The directions in which the direct relationship between the goals and components of the risk management process of agribusiness enterprises in the context of ESG integration are revealed. Characteristic processes of risk management are the definition of the purpose and parameters of a risky situation, risk assessment (quantitative and qualitative), modeling of possible changes in risky situations; choice of risk management method (diversification, risk avoidance, risk compensation). It is noted that agribusiness enterprises, providing their financial and non-financial needs, adhering to ESG standards, achieve this by managing risks with a proactive response, searching for new sources of income. The corresponding correlation of the ESG concept and risks is interdependent: with increasing attention to reducing and preventing risks, agribusiness enterprises improve economic and social activities, while mitigating pressure on the environment. Focusing on the principles of ESG as a common basis for the activities of agribusiness enterprises reduces the likelihood of environmental, social and economic risks. The introduction and use of a risk management system by agribusiness enterprises will minimize the destructive consequences of their occurrence through their forecasting, as well as provide an opportunity to carry out economic activities in controlled conditions, increase the stability and competitiveness of enterprises in the domestic and foreign markets.

Стаття присвячена дослідженню процесів управління ризиками підприємств агробізнесу з урахуванням інтеграції в управлінську діяльність концепцію ESG. Розкрито основні напрями формування ризиків: виробничий, ринковий, фінансово-економічний, інформаційний, соціальний, кадровий. Виокремлені принципи, які дозволяють групувати ризики для визначення способів і заходів управління ними. Зазначено, що впроваджуючи концепцію ESG у стратегічні цілі, підприємства агробізнесу змушені змінювати не лише тактичні оперативні дії, а й сам процес прийняття управлінських рішень, що дозволяють удосконалювати виробничу діяльність, а також зацікавити потенційних інвесторів до тривалої співпраці. Розкриті напрямки в яких проявляється прямий взаємозв'язок між цілями і складовими процесу управління ризиками підприємств агробізнесу в умовах ESG-інтеграції. Характерними процесами управління ризиками є визначення мети і параметрів ризикованої ситуації, оцінка ризиків (кількісна та якісна), моделювання можливих змін ризикованих ситуацій; вибір методу управління ризиками (диверсифікація, ухилення від ризиків, компенсація ризиків). Відмічено, підприємства агробізнесу, забезпечуючи свої фінансові і нефінансові потреби, дотримуючись ESG стандартів, досягають цього управляючи ризиками з випереджаючим реагуванням, пошуком нових джерел доходів. Відповідна кореляція концепції ESG і ризиків є взаємозалежною, при посиленні уваги до зменшення і попередження ризиків підприємства агробізнесу покращують економічну і соціальну діяльності, водночас пом'якшують тиск на навколишнє середовище. Зосереджуючи увагу на принципах ESG як загальної основи діяльності підприємств агробізнесу зменшується ймовірність виникнення еколого-соціальних та економічних ризиків. Впровадження та використання підприємствами агробізнесу системи управління ризиками дозволить мінімізувати деструктивні наслідки їх виникнення за допомогою їх прогнозування, а також дасть можливість здійснювати господарську діяльність в контрольованих умовах, підвищить стійкість і конкурентоспроможність підприємств на внутрішньому і зовнішньому ринках.

Key words: risk, risk management, agribusiness, ESG strategy, risk management techniques.
Ключові слова: ризик, управління ризиками, підприємства агробізнесу, ESG стратегія, методи управління ризиками.

INTRODUCTION

Today, agricultural producers face complex challenges associated with military operations in the country; fluctuations in the economy, which negatively affect the investment attractiveness of the business; changes in climatic conditions of production; deterioration of the environmental situation, which must be addressed both in order to provide the country's population with food and to strengthen the competitiveness of agricultural products in international markets. To achieve this goal in the current conditions, perhaps paying more attention to the problem of risk assessment and management to prevent or neutralize them. Agricultural producers are trying to achieve stabilization and development of the balance at the socio-economic level with effective use of natural resources aimed at their conservation to meet the current and strategic needs of the population. Therefore, given the rapid and unpredictable changes at the country level and the situation in the world, agribusiness enterprises should integrate the ESG concept into management activities. The need to increase the competitiveness of agribusiness enterprises and strengthen the reputation of stakeholders (business partners, buyers, government agencies, investors) is determined by the transformation of management processes and their choice of integration of the ESG concept. This concept to solve a number of problems that have not been paid enough attention, namely environmental protection, the creation of favorable social conditions for staff and partners, as well as social responsibility at the enterprise level. At the same time, it should be borne in mind that the integration of this concept is accompanied by certain risk situations associated with significant changes in the economic, financial and technological conditions for the functioning of agribusiness enterprises.

The following scientists made a significant contribution to solving the problems of risk management of agribusiness enterprises: V. Andriychuk, I. Vinichenko, Z. Varnaliy, B. Danylyshyn, L. Donets, O. Kondratiuk, A. Mazaraki, G. Matusevich, O. Olifirov, O. Shepelenko, O. Yashchuk and many others. Taking into account the achievements of the researchers, we note that the issues of substantiation of the risk management processes of agribusiness enterprises in the conditions of rapid and constant change of the functioning environment require additional attention from the scientific community.

The article is aimed at studying the sequence of risk management processes of agribusiness enterprises, taking into account the integration of the ESG concept into management activities, as well as allocating general approaches, under which risk management becomes more effective.

RESULTS OF THE STUDY

Ensuring the effective competitive functioning of agribusiness enterprises is included in the main strategic tasks. Strengthening the negative impact of external macroeconomic factors on the agrarian sector, taking into account the specifics of sectoral features, the emergence of risks in it necessitates the use of fundamentally new opportunities for risk management, its analysis and forecasting. Accordingly, the identification, assessment of the level and significance of risks acquires theoretical and practical significance.

Risk analysis is necessary to deepen understanding of its nature and obtain initial data for its assessment, as well as managerial decisions on strategies and methods of risk processing [5]. The risk is a conscious possibility of danger, the possibility of losses or failure in any case, the possibility of losing part of the assets, shortfall or non-receipt of profit as a result of adverse factors during economic activity [2]. Risk is the degree of assessment of the risk of destructive phenomena [3].

The presence of a set of risk definitions is accompanied by a large number of investigated options for classifying its specific manifestations (risk situations). Such main areas of risk formation are: production, associated with changes in the means of production, their interaction, the volume of products received; market, caused by market conditions, competition, macroeconomic phenomena, the presence of sales channels, etc.; financial and economic allow to assess the possibilities of agribusiness enterprises in obtaining loans, obtaining tax benefits, etc.; innovative ones are determined by the probability of losses arising when an enterprise invests in the production of new goods (services) that may not find the expected demand in the market; information, separation of reliable information from a large array of information and formation of a managerial decision in conditions of information uncertainty; personnel, assumes the presence of threats from specialists in the field of agriculture, which can lead to danger; social, determine the level of development of rural areas and labor potential, etc. [1].

Basic in the systematization of challenges, dangers and threats is the choice of fundamental principles that allow you to organize the risks covered, so that classification becomes the basis for determining the ways and measures of managing them. The established principles that correspond to the existing risks in agribusiness enterprises are consistency, continuity, efficiency, priority, dynamism. The principle of consistency implies that the grouping of risks should correspond to the characteristics of agribusiness enterprises and the specifics of economic activity. Continuity is disclosed in a constant review and clarification of the characteristics and categories by which the risks are grouped and which must correspond to the state and nature of the risk. The principle of effectiveness is to facilitate the most accurate assessment of the main characteristics of risk, such as probabilities and frequencies of occurrence and magnitude of damage. Priority, when grouping and selecting characteristics and categories, the most significant ones should be included to avoid overloading the risk description. Dynamism, in accordance with this principle of grouping, should correspond to the purpose and tasks of risk management, improve and modify when requirements and objective conditions arise for this.

Economic risk is a consequence of the uncertainty of various factors that can be grouped according to different criteria. The list does not exhaust the options for possible risks in agribusiness enterprises that are focused on sustainable development, it can be determined in accordance with the specifics of economic activity, environmental impact, social security, etc. Therefore, the risks of sustainable development of an agricultural enterprise can be divided into the following main categories: economic, social and environmental. The relevance of ESG principles in recent decades has been constantly growing around the world, and ESG strategy (English environmental, social, governance — "environment," "social sphere," "corporate governance") literally means the efforts of the enterprise in the context of each of these areas for the sake of sustainable development [8]. And it is here that we see a direct relationship with risk management in agribusiness enterprises.

The concept of ESG in the management of agribusiness enterprises was actively taken up by large enterprises and corporations, in particular, operating at the international level, changing their own management activities, building relationships with partners focused on compliance with ESG standards [4]. The integration of the ESG concept into the management of agribusiness enterprises leads to a change in the methods and technologies in this area, increasing the efficiency of their activities as a whole. These processes become the primary tools in changing and improving control mechanisms. Introducing the ESG concept into strategic goals, agribusiness enterprises are forced to change not only tactical operational actions, but also the management decision-making process itself, increasingly implement innovative projects that improve production activities, as well as interest business partners for long-term cooperation, which in turn ensures neutralization of a number of risks in enterprises. The direct relationship between the goals and components of the risk management process of agribusiness enterprises in the context of ESG integration is manifested in the following areas: the main stages of risk management are considered with adjustment of strategic, operational and tactical goals to ESG criteria; disclosed using a set of goals specified in the ESG strategy. The economic goal may be to increase the profit of the enterprise, the social goal is to improve the working conditions of staff, improve their skills and productivity, etc. Strategic environmental goals are related to taking into account environmental consequences as a result of production activities, prevention of natural and man-made emergencies, etc.; monitoring of risks at all levels of the agrarian enterprise, subdivisions, etc.

So, in risk management, the priority is to determine the purpose and parameters of the problem being solved (risk), that is, awareness of the possibility of manifestation of risky situations. It is extremely important to avoid a large discrepancy between the need for security and the most rational level of risk in economic activity [9]. Risk management is associated with the type of agribusiness enterprises, their specifics, since any new activity introduces something unique into the environment, as well as the presence of different areas of activity determines the divergence of interests, different attitudes towards possible losses. At the same time, it is necessary to take into account the variability of risks and make predictions about the dynamics of their processes, that is, to simulate possible changes in risky situations, and strive to choose the method that provides the most objective information when assessing risks [7]. It is important to evaluate the risk management stages. Thus, quantitative risk assessment is a quantitative assessment of the likely consequences of events at agribusiness enterprises. That is, quantitative assessment allows you to determine the size of individual risks, and qualitative analysis aims to determine the factors, areas and types of risks.

Taking into account the ways of determining the probability of risk, the magnitude of possible losses, the attractiveness of capital investment options and the rationality of the behavior of agribusiness enterprises, this phenomenon can be managed through its insurance, redistribution, diversification of production, as well as anticipate macroeconomic challenges. Methods of risk management aimed at their minimization, neutralization are: risk evasion (insurance, rejection of risky projects); localization of risks; diversification (distribution of risks by types of activity and zones of production, sale, investment); risk compensation (strategic planning of activities, forecasting of macroeconomic processes, monitoring of the external and internal environment, creation of reserve systems) [6].

Agribusiness enterprises, providing their financial and non-financial needs, adhering to ESG standards, achieve this by reducing costs (it should be borne in mind that risk cannot be identified only with losses, that is, with the consequences of a risk situation), managing risks with a proactive response, finding new sources of income, etc. The corresponding correlation of the ESG concept and risks is interdependent: with increasing attention to reducing and preventing risks, agribusiness enterprises improve economic and social activities, and therefore mitigate pressure on the external environment — the environment. Focusing on the principles of ESG as a common basis for the activities of agribusiness enterprises reduces the likelihood of environmental, social and economic risks.

CONCLUSIONS

Consequently, the introduction and use of a risk management system by agribusiness enterprises will minimize the destructive consequences of their occurrence through their forecasting, as well as provide an opportunity to carry out economic activities in controlled conditions, increase the stability and competitiveness of enterprises in the domestic and foreign markets. The dynamism and uncertainty of the external environment in which agribusiness enterprises operate affects the need for management to introduce a comprehensive risk management system, taking into account economic, environmental and social activities, since focusing only on economic issues and neglecting environmental and social risks can have unpredictable consequences for enterprises. Risk assessment is a set of regular measures of their analysis, identification of sources of risk, determination of possible scale of consequences, manifestation of risk factors and determination of the role of each source in the overall risk profile. It is conducted using various methods of studying risk and is based on the analysis of risk factors, as well as on the establishment of models of the relationship between indicators and risk factors. The effectiveness of sustainable development risk management is an important element of agribusiness management.

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