



KONFERENCIAKÖTET

Conference Proceedings

**Nemzetközi tudományos konferencia
a Magyar Tudomány Ünnepe alkalmából**
International Scientific Conference
on the Occasion of the Hungarian Science Festival

Sopron, 2022. november 3.
3 November 2022, Sopron

**TÁRSADALOM – GAZDASÁG – TERMÉSZET:
SZINERGIÁK A FENNTARTHATÓ FEJLŐDÉSSEN**

SOCIETY – ECONOMY – NATURE: SYNERGIES IN SUSTAINABLE DEVELOPMENT

Szerkesztők / Editors:

OBÁDOVICS Csilla, RESPERGER Richárd, SZÉLES Zsuzsanna, TÓTH Balázs István

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The Relativity between Sustainable Management and Turnaround Management: Evidences and Suggestions for the Hungarian Agricultural Sector¹

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Abstract

The business practice of recent years could not do without the application of change and turnaround management, as well as the incorporation of sustainability principles into the management of companies. The goal is to examine the implementation of the EU directive, according to which companies can create long-term, sustainable values instead of short-term benefits. We are examining the possibilities and driving forces for making this a reality in the Hungarian agricultural sector. Our research questions: Why and how can corporate sustainable management, growth and value creation build on each other in practice? What are the necessary corporate quantitative and qualitative frameworks in today's uncertain world? Why and how are corporate turnaround management and sustainability related? Does sustainable reorganization management technique exist in the Hungarian agricultural sector at all? Based on the results obtained from comparative financial and economic analysis of cases and benchmarks, we carry out sensitivity tests, which can even serve to replan the work of the decision-makers.

Keywords: top Hungarian agricultural companies, benchmark, turnaround management model, sustainable management and growth

JEL Codes: Q01, Q12, Q14

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1. Introduction and objectives

In practice, the sustainable vision of the 1987 Brundtland report can only be realized in harmony with environmental, social and economic interests. It is a kind of “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.⁷ So we have to realize that for example economic growth alone, is not enough to solve the world’s problems, but there is a mutual relationship between the aspects of any measure. In September 2015, at the UN summit in New York, 193 countries with one voice voted for the agenda “transforming our world: the program for sustainable development until 2030”⁸. The Agenda 2030 program defined 17 sustainable development goals (*Sustainable Development Goals=SDG*)⁹ in order to eliminate poverty, protect the planet, ensure the protection of human rights and provide prosperity for all. The adoption of this represents a historical paradigm shift, because the program treats economic, social and environmental inequalities in a universal and integrated way, reflects the European values of social justice, democratic governance and the social market economy, as well as aspects of environmental protection.

The implementation of Agenda 2030 requires sustainable national economies, the cornerstones of it the companies which lay the foundation for the achievement of goals in their management, growth and finances, as they adapt their business strategies to global priorities. Cost- and energy-efficient operation, the circular economy model, the incorporation of sustainability goals into the operation, and the long-term retention of the trust of customers and partners provide the strategy that is already a requirement today in order to become and remain among competitive companies.

The incorporation of sustainability principles into corporate management cannot do without the use of change and turnaround management so that companies can create long-term, sustainable values instead of short-term benefits. We are examining the possibilities and driving forces for making this a reality in the Hungarian agricultural sector, which also means the implementation of an EU directive. In order to do this, we examine the interplay of corporate sustainable management, growth and value creation in practice, which requires corporate quantitative and qualitative frameworks in today’s uncertain world. We present how corporate turnover management and sustainability are connected. Finally, we also examine whether the sustainable reorganization management technique exists in the Hungarian agricultural sector. The research method is case and benchmark comparative financial and economic analysis. Based on the obtained results and assumptions, we carried out sensitivity tests, which can also serve to re-plan the work of decision-makers.

2. Introduction of the topic, presentation and evaluation of the relevant literature

In recent years, there has been considerable debate in business, academic and popular press about corporate sustainability. This term is often used synonymously with other terms such as “sustainable development” and “corporate social responsibility”. We perceive corporate sustainability as a new and developing corporate governance paradigm. The term “paradigm” is used deliberately, as corporate sustainability is an alternative to the traditional growth and profit maximization model. The principle of corporate sustainability also recognizes that corporate growth and profitability are important, it also requires the company to achieve social goals, especially those related to sustainable development: environmental protection, social justice

⁷ <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

⁸ <https://sustainabledevelopment.un.org/post2015/transformingourworld>

⁹ <https://www.un.org/sustainabledevelopment/news/communications-material/>

and equity, and economic development. The concept of corporate sustainability borrows elements from four other concepts: 1. sustainable development; 2. corporate social responsibility; 3. stakeholder theory; 4. corporate accountability theory (Figure 1).


Discipline	Underlying Concept	Contribution to Corporate Sustainability
Economics Ecology Social Justice	<i>Sustainable Development (SD)</i>	Boundaries of the subject matter and description of a common societal goal
Moral Philosophy	<i>Corporate Social Responsibility (CSR)</i>	Ethical arguments as to why corporations should work towards sustainability goals
Strategic Management	<i>Stakeholder Theory (ST)</i>	Business arguments as to why corporations should work towards sustainability goals
Business Law	<i>Corporate Accountability Theory (CAT)</i>	Ethical arguments as to why companies should report on sustainability performance
 C O R P O R A T E S U S T A I N A B I L I T Y		

Figure 1: Connections of corporate sustainability

Source: Own editing on the basis of Bansal and Song (2017); Carroll (1977); Freeman (1884)

Sustainable Development (SD) is a broad, dialectical concept that balances economic growth with environmental protection and social equity. The term was first popularized in 1987, in *Our Common Future*, a book published by the *World Commission for Environment and Development (WCED)*¹⁰. The WCED described SD as development that met the needs of present generations without compromising the ability of future generations to meet their needs. In other words: The process of change in which the utilization of resources, the direction of investment, the direction of technological development, and institutional change are all aligned and enhance both present and future opportunities to meet humanity’s needs and aspirations.

According to Hart (1995), a sustainable development strategy is realized when efforts are made to break the negative relationships between the environment and economic activity. SD is a broad concept as it combines economics, social justice, environmental science and management, business management, politics and law. It is a dialectical concept in the sense that it is similarly related to justice, democracy, fairness and other important social concepts.

The industry’s response to the WCED’s call came in stages. How can SD be implemented in practice? The first serious sign of support came from the International Chamber of Commerce when it issued its *Business Charter for Sustainable Development* in 1990¹¹. This was followed in 1992 by the book *Changing Course*, by Stephen Schmidheiny and the Business Council for Sustainable Development (now the World Business Council for Sustainable Development). Both publications focused on the role of companies in sustainable development. The authors argued that supporting SD is an economic as well as an environmental and social need. Since then, many business leaders and companies have come forward to express their support for SD principles.

SD contributes to corporate sustainability in two ways: 1. It helps define the areas on which companies should focus: environmental, social and economic performance. 2. It provides a common social goal for companies, governments and civil society for ecological, social and economic sustainability. However, SD alone does not provide adequate arguments for why companies should care about these issues. These arguments come from CSR from ST.

¹⁰ <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

¹¹ https://training.iticilo.org/actrav_cdrom1/english/global/guide/iccch.htm

Corporate Social Responsibility (CSR) is a broad and dialectical concept, similar to SD. In the most general sense, CSR deals with the role of business in society. Its basic premise is that corporate managers have an ethical duty to take society's needs into account and not only to act in the interest of the owners or their own interests. In the case of CSR, the question is not whether corporate managers have an obligation to take society's needs into account, but to what extent they should take them into account.

As a concept, CSR has been around much longer than SD or the other concepts discussed in this work. The history of CSR begins in ancient Greece, when governing bodies defined rules of conduct for businessmen and traders. The modern era of CSR begins in 1953, when Howard Bowen's book *Social Responsibilities of the Businessman* was published. In the first few decades after 1953, the main theme of these writings was whether corporate managers have an ethical responsibility to consider the needs of society (Carroll, 1977). By 1980, there was general agreement that corporate managers had an ethical responsibility, and the focus shifted to how CSR was implemented in practice.

According to Bansal and Song (2017), CSR and sustainability address the relationship between business and society. However, the two research areas were closely intertwined and blurred, so that nowadays researchers from the two research areas talk about the same business risks and opportunities.

CSR contributes to corporate sustainability by providing ethical arguments for why corporate leaders should work for SD: If society at large believes that SD is a worthwhile goal, then companies have an ethical obligation to help society achieve it to move in the direction.

Stakeholder Theory (ST) is a relatively modern concept. It was first popularized by Freeman in his 1984 book *Strategic Management: A Stakeholder Approach*. Freeman (1984, p. 8) defined the stakeholder as "... any group or individual who can influence the achievement of the organization's goals, or be affected by them..." The basic premise of ST is that the stronger the stakeholder's relationships with other external parties, the easier it is to fulfill your corporate business goals; the worse the relations, the more difficult it will be. Strong relationships with stakeholders are based on trust, respect and cooperation. Unlike CSR, which is mainly a philosophical concept, ST was originally, and still is, primarily a strategic management concept. ST aims to help companies strengthen their relationship with external groups in order to develop a competitive advantage.

Corporate Accountability Theory (CAT) is the legal or ethical responsibility to account for the activities for which we are responsible. CAT differs from CSR in that, in the latter, one must act in a certain way, while in CAT, a given person is required to explain, justify or report on their actions.

There are many accountability relationships in the corporate world, but in the context of this work, the relationship between company management and owners is essential. This relationship is based on agency theory, where corporate management is the 'agent' and the owner/shareholder is the 'principal' (Jensen & Meckling, 1976). The agent is also responsible for the principal's use of the capital and the return on the investment.

CAT's contribution to corporate sustainability is that it helps define the nature of the relationship between corporate leaders and the rest of society. It also sets out the arguments for why companies should report on their environmental, social and economic performance, not just their financial performance. John Elkington, founder and head of British consultancy SustainAbility, calls this type of accounting for environmental, social and economic performance a 'triple bottom line' report¹².

Currently, not all companies subscribe to the principles of corporate sustainability, and it is unlikely that all will - at least not voluntarily. However, a significant number of companies

¹² <https://sustainablebrands.com/is/john-elkington>

have made a public commitment to environmental protection, social justice and fairness, and economic development. Their number is constantly increasing. This trend is strengthened by the fact that owners/shareholders and other stakeholders support and reward companies that conduct their activities in the spirit of sustainability.

The basic mission of a given economic unit is value creation. A successful company is characterized by creating products or services that customers find useful and want to buy, while controlling operating costs and managing risks and uncertainties. Embedded in the growing globalized and competitive business environment, businesses face challenges that go beyond classical financial and market indicators: companies need a new way of thinking, or at least a new way of analyzing treatment options, in which take into account both quantitative standards and qualitative focus points.

In order to maintain profitability, companies must anticipate future trends and risks, both internal (in terms of operational management) and external (in terms of market, regulatory and technological developments). This is what sustainable competitiveness is all about. Sustainable management means the integration of all “non-financial” factors that have an indirect financial impact. Sustainable management is not a revolution – it is a natural evolution of management approach and paradigms in an increasingly complex business environment.

The crisis caused by the appearance of Covid-19 highlighted the weaknesses of economies and companies, the effects of the epidemic intertwined with the environmental, social and economic challenges and reinforced each other. The virus was not the cause, but the catalyst for the need for changes, because in addition to the additional danger of this, the challenges of climate change also forced the urgent and longer-term changes necessary for survival in companies.

Corporate sustainability focuses on creating long-term owner interest relevance (Constantin, 2014) taking into account opportunities. Sustainability is the ability of a business to move forward in the long term (Nicolăescu, 2014) through high-quality operations and management (Darabaris, 2008). According to Soppe (2009), Johnsen (2003) and Peylo (2012), sustainable corporate finance is related to socially responsible investments aimed at achieving higher environmental and social performance while realizing additional revenues for financial sustainability. Hueriga and Rodríguez-Monroy (2019) argued that sustainable corporate finance and finance help economies to balance even with the use of excess debt. According to Sertsios (2020), companies have internal financing advantages in markets that integrate sustainability factors, which promote sustainable long-term cash flows.

Siegrist et al. (2020) integrated a conceptual sustainable enterprise financing framework with risk management, intangible assets and cost reduction through appropriate resource utilization and revenue improvement. Banerji and Fang (2020) and Sertsios (2020) combined corporate finance, industrial organization and corporate economics to emphasize the sustainable development of market competition, buyer-supplier integration, ownership structures and organizational forms, and the interactions of financial policies. Although sustainable corporate financing has been studied in the literature, there is a lack of methods that make up the financial practices of companies (Chan et al., 2019).

The goal and realization of sustainability involves prolonging the return on investments and reorganization projects, but they can lead to increased profitability after the initial investments are put into operation. Companies that integrate sustainability into their business strategy and decision-making process can improve their long-term efficiency, increase shareholder wealth and corporate value (Portillo-Tarragona et al., 2018).

In their study, Wajszczuk and Polowczyk (2019) present the impact of reorganization efforts on increasing the sustainability of the Polish sugar beet supply process. As a result of the implemented solutions, farmers spend less on beet transport. The professionalization of transport also contributed to the reduction of the logistics expenses of farmers related to sugar

beet cultivation and transport. During the examined period, as a result of the reorganization of beet supply to sugar refiners, the CO₂ emission rate decreased by 36%.

3. The material and the applied methods

In our study, we use a quantitative technique, which is the self-developed financial diagnostic and value creation expert system FINel (Katits, 2019, 2021b). This complex system is suitable to perform an adjusted analysis for the phases of company operation - original and derivative establishment, growth and crisis stages, according to the modules presented in *Figure 2* together and independently.

Life cycles identification; Research on signs and causes	Operative controlling	Strategic controlling	Benchmark	Turnaround controlling	EWS-creating	Value drivers; SV calculation
↖	↖	↑	↑	↑	↗	↗
Basic module for financial analysis and diagnosis „Our business should be profitable while it is liquidity, not in debt, has a perspective operations and efficient asset management.”						

Figure 2: Content of the FINel finance diagnostic and value creation expert system

Source: Own editing

For our analysis, we use the *Agrárgazdasági Kutatóintézet* (AKI) database, which includes only double-entry bookkeeping companies, and which carried out agricultural activities within the national economic branch “A” of the TEÁOR (*Uniform Sectoral Classification System of Activities*)¹³ in the reporting period between 2018-2020. The data used in the analysis is based on the database of corporate tax returns of the NAV, which only includes the data of companies operating at the end of the year, preparing tax returns and submitting them without errors by May 31 of the following year. *Table 1* shows that the number of examined Hungarian double-entry agricultural companies decreased by 8 in 2019 and by 6.5% in 2020 compared to the 2018 business year. 2/3 of the examined sample are profitable companies, and the ratio did not change even in the first year of the corona epidemic. Examining the companies according to the form of management, we can conclude that compared to 2018, Ltd-s remained at 74-76% and the share of Co-s is 3%, however, the share of limited partnerships has doubled, while the share of cooperatives has dropped by more than half. Examining according to company size, we can see that the proportion of micro-enterprises in the examined sample is around 80%. Despite the decrease in the number of companies, the ratios according to company size did not change even in 2020. From this, it can be concluded about the stability of income generation.

¹³ In what follows, we use the name AKI-SAMPLE.

Table 1: The trend in the number of agricultural companies with double-entry bookkeeping in Hungary according to the level of profit, the form of management and the size of the company between 2018-2020 (piece)

Designation	2018	2019	2020
By level of profit			
<i>Profitable</i>	5 903	5 610	5 705
<i>Loss-making</i>	2 756	2 442	2 386
<i>Break-even</i>	443	337	419
<i>Total</i>	9 101	8 389	8 510
By form of business			
<i>Ltd</i>	6 750	6 309	6 485
<i>Co</i>	300	289	268
<i>Cooperative</i>	318	472	437
<i>Unlimited liability partnership</i>	1 165	1 007	978
<i>Nonprofit organisation</i>	67	55	52
<i>Other</i>	501	257	290
<i>Total</i>	9 101	8 389	8 510
By size of company			
<i>Micro-enterprise</i>	7 609	6 981	7 181
<i>Small business</i>	1 181	1 102	1 027
<i>Medium enterprise</i>	233	229	221
<i>Big company</i>	12	13	14
<i>Other business</i>	66	64	67
<i>Total</i>	9 101	8 389	8 510

Source: AKI (2018, 2019, 2020)

In the empirical part of our work, we examine the management of 5 agricultural companies in the Hungarian top 500 based on net sales revenue. We also worked with statements downloaded from www.e-beszamolo.hu and www.ceginfo.hu, as well as information read on the companies' websites. *Table 2* shows the change in the ranking of the 5 investigated companies between 2018 and 2020. The biggest ranking changes in the ranking are shown by N and G, which are more at the back of the top 500 ranking. It is well known in public, that HT and BC participated in the *Growth Bond Program* (GBP) and A committed to CSR.

Table 2: Changes in the ranking of selected agricultural companies between 2018 and 2020

Designation	2018	2019	2020
HT – Livestock breeding (GBP)	90	112	109
BC – Poultry farming (GBP)	161	132	115
N – Pig and poultry farming, egg production	410	346	344
A – Commercial food production, feeding, premix production (CSR)	362	352	345
G – Poultry farming and processing	450	453	385

Source: Own editing based on *Heti Világgazdaság* 2018, 2019 and 2021 november issues

FINel is suitable for performing an analysis adapted to the phases of the company's operation along the logic of lifecycles, but the modules can also be used independently. In this work, we will apply the two modules of FINel – signal and cause research, and one part of financial controlling systems adapted to company lifecycles, the turnaround controlling method – by including information from financial and management accounting. *Table 3* shows the classification categories by the FINel financial expert system.

Table 3: The color scale and markings used for rating companies in the FINel financial expert system

1	2	3	4	5	6	7	
critic	bad	unfavorable	acceptabel	favorable	good	excellent	
↓↓↓	↓↓	↓	→	↑	↑↑	↑↑↑	⚡
strongly decreasing	very decreasing	decreasing	stabile	increasing	very growing	strongly growing	hectic

Source: Own editing

The results of the calculations for the selected period 2018-2020 are evaluated on a scale from 1 to 7, and for the sake of illustration, they are marked with different colors: red is the most unfavorable, two shades of orange are bad and unfavorable, yellow is acceptable, while the three green means favorable ratings including excellent value. We also indicate the trend of the obtained value during the examined period, i. e. decreasing, stagnant, increasing, possibly hectic. We distinguish 3 levels of strength of increase and decrease, indicated by the increasing number of arrows. Thus, a total of 8 possible trends can be distinguished and outlined. With all of this, it is possible to recognize and illustrate not only the strong and weak points of management, but also the identification of the given operational phase and the early warning signs of a developing crisis, as well as the impact of decisions for a successful turnaround, for which it also provides the appropriate decision-making information.

4. Discussion of the topic/Research results

Here we answer how corporate sustainable management, growth and value creation build on each other in practice; what corporate quantitative and qualitative frameworks are required for this; how corporate turnaround management and sustainability are related; does the sustainable reorganization management technique exist in the Hungarian agricultural sector? Based on the obtained results and knowing the assumptions, we perform sensitivity tests, which even serve to re-plan the work of the decision-makers.

4.1. The connections between corporate sustainable and turnaround management, growth and value creation in practice

Sustainable management is necessary because it is an important part of successfully maintaining the quality of life on our planet. Sustainable management can be applied in all areas of our lives.

During the corona epidemic, the management of companies, which required turnaround management in a real crisis, the choice of the chosen technique and strategy was related to recovery and success. The *turnaround* success was synonymous with the continuous increase of the company’s activity, the building of new success potentials, which already means the phase of reorganization and setting it on a growth path (Katits, 2021a). Since sustainability is the driving force of growth and value, it can be an acceptable and reasonable objective even during the growth trajectory. How to manage sustainably, how to grow sustainably, and what value drivers drive sustainable shareholder value? All of this leads to the calculation of sustainable shareholder value (*Figure 3*).

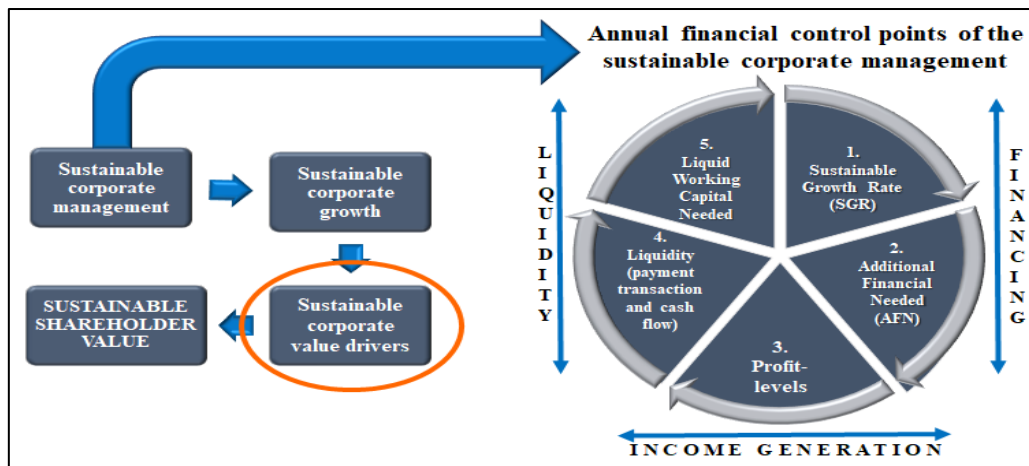


Figure 3: On the growth path in the name of sustainability

Source: Own editing

The right side of *Figure-3* highlights an application. The control points were created taking into account sustainable growth-financing-income production-liquidity. How? By comparing the *Sustainable Growth Rate* (SGR) and the *Additional Financial Needed* (AFN), we can make a decision on the financing structure and method, and based on this, we can derive the income levels (operating, net and pure profit). Sustainable management requires a regular and smooth circulation of cash and cash flow in order to fulfill debts on time and to finance activities, thus. Thus, we recommend preparing the liquidity plan and its control from the point of view of cash flow and operating cash flow. If you want to keep the company's sustainable management under monthly control, then the monthly balance of the liquidity plan is contrasted with the working capital requirement, and if it is also available in the form of cash, then the operation is sustainable.

We take the difference between the closing and opening equity value (using the weighted average cost of capital for discounting in the case of mixed financing achieved/calculated with cash flow based on the capital structure created with the chosen/planned additional funding requirement and SGR growth rate in the given business year. If there is Debt in the capital structure, then the size of the Debt and the weighted average rate of return of the owners are deducted from this capital value for discounting, and the *Shareholder Value* (SV) is obtained. If the SV taken at both the closing and opening times are the same, the company's long-term profitability, i. e. its source of income and ability to pay taxes, is ensured. We consider the profit to be an amount that can be permanently withdrawn from the business if we have previously implemented the investment and financing measures that will ensure the current cash flow in the future. Therefore, we derive the current year's profit from the amount expected in the future (ex ante measure), which we discount to the closing date of the business years. Do not forget that the closing SV is the opening SV of the next business year. We cannot perform such a calculation based on expected cash flow in the future with the items on the balance sheet. We consider this calculation as a tool for the decisions made by the company's management regarding the "three pillars" for the future.

The final result of this calculation shows how much can be paid out as a dividend – in order to maintain sustainable operations. By sustainable operation, we do not mean the maintenance of the condition of certain assets, but rather the preservation of the dynamically sustainable SV calculated every year. In the event that the ex ante profit (extractable amount of money) exceeds the after-tax profit and it is paid in full, it is no longer possible to preserve the equity according to the balance sheet. Especially nowadays, in times of rising prices, the profit after tax exceeds the amount of profit that can be extracted to preserve the capital value.

SV is formed through investor satisfaction. In our proposal for a sustainable company, the core value is not economic growth, but sustainability, which ensures that the company is kept on a growth path. For this reason, the ultimate goal is to create value for the owners of the company and society as a whole in a persistent and sustainable manner, for which a logically thought-out guide is an aid in management work.

The financial and economic difficulties, the scale of the problems, and the way in which they are solved in time, as answers, depend on the crisis period determined by the weak and strong signals of the companies. The fewer weak signs of the company's management, the further away it is from the stage of a full-blown crisis, but the recognition and appropriate management of errors or problems occurring in the stage of a latent crisis already helps to ensure that new weak, but above all, strong signs do not arise. The more weak and strong signals there are, the greater the probability of a full-blown crisis. A company whose operation has significant weak and strong signals, then begins to decrease and disappear, can be considered a recovering company that has undergone successful turnaround management. So the signal typology makes the turnaround situation recognizable and identifiable, and thus the crisis phase in which the further decline must be stopped. (*Table 4* shows the signs/symptoms and problems/causes of the management of the examined sample, as well as their identification and, in parentheses, which agricultural company was identified.)

According to *Table 5*, the strong signal in the period between 2018-2020 is the level and extent of solvency and long-term debt. We emphasize here that these are warning signs, i. e. the excellent liquidity position of 2018 can change significantly and in an unfavorable direction in 1-2 years, so it draws attention in time (in the case of A company). Decline and the deepening of the crisis are indicated by the fact that it is in an unfavorable starting position, in our case the 2018 business year (in the case of company G), and this situation therefore makes sense as a strong signal. The weak signals, i. e. 3 rating values, are found in the income generating capacity for all 5 companies. The signs/symptoms refer to the stage of the company's life, i. e. if the company is faced with both strong and weak signs, it can identify the latent crisis in time, and as the number of signs increases, it may become a full-blown crisis and even go into bankruptcy. In our case, there is no mention of the latter, but these are definitely attention-grabbing and early signs. At first glance, *Table 5*, i. e. the results table of turnaround controlling, gives a very varied and colorful picture. The greener the board, the more favorable the situation of the examined company or sector. If more and more yellow-orange colors and even red dominate, then we can identify the advanced stage of a real crisis.

Based on *Table 5-6*, our findings are as follows: In the case of the AKI-SAMPLE, we observed 20 positive changes in the year 2020, in contrast to one negative change – the decrease in the efficiency of the committed capital. Most of the unfavorable ratings of the 5 examined companies were in the basic management area, income generation and evaluation with efficiency rates; The given rating and the green and red colors of the given directions are clear information about where the warning signs are and where the problems are multiplying. In addition, the growth rate of sales and the hectic change of rates of *return on...* type indicate company risks such as sales, operational, financing and investment risk; The success of the companies is confirmed by changes in a positive direction, mostly marked with green. The evolution of the calculated values of AKI-SAMPLE is very favorable, therefore compliance with FINel's financial analysis logic is valid: „Our business should be profitable while it is liquidity, not in debt, has a perspective operations and efficient asset management.” (Katits, 2019, 2021b). The changes in the negative direction marked in red, which we identified in the case of the 5 examined companies in *Table 4* rows, draw attention to intervention and improvement; The unfavorable rating and/or the number of the arrow on the red background draw attention to the weak points in order to avoid/emergence of the latent crisis as a preventive method and proactive action.

Table 4: Identified turnaround signal and reason typologies of agricultural companies

Strong signals of crisis		
The place of origin	Recognition	Proof
<i>Accounting</i>	- The company cannot meet its current debts in time and amount.	Liquidity Degrees (GB)
	- The debt stock exceeds the company's assets.	Debt rate; Tcapital Structure (BC, A)
	- Rising or sudden spikes in interest payments and debt repayments.	EBIT/EBT; Debt Repayment Ratio (G)
	- There are more and more corporate assets that are collateral for loans and credits.	(BC, A)
Weak signals of latente crisis		
<i>General corporate area</i>	- Undercapitalization	Equity/Total Souces (HT, BC, G)
	- Low corporate profitability	Ability to generate income (HT, BC, A, G)
<i>Operational area</i>	- Investment without increasing production/sales/service provision.	Sales/Assets; Sales Growth Rate (BC, N)
	- High fixed operational costs.	Cost Level Ratio; Critical Sales (BC, N, A, G)
	- The volume of sales fluctuates and it is variable.	Critical Sales; Sales Growth Rate; Days Sales Outstanding (BC, N, A, G)
	- An increase in delivery times without an increase in sales.	Trade Payable Days (G)
Financial Reasons/Problems		
<i>Due to ability to pay</i>	- Deterioration of customer payment morale.	Days Sales Outstanding (HT, BC, A)
	- Inadequate monitoring of liquidity and cash management.	Liquidity Degrees (HT, G)
<i>Due to change in sales</i>	- Sudden decrease and/or variability of export and domestic demand, dependence on the customer base.	Sales Growth Rate given IGR and SGR growth rate (BC, N, A, G)
<i>Due to increase in operational and financial costs</i>	- Changes in producer, purchasing and selling prices.	Liquidity Degrees (HT, G)
	- Oversized or low inventory.	Days Inventory Held (HT, BC)
	- Insufficient, decreasing or low level of internal financing.	Internal Growth Rate (BC, A)
	- The coordination of debts-receivables-inventories-operational processes with the tools for the security of payment transaction and cash flow is inaccurate.	Trade Payable Days; Working Capital; Days Inventory Held; Days Sales Outstanding; Duration Indicator (HT, BC)

Source: Own editing by Katits (2017, 2021a, 2021b) and www.kenf.hu

Table 5: Turnaround controlling scoreboard taken from the FINel financial expert system (detail, with 27 calculated values) for the examined company sample between 2018 and 2020

Designation		AKI-SAMPLE		HT		BC		N		A		G	
		Rating	Direction of Change	Rating	Direction of Change	Rating	Direction of Change	Rating	Direction of Change	Rating	Direction of Change	Rating	Direction of Change
Ability to generate income	NSR %	5	↑	3	↑	6	↘	4	↘	4	↘	6	↘
	Operational Profit Margin	5	↑	3	↑	5	↓	4	↘	4	↓	3	↑
	Net Profit Margin	5	↑	3	↓	5	↓	4	↘	4	↓	3	↑
	OC/NSR	5	↓	3	→	3	↑	4	↘	4	↑	3	→
	OC/EBIT	5	↓	2	↓	3	↑	4	↘	3	↑	3	↓
	Critical NSR (profit based)	6	→	5	↓	3	↑	3	↑	5	→	4	↑
	Critical NSR (cash based)	6	→	5	↓	3	↑	3	↑	5	→	4	↑
Financial processes	Working Capital	4	↑	4	↑	4	↑	4	↑	4	↓	4	↓
	Liquidity I.	7	↑	3	↓	7	↑	7	↑	7	↓	3	↑
	Liquidity II.	7	↑	7	→	7	↑	7	↑	7	↓	4	↑
	Liquidity III.	7	↑	4	↑	7	↑	7	↑	7	↓	3	↓
	Equity/Total Assets	6	→	3	↑	3	↓	6	↓	4	↓↓	3	↑
	Equity/Debt	6	↓	4	↑	6	↑	5	↑	5	↑↑	6	↑
	NSR/Total Assets	3	→	6	↓	3	↓	3	→	5	↑	5	→
	NSR/Investments	3	↓	7	↑	4	↓	6	→	7	↓	5	→
	Days Inventory Held	3	↓	6	↑	4	↑	6	↓	6	↓	6	↓
	Days Sales Outstanding	3	↓	6	↑	4	↑	6	↓	3	↑	6	→
	Trade Payable Days	6	↓	6	↑	5	↓	5	→	4	↓	3	↑
	Duration Indicator	6	↑	5	↑	5	↑	5	→	5	↓	4	↑
	ROA	4	↑	4	↘	4	↓↓	4	↘	4	↓	3	↑
	ROE	4	↑	4	↘	4	↓	4	↘	5	↑	3	↑
	ROI	4	↑	4	↘	4	↓	4	↘	5	↓	3	↑
	Internal GR	5	↑	4	↑	5	↓	5	↑	5	↓	3	↑
	Sustainabel GR	5	↑	5	↑	5	↓	5	↑	5	↑	3	↑
Asset and so- urce	Total Assets/Equity	4	→	3	↓	5	↑	6	→	6	↑↑	4	↑
	Debt/Equity (<1)	3	↑	7	↓	7	↑	6	↓	6	↑↑	5	↑
	(Equity+Debt)/Investments	7	→	7	↑	6	↑	6	↑	7	↓	7	→

Source: Editing based on own calculations by Katits (2019, p. 25.)

Table 6: Aggregate evaluation of the turnaround controlling scoreboard (detail) taken from the FINel financial expert system for the examined company sample between 2018 and 2020

Designation	AKI-SAMPLE		HT		BC		N		A		G	
	Frequency of Rating	Direction of Change	Frequency of Rating	Direction of Change	Frequency of Rating	Direction of Change	Frequency of Rating	Direction of Change	Frequency of Rating	Direction of Change	Frequency of Rating	Direction of Change
<i>Positive Change</i>		20		14		7		10		7		14
<i>Negative Change</i>		1		8		19		4		17		7
<i>Stabile</i>		6		2		0		4		2		5
<i>Hectic</i>		0		3		1		8		1		1
<i>Excellent Rating</i>	4		4		4		3		5		1	
<i>Good Rating</i>	6		4		3		7		3		4	
<i>Favorable Rating</i>	7		4		7		5		9		3	
<i>Acceptable Rating</i>	5		7		7		9		8		6	
<i>Unfavorable Rating</i>	5		7		6		3		2		13	
<i>Bad Rating</i>			1									

Source: Own editing

According to the results obtained in *Table 6*, significant changes occurred in the examined sample between 2018-2020. The green positive changes of the AKI-SAMPLE, which includes double-entry agricultural companies, are the dominant ones and most of them, 20 in number, are right here, compared to the case of 5 companies taken from the top 500. The number of red negative changes is very high for 2 companies, but these two companies do not have the most unfavorable ratings, which indicates that they are conducting very safe management, only the evolution of the obtained values calls attention to caution.

Table 6 alone illustrates the success and necessity of intervention or turnaround management. The only negative change of AKI-SAMPLE (the efficiency of committed capital decreased from an already low value level), the 6 unchanged ratings, with the exception of one, show a favorable value, which confirms AKI-SAMPLE's stable management and direction on the growth path, and further strengthens the positive number of changes. The 5 top agricultural companies have in common that by improving their income generation capacity and increasing the efficiency of working capital management, they would meet the following criteria: profitable, solvent, not in debt, and conducting efficient asset management.

4.2. Quantitative and qualitative frameworks of corporate sustainable management, growth and value creation

Scientists have been investigating the relationship between corporate sustainability and financial performance for more than thirty years. Khan–Serafeim–Yoon (2016) published what appeared to be a major breakthrough in this quest: guidance from the *Sustainability Accounting Standards Board* (SASB) enabled the formation of scales of sustainability measures that robustly predicted stock returns. This publication by Berchicci–King (2022) is interpreted in professional circles as proving a real connection between corporate sustainability and financial performance.

Any variable or factor (resource, activity or condition) that can be influenced, measured, controlled, controlled and affects the value of the enterprise: it reduces risk, increases profitability, and even leads to future growth of profitability and cash flow generation. So, sustainable business activities can have a positive impact on one or more value drivers and thereby increase business value.

Sustainable management means achieving competitive sustainability, which we can control and prove with value drivers, which are also sources of sustainable value creation.

According to Schaltegger and Burrit (2005, p. 188.): "...sustainability management can influence the value drivers of shareholder value, that is, investments in fixed and current assets, profitability, sales revenue, duration of the value..."

In the long term, ESG issues – from climate change to diversity to board effectiveness – have a real and quantifiable financial impact. For companies that manage ESG issues well, they are often a sign of operational excellence. The operations of sustainable companies must be viewed holistically, so the "effect" of ecological and social responsibility must be reflected in the financial processes and results, and for this it is not enough to think traditionally. However, current accounting is not yet prepared for this, and many things do not even appear, for example, neither positive nor negative externalities. On the other hand, savings in the use of environmental resources can be shown numerically.

We emphasize complexity, the modern, innovative and creative approach and action, but we still vote in favor of quantitative methods, because we need reference points and compasses, which help define the trajectory of a company's long-term success by enforcing the principles of sustainability. Businesses today have moved away from only referring to profitability when exploring how they create value for the company and stakeholders. They emphasize aspects of value that go beyond changes in financial resources, but also include non-financial resources such as employees, customers, suppliers, communities, the environment and intangible assets.

Increasingly, the most important aspects of value creation are the company's operation and effects, dependencies (e.g. resources and relationships) and vulnerabilities. Sustainable management means the integration of the main interest groups into the company's strategy and daily operations.

Financial statements provide a partial picture of value creation, showing changes in used assets and liabilities. In the context of corporate sustainability, it also serves to explore and understand business/financial as well as social and environmental measurement possibilities. The value measurement is an indication of the durability of a business over time and the possibilities of its survival. Value measurement and creation is extremely important for stakeholders, as it helps them understand the nature of their relationship/engagement with the company and how it can respond to social and environmental changes/developments by operating according to the new norms.

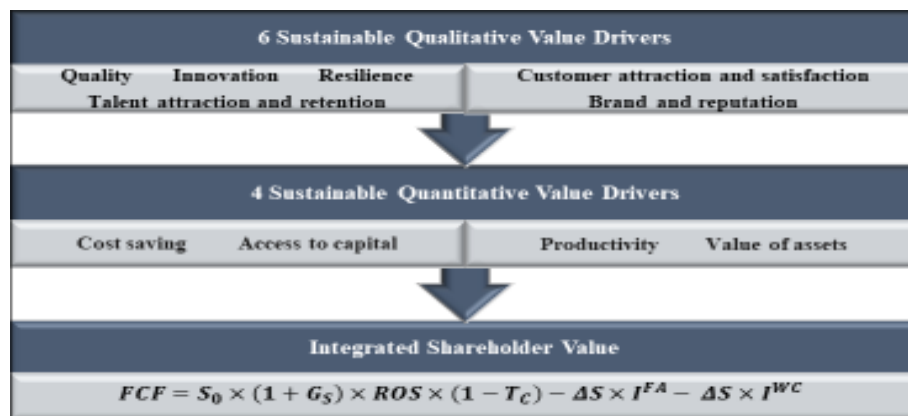


Figure 4: Sustainable corporate value drivers in top 5 Hungarian agriculture company
Source: Own editing

The symbols in *Figure-4* are explained as follows: $FCF=Free\ Cash\ Flow$; $S_0=Current\ Sales$; $S_1=Forecasted\ Sales = S_0 \times (1 + G)$; $\Delta S = S_1 - S_0$ or $S_1 = \Delta S + S_0$; $G_S=Growth\ Rate\ of\ Sales$; $ROS=Return\ on\ Sales$; $T_C=Effective\ Corporate\ Tax\ Rate$; $I^{FA}=Reinvestment\ Rate\ Based\ on\ Incremental\ of\ Sales\ (in\ Fixed\ Assets)$; $I^{WC}=Reinvestment\ Rate\ Based\ on\ Incremental\ of\ Sales\ (in\ Working\ Capital)$. *Figure 4* shows 6 sustainability qualitative and 4 quantitative value drivers, the contents of which are as follows:

- *Quality*: Focusing on environmental and social (food consumption) impacts resulted in improved quality of products and services, including the rearing of fattening animals and the design and management of related agricultural technologies (environmental standards and maintaining integrity defined as a product, service or device that is future-proof, anticipates market trends, and maintains its relevance to consumers over time).
- *Innovation*: The examined companies assessed the environmental and social impacts resulting from the production and delivery of their products and services, and identified the related new trends and technologies. This has also created new business opportunities and innovative ways of producing and delivering services.
- *Resilience*: Businesses have had to have a high level of resilience to survive in our increasingly volatile, uncertain, complex and ambiguous world. This included mitigating insurance costs and liabilities arising from extreme weather events, as well as mitigating potential increases in production costs due to reduced availability of resources and materials.

- *Talent attraction and retention*: The 5 examined companies showed a positive and integrated approach to the construction of a possible sustainable organization, both internally and externally, so they were more likely to become the employer of choice for both new and existing employees.

- *Customer attraction and satisfaction*: The 5 companies have been able to attract and retain their customers and consumers by responding to the growing demand for products and services that incorporate sustainability into their delivery. In the supply chain up and down, they also helped these customers avoid their own sustainability risks or achieve their own ambitions, thus maintaining long-term cooperation opportunities.

- *Brand and reputation*: Integrating sustainability into business strategy and brand profile improved reputation, with the associated value of helping to attract new customers and talent. Sustainable business and CSR activities improved the brand and reputation, included helping the local community, protecting the environment and developing skills.

- *Cost saving*: The 5 companies, but also the agricultural sector, exist with a significant operational and financial cost base with significant seasonality, and are also exposed to climatic conditions. Related sustainability activities included resource efficiency, waste management and energy efficiency.

- *Access to capital, creditstanding*: A coherent corporate sustainability strategy, sustainability risk assessment and transparent reporting increased the credit standing of companies, improving access to capital and reducing capital costs. 2 companies also participated in GBP, which is one of the benefits of sustainable business activities.

- *Productivity*: At the most basic level, improving the efficiency of energy, water and material use by reducing expenses and saving increased productivity. Within labor productivity, responding to changing labor expectations, new production and transportation methods, and new technologies have increased productivity rates.

- *Value of assets*: Embedding sustainability in line with the needs of investors, customers and stakeholders increased the value of company assets. Assets designed, built and managed in line with the expectations of sustainable business have benefited from increased tenant and investor demand and should suffer less from obsolescence.

More and more responsible companies are realizing how aligning business activities with sustainable practices can bring value. However, it is difficult to properly quantify how this subjective added value contributes to the objective financial value. We believe that we need to be much more sophisticated about the ‘value objectives’ we want to achieve and ensure that these are taken into account at the outset of any business activity to aid decision-making.

4.3. Sustainable reorganization management techniques in the Hungarian agricultural sector

Early and timely response to financial difficulties is essential for sustainable corporate restructuring. Choosing and implementing a sustainable reorganization technique is essential for the success of an agricultural company or project that is the subject of reorganization turnaround management and for putting it on a growth path or keeping it on the growth path. Just as there is no single correct method for practicing corporate turnaround management, the same is true for practicing the sustainable reorganization technique. As a result, we present conclusions and guidelines from the examination of the sample of agricultural companies. Before all this, however, the following must be taken into account: The question of sustainability becomes acute and critical when it comes to global competition within a sector. Possible steps to improve the quantitative and qualitative sustainability of the given company must be clearly and unambiguously defined, and they must be analyzed and categorized depending on the stage of the company’s life path. In a systems approach, it is easier to recognize weak and strong signals, identify

problems and deal with them in the most successful way. All of this properly shapes the decision-making process in conjunction with audits, monitoring the development of the company's financial situation.

First, companies must take into account the compliance and corporate governance requirements for waste management, pollution and energy efficiency. Failure to comply with these regulations can result in fines and reputational damage, which can make it difficult to maintain a business.

The management strategy of the reorganization turnaround must be consistent with sustainability. Businesses need to recognize that, contrary to conventional thinking, sustainability is not at odds with competitive advantage and profit. Social, environmental and corporate sustainability is essential for long-term success.

Businesses must quantify the return on sustainability investments in order to monitor and control progress more easily. For example, when managing compliance-based sustainability initiatives, compliance regulations typically outline a predefined framework (integration, IT, risk management, etc.) that helps businesses measure their progress. It is generally more difficult for businesses to independently define a framework for measuring sustainability in order to gain a competitive advantage once basic compliance requirements are met.

Information about the company's sustainability strategy should be shared with owners/shareholders, stakeholders, employees and the surrounding community. Businesses must also indicate where they need improvement and what plans they have to address it. Given company must work with other organizations in the business ecosystem to help develop solutions to larger economic, ecological and social problems.

4.4. Rappaport's value drivers and sensitivity analysis of corporate sustainability, or before-and-after analysis

Value drivers are based on the market situation of business strategies to help isolate and quantify the operating prospects of companies in shareholder value. The shareholder value calculations developer Alfred Rappaport, who in 1983 first published the next 7 corporate value drivers: G_S growth rate of the net sales revenue, *Return on Sales* (ROS) as measured by operating profit margin, the reinvestment rate based on incremental of sales revenue (I^{FA} , I^{WC}) the cost of capital, T_C company effective tax rate and the strategic planning horizon. With the exception of cost of capital and strategic planning horizon in *Table 7*. in the value-creating factors in the case of the HT, BC and A, because it brings us closer to the value creation process understanding. The green color indicates a favorable trend.

Table 7: Rappaport's value drivers and sensitivity analysis of corporate sustainability, or before-and-after analysis

Designation	GBP				CSR	
	HT		BC		A	
	Before	After	Before	After	Before	After
G_S	-19,2%	2,0%	13,1%	37,5%	-3,5%	3,0%
ROS	1,6%	1,1%	6%	10,7%	4,5%	5,5%
Effective T_C	4,4%	6,0%	1,8%	1,0%	11,0%	9,0%
I^{FA}	20,0%	-37,0%	16,4%	37,0%	104,0%	132,0%
I^{WC}	82,0%	233,0%	50,3%	310,0%	5,7%	9,6%
$\Delta EBIT$ (HUF)		610 692		-645 059		-165 773
$\Delta Sales$ (HUF)		355 921 569		9 718 915		5 292 753
$\Delta Invested Assets$ (HUF)		-34 697 196		3 581 031		189 482
$\Delta Labor Costs$ (HUF)		322 638		205 466		277 014

Sources: Editing based on my own calculation

Here we propose a financial calculation that can be prepared year by year, i. e. dynamic and can be corrected with operating-investment-financing parameters, which is a so-called ensures dynamic financial sustainability.

5. Conclusions/Summary

We have demonstrated that it is possible to implement, test and refine metrics that capture sustainable corporate and shareholder value. The business case for sustainability continues to grow, but more research and evidence is needed. The demonstrable link between sustainable business activities and financial value will hopefully convince all companies to integrate sustainability into their business functions.

The suggested management aspects during turnaround management in the spirit of sustainability are the following:

- *“Agent of change”*: We respond to the global challenges and trends affecting our business with a sustainability strategy by offering solutions to society’s main needs.
- *Long-term*: We are aware that sustainability is a long-term commitment that reinforces the principle of economic and financial stability.
- *Ethics*: We require that all relationships with third parties be conducted with ethical behavior, honesty, integrity and transparency.
- *Governance*: Its sustainability efforts are guided and led by the company’s top management.
- *Integrating sustainability*: We understand that sustainability must be present in all areas of business and at all organizational levels of the company, while transmitting this culture to customers, suppliers, partners and other stakeholders.
- *The culture of risk and opportunity management*: Our company encourages the consideration of the results of risk and potential analyzes and assessments when developing strategies and making decisions.
- *Respect for fundamental human rights*: Our company respects and contributes to the protection of internationally recognized fundamental human rights, taking care not to be complicit in any abuse or violation of these rights.
- *Creating value for society*: Our company strives to bring value to the geographical areas where it operates by developing business models that contribute to local social development and improve people’s quality of life.
- *We take care of the environment!* Our company applies a preventive approach in order to reduce the adverse effects of its operation, and acts proactively in all its projects to achieve the highest level of environmental efficiency.
- *Fight against climate change*: The strategic priority of our company is the production of renewable energy, the promotion of energy efficiency, and the mitigation of the harmful effects of climate change.
- *Innovation*: Our company supports innovation as one of the pillars of business development, promoting the search for sustainable solutions at the technological and operational level.
- *Dialogue with stakeholders*: Communication and dialogue are the basis of our company’s relationship with stakeholders in order to learn about their needs and meet their expectations.
- *Transparent communication and accountability*: Our company provides transparent, real and accurate information to its stakeholders.

Since the examined Hungarian agricultural companies have begun to integrate sustainable business practices into their corporate ethos, products and services, it would be useful for the so-called integrated and dynamic value measurement. Instead of a “here and now” attempt to do this, we outline an approach that helps businesses understand what creates value, what leads

to value and how sustainable activities can contribute to these value drivers. This is an introduction and lead to start exploring how investments in society and the environment provide value for individual businesses.

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