

The Comparative Strategic Analysis Between a Private Forestry and a State Forestry from the Neamț County, Romania

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Abstract. The forestry's that make the subject of this study are from different categories, private forestry and state forestry. Their main activity is the production of wood mass that is harvested annually depending on possibilities. It is different in the case of the two studied forestry's because of the average age of the species. The market, the driving agent of economy, has a major impact on the decisions taken by economic agents regarding the assignment of resources, investments, the ways they are used in order to be competitive. The forests, by the two functions they have, protection and socio-economic protection, represents a national treasure, regardless of the owner. The harvesting and exploitation is performed by economic agents that already exist in the forestry after participating in auctions. The contracted companies are under pressure to negotiate with wood mass suppliers (forestry, which set access to resources) and clients (wood processing companies, which set access to the market) (Bouriaud *et al.*, 2011). This way, in the case of the studied forestry's, both private and state forestry's, the access to resources (wood mass) is made after participating at an auction organized. The economic agents that operate inside of the forestry's process about 8000-20000 m³ per year. The difference between the two forestry's is given by the amount of wood mass auctioned for each batch, as well as the price offered per cubic meter of wood during the auction.

Keywords: auction, economic agent, exploitation, management, private forestry, state forestry

INTRODUCTION

Management can be presented as a science in conducting production activities in the forestry sector, and the main purpose of a manager is to maximize the profit, while managing the forest for a longer time (Bouriaud, 2010). In the forestry sector, every company that wants to adopt a strategy must take in consideration a sustainable management of the forest (Bouriaud, 2010). The forestry market is open for competing companies, especially in the exploitation field, where many small companies appeared lately.

Strategic forest-management models are models that assist strategic decision makers in examining forest strategy. There is history of long-term linear programming and related models being seen as strategic. However, strategy is broader than just the forest-management process. As a result, a large number of ecological and economic models may also inform the forest-management process. As we change our perspective on what strategic issues are important, this may require us to think about both the formulation and use of the strategic models (Eldon, 2007).

The purpose of this study is to improve the development strategies of forestry's (both state and private), as well as to help companies create innovative conditions.

The research was aimed of making a strategic analysis for two units that manage a private forestry and a state forestry.

Objectives:

- describing the context, on a regional level, of the two forestry's activity;
- the analysis of the internal and external environment in which the two forestry's operate based on economic and social factors;
- Identifying the factors that influence the management of companies that are in the production and sales field.

MATERIALS AND METHODS

The research method is in accordance with the set objectives and consists in company management analysis by using the observation and interview technique. The material is raw data gathered from the two forestry's, such as forest management plans, accounting records and data from the forest found department. We also used general data about the companies that operate in the two forestry's such as economic power, maximum exploited power, number of employees, means of labor, and the important material of this study is the interview results.

RESULTS AND DISCUSSIONS

The small and medium companies perform most of the forest exploitation activities from all of Europe (Bouriaud *et al.*, 2011).

They often act as service providers inside of the forestry's.

The main activity of the studied forestry's is wood production. For a better understanding of their activities on a regional level I will make a comparative analysis of the production fond structure regarding production class and age.

Tab. 1

Distribution of the production fond for the studied forestry's

Forestry	Surface	Species group	Class average production	Age class	Possibility (m ³)
	(ha)				
Private forestry	11.700	Softwood	II	VI	72.653
		Hardwood	II	VII	
State forestry	14.453	Softwood	II	IV	69.277
		Hardwood	II	V	

We can observe that the private forestry, although having a smaller surface than the state forestry, has a bigger annual wood harvesting possibility, which is mainly due to the average age of the species groups (softwood and hardwood), which determines a bigger possibility (Dragoi, 2008).

The renewing of the wood market on a global scale, after the decrease registered in the period 2008-2010, led to the rise of wood demand and a higher price. There are also threats and risks that endanger the profitability of those companies. Fig. 1 presents data gathered from the two forestry's regarding income from the period 2009-2011.

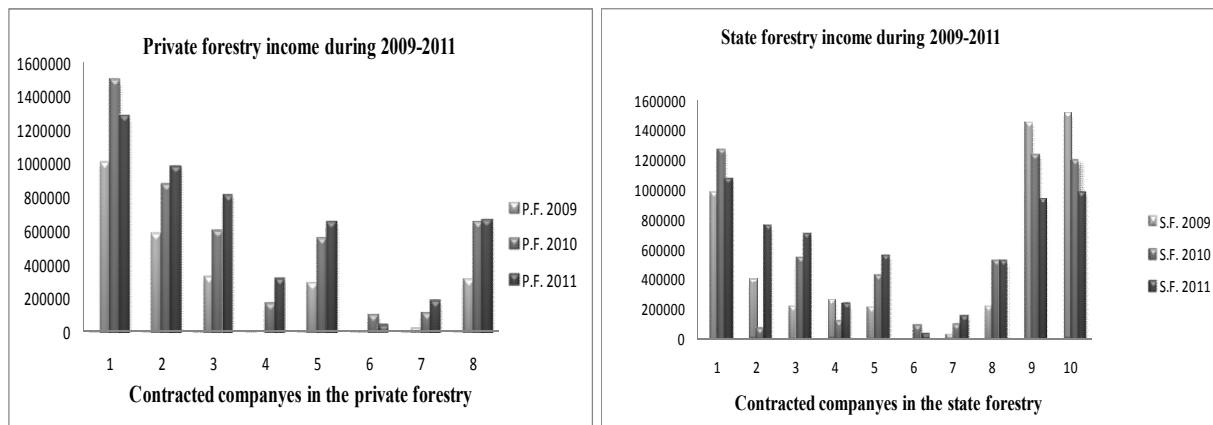


Fig. 1 Income and number of exploitation companies that operate in the two studied forestry's.

For these companies, which provide 80% of income, one of the support measures was to modify the specifications. The primary data analysis shows that the studied companies are small, with incomes between 8600-1500000 lei in the private forestry and 6200-1522000 lei in the case of the state forestry, with 10-20 workers, having articulated forest tractors (2-4 pieces), mechanical saws (6-14 pieces) and 2-3 means of log transportation.

The quantity of wood mass exploited every year varies between 8000 and 20.000 cubic meters in the two forestry's; the proportion is 60-80%. The difference between the two forestry's is given by the volume of wood mass per game, but also the prices offered during the auction.

In the case of the private forestry, the starting price of the auction is much smaller than the prices offered. This leads most of the times to contracts being canceled and selective exploitation (the harvesting of thick wood, of superior quality, leaving behind the fire wood, with a low economic value). In case they can't reach an understanding, but there are discussions about the prices, the winning party can suffer the "the winners curse" – a smaller price per cubic meter, which can lead to the impossibility of covering the exploitation costs, thus canceling the contract. In this case, those companies are no longer accepted in the next auctions. That forest lot is afterward auctioned again or negotiated directly, which leads to an increased amount of time from the moment the wood mass is valorized and harvesting, with direct implications in the downgrade of wood mass in the accidental and hygiene products.

One of the state forestry threats consists in the failure to comply to the contract agreements signed with the service contractors. This leads to delays in payment or even to lack of payment. Thus, from the analysis of some economic agent's interviews, that perform actions in the state forestry, it is shown that if the forestry doesn't respect the contract, the wood mass is auctioned at the auto road, with a gainful price for the company. Following the sale of the wood mass to the same economic agent that performed the harvesting, the agent recovers its expenses as a service provider, but influences in a negative way the wood market balance at the auto road.

Another negative factor in the case of the state forestry, which leads to a decrease in productivity, is the difference between the wood mass auctioned and the actual mass found in the forest by the performing economic agents.

The valorification of wood mass in the case of the private forestry is done through a warehouse and not by auto road or by foot. This advantages the private forestry because the sale is made by

using batches, according to quality standards. Every batch has an inventory card which offers the possibility to verify the dimensions with a high grade of efficiency.

Human resources management, in the private forestry, is almost non-existent, the managerial manner being autocratic. The surveillance of the personnel is strict, the informational flux is mainly descendant, the staff motivation is almost absent (salary cuts, verbal threats, qualms etc.).

CONCLUSIONS

For a better understanding of the local companies managerial behavior and the reasons for which they frequently participate in state forestry auctions, a comparison between the two forestry's was made, with the following conclusions:

State forestry's auctions are held at the Forestry Headquarters, where they auction a great mass of wood per batch. The good batches are attributed for exploitation without auction under own administration, and the rest of the attractive batches are auctioned between powerful companies.

Small companies encounter the following disadvantages:

- High prices when auctioning batches;
- They auction batches that remain unauctioned by the big companies;
- They auction batches that are farther from the road, involving more workmanship and fuel consumption.

The forestry managers have the responsibility to elaborate strategies that explore opportunities and also defend the forestry from eventual threats.

Competition, in the case of the two forestry's taken into study, is territorial. There can also be competition regarding the volume of wood on categories offer every year at auctions, the method and frequency of organizing auctions, establishing rules in the hand book, methods used to track contractual terms.

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