RISK MANAGEMENT - THE FUNDAMENTAL REQUIREMENT OF THE PERFORMANCE AT THE LEVEL OF ECONOMIC OPERATORS FROM ROMANIA

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Abstract
The existence of the risk and uncertainty cannot be challenged. Extremely diverse typology of risks, the difficulties in their assessment and of the effects generated makes necessary a proactive management so as to ensure a high level of performance, corresponding of the objectives assumed by fixed strategy. In the paper is realised a brief presentation of structure of the risk management process at the level of the economic operators, the determinants factors of risks manifestation in the formation and use of capital as well as an analysis of the results of the action by the risk of bankruptcy at the level of economic operators in Romania in the period 2006-2012. Also, are formulated suggestions for avoiding, reducing or controlling risks, so as to record an improvement in business performance, at the level of economic organizations.

Keywords: risk, risk management, economic operators, bankruptcy

JEL Classification: G32, G33

1. Introduction
The need for risk management at the level of economic operators has become increasingly obvious amid profound transformations and extremely fast that characterize the economic environment. Unfortunately, in the Romanian economy, the application of methods and techniques of management or mitigation is not a central element of the strategies implemented or promoted policies. The accentuated dynamic of frequency manifestation of unforeseen events has caused a clear trend towards operations of identification, quantification and prevention of risk at the microeconomic level. All these has shaped the coordinates of risk management process, considered as the art of taking decisions in an uncertain environment, on background of identification, quantification, analysis and management of risks which affect an organization. Thus, in particular at the level of small and medium-sized enterprises, which are the majority, the principles of risk management are distant desiderates, although its importance cannot be challenged (identification, assessment and avoidance or mitigation of risks permit an improvement of performances at the level of companies and the ensuring even their viability). The need to promote active management of risk is supported by multiple arguments. Thus, the globalization process, the interdependence between economies in a regional and global plan, the problems arising from the need ensuring compatibility between legislative previsions, the effects of freedom labor movement, the macroeconomic context located in an accentuated dynamic, the fierce competition at the level of participants at the economic circuits, the limited degree of the resources and unlimited of the needs, the need to adapt to technological changes, the challenges generated of climate change, the high degree of complexity of the factors which influence economic and financial results of business, the diversity of international economic flows are just some aspects what sustained the organized gestion of the risk, staff training in business management purposes, identification the losses caused by the event of risk and insurance of resources to cover them, but also in identification and communication to the risk, which requires a strong organizational culture oriented to this sense [2].

1. Possibilities of manifestation of the risk at the level of economic operators
The conduct of any activity is subject to the likelihood of manifestation of risk. The extremely fast changes of conditions from the economic and financial environment, in national and international plan, are reflected in the route to all economic operators, both in terms of strategies applied in the prefiguration of activities conducted both and from the viewpoint of manifestation of some risks with adverse effects on the economic and financial performance. In our country, very few operators realize the need for a risk management activity and the use of scientific instruments and models consecrated to improve the economic and financial performances, especially considering the fact that at present cannot be considered that economic processes and phenomena have coordinates and trails predetermined, that there are states of certainty in the work carried, that the random factor don't exist. Among the many meanings of risk, namely: „future event and perhaps, whose production could cause certain losses” [6]; the situation in which there is the...
possibility of an opposite deviations of the expected result [5]; variability in profits compared with the hope of rentability [4]; it is noted and those that submit it as a negative effect of a defective management: the result of failures or incorrect judcăților or uncontrollable events [3]; the possibility that a future action to generate losses that will affect heritage, interests, activities and results of an economic agent [6]. In this context, the risk can be considered as the probability of manifestation of hazard, on the fond of the existence of a state of uncertainty, with negative effects on the performance and viability of an economic operator, which requires the application of an active management in the purposes of identification, evaluation and application of techniques for prevention and mitigation of its effects. Obviously, if we relate to the probability element in the manifestation of a risk, we must be noted that there is a possibility that it may not manifest itself and the effect to be positive (in this case, the application of methods of avoidance could lead to cancellation or reduction of earnings). But, this aspect must not represent an impediment in the promotion of an active management of risk, because it represents a normal state, specifies the market economy (its absence is the equivalent of a State's administrative interference in the economy and of planning the activity of economic operators in a centralized manner). Thus, the possibility of carrying out an activity in the environment certain in the present context may not be regarded as a real situation. Economic operators need to proceed to risk management in order to record some favorable effects. Such a process can be structured as follows (Figure 1):

![Figure 1 The structure of the risk management process at the level of economic operators](image)

Risk identification is the first stage in the process of management that underlies substantiation of future strategy. But, this is not sufficient, established itself dimensioning of the risk size, so that it can be evaluated the effects generated by it. The evaluation process should be done in the context of certain assumptions: the absence of a correlation between the existence of multiple risks and effects generated of a particular category; the unable to generalize the risk process according to the likelihood of manifestation of another risk; assigning a quantitative level of estimated losses for realise a comparation with the amount of assets held; risk assessment in different levels of activity (economic, financial, investment), according to their particular characteristics.

In this context, an analysis of risk in the process of establishing and usage of capital is essential, representing fundaments for any economic activity. At the level of the two components, are manifested processes or operations which determines the possibility of appearance of different risks, amid the action of determining factors. They can be summarized as follows (table 1):

<table>
<thead>
<tr>
<th>Capital</th>
<th>Processes and/or operations</th>
<th>Elements subject to risk</th>
<th>Factors determinants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formation and increase</td>
<td>Contributions Loans Debt conversion Absorption</td>
<td>The amount of the subscribed capital The cost of capital elements The maintenance of contributions The amount of debt of the company absorbed</td>
<td>The existence of capitals available The availability of investors for capital allocation The interest rate General economic situation The ratio between economic profitability and the cost of capital borrowed</td>
</tr>
<tr>
<td>Operations by exploitation - Supply - Production - Outlets</td>
<td>Income Expenses</td>
<td>Production volume achieved Quantity sold Offer on the market Selling price The volume of expenditure The structure of expenditure</td>
<td></td>
</tr>
</tbody>
</table>
If we relate at the structure of the activity carried out at the level of an economic agent, reflected in the profit and loss account, it can identify the various potential risks, which require the adoption of a strategy of avoidance or reduction of the corresponding losses.

Thus, in the exploitation activity it can register:

- interruptions in the supply process (provider does not comply with the terms of the contract, accidents during transport, the reduction the quality of the raw materials supplied i.e.);
- interruptions in the production process due to technological malfunctions or lack of the necessary raw materials;
- delays in collection of receivables or the impossibility of conversion of these into cash amid the bankruptcy of clients;
- increases in raw material and fuel prices;
- the increasing of taxation;
- insufficient demand for the products obtained;
- the emphasizing of competition;
- the growth of specific consumptions per unit of product; the reduce of labour productivity;
- the increasing of the wear of the equipment used etc.

Financial activity is subject to certain risks that relate to:

- increase of the financial expenses in the case of increase of the cost of financing loans;
- the registration of unfavourable exchange rate differences;
- impairment of financial fixed assets; the necessity of granting discounts or bonus to maintain the customer portfolio.

Investment operations generate much higher risks compared with other activities because the effects are specific of a long period. Thus, net flows resulting from the operation of investment are recorded on a large interval, fact which generates difficulties in their predicting and in establishing a real size, comparable to that of the negative flows. In addition, the investment process involves a large volume of resources, registered losses in the event of failure being considerable.

Also, the manifestation of natural disasters or other extraordinary events generates additional expenses which reflected extraordinary activity, with negative implications on the status of performance.

The conclusion that emerges from the issues presented is that risk typology is extremely extensive and diversified and the manifestation of any factor crashes may cause a risk in the work carried out by economic operators. As a result, the risk cannot be removed entirely from the economic life of a company, but it is absolutely necessary for identifying the extent of risk assumed, so as to materialize a certain level of profit and to adopt a set of measures to permit the reduction of losses caused by the manifestation of the risk.

2. Fleshing out the risk of bankruptcy at the level of economic operators from Romania

The insolvency and default, the bankruptcy are the result of indebtedness grad and unfavorable ratio between available resources and the amount of exigible debt. Obviously, analysis of resources and the debt must relate not only to the current period but at the whole period of activity, present and future. Using a well-known of indicators system allows the predicting a status of financial difficulty and, implicitly, the adopting a redressing plan of activity. In our country, the arid land legislative affecting the activities of economic agents. Thus, the law of insolvency was adopted only in 2006, setting a deadline of 30 days to declare a state of insolvency.

The insufficient risk management at the level of economic operators from Romania, but also the absence protracted of legal regulations concerning the bankruptcy led to a steady growth in the number of bankruptcies, a fact demonstrated by the data summarized in table 2 which shows the number of bankruptcies for the first 10 fields, the most exposed to this risk.

The difficulties in procuring of funding resources, access increasingly harder to credit, reducing demand for goods and services, increasing price of raw materials, fuel and energy, implementation of new fiscal obligation, insufficient measures to stimulate business are just some examples of the factors generators of financial difficulties.
Table 2 Distribution of failures recorded by sectors (first 10 positions)

<table>
<thead>
<tr>
<th>Sector of activity</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1935</td>
<td>2371</td>
<td>3553</td>
<td>3684</td>
<td>4178</td>
<td>4423</td>
<td>2184</td>
</tr>
<tr>
<td>Wholesale and distribution (W&amp;D)</td>
<td>1909</td>
<td>3431</td>
<td>2932</td>
<td>3501</td>
<td>4262</td>
<td>4358</td>
<td>1545</td>
</tr>
<tr>
<td>Buildings</td>
<td>588</td>
<td>1066</td>
<td>1666</td>
<td>2497</td>
<td>3172</td>
<td>3548</td>
<td>1542</td>
</tr>
<tr>
<td>Transports</td>
<td>383</td>
<td>723</td>
<td>811</td>
<td>1237</td>
<td>1555</td>
<td>1596</td>
<td>741</td>
</tr>
<tr>
<td>Other main business activities in enterprises (OBA)</td>
<td>354</td>
<td>625</td>
<td>718</td>
<td>979</td>
<td>1340</td>
<td>1402</td>
<td>762</td>
</tr>
<tr>
<td>Hotels and restaurants (H&amp;R)</td>
<td>322</td>
<td>520</td>
<td>782</td>
<td>1022</td>
<td>1275</td>
<td>1385</td>
<td>616</td>
</tr>
<tr>
<td>Manufacture of wood and wood products (MW&amp;WP)</td>
<td>575</td>
<td>810</td>
<td>793</td>
<td>927</td>
<td>955</td>
<td>866</td>
<td>369</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1382</td>
<td>1093</td>
<td>575</td>
<td>934</td>
<td>668</td>
<td>686</td>
<td>266</td>
</tr>
<tr>
<td>Food and drinks industry (F&amp;DI)</td>
<td>1133</td>
<td>1064</td>
<td>627</td>
<td>573</td>
<td>641</td>
<td>672</td>
<td>206</td>
</tr>
<tr>
<td>Manufacture of textiles, clothing and footwear (MTCF)</td>
<td>570</td>
<td>731</td>
<td>705</td>
<td>762</td>
<td>793</td>
<td>645</td>
<td>234</td>
</tr>
</tbody>
</table>

Source: dates recorded on www.coface.ro

*Data for the first three quarters

In the first three quarters of 2012 is found about the same hierarchy, with the change of location between positions 4-5 and 9-10. It can be seen that the most exposed sector remains the retail trade. For a better reflection of the situation registered one can trace figure no. 1.

![Figure 1 The evolution of failures recorded by sectors in Romania in the period 2006-2012](image)

The total number of failures has knew a continuous growth process from one year to another. Thus, between 2006 and 2007 there were recorded 10431 and respectively 14104 bankruptcies, the high number being explained by the changing of legal regulations in the field. The year 2008 saw a stabilization (increase being only 2.69%), instead, in the years 2009 and 2010 there were significant increases (27.19% and 17.76%) generated so by the economic and financial crisis as well as by the fiscal measures adopted by the authorities. The share of the sectors analyzed in the total number of bankruptcies is reflected in the figure no. 2.

A series of supplementary informations completes the image of the level which has affected the environment business from Romania. In 2009, 133.362 companies have temporarily suspended their activity, marking an increase of 1009.59% compared with 2008, 18766 have requested dissolution (increase of 398.83% compared with 2008) and 43616 were canceled from the Register of Commerce. Also, over 50% of Romanian companies with a total of more than 50 employees have opted for layoffs of staff, and from all these entities only 4.23% have recorded an economic growth.
Reducing the number of economic operators on the background of the manifestation of bankruptcy risk was accompanied and reducing turnover from wholesale and retail and of sales volume. In Romania, compared to the EU, the indicator specified percentage change was more accentuated in the period 2009-2011 (Table 3 and figure 3).

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>2.9</td>
<td>8.8</td>
<td>14.2</td>
<td>16.7</td>
<td>19.4</td>
<td>20.2</td>
<td>20.6</td>
<td>-10.5</td>
<td>-5.5</td>
<td>-2.1</td>
</tr>
<tr>
<td>EU</td>
<td>2.1</td>
<td>1.8</td>
<td>2.6</td>
<td>2.4</td>
<td>3.2</td>
<td>2.6</td>
<td>0</td>
<td>-1.6</td>
<td>0.9</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: www.eurostat.ec.europa.eu

In the context of previous specifications, it requires a proactive approach to risk management. Thus, it is necessary to identify potential risks and the generating causes, the assessment of losses caused by the manifestation of risk, the analysis indicators which highlights economic and financial performance of each component and their correlation with factors influence and conjunctural situations.
4. Conclusions

The action of external and internal risk factors can generate negative effects at the level of any economic agent. The adopting an active attitude in reducing potential risks through action on uncertainty in the meaning of its reduction, has a positive impact on the performance of an economic activity. Actions managers must relate to: the use of a complex of methods in accordance with the specifics of the work carried out, which allow a more realistic appreciation of potential risks; the risk assessment identified and the consequences that may occur; multidimensional approach to risk; involvement of all persons with attributions in the administration of the various organizational components and not only to those who have authority in risk management; the existence of insurance capacity to the stability in the case of the manifestation of risks; systematic and integrated approach to risk management; risk taking in accordance with the management capacity of it. The final conclusion is that a risk management process is absolutely necessary for each of the entities, irrespective of size, profile or area of activity and that it is necessary to treat them in accordance with their own specific characteristics and the use of specific situations in order to ensure success. Direction of action must relate to the identification of the elements that can determine the manifestation of risks, likelihood of sizing, forecasting the channels of influence and the establishment of means of protection.

5. References