

RISK IN MARKET ECONOMY -BETWEEN THEORETICAL APPROACHES AND REALITY

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ABSTRACT

In a world where changes are numerous, frequent and large, genuine values come out and live on only through the achievement of the socio-economic development sustainable materially, financially, informational and human , a development that was meant to aim at not only the present, but also the future. This can be possible if at any organization, including the State, besides a good knowledge of the theoretical aspects of the laws of operation and specificity of expression of the market economy, where the risk has its share of importance , there should exist the necessary realistic and professional approach to the periods in which economic, financial or social slippage might occur.

Being in a situation of economic and financial crisis, Romania, even under conditions involving international bodies, so commonly possible by joining the European Union, has not yet found the most effective ways to overcome a crisis that is still in an acute phase.

KEYWORDS: *change, performance, risk, decision, crisis*

The changes aimed at recent period that has traveled through one human society, are expressed not only by increasing the complexity of phenomena, also economic and social, but also the interrelationship of these phenomena.

In such a situation, after a considerable amount of time when scaling to what happened in civilized and prosperous world was not considered necessary, the Romanian progress registered on a course on how their own on so hidden especially in light of the future, the end of 1989, which meant, both symbolically and in real time required a great change that was made largely desirable but difficult and full of unexpected transition from one regime to another, from one economy that with "consistency" has shown weaknesses in one another, which demonstrated convincingly in enough states of the world that is what is required and harmonizes with the aspirations of the modern world.

The period that Romania has passed through since 1989 is characterized by numerous and profound evident changes in most areas of activity, changes which, in terms of the social and economic are placed both in the theory and the practice.

New principles of organization of activities and organizations were built launched and have affirmed themselves. Theories that had dominated and orientated the life of people and organizations in this country for decades have been overturned and replaced ,motivated or not.

Some institutions were closed other were maintained, even if they had demonstrated functional incapacity. Not infrequently, institutions and businesses still needed were not restructured and modernized, and in some cases new management structures appeared.

During this series of events, the past was often incriminated, the present most times is overseen and the future, not infrequently, remained at a level of uncertainty and misunderstanding, not only for some people, but and society as a whole.

With all the difficulties and errors which may not always be attributed to lack of experience, delivered from a system shell unwanted and repudiated, Romania, although not well timed and decided enough enrolled in the faction of countries that, letting go of the past, has had and continues to have real awareness of the future dimensions: not only the accession, but also integration in some economic and social structures that have shown sustainability and viability.

The extent to which what has been achieved so far is a viable platform for what will be done in the future, so far as they managed to achieve what has been proposed, how they managed and in what has success materialized in have been and continue to be both a critical problem, complex and difficult, and the object of detailed analysis.

Real and viable construction, concerning both the economy and society with its many expressions will be possible as far as we aware that:

➤ The Romanian economy has enough facts that have caused and cause sufficient concern of true professionals, civil society, international bodies and sometimes the political class;

➤ In Romania there are enough political, economic and political-economic decisions whose lack of substance and application perspective, few people longer doubt;

➤ Romania has a very strong presence of political clients with local or state coverage that leads to a dangerous „polarization” of economic power;

➤ Romania has unfortunately few elements that can jump-start the („engine”) of competitive economy, that means that despite the political gift that was made to us by the Secretary of State of American Commerce Department, Don Evans in march 2003, the Romanian economy needed quite a large amount of time to become a functional market economy. Moreover, it is not excluded that the time it takes the Romanian economy to truly and convincingly set itself on the trajectory of functional market economy, is not yet over;

➤ Romania has enough so-called businessmen that have privileged access to very important economic-financial information and that through the incredibly well organized canals of the underground economy can collect, handle and use huge amounts of money;

➤ Romania has ambiguous economic and politic cases, that have very few intersection points with logic, ethic and reality, all this making life harder for a lot of people in this country;

➤ all these problems exist and for each one and for all in whole there must be a solution.

Of course, generally speaking, the mere existence of solutions do not solve any problems that are simple or complex, or not important or that the priority that concerns the individual, organization, community or society as a whole. To have the expected effects, the solutions must be implemented, and for this, as Honoree of Balzac said "*should dare everything to win everything.*"

But to dare to be capable and can support only if there is a significant meaning and managerial expertise, working power and determination.

Even if current economic and financial crisis is a reality that can not be ignored, even if the ones who pay the highest costs are not the ones who caused the crisis, even if the theory of economic development and business cycle theory of Joseph Schumpeter have confirmed that they are true, the period a part of the world is now experiencing (most democratic countries) was characterized and is characterized by the existence of developed economies that are strong as general trend, in a process of renewal and growth.

And practice has confirmed the theory according to which a viable and strong economy is built on companies in which management is not only modern and realist but also efficient, a management able to demonstrate its capacity to correctly and efficiently manage all the activities in those companies. Managerial Performance becomes compulsory because competition, one of the key characteristics of market economies, determines any company to obtain profit.

Therefore, in general, any business function (that combination of factors of production, physical and that can be activated by an individual authority or group of individuals for a specific aim) is to produce goods and materials services in an amount, structure and quality that the market decides.

Acting in a competitive environment, modern enterprises, large or small, strong or less strong, local, regional, national or multinational seek to obtain a market position as well.

Succeeding in this measure demonstrates and convinces the fact that the enterprise develops in a profitable activity.

The performance is reflected throughout quantity and quality assessments in the enterprises' responsibility centers. Performance is the one who will show if the enterprises' functions were applied efficiently and effectively, consequently, it is strongly recommended the good accomplishments to be evaluated in good results. In other words, it is not enough that things are to be done the right way, to obtain an advantage in front of the competition, it is mandatory to do certain things which will have real chances to survive on the market. Of course the performance, no matter the field, is conditioned by a number, which can be big or even bigger, and by objective and subjective factors. Among these, a well positioned spot is occupied by risk, which incidence was recognized even by the time when the businessman or the dealer "buys at a fair price and sells at the unfair one".

Talking about risk we have to show that it appeared in the following situations:

- The existence and development of human relations;
- The existence of a permanent report between man and nature, report of which balance, no matter the appearance, bows frequently in favour of nature, a cost which humanity pays, in many situations immeasurable and irrecoverable;
- Development, at different levels of expressing in an organization, of some more or less complex human activities, social, economic or political.

Having its origin in incertitude (of which dimension can be bigger or smaller), representing a way of measurement and being able to be mathematically quantified, risk is put in relation with a future event or behaviour, aiming both actions, phenomena, processes, economic agents or simple persons.

Because it refers to a possible event, risk being associated to incertitude, making that event possible might lead to, in term to a certain probability, winning or losing. This truth is very important when it comes to a business which is told to be "*in the event of rolling a business there must not be a winner and a loser, both sides being necessary to come out in financial advantage in term of the prewalking moment, of the certain enterprises' action*"¹.

The variety of the activities, phenomena's and processes which take place in nature, economy and society make possible the delimitation of various risk categories: commercial, financial, currency, economic, politic, and determined by powerful events.

¹ Dan Popescu, *Managementul afacerilor*, Editura Economică, București, 2001, p. 2.

Being more present and obvious, having a big part in economic, social or political activities, almost every time, and risk is difficult not only to be spotted but also to be prevented.

Present at macro-economic level (national economy and economic relations worldwide) and at micro-economic level (businesses in which enterprising have free will of action), risk must be reported to the parts that commit themselves in a business and to the main elements which it is characterized. Moreover, risk must be reported to: object, resources, purpose (maintenance or development), amplitude and motivation.

Because of its possible and probable character, which will generate events and consequences, which values and dimensions can be, more or less different from the ones predicted, also because of the presence of some attributes which can make him noticeable, it is necessary and important that risk should be analyzed, evaluated and estimated.

Living "in a risk civilization"¹, in which managers "confronting with uncertainty situations wish to know the dimension and nature of the risk they take in order to choose a way of action"², compulsory methods are:

➤ Analyzing risk. Thence, after identifying the risk an evaluation will be done throughout consequences that might appear once the risk has settled;

➤ Reduction of risk, which is possible through merging some preventive methods. Preventing actions are taken "to diminish or to eliminate"³ the effects of risk, more or less, obvious or less obvious, serious or less serious;

➤ Financing risk, by which is possible the assurance of a realistic control and sustainable of the "assembly of costs and potential accepted losses"⁴

Characterized by a non neglected variety, in term of some criteria's (bigger or smaller, their number depending of the nature and the analyses which will take place) mentioned before, risk can be of various types, the most common ones are: economic risk, pre risk, financial risk, price risk and interest risk, direct and virtual risk, objective and subjective risk, internal and external risk, global and local risk, macro and micro risk, country risk, enterprise or project risk, fabrication risk, political and social risk.

From another perspective risks can act, independently but also focused. As for this aspect, we must state that we can not always appreciate that the effect of risk, as intensity and duration is in direct relation with the way of acting, independently or concentrated.

In condition, indissoluble way, the term of risk is associated to the activity, assumption, anticipation, evaluation and analysis of risk are real challenges which not anyone or anytime can answer the proper and advantageous way, even if it involves someone in particular or a certain entity.

In result the equation risk-investor (or manager), equation which, not only it exists, but can also have a permanent presence, with certitude that will be in condition to advantageous resolve in the name of the organization represented only by the able ones, experimented and promoter investors, managers or specialists.

More or less imperative, but in most of the cases inevitable there must be a certain risk taken in consideration anytime and anywhere, with a real responsibility, a design, building and decision taking are mandatory.

¹ Mircea Coșea, Luminița Nastovici, *Evaluating risk Methods and analysis techniques at micro and macro-economic level*, Lux Lubris publishing, Brașov, 1997, p. 22

² Ioan Ursachi, *Management*, third edition revised and auditioned, ASE publishing, București, 2007, p. 110.

³ Mircea Coșea, Luminița Nastovici, op. cit. p. 22.

⁴ Mircea Coșea, Luminița Nastovici, op. cit. p. 22. Réfrence

This thing is more obvious, as in growth of the exterior environment, many times unpredictable, decisions must be elaborated based of some presumption, approximation, suppositions, probabilistic evaluations and prognoses involving appearance and developing of some future events, all these also including a certain risk, larger or smaller, difficult to identify, defined and level-headed.

The actual situation it stands for better than a year, the world economy and society in its assembly, comes to confirm as strongly as it can that taking a risk must be a consciousness and cautious action.

Taking a risk must not only take into account big or fabulous winning which might appear, but also losing or results that might appear due to a wrong interpretation of results.

Taking into account these considerations, it would have been a minimum wise moment if in the banking system, the one that started the financial crisis and in very short time the economic one, if it would have been taken into consideration the fact that “*banking risk is generated by multiple operations and procedures in the financial area needing a complex risk approach, lots of times interdependent, might have common causes or being able to produce other chain reaction risks*”¹

Romania as a country which more or less is conscious that it has merged itself in a democratic family and with a market economy, not only faces situations that have been previously presented, but also like other countries must come up with solutions that can allow her to pass the actual financial-economic crisis with bareable costs.

Because it has not managed with realism and determination to release some solutions through which to create a shield against the actual situation, which has not been estimates by its real dimensions and economical and social impact in a not so optimistic context for Romania, a possible escape from the crisis represents even yet only a desire.

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