STUDY ON MANAGERIAL RISKS IN COMPANIES FROM EUROREGION SE

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Mangerial risk is an inevitable part of any business, and the management of the company must find ways to control their action. Managers have a number of specific methods to avoid, reduce or to assume risks.

Studies conducted in our country have shown that the managers consider they can reduce influence of the risks by using the experience in each area. But recognizing the presence of the mangerial risks is the first and most important step.

Key words: *managers, managerial risks, variables, indicators of performance.*

Our managers operating in conditions of globalization, rapid development of technology and competition, so more and more in doubt. Therefore, their decisions are taken in conditions of risk variables [3].

Contents of risk management is the systematic process of awareness of potential factors that threaten the security of a business, managers aim is to maintain these variables at an acceptable level. Financial theory deals with two parameters, namely the mean and dispersion; first parameter is what the manager wants to steal from the company and the second means which would like to avoid, the risks. In summary, risk assessment in a deal is possible by measuring the variability of economic indicators, measuring the risk is the dispersion and especially the standard deviation [5].

MATERIAL AND METHOD

To investigate the actual risk management of Romanian companies of SE Euroregion we study a sample of 16 firms in this area on categories of risk management that affect businesses, the perception of intensity with which those risks that affect business performance. This study used a qualitative research method, the survey-based questionnaire, correlated with annual financial docs of firms taken in the analysis. The sample analyzed was grouped into two categories, depending on their activity: Industry (heavy industry, transportation) and Agriculture (agriculture, food industry, restaurants, wholesale trade).

To obtain the data were interviewed participating companies, based on a questionnaire regarding company policy on risk management type. Have been addressed a number of 8 types of risk management, considered to be the most likely category for firms analyzed: operating risks, risks of supply, risks of human resources, commercial risk, risks of marketing, financial risks, investment risks, international

business risk. The content of each type of risk has been defined by several variables, defined scales, by the initial two categories, industry and agriculture. Managers were asked to write the notes 1 to 10 every variable of each type of risk management stated, depending on the specific company. Answers were then analyzed by statistical methods on the two main groups, the results for each type of risk being presented mangerial scales, considering the following notations: Max=maximum, Min=minimum, MA=arithmetic average, Med=median, σ^2=dispersion, σ=average standard deviation, Cv (σ)=coefficient of variation based on standard deviation.

In parallel the results of the companies were evaluated considered for the past 5 years, based on synthetic economic indicators. In the end the two types of analysis, qualitative and quantitative, were related to show how each company is prepared to face the risks of management.

RESULTS AND DISCUSSIONS

It were analyzed for all eight types of risk management chosen for study, on the two categories of companies, industry and agriculture.

a) The risks of exploitation. *table 1* follows that the most part of managers of industrial firms provide important to an essential nature of the potential risk of exploitation, which seriously affects, like the technological endowment of firms and bad adaptation at the rapid changes in costs. Depending on the specifics of the company, some are seriously affected by polluting technologies. However the coefficient of variation has a value high enough for first and last of variables, explicable because of the variety of companies.

Table 1

Operating risks - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Adjustable low technological changes	9	4	6.00	6.00	2.67	1.63	27.22
Incapable of rapid adjustment costs	9	5	7.44	8.00	1.58	1.26	16.89
Increased utilities prices	10	5	7.67	8.00	1.78	1.33	17.39
Concurential reduced capacity	8	6	6.78	6.00	0.84	0.92	13.52
Technological endowment bad	10	6	9.11	10.00	2.10	1.45	15.90
Polluting technologies	9	4	5.89	6.00	1.88	1.37	23.26

Table 2

Operating risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Adjustable low technological changes	7	3	5.29	6.00	3.06	1.75	33.10
Incapable of rapid adjustment costs	9	5	7.00	7.00	1.71	1.31	18.70
Increased utilities prices	8	4	5.43	5.00	2.24	1.50	27.60
Concurential reduced capacity	8	5	6.43	6.00	1.39	1.18	18.32
Technological endowment bad	6	3	4.71	5.00	1.06	1.03	21.85
Polluting technologies	5	3	3.57	3.00	0.53	0.73	20.40

The most important operating variables was, for the companies in agriculture, the inability to adapt quickly the costs, followed by reduced ability to face competition (*tab. 2*). Responses were still a rather large dispersion, especially in terms of adaptability to changing technology.

The analysis of company performances in terms of the evolution of turnover and operating results for the past 5 years, with average values, show us in Fig.1,

large difference between the performances of the two sectors, but is a characteristic, the descending trend, which confirms the importance given to risk managers in the operating.

b) Supply Risks. From Table 3 is found a large variability of responses of managers from industry to this type of risk. The most important variable is a deficiency in the organization, followed by suppliers that creates problems in supply companies. It preserves the same variety in assessment of the managers from agricultural firmes, they have found the greatest risk of supply the deficiencies of organization and problem-providers (*tab. 4*).

Table 3

Supply Risks - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Organization deficiencies	8	4	6.11	6.00	2.10	1.45	23.71
Suppliers - problem	7	4	6.00	6.00	1.11	1.05	17.57
Poor negociating contracts	6	4	5.22	5.00	0.62	0.79	15.04
Suppliers to large distances	6	4	4.78	5.00	0.40	0.63	13.16
Loss of traditional suppliers	6	2	4.56	5.00	1.80	1.34	29.47
Insufficient storage space	4	1	2.89	3.00	0.99	0.99	34.40

Table 4

Supply Risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Organization deficiencies	7	4	5.14	5.00	0.98	0.99	19.25
Suppliers - problem	7	3	5.14	5.00	1.55	1.25	24.22
Poor negociating contracts	7	3	4.86	5.00	1.55	1.25	25.64
Suppliers to large distances	7	3	4.71	4.00	2.20	1.48	31.49
Loss of traditional suppliers	8	3	4.86	4.00	2.41	1.55	31.95
Insufficient storage space	8	3	4.57	4.00	2.24	1.50	32.78

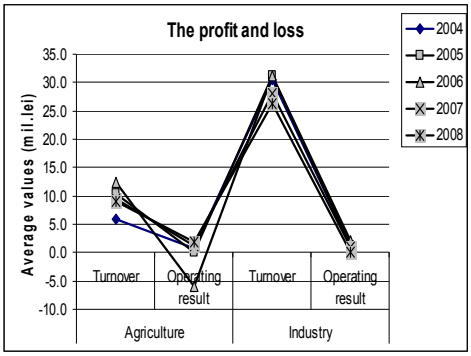

Figure 1 **The profit and loss**

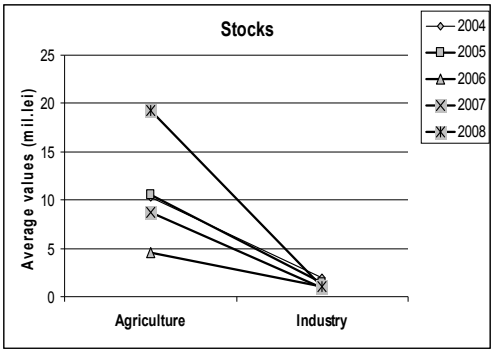

Figure 2 **Stocks - Comparative analysis**

From the analysis of stocks presented in *fig.2*, average values, is observed an oscillating trend in agriculture towards industry, which remains approximately constant, which means rather problems marketing their products. In industry we can confirme this type of risk affects to a lesser the firms, as importance, they noted with a average grade.

c) Risks of human resources and personnel

Analysis of the questionnaires revealed that managers in the industry believe that indiscipline at greatest risk of human resources and personnel, the next place is

the lack of specialists and staff, and faulty management of these resources (*tab. 5*). The intensity is perceived as a major risk, with great influence on the results of firms.

Table 5

Risks of human resources and personnel - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Human Resources Department absence	6	3	4.44	5.00	0.91	0.96	21.51
Bad management of human resources available	8	4	6.22	6.00	1.51	1.23	19.72
Lack of specialists	8	4	5.89	6.00	1.21	1.10	18.68
Lack of trained staff	9	3	6.11	6.00	3.65	1.91	31.28
Indiscipline	10	3	7.22	8.00	5.28	2.30	31.83
Conflicts unions, strikes	8	2	5.00	5.00	2.44	1.56	31.27

Table 6

Risks of human resources and personnel - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Human Resources Department absence	5	3	4.00	4.00	0.57	0.76	18.90
Bad management of human resources available	8	4	5.86	6.00	1.55	1.25	21.26
Lack of specialists	8	5	5.86	5.00	1.27	1.12	19.20
Lack of trained staff	7	4	5.57	6.00	1.39	1.18	21.14
Indiscipline	9	4	7.29	7.00	3.06	1.75	24.01
Conflicts unions, strikes	5	3	3.86	4.00	0.69	0.83	21.60

Managers of agricultural support as a significant negative impact has indiscipline and lack of trained staff, but with less intensity compared to industry (*tab. 6*).

d) Commercial Risks. Managers from the industry consider the most important variables in this type of risk is non-payment or delays in customer and in second place is included the loss of clients (*tab. 7*). The risk is assessed as average intensity, the coefficient of variation is large. Same type of risk was considered by managers from agriculture at a lower intensity (*tab. 8*) but also through non-payment or late payment of the customer, then the risk of price fluctuations with an large annual effect on the results of companies. Analyzed this type of variable by the average receivables (*fig.3*), is found that the value of industry was much higher than agriculture in 2004-2006, currently the tendence of the graph is decreases, along with growth for agriculture.

Table 7

Commercial Risks - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Non / late payment - customers	10	5	8.67	9.00	2.22	1.49	17.20
Denials of goods	8	4	6.00	6.00	2.22	1.49	24.85
Commercial risks	8	3	5.22	5.00	2.17	1.47	28.23
The risk of loss of traditional customers	9	2	7.00	8.00	3.78	1.94	27.77
Risk of new markets	6	3	5.22	6.00	1.06	1.03	19.73
The risk of price	10	6	7.56	7.00	1.58	1.26	16.64

Table 8

Commercial Risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Non / late payment - customers	10	8	9.00	9.00	0.86	0.93	10.29
Denials of goods	6	2	4.00	4.00	1.43	1.20	29.88
Commercial risks	7	4	5.43	5.00	1.39	1.18	21.70
The risk of loss of traditional customers	8	5	6.29	6.00	1.06	1.03	16.39
Risk of new markets	7	3	4.86	5.00	1.55	1.25	25.64
The risk of price	9	6	7.57	8.00	0.82	0.90	11.93

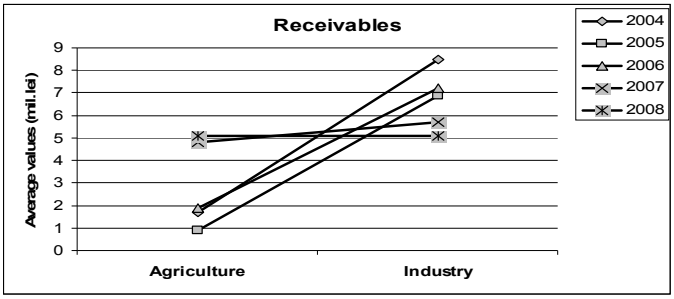

Figure 3 **Receivables - Comparative analysis**

e) Marketing Risks.

Table 9

Marketing risks - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Marketing study -insuficient	8	4	5.33	5.00	2.22	1.49	27.95
Bad promotion	7	2	5.00	5.00	1.78	1.33	26.67
The risk of image	7	2	4.78	5.00	2.40	1.55	32.39
Maladjustment pricing products/services to market	5	3	3.67	4.00	0.44	0.67	18.18
Maladjustment in time the price of products/services	6	2	4.33	4.00	1.56	1.25	28.78
Lack control-distribution chain	6	3	4.11	4.00	1.43	1.20	29.11
Launch of new products	7	2	5.00	5.00	2.67	1.63	32.66

Table 10

Marketing risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Marketing study -insuficient	6	3	5.29	6.00	1.06	1.03	19.49
Bad promotion	7	3	4.57	4.00	1.39	1.18	25.77
The risk of image	8	4	5.86	6.00	2.41	1.55	26.49
Maladjustment pricing products/services to market	7	4	5.43	5.00	0.82	0.90	16.64
Maladjustment in time the price of products/services	7	5	6.00	6.00	0.57	0.76	12.60
Lack control-distribution chain	8	4	5.43	5.00	2.24	1.50	27.60
Launch of new products	6	3	4.43	4.00	0.82	0.90	20.40

Both for industry and agriculture for this type of risk is medium intensity and high coefficient of variation. A special mention is due to agriculture, where it

seems that the insuficient marketing study and maladjustment price of products in time induce a large sort of problems to the companies.

f) Financial Risks. Such risks are received as most important to the industry, with maximum rate in terms of liquidity and the degree of indebtedness, the coefficient of variation is below 10%(*tab. 11*). Liquidity and indebtedness are received on the first places to the firmes of agriculture, with the difference that the variables are emphasized (*tab. 12*). The analysis of liquidity indicators show large fluctuation, indicating for agriculture that they keep rates still very low, well below the recommended values (*fig.4*). This could mean not only problems of liquidity but also in agriculture that the assets are undervalued compared to market value. Liquidity for the industry is quite good, it keeps for several years at the appropriate rate. Solvency (*fig.5*) is quite low for both groups, but the degree of indebtedness for agriculture is high and where the biggest concern of their answers.

Table 11

Financial Risks - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Liquidity risk	10	8	8.78	9.00	0.62	0.79	8.95
The risk of indebtedness	10	4	6.56	7.00	4.47	2.11	32.25
The risk of interest rate	8	3	5.33	5.00	3.78	1.94	36.44
The risk of currency	10	4	5.67	5.00	2.67	1.63	28.82
Risk portfolio	7	4	4.89	4.00	1.43	1.20	24.48
The risk of bankruptcy	6	2	4.33	5.00	1.78	1.33	30.77

Table 12

Financial Risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Liquidity risk	10	7	9.00	9.00	1.14	1.07	11.88
The risk of indebtedness	9	4	7.00	8.00	3.43	1.85	26.45
The risk of interest rate	8	4	6.43	7.00	1.96	1.40	21.77
The risk of currency	7	4	5.14	5.00	0.98	0.99	19.25
Risk portfolio	8	3	5.57	6.00	3.39	1.84	33.04
The risk of bankruptcy	6	2	3.71	4.00	1.35	1.16	31.28

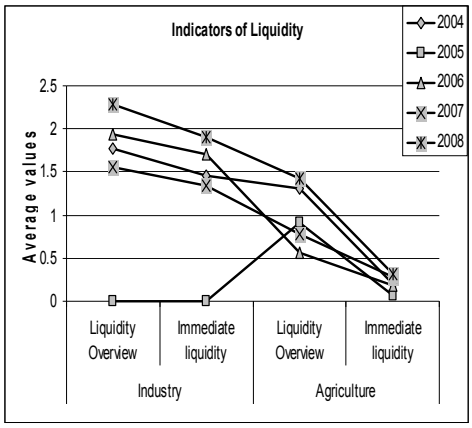

Figure 4 **Liquidity Indicators comparative**

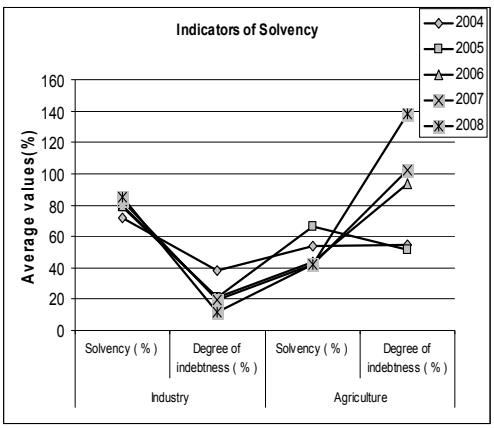

Figure 5 **Solvency Indicators-comparative**

g)Investment Risks. Such risks are received by the average values to high for both groups, especially the variable risk of incorrect assessment of the opportunities or the risk of unfavorable conjuncture. The coefficient of variation is small enough and proof the grouped appreciation of the importance of the type of risk (*tab. 13 and tab. 14*).

Table 13

Investment Risks - Industriy

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
The risk of incorrect assessment of the opportunities	10	7	8.67	9.00	0.89	0.94	10.88
Business plan of investment	10	6	8.00	8.00	1.78	1.33	16.67
The risk of rising utilities prices	9	5	7.22	7.00	1.51	1.23	16.99
Unfavorable conjuncture	10	5	7.78	8.00	2.62	1.62	20.80
Risk location	5	3	4.22	4.00	0.40	0.63	14.89

Table 14

Investment Risks - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
The risk of incorrect assessment of the opportunities	9	5	7.14	8.00	1.84	1.36	18.97
Business plan of investment	9	6	8.00	8.00	0.86	0.93	11.57
The risk of rising utilities prices	7	4	5.43	5.00	1.39	1.18	21.70
Unfavorable conjuncture	8	5	6.71	7.00	0.78	0.88	13.12
Risk location	8	4	6.00	6.00	1.71	1.31	21.82

Table 15

The risk of international business - Industry

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Contractual Risks	9	6	7.22	7.00	1.06	1.03	14.27
Financial risks	9	6	7.78	8.00	1.06	1.03	13.25
Country risk (economic, political)	6	3	4.89	5.00	0.99	0.99	20.33

Table 16

The risk of international business - Agriculture

Specification	Max	Min	MA	Med	σ2	σ	Cv(σ) (%)
Contractual Risks	8	4	6.29	6.00	2.49	1.58	25.10
Financial risks	9	4	6.43	7.00	2.82	1.68	26.11
Country risk (economic, political)	6	3	4.14	4.00	0.98	0.99	23.89

Agriculture is less influenced by such risks, but is not very safe, the values are more dispersed, with standard deviation being about 50% higher for some firms.

CONCLUSIONS

Financial results of companies acquired over the past 5 years of activity largely support the conclusions drawn with the investigation. One can appreciate that the managers surveyed are aware of the presence and type of risk management analysis. Considering the level at which risks were assessed managerial type that affects business, we believe that most part of the managers

already apply a policy on risk, although empirical. Managers in the industry believes that firms are affected more by the risks of operating and financial, followed by trade. Managers of agriculture and trade that first considers the financial risks are followed by commercial risks and human resources.

Shows that the overall assessment of the risks affecting managerial analyzed in a medium grade firms in industry and agriculture in Euro SE. Although most managers are pretty good against risks resulting need for a coherent system of risk management analysis.

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