RISK ADMINISTRATION

GESTIUNEA RISCURILOR

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Abstract. *The market economy characteristic and modern life have determinate both individual level and organizations increasement of number of risk who can affect us, of their dimensions and of the consequences, but in the same time a highest need of firm security. In the financial department was develop an entire area –management risk and many financial instruments for reducing risk. The behaviour of economical agents respectively of the enterprisings and managers is different according the risk in many categories: risk adversaries unaffected to risk and risk belovers who leave mark on decisions take it. Risk management risk is a ciclical process with distinct stages: risk identification, risk analyses and risk reactions. The management of this fenomen goes from this context and the firm objectives, analyse the risk factors into a security conception haveing the purpose to minimize the risks and the cost.*

Rezumat. *Caracteristicile economiei de piață şi coordonatele vieții modeme au determinat atât la nivel individual cât şi al organizațiilor creşterea numărului de riscuri care ne pot afecta, a dimensiunii acestora si a consecințelor pe care le provoacă dar şi nevoia crescândă de securitate a firmei. În lumea financiar-economică s-a dezvoltat un întreg domeniu - managementul riscului şi o multitudine de instrumente financiare pentru a reduce sau transfera riscul. Comportamentul agenților economici respectiv al întreprinzătorilor si managerilor este diferențiat în funcție de atitudinea față de risc în mai multe categorii: adversari ai riscului indiferenți la risc şi iubitori ai riscului (curajului) ceea ce îşi pune amprenta aspra deciziilor luate de aceştia. Managementul riscului este un proces ciclic cu etape distincte: identificarea riscului, analiza riscului şi reacția la risc. Managementul acestui fenomen pleacă de la context şi obiectivele firmei, analizează factorii de risc într-o concepție de securitate în vederea minimizării riscului asumat şi a costurilor necesare. În analiza riscurilor care afectează agenții economici au fost evidențiate un număr de 17 riscuri şi s-au prezentat metode de evaluare şi analiza cu grade diferite de complexitate şi utilate pentru cei care desfăşoară activități de management.*

In analysing risk that affects the economical agents were distingueshed 17 risks and were presented evaluation and analizing methods with different complexity degrees and fitted out for them with management activity.

A first signal of market economical maturity is the quality of economical agent to think strategically in what concern risk. **So, economical agents from Romania are astonished by the risk dimensions in business.**

To initiate a business, we take upon certain risks. Some are inherently from development of business, other appear as unknown causes. Enterprising must know how to manage in this situations for the risks trough an efficient system.

Risk is define in general terms, as a posibility to expose to danger, to support losses.

Generally, the risk is an economical, social, political category distinguish as:

- Is an uncertain event but possible with his consistence in incertitude;
- Is an element who produce material or moral damages;
- The risk appears in human, political and economical activities;
- The risk effect can be removed.

Excepting the incertitude, **risk is characterized trough the possibility to describe a probability law given results**, and trough being aware of this law for the specialists and economical agents.

Objective probability and the associated risk, reflects the reality events and is related on statistic data.

Subjectiv probability and the associated risk has the personal mark of the fellow (optimistic or pessimistic), reflecting the mentality of the person who takes decisions, based on intuition or observations of the decisions he had taken.

Objective risk is a independente variable .

Subjective risk is an estimation of objectives once influenced by the perception. Perception is influenced by the preparation, experience, age, health, temperament.

The taken risk depends on the financial efforts wich are assumed by the manager to obtain the future results, in corelation with the cash flow.

Risk is influence and determine by many objective causes:

- Changeing the economical condition in time (fail interest, foreign currency, inflation, import);
- Technological changes;
- Invalidation of anterior experiences;
- An imperfect knowledge of exogene variables;
- Pessimist or optimist team attitudes;
- Errors of economical or technical analysis;
- State intervention (taxes and inputs);
- Price changes.

Pure risk is the consequence of some accidental activities who are a menance for firm, losses being hard delimitate.

Speculative risk appears on the manager wish to realize objectives who will increase the economical power of firm. Could be realise in time and could be controled trough administration, marketing and management technics.

Clasic economy combat the two risk techics who in reality are interdependent. The increasement of firm vulnerabilities is the result of the interdependence between the two category of risk.

From the point of view of the possibilities assuring, we meet insure risks or assure risks.

The causes who cause them are named events (hail, polish, avalanche, innundation, robbery).

From the point of view of them nature, risks can be:

- Risk concerning market;
- Risk concerning propriety;
- Risk concerning personal;

- Risk concerning clients, contractors.

After the events who make it, risks are: climatic risks; technical risks; technological risk, commercial or marketing risk; financial risk; economical or failure risk; investment risk; social risk; political risk; informational risk; exchange risk; state risk; conjectural risk; accidental risks and professional risk.

Manager's attitude given by risk

"*Inside developed markets the individuals are risking time and money hopping that they will get some profits and benefits. While some don't win anything, others succeed. The market system work trough trials and errors and assign recourses for what seems to be a moment innovation*. "(1)

The conduct of economical agents is different after the types of risk: risk rivals, indifference at risk, risk lovers. *Tolerance at risk of the business men, is putting its mark, too. In this context bankruptcy represent the juridical-economical attempt to take part of these situations in which the potential risk is certitude for some firms*.

Risk in business depends of the strategy of each economical agent, of his capacity to anticipate the evolution.

Business men tendency to risk is different, driven by attitude and context. This is correlated with the business environment inside the company.

Without risk they were not be benefits and profit.

There are three essential motivations in calculating decision taken process:

- Assuming the risk you have to take in getting success;
- Assuming a professional obligation rather than a personal one;
- Assuming the risk has on emotional characteristic thru the danger it involves Many are whose who are saying that the pleasure of success is invigorating by risk taken.

Other studies show that managers avoid risk, seeing risk as something that can be controlled. They don't accept that the risks can be control them, trough their capacity. When they take the risk, they do it changing the conditions to be sure that they don't fail. *Before of any other decision, they think at a good strategy of controlling the situation.*

France physician Louise de Broglie says,"We must follow the risk because that is the key of successful business".

The risk lives inside us because we live in a risk society. Risk development creates crises that are thought as some fractures in business system.

Evaluation of risk means establishing the following values of risk: neglectful risk, minor risk, medium risk, major risk, disaster.

Risk management

Managing projects inside an enterprise assumes some risk, caused by:

- Internal changes;
- Unrealistic strategies;
- Errors in production and execution.

Risk into a firm is referring at the probability of wouldn't respect the terms:

- Performance(the quality standards);
- Program (not respecting the terms of execution);

- Cost (passing the budget).

Risk management is a cyclical process, with different stages: identify the risk, analysis and reaction of risk. Contains series of activities, which start from the context and firm objectives, analysis the risk factors and in minimize the risk and cost.

Economist Raymond Barre evidence two important characteristics of market economy:

- Tendency to increase the risk –because of the development of technological process, dimensions and interdependency of activities, social transformations;
- The increase need to develop a secure business.

Practically, the risk management involves a systematic process of knowing potential factors which attend at firm security, measuring the danger level, effect trough protection and preventing, in the end, the transfer of that causes who can't be administrate by the firm, insurance society specialized in risk administration.

The financial theory shows two important effects:

- Economical-over the patrimonial elements from a firm;
- Financial-about firm abolishment and solvency.

Indifferent of policy firm, risk administration have two important dimensions:

1. factor variability and the consequences of negative results;
2. different administration cost, depending on risk consequences and his fluctuation manner.

The cost of risk administrating is the total of some external expenses. *Based on the two dimensions: the total injury and the cost of administration risk could happen the action decision factors to the risk trough the*:

- preventive measure which can reduce the consequences and the increasment of cost risk, minimize repetitions and realizations of the events;
- transfer of some partial or total risk to assurances, determine the cost increasment, but diminish the consequences of lowering risk. *So, the objective of risk management is the placement into an area in witch the risk is assume, and the cost is reasonable and the firm permit them.*

Pointed out the risk in decisional process involves a process managment between general management and risk management, even in the occidental firm exist a department for evaluation, analysis and administration risk.

The new made function is an intermediary between the tradition firms of firm management.

This process is managed by persons who communicate all the information to the border members. This person is named by Anglo-Saxons "risk-manager" and in France "auditeur des risques" meaning bookkeeping risk.

Risk evaluation is divide in three segments:

a) **estimate the business area** –national economy, activity sectors and firm;

b) **study of firm organization** –functions, strategy, budget, administration control;

c) **the general analysis of the financial situation and results** –investments, analysis of internal and external financial sources, analysis of cost, profit and expenses.

All this are put into a periodic report that the border members can have access, especially the general manager and the financial directory.

Risk analysis includes:

- *Phase of identify the risk*

Identification of the risk can be made using some methods:

- Making some list witch involve the risk potential: medium conditions, expected results, employment, estimation of cost etc;
- Using the experienced personal to identify risks. Often the field employers know better the risks that the one from the office. With the help of communication from this two the risk will diminishing.

Identify the external risks, with the need of one person who will participate at meetings and who will know all what is published.

- *Phase of evaluation*

We take into consideration the risk from the first phase and to realize a quantification of that.

For risk analysis we are using a mathematic instrument that must be adjusted at the necessities and at base date.

- *Phase of analysis* is referring at the identification of needs, causes and establish the managerial measures of lowering and elimination of risk. A risk can be provoked by many causes who must be treated, and the causes can be preventive or curative, on short, medium or long time.

Relation at risk

Is the action phase from the management risk in witch they try to lower, eliminate, and distribute risks.

Risk elimination has the purpose to move away the risks. The managerial team can:

- Not to initiate a business transaction;
- To establish a high price to eliminate the risks;
- To conditioned the offer.

The companies who apply the project of risk management had the advantages that:

- A better assignment of resources;
- Lower cost of risk transfer;
- Company, firm expose to risk.

Some companies **administrate the risks into individual department of management**. So, the treasurer is the one who take care of determinate the effect, fluctuations.

Even the superior of the company could be a risk, because he manages the firm capital.

Another risk manager is the one who chooses an assurance program on many years to prevent the company of some risks.

In all this situations the risk will be taken after a decisional process.

The treasurer analyzes the financial and operational risk and the president the political, economical and financial risk.

Every risk manager takes decisions on administration of risks for who he's responsible for the other risks that can appear. And this can goes to a inefficient risk of administration.

Trough the motives who determine some companies to administrate the centralize risks could be:

- Expansion in many countries, subdue the company to variation, rules and different affair medium.
- Expansions can take to the company big losses, financial losses, affecting the activity for other countries;
- Modifications into company;
- Proactive management and a proactive attitude to risks.

Managers who can NOT take his risks should not be involved in this field.

Recently, the risk represents not the impossibility of assuring the expected result, but his costs. This observation confirms two values: the performance level and the survive level.

All what we noticed above lead to the next conclusions:

- **Business without risk wasn't and wouldn't be. The difference is that some business is more risky. Managers who try to ignore risk and others that are doing all what they can to lower it. However will be the risk is present. So, faster you get use to the managerial risk faster you will succeed**.
- The dimensions and the form of risk in market economy is biggest that in central economy;
- Necessity of some strict instruments to calculate the risks;
- Risk get a function of managerial competence, don't have to do anything with the destiny, but only of the manager to establish the evolution of it;
- Economical agents and them managers have lower information concerning the types of risk and them dimensions;
- Risk analysis must permit a hierarchy;
- The increase of risk roll in decision area is the main element in activities development of managerial risk who will permit to form a mentality of market economy;
- Risk generate crisis who are considerate as fractures in the normal function of the system;
- Concentrate, risk area is resuming at three expressions:

- ANALYSIS: to identify the risks and to evaluate the direct and indirect consequences;

- REDUCTION: to prevent them to diminish or to eliminate. To assure in the respect with the apparition of new risks and to diminishing the unexpected effects trough the respective means of protection;

- FINANCE: to control the costs and the potential losses.

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