

**„LUCIAN BLAGA” UNIVERSITY OF SIBIU, ROMANIA  
FACULTY OF ECONOMICS**

***Researches on the assessment and forecast of economic  
and financial performance in the context of risk  
management process***

**DOCTORAL THESIS SUMMARY**

**Scientific coordinator:  
PROF. Ph.D Dobrotă Gabriela**

**PhD Student:  
Căruntu Laura Andreea**

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## **TABLE OF CONTENTS**

### **INTRODUCTION**

#### **CHAPTER I IDENTIFICATION AND RISK ASSESSMENT AT THE LEVEL OF ECONOMIC AGENTS - BASIC NECESSITY IN THE MARKET ECONOMY**

- 1.1. Conceptual and methodological aspects of risk at the company level
  - 1.1.1. The concept of risk, characteristics and typology
  - 1.1.2. Risk versus uncertainty
  - 1.1.3. The perception of risk at the company level
  - 1.1.4. The identification of the risk factors - decisive element of the quality of risk analysis
  - 1.1.5. The necessity and the functions of the risk management at the microeconomic level

#### **CHAPTER II THEORETICAL APPROACHES FOR ECONOMICO-FINANCIAL PERFORMANCE AND THE INFORMATION SYSTEM UNDERLYING ITS ANALYSIS. CORELATIONS BETWEEN PERFORMANCE AND RISK**

- 2.1. Conceptual delimitations concerning the performance
- 2.2. Informational capacity and the limits of the criteria used in characterizing the performance of companies
- 2.3. Sizing possibilities of global performance
  - 2.3.1. Dashboard balanced
  - 2.3.2. The reporting Triple Bottom Line
  - 2.3.3. The guidelines GRI G3

#### **CHAPTER III THE DIAGNOSIS OF REGISTERED PERFORMANCE BASED ON THE INTERMEDIARY BALANCES OF ADMINISTRATION AND THE PROFITABILITY RATES**

- 3.1. Conceptual delimitations and indicators of quantification of financial performance based on the information reflected in profit and loss
- 3.2. The margins of accumulation and their informational role
- 3.3. Quantifying the performance based on the rate system
  - 3.3.1. Rate of profitability of expenditure compared to revenue
  - 3.3.2. The commercial profitability rate
  - 3.3.3. The economical profitability rate
  - 3.3.4. The financial profitability rate
- 3.4. Conclusions and personal contributions

#### **CHAPTER IV THE ANALYSIS OF THE CURRENT ECONOMIC ENVIRONMENT AND THE INFLUENCE FACTORS**

- 4.1. General aspects of economico - financial environment
  - 4.1.1. Global economic context
  - 4.1.2. The analysis of the economic environment in Romania
  - 4.1.3. The size of economico - financial performance of SMEs in Romania
  - 4.1.4. Characteristics of the economy in Gorj county
- 4.2. Influential factors on the business environment
- 4.3. Conclusions and personal contributions

## **CHAPTER V ASSESSMENT MODELS AND FORECASTING OF THE ECONOMICO-FINANCIAL PERFORMANCE IN RISK AND UNCERTAINTY CONDITIONS**

- 5.1. Findings of the performance condition based on the achieved results
  - 5.5.1. The dimensioning of financial results in absolute size at the level of selected companies
    - 5.5.1.1. The revenue and expenditure –the influencing factors of financial results
    - 5.5.1.2. Establishing financial results based on the intermediary administration balances
  - 5.5.2 The profitability indicators used in the assessment of the financial results in relative size
    - 5.5.2.1. Quantifying the rate of return of expenditure compared to revenue
    - 5.5.2.2. The commercial rate of return
    - 5.2.3. The tendency registered by the rate of return of consumed resources
    - 5.5.2.4. The dimensioning and interpretation of economic rate of return
    - 5.5.2.5. The evolution of the rate of remuneration of invested capital
- 5.2. The dimensioning of activity indicators
- 5.3. Financing indicators
- 5.4. Stock market indices
- 5.5. The analysis of bankruptcy risk
- 5.6. Performance evaluation by comparison
- 5.7. Models for forecasting economic and financial performance in conditions of risk
  - 5.7.1. Empirical analysis - methodology and variables
  - 5.7.2. Obtained results
- 5.8. Conclusions and personal contributions

## **CONCLUSIONS AND PERSONAL REFLECTIONS**

### **REFERENCES**

**List of Tables**

**List of Figures**

**List of Annexes**

**ANNEXES**

## **MOTIVATION AND THE RESEARCH PURPOSE FOR THE PROPOSED THEME**

The profound transformations with which the economic and social environment are faced and the rapidity with which this are produced are determinant elements of risks manifestations that may affect the activities of economic operators. Regardless of the type of performed activity, the moment when adopting a decision for development, modernization and reorientation, is imposed poignantly the necessity to identify, assess and avoid or reduce the risk at a level that would affect the company's activity in a small measure. Insufficient knowledge of risk, using improper techniques for assessment, minimizing the importance of management and insufficient use of methods of protection will adversely affect the company's performance, the final result even converging towards bankruptcy.

In this context, the importance of the risk analysis and of the evaluation of economic agents can not be disputed, being absolutely necessary a correlation with the economic - financial performance state. This was also motivation for choosing the theme and determines the pursued objectives within the research. Basically, the philosophies, which are the basis of the research, were:

- The numerous controversies in defining and assessing risks and performance;
- The necessity for inclusion in the performance evaluation models the influences exerted by different categories of risks;
- The applicability of the research results in business environment.

The choice of the theme was determined also by the extremely difficult period that has traveled the world economy after 2008, the speed and magnitude of the negative effects of the financial and economic crisis, demonstrating unequivocally that national economies and their main actors are subject to risks, increasingly difficult to predict and manage.

## **THE VALIDITY AND IMPORTANCE OF THE THESIS**

The need to approach risk issues at the level of economic operators does not represent a novelty from a long time. The specialty literature in performance analysis is extremely generous. In addition to, at the level of economic operators, there is registered a constant concern for the economic and financial performance evaluation, so that it could be explained the success or failure of the policies implemented and of the activity performed. Far from complete, discussions on the delimitation of the concept of performance as well as highlighting correlations between risk and performance are elements of permanent actuality.

In the context of these clarifications, the theme addresses the problems generated by the risks manifestation in economic operators activity and how they affect potential performance, the innovations being highlighted during the thesis, with a solid practice foundation achieved on significant time interval both macroeconomic and microeconomic level. Thus, the analysis of the most important macroeconomic indicators (GDP, real growth rate, inflation rate, interest rate, exchange rate, budget deficit or public debt) allows configuring the general economic framework in which economic operators carries out their activity and is an important element in identifying influence factors and risks transmitted through different channels of influence on the business environment. In addition, the practical studies carried out on a sample of 10 companies from a range of rubber-processing industry obtained on a significant interval, represented by the period 2004-2013, and the comparisons on various indicators at the level of a sample of companies from Europe (in comparison with the data existent, it has been analyzed the situation of some performance and risk indicators cumulated for a number of companies comprised in the interval 327-558, for each year from the period mentioned), the analysis of the profitability and risk indicators at the most important company from the area from Europe, as also the elaboration of a forecast model of the performance in the context of integrating specific risks of the activity performed, offers the possibility of an easy perception of the theoretical matter.

### **POSITIONING THE THEME IN THE ENVIRONMENT OF OTHER SCIENTIFIC RESEARCHES FROM THE AREA AND IN THE TRANS- DISCIPLINARY CONTEXT**

The need for applying the risk management base principles at the level of economic operators to maximize performance at every firm can not be challenged. As a result, scientific discussions on risk, its management, maximizing economic and financial performance and avoiding financial difficulties are extremely numerous and a permanent actuality. Questions like: „What is risk? What are the implications of its manifestation? What opportunities have economic operators to reduce or avoid losses caused by it? How to define performance? What correlations are registered between risk and performance? What strategies can be applied for risk reduction and performance improvement?" were the subject of many controversies over several decades and will not stop soon, or better said, never. Scientific research has demonstrated that investments in risk management can directly influence the financial performance of a company. The conclusion that emerges from the realized studies is that the risk typology is extremely broad and diverse and the manifestation of any conjunctural factor

that could result in a risk in the work of operators. As a result, the risk can not be totally eliminated in the economic life of a company, but it is absolutely necessary to identify the level of risk in order to materialize a certain level of profit and adopt a set of measures which allow minimizing losses caused by the manifestation of risk. In the context of these specifications, the topic addressed is extremely useful and interesting by expanding scientific argumentation and achieving clear distinction in the concepts presented, through applied research conducted, which aim at resolving some issues relating to the identification and assessment of economic and financial risks amid the variability of their performance indicators.

### **CURRENT STATUS AND PREVIOUS RESEARCH**

As I mentioned, the speciality literature is very rich in studies and research on the approached theme. In this regard, it is extremely difficult to classify them in „current" and „previous", especially if we refer to an important aspect: is it more important the moment of making the research or its contribution to solving a problem? In addition, any topic can be developed through further research determined by the obtained results or the challenges of previous subjects. However, if it is considered that the need to formulate responses to emerging issues in the business environment has become more obvious as the economic development recorded a faster pace, we can relate to researches conducted after 1900. The concepts of risk and performance are subjects for studies conducted both in academia and in practice. Highly complex and versatile issues of them generated a series of inter- and transdisciplinary research, found in an extensive bibliography, drafted by romanian and foreign authors, researchers, practitioners or specialists. In writing this paper, there were considered numerous landmarks (not being considered exhaustive), which allowed substantiation of a significant theoretical and methodological basis. Aspects drawn from studies in the field have been extremely helpful in updating the state of knowledge and allowed the conduct of the researches on identifying unclear issues or insufficiently developed. The theoretical support of this paper was provided by numerous specialized publications listed in the bibliography section. The elucidation of important characteristics of the concepts of risk and performance is attributed to foreign authors and local, between falling: Knight, Rowe, Bernard și Colli, Kogan și Tapiero, Vaughan, Gough, Campbell, Stancu, Buglea, Niculescu și Lavalette, Verboncu și Zaman, Albu, Bărbulescu, Brezeanu, Nistor, Pinte, Mironiuc și Bedrule-Grigoruța, Pirtea etc. Also, the correlation between risk

management and performance of the business conducted was the subject of numerous researches: Mu, Peng, MacLachlan, Gordon, Loeb, Tseng, Gupta, Jafari, Chadegani, Biglari, Rasid, Javed, Khan, Andersen, Burja etc. Another aspect that was of interest to specialists in the field is the prediction of bankruptcy risk, as demonstrated by the extremely high number of articles published: Akhtar, Klecka, McKenzie, Janer, Cămășoiu, Negoescu, Mânecuță și Nicolae, Petrescu, Muntean, Bătrâncea, Vintilă, Stancu, Robu etc.

### **THE OBJECTIVES OF THE RESEARCH**

The main aim of the thesis is the identification and assessment of the correlation between risk management and the targeted levels of economic and financial performance of economic operators in the context of rapid and extremely profound transformations of the national and global economic environment.

The structure of the thesis was imposed by the secondary objectives, detached from the main objective pursued in the research, namely:

- ✓ Assessment of concepts, methods and specific strategic directions of the risk management process;
- ✓ Highlighting and critical approach to performance evaluation methods and information systems that underpin them;
- ✓ Studying the correlation between risk and performance;
- ✓ Identifying the coordinates of global economic context and factors of influence;
- ✓ Develop and test a model for forecasting performance based on the influence of the main categories of risks affecting the world economy on the basis of data from financial reports and database AMADEUS, for a sample of companies in the domain of processing of rubber;
- ✓ The interpretation of research results and identification of the issues that may be starting points for further developments.

### **RESEARCH METHODOLOGY**

*The evaluation and the forecast of economic and financial performance in the context of risk management* is an extremely important scientific topic, of which content requires the performance of a research activity ended with concluding ideas, but also a research oriented to decisions, combining elements of descriptive and theoretical research with elements of experimental research and of the case study.

In the scientific approach, there were used various methods, techniques and procedures, represented by:

- documentation, documentary analysis, including documenting related to applied study (references, case studies etc.);

- mathematical and statistical methods (classification, synthesis, graphical representation of processes and phenomena observed, static and dynamic comparative analysis, trend analysis etc.);

- method of interdisciplinary research (the research is based on the knowledge of the financial, accounting, mathematics and computer science domains);

- investigation;

- logic ş.a.

For the case study there were selected a number of companies active in the processing of rubber, for the period 2004-2013, being calculated by the author a series of indicators of financial performance, based on information provided by their individual financial statements and data collected from the database AMADEUS. To identify the coordinates of economic environment and influencing factors on the activity of economic operators, there were used information provided by websites and specialty publications: [www.insse.ro](http://www.insse.ro); [www.bnr.ro](http://www.bnr.ro); [www.mfinante.ro](http://www.mfinante.ro); [www.imf.org](http://www.imf.org); [www.knoema.com](http://www.knoema.com); Romanian Statistical Yearbooks and Gorj county; Annual reports of the BNR; Bulletin MFP etc.

## **RESEARCH LIMITS**

Any scientific endeavor has its limits, generated by the impossibility of identifying all aspects determined, fact which allows opening new horizons for future research. Concerning the theme, we can mention the following limits: the impossibility of collecting and processing information required for all subjects addressed, for the period under review; fairly short time horizon; the use of information on the same indicators that can not ensure comparability over time, due to legislative changes regarding their coverage.

## **STRUCTURE OF THE THESIS**

The thesis is structured as follows: Introduction; five chapters which address the theoretical and practical aspects related to risk and performance, synthesis of the conclusions and personal contributions, and bibliography.



In chapter I " The identification and assessment of risks at the level of the economic agents- fundamental necessity in the market economy" it is performed a comparative analysis of the theoretical concepts, of the methods and techniques used in the identification and assessment process of risks, the planning of the classification criteria, the presentation of the main categories of risks and determinant factors,so that the applied research would be facilitated.

The incertitude state which accompanies the economic and financial environment este more and more present in the actual state. The impossibility of forecasting the future and the manifestation of the incertitude concerning the obtaining of some results from the activity performed generates a series of risks. In this context, approaching this problem indicates its utility since the global economy has been affected recently by a powerful crisis, with implications at the level of all states.

Taking into consideration the inherent manifestation of risks, the level of performance realised from the activity performed can be determined by the manager's capacity of managing them so that they can be kept under control and it will be ensured the fulfillment of the objectives according to the strategy adopted. At the level of the economic operators there can action a series of risks of economic, financial, commercial, investment, social,legal,political nature. The different categories of risks are analysed and approached by the economic entities also at the systemic level. In this way, it can be mentioned the study performed by Ernst and Young on the way in which 21 companies (both from developed countries and also from emergent countries) report to the risks and oportunities specific to different sectors, establishing a ranking of them for the period 2013-2015 (table 1.):

**Table 1. The clasification of risk and oportunities of companies**

Type and place of risks	2013	2015	Top oportunities	2013	2015
Pression on prices	1	1	Inovating products	1	1
Reduction of costs and pressure on profit	2	2	Demand increase on emergent markets	2	2
Market risk	3	3	Investments in the business processes, instruments and training	3	3
Macroeconomic risks	4	4	New marketng channels	4	4
Management talent and deficiency of skills	5	5	Improving the execution strategy in all the business functions	5	5
Extinding the role of government	6	7	IT investments	6	6
Regulation and conformity	7	6	Improving the relationships with the investors	7	8
Souveraign debts	8	10	Social responsibility programs and increase of public trust	8	7
Emergent technologies	9	8	Investments in green tehnology	9	9
Political shocks	10	9	Global optimisation and relocation of key functions	10	10

From the point of view of risks, there are noticed small modifications in the second part of the classification ( the situation is similar at the level of opportunities). Interesting is the modification of options in comparison with the year 2010, when the respondents have indicated the pressure on prices on the 15th position, the reduction of costs on the 6th position, the places 2 and 3 being occupied by the credit access and by the economic growth or recession. This change demonstrates the fact that the investors realise also an analysis of systemic risks but also of those that took place at a smaller scale, trying to improve the opportunities offered by the economic context. In addition, risk can not be eliminated totally from the economic life of a company, but, it is absolutely necessary a identification of the risk degree existent, so that there will be quantified a certain level of profit and there will be adopted a set of measures which allow the diminishing of losses determined by the risk manifestation.

In our country it is present a reduced tendency of assimilating risk management, on the one hand due to the absence of the necessary information, and on the other hand due to insufficient preparation of managers from this domain and, respectively, of the actual context in which are performed businesses or of high costs determined by the preparation of necessary specialists or by the implementation of specialised informatic programs. The training of managers in the domain would be benefic also from the point of view of their capacity of assuming risks, because recently it is noticed the tendency of avoiding them. Thus, a proactive attitude of risk management can influence in a favorable way the future financial performance and even the continuance of the performed business. As a matter of fact, the adoption of the decisions from the management process are reported, most of the time at three categories of questions (figure 1):

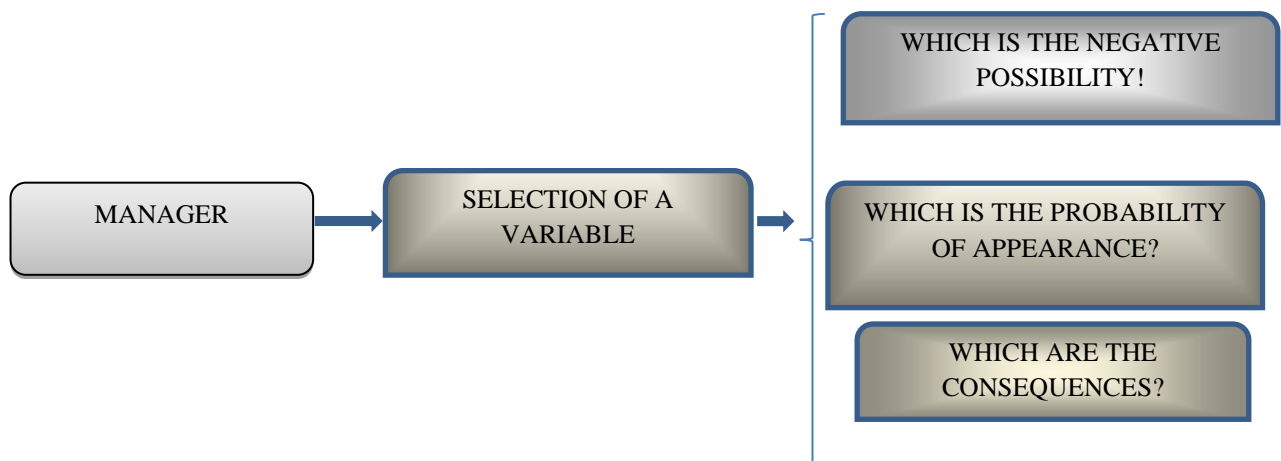


Figure no. 1. Dilema of management in the adoption process of decisions in risk conditions

(Source: own work)

The aim of the research performed in this chapter is that of highlighting the necessity of assimilating at the level of economic operators from Romania of a risk management system which should respond to performance requests. In this way, we have tried to surprise the valances of the ERM system in correlation with the measurement system of performance, starting from the existent reality at the level of actual economic environment. The scientific endeavour regards the necessity of improving the actual methods and instruments of monitoring risks and performance at the level of economic agents. For understanding the aspects mentioned we have used not only theoretical aspects but also practical one which have allowed the formulation of real conclusions, which have represented starting points in applied research.

Another aspect analysed in this chapter reports to the strategic process, as an important element of ensuring performance. The fundamentation and application of a financial strategy adequate to the activity domain and to the economic development period seems to be the success key for the majority of economic agents. In this way, establishing the mission, the objectives, the identification of the necessary resources, the determination of the strategic terms and the identification of the competitive advantage are strictly necessary operations in the strategic process. The financial strategy follows to realise in equilibrium conditions of the three important segments of the company: investments, financing and profit distribution.

The activity performed at the level of any company aims mainly the maximization of its value or ensuring the profitability, the financial equilibrium, the payment capacity and liquidity. For this, the company must perform a range of correlated actions which allow realising the objectives in cause. In this sense, it can be chosen a variant from multiple ways possible, so that there will be ensured the fulfillment of the strategic objectives fixed. In this context, the company's strategy shows the result of the strategic option of its managers concerning the courses it will follow and the alternating ways it will use for reaching the objectives.

In order to be efficient any strategy must be broad, so that it will retrospect to all domains of activity of the company, orientating in the same direction the performance of all activities and to coordinate the development and results of the activities performed. In accordance to these circumstances, I have followed to identify the main aspects of the strategic process at the macroeconomic level in general and of elaborating the financial strategy mainly and I have presented also elements which, in my personal opinion, can

complete the objectives of a strategy through the theme approaches, respectively the way in which an activity is performed in risk and uncertainty conditions ( which are the fundamental objectives, which is the assumed degree in reaching them, with which resources there can be performed the fixed objectives, which is de market segment aimed etc.).

The first chapter ends with a set of partial conclusions, in which we find:

Primul capitol se încheie cu un set de concluzii parțiale, între care se înscriu:

- ✓ The proper and efficient management of risks does not impose only a process of forecasting the way of performing them but also the existence of the capacity of insuring stability in case of their appearance;
- ✓ In practice it is necessary an integrated approach and not a singular one of the potential risks, because the simultaneous manifestation of the different categories of risks can determine the state of insolvency;
- ✓ The management process of risks is absolutely necessary at the level of each entity, no matter the size, profile or domain of activity and that is imposed their treatment in accordance with their own particularities as also the use of concrete situations with the view of insuring success;
- ✓ The elaboration and application of strategies does not represent a purpose, but a management way of educating the managers and increase company competitiveness.

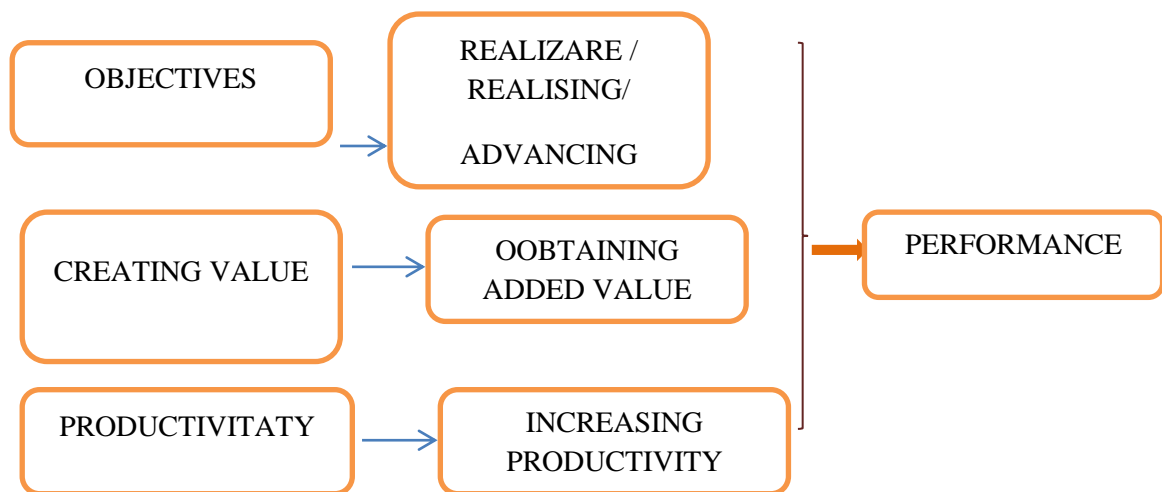
The research carried out in this chapter has aimed the following aspects:

- ✓ Deepening theoretical notions regarding the potential risks at the level of economic entities;
- ✓ Making a distinction between risk and uncertainty and presenting the main view points concerning this aspect;
- ✓ Formulating some recommendations regarding the managers attitude in the face of risks;
- ✓ Briefly presentation of risk factors and of the necessity of creating data bases in the purpose of using informatic programs so that it will be realized an analysis and assessment process of potential risks and there would be applied methods for avoiding them, the final effect being to improve the performance of companies;
- ✓ The critical analysis of the management process of risks at the level of economic agents, with direct report to the points of view from the specialty literature;
- ✓ Highlighting the main methods of identifying risks and presenting their advantages and disadvantages;

- ✓ Identifying the methods that can be used in the risks analysis and presenting the differences between the quantitative and the qualitative assessment;
- ✓ The relevant analysis of the main categories of risks that must be identified in the fundamentation process of the financial diagnosis with the presentation of the determinant influence factors;
- ✓ The presentation of the methods used in the analysis of the bankruptcy risk;
- ✓ The synthetic analysis of the strategic process and the specification of the basic principles of an efficient financial strategy in reaching the level of performance aimed.
- ✓ Extending the scientific arguments and realising clear distinctions at the level of notions presented represent a base for the applied research, which aim to solution the problems concerning the identification and assessment of economic and financial risks by taking into consideration the variability of performance indicators of them.

In chapter II " Theoretical approaches regarding the economic and financial performance and the informational system that it is the base of analysing it. Corellations between performance and risk" I have aimed the presentation of the conceptual aspects of performance, their quantification, methods and analysis instruments of the financial performance. Most of the times, the financial performancr is synonymous with profits and the elements realised by an economic agent by using the resources available. It must be noticed the line between performance and the economic and financial results. Thus, while the results recorded are proportioned through absolute or relative measures, the performance state is identified through raportation at different objectives or other concepts. From the analysis of different acceptions of the concept of performance it result three important currents: the analysis of the performance in accordance with the degree of realising the objectives established in the strategies approves, which show the action lines in the activities performed; identifying the performance in correlation with the capacity of creating value and the correlation of performance with the level of productivity and efficiency realised (figure 2):

Din analiza numeroaselor accepțiuni ale conceptului de performanță se desprind trei curente importante: analiza performanței în concordanță cu gradul de realizare a obiectivelor stabilite prin strategiile aprobate, ce prefigurează liniile directe de acțiune în cadrul activității desfășurate; identificarea performanței în corelație cu capacitatea de creare a valorii și corelarea performanței cu nivelul de productivitate și eficacitate realizat (figura 2):



**Figure 2 Methods of dimensioning performance at the level of economic agents**

*Sursa: realizare proprie, după precizările din literatura de specialitate privind performanța și dimensiunea acesteia*

The necessity of evaluating performance came from the importance of appreciating the way of using the resources available, of identifying the potential of the economic resources used in the future periods and of the capacity of generating cash flows. The practice has decided a series of instruments which offer the necessary informations for assessing the performance state, obviously, differentiated from a country to the other according to the particularities of each economic system and which are useful to a large number of people involved in the life of an economic agent. In this sense, the accounting documents represent fundamental instruments in dimensioning performance indicators. There must not be left out the fact that the strict use of them in the financial diagnosis can determine errors of appreciation, because they reflect the situation recorded at a certain time, without surprising the modifications recorded in dynamic, and, especially, without taking into consideration a series of non-financial information which could complete better the real register of the economic and financial performance situation.

The conclusion which comes off is that performance is not a clear notion, explained and measurable in a set of values well defined. It reflects, especially, a comparison operation with different objectives established previously, with internal and external indicators, characterised by a dynamic state, fact which implies permanent modifications in expressing and dimensioning performance. At the moment, there are known many systems of measuring performance, among which we find Balanced Scorecard (Kaplan și Norton, 1993, 1996, 2001), Performance Prism (Neely, 2002), Cambridge Performance Measurement Process (Neely, 1996) etc., the tendency of the last years being of orientation to those that insure excellence at the level of all components of an entity. For highlighting performance it is used even more the Triple Bottom Line and the Director Line GRI.

In this chapter it is carried out also an assessment of the performance evaluation based on non-financial issues, given the criticism brought to the exclusive use of financial indicators. In addition to such non- financial indicators presented in literature, we have identified and proposed also nonfinancial indicators at the level of the supply activity (ensuring regular supplies of necessary raw materials, inventory turnover rate), manufacturing (resilience to new market requirements, technological equipment reliability, reduce or eliminate spoilage losses, the correlation between the volume of production and demand, product quality achieved, customer complaints regarding the quality etc.) and marketing (customer satisfaction, sales volume a number of customers, market share, number of days of delay in fulfilling orders by customers etc). Also, there must not be neglected the indicators specific to human resources, research - development or environmental protection. Obviously, non-financial reporting are subject to criticism, considering that some indicators are not relevant or that it ensures continuity from year to year, which makes it impossible to forecast certain risks or events with negative consequences for future activity.

Regardless of the performance assessment, one thing is certain: the influence of its manifestation on risks is inevitable. In this context, achieving performance from the activity requires also a system of risk management as performance status recorded at a time allows both the identification of the ability to ensure the success of the work performed, present and future and signaling potential risks . Often, however, the management of performance and risk are mutually exclusive and not interconnected. Thus, the performance decision making is done without taking into account the potential risks, or vice versa, risk assessment and management are not based on the correlation with performance.

Unfortunately, to the mismatch of the two systems is added also the fragility of managing risks, a fact amply demonstrated by the most recent economic - financial crisis. The rapidity and complexity of it affected the ability of businesses to manage risks on the basis of incomplete information and of the reduced force of identification of them and adoption of appropriate measures to limit the losses caused. As a result, there are not sufficient the implementations of performance measurement systems for decision making which allow the creation of value, but it requires the preparation of organizational components that manage risks by implementing appropriate monitoring systems and tools. This aspect emerges from figure number 2.



**Figure 2 The mechanism of correlating risks with the level of performance established through strategic objectives at the company level**

*Source: own work*

The general conclusion to be drawn is underscored by the fact that the activity of any economic operator is subject to the influence of the inherent risks, the level of performance being determined by the manager's ability to manage them so that they can be taken under control and to ensure the achievement of objectives according to the strategy adopted.

At the end of this chapter are presented partial findings that relate to the following issues:

- The concept of performance has numerous valences and remains highly controversial;
- In practice there are three main ways of defining performance in relation to objectives, results and value creation;
- The assessment of performance is achieved through qualitative and quantitative indicators by means of separate instruments;
- In the recent years, there has been a tendency for guidance also on nonfinancial indicators for performance evaluation;
- Reaching performance entails also accepting a level of risk that may occur, requiring the application of a risk management system and its correlation with the performance management.

Own contributions were reported on:

- ✓ The systematic presentation of the risk management system content to operators and system level performance measurement;
- ✓



- ✓ Identify risk management mechanism to correlate with the performance established through the strategic objectives of the company;
- ✓ Synthesizing relevant literature reviews on ERM and performance measurement systems at the level of economic organizations;
- ✓ Development of critical approaches of the terms used.

Chapter III, named " The diagnosis of the performance recorded based on the intermediary balances of administration and the profitability ratios"

In our country, assessing financial performance is achieved in terms of "result" which reflects the activity efficiency of an economic operator at different levels, either in absolute or relative size. Their identification is facilitated by synthesizing a large part of the information needed in the income statement, drawn up in relation to the nature of expenses and reflecting the formation of results by categories of activity. The indicators can be sized with this document are known as intermediate management balances and allow tracking of successive increments in forming the final outcome of a financial year. The introduction of notes in the category of annexes to the balance sheet is able to complete the picture elements for state-wide performance sizing activity conducted by an economic operator. Appreciating profitability can be achieved using rates that can provide the information needed to characterize an economic activity, the trade policy promoted, the efficiency of equity.

The use of rates of return in the efficiency of the analysis performed is justified by a number of issues, including :

- provides information about the ability of firms to earn revenues higher to the expenses incurred for obtaining them;
- allow the identification of products, branches or sub-branches that show the highest level of profitability and channeling work for them;
- represent a starting point in determining how best to combine the resources available to achieve the fundamental objective of the management company or maximizing its value;
- it is a cornerstone in the selection of superior products in terms of quality, generating significant revenues compared to expenses level;
- favors market segmentation and brand positioning on them.

I believe, however, that these indicators have limitations on valences of information. Thus, the rates are determined based on data recorded in the annual financial statements, which implies the possibility of establishing values less relevant, especially if is not the same unit or do not have into consideration the level of annual inflation. Basically, the informational valences are limited to the level of historical results, highlighted by accounting

synthesis documents. There is also the possibility of registration of legislative changes on the reporting system, which causes decrease the possibility of achieving accurate comparisons on different time

The conclusions of the research conducted in this chapter can be summarized as follows:

- ✓ The performance represents the state of competitiveness of a firm that ensures customer satisfaction by optimizing the proportion between efficiency (ratio between results obtained and planned) and effectiveness (results obtained and efforts to achieve them);
- ✓ In Romania the economic environment is characterized by an early stage in the application of performance management among economic and of the risk management process;
- ✓ Collecting, organizing and processing necessary information to determine indicators specific to peculiarities recorded in each economic operator so as to identify the most important sides of performance;
- ✓ The existence of the tendency of quantitative and not qualitative assessment of the state of performance;
- ✓ The need to read with caution the sized indicators based on financial documents.

Personal contributions can be summarized as follows:

- ✓ Presentation of the meanings of the concept of performance and making personal judgments on the various ways to define it;
- ✓ Synthesizing the criteria presented in the literature for assessing performance and identifying some information boundaries of them;
- ✓ Presentation of the assessment tools of global performance that analyze multiple aspects, financial, economic, social and environmental;
- ✓ Development of Critical Approaches to the concepts used;
- ✓ Making a presentation of how the use of information provided by a series of accounting documents in analyzing the financial position, specifying information limits of them;
- ✓ Presentation of advantages and disadvantages of using financial and non financial indicators in assessing the performance state;
- ✓ The analysis of performance indicators, in absolute and relative dimensioned based on information provided by accounting and financial documents and redefining the

content of certain indicator, in comparison with the actual content of the financial documents recorded by the economic agents from Romania;

- ✓ Synthesising proper conclusions regarding the economic and financial performance, the quality of the information system used, the necessary measures for the aim of implementing a performance management system at the level of economic agents.

Chapter IV „ Analysis of the current economic environment and factors of influence " is intended as an additional argument in support of applying the requirements of a risk management process in the context of a highly stressed dynamic economic environment, marked by globalization. Performing an analysis of the economic environment worldwide and in Romania in relation to a number of fundamental macroeconomic indicators, within a range that includes the years preceding the onset of the crisis and further, has highlighted the limited capacity of reaction of the economic environment in the manifestation of risks at an extreme amplitude.

The development of the global financial crisis has highlighted in undesirable aspect: the challenges of the global economy are increasing and the tensions in the financial, geopolitical or social plan determine the fragility of societies, especially in the context of the contagion effect through connections recorded between financial systems.

Consequently, adverse developments registered in the US economy materialized in its deceleration , external debt crisis in the eurozone and the reduced demand for products from Asia on the markets in North America and Europe have impacted the world gross domestic product (table. 2).

**Table 2 Dinamics of the gross domestic product and the real growth rate at the level of some countries and groups of countries**

Year	EU		World		G7 Group		China		Japonia		US	
	PIB	R <sub>PIB</sub>	PIB	R <sub>PIB</sub>	PIB	R <sub>PIB</sub>	PIB	R <sub>PIB</sub>	PIB	R <sub>PIB</sub>	PIB	R <sub>PIB</sub>
1990	7053,4	2,6	22195,9	3,3	14446,2	3	390,3	3,8	3103,7	5,6	5800,5	1,9
1991	7503,2	1,1	23274,1	2,2	15463,9	1,1	409,2	9,2	3536,8	3,3	5992,1	-0,2
1992	8201,1	0,9	24355,7	2,2	16605,9	2,1	488,2	14,2	3852,8	0,8	6342,3	3,4
1993	7476,3	-0,1	24999,1	2,2	16973,2	1,4	613,2	14	4415	0,2	6667,3	2,9
1994	7954,4	2,9	26825,5	3,4	18156,4	3,1	559,2	13,1	4850	0,9	7085,2	4,1
1995	9204,8	2,9	29825	3,3	19740,5	2,4	727,9	10,9	5333,9	1,9	7414,6	2,5
1996	9392,6	2,0	30546,6	3,8	19667,3	2,7	856,1	10	4706,2	2,6	7838,5	3,7
1997	8853,5	2,8	30416,7	4,1	19445,6	3,3	952,6	9,3	4324,3	1,6	8332,4	4,5
1998	9160,5	2,9	30201,6	2,6	19665,2	2,7	1019,5	7,8	3914,6	-2	8793,5	4,4
1999	9159,4	3,0	31376,5	3,6	20753,4	3,3	1083,3	7,6	4432,6	-0,2	9353,5	4,8
2000	8503,3	4,0	32331,3	4,8	21215,6	3,7	1198,5	8,4	4731,2	2,3	9951,5	4,1
2001	8586,5	2,3	32129,9	2,3	20976,7	1,3	1324,8	8,3	4159,9	0,4	10286,2	1,1

<b>2002</b>	9383,6	1,4	33403,3	2,9	21662,4	1,3	1453,8	9,1	3980,8	0,3	10642,3	1,8
<b>2003</b>	11429,1	1,6	37527,9	3,7	23910,2	1,9	1641	10	4302,9	1,7	11142,2	2,8
<b>2004</b>	13187	2,6	42228,6	5,0	26225,4	2,8	1931,6	10,1	4655,8	2,4	11853,3	3,8
<b>2005</b>	13791,5	2,3	45678,6	4,6	27327,9	2,3	2256,9	11,3	4571,9	1,3	12623	3,4
<b>2006</b>	14697,2	3,6	49451,7	5,3	28507	2,6	2712,9	12,7	4356,8	1,7	13377,2	2,7
<b>2007</b>	17004,8	3,4	55827,3	5,4	30680,6	2,3	3494,2	14,2	4356,3	2,2	14028,7	1,8
<b>2008</b>	18355,7	0,7	61363,6	2,8	32117,8	-0,4	4520	9,6	4849,2	-1,0	14291,6	-0,3
<b>2009</b>	16374,6	-4,3	57983,3	-0,6	30589,9	-3,8	4990	9,2	5035,1	-5,5	13973,7	-2,8
<b>2010</b>	16300,5	2,1	63467,8	5,2	31775,7	2,8	5930,4	10,4	5495,4	4,7	14498,9	2,5
<b>2011</b>	17558,5	1,8	70220,6	4,0	33767,1	1,5	7322,1	9,3	5897	-0,4	15075,7	1,6
<b>2012</b>	16584,1	-0,4	71707,3	3,2	33931,7	1,4	8227	7,8	5964	1,8	15684,8	2,3
<b>2013</b>	17954,6	0,1	75470,9	3,4	34883	1,5	9490,6	7,7	4919,5	1,6	16768	2,2
<b>2014</b>	18495,3	1,4	77301,9	3,3	35623,5	1,6	10360,1	7,4	4601,4	-0,1	17419	2,4

Sursa: [www.imf.org](http://www.imf.org), [www.knoema.com](http://www.knoema.com)

The world economy has been affected not only by the economic crisis but also by a series of subsequent adverse events (the earthquake in Japan affected the entire world through supply chains, increase in raw material prices, etc.), so after the return from the year 2010 has been a deceleration in the growth rate. Moreover, the heightened uncertainty and the financial market tensions have contributed to the slowdown in economic growth.

From the analysis on developments in various countries or groups of countries in the period 1990-2014, we can conclude that an unfavorable macroeconomic context may seriously affect national economies, materialising a number of risks on the slowdown in economic growth, recording tension on financial markets, external manifestation of the sovereign debt crisis, rising unemployment and reduced living standards. In this context, the external economic environment is subject to various risks, the most pressing being:

- Tensions in public finance;
- Financial and geopolitical risks;
- Labor market difficulties;
- The evolution of international prices of oil;
- The problems in the financial sector - banking;
- The risk of price volatility;
- Intensifying sovereign debt crisis;
- Armed conflicts in various areas (Ukraine, Middle East);
- Asset prices in financial markets;
- The financing conditions;
- The risk of stagnation in terms of economic growth and keeping inflation low, at the level of advanced countries;
- Economic instability, impact on investment and labor market etc.

The magnitude of the crisis that has affected the worldwide after 2008 has amply demonstrated the fragility of the entire economic system, based on an increased interdependence between the various components and their structural deficiencies. Also, the situation recorded in the different economies has shown the poor response capability of makers and especially of forecasting the speed of propagation of the worldwide crisis.

Regarding the economic climate in Romania, it has suffered many changes in recent decades. The transition from centralized economy to a market economy marked a turning point in the evolution of our country not only in the political, social, legal, etc. but also economically. Unfortunately, the transition involved also many errors in the administration process, with direct implications on length, economic effects and the administrative capacity of state institutions. I believe that, often, changes in the political, social or cultural environment along with economic conditions have decisively influenced the development of the whole economy.

The period under review relate to the period 1990 - 2014 so that it can be highlighted the gradual progress, in line with measures taken by various governments and the influences of the changes in the international or regional level. The synthesis of these indicators is shown in Table 3, in the research being learned a series of aspects that characterize the evolution of the economic environment in Romania.

**Table 3 The situation of the macroeconomic indicators in Romania in the period 1990-2014**

Year	GDP Mld lei	Annual rythm	Inflation rate	Trade deficit (mil. euro)	Unemployment rate*	Budget deficit in GDP	Consolidated budget deficit in GDP	Private sector in GDP
1990	857,9	-5,6	5,1	-3427,1	-	0,3	1	16,4
1991	2203,9	-12,9	170,2	-1106,3	3	-1,9	-3,2	23,6
1992	6029,2	-8,8	210,4	-1420,7	5,4	-4,4	-4,6	34,8
1993	20035,7	1,5	256,1	-1127,9	9,2	-2,6	-0,4	38,9
1994	49773,2	3,9	136,7	-411,1	11	-4,2	-1,9	45,3
1995	72135,5	7,1	32,3	-1557	10	-4,1	-2,6	54,9
1996	106919,6	3,9	38,8	-2470,5	7,8	-4,9	-3,9	60,6
1997	250480,2	-6,9	154,8	-1980,1	7,5	-3,6	-3,5	61,4
1998	373798,2	-4,8	59,1	-2611	9,3	-3,1	-3,6	63,7
1999	545730,2	-1,2	45,8	-1092	11,4	-4,5	-1,8	65,6
2000	803773	2,1	45,7	-1684	11,2	-4,4	-4	67,9
2001	1167242,8	5,7	34,5	-2969	9	-3,5	-3,3	66,8
2002	1512256,6	4,9	22,5	-2611	10,2	-2	-2,6	69,4
2003	1974276,1	5,2	15,3	-3955	7,4	-2	-2,3	67,7
2004	2473680	8,3	11,9	-5323	6,3	-1,5	-1,1	72,2
2005	288176,1	4,2	9	-7806	5,9	-0,7	-0,8	70,4
2006	344535,5	7,9	6,56	-11759	5,2	-1,4	-1,68	71,6
2007	416006,8	6,3	4,84	-17822	4,0	-3,14	-2,42	71,6
2008	514700	7,3	7,85	-19109	4,4	-4,82	-4,8	71,1
2009	501139,4	-7,1	5,59	-6871	7,8	-7,4	-7,2	69,9
2010	523693,3	-1,1	6,09	-7577	7,0	-6,8	-6,51	72,8

2011	556708,4	2,2	5,79	-7409	5,2	-4,87	-4,35	73,5
2012	587499,4	0,7	4,95	-7313	7	-2,97	-2,52	75,4
2013	625617	3,5	1,55	-494,7	7,3	-3,12	-2,52	75,9
2014	674300	2,9	1,4	-6046,2	5,3	-3	-1,85	76,9

\* In the year 1990, the number of unemployed had been almost zero, because in the comunist period this term was analysed only from the theoretical point of view

(Source: *Statistical Yearbook of Romania on 2011, 2012; 2013*; data recorded on [www.mfinante.ro](http://www.mfinante.ro); [www.bnr.ro](http://www.bnr.ro))

At the same time, I have aimed of achieving economic environment radiographs to identify the main factors generating risks, so that their application can be restricted through integrated strategies. The business environment is an important driver in any economic mechanism. Consequently, its development should be a goal of any macroeconomic strategies. Unfortunately, many governments have omitted the effective support, through appropriate measures, of the business sector, most often excelling the desire of earning fiscal revenues as quickly as possib and in as large amounts. Quasi-permanent legislative changes, fiscal, and other measures that influence the entrepreneurial environment directly or indirectly, are unable to support this sector. To these are added other factors of internal or external environment.

The conclusions highlight both the fragility of the economic environment in the face of the risks but also the negative effects of the poor economic environment measures adopted. The need to use risk management in the current macroeconomic environment remains a permanent goal for economic organizations, especially if they consider a number of aspects specific to the development phase. Thus, emphasis on economic relations in international plan, the development of credit relationship, registration of imbalances in supply and demand, diversification and expansion of financial flows, the emergence of complex phenomena and recording conditions extremely diverse with significant influence on activities of the economic agents, significant fluctuations in the labor market and changes in the structure of employment, development of transport and communication, registration of highly advanced information technologies are just some aspects of globalization. But globalization does not only have benefic effects as entering new markets, using a workforce that is highly qualified and accepts a salary level lower than local labor force, the possibility of procurement of new raw materials, high in terms of quality or at lower prices, assimilating technological progress and technical knowledge, the opportunity for collaboration or realising significant investments in partnership but generates a number of issues for each country, including Romania.

Thus,the unprecedented competition exerted by Asian products, the existence of structural problems in the labor market, the penetration of cheap foreign labor but unskilled, the force of multinational companies and their expansion, unfair competition, the need to

achieve a developed infrastructure, increased environmental degradation and the need to protect it, adaptation of the legislation to the new requirements but also many others are increasingly challenges for administration.

In this context, the need for using a risk management system is obvious, especially because the performance level aimed through the strategies set is dependent upon the ability of managers to assume a certain degree of risk. Either this is possible only if the potential risks are identified (with emphasis on the critical ones), optimized, integrated into a risk strategy, monitored and measured, managed by the contribution of all those involved in an organization.

The issues presented have allowed me to express opinions that could be summarized in the following contributions:

- ✓ realization of a concrete analysis of the current economic environment, both globally and in Romania, explaining measures that have contributed to record the actual state;
- ✓ summarizing the main categories of factors that have significant influence on the economic environment through the risks involved.

**Chapter V named " Assessment and forecast models of the economic and financial performance in conditions of risk and uncertainty"** shows the use of theoretical models in the practical analysis performed at the level of any firm from the Gorj county, whose actions are listed at the stock exchange ( in the creation of the economic and financial diagnosis there have been identified a series of indicators, grouped at the level of the following categories: financial, activity, investment, economic growth, stock and risk indicators), realising comparisons on different financial indicators with the main competition company but also at the level of some sample of companies from the category of big companies (18 companies) and average (37 companies), in the interval 2004-2013, highlighting the financial performance through a system of financial rates for companies from Europe and Romanias as also the elaboration of a forecast model of the performance in the context of integrating some specific risks to the activity developed. In this sense, there have been raised and operated a series of informations from the data base Amadeus and there have been established the financial indicators necessary for highlighting performance. A first aspect analysed has been the one of the correlation between the assets return (ROA) and a series of equilibrium indicators, performance and risk. The statistical operation has been made on a number of 100 observations, reported to the interval 2004-2013, being identified a series of independent variables (14), with an influence of the profitability rate. Further, there have been selected the most significant variables, there has been estimated a correlation model, and

from the tests used has resulted a direct relationship between the variables analysed. The influence factors identified explain the profitability recorded in percentage of 55% being obvious the action of other factors, and, especially, of the economic conjunction. Also, there has been tested the relationship between the financial performance, expressed through the profitability ratio of owners equity (ROE) and a series of influence factors highlighted from the DUPont system. Although the model, in its ensemble, fulfills the validation criteria of the multiple regression variable, it is obvious the fact that there exist also other influence factors with direct influence on the financial performance, which offers a starting point in future research.

The main conclusions that can be drawn from the research carried out in this chapter are:

✚ gross value and not profit must remain the focus of any manager because maximizing net asset value will strengthen the company's wealth, while the differences between accounting profit and real cash flow can materialize a potential situation of development;

✚ Currently, in Romania, the performance status among economic operators, can be appreciated especially through traditional approach, based on the reporting to the results achieved; using modern indicators such as economic value added (EVA), market value added (MVA) or net present value (NPV) remains an elusive goal, considering the sizing of the opportunity cost of the invested capital;

✚ The evaluation of the performance state through the required rates of return through a correlation with indicators that allow to obtain further information on the elements that influence them and their actual level;

✚ the foundation and development of the strategic process requires the use of a complex system of indicators that relate to financial, business, financing, bankruptcy results, etc.

✚ the performance level is determined by the capacity of the management system to manage the risks that may occur and adversely affect performance so as to achieve the objectives of the strategy set, but identifying the mix of risks is difficult and insufficient (the practical research carried out shows that the manifestation of a scale crises can cause a sudden worsening of all performance indicators, even if there were adopted and implemented measures to manage it);





✚ the results recorded by the companies analyzed reflect macroeconomic developments; thus, the periods of economic boom have positively impacted the work carried while the economic and financial crisis has affected manifested worldwide has affected the level of profits and the work performed;

✚ the future performance is subject to the influence of several factors, being important the relationship between equity and total assets, quick liquidity ratio, the ratio between financial costs and turnover, the ratio between personnel costs and value added.

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