

JEL M12, M19

MANAGING POTENTIAL BUSINESSES AT RISK

O. Gonchar, Doctor of Economic Sciences, associate professor

Khmelnitsky National University, Khmelnytsky, Ukraine

O. Gonchar. Managing potential businesses at risk. The conditions of European integration, the extension of economic ties, appearance of enterprises on foreign market increase the uncertainty and riskiness of activities of some economic enterprises, favour the increase of competition and force the enterprises to change the strategy and behavioral tactics radically. These conditions claim from the enterprise managers active evaluation of market possibilities of enterprises, estimation of the effectiveness of managerial decisions, evaluation of enterprise value. Thus appear the necessity of investigation of enterprise potential, evaluation of its resource level, optimization of formation processes. Since the potential of enterprise characterize the possibility of its successful functioning in non-stable legal and economic environment and is the basis of providing perspective development. The aim of the research is the development of theoretic- methodical principles of economic category of "enterprise potential" and the methods of adaptive administration in conditions of uncertainty and risks, which become stronger in the conditions of internationalization. The research object is the enterprise potential.

Keywords: enterprise potential, economic potential, finances, elements, resources, resources potential, information potential, managerial decisions, perspectives of development.

In the conditions of globalization of economic processes the development of enterprise happens in unpredictable conditions. Adaptive approach towards the potential management and validity of specific managerial decisions demand taking into account different types of risks. The enterprise management face the difficult question- taking into account the risk conditions and localization of negative influences. Taking into account that choosing the directions of development of potential expects the alternatives evaluation, actions as to decreasing uncertainties on the planning stage can be favorable to increasing the effectiveness.

Enterprising activity is connected with making decisions as to planning the development of potential (tactic and strategic) or as to directly the activity in conditions of incomplete information. This stipulates for uncertainty and riskiness.

Riskiness is an inalienable components of enterprising activity. The sources of riskiness can be different factors, in particular political and economic instability in the country, devaluation of hryvnia, changes of lending rate, currency rate change, problems in relations with partners etc. Riskiness derives from the term "risk" and is born by uncertainty, absence of complete information and impossibility of forecasting the development of events for the future.

Analysis of recent researches and publications

Researching the essence of risk and classification of its types is done by many researchers. Summarizing their ideas we can indicate that "risk" is the complicated phenomenon, which has various opposite real bases. On one hand, risk is defined as a possibility of the fact that actual profit will be less than planned, on the other – as a condition, which can increase or decrease the possibility of certain expenses.

Risk appears when the decision is chosen out of several possible variants and there isn't certainty whether it is the most effective. We think, risk is the probability (danger) of losing their resources by a person or organization, not achieving desirable result or appearing additional losses as a result of performing certain production or finance policy.

In the opinion of some researchers, such as Petrunia Yu.Ye., Hovorukha V.B., Litovchenko B.V. the idea of "risk" is the possibility of arising the unfavorable event. Under this they understand the probability of losing by the organization its resources, getting the less profit or getting additional losses as a result of certain activity, also some other consequences [1].

Analyzing the research done by Sokolenko V.A. and Koretsky O.V. we should mention that risk is considered as an element or entrepreneurial activity, which has a considerable impact onto the competitiveness of enterprise [2].

According to the opinion of Bazilevich B.V., riskiness is the situation on a market, which is caused by uncertainty, which makes most of events and modes of behaviour of subjects of economy impossible to predict and forecast authentically [3].

We consider these definitions to be essential in understanding the concept of "risk", as they reflect the essence of definition and help to evaluate the importance of analysis of research for the entrepreneurial activity.

However, it is worth considering that risk should be observed as an inalienable element of the process of enterprise existence on any market, as risk can have to do not only with economic aspect.

Riskiness as a complicated economic category was analyzed by many researchers. Although we think that riskiness contains different kinds of risks and characteristics it can have different types of display, which can be presented in certain way (tab. 1).

Summarizing the data from the table 1, we should come to a conclusion, that risk can be divided according to display scale into 4 groups: from world level to the level of enterprise. However, we consider, that meso and macro levels interlace tightly, especially in the conditions of European integration, which in some cases are difficult to classify and refer to a certain type. Micro-level – is the classification of risks, which occur on a level of every separate enterprise and that's why such types of risks are interior, but they are tightly connected with exterior, other level display.

Table 1. Classification of types of risk as to its display scale

Display scale	Types of risk	Risk characteristics
Mega-level (world level)	Natural	Appears as a result of natural disasters, other cataclysms and influences the resource composition of enterprise.
Macro-level (level of country)	Ecological	Is displayed in man-caused catastrophes as a result of people activity.
	Legislative	Is connected with possibility for a sharp change of legislation as to financial-economic activity (including tax).
	Social	Is connected with population defense and contains insurance risk.
	Credit	Stipulated by possibility not to perform its financial obligations by an enterprise before the creditors.
	Interest	Appears as a result of unpredictable changes in interest rates.
Meso level (level of region or field)	Liquidity risk	Is explained by unexpected change of credit and deposits flow.
	Political	Depends on the political situation in the country.
	Risk connected with demand	Stipulated by change of paying capacity of clients in a field and changes of competitiveness.
Micro-level (level of enterprise)	Production	Is connected with possibility of non-performance its orders by a company before the customers.
	Marketing	The consequences of it are the losses connected with changeability of market conditions (demand, offer, prices).
	Commercial	Connected with the danger of loss in the process of finance- economic activity (transportation of goods, payment delays, information leakage).
	Finance	Connected with purchasing power of money.
	Entrepreneurial	Stipulated by in effective organization of supervision.
	Economical	Is explained by overcoming the riskiness and uncertainty in the situations of inevitable choice on condition of deviation from the aim

Source: own elaboration

Kondratiuk O.I. indicates the qualitative analysis of risks, which contains demonstration of all risks, their description, classification and grouping, analysis of outgoing assumptions. Qualitative analysis, as he considers, is the formalization and modelling, calculation and evaluation of risks [4]. We consider that approach proposed by Kondratiuk O.I. is actual and correct, as such approach will lead to more proper study of riskiness and uncertainty for the development of potential and will give the opportunity to characterize more accurately this or that type of risk.

If the economic decision on the enterprise is made with taking into consideration the risky and uncertain factors as to potential development, then such activities are called "making decisions in conditions of riskiness", and the process that includes not only risks, connected with accidental losses, but also all risks from the classification (tab. 1), should be called "risk management".

The main task in risk management for potential planning is in possibility to define future development of events as to planning the potential and activity of enterprise or any of its divisions, and also the estimation of probability of influence of riskiness and consequences of occurrence of this or that event.

Of course, probability is the unexpected concept, and that is why riskiness for potential development may occur not always, but the entrepreneur should pay attention to the fact that riskiness is present on any stage of entrepreneurial activity and can display in all links of production process. However, we consider that the most important for the potential development is the decision making by top and middle management taking into account the conditions of riskiness, which can be depicted on fig. 1.

Analyzing fig. 1 we can pay attention to the fact that riskiness makes difficult the process of making management decisions as to the potential, as there arises the necessity of making the evaluation of risks, which includes 5 stages. Also, if the evaluation was not possible, the middle manager can recommend top manager other management decision to choose, as the situation with not evaluated risk can lead to unpredictable results as to planning the potential development. Therefore, one of the ways of overcoming riskiness and uncertainty is the correct evaluation of riskiness stage, uncertainty and risks management, and also opportune reacting on them.

For attraction of new investment costs it is necessary to have dynamic stable country, but for the present it is impossible. Therefore, we agree with the thought that administration of the enterprise must be aimed at preservation of resource potential and receiving sufficient profit level, which will compensate the risks of activities under present-day conditions of management [4].

Beginning with the stage of planning and during the whole activity of enterprise there cannot be underestimated the importance of uncertainty and riskiness for the development of enterprise potential, as taking into consideration the riskiness requires increasing the time for decision making, for attraction of additional efforts for evaluation the level of riskiness and financial expenses.

However, we think that such expenses are justifiable and they are the reserve for improvement of performance, as, taking into account the riskiness, enterprise will spend more time and resources, but also will receive considerable advantages over the competing enterprises. Consequently, the influence of risk onto the enterprise potential should not be underestimated.

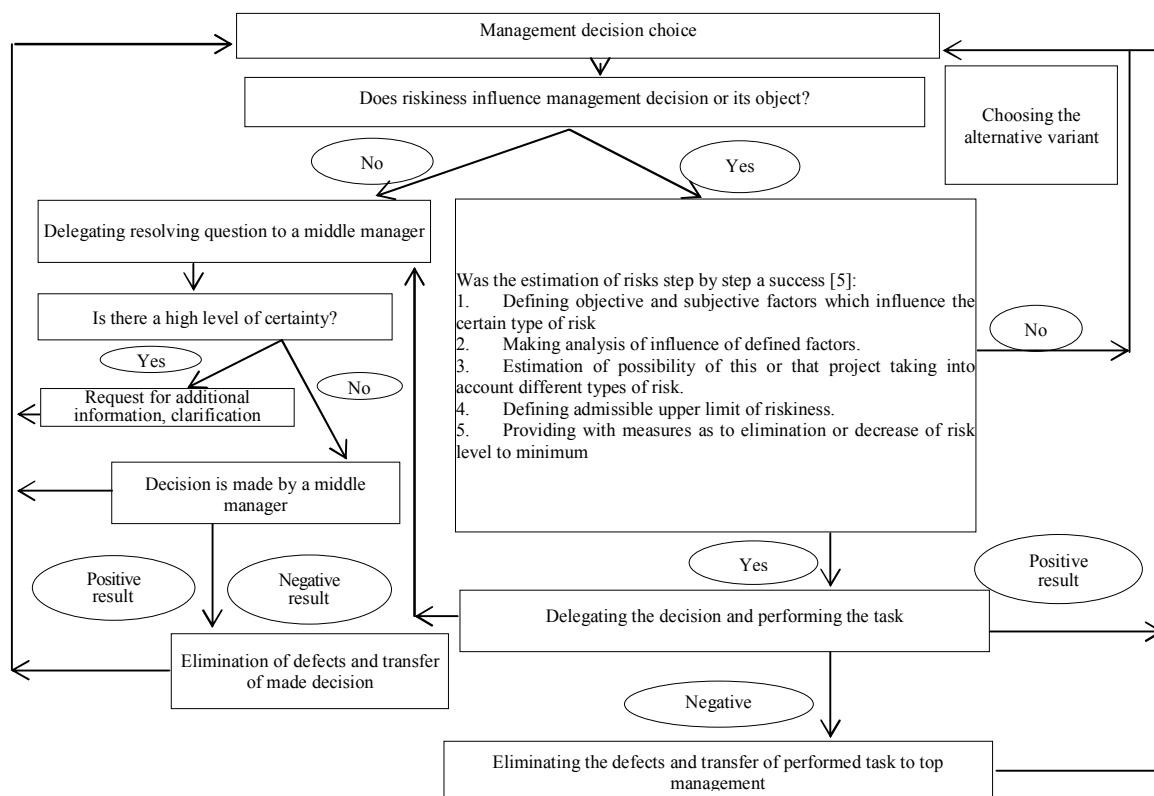


Fig. 1. Algorithm of planning potential development and grounding the management decisions taking into consideration the conditions of riskiness

Source: Compiled by the author according to the material [1, 5]

Besides, there should be mentioned that functioning of modern enterprises happens under the conditions of highly competitive economy. In the context of development of market, the competitiveness of an enterprise is formed as a combination of efforts of producer, which is aimed at the effectiveness of using resources and stability of its financial state on all stages of business cycle. The success of these efforts depends much on business activity.

Kovaliov V.V. proposed more or less complete definition of business activity on a level of enterprise, who emphasizes the attention on a whole range of efforts, which are aimed at promoting the products, labour and capital on a market or providing current production and commercial activity of market participant.

Dontsova L.V. and Nikiforova N.A. emphasize that business activity in financial aspect is revealed, first of all, in quickness of cash turnover, which are estimated by the induces of dynamics of different financial factors which are the indices of turnover. In general we agree that the quickness of money turnover, which is displayed in the indices of turnover, absolutely is the most important criterion of business activity of enterprise. Intensification of using money is displayed in the change of quickness of its turnover, which gave the base for many economists, for example, Piastolov G.D., Prykynia L.S. [6] to mention only turnover in defining the essence of business activity.

In particular, A.D. Sheremet and R.S. Saifulin mention, that the coefficients of business activity reflect in money turnover, in turnover of mobile means, debit and credit debt, equity capital and irreversible assets.

But, we consider that it is reasonable to observe the business activity on the level of economy of the country in general. Therefore we should positively estimate the approach of L.E. Basovskyi and E.N. Basovska [7], who mention the cycles of business activity and define them in indices of GNP (gross national product) and the volume of production. They denote that the indices of GNP and production increase and decrease according to the development of cycle of business activity and other longer cycles of economic development.

Science and best practices prove and confirm that the key to development of entrepreneurship under modern conditions is introduction of innovative systems and technologies. The innovative approach allows restarting economic activity, renewing

the relations of production and motivational priorities of employees, ensuring the rationality of technological processes and the use of available resources as well as enhancing the economic efficiency as a whole. The fierce competition and dynamic external and internal environment require constant improvement, adaptation and creation of something new, which together lead to a new level of business, based on the adoption and use of innovative solutions.

The development of innovative enterprise potential is possible only on the basis of development of all its business units and activities that are being implemented. Therefore, the implementation of innovative projects into practice is closely linked to other forms of enterprise potentials, such as investment, characterized by appeal to raise funds and the ability to cover them. In turn, the latter depends on the financial and its perfection measure.

A key factor in the use of innovative potential level is information provision, which is manifested in the optimal use and speed of information flows passage in the enterprise. Under modern conditions the reaction rate on external information and the ability to use it in a timely manner can not only survive under difficult conditions of uncertainty, but also to strengthen its competitive position in the market.

Accordingly, innovative development allows enterprise to increase its overall potential, its economic assessment (economic potential) and achieve strategic goals by adjusting and improving the current problems. Therefore, the company's ability to innovate is directly influenced by the amount and the level of its economic potential efficiency use. The actual implementation of innovative projects should be supported by existing financial potential of the enterprise. In addition, the financial potential provides the transformation of resource, manufacturing and market potentials into enterprise activity results.

At the same time, it is an important investment potential, which characterizes the economic attractiveness of the enterprise and the ability to attract resources for expanded reproduction of its total potential (economic assessment) as a whole. Investment attractiveness of the enterprise creates a clear financial and property status, structure and composition of financial flows, as well as the level of profitability of operations, together determine the payback period of investments and the income from them. In this regard, the investment potential in scientific publications is often considered as part of the financial one.

Thus, an economic potential is a basis of enterprise functioning, a means to achieve its goals, and a source of its development. Despite this conclusion, it is necessary to distinguish the following features that are peculiar to enterprise: it is a dynamic multi-component system and is manifested only as a result of its implementation; its use should be accompanied by the accumulation of qualities and properties; a potential realization process should be effective and continuous.

Conclusions

Thus, for the fact that commercial entity of enterprise, its economic potential have the ability to intensification, it is necessary to provide the favourableness of creating, promoting and realization of projects as to designers, participants and managers, substantiating the decrease of uncertainty and riskiness. We believe, that main factor of achieving the success for the organization is self- organization, net democracy, its accessibility and absence of center- dictator (here at, the presence of a single democratic centre of higher management is obligatory). The management of potential of enterprises under present-day conditions must be based on these principles.

References:

1. Petrunya, Yu.Ye., Hovorukha, V.B., & Litovchenko, B.V. et. al. (2011). Pryynyattya upravlinskykh rishen [Adoption of managerial decisions]. (2d ed.). K.: Tsentru uchbovoyi literatury [in Ukrainian].
2. Sokolenko, V., & Koretska, O. (2011). Vplyv ekonomichnykh ryzykiv na konkurentospromozhnist pidpryyemstv [The Impact of Economic Risks on the Competitiveness of Enterprises]. Seriya: Ekonomichna dumka, Issue 9. Retrieved from http://pidruchniki.ws/1589031539976/politekonomiya/ekonomika_neviznachenosti_riziku_strahuvannya [in Ukrainian].
3. Bazylevych, V.D. (2007). Ekonomichna teoriya. Politekonomiya [Economic theory. Political economy]. K.: Znannya-Pres [in Ukrainian].
4. Kondratyuk, O.I. (2013). Vplyv ryzykiv na hospodarsku diyalnist pidpryyemstva [Influence of risks on business activity of the enterprise]. Aktualni problemy ekonomiky – Actual problems of the economy, 3 (141), 78-83 [in Ukrainian].
5. Nemchynov, V.S. (1967). Ekonomichni-matematichni metody u modeli [Economic-mathematical methods in the model]. M.: Nauka, Vol. 3 [in Ukrainian].
6. Prykina L.V. (2001). Ekonomicheskii analiz predpriyatiya [Economic analysis of an enterprise]. M: Izdatelstvo "Yuniti-Dana" [in Russian].
7. Basovskiy, L.Ye. (2008). Teoriya ekonomicheskogo analiza [Theory of Economic Analysis]. Infra-M.