

ENVIRONMENTAL RISK ASSESSMENT AND THEIR IMPACT ON THE PROFITABILITY OF THE FIRMS

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Abstract:

The present paper conceptualized from economic perspective ecological risks, defining their scope and approach trivalent folks: activities - risks - effects.

Knowledge and awareness of environmental risks and consumer information and consultation strategies for environmental companies creates market advantages. It appears that those firms that are involved in the assessment, management and financing of environmental risk reduction, become more profitable, showing greater flexibility in market dynamics and innovation. They also become more present in the local community, responding to social concerns and interests.

From this perspective, the paper presents theories and experiences in the field of environmental risks, analyzing economic developments and interpretations of how the events generated by them were reflected in the strategies implemented so far by the companies in Romania

Key words: globalization, environmental risks, pollution, environment

JEL classification codes: Q51, Q53, Q59

Introduction

Environmental risks have large implications on the profitability of companies. Their evaluation is needed both in relation to environmental risk management, cost reduction needed them, and in terms of opportunities that companies have.

For economic subjects representing risk the possibility of an event generally unfavorable consequences for the performance: cost, quality or duration of execution.

The major risk is the unfavorable and production of a complete disaster, rigidity to maintain the original policy already outdated and may have serious consequences for the surrounding environmental, especially when environmental change is perceived very late; the original decision should be checked and adjusted conjuncture and time.

We'll summarize the main causes that can lead to environmental risks specific to a company:

A. having internal causes environmental risks; refers to the internal environment of firm elements:

- Inconsistency between objectives and resources available;
- Deviations from standard procedures in execution technology;
- Inconsistencies between operational plans and the reality of production;
- Incorrect definition of protective measures against environmental risks;
- The absence of adequate organic crops goals.

B. having external causes environmental hazards; refer to the company's relationship with constituents outside environment:

- Erroneous predictions of environmental risks;
- Modification of the regulations relating to environmental risks, environmental norms;
- Incorrect definition of resources purchased externally
- Modification of unpredictable factors considered stable (economic, social, international);
- Distorted the assessment of the environmental situation in the area.

Analysis of ecological risks may be created quantitative methods stochastic methods by which to quantify the dispersion of possible values in the form of predictions of cost / time or qualitatively

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through a formal investigation based on accumulated knowledge and methods of diagnosis using checklists.

It must also note that the analysis of ecological risks may be realized as a precaution on means and methods of conception to production during the elaboration of the technical documentation, or in the operational phase as an analysis prior, identifying the causes of adverse events for corrective action in future cycles.

It is obvious that human activity is currently leading to environmental damage. For this reason, new development models must be identified that preserves affordability capacity of the environment, the environmental risk reduction, the only way is to reduce the intensity of pollution caused by human activity. In this regard, in our opinion, economic development can be sustained only if it ensures environmental protection. Otherwise, the gradual erosion of the environment will void economic growth.

Place pollutant is evident in "human system", but lately emerged and developed in our country "Environmental Economics", which, while acting as a subsystem of the economic system, however, the products and services provided by agent economic, reduce pressure on the system of the human system environment.

In Romania, in the area of environmental risks occurred several trends, among which we can mention the following:

- Environmental issues were amplified and sharpened, accidents and environmental disasters are becoming increasingly severe, covering large territories;
- Nearly full economic freedom lead to accidents environmental implications of local, regional, national and even international significant;
- Legislative and institutional changes have led to slow response of institutions to issue environmental risks;
- The scarcity of financial resources has led to a "motivation" of organizational links involved in environmental risk protection for low activity;
- Structure of the economy generally necessitates the use of resources that can lead to environmental risks of depletion of these materials.
- Economic downturn has led to a reduction or improvement of parameters that define the "state of the environment";

It should be noted that the phenomenon of ecological risk is not a prerogative of large companies and product quality standards, restrictions on environmental risks are not different size. Small and medium-size firms are disadvantaged in the process production institutional care, treating effluent pollutants, developing clean technologies. It is the task of government authorities to pay greater attention to these types of companies to help them in the ecological survival through financial incentives, technology transfer, access to resources or less polluting sources, administrative and financial incentives.

If environmental risks, are significantly more preventive than curative measures, to mitigate the consequences, and they all handled through the social costs they require.

In what follows, we will try to sketch a few indicators necessary for revaluation of all economic activity in terms of efficiency coupled with environmental risk issues. These indicators serve to choice of priorities in financing various projects in environmental protection.

Thus, each economic unit will be assigned a so-called ecological risk, calculated according to economic profitability and share of pollution:

$$GRE = \frac{RE}{\text{The share of pollution}}$$

where:

RE = economic profitability

GRE = degree of ecological risk
share their own pollution,

pollution = share (but) + share takeover of indirect pollution (cp) =
= The pollution made by other companies and internalized undertaking.

The optimum is achieved when economic profitability is maximized and environmental risk is as small.

The impact of environmental risks on firms

Making a return is larger economic management issues, and a smaller share of pollution is problematic as environmental management. So this degree of ecological risk is optimal when the two interests are harmonized, economically and environmentally.

To determine its own share of pollution (but) will be set a number of levels of pollution share their qualitative leap so that businesses be as big transition from one level to another.

For determining indirect share takeover pollution (hp) calculation formula will apply:

$$C_i = n / c$$

in which:

n = coefficient of use;

ci = share their own pollution

Determination of n is as follows:

- Material

$$n = \frac{\text{quantity of finished products}}{\text{the amount of raw material}}$$

- Materials technology

$$n = \frac{\text{the amount actually consumed}}{\text{the amount established by normative (pre-calculated)}}$$

- Energy resources

$$n = \frac{\text{the amount of energy actually consumed}}{\text{the amount of energy required (pre-calculated)}}$$

To achieve an effective work from all points of view, it is necessary:

- To share their own pollution is the smallest, which is for the moment an elusive due to lack of financial resources for the introduction of new technologies and security systems necessary to equip existing installations;

- Making a takeover pollution allowances from other operators at a smaller value. This is easy because involving only a shift on suppliers of raw materials and energy and a more efficient manufacturing activity in the sense of rational use of the available energy, materials technology and reduction could not be much waste after the manufacturing process.

There is a tendency to establish relations with undertakings by a factor GRE (ecological risk) as small as possible, so to stimulate activity unprofitable, tend blocking efficiency of enterprises

Conclusion

With the inclusion of companies in a risky environment, this degree will be made public and the trader will have to attach a name and number that represents the degree of environmental risk. This number will be passed in all documents circulated by the company. When the economic entity considers that the measures we achieved an update report that defines the degree of environmental risk, will draw up a memorandum of calculation justifying that will be switching to another level, to take advantage of advantage of it.

In a study conducted by the Ministry of Environment in the UK, shows that 53% of companies have realized increases of up to 15% in sales due to increasing environmental performance, 42% of companies have benefited from better positioning in the market 51% of companies recorded substantial savings in resource use, 65% of companies reported a better image in relation to customers, 75% said that environmental performance superior helped to attract new customers or to qualify for new business and 65% reported direct financial savings, following the establishment of appropriate targets and performance indicators environmental actors;

It is obvious that environmental performance and business performance management are closely linked.

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