

Entrepreneurial Decisions in Conditions of Uncertainty as a Result of the Health and Economic Crisis Caused by COVID 19

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Abstract

The current period is suffocated by a crisis both in health and economics.

At the level of the global economy, there is a continuous fight against this virus, but at the same time there are battles on various fronts in order to save the world economy, in strategic geopolitical conditions, in the hidden fight for supremacy.

Now the real entrepreneurs with vision and creativity, able to adapt to changes and especially to digitize the business, will be differentiated from those who will closed the doors in their business activities.

This paper presents the importance of the resources held and how to manage them in conditions of business uncertainty.

The efficient use of resources, creativity and investments in a field that will be part of the future society, will turn this moment of crisis into a great achievement for those who see the opportunity where others see only threats.

Key words: Entrepreneurial education, economic crisis, vision, innovation, opportunity

J.E.L. classification: I25, M21, M54, J24

1. Introduction

It is known that there will be consequences in the world economy due to the spread of the virus.

It can be estimated that the impact that this virus will have on the European economy will be substantial.

Companies can overcome these difficult times, if they can think and implement a crisis management plan and if the financial analysis of the business allows it.

The problem of risk can appear in any field of activity, regardless of its nature, distorting the normal development of the activity.

In the management decision-making process, the decision-maker tries to avoid the risk, to transfer it or to minimize it as far as possible. Assuming a risk is done by reporting the possibility of risk occurrence with the possible chance of gain.

Risk and uncertainty are two elements specific to the business environment; they combine in different proportions, the uncertainty having the characteristic of not being able to be eradicated.

For customer loyalty, better company communication is needed. The existence of stocks to meet the demand of the immediate needs of existing customers, but also of new customers, reinvention, creation of platforms or mobile applications to help customers and to facilitate intermediation with them are measures that can be taken under the given conditions.

Entrepreneurs at the beginning of the road should carefully study the market, learn from the efforts of experienced people and make decisions to overcome the crisis.

2. Literature review

In the literature there are several definitions of risk due to the probability of occurrence of events that leads to unfavorable consequences for the business environment.

The author Ioan Popa, in his paper work *International Transactions. Policies, Techniques, Instruments*, published in 1992, defines risk as „The possibility that in a transaction, the expected profit (gain) will not be registered or a loss will appear, as a result of the unfavorable evolution of the factors on which the performances of an economic agent depend”. (Popa, 1992, p.379)

Author Frank H. Knight in *Risk, Uncertainty, and Profit* presents the importance of risk and uncertainty in economic analysis, defines and differentiates the two concepts of risk and uncertainty, exemplifying the fact that risk quantifiable mathematical probabilities can be attributed, while uncertainty cannot be applied to such mathematical models. (Knight, 1921, p.104-126)

Another description of risk according to the authors Bârsan-Pipu N. and Popescu I., in the paper work *Risk management: concepts, methods, applications*, is that „Risk is an uncertain event, but possible, its origin being in uncertainty”. The risk represents a possible loss determined by the evolution / involution of some factors considered as risk, otherwise than is expected. (Barsan-Pipu N., Popescu I. 2003, p.44-49)

The following definitions of risk and its degree of probability belong to Frank H. Knight and Merriam-Webster's Collegiate Dictionary (2003):

- „possibility of losing or suffering a financial loss”;
- „chance of loss or danger for the object of an insurance contract; also the degree of probability of such a loss”;
- „the possibility of an investment (stock of goods) losing value”;
- „someone or something that creates or suggests a danger”.

In the paper work *Optimizing decisions in conditions of uncertainty and risk*, the authors Mândru L. and Begu L.S. consider that: „When a company has a better economic and financial situation, there is the possibility of assuming higher risks in direct proportion to the probability of obtaining positive results, much higher gains, but compensatory resources are needed in case of failure”. (https://utm.md/meridian/2009/MI_2_2009/15_Mindru_L_Optimizarea.pdf)

The acceptance of risk in the market economy must be made aware of cause, following some analysis and forecast. The business plan is the basis of any economic activity. The risk control is done in order to verify if financial regulations have been complied with and the instruments of management were used correctly. Performance analysis involves measurement as a result of coverage for risk exposures.

3. Research methodology

The central idea of the research is the importance ability of entrepreneurs to adapt to changes and to have financial reserves that can be used in crisis situations.

This paper presents the importance of the resources owned and the way of managing them in conditions of uncertainty in the business field, but also of the entrepreneurial thinking in relation to the business field in order to support and develop the company.

It is important to develop among young entrepreneurial skills for the formation of a generation that will create jobs, the evolution of one's own person and the development of the business. Supporting social entrepreneurship must be a mission for the entire entrepreneurial sector, economic development influencing the evolution of the whole community.

4. Findings

It is difficult to estimate the impact that this health crisis will have on the global economy and the economies of each country. In one form or another, things start to move, slowly, taking into account the social distance in order to protect individuals to avoid exposure and infection with this virus.

It is considered from the analyzes carried out by the experts in the field, that the number of profitable companies in 2020 will be drastically reduced. (https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_ro)

Thus, for any field of activity and individual, this was a moment of balance and drift. This situation requires a resetting of the priorities of each of us, as well as at the organizational level a repositioning, a rethinking of the business activity in order to adapt and return to the market on which it operates or to orient towards new markets or new activities. For most economic activities this is the time when it is necessary to rethink, adapt and rebuild the business owned.

The economy needs to be reconfigured, the creativity and adaptability of entrepreneurs will make a difference in relaunching their activities and positioning their businesses on the market in the post-crisis period.

Entrepreneurship is the phenomenon by which the individual realizes that the business can be an option for himself, being able to implement a business and develop it, starting from a simple idea and acquiring the entrepreneurial skills necessary for a good entrepreneur. (Chigunta F., 2002).

In the current conditions, the market must be carefully studied, and new entrepreneurs who want to enter and develop in the business field, must carefully study the market. Many experienced entrepreneurs were taken by surprise by this economic and health crisis.

Innovation and creativity will be a plus in relaunching activities, but the liquidity and efficient use of them, but also of the other resources available will make the difference after the crisis period.

5. Conclusions

For a decision to be a successful one, it must follow an optimal analysis and it can be made with the assumption of more or less known risks. Specialists in the field will be able to analyze and optimize decision-making techniques in conditions of risk and uncertainty, giving them the opportunity to try their luck and consciously take risks.

In addition to studying current events that are not conducive to the safe development of a business, it is time for true entrepreneurs to identify opportunities that they would not identify under normal market developments.

Knowing the economic-financial evolution of the organization, the reporting this time should be done in the conditions of the current economic and health crisis.

Now, more than ever, there is a need for entrepreneurial education. The involvement and development of an innovative type of thinking, the lack of diversity towards risk and fear, will generate success in the field of entrepreneurship. It is true that today's economy makes us pay more attention to the decisions we have to make in everyday life, and even more so in the business field due to the current instability and uncertainty.

This moment of crisis will prove who is able to reinvent himself and who will not be able to cope.

The current economic situation leads specialists to believe that the number of profitable companies in 2020 will be halved. For many entrepreneurs it is a time of stalemate, a turning point in the business activity carried out, but we will all have to learn to adapt and give life to drifting business. The economy needs to recover and adapt to the new situation.

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