

## ЕКОНОМІКА

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### THE APPROACH TO CONCEPTUAL CHANGE OF RISKS IN ENTREPRENEURIAL ACTIVITY

*The author provides the analysis of the definition of the term entrepreneurship and the main types of business risks activities. The paper deals with the idea of current measures to support entrepreneurship in the small business form. Based on the results of the research, paper touches upon the directions and proposals to reduce entrepreneurial risks of business entities in modern conditions, both from the side of the entities themselves and from the state support. The author proposes to update the approaches to assessing business risks taking into account the peculiarities and current situation in Ukraine.*

**Keywords:** business risks, risks and entrepreneurship, making risky decisions, risk factors, methods of reducing business risk, evaluation of risks.

*Проведено аналіз визначення терміну підприємництво та основних видів ризиків підприємницької діяльності. У статті розглядається ідея сучасних заходів підтримки підприємництва у формі малого бізнесу. За результатами дослідження в роботі зазначаються напрями та пропозиції щодо зниження підприємницьких ризиків для суб'єктів господарювання в сучасних умовах як з боку самих суб'єктів господарювання, так і з боку державної підтримки. Автор пропонує оновити підходи до оцінки бізнес-ризиків з урахуванням особливостей та поточної ситуації в Україні.*

**Ключові слова:** бізнес-ризик, ризик та підприємництво, прийняття ризикованих рішень, фактори ризику, методи зниження бізнес-ризиків, оцінка ризиків.

The current economic situation in Ukraine and the world needs to rethink the approaches to understanding the risks in business. Nowadays individuals can work as hired employees, receiving wages for their work, and be self-employed to earn income. In the second case, we are dealing with a heterogeneous group which includes all those who work for profit or income and are not in the labor relationship with the employer. It can include both self-employed entrepreneurs and employing workers, as well as those who work themselves, individually, without job security and without protection from aspects of the labor code. Without delving into the nuances of definitions and intragroup differences, we will consider small business as an integral part of "self-employment", and these two concepts as synonyms. Moreover, many even very large entrepreneurs often started out as self-employed loners in a rented garage.

The aim of the research is to analyse the main aspects of entrepreneurial risk management, describe the risk-related problems in company management, emphasise risk factors in the process of business activity.

In terms of risk management, entrepreneurial risk refers to the problems that can arise from the industry. The market in which you operate can also lead to unforeseen problems and you will be carried away, no matter how diligently and professionally you have worked.

Regarding the changes in the Ukrainian business, the entrepreneurial risks have to be taken into account when thinking about a business idea and, of course, its value and importance depends heavily on which industry the topic is. Fluctuations in demand are not the only issue here, but also the structure of the industry, the competitive situation and social changes. There are many examples of this, because when you think of sporting goods, many products are now bought directly on the Internet instead of going to the sports shop, and that of course has consequences for the shops and even more for those who only run a shop and are not present in the Internet. Another case is when an industry is booming and suddenly there are many more competitors on the scene. This changes the economic opportunities for the company in the long term. Again, it is difficult to plan, the risk

also depends on the products and the market. However, market fluctuations are known over the years, except for completely new markets, and can be estimated [2, p. 99].

Nowadays due to the consequences of the pandemic, scientists suggested that the entrepreneurial risk can also be seen in the company itself. Anyone who acts as a sole proprietor has a problem with the situation when an entrepreneur is on a sick leave because nobody can do his job and his business doesn't earn money. Personnel problems can also be mentioned here. All of these considerations can become a problem for a company and thus for the entrepreneurs themselves.

In some cases it can be said that the problem is manageable, in some cases there is no real solution and in others a plan B can be put in place. If the sole proprietor lies in bed with the flu for two days, his business idea is not wasted, there's just no performance during 48 hours. Customers and partners will be able to cope with that. If the same sole proprietor is absent for half a year, the situation looks different.

The research literature on why people choose entrepreneurship in one form or another is vast, and its detailed analysis is beyond the scope of this paper. We'd like to mention that there is a consensus that entrepreneurs are agents, who operate under conditions of uncertainty and must have a certain degree of "love" for risk. Under the propensity to risk (attitude to risk) or preferences in the field of making risky decisions, we mean the willingness or unwillingness of an individual to face uncertainty and its possible negative consequences. The propensity to take risks can be considered one of the key non-cognitive characteristics of a person.

After the pandemic situation the Ukrainian entrepreneurship can be a conscious realization of the propensity to take risks, or it can be forced behavior in the absence of other options for generating income. For example, an unemployed person who is desperate to find a job may become self-employed if the system of social protection is absent or does not provide sufficient income.

Voluntary entrepreneurs, achieving success in their own business, create jobs, provide workers with the necessary means of production and capital. Since this process is complex and risky, requires significant personal and borrowed funds, effort and time, it is solved by only a few whose motivation is to create and develop a profitable business, and not to ensure simple survival. In contrast to true entrepreneurs, self-employed entrepreneurs without subordinates and those with only subordinates unpaid family members may be forced to engage in quasi-entrepreneurial activities for the purpose of self-sufficiency in the absence of other income.

During the month of the war, Ukrainian business lost more than two years during the pandemic. The extent of the damage and the long-term consequences are difficult to estimate, as hostilities continue across the country. According to the National Bank, during the war, Ukraine's economy lost 50% of "unproduced" GDP. According to an EBA survey, only 17% of companies are fully operational and one in three is not operating. One third of entrepreneurs plan to resume operations. Approximately the same results were shown by surveys of other organizations. As it was stated in the report, "Companies that provide services and have foreign clients find it easier for intellectuals and creative professionals to leave and resume work in a relatively safe place. Farmers, manufacturing and logistics companies are territorially linked, so they are limited in mobility"[3].

Regarding the current economic situation entrepreneur risks must be changed. Depending on the spheres of economic activity of the enterprise, the main internal factors of entrepreneurial risk are considered to be production, turnover, and management. The production process is a set of interdependent main, auxiliary and service labor processes. In the manufacturing sector, there are factors of entrepreneurial risk of the main and ancillary activities. Risk factors of the main production activity include: sufficient level of technological equipment, accidents, unscheduled equipment shutdowns or shutdown of the technological cycle of the enterprise due to forced readjustment of equipment (for example, due to unexpected changes in parameters or raw materials, materials used in technology). process), etc. Risk factors for ancillary production activities are interruptions in energy supply, prolongation compared to the planned terms of equipment repair; accidents of auxiliary systems; unpreparedness of the tool economy of the enterprise for the development of a new product, etc. production processes of the enterprise may be malfunctions of services that ensure the smooth operation of primary and secondary production, such as accident,

fire in the warehouse, failure (complete or partial) of computer equipment in the information processing system, etc. The reason for the deterioration of the competitiveness of the enterprise may be insufficient patent protection of the enterprise's products and technology of its manufacture, as a result of which competitors were able to master the production of similar products and so on.

Entrepreneurs who are engaged in small and micro-entrepreneurship, can be divided into two indicative groups. The first group is those for whom such activity is valuable in itself, and they do it because they want to do it. Another group includes those who ended up in such entrepreneurship due to circumstances, for example, lost their job or could not find a new one, and under these conditions, entrepreneurship in the form of self-employment is the only way to get income. The boundary between these two groups is rather blurred because where beliefs end and where circumstances begin can be interpreted in different ways. For the economy to develop, people must have a large planning horizon, be prone to risk, which is inevitable in many areas of economic activity, especially entrepreneurship. People who are more risk averse choose entrepreneurship and influence the competitiveness of the economy, its investment potential, innovation and economic growth [1, p. 248]

The formation of an entrepreneurial culture includes teaching the basics of entrepreneurial knowledge, asserting the prestige of an entrepreneurial activities, creating clear rules of the game, ensuring property rights, etc. All this should reduce the excessive risks of entrepreneurship and increase interest in it among young people. Due to the fact that preferences in the field of making risky decisions partially inherited, and knowledge of parental entrepreneurial activity positively influences children's choice of the same activity, policies that will promote the choice of entrepreneurial activity at the moment may have long term positive effects. The most common methods of reducing business risk are: 1) distribution of risk between participants in business activities; 2) risk insurance; 3) reservation of funds to cover unforeseen expenses; 4) neutralization of partial risks; 5) risk reduction in terms of financing.

Risk allocation is carried out in the process of business planning. A quantification-based model can be used to quantify risk. At the same time, each of the partners performs the planned amount of work and bears the appropriate share of risk in case of non-compliance.

Current evaluation of risks must be overseen. Especially, attention should be paid to the following: stimulating demand for small business products and supporting import substitution with the help of small businesses; development of infrastructure to support small businesses in affordable financing for small businesses. These areas will reduce the most relevant risks for today in the complex of entrepreneurial risks: financial, organizational and legal. Authorities cannot pay enough attention to risks such as problems of ensuring personnel, information security, etc., because it is the internal environment of small enterprises business.

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