

RISK MANAGEMENT IN ECONOMY: PROBLEMS AND SOLUTIONS

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ABSTRACT. Risk identification process is the most important in the management of risk. Where a risk is not identified correctly, the risk manager will not be able to quantify it and to find the appropriate method of countering the significant results of exposures. In recent years, modern techniques are applied to identify risks in the organization to streamline the list of possible risks that an organization meets in work

Keywords: risk register; risk map; Risk classification; process, creating a risk profile; important value.

1. PREMISES

Risk management in the economy is based on the dramatic increase in the importance of this discipline of strict and specialized deep under unprecedented dynamism of the global economic system. If it is already widely accepted the idea that management is an art, greater than a science when risk management is the art of taking decisions in a world governed by uncertainty – a complex process of identifying, analyzing and responding to the risks to which the organization is exposed. Connecting the national economy at European and global economic system this study reinforces the importance and need for adequate consideration of this specialized subjects, regrettably undervalued at the moment, from reasons of wide variety, reviewed in the research conducted. Challenges in the business environment of market economy will still have to overcome are numerous, difficult to manage, access to competitiveness and thus to international markets is conditioned by rigorous application of the principles and techniques of international management and, given the macro-economic context and its specific peculiarities, especially by risk management techniques.

2. CONTENT

Risk – the effect of uncertainty on the achievement.

Risk management – coordinated activities to direct and control an organization with regard to risk.

Attitude towards risk – approach of an organization on the assessment and possible detention or removal of taking a risk.

Risk management process – the systematic application of policies, procedures and management practices in the activities of communication, con-

sultation, establishing the context, as well as the identification, analysis, evaluation, treatment, monitoring and reviewing risk.

Risk assessment – comprehensive process that includes risk identification, risk analysis and risk assessment.

Source risk – resources that are safe or in combination with others, has the intrinsic potential to cause a risk.

Event – appearance or change of a particular set of circumstances.

Therefore – by an event affecting targets.

Means of control – a measure that modifies the risk.

Elements that make risk management. Risk management is an element with which identified significant risks for activities within an organization, the ultimate goal being to maintain these risks to an acceptable level (with minimal effect).

The main objectives of risk management are:

- maintain threats within acceptable limits;
- take appropriate decisions for exploiting opportunities;
- to contribute to improved performance.

Risk management is based on analysis of risk factors that could affect the strategic objectives.

Stages of Risk Management:

- identification and analyze of risks;
- estimation and risk assessment;
- risk control;
- monitoring the implementation of actions / measures to control risks;
- review and reporting risks.

Identification and analyze of risks. The objectives of the organization should consider the aspects:

- Strategic – established at high level, correlated with the mission / vision of the entity;

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– Operational – relating to the effective and efficient use of resources;

– Reporting – the reporting system related to the efficiency in the company;

– Compliance – related to how the organization respects the laws and regulations applicable to the industry.

Identified events may impact:

– Negative – situation when risks are generated;

– Positive – situation when opportunities arise or is canceled the negative impact of risks;

– Both – situation when must be analyzed both risks and opportunities.

Risk analysis is the process of understanding the nature of the risk and determining the level of risk. The risk is analyzed by determining the likelihood and its impact on normal operations. The risk analysis provides input for estimating risk, the need to make decisions on treatment or not and most suitable strategies and risk treatment methods.

For a structured risk analysis at the entity level will consider grouping them into the following categories:

#	Types of risks	Examples
1	Strategic	Economic, political, technological, social, legal risks
2	Operational	Commercial risks related to purchasing, production, business continuity, accounting, reporting, tax, human resources, health and safety, property, environment, information system, reputation
3	Financial	Risks regarding interest rate, exchange rate, credit
4	Others	Compliance, fraud, corruption, control, natural events risks

Estimation and Risk Assessment. Risk Estimation is the process of comparing the results of the risk analysis with risk criteria to determine whether the risk and / or its size are acceptable or tolerable. The purpose of estimating the risk is to contribute, on the basis of risk analysis, to making decisions on prioritizing risks that require treatment and treatment implementation.

Risk assessment involves assessing the likelihood of materialization of risks and impacts (consequences) of the objectives when they materialize. The combination of the estimated probability and impact is estimated level of exposure to risk, based on which risk profile is achieved. Risk assessment is done to establish a hierarchy of risks allowing to establish the most appropriate ways of dealing with them.

Risk assessment consists of the following steps:

a) Evaluation of the likelihood of the risk materializing („risk rating“) - at this stage to determine the chances of such an outcome risk following the procedure. Probability is a measure of uncertainty.

b) Evaluation of the impact on objectives if the risks materialize - the consequence impact on the objectives (outcomes) expected, which may be, depending on the nature of the risk, negative or positive.

Along with qualitative consequences, descriptive cast can be identified and consequences in terms of budget (costs), effort (for work) and time (delays possible within the project objectives). The results of qualitative and quantitative assessments of the impact of risk will translate into qualitative scale that reflects the perceived importance to the objectives.

The level of tolerance of risk is determined by the balancing of the consequences both positive and negative for those events / causes identified, for decisions most appropriate to achieve the objectives, thus establishing reaction at risk:

Exposure level	Tolerance level	Explanations
1 – 7 Reduced	High	Does not require any control measure
8 – 15 Moderate	Acceptable	Requires measures to control on short-term
16 – 22 High	Low	Requires measures to control on medium/long-term
23 – 30 Critical	Unacceptable	Requires emergency control

Risk control. Control activities are reflected both by the inherent risk mitigation measures (preventive) and measures to correct undesirable results (corrective). Risk control is intended to eliminate or at least reduce the consequences of the exposure. The techniques used in controlling risk can be divided into two broad categories:

– control techniques - designed and implemented to minimize the costs of those risks to which the company is exposed,

– financed techniques - oriented to finding funds to face losses that might occur if the risk materializes.

Based on the identified risk control, risk side will be expressed as risk management options:

a) acceptance / tolerance - no further risk mitigation measure, but regular monitoring is done to see if the exposure showing significant growth or level of exposure is acceptable. It is suitable for risks whose exposure is less than the risk tolerance or when applying other strategies in response to risk is not possible.

b) transfer – is envisaged, if possible, the outsourcing of risk – risk management entrusting a third party who has the expertise to manage that risk, ending a contract for this purpose. This option is beneficial especially if economic and financial risk (a well-known example: insurance contracts).

c) treatment - while the company continues to carry out activities that generate risks and take

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measures (implementing tools / devices internal control) to keep risks within acceptable limits (tolerable). Dealing with risks is to keep them under control through measures of internal control.

d) avoiding / eliminating - is to eliminate activities / circumstances giving rise to the risk.

e) termination - which is associated with the risk that activity ceases for reasons of efficiency.

Monitoring the implementation of actions / measures to control risks. By monitoring assessment is carried existence and functioning of elements making up the risk management and its performance over time.

Monitoring can be done in two ways:

- through current or ongoing activities;
- as distinct separate assessments.

Monitoring via current or ongoing activities will integrate the common activities being performed in real time, enabling dynamic response to changes in operating conditions. Monitoring is achieved through separate assessments after an event, the frequency of distinct evaluations is at the discretion of management and are influenced by the nature or degree of change, and the risks associated therewith.

Review and reporting risks. Risk management is achieved through effective Risk Register, Risk Review and report regularly undertaken on the basis of information received from those responsible for risk, pooled and analyzed.

4. CONCLUSIONS

Modern methods of risk identification were inspired and developed from techniques already tested and implemented risk management.

For example, the method of scoring for risks originates in balanced scores methods, used to measure business performance, while process mapping methodology was developed in the field of quality management and is based on techniques in the flow diagram.

Any company develops based on a variety of processes.

By representing these processes in diagram form – their mapping – risk manager try to improve the activities of a company.

Processes are sets of events that transform inputs of the company into outputs that satisfy customer needs.

Entries of the processes are those necessary elements for processes realization (human resources, physical resources, knowledge, technologies). The outputs of the processes represent the results - products, services, information, semi-manufactures, elements. Process mapping is a diagram which shows, according to the degree of precision, the activity of a company and how the work is carry out.

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