

Modern Trends in the Development of Market Policy of Business Entity Based on Risk Control

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Abstract—This article describes the investigation of risk control problems at the enterprises of the Russian Federation. Globalization of world economy, political instability in the world, introduction of economic sanctions against Russia are the driving force for the development for some enterprises, but can lead other ones to critical (and sometimes catastrophic) consequences. As a result, risk theory not only does not lose its relevance, but its development and practical application are becoming increasingly important. Processes that are currently taking place in Russia have required a reorientation of the principles of enterprise's work towards the analysis and evaluation of various internal and external factors that have an impact on their working efficiency leading to the objective need to study risk control problems. In the economic literature of recent years, quite a lot of attention is paid to the problem of risks and methods, techniques, tools for working with them. New specialized journals have been kindly accepted by the scientific community, (*Risk Control; Risk, Resources, Information, Supply and Competition, etc.*). It should be noted that published materials are mainly devoted to financial risks, banking, insurance and investment activities. At the same time, the problem of risk control in the agro-industrial complex is less developed, and there is practically no study of risk factors affecting the competitiveness of enterprises in different industry sectors. As a result, no single approach to the definition and understanding of the essence of risk control in production structures has yet been developed. Management of industrial enterprises in the context of increasing complexity of activities associated with risks of different nature has specifically changed the requirements for motivation and quality of operational and strategic decisions. Until the end of the twentieth century in the Russian Federation (as in many other countries), the classic approach to enterprise management was characterized by the following postulate: "There are no managerial problems that could not be solved with increasing production volume. Even if we manage poorly, increasing revenues help covering the mistakes that we made." Increasing production and value of assets of the enterprise currently do not have an unambiguous correlation. At the same time, market share and growth in the scale of activities not only do not dominate in the economic world, but also become quite dangerous for business due to various risks and increasingly significant amount of non-profit zones in enterprises. Theoretical and practical significance of this study is to justify the need for a tool that will prevent risks in the activities of business entity.

Keywords—*risk, company, management, system, efficiency, resources, process.*

I. INTRODUCTION

When making a managerial decision, the head of business entity sometimes does not realize possible risk, and sometimes does not even think about it. Processes at a modern enterprise are subject to challenges, regardless of whether it is the initial or final production stage, in particular, in the manufacture of products, purchase of raw materials, implementation of new technologies in production process, etc. For assessing risks, it is necessary to apply an integrated approach but with respect to each stage of production and sales process. Moreover, there should be a comprehensive coordination of decision-making in the activities of enterprise. Problem of limited resources or efficiency of their use leaves no choice to improve the efficiency of system for managing market entities through the prism of risk control. So, we need new universal tools for decision-making in conditions of unjustified and transforming economy.

Risk is an objective and inevitable phenomenon that accompanies the activities of any industrial enterprise. Therefore, the challenge for management is not to avoid risks but to manage them [9].

The priority of developing basic scientific principles in the field of modern management development belongs to leading foreign studies, including these by: I. Adizes, C. Blanchard, L. Greiner, R. Daft, P. Drucker, T. Peters, K. Walsh, A. Fayol, etc. Russian scientists V.S. Nemchinov, L.V. Kontorovich and V.V. Novozhilov not only made a significant contribution to the development of scientific management, but also contributed to its practical implementation in different fields of activity.

Risk in entrepreneurial activity has separate theoretical and applied value as an important component of management theory and practice. Risk categories are included in the conceptual framework of international business and insurance, banking and civil law. The problem of risk control for industrial enterprises is covered in literature to a lesser extent; there are practically no studies of the specific features of risk factors for the activities of enterprises in different industries. At this time, the development of industry is of particular importance to economy. Industrial enterprises can be regarded as a relatively stable, integral and environmentally independent socio-economic system that integrates production and sales processes in time and space.

II. MATERIALS AND METHODS

Due to the lack of universal theoretical approaches to the problem of risk control and methodological recommendations for their application, the most part of Russian enterprises do not pay due attention to risk management.

The process where the activities of an enterprise is directed and coordinated in terms of the effectiveness of risk control is risk management.

In 1995, Wayne Snider proposed the theory of risk managers. In 1956, Russell Gallagher (Harvard) described the profession of a risk manager. With the transition to a market economy, interest in risk theory and risk management increased in our country. The most developed risk control problems are in the field of banking, investments, insurance. However, not all risk control issues are sufficiently studied and developed, especially taking into account industry and regional characteristics. Different sources show the matching of the concepts of "risk control" and "risk management". We believe that "risk control" is a more wide and complex concept represented by an integrated management system, as we said earlier. In addition, the peculiarities of risk management include the need for the company's management to have forward thinking, intuition and anticipation of situation; the possibility of formalizing a risk control system; quick response ability, etc.

"Risk management" term is of foreign origin. The International Committee for Standardization (ISO) defines "risk management" as a coherent risk management and control activity of an organization [6]. In the Russian specialized literature, in connection with the peculiarities of translation, two different types of equivalents are used: literal translation as "risk control" and transcription as "risk management". In world and domestic literature, the concept of risk management is considered in a broad and narrow sense. In a broad sense, risk management is the art and science of providing the conditions for the successful functioning of any enterprise under risk. In a narrow sense, risk management (risk management) is the process of developing a program to reduce any accidental losses.

We agree with the definition characterizing variants according to philosophical terminology. The most common control functions are maintenance and optimization of general characteristics and processes in terms of organized systems that arise naturally or artificially, [7] that is, when using the term "control", the object is an enterprise (organization).

Practitioners consider Control as the ability to effectively apply the principles of management science in a specific situation. Studying published materials on the problem of risk control suggests that in some sources the concepts of "risk" and "risk control" are poorly distinguished. In our opinion, such a distinction is necessary and requires enterprise managers to clearly understand the difference in the essence of these definitions. As noted earlier, "risk" is a probable event that can entail negative, positive or neutral events. At the same time, "risk control" is the activity of business entity aimed at reducing the probability of occurrence of a risky situation in order to minimize possible losses, or maximize profits.

Essential nature and diversity of risk control can be represented as a field of knowledge, tools and means that require skills in the field of economics, finance, mathematical statistics, law and specific business sectors. In modern theory and practice, diverse management models have been developed and tested in large companies of different industry sectors.

Based on the study of management theory and its practical application in management, it can be argued that the best results are achieved by enterprises where a comprehensive risk control system is developed.

III. RESULTS AND DISCUSSION

For the theory and practice of market management in any industry, the dominant problem is the justification and development of conceptual and organizational-methodological provisions of systemic management of economic entities. It is the thing which gives rise to a variety of approaches to the formation of a control system at an enterprise.

In the Russian practice of managing industrial enterprises, two options are widespread:

- Tactical one which is focused mainly on improving the activities and is formed from the achieved level of the condition of a functioning enterprise.
- Strategic one which is based on the creation of a standard image that this enterprise should strive for, and then a set of measures is developed to achieve this goal.

Each type of enterprise management has its own type of action, formed on the basis of their own ideas about possible risks and the study of main development trends in the industry and the market where a specific business entity operates.

Tactical management option assumes that the enterprise and its management are focused on simple, familiar work results (production volume, sales volume, obtaining planned profit). To achieve the desired results, the management aims to implement efforts to minimize risks in different areas. A strategic variant is inherent in an entrepreneurial-type enterprise. In this case, the owner and his management deliberately take the risk considering it as a factor that is constantly present in the subject's activity when introducing new products to the market, improving production or marketing technology, creating new units, etc.

Enterprises focused on the strategic variant of management show it in all directions but above all in determining the strategy for future period and the goals put forward by management as part of this strategy.

At this stage, macro- and mesofactors of the external environment of the enterprise are taken into account, along with the analysis of the parameters of dependence of the achieved results on the variant of chosen strategy for production and market/sales activities (Table I).

TABLE I. DEPENDENCE OF THE RESULTS OF THE ENTREPRENEURIAL ACTIVITY ON CHOSEN STRATEGY

Entrepreneurship strategy	Strategy Goals	Name of result parameter
Market launch	Mastering a certain market share	Market share
Conclusion of a new product	Mastering a certain market share	Business
Increased market activity	Mastering a certain market share	Business
Strengthening competitive position	Improving product competitiveness	Product competitiveness
Production increase	Profit increase	Profit
Deepening market entrance	Product diversification	Market share
		Competitiveness of products (market)

Risk control is directly related to enterprise management, but has a professional specialization and complex technology that requires knowledge and general theory of risks.

Choice of risk management option is carried out by the owner of enterprise and determines its policy for short and medium term periods. Risk Control Policy establishes requirements and approaches to the risk control system.

The procedure for applying Risk Control Policy governs the procedures for the functioning of system as a whole and for its separate elements, as well as the procedure for reporting risk and the procedure for responding to risk.

For risk control, it is especially important to make correct ratio of objective and subjective factors in the process of developing enterprise policy. The subject should be understood as enterprise management, i.e. specific individuals or other alternatives related to the activities of a given business entity. The object, respectively, should be considered as a resource which can be changed in the case of a risk situation.

Risk-setting – for the selection of risk control goals. These solutions can be least investigated and formalized. No methods of their research are actually developed; they are individual and often subjective.

With a systematic approach that considers risk control as a set of interrelated elements, management system is complex for any variant of chosen policy.

The structure of risk control system in industrial enterprises consists of separate blocks including management procedures that are combined by the logic and content of the most important areas of activity for management personnel in this field (Figure 1).

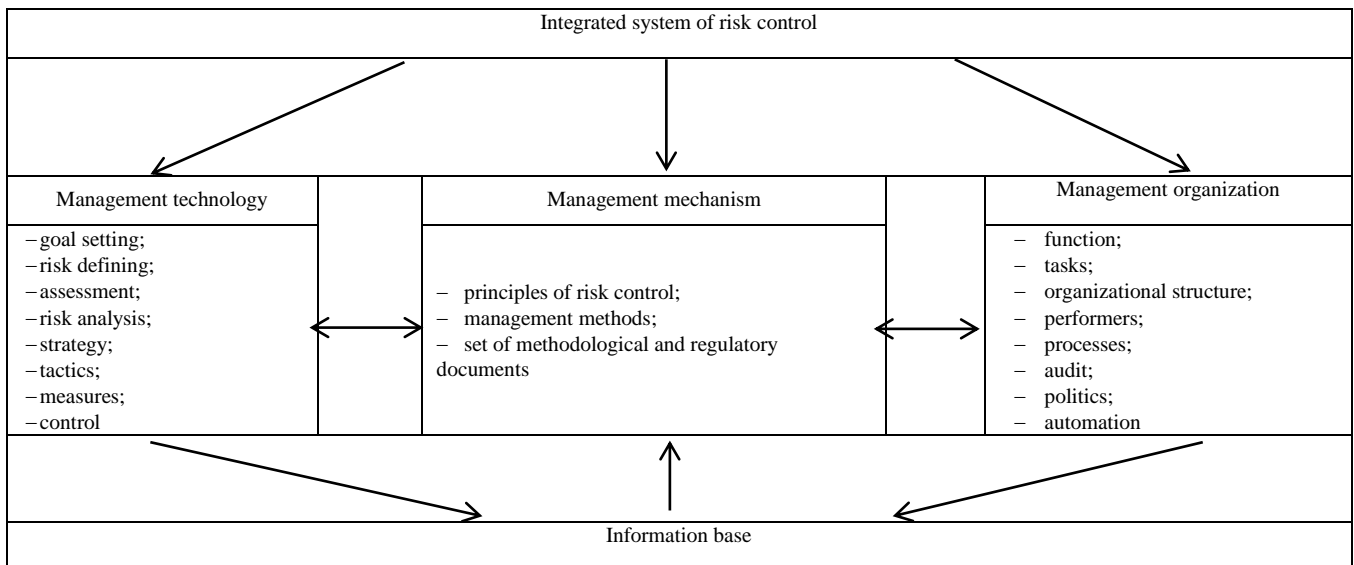


Fig. 1. Set of elements of a risk control system for industrial enterprises.

This scheme of an integrated risk control system characterizes theoretical views on its structure and composition as applied to an enterprise using strategic variant for its operation, with specialized risk control units.

We consider it possible to use the idea of an integrated system in small and medium enterprises (which have no risk studying managers); they during their operation can use separate elements of the system, the procedure and methodology for their construction.

Risk management involves finding ways and methods to reduce risks. Assessment of the experience of this activity in the food industry of the Sverdlovsk Region allows us to suggest that this work is carried out most effectively in enterprises where risk factors are considered as an object of management. Classification of factors affecting the probability of risk situations is considered in the previous part from the standpoint of risk theory. In the context of risk

control practices, attention should be focused on factors managed or controlled whose action can be changed – reducing the strength of their impact, or completely avoiding the risk, coming round its impact, or adjusting own decisions. In the process of developing the strategy and goals of enterprise activity, it should be recognized that the most important external factors are concentrated in the actions of the enterprise of the past and current periods with different dynamics and degree of impact on production. When planning future results, it is mandatory to take into account constant impact of new elements on the structure of these factors: knowledge, technologies, types of products, consumers, incentive systems, newly developed regions, markets, etc.

In enterprises with a tactical approach to management, risks in economic activity are usually associated with:

- miscalculations of buyers and sellers;

- breach of obligations on the part of participants in economic activity;
- changes in prices, taxes, payments, etc.

Studying the factors of this group, effects and consequences of the probability of risk situations, managers should understand that risk is associated only with a future event; event in the past has already passed and has no relation to today's risk management. Defining risk factors is one of the most important tasks of the economic analysis of a manufacturing enterprise. Structuring the sources of risk and their description allows large firms to create a system of regular procedures for revealing specific risks and reducing the amount of unaccounted factors. Methods for defining the main risks are based on ISO/ES31010 and COSO standards (analysis, threat assessment, expert assessment, event tree). Risk assessment criteria are probability of implementation; financial impact, risk manageability.

The risks for manufacturing enterprises are diverse in their types, forms of manifestation and amount of their consequences what explains the need for their systematization.

In order to identify the characteristics of a certain type of risk, a staged management work is recommended, including analysis of:

- development of risk factors;
- development of a risk situation;
- risk realization;
- risk consequences;
- working with consequences.

Risk analysis of a manufacturing enterprise focuses mainly on those that occur at the micro level, that is, due to the condition and specifics of the enterprise. These risks are also internal. They directly depend on the organization's activities in the person of its management and employees involved in risk control.

Internal (inhouse) risks pose a danger of events with negative consequences as a result of specific decisions or actions taken within the company. For the most part, these risks depend on the economic activities of enterprise. Internal risks of the organization can conditionally be divided into subjective and objective ones. We consider risks associated with functional areas of activity as objective ones. Subjective internal risks represent the risks of making incorrect management decisions at various stages of company's activities and different levels of management.

Due to the difference in the specialization of enterprise, in its external environment, stage of life and reached level of competitiveness, as well as in the degree of dependence on external factors, the number and type of internal risks studied and controlled within this enterprise also differ. Their content is interpreted in different ways both in scientific publications and in the activities of managerial personnel [4]. Internal risk analysis is performed in special cases.

Such analysis requires the expenditure of money and time; therefore, it is performed not always but only when solving strategic, investment problems, exercising control over a joint-stock company, ranking the company and its divisions.

Qualification of managers and materials of different enterprises allows monitoring risk situations and reasons for their occurrence without additional costs. As a result, a list of standard internal risks for industrial enterprises was formed:

- production – characterizes the possibility of the enterprise of not fulfilling its contractual obligations or errors in pricing policy (staff shortages, low labor productivity, etc.);
- economic – possible occurrence of any losses;
- sales risks – breach by suppliers of the terms of delivery of raw materials, materials, equipment to the enterprise that results in disruption of production and fines;
- financial risks – result from financial transactions with securities, loans, currency and lead to financial losses;
- risks of liability for product quality;
- market risks – associated with changes in competitive and pricing situation, etc.

In the process of their activities, enterprises face a combination of different risks. Classification of risks and defining the causes of their occurrence is the basis of analysis, assessment and determination of areas of risk reduction. As the experience of industrial enterprises shows, the following sequence of actions is required for the analysis of risks:

- to conduct a probability estimate with each risk being assigned a high, medium, or low probability of occurrence;
- to create risk categories – (costs, timelines, technical software, process, etc.)
- to assess the impact of risk;
- to determine the severity of risk;
- to predict the timing when a risk event is likely to occur.

IV. CONCLUSION

Results of this analysis are a reference point for the implementation and optimization of risk control. Solution of this problem in industries with strategic development of economy is of particular interest; among others, undoubtedly – in food industry. Development of food industry enterprises has an external significance for Russian economy (like for any other), since the products they produce appear in several ways.

Firstly, it is a necessary product that directly affects the standard of living and health of population.

Secondly, these products are import-substituting what contributes to the ensuring food security of the country.

Thirdly, certain types of food industry products can be exported what helps to increase the revenue of state budget.

It is noteworthy that the enterprises of this industry were able to more effectively withstand the crises in the industry in terms of counteracting macroeconomic risks due to the variety of specialized industries included in it. Such experience should be a guide for country managers in the field of researching risk assessment methods and studying methodological tools in enterprises of other industries.

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