

Methodological Aspects of Developing of Adaptive Model of the Risk Management System in Business Structures of Small and Medium Business

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Abstract: Currently, enterprises of small and medium business are subject to public scrutiny, due to the fact that in conditions of high turbulence of the environment and economic crisis, the enterprises of small and medium business becomes the most effective form of entrepreneurship, plays a significant role in the Russian economy. However, the enterprises of small and medium business are rather vulnerable in the conditions of unpredictability of development and inertness of the market against the background of the developing competitive struggle which necessitates the development of targeted systems of enterprise management, including risk management system. In study it is considered an algorithm of risk management and propose an adaptive model of risk management system for the enterprises of small and medium business which will minimize the negative impact of volatile external environment and will ensure sustainable development of the enterprises of small and medium business in modern conditions.

Key words: Risk management, small and medium business, adaptation model, management, enterprise

INTRODUCTION

The problem of financial instability of the national economy is one of the sharp-discussed topics in Russia today. In fact, describing the economic system it is necessary to highlight the inherent properties of turbulence: multidirectional and chaotic development, the rapid change of market trends and significant fluctuations in macroeconomic indicators, an abrupt change in the static state of the system. It is difficult to survive in such variable conditions for the enterprises of small and medium business which can rightly be attributed as one of the priority sectors of the Russian economy. The role of the enterprises of small and medium business is very significant, because of the successful development of these enterprises depends largely on economic stability, both regions and the country as a whole. The appearance of new jobs, mitigate the negative impact of unemployment, improving the quality of services, the growth of production of import-substituting products which is especially important at the present stage, is related with the enterprises of small and medium business (Arslanova, 2010).

Despite the fact that small and medium business is the most mobile in the changing situation on the market

compared to large enterprises, there are a number of problems that make small and medium business vulnerable to the financial crisis, the unstable economic situation in the country (Khmyrov, 2012).

Firstly, there is practically no market infrastructure for small and medium-sized producers. For this reason, the enterprises of small and medium business are not able to realize manufactured products in full as well as to increase production volumes. It is often leads to the fact that enterprises have to establish sales channels under the terms of depressed prices (Belyaykina, 2010).

Secondly, there is a weak marketing strategy for product sales at the enterprises which is manifested to the lack of ongoing market research, do not justify the choice of the range of products and others.

Thirdly, it is underdeveloped internal infrastructure of the enterprises of small and medium business expressed in the absence or inadequate functioning of the separate structural units. For example, at the enterprises there are no departments of marketing, department of planning and, most importantly, the risk management department (Kormanovskaya, 2015).

In some cases, poorly developed internal culture of the enterprises causes to recruit of not qualified or insufficient qualified professionals, the decline in payment

discipline, lack of motivation of workers and others. And as a result, small and medium enterprises constantly need money. Opportunities to obtain credit for these enterprises is limited by high interest rates and its investment attractiveness is low enough in order to leverage private investment.

MATERIALS AND METHODS

If to consider the current and perspective tasks of the enterprises of small and medium business through a prism of risk it is possible to determine a trajectory of its development in the conditions of the changing external and internal environment and to timely apply adequate methods of management. In this regard, there is a need for an algorithm of actions for risk management taking into account features of functioning of the small and medium enterprises.

As a result of the research activities of the enterprises in a changing and unstable conditions of functioning and identify features of development of small and medium business we propose an algorithm of risk management which will allow to optimize management activities on these enterprises (Fig. 1).

The algorithm of risk management at the enterprises of small and medium business based on standard management procedures but as its features we highlight the stages of control that are responsive to the needs and peculiarities of development of small and medium enterprises in an unstable economic environment.

Stage 1: The creation of a standard for comparison of risks. In this case, is defined the boundary, reflecting the existence of the risk, when the company considers, it is necessary to influence its level. The determination of the scale of this boundary takes into account the peculiarities of development of small and medium enterprises, its scale which determines the level of acceptable risk.

Stage 2: Risk identification and assessment of the probability of its occurrence. The procedure of the evaluation of risk is done according to some previously defined scale (standard of comparison) of risk.

Stage 3: The determination of the degree of controllability of risk. The enterprises of small and medium business are reasonably high mobility and simplified system management as well as a high degree of adaptability to the changing conditions of the external and internal environment. Handling of risk depends on the existence of such reasons which depend on the properties of the plant or its prehistory. Uncontrollable factors affecting the ability to influence the level of risk can not be changed and can only be taken into account. In the

case of possible effects on the level of risk defined by the various indicators of loss (Hlystova, 2011).

Stage 4: Measurement of risk and the determination of its value. As a rule, measurement of risk is performed using qualitative and quantitative indicators of risk assessment. Under the cost risk in this case refers to the physical costs or losses associated with the implementation (or non implementation) of anti-crisis mechanisms or the implementation of individual risk operations or transactions. The level of losses needs to match the share capital reserved to cover them. The expected benefit from the use of risk management strategies must be greater than or equal to the reference adopted in the enterprise, for small and medium enterprises, this benefit must be more significant than the incurred costs for capital which for these companies so is relatively expensive and require a stability of cash flow and adequate level of profitability (Odintsova, 2014).

Stage 5: The development of methods of risk management. The importance of this stage lies in the development and approval of the program of action for the reduction of risks in implementation of crisis management mechanisms and organization of activities under this program. Activities aimed at preventing crisis situations at the enterprises of small and medium business because of its mobility, include activities to influence the level of risk based on the methods of minimising losses or maximising profits (Kucherova, 2007).

Stage 6: The formation of a system of monitoring and control. Monitoring of the risk management and internal controls allows to keep track and promptly act on the level of risk while minimizing or completely eliminating various implications for businesses that will have a negative impact on its sustainability. General methods of control are expedient to allocate such methods as: the method of pre-control, control guide method, a method of filtering control method follow-up control.

Risk management at the enterprise is a continuous process which consists of constant monitoring of the sustainable development of enterprises, conditions of operation, identification of preconditions of occurrence of risks, its identification and development of methods of risk management.

Thus, on the basis of the constructed algorithm is appropriate to propose a model of the system of risk management, reflecting the influence of factors of activity of the enterprises of small and medium business. In our opinion, the formation of the system of risk management at these enterprises is determined by a number of objective and subjective reasons (Protsenko and Tsakayev, 2001).

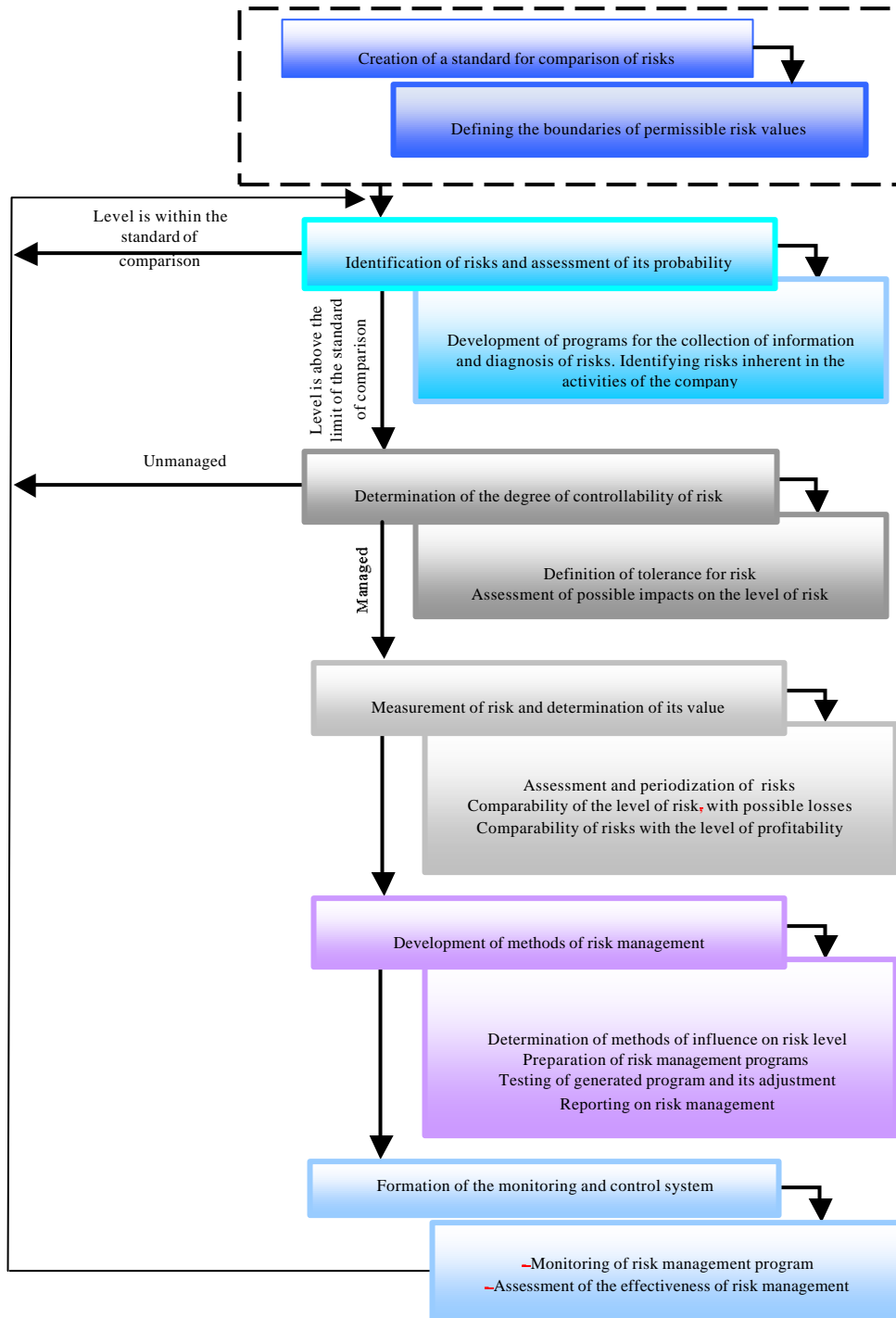


Fig. 1: Algorithm of risk management at the enterprises of small and medium business

The basis of subjective reasons of formation and implementation of the system of risk management is the high degree of mobility of the studied enterprises in accordance with the adverse conditions. If the

activity of the company is estimated as stable, the need for the creation or the reform of risk management for obvious reasons as a rule, does not arise.

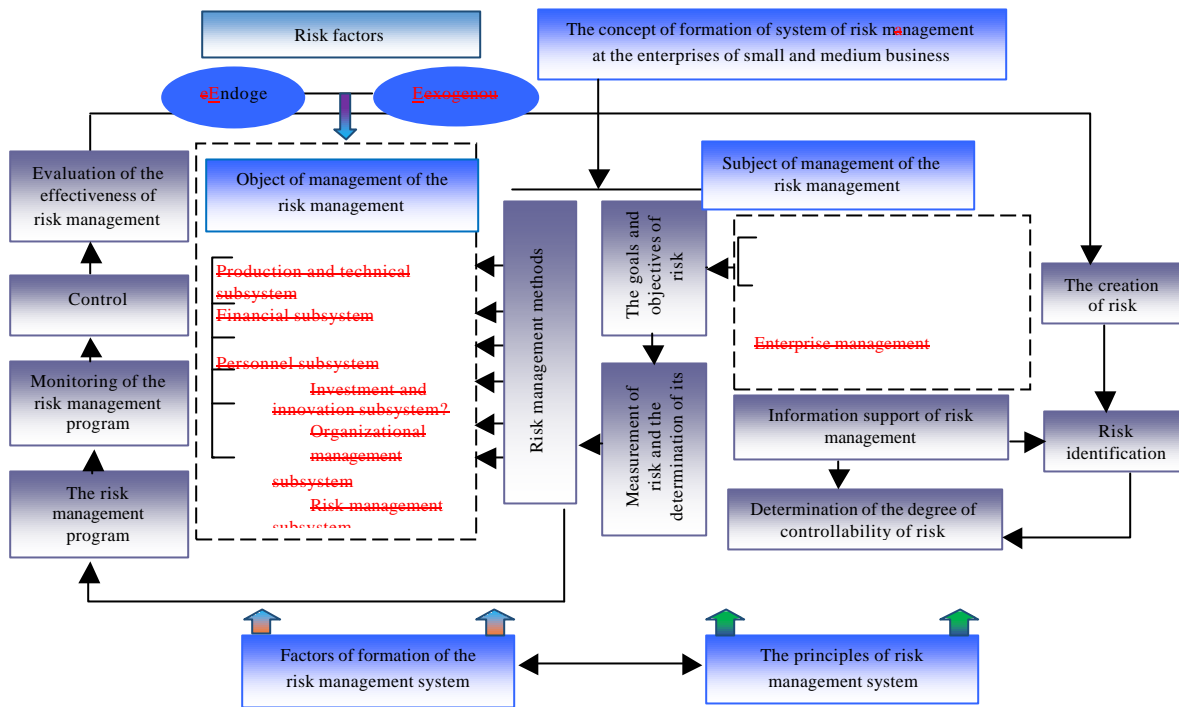


Fig. 2: Model of the risk management system at the enterprises of small and medium business

Objective reasons of the issues related to the impact of risk factors in the conditions of strengthening of globalization processes and high turbulence of the economy, significantly reduce the effectiveness of traditional risk management techniques. It is obvious that the formation of the system of risk management at the enterprises of small and medium business is due to the combined effects of objective and subjective reasons.

The main objective in the formation of the system of risk management is the development and implementation of an evidence-based approach to the construction of the risk strategy of the company are organically combined in the structure of small and medium business and promoting a balanced combination of risk and return (Fig. 2). The formation of the risk management system of the enterprises is carried out taking into account the impact of the following groups of factors.

The first group of factors is due to the scale of the enterprise. For small and medium enterprises, the most acceptable is the formation of a system of risk management that describes the mechanism of management of significant risks.

The second group of factors reflects the specifics of the company. Small and medium enterprises usually operate on a traditional basis. The share of innovative small and medium enterprises is quite small. In this regard,

it is necessary to carry out the formation of the system of risk management taking into account the degree of dynamism of risks.

The third group includes factors related to the company's position on the market. The fourth group of factors is related to organizational structure of the enterprise. For the enterprises of small and medium business it is advisable to develop and implement a system of risk management, built on the core principles of simplicity, optimality, adaptability, efficiency, autonomy, complexity, efficiency.

Thus, the formation of the system of risk management at the enterprises of small and medium business must be based on the understanding of the impossibility of unification but always with the consideration of influence factors and features of development of the enterprise.

Effective functioning of risk management system at the enterprises of small and medium business is based on the basic principles of its formation: the comprehensiveness, the management of risk, the purposefulness, the continuity, the consistency in management, the versatility and hierarchy in management of risk, the adequacy and the effectiveness of the system of risk management (Okolnishnikova and Katochkov, 2013).

A special place in the formation of risk management at the enterprises of small and medium business is the

creation of organizational structures for the management of enterprise risk. Features of functioning of small and medium enterprises suggest the spontaneity of this process, due to insufficient staff numbers and their qualifications. At the initial stage of formation of the system of risk management it is possible to create the local part of the management subsystem which will respond to the most critical risks. In process of the development the risk management system will develop and improve.

In our opinion, the effectiveness of the risk management system at the enterprises of small and medium business is largely determined by properly structured relationships of external and internal environment of functioning in the context of sustainable development which are based on the preservation of the basic properties of the operations such as boundedness, integrity, structure, interdependence, hierarchy, status, development, behavior in uncertain environments development, equilibrium state of development, stability and progressive development, emergence.

RESULTS AND DISCUSSION

Enterprises of small and medium businesses can rightly be attributed as one of the priority sectors of the Russian economy, due to the advantages of small and medium business: rapid adaptation to the changing market conditions, greater independence, flexibility and responsiveness while making management decisions; relatively low costs of the implementation of activities; opportunities for self-actualization; lower need of initial capital; quick response to changing demands of the markets. The development of small and medium enterprises allows to solve many social problems: creating new jobs, reducing unemployment and social tension, the formation of the middle class and improving the quality of life of population of the regions.

Risk management is a key aspect in activity of the enterprises of small and medium business, operating in an unstable market economy. This is due to the fact that the risk factor occurs in many spheres of activities and timely identification, analysis and adoption of appropriate decisions about how to manage a particular risk allows organizations to avoid crises and thus is both a protective mechanism and factor for the success of the company. Therefore, the question of the organization at the enterprises of purposeful algorithm for the management of risk becomes one of the most urgent and requires special attention.

The algorithm of risk management at the enterprises of small and medium business, including such stages as the creation of the standard for comparison of risks, risk identification and assessment of occurrence, the determination of the degree of controllability of risk,

measurement of risk and the determination of its value, developing methods of risk management, establishing the system of monitoring and control, can effectively manage the risk situation at the enterprises of small and medium business.

CONCLUSION

Thus, the enterprises of small and medium business are quite vulnerable to the unpredictability of development and the inertia of the market amid growing competition and its successful development is associated with the emergence of new risk factors that entails development of radically new or improvement of existing enterprise management system which could ensure sustainable development in modern conditions.

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