

Risk in activities of organizations as economic category

Riesgo en actividades de organizaciones como categoría económica

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ABSTRACT:

The purpose of the article is to reveal the function of risks as a mechanism for effective identification, assessment and reduction of risks of different nature to an acceptable level, including financial, corruption, illegal money legalization, financing of terrorism and other offenses. The article explores the most common model of the approach to the interpretation of the concept of "risk" as an economic phenomenon of human relations, relating only to human activity. Within the framework of the developing scientific school, a theorem on the ratio and limits of uncertainty and risk of a complex economic system is formulated for the first time. The consequences following the proposed theorem, allowing to find new methods of risk management in order to ensure the effective functioning of organizations, are shown.

Keywords: Risk-oriented approach; control and supervisory activities; risk; threat; economic security of the organization.

RESUMEN:

El propósito del artículo es revelar la función de los riesgos como un mecanismo para la identificación efectiva, la evaluación y la reducción de riesgos de diferente naturaleza a un nivel aceptable, que incluye finanzas, corrupción, legalización ilegal del dinero, financiamiento del terrorismo y otros delitos. El artículo explora el modelo más común del enfoque de la interpretación del concepto de "riesgo" como un fenómeno económico de las relaciones humanas, que se relaciona solo con la actividad humana. En el marco de la escuela científica en desarrollo, se formula por primera vez un teorema sobre la relación y los límites de la incertidumbre y el riesgo de un sistema económico complejo. Se muestran las consecuencias que siguen al teorema propuesto, que permite encontrar nuevos métodos de gestión de riesgos para garantizar el funcionamiento efectivo de las organizaciones.

Palabras clave: enfoque orientado al riesgo; actividades de control y supervisión; riesgo; amenaza; seguridad económica de la organización.

1. Introduction

As evidenced by the current Russian practice of public administration (and the relevant resolutions of the government of the Russian Federation), the implementation of management functions need to apply modern management models, including risk-based

approach (RBA).

The RBA is regulated by an international document, the binding implementation of which is accepted by all countries. The concept and content of the risk-based approach is set out in the requirements of the FATF standards, which emphasizes that the ROP should be considered more widely, namely "... to assess the policies, procedures and controls of enterprises and organizations aimed at identifying and managing risks and, if necessary, to apply corrective measures", i.e. to form a risk management system (RMS). This approach requires an individual assessment of risks and an understanding of the characteristics and circumstances of each organization. In case of detection of defects in the risk management programs or violations of laws or regulations, the Supervisory authorities should apply proportionate corrective measures to eliminate the identified shortcomings (FATF, 2012).

For effective risk management in organizations, it is necessary to understand the nature of risk as an object of regulation. Based on the results of the analysis of the experience of Supervisory structures in various organizations, it can be concluded that there are significant differences in the understanding of threats, vulnerabilities, risks in their activities, depending on the established practice, and they are not identical concepts in contrast to their interpretation at the philistine level. But the researchers agree that the danger characterizes one of their environmental conditions, the threat is a factor in the implementation of this danger, vulnerability refers to the defects of the organization itself, but in the understanding of risks scientists and practices differ both in the interpretation of the nature of risks and in the understanding of the process of risk management in the activities of organizations (Barton et al., 2003; Avdiysky and Kurmashov, 2003; Filina, 2008; Granaturov, 2002; Brown and Chew, 1999; Davis and Meyer, 2000; DeLoach, 2000). We agree on the most well-known and applied in practice standards of risk management of organizations. For example:

- International standard "ISO 31000 - Risk management" defines risk as "... the impact (i.e., deviation from the expected event) of uncertainty on the purpose of the organization" (International Organization for Standardization, 2018).
- Standard COSO "Enterprise Risk Management — Integrated Framework" (USA) considers risk as the opposite of uncertainty: "All organizations face uncertainty, and the task of leadership is decision making about the level of uncertainty with which the organization is willing to accept, aiming to increase the value for stakeholders" (Committee of Sponsoring Organizations of the Treadway Commission, 2004).
- International standard "A Risk Management Standard" by Federation of European Risk Management Association (FERMA) indicates that risk is a combination of probability of an event and its consequences (FERMA, 2002).

In the given examples we are talking not only about the integrated treatment of the risk of organizations, but also special or functional risks (technological, environmental, corruption, insurance, credit, currency, valuation, etc.), which are determined by separate regulatory documents in each case in different ways. Evolution in the understanding of the nature of risk shows that risk is a multidimensional economic phenomenon, which is explained by the presence of many different, often contradictory approaches to the definition of "risk" (Moiseeva, 2017).

In some sources, risk is interpreted as a danger or a negative consequence, in others risk is interpreted as an expression of the impact of the effects of uncertainty or potential deviation from what is planned or expected. This article proposes the most general approach to the interpretation of the concept of "risk" as an economic phenomenon of human relations, relating only to human activity.

2. Theoretical overview

In the economics the discussion of the relationship between capital, risk and profitability was systematically studied by F. H. Knight (Knight, 1921), and continued in the studies of John M. Keynes (Keynes, 1937) and other scientists of many countries. In 1955 the term "risk management", now also widely discussed in the scientific community, was proposed, and in 1956 R. Gallagher justified for the first time functions of the profession risk in the magazine "Harvard Business Review" (Gallagher, 1956). But the real boom of interest in entity

identification of risks began in the 1980s. Western literature even has a new name for this field of science – cindynics, in the domestic literature it is analogous to the term "riskology". The development of the theory and practice of risk management has led to an awareness of the need for more clear guidelines in the conceptual apparatus of this sphere of scientific and practical activities. The United States, Australia and New Zealand almost simultaneously developed and adopted documents that became guidelines for specialists in many other countries: in the United States in 1992— "Internal control. Integrated structure" (ICIF), in Australia and New Zealand in 1995 — the risk management standard of enterprises "Risk management". Many scientific and academic centres have contributed to the study of problems of risk management and promotion of this field of knowledge for two to three decades.

According to the authors of work (Avdiyskiy and Bezdenezhnykh, 2017; Avdiyskiy and Bezdenezhnykh, 2011), as well as other researchers, the world and society are at the beginning of an era of dramatic accelerating changes in general and in business in particular. Among the main reasons for these changes are increased price volatility, globalization of markets, increased competition, increased tax and legislative regulation, increased availability of information databases and other factors.

The analysis of the evolution of the extended interpretation of this term leads to the conclusion that this is the history of the fundamental quality of relations between nature and man, which continues in time, which develops as the relations between nature and society develop. The concept of "risk" has been discussed for quite a long time in various scientific sources and regulatory documents (recommendations, methods and standards for risk management), there is a variety of views and approaches to the interpretation of the concept of "risk". The most general interpretation of the term, which the authors of this article are based on, can be attributed to the following interpretation given in (Vyatkin et al., 2006): risk refers to life with the possibility that some future event may cause, but not necessarily, harm. And further in the same work, the authors state that in fact, risk as a phenomenon is much deeper than ground-applied definitions (Williams and Hiens, 1989). Let us point out that, nevertheless, applied understanding of risk is important for organization management practices (entrepreneurs and practical management). For them, by and large, the historical evolution of interpretations of concepts is of no interest, but it is interested in a practical assessment of the possible implementation of certain methods of decision-making in various possible circumstances: the probability of occurrence of events, the magnitude of deviations from the planned results, possible damage, adverse consequences, etc. Practice-managers call These possible events of risks, although, in fact, these are only possible versions or options for the implementation of the manifestation of various risk events. The risk itself is the forerunner of these events, they are predetermined and therefore it can be regulated at the stage of choosing a management decision. For a more scientifically based (and note in brackets, productive for management purposes) interpretation of risk, it is necessary to investigate the stage of choosing a solution in the development of the organization in the conditions of uncertainty of future events. Risk in general is a sense of purposeful person, characteristic of human communication with the world, fundamental property of existence, the same General concept as life. Risk is life in the conditions of partial uncertainty, - authors of work (Vyatkin et al., 2006) claim. This is an important ideological understanding of risk, but it does not allow it to be used for management purposes, in particular in organizational activities. Over more than ten years past, considerable work has been done to clarify the terms and concepts of the theory and methodology of risk taking into account the changes taking place in society.

Considering risk as a choice of a person in the category of utility, it is proposed to define risk as a feeling of satisfaction with the attitude of the expected change in the quality of life in the future and corresponding to the expected changes in the achieved quality of life, which may have to be sacrificed for the sake of the expected future. This definition is useful in the sense that, firstly, a person is introduced into the system of relations (organization as a product of human activity, risk is a human activity. Secondly, the range of goals of human (organizational) activity is significantly expanding. But as shown in the works of R. Thaler (Thaler, 1980), D. Kahneman and A. Tversky (Kahneman and Tversky, 1984), people often

make their choice in spite of its use. In this case, the risk as the satisfaction of needs is difficult to identify and measure the results of its possible manifestations. Risk is a basic property of human activity and thus a basic property of economic relations. This is the understanding of risk as an economic category, i.e., a category of risk, characteristics of production relations on the production, accumulation, distribution and consumption of labor products. In this sense, entrepreneurship is a conscious acceptance of risk in the expectation of receiving something desired (influence, status, profit, victory in elections, over competitors, etc.), but not only because it is fraught with economic losses (Avdiyskiy and Bezdenezhnykh, 2017; Schumpeter, 1934).

3. The essence of risk as a phenomenon of human activity

In our opinion, the above-mentioned definition of risk is not enough to define and implement a program of action to regulate risks in the activities of the organization. Consider the content of risk management through the analysis of the essential side of risk as a phenomenon of human relations. At the same time, let us clarify that our consideration has a more special focus and is aimed at defining risk as an object of management, since it is important not only to understand what the risk is and assess its possible manifestations in economic activity, but also to be able to manage it (or at least regulate it if the risk is difficult to manage). And it is risk management that is the content of many management decisions at all levels of organization. At the same time, the concept of "risk management" has become not only convenient and widely accepted in theory and practice, but also useful for substantiating the choice of risk policy, management strategy in order to ensure economic and other security of an economic entity. Thus, it is either impossible to talk about risk management (or regulation) as a possible damage, or if we say, it is necessary to change the object-subject relationship of the object and the subject. The observer subject and the regulator remain the same; therefore, the object must be specified more accurately, accurately and objectively.

The content of risk in our understanding can relate only to the person acting, seeking, making his choice or simply living and trying to realize his role (as he understands it). Following Jean Jacques Rousseau, it can be said that an unforeseen volcanic eruption or tidal wave — tsunami pose a threat to the ordinary course of events, but is not a manifestation of risk (in the context of the object of regulation) until the subject of regulation meets this wave, which as a result of its actions, these natural manifestations can threaten or, conversely, contribute (for example, in the case of construction of tidal or thermal power plants) to economic activity.

In addition, there is another important aspect of the phenomenon of human activity called "risk". Risk can be considered not only as an economic category that characterizes the production processes and relations in the selection and actions of economic entities. It can be a reflection of the conflict of interests of the parties as a philosophical category, a universal form of thinking and being, reflecting the quality of knowledge of the world and revealing the conflict between the limited knowledge of the future today and the uncertainty of the future (Diev, 2008). Philosophers argue that conflict and its resolution are the basis for the development of any complex system. Risk management in such statement represents one of mechanisms of overcoming, the conflict and has not only social and economic, but also legal nature.

Thus, this category needs a holistic, systematic analysis, allowing to take into account its objective and subjective elements, external and internal interconnections, to characterize the inherent qualities and properties of economic and legal relations. Since in the course of their life any reasonable entity is faced with the need to make a choice to make a decision, the concept of "risk" filled with economic and legal content as the maturity of relations at each stage of social development. Decision-making and actions to implement it in conditions of uncertainty, if somewhat simplified to determine the nature of the risk, lead to a certain result, namely the implementation of the decision, which in this model approach is considered as a risk factor of a new quality.

Thus the risk lies in management actions (decision-making and implementation). But the above definition is only part of the concept. Another part of this definition is that prior to the implementation of practical actions it is necessary to identify, describe (identify), assess or measure the consequences of these actions (the consequences of risk), to rank the severity of the consequences.. Management methods may be different, but the overall approach is aimed at overcoming conflict and reducing the uncertainty of future events.

For a more complete disclosure of risk, the standards on risk management often use the definition of "situation of risk" and "risk awareness". Each subject in the course of business is faced with situations that have no clear solutions. An uncertain risk situation requires the selection of several solutions with different likelihood of implementation and different impact assessments. Uncertainty is formed by the actions of other economic entities and the conditions of entrepreneurial activity. Uncertainty of the external environment can be generated by the actions of the subject as a result of awareness or lack of awareness of the risk. The need to make one of several decisions in uncertain circumstances is indicated by the term "risk situation".

If a subject understands that he or she is facing a situation of risk, the fact that he or she understands such an understanding means that he or she is aware of the risk. Risk awareness involves not only awareness of the threat and uncertainty of the future, but also a quantitative and qualitative assessment of the threat. Awareness of such a situation allows to resolve (reduce) uncertainty by taking one of the options on the basis of evaluation. The concept of risk (including economic or business) includes not only the existence of a risk situation and its awareness, but also the adoption and implementation of decisions based on quantitative and qualitative risk analysis. If the latter condition cannot be fulfilled, the situation is considered unpredictable and the risk (including business risk) becomes uncertain. Thus, it is possible to formulate the following definition of an expanded understanding of economic risk in the activities of an economic entity through its three mutually reinforcing essential components. Risk is:

- the existence of a situation of uncertainty, danger and threat to the external and internal environment;
- the presence of the subject and his / her awareness of the threat situation (risk and its quantitative and qualitative assessment);
- adoption of a decision (purpose and method) on the basis of risk awareness and its implementation in order to reduce uncertainty in the implementation of the future event.

In this definition, there is also an important limitation due to the fact that the activities of the subject are of a managerial nature, but different from the management of the organization as a whole. This difference lies, first of all, in the ratio of management levels: risk management is a subsystem in the management system of the organization that provides information component of top management. The second difference is analysis and evaluation. Risk management operates by assessing the uncertainty of future results, of course, important and significant for the activities of the organization, but not exhaustive management tasks. The following difference — risk management uses an independent methodical and instrumental analysis as any other special model of management analysis. It is also important to emphasize that the risk analysis subsystem is not isolated from the entire management system, but is immanently present in all management processes both inside and outside the organization, penetrating all processes in the organization, but influencing only on the issues specified in the above risk definition.

When concluding the consideration of the content of "risk" as an economic category, it should be correlated with the concepts of "danger", "threat", semantically related to the concept of "risk", since they are often considered synonymous or similar in content. But these terms have different meanings: danger-characteristics of deviation (undefined) from the normal state of the environment or situation, threat — the direct factor or cause of undesirable (undefined) impact on processes, risk — regulating human activities in a dangerous state of the external and internal environment under the influence of threats threatening its activities. Thus, the danger forms a variety of threats, which, if implemented, will lead to undesirable consequences for the functioning of the organization. Risk is the adoption and implementation of a future decision in an uncertain environment. For example,

in Portugal, there was a seismic hazard with an earthquake threat, but the risks were the decision to build high-rise buildings in this zone. And the risk case is an earthquake that caused a lot of loss of life. The accepted content of the term "risk" allows to build a logical relationship and transition from the state of the environment (danger) to the motives and reasons (threats) of possible versions of the future development (risk, ie. related to the variants of solutions) events and the need for responsible decision-making in these conditions of uncertainty.

4. The content of risk management as a basis of risk-based approach in the management of the organization

Based on the model of a complex of the socio-economic system in the synergetic sense, consider risk management (activities to reduce uncertainty) and uncertainty in the environment of the functioning of economic entities as parameters of the order of systems. Nobel laureate K. Arrow warned: "our knowledge of the course of affairs in society and in nature drown in the fog of uncertainty. Faith in certainty <...> has been the cause of many troubles. By freeing ourselves from the past, we can become slaves to a new religion, beliefs as illegitimate, limited and arbitrary as old prejudices. This should be borne in mind especially during the period of reforms, transformations and other serious changes, when the so-called asymmetry of the relationship between past and future events occurs" (Arrow, 1994).

Any socially-economic regulated system corresponds to a certain level of risk as a condition of its development. Uncertainty is a characteristic of market complexity and instability, i.e. a factor of multiple choice of a development path, but not a characteristic of development.

In our opinion, such an indicator of development is the presence of a certain minimum level of risks of an economic entity that characterizes the minimum uncertainty of the system, which is necessary to ensure development, and the presence of a risk management interval that characterizes the range of manageability of a complex economic system.

Another objective condition for the effective functioning of a complex socio-economic system is the presence of the maximum permissible level of risk and the resulting uncertainty, exceeding which leads to the destruction of the business environment. Taking into account this amendment, it is possible to formulate a theorem on the limits of uncertainty and risk of a complex economic system, based on the following provisions characterizing the evolving socio - economic system:

- Any socio-economic process is characterized by a certain amount (measure) of uncertainty of the environment, where the process takes place, and the amount (measure) of the risk of the operation of the object, and which act as the control parameters of the synergetic system - characteristics of the complexity of the evolving system;
- Any socio-economic process is characterized by a certain, corresponding to the stability of the system interval (range) risk management (their manageability, based on their measurement, evaluation, regulation, monitoring — - characteristic of the manageability of the evolving system);
- The socio-economic process is characterized by both minimum and maximum levels of uncertainty of the environment and risks of operation (controllability), within which its effective and economically safe functioning is ensured. The underestimation leads to the termination of the development (negative dynamics), and the excess leads to the destruction of the system — the characteristic stability of the evolving system.

Thus, the theorem of the maximum level of uncertainty and risk in the activities of the economic entity defines the following: any socio-economic processes inherent to a certain limit for this process of interval of uncertainty of the external environment — neoprene. and the interval of risk of the organization risk increasing with the development of complex economic system; the prerequisite of effective behavior of the socio-economic process is the presence acting as order parameters of a complex economic system quantities (measures) the organisation's risk appetite — Oriska between the minimum and maximum permissible values (risk), the relevant interval (neoprene) values (measures) the uncertainty of the environment course of business (Uneap).

In other words, the socio-economic process of functioning of a complex system develops effectively (safely and in accordance with the established objectives), if:

- complexity (uncertainty) and control characteristics of the system are uniform;
 - levels of uncertainty of the environment and the organization correspond to the characteristics of stability;
 - risk levels correspond to the characteristics of manageability in the management system of the regulatory object.
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5. Conclusion

It is possible to draw conclusions and make recommendations, and to assess the current socio-economic situation in the Russian economy.

First, the greater the range of uncertainty, the lower the risks of any nature, from criminal corruption to social and economic risks.

Second, it can be predicted that the minimum levels of risks (e.g. corruption, social) may not be the same in different countries with their uncertainty and risk intervals. Therefore, the comparison of indicators, such as corruption in different countries, is not quite correct, if you do not take into account the characteristics of the environment (context) of operation.

Thirdly, it is possible to notice an inverse relationship: if there is growth of the level of risk (e.g., social), we can talk about the growth of uncertainty (the range extension threshold). Thus, the growth of social unrest, for example in the United States, France, Ukraine may indicate an increase in uncertainty at the level of the choice of the development strategy of a country.

It seems to us that the levels of uncertainty, stability and controllability can be measured, but not absolutely (which in general is not very important), but rather, for example, in percentage terms, in dynamics, which is more important for practice. We can note other conclusions of the theorem on the ratio of risk uncertainty in the activities of organizations.

Whatever model of management system the organization chooses, it should ensure effective identification and reduction of risks of different nature. And an accurate understanding of the content of the basic concepts, in particular, risk, threat, danger in the functioning of organizations will improve the effectiveness of risk-based management method.

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