

RISK MANAGEMENT AND ITS PROSPECTS

KATERYNA DOLMATOVA, student

ALLA V. DUDNIK, Senior Teacher, PhD in Economics, Scientific Adviser

SVITLANA I. KOSTRYTSKA, Associate Professor, Language Adviser

Dnipro University of Technology, Dnipro

Risk surrounds us. It is a difficult and inevitable part of our life. The experience of leading international companies proves that the stability of business development and improvement of management efficiency is impossible without the active use of risk management as an element of the company's management system regardless of its scale and specifics of production or provision of services.

Risk management is a system for managing risk and economic relations. It includes the strategy and tactics of management actions. The risk management system is designed to provide the perfect balance between making a profit and reducing costs for the enterprise. The risk management system will be most effective only if this factor is observed [4].

Table 1. The negative impact of risks related to third parties (adapted from Deloitte's Extended Enterprise Risk Management Global Survey, 2016).

Incidents	Value, %
Reputational damage	26.2
Financial or transaction reporting errors	23.0
Non-compliance with regulatory requirements	23.0
Breach of sensitive customer data	20.6
Lost business	10.3

As part of Deloitte's 2016 Extended Enterprise Risk Management Global Survey, 170 C-Suite executives from global organizations assessed the key challenges they faced working with third parties, i.e. partners. The result is presented in Table 1.

The information in Table 1 shows that most of all the risks influence the reputation of enterprises. In equal measure, they cause financial or transaction reporting errors and non-compliance with regulatory requirements. Nearly one-fifth of executives surveyed have faced breaches of confidential customer data, and 10% have lost their business.

Risk management is about predicting what to expect, and at the same time preparing for it, not just getting an immediate response. An optimal risk management system implies building a management scheme, in which the main task is to prevent all kinds of problems.

A direct consequence of the introduction of the risk management system into the permanent practice of the organization is the stability of its development that increases the validity of making a decision in a dangerous situation, and improves the financial situation by monitoring all types of activities [5].

There are a lot of advantages of risk management. It can reduce uncertainty. Controlling negative factors helps to reduce the probability of their occurrence and minimizes their impact. With timely preparation and planning, even in the case of a risk event, the company will be able to maintain a safe level of operation. Risk management evaluates alternatives and chooses a strategy with the most favourable consequences in a changing environment. Managing risks optimizes planning and improves efficiency. Analysis of information about current processes and prospects allows to plan future activities in more balanced and effective way, which will increase the efficiency of using favourable prospects, reduce negative consequences and help optimize the organization's activities. Regular audit of available resources allows not only to avoid serious losses, but also helps to increase income to save resources. The risk management process increases the accuracy of information and allows to build a high-quality corporate strategy. Image and place in the market are of great importance. Professionals who steadily manage risks are always much more attractive to investors, credit institutions, insurance companies, suppliers and clients.

Risk management at the planning phase contains three stages, which are presented in Figure 1. At the first stage, risks are identified. This stage involves the identification of risks that can affect the state of the enterprise and their classification by characteristics. Further, risk assessment is carried out to determine the magnitude of the possible impact on the state of the enterprise. It deals with identifying risk events that require a response. Finally, the development of the response is being carried out. This is the separation of necessary actions and reactions to prevent risks and threats requiring a response.



Fig. 1 Stages of risk management

The risk management system is an important element of the functioning of financial institutions. Decision making in a risk environment includes several components, the main of which is risk reduction tools. In world practice, the arsenal of tools is quite developed, and in the Ukrainian financial system, the practice of using approaches to reduce risk is limited due to the relatively short time of the financial market economy functioning. An economic entity is forced to independently take measures to reduce the degree of influence of entrepreneurial and financial risks.

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RECENT TRENDS IN MANAGEMENT

DARIA DRONYK, student

NATALIYA M. VLASHCHENKO, Associate Professor, PhD in Economics,
Scientific Adviser

YEVHENIIA S. MOSHTAGH, Associate Professor, PhD in Philology,
Language Adviser

O. M. Beketov National University of Urban Economy in Kharkiv

Recent trends in management refer to the latest managerial practices that managers use to effectively manage their employees. As the market situation evolves, the managerial trends also evolve and change. These changes are subject to the market conditions of that time period. The most popular recent trends in management are Total Quality Management and Risk Management.

1. Total Quality Management.

All business management principles unanimously agree on the importance of quality. One can measure the success of an organization from the quality of its goods and services. Due to the importance of this factor, total quality management has gained vast prominence over the years. Managers