PARADIGM OF INTEGRATED RISK MANAGEMENT

Urgency of the research. Forming of integrated risk management is a prerequisite for improving the efficiency of companies in a changing environment and the important direction of providing the development of modern companies.

Target setting. Integrated risk management requires a holistic approach that will contribute to risk-appetite of a particular company and the characteristics of each business process’ realization.

Analysis of recent researches and publications. Theoretical and practical aspects of integrated risk management have laid in the works of scholars such as: H. Berg, V. Vitlinsky, A. Kaminskiy, R. Kaplan, V. Kravchenko, D. Norton, D. Palunin, M. Henley and others.

Uninvestigated parts of general matters defining. The researches of new in terms of methodology approaches to the forming of integrated risk management in companies, adapted to modern trends in the economic process in the country are still relevant.

The research objective. The development of scientific views to risk management based on its integration with business processes depending on the goals of the company’s development.

The statement of basic materials. The author has highlighted the question of the dialectical relationship between components of company management and risk management. The importance of the transition from the perception of risk management by the separate direction of company’s activity to the forming of a risk management culture for providing the integration of risk management with business processes was emphasized. For the purpose of detailed presentation of forming the integrated risk management the risk integration pyramid within the management system of companies is provided.

Conclusions. The proposed approaches to the forming of the concept of integrated risk management strategy will allow improving the forming of development strategies of companies, which is especially important in the economic, social and political instability of the functioning of the environment.

Keywords: risk; management; risk management; integrated risk management; business processes; risk appetite; risk tolerance.


Urgency of the research. Modern understanding of the risk and its relationship with the uncertainty directs scientific research in the area of uncertainty perception by the constant of the economic environment of the functioning of any company. This is primarily due to the complexity of the technological parameters of the production process and new requirements for realization of the economic activity. Moreover, this situation is caused by objective existence and variability of the environment. In this context, clearly identify from a large number of different factors those that affect or are able to influ-
ence on the company’s activity are almost impossible, especially when the expression of these factors is previously unknown. Exactly in this case there is a need to formulate the conceptual bases of forming of integrated risk management system as a new paradigm of risk management, the cornerstone core of which is the consistency of business processes with the hierarchy of objectives and risk appetite of the definite company.

**Actual scientific researches and issues analysis.** Traditionally, at least until recent years, the basic methodology of risk management have perceived the concept of risk management, which is based on the development of such options of actions that will enable the most rational way to minimize the possible losses. Finally, thanks to such scientific views on the modern level of theory and practice of risk management the useful tool of protection and minimization of the negative effects of risks through the implementation of certain stages of risk management in the company was formed. These aspects of risk management were in the circle of scientific interests of researchers such as H. Berg, V. Vitlinskyi, A. Kaminskyi, R. Kaplan, V. Kravchenko, D. Norton, D. Palunin, M. Henley and others.

In practical terms of consideration of risk management questions the basic risk management standards, including ISO 31000, «FERMA»; «COSO II»; «KING II» and others also uses.

Despite of significant scientific progress of scientists and practical achievements, the researches of new in terms of methodology approaches to the forming of an integrated risk management (IRM) in the companies are still relevant. This primarily relates to the realization that any actions lead to consequences that could be both positive potential opportunities and threats. Therefore, the problem is not the risk by itself, but only that risk, which is undesirable.

The research objective of the article is scientific substantiation of the approach to risk management based on the integration of business processes with risk management of the company, depending on its risk appetite.

The statement of basic materials. Considering the results of the conducted analysis of scientific literature, there is no unified view of the definition of risk management, its elements, features, qualities and functions [1-8]. The absence of single view is explained by the use of different areas and methodological approaches in the study of this problem which is related to the nature of the phenomenon.

The establishing of the concept of an integrated approach to risk management belongs to international organizations because it had reflected in the development of standards and guidelines for the companies. Exactly risk management standards consider the risk from the standpoint of both negative and positive effects [9].

Thus, modern risk management involves the understanding of the positive and negative aspects of risk. Usually, companies pay more attention to risk management at the occurrence of negative effects and only according to highly specialized profile. In particular, it could be in the need for hedging currency or credit risks or occasionally, such as in case of occurrence of negative events. So the problem is that the consideration of these issues in most cases is unsystematic and sporadic. Accordingly, risk management is reduced to precautionary measures which mitigate the negative effects.

However, the company is a complex system consisting of a set of subsystems, processes, subprocesses, links and relationships between all of them. Therefore, the integration of risk management elements in this system will allow providing the effective functioning of the company. This means understanding of the existing challenges, impacts and also identification of appropriate signals for timely management decision making.

The basic idea of an integrated approach is to establish a close link between risk and goals of the company. Therefore, before the development of risk management system, the company management firstly must develop a structured system of goals. And as the achieving of these goals is directly connected with the implementation of definite business processes in the company, the integrated approach will allow embedding the risks system in the management system of the company according to the goals. After specifying the goals of the activity, the company can demonstrate a specific goal for each level of the company, each employee, and thus can forming a system of key indicators of achieving the goals.

Thus, the integrated risk management should be considered as a set of actions at all levels of management and the participation of staff embedded in business processes of the company, the main
目的，是实现公司目标。这种方法将风险视为实现特定目的的概率。考虑到所有目标都整合到业务流程中，风险管理的责任将与每位员工的职能责任相关联。因此，这个过程将不再被分割、片面或高度专业化。

显著的差异在于风险管理的传统观念和集成风险管理的观念，二者在对风险管理的感知中表现出来，即对组织整体风险状况的感知，即感知到管理层决策制定中的不确定性（表 1）。

风险管理意识在感知到风险管理作为整体管理系统的组成部分的重要性时应集中在以下方面：
- 集成风险管理与现有计划和管理工具的整合，以及实施分配任务的控制程序的整合；
- 及时识别新风险和机会，并将它们纳入战略和运营管理，评估适当措施的有效性；
- 形成“风险导向”理念和在组织结构中的激励。

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Source: created and substantiated by the author

考虑上述提到的风险管理是一个持续的过程，伴随着公司的发展。在这样的情况下，公司管理的基础将是公司内部风险管理和风险管理哲学。

公司风险管理文化的主要发展方向应包括以下几项：
- 获取有关风险的信息
- 确定主要风险的负责人
- 将风险管理能力纳入公司发展计划和员工计划
- 集成风险管理流程和预算流程
- 刺激员工预防风险
- 告知员工关键风险

无论多简单、逻辑和清晰，如果来自员工和管理层的拒绝，公司将无法管理风险。因此，公司管理哲学的主要焦点应建立在集成风险管理的基础上，以创造这样一个环境，使得风险管理成为公司管理文化的重要组成部分。
ternal environment that would facilitate open communication about the risks during their identification, assessment, reducing the negative effects of risks for separate business processes.

The number of risks that the company receives will depend on the formed conduct, i.e. whether the organization strives to risk (i.e. whether its behavior as "risk seeker") or reluctant to get it (i.e., it is the behavior "risk averse"). In this context, to be cautious about the risk does not mean that the establishment of a business process is oriented on the risk aversion. Rather, it means that business process should be focus on getting the adequate compensation from the decision making as a result of risks. On the other hand, the desire to take the risk in business as "risk averse" is more focused on getting the maximum corporate profits than the disquietude about the level of the risk they are willing to take to maximize it.

When an appropriate risk-behavior is formed each manager, each director, each company orient primarily on its "risk appetite" regardless of whether this was clearly stated or not.

Risk appetite (RA, Risk appetite) is a such level of overall risk that the company generally considers an acceptable in the process of value formation, the achievement of its target strategic guidelines [10, P. 3443]. For quantitative measurement in practice of company’s activity it should be considered as a certain level of losses for the planning period, during of its implementation the prospect of reducing the activity indicators arises.

In order to better understand the company’s appetite to the risk, we would use the additional concepts that are in the scientific literature [10, P. 3443-3445]:
- risk capacity is the maximum level of risk that the company may take over by;
- risk tolerance is the level of risk that the company actually willing to take depending on the specific risks;
- pain threshold for separate internal business processes) is the level of risk (in financial equivalent the level of losses for the planning period), overrun of which in the case of implementation is unacceptable.

Determination of the range of definitions will help to find out not only the nature of each of them, but also find the specifics of risk management integration in company’s business processes.

The presence of a large number of different features of risk classification in the scientific literature, particularly in the works [4; 5; 7; 8], needs the identification of the sphere of emerging risks in the goals of forming the concept of integrated risk management at a company level. This approach allows in each structural unit to identify the key factors or organize the causal relationships. Thus from the total aggregate of various environmental factors those related to specific areas of the company’s activity should be identified and monitored. This would direct the management actions in advance, firstly due to the integration of risk management functions into the overall cycle of company’s management. From this point of view it is important also to analyze the phenomena such as the risk appetite of the company, risk tolerance, pain threshold, and the relationship between them.

Risk appetite usually reflects the appropriate amount of actions or omissions of top management of the company regarding to the achievement of strategic goals and objectives of its development. It should be noted that nowadays the definition of risk appetite is a key component of risk management philosophy for any company.

Widely recognized in the theory and practice of management is the fact that the subordination and structuring of general goals of the company depends on the formed mission and overall strategic vision of development. Therefore, the understanding of the relationship between the management concepts such as "mission", "strategy", "tactics" with the terms "capacity risk", "risk tolerance", "risk appetite" allows getting the logic of forming an integrated risk management in the management system of the company (Fig. 1).

However, it should enter the certain limitations and barriers of perception of risk management, which can take some place in the forming of the integrated risk management concept:
- lack of support and understanding at the level of owners and management;
- fear of open debate about the manifestation of the risks and its existence;
- lack of desire to take responsibility for the individual risks for themselves;
- perception of the risk management processes as the minor distraction processes;

Duka A. P. Paradigm of integrated risk management
Risk management in modern companies is a complex process for understanding of the objective nature of risks because there is no business without risks, but there are companies that ignore their own risks. Moreover, it is impossible to predict all risks and that's why it should be prepared for uncertainty during the implementation of separate business processes. In this regard, the purpose of risk management should become not complete its avoidance, but the early detection and prepared for uncertainty during the implementation of separate business processes. Due to this understanding of the purpose of risk management, the integrated risk management concept focuses on the transformation of risk management from the usual process which includes stages and works, to forming the culture of the company because of risk perception on all levels of management hierarchy.

Conclusions. Risk management in modern companies is a complex process for understanding of the objective nature of risks because there is no business without risks, but there are companies that ignore their own risks. Moreover, it is impossible to predict all risks and that's why it should be prepared for uncertainty during the implementation of separate business processes. In this regard, the purpose of risk management should become not complete of its avoidance, but the early detection and prepared for uncertainty during the implementation of separate business processes. Due to this understanding of the purpose of risk management, the integrated risk management concept focuses on the transformation of risk management from the usual process which includes stages and works, to forming the culture of the company because of risk perception on all levels of management hierarchy.

Fig. 1. Pyramid of integrated risk-management in the companies

Source: created by the author

References
