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IBI (India) = 4.260
OAJI (USA) = 0.350

SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2020 Issue: 06 Volume: 86

Published: 18.06.2020 <http://T-Science.org>

QR – Issue



QR – Article



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THEORETICAL FOUNDATIONS OF RISK MANAGEMENT IN LARGE CORPORATE STRUCTURES

Abstract: This article discusses the objectives of modern risk management, as well as how risk management can lead to beneficial solutions for the enterprise. The article is focused on the study, systematization and development of the theoretical foundations of risk management. The regular nature of the risk of entrepreneurial activity in the conditions of implementing an innovative strategy has been established, based on the classification of risks by economic level, their division into insurance and non-insurance is proposed, which determines the need to provide state guarantees to enterprises implementing innovations.

Key words: risk, losses, benefit, risk management, goals, risk management system, reduce risk, identification, anti-risk control, risk decision, risk assessment, risk analysis.

Language: English

Citation: Maxmudova, N. J. (2020). Theoretical foundations of risk management in large corporate structures. *ISJ Theoretical & Applied Science*, 06 (86), 83-88.

Soi: <http://s-o-i.org/1.1/TAS-06-86-15> **Doi:**  <https://dx.doi.org/10.15863/TAS.2020.06.86.15>

Scopus ASCC: 2000.

Introduction

UDC 346.2

The market economy is characterized by various risks and dangers. The observance of the laws of a market economy, limited resources, increased competition, the need to use innovations and a number of other factors shape the likelihood of the emergence of various risks in economic entities.

Today, the conditions of uncertainty surrounding enterprises can become threats to the enterprise at any time, and the threats are more likely to affect the enterprises in the form of risk over time. Now, as a result of globalization and the international division of labor, the flow of international capital is growing, investors are increasing, and they are seeking to invest their capital in low-risk sectors aimed at maximizing profits. This requires the enterprises of our national economy to take into account and manage the risks they face in their activities.

Methodology

In this study, methods such as a systematic approach, comparative analysis, grouping, comparison, induction and deduction were used.

Results and discussion

The attitude to corporate governance around the world has become more noticeable since the beginning of the 90s of the XX century, when national economies began to pay special attention to the formation of large corporate structures. During this period, the principles of corporate governance were improved, international multinational corporations were created, and corporate governance models were introduced. Currently, in the practice of the developed countries of the world, a lot of practical work is being done to study the theoretical and methodological foundations of the development of corporations, select strategies for their management, and comprehensively assess the degree of risk of corporate governance problems in joint-stock companies. In world practice, three types of corporate governance models are widely used: the Anglo-American, German and Japanese models.

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World experience shows that the effectiveness of corporate governance systems of a company depends on the implementation of modern principles and international management standards, studying the practice of effective corporate governance mechanisms in joint-stock companies. Improving the scientific and methodological foundations of corporate governance, modernization, technical and technological updating of strategically important sectors of the economy is the main criterion for the development of joint stock companies in the context of globalization of the global economy.

One of the main goals of the ongoing reforms in the Republic of Uzbekistan is the creation of a multi-layered economic environment, the transfer of ownership to real owners and the creation of ample opportunities for the development of entrepreneurship.

One of the main goals of the ongoing reforms in the Republic of Uzbekistan is the creation of a multi-layered economic environment, the transfer of ownership to real owners and the creation of ample opportunities for the development of entrepreneurship. In order to improve the management efficiency of joint-stock companies in the republic, a regulatory framework has been developed that contributes to the improvement of corporate governance structures. However, the solution of the introduction of effective management mechanisms in corporations entails a number of problems regarding the interests of the state in the corporate sector of the economy, the principles of effective corporate governance, the introduction of international experience, taking into account the socio-economic characteristics of the development of privatized systems. In this regard, today the scientific substantiation of the issues of creating an effective corporate governance mechanism and assessing risk situations in this case is an urgent problem.

In accordance with this, the Action Strategy for 2017-2021, developed in the Republic of Uzbekistan, allows introducing modern standards and principles of corporate governance of joint stock companies, as well as strengthening the role of shareholders in the strategic management of corporations¹. In order to effectively solve the above problems, there is a need to develop scientific and methodological foundations

of corporate governance in the modernization of the economy.

World experience of leading companies shows that business stability and improving management efficiency are impossible without the active use of risk management as an element of the enterprise's management system, regardless of the scale and specifics of the production of products (services). The existing enterprise risk management systems are focused on achieving the necessary balance between making profit and reducing business losses and are called upon to become an integral part of the enterprise management system through integration into the general policy of the company. At the same time, risk management involves making risk management decisions in the presence of several alternatives to managerial decisions that determine the possibility of using limited resources.

Modern risk management is focused on the formation of the culture and infrastructure of the enterprise in the framework of the following goals:

- 1) identification of the main factors and causes of risks;
- 2) identification, analysis and assessment of enterprise risks;
- 3) decision making based on risk assessment;
- 4) development of anti-risk control actions;
- 5) reduction of risk to an acceptable level;
- 6) organization of the implementation of the enterprise anti-risk program;
- 7) control of planned measures to reduce risk;
- 8) analysis and evaluation of the results of making a risk decision.

The distinguished characteristics are consistent with the primary signs of risk management, which are indicated in international standards. At the same time, there is a division of opinions regarding the status of risk management in enterprises: some see it as the prerogative of senior (strategic) management planning and setting tasks, including risk management, others see it as direct execution of risk management. The noted difference is due to different approaches to the organization, both general management and risk management in the organization, and is also associated with the profile of the organization. In the general case, the use of risk management systems allows achieving certain advantages².

¹ Decree of the President of the Republic of Uzbekistan dated February 7, 2017 № PD-4947 "On an action strategy for the further development of the Republic of Uzbekistan" / Collection of legislation of the Republic of Uzbekistan, 2017, № 6, article 70.
² See, for example: Martsinkovsky D.A. Overview of the main aspects of risk management // Management Methods and Tools.

2009. №. 1 (11-12), page 57; Current state and problems of risk management development in Russian companies. Results of an expert survey of risk management specialists. M.: "Russian policy - Information Group", 2006. pages 9-18 and others.

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Table 1. Some possibilities of applying risk management systems in enterprise management

Advantage	Description of Organizational Improvements
1. Reducing the uncertainty factor of entrepreneurial activity	Monitoring risk situations allows you to develop specific actions to reduce the likelihood of risk and its impact on the results. When insurmountable events occur, the enterprise achieves the necessary stability through adequate planning and formation of reserves
2. Seizing Opportunities (Promising Improvement Opportunities)	The implementation of risk management measures allows us to assess the possibility of favorable consequences (chances) in a risky situation. The search for chances is effective when employees have the necessary qualifications in risk management and chance.
3. Better planning and better management efficiency	An objective risk assessment clarifies information about the enterprise, its operations, prospects, targets, which provides more informed planning and forecasting. This indirectly increases the ability to use chances and reduces the possible negative consequences.

Almost all enterprises in their activities are faced with the need to manage risk, which determines the need for risk management. The risk management system has some functional features, which gives it a peculiar character. So, risk management is based on the fact that it is linked with both negative and favorable consequences of entrepreneurial activity. Today, managing risk means determining prospects and identifying opportunities to gain advantages over competitors, preventing or reducing the likelihood of an undesirable result of activity. In addition, risk management involves a serious analysis of decision-making conditions at enterprises, which is a logical and systematic process of choosing ways to improve entrepreneurial activity and increase the efficiency of business processes. Essentially, risk management integrated into the current activities of an enterprise is often considered precisely as a system for ensuring a guaranteed result.

Risk management is also considered as a promising process that requires leading thinking, and not just a timely reaction to accomplished events. Accordingly, the formalization of the risk management system allows working to prevent problems. This determines a clear distribution of responsibility and decision-making authority. In this case, the prerogative of strategic leadership is the distribution of powers and responsibilities among the levels of management and departments of the enterprise. At the same time, it is considered important to establish an optimal balance between responsibility and the ability to control risk.

Risk management also depends on the effectiveness of the interaction of risk management participants, which is carried out both in the internal and external environment of the enterprise. However, the priority is still the interaction in the internal environment of the enterprise. Another important point in risk management of a modern enterprise is the

need for balanced decisions based on the economic feasibility of reducing risk and ensuring the achievement of predicted performance indicators. Sometimes the main goal of risk management is formulated this way: to ensure, even in the worst case scenario, only a certain allowable decrease in the predicted result while ensuring the stability, liquidity and solvency of the enterprise.

Experience shows that the probability of a situation leading to large losses in a relatively stable market is usually quite small. Orientation of risk management to manage such situations often leads to an unjustified reduction in the volume of basic operations of the enterprise. Therefore, the company in solving the problems of current risk management should focus on dynamic (non-stress) losses. Large catastrophic losses as a result of the implementation of enterprise risks should be considered separately[6].

A review of domestic publications and events on the subject of risk management indicates that the problems of risk management today are not discussed more by managers, but by insurers, whose underwriting activities are very similar to those of a risk management consultant (without specific banking risks or exchange risks). At the same time, one cannot fail to note the wider field of application of the concept of risk management than the assessment and transfer of a number of risks to insurance.

A survey conducted by the Russian Polis analytical service under the auspices of the Russian Risk Management Society among the leading companies of the country, members of the Russian Union of Industrialists and Entrepreneurs, to assess the level of development and the place of risk management in modern corporate governance, showed the need to adopt some practical standard for risk management in Russian conditions, which remains relevant in the post-crisis period.

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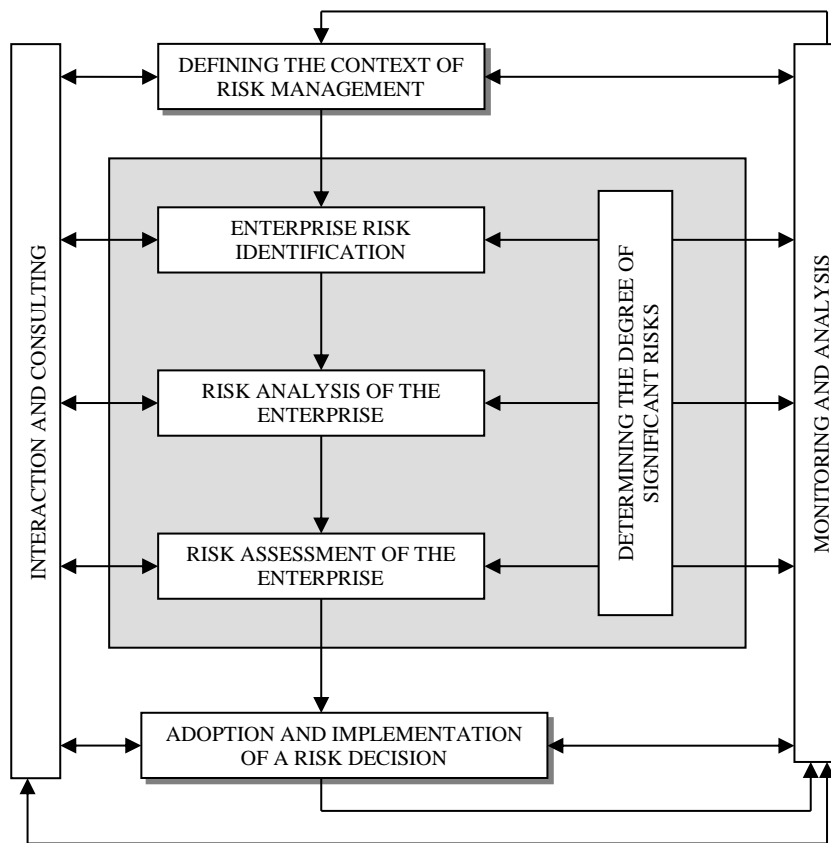


Figure 1. The structural diagram of the risk management process

In turn, the concept of acceptable risk seems methodologically very important for ensuring the risk management of an innovative enterprise, since it is based on the differentiation of risk levels at various stages of its manifestation:

- the initial level of innovation risk (R_{in}) is the risk level of an idea, plan or proposal without taking into account the implementation of risk analysis and risk assessment measures; this risk seems unidentified and unappreciated, therefore, the risk level at this stage is very high due to the unpreparedness of the organization’s decision-makers for risk situations;
- the estimated risk level (R_{es}) is the risk level taking into account measures for identification, analysis and risk assessment in the risk management system; its value R_{es} is a real estimate of the level of risk, which seems to be a risk of a lower level compared to R_{in} ;
- the residual risk level (R_{res}) is the risk level taking into account the measures developed and implemented in the risk management system to reduce the initial risk level R_{in} ;
- the final (acceptable) level of risk (R_{final}) is the level of risk that is acceptable in terms of risk criteria; the final risk level may be equal to R_{res} or less important (in this case, the developed system of risk criteria is the determining condition).

Mathematical modeling of the risk of an innovative enterprise on the basis of the concept of acceptable risk allows us to present it in the form of such dependencies:

$$\begin{cases} R_{in} > R_{es} > R_{res}; \\ \Delta R = (R_{res} - R_{final}) \rightarrow 0; \Rightarrow R_{res} = R_{final}. \end{cases}$$

The resulting assessment of the final (acceptable) risk level can significantly change the opinion of decision makers regarding the “riskiness” of this innovative activity. Given the measures taken to reduce the risk, its final level may be acceptable in a possible risk situation. The considered concept focuses on the following approaches to risk management:

- risk is, as a rule, not static and unchanging, but a controlled parameter, the level of which can and should have a controlling effect;
- the impact can be exerted only on the identified, analyzed and assessed risk;
- a high level of initial risk should not a priori justify the refusal to carry out activities related to this risk;
- you can always find a risky solution that provides some compromise between the expected benefits and the threat of loss in the implementation of an innovative project.

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The implementation of the concept of acceptable risk in the practice of the modern innovative enterprise requires the following procedures:

- 1) identification of the most dangerous options for implementing decisions related to the failure to achieve goals;
- 2) obtaining estimates of possible damage (loss) for various solutions;
- 3) planning and implementation of measures to reduce risk to an acceptable level;
- 4) analysis of the results of innovation and the assessment of risk management costs in the risk management system.

At an enterprise that implements an innovative strategy, as at other enterprises, the risk management process is characterized by a specific set of managerial procedures that is unique to it.

The current stage in the development of management theory and practice is focused on solving the problems of sustainable functioning and development of enterprises in a business environment with an increased risk profile. For management, it is necessary to create adequate diagnostic procedures for risk situations, methods and tools for risk management, and to formulate new requirements for personnel competence.

The problems of risk management in enterprises implementing a modernization strategy based on innovative development have a pronounced systemic character. Sustainable development of the enterprise in the new economy can be achieved through the creation of adequate risk management systems, coordinated within the framework of strategic management systems in the conditions of innovative development, through the use of more advanced risk insurance mechanisms and government regulation.

To ensure efficient modernization of enterprises in the conditions of their innovative development, against an unfavorable background of the crisis and changing risk situations in the world, an adequate risk management system is needed that focuses on enterprise risk management not only at the micro level, but also at the meso and macro levels.

An significant role in solving this problem can be played by expanding the possibilities of insurance of innovative risks (on the basis of expanding the borders of tolerance), which is aimed both at strengthening the internal attitude of enterprises to transferring risks and at the state support policy for innovative development.

It is proposed to single out the least manageable risk elements of the enterprise (risks corresponding to the meso- and macrolevels), concentrating state support on them, and to direct the efforts of the insurance business to form insurance coverage to micro-level risks and, in part, meso-level risks.

The study of theoretical and methodological problems of risk management in the conditions of

domestic enterprises revealed the shortcomings and prospects of its development:

- the functional nature of domestic risk management is preserved, which is expressed in its support of the concept of acceptable risk and determines its weak compliance with the requirements of managing high innovative risk, which contains not only the possibility of negative manifestations, but the possibility of achieving high positive results based on the introduction of innovations;

- the weak point of risk management of domestic enterprises is the lack of qualified specialists and the presence of a number of systemic problems: 1) lack of structured information; 2) lack of work standards; 3) lack of risk management in order to implement the innovative strategy of the enterprise;

- despite the high risk of innovation processes, the interconnectedness and influence of the processes of formation and implementation of an enterprise's innovation strategy are not systematized and generalized, both with the level of innovation risk and with external and internal conditions, and the most important issues of managing the formation of strategic advantages generally remain outside modern models and concepts;

- the lack of identification and assessment models of high innovative risk based on non-markov processes determines the development of risk management methodology in the direction of widespread use of expert methods using the reflexive approach, fuzzy logic and apparatus of the theory of fuzzy sets;

- for a general assessment of the innovative risk of an enterprise that implements an innovative strategy, a hierarchical approach is proposed and an additive model is developed that includes risk characteristics of the enterprise at the macro, meso and micro levels; In addition to a balanced system of enterprise performance indicators, not only these risk indicators are proposed, but also a risk price indicator that characterizes the ratio of the level of innovative risk and the level of strategic advantages generated by the enterprise as a result of the implementation of the innovation strategy.

Conclusion

In order to develop corporate risk management, implementing an innovative strategy, the following is proposed:

- the implementation of the innovation strategy at the enterprise is inevitably fraught with much higher risks, which is due to the lack of adequate methods for the development and justification of innovative solutions, representative and reliable information, and insufficient training of specialists; this determines the need for a significant increase in the status and competence of the risk management of

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an innovative enterprise to the level of the strategic management subsystem of the enterprise;

- to formalize the possible positive results of the innovative strategy of the enterprise, the concept of managing its strategic advantages, based on the organization of systematic work on the formation of the required quality of enterprise resources, providing the necessary capacity for the introduction and use of innovations, is proposed;

- in the framework of the concept of managing strategic advantages of an enterprise that implements

an innovative strategy, a model for assessing their level has been developed, which provides for the systematic participation of experts in the procedure for assessing strategic advantages of an enterprise, the use of fuzzy-multiple descriptions of the processes under study.

Modern management should manage risk effectively, assessing risk management not as losses and risks, but as the key to the opportunities available to the corporation.

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