

IN A MODERN BUSINESS STRUCTURE, A RISK MANAGEMENT SERVICE IS PREFERRED

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Annotation

If we could identify a business risk in advance and solve it easily, business would probably lose its main charm. Risk is one of the essential components of business.

Only proper identification of risks, their measurement - evaluation and selection of an effective method of reduction are not enough to improve risk management; It is necessary to develop an optimal organizational structure, develop an organizational culture and properly manage the risk management control process. In developed countries, almost all large and medium-sized organizations have a special link in the management system. Risk Management Center,"(Corporate governance) which helps accountable entities assess risks, develop and implement manipulation measures.

The researches have proved that in some cases it is still strange to the Georgian business reality to take measures to evaluate risks and ways of their solution, which in some cases raises problems that lead to crucial results. Bankruptcy of foreign enterprises is not strange for the Georgian market, because in most cases they are unprepared to take risks and fail to take measures to solve them. Possible risks should be identified at an early stage of business formation to avoid unintended consequences.

Modern tendencies show that it is desirable for companies to have a risk management service whose function will be to identify the expected risks, evaluate and offer anti-risk measures to managers. It is such companies that will show fewer losses from crisis.

Introduction

Knowledge of business management in crisis is a very actual in modern conditions. This was better revealed by the "Covid-19" pandemic. Numerous companies suffered losses and had to suspend business activities, dismiss employees, and so on.

The companies that had the risk management service assessed the business environment, the scale of the pandemic in a timely manner and made decisions to implement risk-taking actions, they came out of crisis situations with fewer losses. It is true that the crisis for the business due to the pandemic continues, but the effective services in the business structures and primarily the risk management service is doing everything possible to align their business activities with state restrictions so that the company suffered fewer losses.

Main Part

Risk is an accompanying process of any activity or decision. Business risk is an interesting phenomenon, because if we simply express the link between business and risk, we can formulate it in such a way that the higher the risk, the greater the chance of profit is. Also It should be noted that a complete definition of risks is almost impossible.

It should be noted that after taking risky measures you are better, at least more experienced than ever, because when we make a risky decision if it is justified it gives us more motivation in life, and the ambition to achieve more in business. But if the opposite happens then it is a great experience in business that even large companies are learning from.

No matter what experience is gained in the business, no matter how large a particular business is, there is always a risk, but where there is a risk, there are also measures and means to solve or reduce it. This is the issue of risk management I would like to focus on in this work.

When we start talking about risk management, it should be noted that this process is one of the most important components of risk management planning. Every decision made by an entrepreneur is actually related to risk, for example when launching a new product, selecting staff, and so on. Each of these decisions is a kind of risk, no one knows whether they will meet the expectations of the entrepreneur, so it is important to use important methods of risk reduction or taking measures in the business.

There are many risk-solving measures in a market economy: Avoidance, reservation, diversification, insurance and more. Each method is used depending on the scale and nature of the risk.

Information is one of the most important components in the risk management process, timely information is incomparable in a market economy.

The information reduces the uncertainty of the risk and allows us to set risk management measures in case of timely delivery. But, in order to play this important role the information must be valuable.

I would like to focus on a few of them for risk management:

Avoidance. It can be said that avoiding risks at first sight is directly related to information, because when we have timely and correct information we can avoid some risk. It is possible to use several types of avoidance:

- Refraining from conducting entrepreneurial (financial) transactions when decision-makers believe that the risk associated with these operations is too great.
- Refusal to use large amounts of loan capital.
- Refusal to use excessive amounts of current assets in low liquid form.
- Refusal to apply for short-term financial investments of temporarily free cash assets.
- Completely refuse the services of unreliable partners.
- Refusal of innovation and other projects. "

(Chaganava, 2013:188)

-Reservation. The method of risk reduction is reservation (self-insurance). Reservation means that an entrepreneur creates a kind of fund from working capital, where funds are raised that are used to eliminate unforeseen risks. Reservation allows us to handle operations that:

- Risks not covered by insurance;
- Acceptable and critical level risks with low probability of occurrence;
- Most of the financial levels of acceptable level, the expected loss of which is not high.

Diversification. Diversification is based on risk sharing.

- It is used to manage investment risks. For example, if you have 100 thousand GEL to invest, there are two ways;

1. To finance the loan of this volume fully;
2. To finance 10 different loans.

It should be noted that in terms of risk reduction, business experts agree that the diversification method is preferred; because if we imagine a situation where the first case cannot be refunded, we will lose the given amount in full, but in the second case we somehow have a defense mechanism and the chance of returning is correspondingly high.

There are many forms of entrepreneurial risk diversification, from which are distinguished:

1. Diversification of activities
2. Investment diversification
3. Securities portfolio diversification
4. Credit portfolio diversification
5. Currency basket diversification
6. Deposit portfolio diversification; (Chaganava, 2013: 208)

Insurance. "Insurance is one of the financial instruments of risk management, through which it is possible to avoid the financial loss caused by the risk." This is the moment when the insurance company pays for the loss caused by the risk. Insurance usually provides for the neutralization of high-risk transactions. Insurance is a special kind of risk reduction. It is characterized by redistributive relationships. It is easy to imagine that an insurance fund is formed by insurance contributions, from which the loss is refunded in case of risk. Nobody knows whether a specific fact will actually happen or we pay the insurance premium today to avoid a possible big loss in the future. It is true that the basics of risk insurance have existed since ancient times, but it has gained special popularity in a market economy.

Georgian companies are also slowly realizing the importance of insurance and getting involved in this process. Georgian insurance companies offer different types of insurance. The Georgian economy is still developing, so there are risks of financial instability, inflation and other risks, so it is important

for small and medium-sized businesses to realize this fact and ensure risks. In this regard, we can talk about banks that provide consumer life insurance when issuing a bank loan or installment, and thus insure the risk of losing their finances, and the consumer accepts the given offer, as this enables the family to maintain stability in case of his death.

The insurance implementation process is interesting in that it is based on significant observations and calculations; For example, let's consider travel insurance. The insurance company analyzes how many customers needed to use the given insurance product and can approximate the amount of money it will need to cover its insurance liabilities, otherwise the insurance companies themselves will face financial risks.

We are not going to argue now that the company should necessarily have a risk management service, we just emphasize that in the recent pandemic "Covid-19", really many companies have suffered and faced problems for various unforeseen reasons. However, those companies that have assessed the expected risks in a timely manner and have developed appropriate anti-risk measures come out of the current situation with fewer losses.

According to the BIA (BIA-Business Information Agency), more than 700 companies have suspended operations since March 1, 2020, and 1,600 companies have temporarily suspended operations. According to the sector analysis, 23% of the suspended companies are in the field of "construction products, construction and real estate", while 21% of the companies in the category of food products have stopped working. According to the regions, most companies stopped working in Tbilisi (63%), followed by Adjara (12%) and Imereti (8%). (Makalatia, 2020)

In general, we can conclude that the choice of risk reduction methods depends on the level of risk of

potential losses –that is why it is necessary for the entrepreneur to identify the minimum, allowable, critical and catastrophic levels of integrated risk.

As a result of development, the range of risks connected with entrepreneurial and investment activities is gradually increasing. especially in the last 10-15 years, risk management has become a significant problem for both financial market participants as well as companies and government organizations. The reason for this is not the bankruptcy of various companies and banks, or public finance crises (they have occurred before), but their scale, frequency of occurrence and speed of spread.

It is desirable to create a risk management service in companies with the following composition: Information-Analytical Department (Risk Assessment and Prospective Development Divisions); Planning and Risk Management Department (Preventive Measures Departments); The Risk Control and Monitoring Department, etc., the Risk Management Service should be directly subordinated to the First Manager.

Conclusion

The variety of problem-solving ways we have discussed, due to the specifics of our business allows us to use each of them as well as combined methods to solve the problem in practice, its choice depends on the manager's experience, risk-taking skills, degree of risk-taking and other factors.

It should also be noted that insurance is a relatively well-known and applicable method for Georgian businesses in the process of resolving business risk. That is why insurance companies try to refine their product and offer it to consumers in the desired way.

It should be noted that risk insurance is a vital process for all types of businesses, because the existence

of business activities without risk is unimaginable, especially for a country with an unstable economy such as Georgia.

Effective risk management is relatively more developed in joint ventures that have the opportunity to use the experience of foreign founders or partners. Nevertheless, the risk management system in large and joint ventures is fragmented, episodic and limited.

In conclusion, it can be said that there are several methods of resolving the risks posed to the company and the responsibility for its proper selection is up to the manager. It is desirable for companies to have a risk management service and their function will be to identify, assess and offer anticipated risks to managers for implementation. Practice shows that companies that have a risk management service often come out of crisis situations with fewer losses than those that do not have such services.

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