

STRATEGIES OF BUSINESS RISK MITIGATION AND MANAGEMENT: A QUANTITATIVE PERSPECTIVE

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ABSTRACT

While, there are numerous small and large scale businesses which largely influence the economy of nations, but there risk mitigation and management is very little known and therefore, has received a very limited attention. In our day to day lives, we continuously manage risks both at work and also in our personal lives. Therefore, certainly there are many business organisations that also have risks which are unique to their environment. The present research work is, going to first identify business risks, analyse them and evaluate their potential likelihood and impact. This study is going, to eventually show us that, long term goal of risk management and mitigation strategy affect businesses supply chain performance and their long term sustainability. There are several tactics and strategies that will bring risk levels to a tolerable level in the business. It will help us realise exactly, what kind of risks our businesses are facing, and the mentioned strategies are unique to business continuity and disaster recovery. In addition, the strategies utilised to manage risk are a powerful stimulus to get the business management thinking. The present study at the end, recommends proper risk mitigation planning. The researcher had considered people from different business sector to know the strategies of business risk mitigation and management and found that Organisations document their risk management policies and processes , Risk mitigation counter measures and decreasing the effect of uncertain consequences and Businesses passes or move the risk consequences to third party or an entity.

KEY WORDS: Risk mitigation, Management, Environment, Long-term sustainability, Business organisations.

INTRODUCTION

Before going further, let us now understand that business risks are a kind of threat or an event as well as, certain circumstances which will adversely affect an organisation's potential to achieve its commercial enterprise goals and execute their strategies correctly (Berg, 2010).

Risks can be defined as specific substance, situation or other harmful factors which produce adverse effects under specified condition. To mitigate or reduce its severity, many strategies and preventive actions are considered in ropeway by business administration. Strategies of business risk management to reduce their undesirable or unnecessary losses uses specific information from risk identification and risk assessment along with information related to reduce, control and prevent from adverse effects (Aven, 2016). Therefore, there are many strategies which are more likely to help businesses determine which hazards are more serious and help risk management to start dealing with those ones first. The main reason behind risk mitigation is that they can be managed properly. During the recent years, we have come across many businesses that have faced risk. Risk mitigation can also be referred as a method, to approach inherent as well as inevitable threat in an organisation (Park, et.al, 2013). There are different tactics which help businesses to deal and altogether, get rid of each kind of risks optimally but, obviously through measuring risk. The basic objective of risk mitigation is to minimise their impact of certain risks that do occur. But, before getting rid of risk altogether the primary and initial step is to be able to identify and then, assess their potential likelihood and impact as well. Risk mitigation and management is an aspect of many business strategies thereby, it is also critically important to any type of business (Baumgartner & Ebner, 2010). After going through risks, however, many businesses have an ability to minimise the final results or chances of threat, thus, considering the mitigation method. While, taking into mitigating risks, it is very essential for risk management to develop a proper strategy that also closely relates as well as also matches the organisation's profile. There is some specific risk mitigation and management strategies like-risk avoidance, risk limitation, risk transference and risk acceptance and which are unique towards business continuity and catastrophe restoration. Such factors help the management of an organisation to get a clear picture of where they stand and where their weaknesses or strengths lay. This research work will let us, realise that incorporating risk mitigation strategies within the business, can help them to gain less loss or lower outcome of potential risks from adversely impacting the business (Ekwere, 2016). However, with the usage of such strategies and their matrices, all types of businesses can be better prepared to assess, monitor and manage risk. It is also going to let us understand, how it is important to take an objective so, that such strategies will help us determine the correct risk management policy for the business. With a concrete plan with proper action items, businesses can prevent risks from turning into problems that spin out of control or even prevent risks altogether.

LITERATURE OF REVIEW

Risk can be defined, as an event or any kind of factor, which tend to create some un-certainty towards achieving organisational goals. Similarly, business risk can be referred as anything which threatens its organisation's capability to generate profits at its goal stages (Moizer & Tracey, 2010). In simple words business risk are such factors, which increase the chances of losses in a business and reduce the opportunities of profits. These factors are not under the control of the business and result in declining earnings of the enterprise. Such risks in a business arise due to some un-certainties. But, risk is generally an essential part of the business. There are many reasons behind the causes of business risks which are as follows: Economic causes, Natural causes and economic causes. Natural calamities like famine, floods, drought, earthquake and tsunami are some of the causes. Businesses and human beings do not have a control over such natural calamities and thus, in reality there isn't any kind of strategy that may be undertaken for any such type of business enterprise risk. There may be different economic causes of business risk that may arise from changes being undertaken in different economic factors which are changes done in market conditions, increase in price of raw materials, increase in production cost and daily wages of employees as well as increase in competition. Some of the causes of business risk can be due to strikes and lockouts, mindset of employees, customer preferences and also negligence of employees. Risk is definitely an essential part of business organisations. But, despite so many causes of risk and uncertainties which affect the business can be reduced to some extent through risk mitigation strategies and risk management (Birkmann & von Teichman, 2010). During this research work, we have come across many large businesses that carry more risk as compared to several small scale businesses. Uncertainties, like- changes done in government policy, revolutions taking place in advanced technology, changes in demand and supply are also some of the business risks which affect a business. The above mentioned causes of business risk, in simple words can tend to reduce chances or opportunities of profit and also increase chances of huge losses. To reduce it affect in a business the initial step of a management is, to firstly identify and then assess their potential and impact. Risk mitigation considers the above mentioned causes like- environmental damages, accidents, physical damages, cyber attacks and many other form of risk (Shreve & Kelman, 2014). Each and every type of businesses running all around must have the ability to mitigate and minimise the chances of risk, but they should consider only mitigation approach. There are many benefits of risk mitigation because the primary objective is to lessen the impact of causes or detrimental effects. It helps

a business to bounce back quicker, from any types of incident and also empower your enterprise (Elahi, 2013). Major benefit that businesses receive from business risk mitigation and management is that, it makes both the team and business more adaptable. Business risk mitigation crucially enables a business to be more prepared if any kind of risk takes place as there, may be any kind of risk that can happen to a business at any time. Financial risk is also a business risk which is related to financial health of a business. It pertains to the organisations capability to carry on operations in case of non-payment through some clients in business. Sudden breakdown of machinery or the system in a business can also, result in operational risk and on delay in operations. However, there are many approaches or strategies used by management, stakeholders and employees of a business to express concern about uncertain causes, which also help them to manage such events. Some of the strategies employed towards risk management may include- avoiding risk, reducing negative effect of the risk or cause, transferring risk to another party. Risk mitigation strategies in a business are:

RISK ACCEPTANCE: Risk acceptance in terms means that in a business risk exists and there are some risks or causes, in which businesses won't be able to do anything to mitigate or change it (- Blome & Schoenherr, 2011). It is considered as a best tactics because it lets; us understand and help us accept the consequences which may occur. This is one of the best strategy towards risk management irrespective of the risk be small or unlikely to happen. But some risks are better not to accept. Despite, it does not reduce any affects of uncertain causes in a business though, risk acceptance is still considered as a strategy by management.

RISK LIMITATION: Risk limitation is one of the most common risk mitigation strategies used in both small and large scale businesses (Giannakis & Papadopoulos, 2016). This method of risk mitigation limit's a business's publicity by the way of taking some quick actions. Risk limitation helps an organisation to some extent eliminate the risk involved or reduce to some extent. To understand and effectively reduce risk and their causes towards business goals, management needs to have a basic understanding of such types of business risk mitigation strategies. Such mitigation strategies can cost money, time and many other valuable resources. The mentioned mitigation tactics are very important but, before an organisation develops a strategy they need to first properly need to know what risks they can face.

RISK REDUCTION: This kind of tactics in business risk mitigation continues to involve taking countermeasures thereby, decreasing the effect of uncertain consequences. It is defined as a most common type of strategy because it usually provides a way to at-least reduces the risk. After completing the analysis of risk or causes, stakeholders or management must consider steps to reduce the impact of a risk that will occur. Sometimes, such strategies outweigh the uncertain causes, thereby becoming more beneficial in the long run to take the chance. With risk reduction, it becomes very crucial for a business to carefully assess whether carrying the burden to reduce risk continues to be one of the best moves (Hayne & Free, 2014).

RISK AVOIDANCE: In a business risks are getting constantly evolved and changing due to competitiveness. Therefore, if there is a risk to start a new project, launching a product or moving the business and in case, if their consequences are too large to accept, then it is better for an organisation to avoid it. While in the market, some persons or businesses are more risk-loving and some are risk averse. For example- in a business there may be some projects where businesses won't be able to complete due to lack of resources so, it makes them realise to avoid such risks. Such strategies are planned by an organisation only with a motive or expectation of earning profits. In such strategies, they help an organisation to continuously monitor and avoid non-performing activities that eventually causes risk. Organisations must avoid such risks because hiring resources or multiple specialists to complete the task might take a bigger slice out of the budget. Assessing how many risks a business can sustain and how much it can compromise is one of the crucial steps in these strategies.

RISK TRANSFERENCE: The above mentioned strategy means to involve passing or moving the risk consequences to a third party or an entity (Marques, et.al, 2014). Such strategies are one of the best options for both small and large scale businesses because; it enables them to reduce future damage. It can be outsourced, moved to insurance agency. It is one of the best approaches towards risk management as, it makes a business realise that sometimes uncertain incidents may occur (Kaplan & Mikes, 2012). Therefore, such strategies help a business to get prepared with such impacts and cope up with that eventually. Insurance may cost huge money, but it may end-up more cost effective for many businesses because it makes them solely responsible for causes.

Finally, the recent work will let us realise and help a business determine necessary strategy for uncertain causes that may be likely to happen with medium or higher probability. Risk

management is solely responsible heavily on constant and clear communication. Businesses must be able to clearly, define it and plan their strategies as well. Organisations should also document their risk management policies and processes. The above mentioned strategies need to be designed as a common practise in all businesses. There are many software systems and specialists in such fields to define and address risks. Some risk-taking is one of the best strategies to encourage risk-taking. Many risks open various door for multiple new opportunities. After, going through this paper it will make happen that, some risks do not require mitigation and management strategies and sometimes it, is very important to accept such risks.

OBJECTIVE: To measure the strategies of business risk mitigation and management.

METHODOLOGY: The researcher had considered people from different business sector to know the strategies of business risk mitigation and management. The survey was conducted with the help of a questionnaire. The researcher had collected the primary data through random sampling method and was analysed by statistical tool called mean.

FINDINGS

Strategies of business risk mitigation and management

S. No.	Statements	Mean Value
1.	To reduce risk in business, initial step is to firstly identify and then assess their potential and impact	3.17
2.	Organisations document their risk management policies and processes	3.14
3.	Businesses passes or move the risk consequences to third party or an entity	3.12
4.	Organisation continuously monitor and avoid non-performing activities that eventually causes risk	3.16
5.	Risk mitigation counter measures and decreasing the effect of uncertain consequences	3.13
6.	Risk limitation strategy helps an organisation to eliminate and reduce the risk to some extent	3.15

Table above is showing different Strategies of business risk mitigation and management. The respondent says that to reduce risk in business, initial step is to firstly identify and then assess their potential and impact with mean value 3.17, Organisation continuously monitor and avoid non-performing activities that eventually causes risk with mean value 3.16 and Risk limitation strategy helps an organisation to eliminate and reduce the risk to some extent with mean value 3.15. The respondent also says that Organisations document their risk management policies and processes with mean value 3.14, Risk mitigation counter measures and decreasing the effect of uncertain consequences with mean value 3.13 and Businesses passes or move the risk consequences to third party or an entity with mean value 3.12.

CONCLUSION

Choosing how to mitigate business risks and plan strategies towards risk management, can help an enterprise perform better (Wu & Olson, 2010). After, going through this paper it will also make us realise that depending upon the type of un-certainties, businesses would be able to evaluate best risk mitigation strategies and help them use it to reduce its affect. Many companies' mostly small-scale businesses lacked education regarding business risk mitigation strategies and their employees were not able to manage risks and use risk management software's (Ahsan, 2011). Many businesses have little knowledge about their strengths and weaknesses but do not have the means to perform self-assessment. Sometimes not all risks require a mitigation plan and many businesses suggested that most of the time they considered to rather take risks (Christopher, et.al, 2011). Businesses must assess the present mitigation strategies and choose the best path to take. The recent study also concluded that most frequent business risk is mostly from internal failures. But, finally the above mentioned strategies will ensure to find ways for a business and their management to manage uncertainties that will negatively impact the organisation.

The present study was conducted to know the strategies of business risk mitigation and management and found that to reduce risk in business, initial step is to firstly identify and then assess their potential and impact, Organisation continuously monitor and avoid non-performing activities that eventually causes risk and Risk limitation strategy helps an organisation to eliminate and reduce the risk to some extent.

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