

SECTION 4. PROBLEM OF INNOVATIVE EDUCATION AND DECISION MAKING

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RISK MANAGEMENT UNDER THE INFLUENCE OF DESTRUCTIVE FACTORS AND DIGITALIZATION AT ECONOMIC ENTITIES

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Abstract

In the 21st century, the world has faced global protracted crises such as the Covid-19 pandemic with quarantine restrictions and wars that have become a part of modern life. They negatively affect both the global economy and the enterprise. Therefore, risk management becomes an important component under the influence of destructive factors in the enterprise management strategy, its stabilization and development in the future. The article discusses the general concept of “risk management” in the context of destructive factors affecting the enterprise. The concepts of “digitalization” are given and its positive and negative influences are established in the conditions of the specified factors. The types, influences and minimization of external factors through the use of preventive measures are noted to prevent dysfunction and maintain the sustainability of the enterprise.

Key words: *risk management, destructive factors, business entities, digitalization, preventive risk detection.*

Introduction

In the 21st century, the world is faced with extraordinary, incomparable dynamics and the inability to predict the future. Global crises, such as the Covid-19 pandemic, quarantine restrictions, wars (including 2-year war in Ukraine) have become a part of modern life, which in turn pose significant challenges for business entities. Therefore, management risk is becoming an increasingly important component for stability and development, since the usual market mechanisms and management strategies have lost their effectiveness. Digitalization, on the one hand, can help businesses become more resilient to these factors, but on the other hand, it can also create new risks.

Today, among foreign and domestic scientists there is no single point of view regarding to the definition of the concept of “risk management,” and even more it is in the context of the influence of destructive factors and digitalization at the enterprise.

Digitalization is a comprehensive process of introducing modern information technologies in all their manifestations with the aim of improving the business process to achieve the enterprise’s goals through a qualitative change in existing economic relations [1].

In our opinion, risk management is the process of identifying, analyzing, assessing, responding and managing the risks that an enterprise faces. This process becomes even more important under conditions of destructive factors. Destructive factors are:

- war: can lead to destruction of infrastructure, losses of human resources, economic crisis;
- epidemics: can lead to a decrease in the working capacity of the population, the closure of enterprises, and an economic crisis;
- global disasters: can lead to climate change, resource shortages, and emigration;
- cyberattacks: cyberattacks are becoming more common and sophisticated, which can lead to data theft, system malfunctions and financial losses.

The impact of destructive factors at business entities is:

- increasing the probability of risk events occurring;
- increasing damages from risk events;
- the emergence of difficulties in predicting and risk management;
- decrease in competitiveness;
- increased probability of bankruptcy.
- data theft: cybercriminals can steal personal data, financial information and trade secrets;

- system malfunctions: digital system malfunctions can result in service interruptions, data losses and financial losses;
- reputational losses: negative information on the Internet can quickly spread and damage a company's reputation.

Overview

Destructive factors are external and internal. External factors are beyond the control of business entities, so they cannot directly influence these factors. Instead, internal factors can be managed by economic entities to achieve optimal results in management.

To eliminate or minimize them, it is advisable for business entities to recommend:

- conduct a thorough assessment of internal and external risks;
- develop a response plan to destructive factors;
- take measures to reduce the probability of occurrence of risk events;
- create a reserve fund to cover losses from risky events;
- to insure risks;
- cooperate with the state and other organizations to jointly overcome destructive factors.

Anti-crisis management of a business entity under the influence of destructive factors, such as a pandemic and war, should be concentrated in three main cycles (Table 1).

Table 1

The main cycles of anti-crisis management of business entity under the influence of destructive factors, including a pandemic and war

	Expectations	
<ul style="list-style-type: none"> – personnel protection; – understanding the situation; – ensuring business continuity 	<ul style="list-style-type: none"> – management of personnel and activities of the enterprise 	<ul style="list-style-type: none"> – resumption of activity; – assessment of material damage
Shock		Restoration

Source: compiled by the author based on data [2]

Dysfunctions within economic entities can be classified as destructive factors that prevent their ability to work efficiently and profitably. These factors can arise both from internal and external sources, often combining each other and exacerbating the problems faced by the enterprise. Understanding these destructive factors is important for identifying,

eliminating, and mitigating the main causes of dysfunctions occurring within enterprises.

Business entities must adapt and apply preventive measures to external factors to prevent dysfunction and maintain resilience.

Preventive identification of risks is a key element of risk management, which will allow taking measures to prevent them or minimize their impact.

The most effective methods of preventive risk detection are:

- SWOT analysis: analysis of strengths and weaknesses, opportunities and threats;
- PEST analysis: analysis of political, economic, social and technological factors;
- scenario analysis: development and analysis of various scenarios of the development of events;
- brainstorming: collective generation of ideas regarding to potential risks;
- interviews with experts: involvement of experts for risk assessment;
- monitoring of the external environment: constant monitoring of changes in the political, economic, social and technological spheres, as well as in the market.

After identifying the risks, it is necessary to develop and implement a plan to respond to them. The response plan may include:

- risk prevention measures aimed at eliminating or minimizing the likelihood of a risk event;
- measures to eliminate the consequences of risks: actions aimed at minimizing the negative consequences of a risky event, if it does occur.

To stabilize the enterprise.

Risk management can help the enterprise stabilize under the influence of destructive factors. This can be achieved by:

- reducing the probability of occurrence of risk events;
- minimization of negative consequences of risk events;
- increasing the enterprise's resistance to external shocks;
- ensuring better management decision-making.
- Recommendations for business entities:
 - create a risk management system that will meet the specifics of your business;
 - regularly review and update the risk management system;
 - involve all employees in risk management;
 - teach employees the basics of risk management;
 - use risk management software;
 - engage external consultants and risk management experts;

- increasing resilience: digital tools can help businesses become more resilient to disruptive factors. For example, cloud technologies allow enterprises to quickly restore their work in the event of data damage or loss;
- increased flexibility: digital tools can help businesses to be more flexible and adapt to changing conditions. For example, online platforms allow them to continue their work even if their employees cannot work in the office;
- increased efficiency: digital tools can help businesses become more efficient and save resources. For example, automating routine tasks can free up time for more important tasks.

Conclusion

Therefore, risk management is an important tool for ensuring the stability and sustainability of economic entities under the influence of destructive factors. Due to the preventive detection of risks and timely response to them, enterprises will be able to significantly reduce the probability of negative events and minimize their impact on their economic activity. The use of the proposed measures, including the use of digitalization to stabilize business entities, will ensure early prevention and the creation of a database of threats and crisis situations that may arise at the enterprise at the current stage of development or in the near future. It is important that business entities in the management process also take into account all the risks associated with digitalization and take measures to minimize them.

References

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