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## ЭРСДЭЛИЙН ТУХАЙ АРГА ЗҮЙН АСУУДАЛ

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Бид өдөр тутам олон төрлийн эргэлзээтэй асуудлуудтай тулгардаг бөгөөд энэ нь эрсдэл гэсэн ухагдахууныг гаргадаг юм. Гадаад орчноос үзүүлж буй хүчин зүйлүүдийн нөлөөллийн түргэн хурдацтай өөрчлөлт, зах зээлийн тодорхойгүй байдал зэрэг нь эрсдэлийг зөвхөн хувь хүмүүсийн амьдрал дээр яриад зогсохгүй бүх аж ахуйн нэгж, төрийн болон олон нийтийн байгууллагуудын хувьд авч үзэх, судлах, удирдах зайлшгүй шаардлагыг бий болгоод байна.

Зах зээлийн үед компаниуд өрсөлдөөнт нөхцөлд үйл ажиллагаагаа эрхлэн явуулдаг бөгөөд зөв оновчтой бодлого стратеги боловсруулах, түүнийг зүй зохиостой хэрэгжүүлэх асуудал тэдний оршин тогтох, амжилттай хөгжих тулгуур үндэс нь болж байдаг. Өдөр тутмын үйл ажиллагааг биш харин ирээдүйн хөгжлийг гол хандлага болгодог менежментийн энэ үйл ажиллагаанд эрсдлийн үнэлгээ хийх, эрсэлтэй нөхцөлд баримтлах стратегийн хувилбаруудыг боловсруулах, эрсдлийг бууруулах төлөвлөгөө зохиох, хэрэгжилтийг зохион байгуулах асуудал чухал байр суурь эзэлнэ.

Монголчууд бид өрсөлдөөнт нөхцөл байдалд бие даан үйл ажиллагаагаа эрхлэн явуулах арга ухаанд суралцан, түүнийг амьдрал практикт хэрэгжүүлж эхэлснээс хойшхи бүтэн 15 жилийн хугацаанд багагүй мэдлэг, дадлага туршлага, амжилт үр дүнг хуримтлуулсан ч эрсдлийн удирдлагын асуудлууд харьцангуй сул судлагдаж, хэрэгжиж байна. Манай орон дахь улс төр, эдийн засаг, хууль эрх зүй системүүдийн шинэхэн төлөвшил нь эрсдлийн менежментийн хэрэгцээ шаардлага, үүрэг ач холбогдлыг ихээхэн нэмэгдүүлж байгаа юм. Энэхүү өгүүлэлд эрсдэл, түүний төрлүүд; эрсдлийн удирдлага, түүний үндсэн алхамуудыг арга зүйн үүднээс тусган харууллаа.

## Introduction

In our daily lives we have many uncertainties facing us which creates an understating of a risk. The risk can be talked not only in people's individuals' lives but also in business and government organizations and other institutions' operations and it is one of the primary things that have to be managed. The company needs to monitor not only its daily operations but also make projections for the future possible risks.

It is important in market economy for companies to be competitive as never before and handle many changes that are associated with market economies. Especially, for former social countries the transition to market economy involves many challenging process and learning experiences. In addition to market instability and uncertainty, there is no sufficient infrastructure for these companies. These same problems can be seen in the government sector of these former socialist countries in their ministries and agencies' operations and legislature.

Transition from central planned economy to market economy requires legislative systems and adequate laws, sound financial market regulation, good business ethics, protection of copyright and trademarks. Also special laws need to be created for arbitrary, anti-corruption. The legal institutions need to be fair and just, independent and provide efficient operations<sup>2</sup>. The government organizations will serve primarily not in a central planning and regulatory roles as before but more of a coordinator and regulator role.

## What is Risk?

In September 11<sup>th</sup>, 2001 there was a terrorist attack in United States of America on two World Trade Centers, were many people had lost their lives and much physical and intellectual damage had occurred.

We also have risk in our daily lives and the same holds true for companies and government organizations and different type of risks needs to be managed through special risk management methodologies.

How organizations overcome problems and risk associated with risk will largely depend on preparedness of the organization, proper risk management plan and prior risk management experience. Therefore, risk management should be studied on scientific basis and each organization needs to implement risk management plan and strategies.

There are basic two types of risk: we participate in risky activities voluntarily and risk that could happen without our knowledge and acceptance. The example of voluntarily risk is participating in car racing. Example of unpredictable risk is different natural disasters such as flood, electrical, air pollution risks.

This is also defined as objective and subjective risk. Objective risk is not related to human cognition, desire and will contain unforeseen things such as earthquake, flood. Subjective

<sup>2</sup> Friedman, L. Thomas. Lexus and the Olive Tree, Anchor Books, 2000



risks happen from not properly assessing the issue, taking preventive measures and not giving needed attention<sup>3</sup>

When we identify risks we assign monetary value but not all risks are easy to be identified in monetary terms. The risk of organizational reputation falling or customer being dissatisfied with our product or service quality is difficult to be put into monetary units of measure.

Any individual, organization is susceptible to both objective and subjective risk. For example, organization can be under objective risk of different types of natural disasters such as flood, earthquake and hurricane as well as under subjective risk such as market competition, loosing its reputation or valued customers. Therefore, organizations need to take into consideration both objective and subjective types of risks and create its risk management plan accordingly.

In relation to risk there are four concepts. These are hazard, vulnerability, risk and disaster<sup>4</sup> (UNEP 3, Vulnerability Indices). Hazard is the possibility of dangerous incident happening, vulnerability is damage level, classification in relation to possible hazard, risk is the probability that certain hazard occurs, disaster is when many people are involved in disastrous event, much damage is caused and normal social condition is disturbed and situation is beyond internal resource affordability and capacity of organization<sup>5</sup>

#### Types of Risks

There are seven general classifications of risk:

1. Physical
2. Social risk
3. Political risk
4. Legal risk
5. Operational risk
6. Economic risk
7. Management capacity risk

**Physical risk** will include risks that are possible from natural environment. These natural risks can have financial and other types of negative consequences to the organization.

**Social risk** is related to social traditions, changes in social trends. For example, Japanese market is known for its traditionalistic approach, which is related to the fact that their society is much traditionalist and this causes difficulties for foreign companies to enter Japanese market. For different types of organizations social risk can be considered from different perspectives. For business organizations social risk is primarily related to customers' product, services choices that are due to social trends and preferences. For government organizations, this on the other hand means taking into account how do changes in society influence the whole country's affairs and government organizations' and agencies' operations. As for Mongolia, as the country moved to market economy the

<sup>3</sup> D. Boldbaatar, Ts Molom "Insurance", Ulaanbaatar, 2000.

<sup>4</sup> UNEP 3, Vulnerability Indices, Climate Change Impacts and Adaptation, UNEP Policy Series, 2001

<sup>5</sup> N. Sonintamir, Hazard, Vulnerability, Risk Assessment General Methodology. Ulaanbaatar, 2004

government needs to be as much flexible, intelligent as never before in order to regulate, coordinate all the changes that are happening as a result of the market economy.

**Political risk** relates to the involvement of domestic and international politics into operations of organization. In countries where there are no laws to protect the rights of private companies, governments sometimes do not compensate for business nationalization process. Mongolian government had increased its taxes on imported beer in order to support its domestic beer production companies. This caused many foreign beer importing companies to close their businesses.

**Legal risk** can be the risk that there are new laws and regulations implemented that do not service the company or that the company breaches law and can be called to court. The internal operations without proper controls and policies often cause companies unnecessary legal problems and risks. Especially, in market economy companies need to have competent lawyers, who are consistently up-to-date on any modifications to existing laws and are well aware of the new laws.

**Operational risk** is associated with external and internal influences on organizational operations of organization. Operational risk is the risk of not conducting operations economically, efficiently, effectively and not meeting its operational targets. All divisions of the business should work in coordination to reduce organization's overall operational risk. Organizations develop operational plans, proper structures and regulations to monitor and manage their operational risk<sup>6</sup>.

Proper internal monitoring within organizations ensures that operational risk is properly managed. These management controls provide guidance and direction for organization as a whole. These controls include policy and standards that are applied to everyone in the organization. Also they include management's way of doing business as well as the culture of organization.

Management controls that are well thought-out will provide for better processes, optimal use of resource and will reduce the risk that something with operations could go wrong. Organization's operational risk controls can be: risk controls, preventive controls, detective controls, corrective controls, automated or programmed controls and manual controls<sup>7</sup>

**Economic risk** is the risk that country's local or regional, world economy can have much impact on that organization. When the economy is not good this creates tough times for both businesses and government organizations. Citizens have low consumption rates, government collects less in tax revenue and investment rates fall.

**Management capacity risk** studies ability of the organization to manage when the risk happens. The same type of political, legal, economic or any other type of risk can happen to many organizations but organizations will have different degree of damage to their businesses based on their management capacity to manage these risks. Therefore, we have to study risk management methodologies that organizations can implement when managing their risks.

#### Risk Management

<sup>6</sup> Internet. www.searchCIO.com, Types of organizational risk, 2004

<sup>7</sup> Business Process Evaluation and Risk Management, England National Audit Office Guidance, 2004.



Organizations have three types of management. Strategic, operational and risk management<sup>8</sup> (Figure 1).

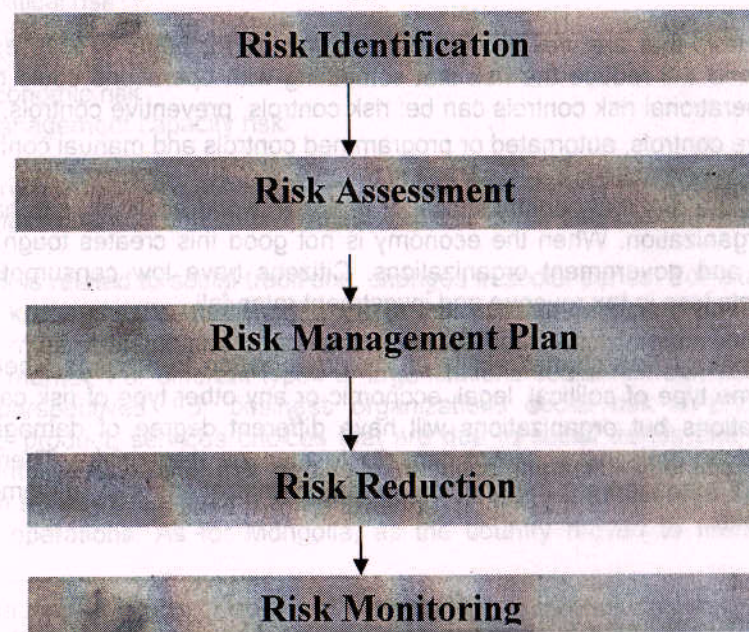
Figure 1: Three Types of Organizational Management



From Figure 2, we see the importance of risk management in organization is of equal importance as strategic and operational management. Each organization should have its strategic, operational and risk management plan and related monitoring and reporting procedures.

In order to reduce any risk and its negative impacts, scientific risk management methodology should be used by organizations<sup>9</sup> (Figure 2).

Figure 2: Risk Management Methodology



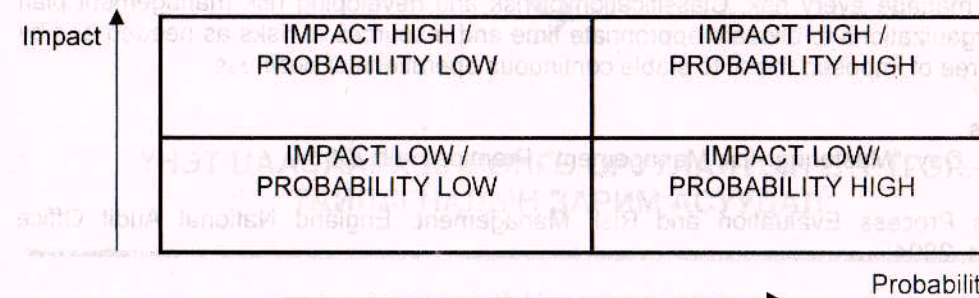
<sup>8</sup> Williams, A and others. "Risk Management and Insurance", 1995.

<sup>9</sup> NASA, Risk Management Office, Internet.2004.

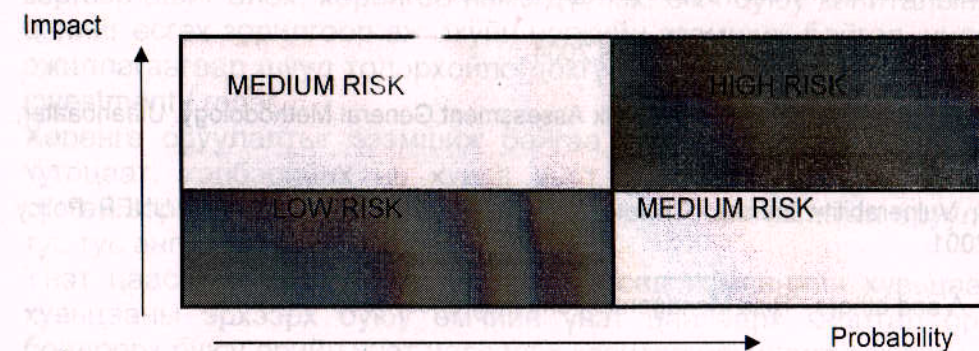
**Risk Identification.** Organization needs to identify its risks according to six classifications: Physical, Social, Political, Legal risk, Operational, Economic and Management capacity risk.

**Risk Assessment.** All identified risks need to be assessed and classified<sup>10</sup>

Figure 3: Risk Assessment Model



The risks are identified as low, medium and high based on Figure 3 evaluation. For easy reference we can denote risk with traffic colors. Green being a low risk, yellow as a medium risk and red as a high risk.



**Risk Management Plan.** After risks are classified as being low, medium and high, organization is now ready to create its Risk Management Plan. This plan has to definitely address both high and medium risk and some of the low risks can be left out. Risk Management Plan has to be up-dated on consistent basis as some new risks might emerge and some of the low risks might become medium or high risks. Management should give its attention to the risk management issues, review and participate in Risk Management Plan development.

**Risk Reduction.** This is a stage when risks are reduced according to the Risk management Plan. During any emerging issues and risks that are not included in the plan, proper changes are needed to be made to the plan. All the staff of organization needs to be following set procedures and regulations of Risk management plan, report on instances when plan is impractical or insufficient to ensure is success in reduction of risks.

**Risk Monitoring.** Once proper procedures are set that will keep risks to be low or once an apparent risk had been reduced, the risk has to be monitored. Regular motoring and

<sup>10</sup> Alastair L.Day, "Mastering Risk Management", Prentice Hall, 2003.



check-up set of procedures should be developed to check on the main risks of organization on a constant basis.

### Conclusion

The success of risk management depends to the extent senior management of organization gives importance to risk management. The above mentioned risk management methodology allows companies to run their businesses successfully and manage their risks without incurring much costs and wasting their time and resources trying to manage every risk. Classification of risk and developing risk management plan allows organizations to allocate appropriate time and resources to risks as needed and by their degree of imposed threat to stable continuous operations of business.

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