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V. V. Lukianova, Doctor of Economic Sciences, Professor,
A. V. Sviderska, Postgraduate Student**RISK MANAGEMENT PROCEDURES AS A COMPONENT OF THE MANAGERIAL SYSTEM OF CORPORATE FOREIGN ECONOMIC ACTIVITY**

Abstract. *The paper proves the need for researching the subset of risk management as an integral element of foreign economic activity management of domestic enterprises. It defines the agent and subject of management behavior in the process of implementing foreign economic operations. The author gives her suggestions concerning making a list and sequence of implementing risk management procedures and also recommendations concerning practical implementation of these procedures on certain stages of initial cooperation with foreign counterparts and taking decisions as for concluding a foreign economic contract.*

Keywords: *risk, foreign economic activity, management, strategy.*

В. В. Лук'янова, д. е. н., професор,
А. В. Свідерська, аспірант**ПРОЦЕДУРИ УПРАВЛІННЯ РИЗИКАМИ ЯК СКЛАДОВА СИСТЕМИ УПРАВЛІННЯ ЗОВНІШНЬОЕКОНОМІЧНОЮ ДІЯЛЬНІСТЮ ПІДПРИЄМСТВА**

Анотація. *Обґрунтовано потребу дослідження підсистеми ризик-менеджменту як невід'ємного компонента управління зовнішньоекономічною діяльністю вітчизняних підприємств. Визначено об'єкт та суб'єкт управлінської діяльності в процесі реалізації зовнішньоекономічних операцій. Наведені авторські пропозиції щодо формування переліку, послідовності здійснення процедур управління ризиками зовнішньоекономічної діяльності, а також рекомендації щодо практичної реалізації даних процедур на окремих етапах початку співпраці із закордонним контрагентом та прийняття рішень щодо укладення зовнішньоекономічного контракту.*

Ключові слова: *ризик, зовнішньоекономічна діяльність, управління, стратегія.*

В. В. Лукьянова, д. э. н., профессор,
А. В. Свидерская, аспирант**ПРОЦЕДУРЫ УПРАВЛЕНИЯ РИСКАМИ КАК СОСТАВЛЯЮЩАЯ СИСТЕМЫ УПРАВЛЕНИЯ ВНЕШНЕЭКОНОМИЧЕСКОЙ ДЕЯТЕЛЬНОСТЬЮ ПРЕДПРИЯТИЯ**

Аннотация. *Обосновано необходимость исследования подсистемы риск-менеджмента как неотъемлемого компонента управления внешнеэкономической деятельностью отечественных предприятий. Определено объект и субъект управленческой деятельности в процессе реализации внешнеэкономических операций. Приведены авторские предложения касающиеся формирования перечня, последовательности осуществления процедур управления рисками внешнеэкономической деятельности, а также рекомендации относительно практической реализации данных процедур на отдельных этапах начала сотрудничества с зарубежным контрагентом и принятия решений относительно заключения внешнеэкономического контракта.*

Ключевые слова: *риск, внешнеэкономическая деятельность, управление, стратегия.*

Urgency of the research. *The need for researching the issues of foreign economic activity (FEA) management system at domestic enterprises is related not only to prospects of this direction of activity development for businessmen and its prestige for the country, but also to the high level of complexity and lack*

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of management efficiency in this field which has been consistently and reasonably proved.

Target setting. In order to conduct foreign economic activity on the enterprise level efficiently one needs to have a management system appropriate for its operation conditions which would include an element of foreign economic risk management. Taking this into account there arises a need for visualization of FEA management system with the purpose of singling out procedures of foreign economic risk management from its structure.

Actual scientific researches and issues analysis. According to most researchers, higher level of FEA management complexity is caused by the specific nature of this kind of activity. This aspect is studied in detail in [1-4].

Uninvestigated parts of general matters defining. So far no research has explored the interconnection between the risk management subsystem and general management in FEA in terms of specific features determined by this type of activity. We consider this issue to be understudied, so it needs substantial examination and individual approach to its solution.

The research objective. The aim of this research is to develop the component of risk management in the system of FEA general management taking into account specific features of this type of activity.

The statement of basic materials. In the system of FEA management the agent of management has managerial influence on the controlled object (FEA which comprises four stages) using appropriate methods, principles and management instrumentation.

The agent of management in FEA, in our opinion, can comprise both entire departments and subdivisions of enterprise executive personnel, and individual employees of other corporate divisions which are not involved into the FEA management system. The total number of individuals as well as departments involved in carrying out FEA managerial processes depends chiefly on FEA scope, degree of its diversification according to geographical features, commercial properties and variety of FEA kinds.

The object of management is presented by contract foreign economic activity, i.e. processes related to concluding and implementing foreign economic contracts. In defining the object of management special emphasis is placed on the processes of implementing contracts by an enterprise, because, in our opinion, this concept is broader as it involves not only foreign economic operations (i.e. direct processes of interaction between enterprises and their foreign counterparts), but also internal processes related to providing and preparing enterprises to such interaction and fulfilling obligations.

The procedure called "Preparing managerial information" is complex and it involves, among other factors, identification of risks, analysis of these risks, definition of risk sources and factors that enhance FEA riskiness, risk matrix formation.

Defining sources of risks enables the enterprise to reveal the essence of certain foreign economic risks in a more comprehensive way and to efficiently systematize the identified FEA risks in order to manage them. Foreign economic risks can be better identified by using qualitative methods, expert evaluation in particular. Risk identification can be carried out in two ways: on the basis of FEA risk sources and by using predetermined factors that enhance FEA riskiness.

Foreign economic risk analysis presupposes the systematization of identified FEA risks with their further grouping according to the probability of their occurrence in FEA as well as determining possible departures from the planned effects of implementing foreign economic agreements for the enterprise. Such indicators are determined by expert examination and by previous collaboration with certain contractors or by carrying out similar or identical operations.

Picture 1 presents FEA risk management procedures on every stage of FEA.

The risks for which it is impossible to clarify the above mentioned characteristics and which cannot be included into the risk matrix even in their qualitative expression (pic. 2) are excluded from the total bank and are considered to be uncertainties and indeterminacies not risks.

Signs: ΔER – possible divergence from the expected result of the agreement in FEA, in % of the given contract amount; p – possibility of a risk in FEA; AR – an acceptable risk; UR – an unreasonable risk; RSM – a risk that requires special managerial actions.

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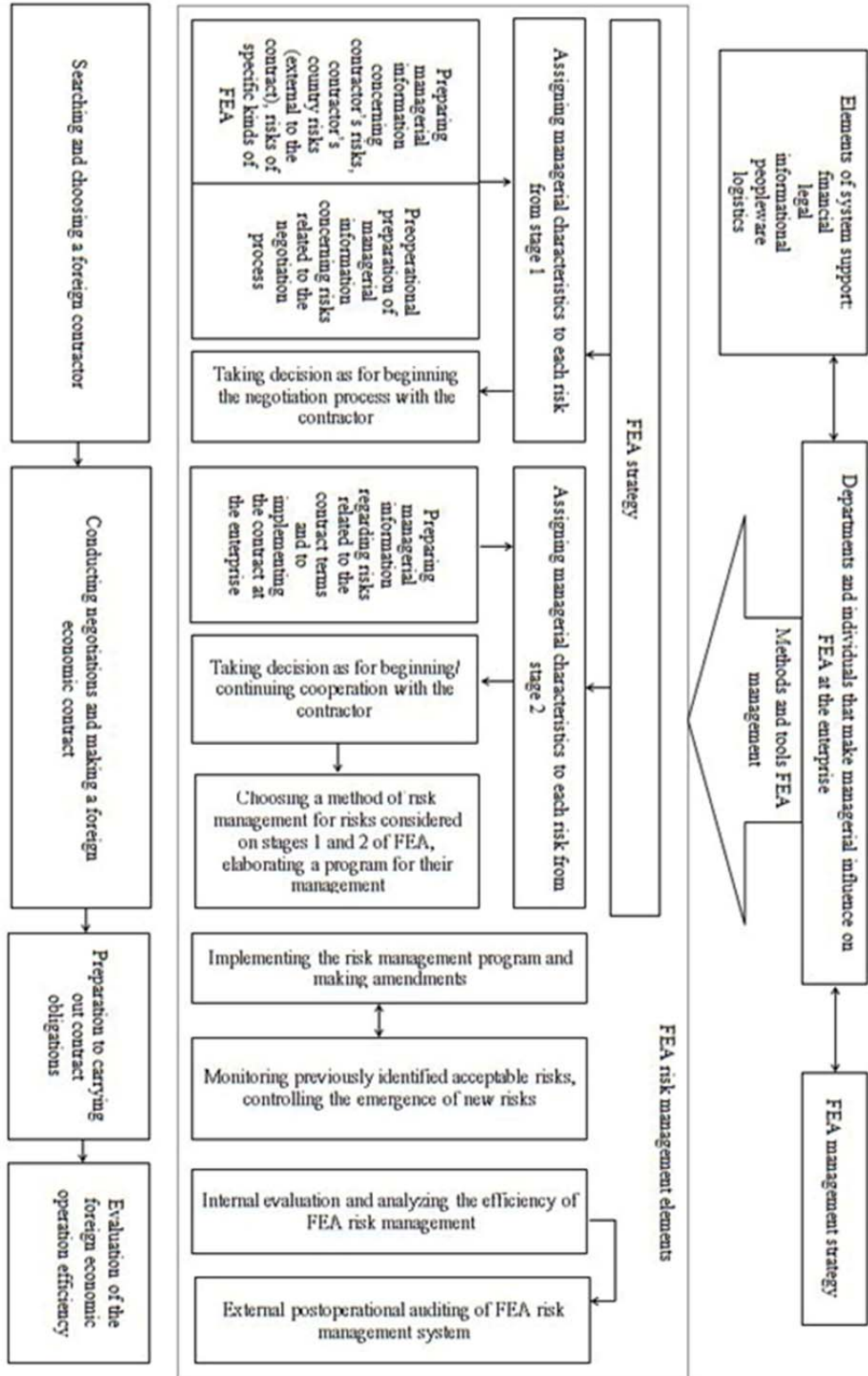


Fig. 1. FEA management system taking into account risks

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Assigning a managerial characteristic to a FEA risk presupposes its inclusion to one of three groups: an acceptable risk, a risk that requires special managerial actions, an unreasonable risk. The managerial staff responsible for this procedure should take into consideration the following factors: the place of the risk in the risk matrix, correlation between the management expenses and the expected results of fulfilling the foreign economic contract.

Possible divergence from the expected result	Probability of a risk case	Low ($p < 0,1$)	Average ($0,1 \leq p < 0,9$)	High ($p \geq 0,9$)
	Insignificant ($\Delta ER < 0,01\%$)	AR	RSM	RSM
Average ($0,01\% \leq \Delta ER < 0,1\%$)		RSM	RSM	RSM
Significant ($\Delta ER \geq 0,1\%$ of the contract sum)		RSM	RSM	UR

Fig. 2. Risk matrix of a foreign economic agreement

Expenses for managing FEA risks may include: expenses for informational support of managing FEA risks; transaction expenses; expenses for using the selected method of managing the FEA risk (insurance fees, making emergency funds, obtaining additional information, organizing preventive systems, a range of extra expenses connected with FEA diversification).

The normative value of the indicator of the management expenses and the total sum of the contract ratio should be formed at the enterprise taking into account its FEA strategic goals and financial means, it is influenced by how a person or people in charge treat the risk. It is recommended to use differential and interval values depending on the kind of FEA, status of the foreign partner (regular cooperation or one-time order), priority of the foreign market, FEA sector peculiarities. For example, without taking into consideration the above mentioned factors the average value of the indicator can be set within the limits up to 5-10%. Picture 3 and table 1 represent the algorithm of formation and the portfolio of foreign economic risks at an enterprise.

Table 1

Corporate FEA risks portfolio

№	Acceptable risks		Risks that requires managerial actions		Unreasonable risks		Elements of uncertainty and indeterminacy
	p	PD, %	p	PD, %	p	PD, %	
1							
2							
.....							
n							

Signs: p – probability of having a risk case; PD – possible divergences from the planned results of fulfilling the foreign economic agreement (in percentage to the contract amount).

After completing this procedure the management agent receives a FEA risk portfolio that may contain risks of three mentioned categories in order to provide information support to the process of decision making.

The next step is to find out whether the received risks portfolio corresponds to the enterprise’s strategic goals in FEA which is a starting point for making a decision as for beginning the negotiations with the contractor. In making this decision the FEA managers should take into account the following point: FEA itself is riskier than domestic economic activity so risks which would be considered high in the latter sphere are quite acceptable in FEA.

It is typical for the second stage to transform the information about FEA risks received from previous stages into a program of specific risk management actions for the risks that require it. For instance, it may lead to taking into account FEA risks when agreeing on the contract amount.

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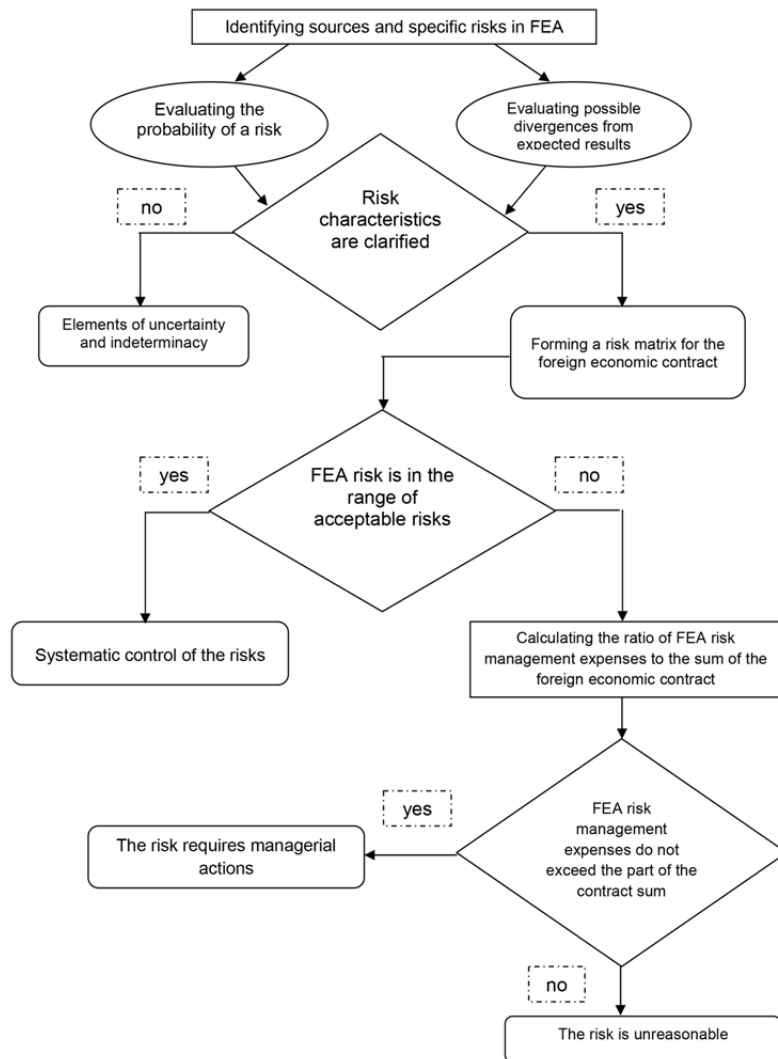


Fig. 3. Algorithm for making a FEA risk portfolio as a part of taking economic decisions in FEA

On the third stage of FEA foreign economic risk management procedures take place simultaneously (program implementation, risk monitoring, in case of risk increase – elaborating and adding extra actions to the program of FEA risk management). On the fourth stage internal analysis and external evaluation of FEA risk management components are done in consecutive order.

The internal analysis should be part and parcel of every management cycle while the external one may be carried out with some intervals (for example, every year, every half a year). Internal postoperational analysis is in the authority of the enterprise management and it is to find out:

1) whether there were any risk cases, which in particular and at what stages of FEA management cycle; causes and factors related to them. Special attention should be paid to the factors which could have been influenced by the enterprise by reducing them (in case of negative factors such as decrease in demand for the enterprise’s products in the world market) or intensifying them (for positive factors such as changes in the state policy and in regulating some aspects of FEA);

2) whether there were cases when actual divergences exceeded the forecasted possible divergences; whether the FEA risk management program has been efficient in practice.

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Conclusion. So, within the considered system of FEA management the management agent performs typical procedures for different FEA risks with the aim of saving time and resources. Such approach enables the enterprise to avoid excessive risks of lost possibilities which inevitably happens when it refuses to work with foreign contractors.

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